



Doing Business In Bangladesh: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Bangladesh

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Market Overview

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- Bangladesh is a semitropical riverine nation with fertile soil and a high vulnerability to floods and cyclones.
- Most Bangladeshis live in rural areas and make their living from agriculture, although there has been heavy migration to the cities, primarily to Dhaka, the capital.
- With over 140 million people crowded into an area the size of Iowa, Bangladesh has the highest population density of any country, except city-states such as Singapore.
- Bangladesh has experienced fairly robust economic growth during the last decade, which saw the restoration of a democratically elected government and a steady, albeit slow, liberalization of the economy.
- For the past 15 years, Bangladesh has seen trend growth in annual real GDP of around five percent. Real GDP growth for FY2005 (ended June 30) is provisionally reported as 5.38%. These growth rates, however, fall short of the estimated 7-9% annual real GDP growth needed to significantly reduce the poverty that afflicts one in three Bangladeshis.
- Inflation rates have continued to rise, averaging 6.48% FY2005 (Source: [Bangladesh Bureau of Statistics](#)).
- U.S. exports to Bangladesh in ten months (January-October 2005) were 276.4 million, while imports from Bangladesh during this period were \$2.25 billion. (Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233)
- An estimated eight million Bangladeshis have annual incomes well in excess of \$10,000. Heavily concentrated in Dhaka and Chittagong, they represent a sizable market for a wide range of goods and services.

Market Challenges

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- Despite a relatively good performance in the last decade, the economy is beset with many structural weaknesses, which the government has yet to address.
- Chief among these weaknesses are the undercapitalized financial sector, an unproductive and chronically money losing public sector, poor infrastructure, lack of export diversification, and pervasive corruption at all levels of society.
 - In October 2005, for the fifth time, Transparency International reported that Bangladesh is perceived to be the most corrupt country in the world.

- The failure of the political system to address these long-standing economic problems has adversely affected the business environment and investment climate.
- The initial impact of the end of the Multi-Fiber Arrangement on Bangladesh's textile and garment sector has been limited. In the medium term, many firms are well positioned to compete and are undertaking new investment, while marginal manufacturers face consolidation or closure. Exports have grown, especially in the knitwear subsector.

Market Opportunities

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- The leading commercial sectors for U.S. exports and investment are:
 - Electrical Power Systems
 - Textile Machinery/Equipment
 - Oil, Gas and Mineral Exploration/Production Services
 - Computers/Peripherals and Computer Software
 - Architectural, Construction and Engineering Services
- More generally, Bangladesh needs significant infrastructure development. Many infrastructure projects are financed by the multi-lateral development banks. Interested companies should monitor the web sites of these organizations for tender opportunities.
- The leading agricultural sectors for U.S. exports are:
 - Cotton
 - Wheat
 - Vegetable Oil
 - Apples

Market Entry Strategy

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- Personal relationships are important to selling products in Bangladesh. Many companies license dealers or distributors, or hire local agents to represent their products on an exclusive or non-exclusive basis.
- As companies become more established in the market, they may choose to open a branch or subsidiary.
- Many other companies service Bangladesh from their offices in the region, either in India or in Southeast Asia.
- Some consumer goods companies have established manufacturing facilities in Bangladesh.
- Some companies have begun granting franchise licenses in Bangladesh, including for casual theme restaurants, clothing, health spas and specialty goods.
- Successful companies adapt their products to the demands of the local marketplace. This may include smaller packaging to reduce retail pricing and marketing strategies that position the product as an inexpensive indulgence or unique gift.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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U.S. companies may appoint a Bangladeshi firm or individual as an exclusive or non-exclusive agent. The local agent should be reputable, imaginative, active, politically astute and well connected, and technically competent. A local agent may be authorized to service industrial consumers, to bid on government tenders, or to place orders or book indent orders for his own account.

Given the level of corruption that pervades Bangladesh, exporters are cautioned to screen carefully any potential agents working on their behalf. The U.S. Embassy's experience suggests that a significant proportion of local agents do not adhere to U.S. standards of business ethics. Many local agents admit to having paid bribes and using undue influence to get a contract awarded in public procurements. Although local agents routinely sign documents agreeing to comply with the Foreign Corrupt Practices Act, many of them continue to conduct under-the-table deals without the U.S. companies' knowledge or approval. Companies need to exercise significant caution when hiring local agents and thoroughly educate the agent about acceptable business practices. Companies also should monitor local agents' activities as closely as possible. Personal interviews are useful in discussing a business proposal with a potential agent or distributor. Close political ties with the government of the day do not automatically guarantee success, as new governments have delayed or re-tendered deals done by their predecessors.

It is also the Embassy's experience that a local agent, which represents many foreign companies, may not be as effective as an agent working solely on behalf of a U.S. firm, which can be more aggressive in pursuing a product or product line. An American firm seeking an agent in Bangladesh may wish to contact a district Department of Commerce office and request and pay for an International Partner Search (IPS) before deciding on

a local representative, or directly contact the U.S. Embassy. The Embassy charges \$600 and takes 30 working days to perform an IPS report. U.S. firms should carefully check a potential agent's financial soundness, sales capabilities, and contacts with public and private sector organizations.

Establishing an Office

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A business in Bangladesh may be organized as a sole proprietorship, a partnership, or as an incorporated or unincorporated association. Foreign investors normally form corporations in Bangladesh. Two broad categories of corporations exist: public and private. Companies of either type may be limited or unlimited. The liability of the shareholders of a limited company is restricted to the amount of share capital subscribed by them or held in their name. The liability of the shareholders of an unlimited company is not as restricted. A minimum of seven shareholders is required to establish a public limited company; there is no limit on the number of shareholders it may have. A private company requires a minimum of two shareholders, and its total number of shareholders may not exceed fifty.

Any foreign firm incorporated outside of Bangladesh must be registered in Bangladesh in order to carry out business. Business firms are incorporated and registered under the provisions of the Companies Act of 1994. The incorporation/registration is done by the [Registrar of Joint Stock Companies](#) and Firms, 24-25, Dilkusha C/A, Dhaka 1000, telephone: (880-2) 955-6398, fax: (880-2) 9554452. Any foreign firm with its corporate head office outside Bangladesh wishing to open a branch or liaison office must apply on a prescribed form to the [Board of Investment](#), Prime Minister's Office, Jiban Bima Tower, 10, Dilkusha Commercial Office, Dhaka 1000, Bangladesh, Telephone: (880-2) 9559378, Fax: (880-2) 9562312. The necessary forms may be found [here](#).

Franchising

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Although not prevalent, there are a small number of franchised businesses in Bangladesh. There are no regulations barring franchise operations. Some U.S. franchisors have granted franchises in Bangladesh during the last few years. Pizza Hut opened a restaurant in Dhaka in 2003, Gold's Gym granted a franchise in 2004 to one of Bangladesh's biggest business groups. A&W opened an outlet under a franchise agreement with a local business firm in 2004, as did Stained Glass Overlay. Several European clothing and fast food operations, including United Colors of Benetton, Movènpick and Wimpy's, have also opened over the last few years.

Direct Marketing

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There are no laws in Bangladesh regulating or prohibiting the direct marketing model of product distribution. The Embassy is not aware of any companies using direct marketing distribution in Bangladesh.

Bangladeshi businesses are eager to collaborate with foreign partners, and the BDG has significantly improved conditions for joint ventures in recent years. Local businessmen are particularly receptive to joint ventures in which the foreign partner provides the foreign exchange capital, equipment, technology, and expertise, and the local partner provides land, building(s), and knowledge of the domestic market. Joint ventures with 100% foreign ownership are permitted.

The Industrial Policy of 1991, updated in 1999, has been updated again. The new [Industrial Policy of 2005](#) is available online. This policy ensures equal treatment for local investment, joint ventures, and 100% foreign investment. According to the policy, no permission of the government is required to set up a joint venture project, although licensing requirements generally applicable to commercial activities may apply. The joint venture must also register with the [Board of Investment](#) (BOI), which enables the enterprise to obtain facilities such as import entitlement for raw materials and spare parts, land, and utility connections. The BOI is located at Jiban Bima Tower, 10 Dilkusha Commercial Area, Dhaka 1000, telephone: (880-2) 955-9378, fax: (880-2) 956-2312, e-mail: ecboi@bdmail.net. Apart from a two-page registration application available [here](#), the BOI does not require any additional documentation. Joint ventures with public sector corporations are also allowed, although clear policies and regulations do not always exist.

The BDG is the country's largest importer. Most government agencies, autonomous organizations, and public sector corporations import directly through public tenders, which are publicly announced or issued to registered suppliers.

The principal BDG organizations issuing public tenders:

- [Bangladesh Chemical Industries Corporation \(BCIC\)](#)
- [Bangladesh Oil, Gas and Mineral Corporation \(BOGMC or Petrobangla\)](#)
- [Bangladesh Power Development Board \(BPDB\)](#)
- [Bangladesh Steel & Engineering Corporation \(BSEC\)](#)
- [Bangladesh Sugar & Food Industries Corporation \(BSFIC\)](#)
- [Bangladesh Telephone & Telegraph Board \(BTTB\)](#)
- Civil Aviation Authority of Bangladesh (CAAB)
- Department of Health and Family Planning
- [Dhaka Electric Supply Authority \(DESA\)](#)
- Directorate General of Defense Purchase (DGDP)
- [Rural Electrification Board \(REB\)](#)
- [Support to ICT Task Force Program Project](#)
- Trading Corporation of Bangladesh (TCB)
- Water and Sewage Authority (WASA)

A large number of public tenders are published in the local media. The U.S. Embassy's Commercial Section monitors all bid announcements and reports the significant ones promptly as "Trade Leads" in the CMS system. These trade leads can be found at this

website "[Export.Gov Trade Leads](#)" by simply selecting country and industry. The Office of International Projects (OIMP), Room 2015-B, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230, and telephone: (202) 377-2373 also tracks all multilateral development bank projects valued at over \$5 million. The U.S. Department of Commerce's Office of South Asia receives Information on tenders under \$5 million. Their telephone number is (202) 377-2954.

Distribution and Sales Channels

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The primary channels for selling U.S. goods in Bangladesh are through a resident agent or representative, licensed distributors, and through sales to importers and wholesalers. An agent may be appointed on an exclusive or non-exclusive basis. Approximately half of Bangladesh's imports are made through tender or direct purchase by public sector corporations, autonomous bodies, and government-controlled corporations. These agencies prefer to deal with local firms acting as exclusive agents or licensed distributors of foreign manufacturers and suppliers. An exclusive agency or distributorship arrangement ensures that foreign suppliers submit only one bid.

In the private sector, too, businesses prefer to deal with exclusive agents to ensure after-sales service and continuous supply of spare parts, and to resolve any future technical problems. It is also helpful for a foreign firm to have an exclusive agent in order to monitor the progress of major projects, provide information on upcoming sales opportunities, and work out strategies to win tenders. Non-exclusive arrangements are common for commodities such as cotton, wheat, edible oil, chemicals, and metals, where brand names are not as important.

Although there are some large commercial groups in Bangladesh that purchase in bulk for distribution through their own retail outlets, direct sales to retailers are not common. The typical retail shop sells a single commodity, such as tires, cooking utensils, or jewelry. It is frequently located in a crowded bazaar area near other shops carrying similar goods and is likely to be small. While many retail stores carry general merchandise, only a few carry a wide enough range to be considered small department stores. Urban and rural retailers purchase their inventories from wholesalers located in the major urban areas.

Selling Factors/Techniques

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One of the most important selling factors in marketing U.S. products is selecting an efficient and effective local agent or distributor. U.S. firms should carefully consider their potential partner's financial soundness, sales capabilities, and, most important, close contact with public and private sector organizations. The local agent/distributor should be instructed to provide advance information regarding potential government purchases, since the government's tender procedures are complicated and require considerable paper work and lead time to prepare a sound, competitive bid.

Local companies should be given adequate product information and training in order to promote U.S. firms' products/services in the local market. Promotional materials such as product brochures, catalogs, posters for display, and specific media advertisements

greatly assist a local agent in selling his principal's products/services. U.S. firms should also consider promoting their products/services through the annual U.S. Trade Show held in Dhaka, or participate in the U.S. Embassy's annual catalog exhibition series. Details on the trade show are available from the Executive Director, [American Chamber of Commerce in Bangladesh](#) (AMCHAM), Room 319, Dhaka Sheraton Hotel, 1 Minto Road, GPO Box 504, Dhaka 1000, telephone: (880-2) 861-3391, fax: (880-2) 831-2915, e-mail: amcham@bangla.net. The annual U.S. Trade Show typically takes place in January or February.

The [Export Promotion Bureau \(EPB\)](#), a government entity responsible for promoting Bangladesh's exports, organizes the annual Dhaka International Trade Fair. Apart from local companies, foreign firms also participate in this event. Details on this are available at the [DITF](#) website.

Electronic Commerce

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Electronic commerce is very limited in Bangladesh. Business-to-Business e-commerce is practiced on a limited scale in the export sector of Bangladesh, especially in the Ready Made Garments (RMG) industry. While a few government agencies have established websites with information on upcoming tenders, practically none of these agencies conduct transactions electronically. Consumer e-commerce is limited to Internet banking offered by a few international banks operating in Bangladesh.

There are many impediments to the expansion of e-commerce in Bangladesh. Principal among these are low per capital income, weak telecommunications infrastructure, and lack of trust between business and consumers. The legal environment does not yet support e-commerce. For example, under the Evidence Act, 1881, a physical signature is necessary to make any contract legal, which makes electronic contracts void.

The government prepared a draft e-commerce law in 2005 that is intended to (a) facilitate electronic communications (b) facilitate electronic commerce, (c) facilitate electronic filing of documents with government agencies and (d) minimize the incidence of forged electronic records. The draft is presently undergoing revisions and is expected to be submitted to Parliament for passage in 2006.

Bangladesh now has about 20 Internet service providers offering full Internet access, and an additional 43 ISPs offering limited internet connectivity. Commercial connections are typically delivered using wireless or microwave connections to the office building. Bandwidth is expensive compared to rates in the region and in developed countries. Standard consumer "broadband" (an always-on WAN connection) speeds average 32 kbs, which is less than typical U.S. dial-up services. Connections often share bandwidth, further degrading connection speeds especially during peak hours. Some fax and phone retailers also offer e-mail services. An increasing number of Cyber-cafes can be found in major cities.

Trade Promotion and Advertising

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Bangladesh has a small but growing advertising and market research industry. Product and trade advertisements are the most commonly used sales promotion vehicle in

Bangladesh, and are carried through the whole range of advertising media, including newspapers, magazines, radio and television, billboards, posters, film shorts, and local exhibitions.

Bangladesh has a large and vigorous newspaper and magazine sector, with over 200 English and Bangla newspapers and magazines, including over 100 dailies. The principal English-language dailies published in Dhaka include [The Daily Star](#), [The Bangladesh Observer](#), [The Financial Express](#), [The Independent](#) and [New Age](#). The primary Bangla dailies are [Jugantar](#), [Ittefaq](#), [Prothom Alo](#), [Amar Desh](#), [Jana Kantha](#), [Manab Zamin](#), and [Naya Digonto](#).

Bangladesh now has six private domestic television stations: [Channel-I](#), [ATN Bangla](#), [nTV](#), [R TV](#), Bangla Vision and Boishakhi. Bangla Vision and Baishakhi are conducting test transmissions and are expected to commence commercial operations early in 2006. The government-run "[Radio Bangladesh](#)" offers commercial advertisements, generally in Bangla, but government-run [Bangladesh Television \(BTV\)](#) carries many advertisements in English as well as Bangla. Broadcast hours of public and private stations vary, with some offering 24 hour coverage.

Satellite television is increasingly popular in urban areas, with most programs beamed from Hong Kong (Star TV) and India. CNN, BBC, and other channels from the U.S. and Europe are also available through local or regional distributors and may carry local advertising. Local cable TV companies, which have sprung up in Dhaka and Chittagong during the last three years, offer a relatively wide selection of foreign programming.

The [Export Promotion Bureau](#) is the local authority that arranges trade fairs both in country and outside of the country.

Pricing

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Other than a few essential pharmaceutical products and petroleum products, the BDG does not impose price controls. Market pricing prevails. Due to inefficiencies in the market, the price level for most products is higher in Bangladesh than would be the case in an efficient market. VAT and excise taxes are imposed at various rates, depending on the class of goods, but are not uniformly collected from all sellers in the marketplace. Enforcement sometimes discriminates against foreign suppliers, giving domestic suppliers an implicit price subsidy.

Sales Service/Customer Support

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Sales service and customer support are critical, particularly for private sector customers. Marketing consumer durables such as electric generators, capital machinery, and large air conditioning plants requires sound technical support for installation as well as maintenance needs. Agents of U.S. firms dealing with these products should maintain sufficient technical staff and spare parts stock to support their customers. The same holds true for computer hardware and software.

Protecting Your Intellectual Property

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Bangladesh has been a member of the World Intellectual Property Organization (WIPO) in Geneva since 1985. Bangladesh is a signatory of the Uruguay Round agreements, including the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). As a Least-developed country, Bangladesh has been given until July 1, 2013 to provide protection for trademarks, copyright, patents and other intellectual property under the WTO's agreement, following a decision reached by member governments in December 2005 in Hong Kong. The BDG enacted a Copyright Law in July 2000, updating its copyright system and bringing the country's copyright regime into compliance with TRIPS. The government is drafting legislation to implement its TRIPS obligations with respect to patents and trademarks and as of December 2005 the legislation was with the Ministry of Law and Parliamentary Affairs for vetting.

Protection of intellectual property rights in Bangladesh has worsened and is becoming a serious concern. Intellectual property infringement is common, particularly of computer software, motion pictures, pharmaceutical products, CDs/DVDs, and audio and videocassettes. Enforcement of IPR laws is lax.

The BDG has been urged to move quickly to improve protection. The U.S. Trade Representative's "Special 301" Watch List, which identifies countries that deny adequate and effective protection of intellectual property rights or deny fair and equitable market access for persons that rely on intellectual property protection, has never included Bangladesh. In 2003, however, a U.S. trade association proposed adding Bangladesh to the Watch List.

For additional information on intellectual property protection in Bangladesh, please see the section on [Protection of Property Rights](#).

Due Diligence

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Traditional commercial instruments, like letters of credit, may be used to protect buyers and sellers from basic transactional risks. When considering a more extensive commercial relationship, however, U.S. businesses are advised to exercise due diligence appropriate to the relationship. To check the bona fides of a bank, agent, or customer, U.S. firms can contact one of several Bangladeshi chambers of commerce or business associations. The U.S. Embassy's Commercial Section may also be able to provide some useful information. No fee is charged for primary information about firms. For a more detailed check, the U.S. Embassy offers the International Company Profile (ICP) service. An ICP is a confidential business report providing background information on individual Bangladeshi firms. Each report includes information on product lines, value and size of business, volume of operations, business reputation, and trade references. U.S. firms may request an ICP by contacting the U.S. Department of Commerce or the nearest Export Assistance Center in the United States or directly contacting us at [US Trade Center - Dhaka](#). [The US Department of Commerce](#) is located at 1401 Constitution Avenue, NW, Washington, DC 20230. For US Export Assistance Centers, please visit [this link](#) and choose the nearest Export Assistance Center.

The fee for an ICP is U.S. \$500 and it is prepared within 30 working days from the date of request. U.S. firms requesting an ICP may send a check amounting US \$500 in favor of "U.S. Embassy, Dhaka, Bangladesh" drawn on an American Bank located in United States. The check should be sent to:

Ms. Dayle Johns
Economic Commercial Officer
American Embassy, Dhaka
U.S. Department of State
Washington, D.C. 20521-6120

US firms may also make payment by wire transfer:

Swift Code: CITIBDDX
Account Name: USDO
Account Number: 300003001
Bank's Name & Address: CITIBANK N.A
122-124 Motijheel Commercial Area
Dhaka, Bangladesh

Please alert us to the transfer by email to [US Trade Center - Dhaka](#).

Local Professional Services

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We suggest the following web links for the principal professional associations and business chambers in Bangladesh:

[American Chamber of Commerce in Bangladesh \(AmCham\)](#)
[Association for Economic and Development Studies on Bangladesh](#)
[Dhaka Chamber of Commerce](#)
[Federation of Bangladesh Chambers of Commerce and Industry \(FBCCI\)](#)
[Foreign Investors' Chambers of Commerce & Industry \(FICCI\)](#)
[Metropolitan Chamber of Commerce and Industry, Dhaka \(MCCI\)](#)
[The Institute of Chartered Accountants of Bangladesh](#)
[The Institute of Cost and Management Accountants of Bangladesh](#)

Web Resources

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[American Chamber of Commerce in Bangladesh \(AmCham\)](#)
[Association for Economic and Development Studies on Bangladesh](#)
[Radio Bangladesh](#)
[Bangladesh Television \(BTV\)](#)
[ATN Bangla](#)
[Bangladesh](#)
[Bangladesh Observer](#)
[Board of Investment - Bangladesh](#)

[Center for Policy Dialogue](#)
[Development Design Consultants Ltd. \(DDC\)Channel i TV](#)
[R TV](#)
[Bangladesh Net Information Portal](#)
[Velki Bangladesh Business & Information DirectoryDaily Ittefaq](#)
[Daily Janakantha](#)
[Daily Naya Diganta](#)
[Daily Prothom Alo](#)
[Daily Star](#)
[Amar Desh](#)
[Manab Zamin](#)
[Department of Commerce](#)
[Dhaka Chamber of Commerce](#)
[Export Promotion Bureau](#)
[Federation of Bangladesh Chambers of Commerce & Industry \(FBCCI\)](#)
[Financial Express](#)
[Independent](#)
[Jugantor Daily](#)
[Metropolitan Chamber of Commerce & Industry \(MCCI\)](#)
[New Age](#)
[NTV Bangla](#)
[Survey Research Group of Bangladesh \[SRGB\]](#)
[The Institute of Chartered Accountants of Bangladesh](#)
[The Institute of Cost and Management Accountants of Bangladesh](#)
[U.S. Export Assistance Center](#)
[Velki Bangladesh Business & Information Directory](#)
[Bangladesh Bureau of Statistics](#)
[Bangladesh Yellow pages](#)
[Bangladesh Development Gateway](#)
[Survey Research Group of Bangladesh \(SRGB\)](#)
[Registrar of Joint Stock Companies and Firms](#)
[Industrial Policy of 2005](#)

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Chapter 4: Leading Sectors for U.S. Export and Investment

Agricultural Sectors

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- [Wheat](#)
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- [Apples](#)

Commercial Sectors

- [Electrical Power Systems](#)
- [Textile Machinery/Equipment](#)
- [Oil, Gas, and Mineral Exploration/Production Services](#)
- [Computers/Peripherals and Computer Software](#)
- [Architectural, Construction and Engineering Services](#)

Electrical Power Systems

Overview

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	2002	2003	2004 (estimated)
Total Market Size	35 Million	40 Million	N/A
Total Local Production	Nil	Nil	Nil
Total Exports	Nil	Nil	Nil
Total Imports	35 Million (estimated)	40 Million (estimated)	Nil
Imports from the U.S.	\$11 million	\$14 million	N/A

Bangladesh currently possesses an installed capacity of 4,700 MW, with peak generation capacity of between 3,600 MW and 3,700 MW. The current forecast is to increase the generation capacity to 5,200 MW by 2005 and 7,000 MW by 2007, raising the total proportion of electricity supplied by independent power producers from 21% to 35%. The government is trying hard to increase the access of the people to electricity from the present level of 35 percent to at least 47 percent by 2007. In order to meet its target for expanding electricity generation, the BDG plans to make the following investments through 2007: additional generating capacity of 3,000 MW (\$1.6 billion); construction of a 1,555 km 230/132 kV transmission line, 22 new 230/132 and 132/33 kV substations, and rehabilitation of 29 existing substations (\$0.8 billion); construction of a 6,000 km distribution lines and associated 33/11 kV substations (\$1.2 billion); construction of a load dispatch center (\$30 million); rehabilitation of existing power plants (\$50 million); and new 100-150 MW captive generation plants (mainly gas generators from private sector vendors) for local industries and commercial installations (\$50 million).

Such an ambitious goal will only be achieved with private sector participation, a growing trend in South Asia. To attract long-term foreign investment in the power sector, however, the BDG will need to prove its ability to pay for purchased power. The BDG also must be seen by the international financial community as an attractive destination for project financing and must implement a supportive regulatory framework for private power development.

The ADB and the World Bank are both involved in promoting necessary policy reforms and in financing plant construction. Thus far, the ADB has pledged about \$250 million for this sector. A number of donors, facilitated by a long-standing USAID bilateral program, are providing commodity and technical assistance in rural electrification. USAID, through its bilateral and South Asia Regional Initiative on Energy (SARI/E) programs, and a number of other donors also are providing assistance in the power generation, transmission, and distribution areas.

In December 2005, an agreement was signed between the German and Bangladesh governments whereby the German government committed to grant 16.5 million euro (around US \$20 million) for a Renewable Energy Project (project duration is 5 years).

This project now will go to the ECNEC for approval. Once approved, the implementation is expected to begin in 2006 and will end in 2010.

The dominant energy source in Bangladesh is natural gas, which accounts for 75 percent of all commercial power generation. Bangladesh has estimated reserves of about 14-16 trillion cubic feet (tcf), with an additional 32-40 tcf in unproven gas resources. There is limited scope for coal-fired power plants; one plant is under construction in the northwest, where coal deposits are located, although environmental and cost concerns still make the plant of questionable viability. While prospects for renewable energy technologies are not very bright, the BDG has plans to install several wind and solar energy pilot plants in remote areas.

Short-term export prospects are good for transformers, treated wood poles, pre-paid electric meters, pilfer-proof digital meters, insulators, surge protectors, line tools, commercial diesel and gas generator sets, and spare parts for U.S. and U.S.-licensed turbines in government-run power plants. The government has also announced a policy to promote private investment in small power plants (less than 100 MW) that could be installed more quickly to meet excess demand, including a to set up barge-mounted/skid-mounted power plants. They are also planning to buy electricity from privately owned and operated captive power plants. The government's small power plants initiative has been delayed due to alleged procurement irregularities. As a result, the government is revising its procurement procedures generally in anticipation of proceeding with these projects.

Best Prospects/Services

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Generators, substations, transmission cables and power plants

Opportunities

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By 2007, Bangladesh needs to generate an additional 3,000 MW of power.

Resources

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[Bangladesh Power Development Board](#)
[Energy And Mineral Resources Division \(EMRD\)](#)

Textile Machinery/Equipment

Overview

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	2002	2003	2004 (estimated)
Total Market Size	\$ 80 Million	\$ 100 Million	\$ 110 Million (estimated)
Total Local Production	Nil	Nil	Nil
Total Exports	Nil	Nil	Nil
Total Imports	\$ 80 Million (estimated)	\$ 100 Million (estimated)	\$ 110 million (estimated)
Imports from the U.S.	\$10 Million (estimated)	\$ 6.2 Million (estimated)	\$ 8 Million (estimated)

Bangladesh exported in FY2005 about \$6.4 billion worth of garments to Europe, Canada, Japan, Australia, the U.S. and other countries, with about 31% destined for the U.S. Until the end of 2002 or early 2003, Bangladesh garment manufacturers imported up to 75 percent of their raw materials requirements. Since then, Bangladesh has achieved remarkable success in slashing overall raw materials import, which is now only 35% with 64.67% value addition (source: BGMEA, BKMEA). This success reflects the development of stronger backward linkages for the textile industry and the relentless efforts of the country's major garment exporters associations, with necessary encouragement from the government. Around 70 percent of the raw materials for knitwear sector are now produced domestically, while 30 percent of all woven materials are produced domestically. This development of additional backward linkages continues, as export growth increases the demand for raw materials inputs.

The knitwear sector is expanding rapidly following the end of textile quotas under the Multi-fiber Arrangement and there is significant investment in new factories and equipment to meet growing demand. Existing companies continue to invest in new machinery to improve efficiency and remain competitive in the market. The market for textile machinery and components is expected to grow steadily over the next several years, and U.S. suppliers of sophisticated weaving, spinning, finishing and dyeing machinery should find a ready market. New machinery from Japan, Korea, Britain, Switzerland, and Germany presents stiff competition in this market. There have been signs of increased interest in new, used, and reconditioned equipment from the U.S., which often offers better value. Sellers should be aware, however, that Bangladeshi buyers have complained in the past about a lack of information and responsiveness from U.S. vendors of used and reconditioned equipment. Bangladeshi buyers typically prefer to see a demonstration of the machinery they intend to purchase.

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Textile machinery and equipment.

Opportunities

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Bangladesh needs to add a large number of textile factories to provide backward linkage services to the RMG sector. Bangladesh continues to add production capacity to meet rapidly growing demand for Bangladeshi knitwear products as well as growth in woven garment exports.

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[Bangladesh Garment Manufacturers and Exporters Association \(BGMEA\)](#)

[Bangladesh Knitwear Manufacturer & Exporters Association \(BKMEA\)](#)

Oil, Gas, and Mineral Exploration/Production Services

Overview

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	2002	2003	2004 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	\$ 1.1 Million	N/A	N/A

Foreign oil companies have been involved in the country's exploration activities since 1908. They played an important role in the early exploration phase with the discovery of seven gas fields including Bakhrabad, Chhatak, Habiganj, Kailastila, Rashidpur, Sylhet, and Titas, with a cumulative initial gas reserve of over 14 TCF as per recent estimation ([Petrobangla](#)).

The official estimate of Bangladesh's proven natural gas reserves is about 14-16 trillion standard cubic feet (TCF). The U.S. Geological Survey and the Norwegian Petroleum Directorate estimate that Bangladesh has 32-40 tcf of additional natural gas resources. Subsidiaries of the national petroleum company, Petrobangla, and two foreign firms produce an average of 1.1 million cubic feet per day (mmcf), supplying 75% of Bangladesh's commercial energy consumption. A consortium of Cairn Energy (UK), Shell (Dutch), and Halliburton Energy Development (U.S.) delivers about 130-150 mmcf to Petrobangla. The U.S. firm Unocal, which bought out Occidental Petroleum's Bangladesh interests, is delivering approximately 80-85 mmcf of natural gas to Petrobangla. Gas-fired power plants and urea fertilizer plants have left little additional gas supplies to meet any additional demand. The inadequate gas distribution and transmission system is considered by experts to be a serious bottleneck to growth. In order to increase investment and expertise in developing known gas fields, Petrobangla has additional exploration and development contracts with the U.S. firms Unocal (acquired by Chevron), Ocean Energy (former United Meridian International), and ChevronTexaco, as well as Shell, Cairn, and Tullow (UK).

The gas distribution bottleneck is being addressed by projects financed by the World Bank and the Asian Development Bank (ADB). Through the Gas Sector Development Strategy and Gas Sector Development Program, the World Bank and ADB are prodding the government toward private sector participation in gas transmission and development activities. Under donor programs, funding will be provided for gas dehydration facilities, new wells, better gas distribution, and other components to modernize and improve the existing gas pipeline network.

Petrobangla and its subsidiaries regularly publish bid notices for piping and facilities construction. U.S. firms have won such contracts in the past.

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Oil and gas exploration equipment and transmission pipe.

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A number of oil and gas companies are working in Bangladesh and they need support services.

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[Bangladesh Oil, Gas and Mineral Corp \(PetroBangla\)](#)

[South Asia Regional Initiative for Energy Cooperation and Development \(SARI/Energy\)](#)

Computers/Peripherals and Computer Software

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	2002	2003	2004 (estimated)
Total Market Size	\$ 25 Million	\$ 32 Million	\$ 37 Million
Total Local Production	Nil	Nil	Nil
Total Exports	Nil	Nil	Nil
Total Imports	\$ 25 Million	\$ 32 Million	\$ 37 Million
Imports from the U.S.	\$ 3.7 Million	\$ 2.2 Million	\$ 2.5 Million

The computer hardware, peripherals, and software market is worth approximately \$32 million and increasing by 15% per year. The U.S. share of this market is about 55%. There are approximately 750,000 desktop PCs in Bangladesh, with sales dominated by locally assembled clones (85%). A large number of computer assemblers import motherboards and other components from Taiwan and South Korea. However, the software and peripherals market is largely dominated by U.S. brands.

Strong customer preference for U.S. computers and a zero import tariff points to good prospects for increased sales. There is no duty on the importation of computer items. Most vendors are targeting small offices and home users. A growing number of computer training schools, including one sponsored by Microsoft, will increase skilled computer personnel. Since the introduction of Internet services in 1997, a growing number of businesses and individuals are buying computers for their communications needs. The central bank, the government-owned commercial banks, and private banks are continuing to computerize operations. Several local and foreign banks have installed ATM machines in various parts of Dhaka city. U.S. industry could capture the majority of this market, given senior bank management's familiarity with and preference for U.S.-made computers.

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Computer hardware and software

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Bangladesh computer market is increasing 15% every year.

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[Bangladesh Assoc. of Software & Info Services \(BASIS\)](#)

[Bangladesh Computer Samity](#)

[Bangladesh Computer Council \(BCC\)](#)

Architectural, Construction and Engineering Services

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	2002	2003	2004 (estimated)
Total Market Size	\$ 20 Million (estimated)	\$ 20 Million (estimated)	N/A
Total Local Production	\$ 15 Million	\$ 15 Million	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	\$ 5 Million (estimated)	\$ 5 Million (estimated)	N/A

U.S. architectural, construction, and engineering services, and design and supervision consultants are competitive in Bangladesh. Most donor-funded infrastructure projects require consultant services. The estimated total market for engineering consultant services is over \$20 million each year, of which the U.S. market share is about 25%. While Asian firms are usually more cost-competitive in construction work, the BDG seems to prefer U.S. or European consultants to do project design and supervision. With new road and bridge construction projects in the works, the demand for engineering consultants is likely to increase.

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Consulting services

Opportunities

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Bangladesh construction industry is growing with funding from BDG, World Bank and other different agencies.

Resources

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[Government of the People's Republic of Bangladesh](#)
[World Bank Group](#)

Agricultural Sectors

Cotton

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The U.S. has been the second major supplier of raw cotton to Bangladesh, providing 30% of total cotton imports (370,000 metric tons) in FY2004. Country's raw cotton imports have been increasing at about 10% per year since 1995. The countries comprising of the former Soviet Union (CIS countries) have emerged as the major competitor to US cotton. It is evident from the market trend that the competitive price of U.S. cotton may help boost up US share in the cotton import market of Bangladesh to 40 percent. At high price of us cotton compared to its competitors, US share may still continue to sustain at around 20 percent. In value term U.S. raw cotton exports to Bangladesh in FY2003 and FY2004 totaled \$57.0 million and \$71.3 million respectively.

Bangladesh is a growing market for ELS and superior quality cotton. Approximately 40% of cotton imports are destined for export oriented spinning mills. These mills regularly import U.S. Pima and Upland cottons and appreciate U.S. quality, consistency and better ginning out turn, and are obliged to pay reasonably higher prices. However, high freights costs and longer delivery periods often lead Bangladeshi importers to source their cotton from non-American suppliers. In addition to favorable price competitiveness, export credit program and direct contacts between Bangladeshi buyers and U.S. suppliers through exchange visits offering training to the textile sector people and participation in the trade shows could contribute to the further success of U.S. raw cotton export to Bangladesh.

In the early 1990s, export-oriented woven, hosiery and knitwear garments were entirely dependent on imported fabrics and yarns. Export bonuses at a rate of 25% for locally manufactured garments played a key role in enhancing the private textile mills' ability to supply yarns and fabrics for export garments. Recently, however, the BDG reduced cash incentives for the export oriented textile sector to 5 percent. The country produces only about 210 million kilograms (kg) of yarn, although there is domestic demand for 500 million kg. While 35% of yarn requirements for garment exports are met from domestic production, the shortfall is typically met through bonded imports. Most of the bonded yarns are imported from India, which protects domestic producers by keeping raw cotton prices for domestic mills around 20% cheaper than the export price of raw cotton. As India does not produce short and long staple cotton, Bangladeshi mills can compete with India in spinning lower and higher counts yarns.

Presently Bangladesh has 158 spinning mills, 151 weaving mills, and 282 dyeing/finishing mills, 300 knitting, knit dyeing and finishing plants, and 3,000 ready-made garments plants. This industrial base is capable of supplying around 90% of the knitwear fabrics and 40-45% of the woven fabrics for the country's export oriented ready-made garment sector. Industry sources estimate that the country needs a total of 230 spinning mills (25,000 spindles each), 350 weaving mills (12 million meters per year) and 320 dyeing/finishing mills (12 million meters per year) to meet the current level of domestic and export demands for hosiery, knitwear and garments.

In spite of high international price, wheat imports are projected to reach 1.8 million tons in FY2006 amid tough competition from low priced rice from India and low domestic production of only 1.25 million tons compared to about 2 million tons in 1998/99. Food availability in the current year is facing a challenge due to lower domestic production of food grain, high international price, shortage of supply from India and devaluation of local currency against US dollar. Bangladesh Trade policy is liberal compared to the other countries of this region; with no quantitative restriction that allows the private sector quickly plan their import to meet the local demand. Domestic production of rice and prices of foodgrains are important factor to be considered by the importers. Local production of wheat is sufficient to meet only 40 to 45 percent of the total wheat consumption of the country. At the surge of foodgrain prices, government is now considering zero tariffs for wheat imports.

From the mid-1980s until the early-1990s the U.S. was the dominant supplier of wheat to Bangladesh. With the suspension of the U.S. Export Enhancement Program (EEP), however, Bangladesh began to purchase cheap wheat from elsewhere. While some private millers continue to select U.S. wheat to meet demand for high quality flour, most have switched to lower-priced wheat from India and Australia. Wheat has established itself as a second staple in Bangladesh with consumption largely influenced by the price and availability of rice. In the recent years, however, the urban population has started substituting wheat for rice in their daily diet, and the demand by restaurants coupled with the rapid growth of the poultry feed industry is generating a demand for 100,000-200,000 additional tons of wheat per year.

Vegetable oils are normally imported in crude form (crude degummed soybean oil and crude palm oil) and refined in the local refineries before they are marketed for local consumptions. Edible oil imports in 2004/05 were estimated to be 970,000 tons up by 4.3 percent from 2003/4 imports. The sustained price competitiveness versus soybean oil resulted in imports of an estimated 500,000 tons of palm oil, the rest being soybean oil. Next year's oil imports are forecast to reach 1 million tons, with market shares of soy and palm oils heavily affected by price competitiveness.

A large majority of the refiners through diluting soybean oil with palm oil exploit the overwhelming consumer's preference for soybean oil especially for summer season selling. The blending proportions tilt towards palm oil when price difference between these two kinds of oils and their transportation costs widen.

A Bangladeshi company imported about 24,000 tons of Crude Degummed Soybean Oil (CDSO) from the U.S. in 2002, the first commercial vegetable oil imports from the U.S. in previous five years. This was due to competitive U.S. prices vis-à-vis South American suppliers and to the American Soybean Association's export promotion initiatives. To date in 2004/5, there have been no imports of CDSO. Bangladesh also imports small quantities (around 16,000-20,000 tons per year) of refined soybean oil and refined palm oil. In 2004 a Bangladesh company has arranged to import a small quantity (300 tons) of refined soybean oil in consumer pack from US. This company has planned to import around 1200 tons each year depending on the consumer's response to their present imports. As a counter measure against soaring prices, the Government slashed the import duty on refined edible oil to 7.5 percent from 32.5 percent, which has put the refiners (importers of crude edible oils) on an even playing field with the refined edible oil importers.

The consumption of edible oil in Bangladesh is growing at 5 percent in the recent years and the trend is likely to continue in the coming years too. Soybean oil is likely to continue to dominate because of overwhelming consumer preference.

Bangladesh is a net importer of apples. Supplies come from India (the dominant and cheapest source due to its proximity), Bhutan, South Africa, Australia, China, and the U.S. American apples represent the gourmet end of the market, with limited supplies of the Washington Red Delicious and yellow apples. Bangladesh imported 1,220 tons of U.S. apples in 2004, worth about \$0.7 million as compared to 2850 tons in 2003 worth about \$1.6 million. Although consumers prefer U.S. apples for their higher quality, price hinders its faster growth in the Bangladeshi market. The US suppliers do have a negative impression about the preferences of quality and price among the Bangladeshi consumer that really does not represent the local market. In spite of heavily burdened with tariff, import and consumption apple in Bangladesh has been growing at about 3-4% a year.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The stated policy of the government of Bangladesh (BDG) is to pursue foreign investment actively, and it has enacted a number of policies to this end. There are no distinctions between foreign and domestic private investors regarding investment incentives or export and import policies. Incentives for investors include: 100% ownership in most sectors; tax holidays; reduced import duties on capital machinery and spares; duty-free imports for 100% exporters; and tax exemptions. There are few performance requirements, and these do not generally present a problem for foreign investors. Customs bonded warehouses assist exporters. Free repatriation of profits is allowed and is almost fully convertible on the current account. Although discrimination against foreign investors is not widespread, some discriminatory policies and regulations exist. For example, advertisements for imported products are assessed a 60% advertising surcharge for television spots on state-owned television.

Major laws affecting foreign investment are the Foreign Private Investment Act of 1980, the [Industrial Policy of 2005](#), the Bangladesh Export Processing Zones Authority Act of 1980, the Companies Act, 1994, and the Telecommunications Act, 2001. Trade has gradually been liberalized over the past five years, although import duties and supplemental taxes remain high and constitute the largest single sources of government revenue.

The FY2004 budget reduced the maximum import duty rate by 5% to 25%. The 2005 budget did not change this, but in August 2005, a couple of months after the announcement of the national budget for FY2006, the government reduced the minimum duty rate to 6% instead of 7.5%. The 2005 budget also adjusted supplementary duty at

four slabs on the imports of products of general nature. See the section on [Import Tariffs](#).

No prior approval is required for foreign direct investment except registration with the BDG Board of Investment (BOI). Registration with BOI is necessary to obtain benefits such as importing machinery at concessionary duty rates or importing items on the "restricted list." BOI also administers the approval of foreign loans and technology remittances on behalf of Bangladesh Bank. Authority within the government of Bangladesh for dealing with foreign investments, however, is fragmented. BOI, frequently touted as a one-stop shop for all investors, is set up only to register investors in industrial projects outside the export processing zones (EPZs) and assist them with tax inquiries, land acquisition, utility hook-ups, and incorporation. The corresponding EPZ authority is the Bangladesh Export Processing Zones Authority. Investors in power, mineral resources, and telecommunications must seek approval from the corresponding BDG ministries, while garment exporters must seek production allocations for quota from the Export Promotion Bureau in the Ministry of Commerce. Although BOI is housed organizationally in the Prime Minister's Office, regulatory and administrative powers remain vested in the line ministries, and thus BOI has not proved to be an effective advocate for foreign investors. The BDG has indicated it hopes to streamline BOI's procedures and find ways to attract new foreign investment to Bangladesh. Foreign investors in Bangladesh say they appreciate the leadership of the current BOI Chairman, who has been working hard to make Bangladesh a convenient place for foreign investors to do business.

Privatization is another critical part of the BDG's stated economic reform policy. After assuming power in 2001, the present government prepared a list of 94 state-owned enterprises (SOEs) for privatization by the Privatization Commission (PC). The PC has privatized 26 SOEs since 2001, including three large industries—the Adamjee Jute Mill, the country's largest and most costly SOE, the Karnaphuli Chemical Mill, and the Chittagong Chemical Complex. The BDG privatized six additional industrial units in FY 2005. For FY 2006 (July 1, 2005-June 30, 2006), the BDG plans to privatize 16 additional SOEs.

The BDG still resists privatizing utilities and opening critical sectors to full competition, although that is starting to change. Bangladesh allowed private sector entry in power generation and natural gas exploration, but efforts to grant autonomy in petroleum marketing and gas distribution have stalled. Biman Airlines tried to sell a large stake in its ownership, but could not find a willing partner. The government has significantly reduced its role in the provision of telecommunications services. There are now three private companies authorized to provide telecom services in rural areas and urban areas other than the Dhaka multi-exchange area. Six private firms, each of which include foreign investors, are licensed to provide cellular phone services. There is continued talk of privatizing the Bangladesh Telephone and Telegraph Board, inland ports, and container and cargo handling. The BDG is soliciting a private firm to operate five new container berths at the Chittagong Port. The government has granted approximately 40 PSTN licenses to as many as 18 new private operators to provide telephone services outside the capital city. BTRC is preparing to conduct competitive bidding for the award of PSTN licenses covering the Dhaka multi-exchange area.

According to central bank statistics, annual net FDI flows ranged from \$376 to \$391 million from FY 2000 through FY 2004, with a spike to \$550 million in FY 2001. The central bank is projecting a 40% growth in net FDI for FY 2005 to \$540 million.

Investors from the United States and from other countries continue to show interest in Bangladesh. At the end of 2005, proposals for \$10 billion in new FDI were at various stages of negotiation for projects in the power, telecommunications, industrial, and transportation sectors. Investors report both positive and negative experiences. An American healthcare firm was approved to invest \$35 million in a project to refurbish, expand, operate and transfer a hospital in Dhaka, Bangladesh. Two U.S. firms are pursuing investments in the power sector worth over \$1 billion. Another U.S. firm, however, was unable, after five years, to gain approval for its \$225 million container project, which would greatly increase the efficiency of the country's primary port.

A number of foreign business delegations have visited Bangladesh to explore trade and investment opportunities including Indian, French, Turkish, Malaysian, Taiwanese Chinese, and Korean delegations. The UAE government invited the Chairman of Board of Investment to discuss investment opportunities in Bangladesh.

Foreigners often find that ministries require unnecessary licenses and permissions. Added to these difficulties are such problems as an uncertain law and order situation, poor infrastructure, inadequate commercial laws and courts, inconsistent respect for contract sanctity, and policy instability (i.e., policies being altered at the behest of special interests, and decisions taken by previous governments being overturned when a new government comes to power). Authority and responsibility for decisions lacks transparency and government decisions frequently lack a clear rationale. Corruption remains a serious impediment to efficient business operations. In 2005, Transparency International for the fifth year in a row ranked Bangladesh last on its Corruption Perception Index.

To a lesser extent, difficulty in attracting foreign investment also results from Bangladesh's image as an impoverished and undeveloped country subject to frequent and devastating natural disasters. This is a partial misconception, as the annual floods, which inundate up to one-third of Bangladesh, are vital for agricultural production each year. Prior to political instability and warfare in the 1950s, Bangladesh had been one of the wealthiest regions in Asia and its land is still considered among the most fertile in the world.

Conversion and Transfer Policies

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The official currency of Bangladesh is the taka. The Bangladesh Bank, the central bank of Bangladesh, does not fix the exchange rate of the taka against foreign currencies. Individual banks set their own buying and selling rates for foreign currency based on supply and demand. The taka is almost fully convertible for current account transactions, such as import trade and travel needs, but not for capital account transactions, such as investing or currency speculation. The Foreign Investment Act guarantees the right of repatriation of invested capital, profits, capital gains, post-tax dividends, and approved royalties and fees. The central bank's exchange control regulations and the U.S.-Bangladesh Bilateral Investment Treaty (entered into force in 1989) provide similar investment transfer guarantees. In practice, foreign firms are able

to repatriate funds without much difficulty, provided the appropriate documentation is in order. Foreign firms in joint ventures, which are only able to remit profits in the form of dividends, also report no difficulties. There are no specific restrictions on repatriation of capital gains in the Foreign Private Investment Act of 1980 or otherwise. The Board of Investment may need to approve repatriation of royalties and other technology transfer fees over 6% of sales.

Expropriation and Compensation

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In the years immediately following independence in 1971, widespread nationalization resulted in government ownership of over 90% of fixed assets in the modern manufacturing sector, as well as all banking and insurance interests, except those in foreign (but non-Pakistani) hands. Domestically owned cotton textiles, jute, and sugar manufacturing units, none of which was owned by foreigners, were placed under government control. However, the Foreign Investment Act of 1980 has forbidden nationalization or expropriation without adequate compensation, and there have been no instances of foreign property expropriation since the Foreign Investment Act was passed.

Dispute Settlement

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A fundamental impediment to investment in Bangladesh is a weak and slow legal system in which the enforceability of contracts is uncertain. The judicial system does not provide for interest to be charged in tort judgments, and hence there is no penalty for delaying proceedings. While the Supreme Court and High Court (appellate level courts) are independent, the lower courts are part of the executive branch of government. The Supreme Court issued a directive requiring the government to separate the lower courts from the executive branch, but no legislation has been passed yet to make the lower courts independent. It is widely acknowledged that in the lower courts, where cases are first brought, corruption is a serious problem. Nevertheless, the highest levels of the judiciary, including the Supreme Court, have retained a reputation for fairness and competence. This has meant that at least at the appellate level, the outcome of commercial cases is usually determined on merit.

Bangladesh is a signatory to the International Convention for the Settlement of Disputes (ICSID) and it acceded (on May 6, 1992) to the United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards. Bangladesh is also a party to the South Asia Association for Regional Cooperation (SAARC) Agreement for the Establishment of an Arbitration Council, signed November 13, 2005, which will establish a permanent alternative dispute resolution center in one of the SAARC member countries. A provision of the U.S.-Bangladesh Bilateral Investment Treaty gives procedures for referring irresolvable investment disputes to ICSID for third-party settlement.

The ability of the Bangladeshi judicial system to enforce its own awards is weak, and there is no reason to think enforcement of foreign judgments would be stronger. The Bangladesh Export Promotion Bureau is sometimes helpful in assisting in dispute

settlement of export-related transactions. Major Bangladeshi trade and business associations can also be helpful in assisting in transaction disputes.

Many laws affecting investment in Bangladesh are old and outdated. Some of these laws have been amended, but many drafts of proposed new legislation produced by ad hoc government committees are more than 10 years old and themselves out of date. Resource constraints in the Law Ministry are a major problem. The insolvency laws, which apply mainly to individual insolvency, are not being used because of a web of falsified assets and uncollectible cross-indebtedness supporting insolvent banks and companies. A Bankruptcy Act was enacted in 1997 but has been ineffective in addressing the insolvency and cross-indebtedness problem of borrowers. It should be noted that one way companies have dealt with legal issues is by including a clause in arbitration agreements that allows for one of the parties to bring a dispute before another nation's court. This practice is allowed under Bangladeshi law.

Dispute settlement is also hampered by shortcomings in accounting practices and the registration of real property. With the exception of those conducted by a few internationally affiliated accounting firms, audits of balance sheets and profit and loss statements often follow clients' instructions and fail to conform to international standards. Documents affecting title to real property are often not registered, complicating transfer of ownership and collateral agreements.

Performance Requirements and Incentives

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BDG industrial policies emphasize manufacturing and labor-intensive industries that use local inputs. There are a variety of subsidies and other incentives provided to different industrial sectors, primarily the export sectors and, to a certain extent, import substitution sectors. The BDG also provides loans at concessionary rates through its nationalized banks and government-owned development banks for exports, cottage industries, and agriculture. These incentives are available to both domestic and foreign investors. There is a provision for full duty drawback at the time of export on imported raw materials used in manufacturing products for export. In lieu of the duty drawback, exporters can use the special bonded warehouse facility to import raw material duty-free. In order to qualify for the duty drawback and special bonded warehouse schemes, the exported item must have at least 25% domestic content. The BDG also provides direct subsidies to export-oriented ready-made garment manufacturers if their exports use 100% locally manufactured raw materials or have paid duty on imported raw materials. This cash incentive, designed to encourage "backward linkages" in the textile sector, amounts to 10% of the export value. A similar 5% export cash assistance incentive, designed to encourage exports with domestic content, is available for jute and 15% for leather products.

The BDG also provides a variety of tax incentives to selected sectors of the economy, including:

- A 50% rebate for taxable income generated from export earnings
- Tax holidays of 4-6 years, depending on location, for new industrial enterprises in these sectors: textile, pharmaceuticals, melamine, plastic, ceramics, sanitary wire, iron and steel industries, fertilizer, insecticide and pesticide, computer

- hardware, petrochemicals, drug chemicals and pharmaceutical raw materials, agricultural equipment, shipyard, boiler and compressor, textile machineries, and infrastructure facilities. The tax holiday is expected to be available up to 2008.
- A 10 year tax holiday for enterprises in the EPZs
 - Accelerated depreciation for enterprises not eligible for a tax holiday
 - Income tax exemption for 15 years for power projects

As of December 2005, the World Trade Organization was not reporting any notifications alleging Bangladeshi violations of the Agreement on Trade-Related Investment Measures.

Right to Private Ownership and Establishment

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Foreign and domestic private entities can establish and own, operate, and dispose of interests in most types of business enterprises. Four sectors, however, are reserved for government investment:

- Arms and ammunitions and other military equipment and machineries
- Production of nuclear power
- Security printing and mining
- Afforestation and Mechanized Extraction within the boundary of reserved forests

Although inefficient SOEs continue to stifle Bangladesh's potential for greater economic performance, the closing of several enterprises shows that the government can take necessary action to push for overdue economic restructuring.

Protection of Property Rights

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Although land, whether for purchase or lease, is often critical for investment and as security for loans, antiquated real property laws guarantee chaos. Land registration records are unreliable. Parties avoid registering mortgages, liens, and encumbrances because certain stamp duties and charges have been set at high levels. Instruments take effect from the date of execution, not the date of registration, so a bona fide purchaser can never be certain of title.

The BDG is progressing slowly in bringing its intellectual property rights laws into compliance with the World Trade Organization's Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The BDG enacted a Copyright Law in July 2000, updating its copyright system and bringing the country's copyright regime into compliance with TRIPS. The government is drafting legislation to implement its TRIPS obligations with respect to patents and trademarks and as of December 2005 the legislation was with the Ministry of Law and Parliamentary Affairs for vetting. These amendments should bring the country's intellectual property laws into fully compliance with WTO TRIPS requirements. Implementing regulations, however, must still be drafted.

The government allocates too few resources to IPR enforcement, and is experiencing a worsening IPR situation. The prevention and punishment of IPR violations is very low in

proportion to the number of infringements. The government also sets a poor example by failing to account fully for software in its tenders. A number of American firms, including film studios, manufacturers of consumer goods, and software firms, have reported violations of their intellectual property rights. Some commercial establishments have adopted the trade name, trademarks and trade dress of U.S. businesses without authorization. Bangladesh is a member of the World Intellectual Property Organization (WIPO), and acceded to the Paris Convention on Intellectual Property in 1991.

Transparency of Regulatory System

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Starting from a position of extreme over-regulation, the trend since 1989 has been a gradual decrease of governmental obstruction of private business. Many regulatory changes, however, have not yet been politically possible to implement. Although some civil servants and ministers have displayed genuine commitment, reforms face broad-based resistance from many groups in the economy, including influential members of the business community. The official chambers of commerce include manufacturers in protected industries and well-connected commission agents pursuing government contracts. Chamber members call for a greater voice for the private sector in government decisions and for privatization, but at the same time many support protectionism and subsidies for their own industries.

Policy and regulations in Bangladesh are often not clear, consistent, or publicized. Generally, the civil service, businesses, professionals, trade unions and political parties have vested interests in a system in which confidentiality is used as an excuse for lack of transparency, and in which patron-client relationships are the norm. Businesses must always turn to civil servants to get action, yet may not receive any, even with the support of higher political levels. Traditionally, the country's poorly paid civil servants have regarded business people as exploitative, and regard themselves as having a near monopoly on economic acumen and patriotism. Civil servants do recognize that there is greater scrutiny of their acts (and risk to their careers from illegal activity) under a democratically elected civilian government. Even so, accounts from foreign investors of solicitation of bribes by public officials and politicians are common. Bangladesh's donors regard public administration reforms as central to overall economic reform.

In practice, BDG laws and regulations and their implementation do not reduce distortions or impediments to investment, but create them. Unhelpful treatment of businesses by some BDG officials, coupled with other negatives in the investment climate, raise start-up and operational costs, add to risk, and tend to counteract the BDG's praiseworthy investment incentives. There is generally little opportunity for the private sector to comment on proposed regulations.

Efficient Capital Markets and Portfolio Investment

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Foreign investors have access to local credit markets, but many seek offshore financing. If they finance locally, it is usually with a foreign bank branch. Four state-owned banks, known as nationalized commercial banks (NCBs), comprise nearly a significant portion of the banking sector's total assets. The largest NCB has assets totaling approximately \$4.6 billion. An estimated 30% of the country's total asset base is non-performing,

primarily because of long-outstanding debts to the NCBs. The share of non-performing assets for private commercial banks ranges from two to eleven percent. The World Bank has approved \$250 million as International Development Association (IDA) soft loan to Bangladesh for the enterprise growth and bank modernization project. As a part of the process, private management teams from international consulting firms have been put in charge of the four NCBs.

The private sector can receive financing from leasing companies and by issuing shares or debentures on the Dhaka Stock Exchange (DSE) or the Chittagong Stock Exchange (CSE). All CSE-listed shares are also listed on the larger and older DSE. Among the world's smallest share markets, the privately-owned Dhaka Stock Exchange (established in 1954) lists 258 companies with a market capitalization of \$3.3 billion; the Chittagong Stock Exchange (established in 1995) lists 198 with a market capitalization of \$3 billion. Foreign portfolio investment, never more than \$200 million, has virtually disappeared. Both the CSE (July 1998) and the DSE (August 1998) have automatic trading services.

The BDG's Securities and Exchange Commission (SEC) was formed in 1993 to regulate the DSE and CSE and protect investors. In 1997, the SEC imposed new restrictions on the involvement of foreign investors in the Bangladesh capital market. The guidelines stipulate that 10% of primary issues are reserved for non-resident Bangladeshis. Major foreign investors have protested these measures. Foreign investors point out that this measure exacerbates the Bangladesh market's greatest drawback: the difficulty of buying or selling in volume over a reasonably short period. The SEC and the Institute of Chartered Accountants of Bangladesh have the task of enforcing reporting and audit requirements and bringing those requirements up to international standards.

Political Violence

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Incidents of politically directed damage to foreign projects or installations have occurred, although violence targeted against business concerns generally has been isolated and criminal, rather than political, in nature. Following U.S. military action in Iraq, a number of sizeable anti-American demonstrations occurred (between 10,000 and 80,000 participants.) A few of these demonstrations resulted in minor property damage to U.S.-affiliated businesses. Calls for boycotts of American goods and services had limited impact and ended following the war's conclusion.

Extortion of money from businesses by thugs claiming political backing is common. Clashes between supporters of rival political parties and their student and youth wings and even factions within the same party are frequent occurrences. General strikes and blockades called by political parties mostly affect businesses by keeping workers away with the threat of violence and blocking transport, resulting in productivity losses. Vehicles and other property are at risk from vandalism or arson during such programs, and looting of shops has occurred.

Responding to public concern over law and order, the government in March 2004 authorized a special elite force, known as the Rapid Action Battalion (RAB) as part of its anti-crime initiative. The RAB is comprised of members of the armed forces, the police, and the Bangladesh Rifles and Ansars, both paramilitary groups. The RAB became operational in June 2004. While the RAB has been credited by many Bangladeshis with improving domestic law and order, more than 150 alleged notorious criminals have been

"killed in crossfire" during shootouts with the RAB or have been "killed while trying to escape." Such "crossfire" killings have also become common among police, with more than 200 crossfire killings recorded in 2005.

In February 2005 the BDG banned two extremist groups: Jama'atul Mujahedin Bangladesh (JMB) and Jagroto Muslim Janata Bangladesh (JMJB). On August 17, 2005, JMB, with the assistance of JMJB, exploded several hundred small, improvised explosive devices (IEDs) in a coordinated attack in 63 of the 64 districts of Bangladesh. The devices were accompanied by leaflets demanding the establishment of Islamic law in Bangladesh. From September to early December, JMB conducted several suicide attacks targeting local judges, courts and district government facilities. The BDG has responded vigorously, arresting several high-ranking leaders of JMB and recovering detonators, explosives and related materials used to construct IEDs. As of December 2005, there had been no attacks by extremist groups on foreign diplomatic, commercial or social interests in Bangladesh.

Corruption

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Corruption at all levels in the bureaucracy is rampant, and should be taken into account by foreign investors considering business in Bangladesh. The World Bank estimates that corruption exacts a toll of 2-3% on annual GDP growth each year. Transparency International's Corruption Perception Index has ranked Bangladesh as the most corrupt nation for five consecutive years. Local and foreign business persons often report their experiences with petty corruption, such as paying extra "fees" for obtaining government services (post office boxes, telephone lines, licenses, customs clearance). Complaints of higher-level corruption in the fair awarding of public and private tenders are frequent, as are allegations of insider trading in the stock market. In this regard, business people consider Bangladesh Customs to be among the worst, a thoroughly corrupt organization in which officials routinely exert their power to influence the tariff value of imports and to expedite or delay import and export processing at the ports. A mandatory pre-shipment inspection system of import valuation was introduced in 2001 to help reduce discretionary power of customs officials and lower costs and improve efficiency at Bangladesh's trade entry points. However, Bangladeshi Customs officials are often the first to point out that the valuation system remains weak.

The Bangladesh Anti-Corruption Bureau (BAC) was well known as an ineffective body due to reported corruption among its officials and lack of independence from the political authorities. Parliament passed legislation in February 2004 to create the Independent Anti-Corruption Commission of Bangladesh (ACC), which was formally established in November 2004. Provisionally staffed with all of the employees of its predecessor organization, the ACC was embroiled in controversy within a few weeks of its formation. It remains an ineffective organization one year after its establishment.

Bilateral Investment Agreements

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The Foreign Investment Act includes a guarantee of national treatment. National treatment is also provided in bilateral treaties for the promotion and protection of foreign investment. Treaties have been signed with: the United States, Austria, Belgium,

Canada, China, Democratic Peoples Republic of Korea, France, Germany, Indonesia, Iran, Italy, Japan, Malaysia, Pakistan, Philippines, Poland, Republic of Korea, Romania, Switzerland, Thailand, The Netherlands, Turkey, and the United Kingdom, Uzbekistan. The U.S.-Bangladesh Bilateral Investment Treaty, signed on March 12, 1986, entered into force on July 23, 1989. A bilateral treaty between the United States and Bangladesh for the avoidance of double taxation was signed on September 26, 2004 and was submitted to the U.S. Senate for its advice and consent to ratification in October 2005.

OPIC and Other Investment Insurance Programs

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The U.S. Overseas Private Investment Corporation provides insurance coverage for some U.S. firms currently doing business in Bangladesh. In recent years, BDG authorities have been cooperative in approving requests for OPIC insurance, and in one case, for a loan. OPIC and the BDG signed an updated bilateral agreement in May 1998. Bangladesh is a member of the Multilateral Investment Guarantee Agency. The Export-Import Bank of the U.S. (ExIm Bank) is an independent U.S. government agency that helps finance the overseas sales of U.S. goods and services. It provides export credit insurance policies to cover political and commercial risk, and loan guarantees to banks for medium and long-term loans. In Bangladesh, only the Bangladesh Government is eligible for ExIm Bank cover with a sovereign guarantee. The bank does not lend or provide cover to private enterprises in Bangladesh purchasing U.S. exports except in the following case: ExIm Bank can provide a guarantee to the lender to enable a private firm to buy U.S. products to construct a processing facility whose output will be sold offshore for hard currency and such funds can be captured offshore.

Labor

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Bangladesh has a population of about 144 million people. The labor force is 65.5 million people, with 63% working in the agricultural sector, 11 percent in industry and the remaining 26% in the services sector. Low official unemployment statistics obscure a huge and growing under-employment problem in Bangladesh. Bangladesh's comparative advantage in cheap labor for manufacturing is partially offset by low productivity, due to low skills, poor management, and inefficient infrastructure and machinery. Foreign managers report that Bangladeshi workers generally respond well to training.

Skilled Bangladeshis often seek and find employment in the Middle East and East Asia at substantially higher wages than they would receive in Bangladesh. Over the past 20 years, Bangladesh has become a reliable source of labor, and during FY2005, over \$3.8 billion in foreign exchange was remitted to Bangladesh through official banking channels. Remittances have become an important source of foreign exchange in recent years, and now exceed aid provided in the form of concessionary loans and grants.

All employers are expected to comply with the government's labor laws, which specify employment conditions, working hours, wage levels, leave policies, health and sanitary conditions, and compensation for injured workers. Freedom of association and the right

to join unions is guaranteed in the Bangladesh Constitution. There are over 6,400 registered trade unions in Bangladesh, with over 1.9 million union members.

In July 2004, the Bangladesh parliament enacted a law granting limited freedom of association rights in the export processing zones. Workers of the industrial units will be allowed to form a welfare council to develop and grow into organizations, defending their welfare through collective bargains, according to the law.

Bangladesh's labor unions, most of them associated with political parties, can be militant. Violence and the threat of violence by some trade unions have produced wage increases in excess of productivity increases, raising unit labor costs. Worker layoffs, or the mere threat of reductions-in-force, can be expected to cause some of the most serious and confrontational labor disputes. Labor disputes do not necessarily need to be heard before a legal court. Many companies have found it effective to resolve issues before a Labor Tribunal. Labor in private sector enterprises is mostly not unionized and comparatively more productive. Productivity in Bangladesh has been affected by hartals (general strikes) called by political parties and movements. These hartals, enforced by political activists, essentially close down business throughout the country and raise the cost of doing business in Bangladesh due to the downtime they impose on commercial activity.

Bangladeshi laws do not uniformly prohibit the employment of children or set a minimum age for employment. Numerous laws prohibit child labor in certain sectors, ranging from transport workers to tea plantation labor, but these have not addressed the informal sectors, such as agriculture and domestic work, where the majority of children are employed. As a result, child labor in Bangladesh has historically been a fact of life. On July 4, 1995, Bangladesh's garment exporters association signed a memorandum of understanding (MOU) with the United Nations Children's Fund (UNICEF) and the International Labor Organization (ILO) under which child laborers in the EPZ textile factories were removed and enrolled in education programs. ILO-assisted monitoring teams, which found child laborers in 43% of EPZ factories in 1996, found fewer than 5% in 2001. The MOU program is being phased out, and the U.S. Embassy considers the project a success, with most child labor now eradicated from the EPZs. However, child labor outside of the EPZs remains rampant, and non-EPZ industries are known to have the most hazardous conditions.

Foreign-Trade Zones/Free Ports

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Under the Bangladesh Export Processing Zones Authority Act of 1980, the BDG established an EPZ in Chittagong in 1983. Additional EPZs now operate in Dhaka (Savar), Mongla, Ishwardi, Comilla, and Uttara. In addition, two new EPZs are being established: Karnaphuli EPZ (Chittagong) and Adamjee EPZ (Dhaka). Also a private EPZ that will be reserved for Korean investors will be set up in Chittagong.

Investments that are 100% foreign-owned, joint ventures and 100% Bangladeshi-owned companies are all permitted to operate and enjoy equal treatment in the EPZs. In terms of investment, employment and exports, the country's EPZs have been extremely successful. Due to increased demand by investors, the BDG has doubled the capacity of the Dhaka EPZ. Investors seem generally satisfied, although there has been

occasional labor unrest associated with the introduction of workers associations in the EPZs.

Approximately a dozen U.S. firms — mostly textile producers — are currently operating in Bangladesh EPZs. South Korea is the largest foreign investor in the Dhaka and Chittagong EPZs; Japan, Hong Kong, Singapore, the United Kingdom, Sweden, Thailand, India, Malaysia, Germany, Taiwan, China, U.A.E., France, Italy, Denmark, Panama and Pakistan are the other foreign investors in the EPZs. The remaining EPZ industries are Bangladeshi. The U.S. is the top destination of exports from EPZs. Industries range from garments and textiles to electronics, sporting goods, steel chains, and services (including equipment leasing and container repairs and handling).

Foreign Direct Investment Statistics

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According to the UNCTAD World Investment Report 2005, total foreign direct investment to Bangladesh from 1998 to 2004 was \$1.3 billion. During the same 5-year period, FDI to India totaled over \$16 billion, while Pakistan and Sri Lanka attracted FDI totaling \$3.5 billion and \$884 million respectively. The Embassy estimates the current stock of foreign investment in Bangladesh totaling \$3 billion represents approximately 5.8% of the country's 2003 GDP.

UNCTAD reports the following annual FDI inflows for Bangladesh since 1990 (in millions):

1990: \$3.2	1997: \$139.4	2004: \$460
1991: \$1.4	1998: \$190.1	
1992: \$3.7	1999: \$178.0	
1993: \$14.1	2000: \$279.8	
1994: \$11.2	2001: \$78.1	
1995: \$1.9	2002: \$52.3	
1996: \$13.5	2003: \$268	

Figures from the Bangladesh Bank (the central bank) show total net FDI flows for the last six fiscal years totaling \$2.6 billion, as follows: (FY ending June 30, in millions)

2000: \$383	2003: \$376
2001: \$550	2004: \$385
2002: \$391	2005: \$540

At present, the U.S. is the largest foreign investor in Bangladesh, with total fixed direct investment of nearly \$1.4 billion, followed by Norway, Malaysia, Japan, and the United Kingdom. The second tier of investors is Singapore, India, Thailand, Hong Kong, Germany, and South Korea. Prior to 1995, the stock of U.S. investment in Bangladesh was estimated to be approximately \$25 million in book value, including five manufacturers in the Chittagong EPZ, one life insurance company, banking operations of two U.S. commercial banks, and about 10 other U.S. service and marketing firms. Since 1995, 16 U.S. companies have invested in Bangladesh in the following sectors (in production & under implementation):

<u>Sector</u>	<u>Investment (in millions)</u>
Agro based	24.524
Textiles	18.870
Printing and Packaging	0.485
Chemical	24.544
Engineering	8.988
Service	1,304.367
Total U.S. Investment:	1,381.778

Web Resources

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[Bangladesh Bank](#)

[Bangladesh Export Processing Zones Authority \(BEPZA\)](#)

[Board of Investment - Bangladesh](#)

[Export-Import Bank of the United States \(EX-IM\)](#)

[Overseas Private Investment Corp. \(OPIC\)](#)

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How Do I Get Paid (Methods of Payment)

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Unless the importer is a multinational company operating in Bangladesh or a reliable, long-standing Bangladeshi customer, the Embassy strongly recommends all U.S. exporters require their local buyers to present irrevocable, confirmed letters of credit to secure payment, preferably from a U.S. bank. This is true whether the importer is private or part of the BDG and whether or not the importer is being financed by a multilateral institution or bilateral donor agency or government. U.S. exporters should also be aware that it is a normal business practice for government procurement agencies to require exporters to post performance bonds. Performance bonds can be arranged with any of the local banks, including Citibank (fax 880-2-956-2236, telephone 880-2-955-0060, [Citibank Bangladesh](#)).

How Does the Banking System Operate

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The Bangladesh banking sector is made up of four nationalized commercial banks (NCBs), five government-owned specialized banks, 30 domestic private banks, 28 non-bank financial institutions, excluding the Dhaka Stock Exchange and the Chittagong Stock Exchange, and nine foreign banks. Collectively, these banks make up the "scheduled" banking system. The percentage of non-performing loans/net classified loans in the banking system is improving, although it is still high. As of September 2005 (net), NCB rates were 14.98%, government-owned specialized banks at 21.10% and domestic private banks at 2.65%. Only foreign banks have been able to keep their non-performing loan portfolio in check, which is negative (-) 1.99. The government banks are weak because of an historic pattern of directed lending to money-losing parastatals and to unsecured private borrowers. The introduction of independent, private management teams and consultants is helping to address these shortcomings.

The U.S. Government and donor institutions are assisting with financial sector reforms. Part of the reform effort is to upgrade regulations and accounting standards to international standards as far as possible. Bangladesh Bank (the central bank) regulates all banking institutions, and, as in many countries, the central bank is controlled by the Ministry of Finance rather than being independent. A Governor, who reports to the Secretary, Finance Division of the Ministry of Finance, heads Bangladesh Bank. The central bank has taken several steps to improve bank oversight, including expanded use of core-risk analysis in its bank audits and establishment of an anti-money laundering unit.

Foreign-Exchange Controls

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Provided a local importer can obtain trade financing, which is widely available and competitive, foreign exchange availability has not been an issue. The taka is now almost freely convertible for current account transactions. The rapid growth of imports for commodities, principally oil and scrap metal, and capital goods continues to outpace the growth in export earnings and remittances. As a result, the taka depreciated over 10 percent against the U.S. dollar in 2005. The taka remained under pressure at the end of 2005, although the rate of depreciation had slowed significantly. These pressures are expected to continue in 2006. Spot shortages of foreign exchange sometimes result in delays in payment of letters of credit.

U.S. Banks and Local Correspondent Banks

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All scheduled banks have arrangements with U.S. correspondent banks for their U.S. dollar clearing requirements. Additional information is available from the U.S. Embassy's Trade Center: phone: 880-2-885-5500; email: ustc-dhaka@state.gov.

Project Financing

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The government procurement market encompasses a wide range of projects that are usually financed by donors, although from time to time the government may finance its own projects or ask bidders to propose financing. The U.S. Agency for International Development (USAID), the Japanese government's development aid program (JICA), the World Bank, and the Asian Development Bank (ADB) are important sources of development project financing in Bangladesh.

The ADB, headquartered in Manila, is an international development finance institution owned by 61 member countries of which the U.S. and Japan are the largest shareholders. The ADB lends a significant amount of money to Bangladesh to promote economic and social progress. The ADB's medium-term strategy focuses on poverty reduction, improving the status of women, population planning, and environmental protection. In implementing these policies, the bank will leverage its own financial resources through co-financing and other techniques to attract additional private capital to fund the development needs of its member countries.

A commercial liaison office, which reports directly to the Office of Multilateral Development Banks at the U.S. Department of Commerce, assists U.S. suppliers and consultants in acquiring contracts for projects and activities funded by the ADB. The office includes a senior commercial officer and two commercial specialists - one of the specialists represents the U.S.-Asia Environmental Partnership (US-AEP) at the bank. The commercial liaison office works closely with the U.S. Executive Director who represents the U.S. on the bank's board of directors. Interested parties should contact the U.S. Commercial Liaison Office for the Asian Development Bank, telephone: (632) 887-1345, fax: (632) 887-1164 and e-mail: manila.adb.office.box@mail.doc.gov.

[Country Limitation Schedule](#)

[Export-Import Bank of the United States](#)

[Overseas Private Investment Corporation \(OPIC\)](#)

[Small Business Administration's Office of International Trade](#)

[Trade and Development Agency](#)

[U.S. Agency for International Development](#)

[USDA Commodity Credit Corporation](#)

[Bangladesh Government Web Portal](#)

[Asian Development Bank](#)

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Business Customs

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Bangladeshi business executives are usually very courteous, and try to make their foreign guests feel at ease. Business visitors should be aware that in Bangladesh, men and women do not usually shake hands with each other, and may avoid doing so with a visitor of the opposite sex. Foreign visitors often find that hosting meals for their Bangladeshi agents or business contacts helps to smooth business negotiations. Visitors may also be invited to share meals as guests of their Bangladeshi hosts. Attire for most social functions is "informal," meaning business attire as opposed to formalwear. Women should dress conservatively but are not expected to cover their heads. While meetings generally start on time, conferences and social functions often start significantly later than their announced time.

Travel Advisory

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Updated travel advisory information on Bangladesh is available from the State Department's Bureau of Consular Affairs in several formats. For recorded information, call (202) 647-5225. For information by fax, call (202) 647-3000. Travel advisory information for Bangladesh can also be found on the State Department's Internet at [this link](#).

For further information concerning entry requirements for Bangladesh, travelers can contact the [Embassy of the People's Republic of Bangladesh](#), 3510 International Drive, Washington, D.C. 20008, telephone: (202) 244-0183, fax: (202) 244-5366, or the [Consulate General of the People's Republic of Bangladesh, New York](#): 211 East 43rd St., Suite 502, New York, NY 10017, telephone: (212) 599-6767 and 599-6850, fax (212) 682-9211; or the [Consulate General of the People's Republic of Bangladesh, Los Angeles](#) 10850 Wilshire Blvd., Suite 1250, Los Angeles, CA, 90024, telephone: (310) 441-9399, 441-5983, fax: (310) 441-4458.

Foreign nationals staying on regular or temporary visits longer than 90 days are required to show a Submission of Income Tax Clearance Certificate or Income Tax Exemption

Certificate when departing Bangladesh. For additional information on these forms, travelers may contact the [National Board of Revenue](#) (NBR), Rajasha Bhaban, Segunbagicha, Dhaka, telephone: +880-2 933-3444.

The International Certificate of Vaccination is no longer required for travel to Bangladesh, but typhoid and hepatitis immunizations and malaria suppressants are recommended, particularly for those traveling outside Dhaka.

Visa Requirements

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All U.S. citizens are required to have visas before arriving in Bangladesh. Business travelers should request visas with five-year duration and multiple entries. Visa upon arrival and landing permits are no longer being issued and passengers arriving without visas are being deported. The U.S. Embassy cannot help in such situations. Some Americans seeking visas from the Bangladesh Embassy in Washington, D.C. or from Bangladesh embassies or consulates in other countries have reported that they are erroneously advised to enter Bangladesh on a landing permit. Visa extensions are possible; a \$45 fee must be paid to the Department of Immigration and Passport Office, Agargaon, Sher-e-Bangla Nagar, Dhaka, telephone (880-2) 911-3318, fax: 912-3399. Generally, extensions are granted for 3-6 months (short-term) with a single entry. A one year or more (long-term) extension for an expatriate working on a government project requires a letter from the relevant ministry and security clearance from the Home Ministry in favor of him/her through the related ministry, along with the prescribed visa extension application form. This process is very long and complicated. Travelers expecting to visit Bangladesh for extended periods are recommended to apply for a long term multiple entry visa from a Bangladeshi embassy or consulate in the U.S. These extensions also require one passport size photograph.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links. Foreign travelers to the United States are advised to apply well in advance of their planned departure.

[State Department Visa Website](#)
[United States Visas.gov](#)

Telecommunications

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The country's telecommunications services are inadequate. Bangladesh devotes a mere 0.7% of its GDP to the telecom sector as compared to the regional average of about 2.0%. The government-run telephone service has more than 900,000 land lines, (an average of six lines per 1,000 people), giving it one of the lowest penetration rates in the world. However, this rate is improving with the introduction of private sector involvement and two companies have already started their operations in Chittagong, the primary commercial city of Bangladesh. Approximately half the nation's landlines are located in Dhaka, a city of over 12 million people. Bangladesh's call completion rate remains under 50% and its landline network barely supports modern telecom accessories such

as call waiting, call forwarding, and voice mail. The government-owned telephone service company is undermined by widespread corruption.

As a result of inadequate landlines, cell phone penetration is growing rapidly, with over 9 million connections as of 2005. There are six licensed cell phone operators offering both GSM and CDMA technology. Many operators expect to double the number of subscribers within the next 18 months.

While cheaper and easier to obtain than landlines, mobile phones face similar technological problems. Due to inadequate interconnection facilities for mobile phones, only about 10% of mobile phones can actually call a landline. This situation, however, is improving fast with cell phones providers expanding their networks and technology. Private sector landline service using a variation on wireless technology is now available in Chittagong. Licenses for similar services in Dhaka are expected to be granted in 2006. More than a mere inconvenience, weak telecommunications infrastructure places businesses operating in Bangladesh at a severe disadvantage to their competitors located elsewhere in the region and around the world. Several Internet service providers, featuring electronic mail and World Wide Web services, now exist in Bangladesh. Bandwidth, however, is very expensive since the country does not have an Internet Exchange Point. Although Bangladesh has a connection at Cox's Bazaar to the recently activated SEA-ME-WE-4 submarine fiber-optics cable system, it has not completed the necessary infrastructure to enable domestic access to this cable.

The BDG is aware of the importance of telecommunications. Its IT Policy for Bangladesh, for example, states that telecommunications is important for socio-economic development and calls for Bangladesh to be a knowledge-based society by the year 2010. In January 2002, the BDG established an independent telecommunications regulatory commission named the Bangladesh Telecom Regulatory Commission (BTRC). The commission, however, maintains close ties with the government and lacks the necessary independence to provide for meaningful advances in the information and communication technology sector. Several projects to improve the telecommunications infrastructure involving U.S. firms have run into problems due to lack of respect for contract sanctity, corruption, and bureaucratic infighting.

Transportation

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Zia International Airport is located at Kurmitola, about 12 kilometers north of Dhaka city. The national air carrier, Biman Airlines, is the major domestic air travel provider. Private GMG Airlines has flights from Dhaka to Chittagong, Cox's Bazaar, Barisal, Jessore, Rajshahi, and Sylhet. Lately GMG has been accorded permission to fly international routes. GMG now flies Dhaka-Calcutta-Dhaka and Chittagong-Calcutta-Chittagong, and will add direct flights to Colombo, Sri Lanka in 2006.

Language

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Although Bangla (Bengali) is the official language of Bangladesh, English is widely spoken and used in official and business circles. U.S. business people may greet their Bangladeshi counterparts with normal English salutations. The usual greeting among

Bangladeshis is the Arabic phrase "as-salaam-alaikum" (meaning "peace be with you"). The cordial response is "walaikum salaam" ("peace to you as well"). A polite parting phrase is "Khoda haafez" ("God preserve").

Health

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Intestinal problems are common in Dhaka. Visitors must exercise care in what they eat and drink; food diseases are common. Even in hotels, presume all tap water is contaminated. Travelers are advised to drink bottled/boiled water and eat only fruits and vegetables that have been cooked or peeled. Undercooked meat should be avoided. Travelers should also avoid eating uncooked dairy products and food sold on the streets. There are periodic outbreaks of dengue fever, which is transmitted by a day-biting mosquito. Bring Deet-based insect repellent as a precautionary measure. Visitors who take medication on a regular basis should bring enough for the duration of their visit. It is not always possible to find equivalents for American prescriptions on the local market. In general, local medical facilities are substandard, except for a few outpatient clinics. A modern hospital facility, [Apollo Hospital](#), opened in 2005. Travelers are advised to get medical insurance, including coverage for medical evacuations, and to establish contact with a doctor upon arrival. The following physicians/facilities are present in Dhaka:

Local resources for travelers:

Dr. M. A. Wahab,
Dr. Wahab's Clinic, Road 12, House 3
Baridhara, Dhaka, 882-1454, 8827553
Email: wahab@dhaka.agni.com

[Apollo Hospital Dhaka](#)
Plot 81, Block E, Bashundhara, Dhaka 1229
Tel: 9891661-2, 9896139 (fax)
Email: info@apollohdhaka.com

[ICDDR,B](#),
68 Shahid Tajuddin Ahmed Sharani,
Mohakhali, Dhaka 1212
Tel: 8811751[10 lines], Fax: 882 3116, 882 6050, 881 2530, 881 1568
Email: info@icddrb.org

Local Time, Business Hours, and Holidays

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Bangladesh observes a Sunday-Thursday workweek. Business hours are 9:00 am – 5:00 pm. The Embassy observes a two-day weekend (Friday and Saturday). Muslim religious holidays vary with the appearance of the moon.

Local holidays observed by the U.S. Embassy in 2006 are as follows:

Eid-ul-Azha	January 11 & 12*
Martyr's Day (Int'l Language Day)	February 21

Independence Day	March 26
Buddha Purnima	May 11#
Jonmashtomy	August 16#
Durga Puja	October 2#
Eid~ul~Fitr	October 24, 25 & 26*

* Subject to appearance of the moon

Subject to change according to applicable religious practices

In addition to the local holidays, noted above, the Embassy will also observe the following American holidays in 2006:

New Year's Day	January 1
Martin Luther King Day	January 15
President's Day	February 19
Memorial Day	May 28
Independence Day	July 4
Labor Day	September 3
Columbus Day	October 8
Veterans Day	November 12
Thanksgiving Day	November 23
Christmas Day	December 25

There are additional local holidays that are not observed by the Embassy.

Temporary Entry of Materials and Personal Belongings

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Agents and representatives of foreign manufacturers are allowed to import machinery and equipment from their principals for purposes of demonstration or exhibition, subject to the following conditions:

- The goods brought into Bangladesh will be re-exported within a period of one year
- The importer shall execute a bond and furnish a bank guarantee or understanding or a legal instrument to the satisfaction of Customs at the time of clearance indicating that the goods will be re-exported in a timely manner
- If the goods include any banned or restricted items, prior permission is required from the Chief Controller of Imports and Exports

Equipment or machinery imported on a temporary basis is exempt from duty if the importer obtains an import/export permit. Here is the contact information for making arrangements to bring goods in duty free for re-export:

Mr. Khairuzzaman Chowdhury
Chairman
National Board of Revenue (NBR)
Shegun Bagicha (Rajoshwa Bhaban)

Dhaka, Bangladesh
Tel: 88-02-8362442, 8311327
Fax: 88-02-8316143, 8353633

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[American Chamber of Commerce in Bangladesh \(AmCham\)](#)
[ATN Bangla](#)
[Bangladesh](#)
[Bangladesh Export Processing Zones Authority \(BEPZA\)](#)
[Bangladesh Government](#)
[Bangladesh Observer](#)
[Bangladesh Telegraph & Telephone Board \(BTTB\)](#)
[Bangladesh Trade Information](#)
[Board of Investment](#)
[Business Info Bangladesh](#)
[Central Bank of Bangladesh](#)
[Channel i TV](#)
[Daily Ittefaq](#)
[Daily Janakantha](#)
[Daily Naya Diganta](#)
[Daily Prothom Alo](#)
[Daily Star](#)
[Dhaka Chamber of Commerce & Industry](#)
[Dhaka City](#)
[Export Promotion Bureau](#)
[Federation of Bangladesh Chamber of Commerce & Industry \(FBCCI\)](#)
[Financial Express](#)
[Government of the People Republic of Bangladesh](#)
[Independent](#)
[Jugantor Daily](#)
[Metropolitan Chamber of Commerce and Industry \(MCCI\)](#)
[National Board of Revenue](#)
[New Age](#)
[NTV Bangla](#)
[Securities & Exchange Commission](#)
[Velki](#)

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Chapter 9: Contacts, Market Research, and Trade Events

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Contacts

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City Area Codes: Dhaka 2
Chittagong 31

U.S. Embassy Phone Number: +880-2-885-5500
U.S. Embassy Fax Number: +880-2-882-3744
U.S. Embassy Website: [US Embassy - Bangladesh](#)
U.S. Trade Center Email Address: [US Trade Center - Dhaka](#)

Bangladesh Government Contacts

[Ministries](#)

Civil Aviation & Tourism

Secretary
Bhaban No. 6, 19th Floor
Secretariat, Dhaka 1000
716-7244
716-9206 (fax)

Commerce

Secretary
Bhaban No. 3, 1st Floor
Secretariat, Dhaka 1000
716-9006
716-5741 (fax)

[Communications](#)

Secretary
Bhaban No. 7, 8th Floor
Secretariat, Dhaka 1000
716-2866
955-3900 (fax)

Energy & Mineral Resources

Secretary
Bhaban No. 6, 1st Floor
Secretariat, Dhaka 1000
716-6188
716-1110 (fax)

[Economic Relations Division](#)

Ministry of Finance
Secretary
Room 3, Block 8
Sher-e-Bangla Nagar, Dhaka
8112641
8113088 (fax)

Finance Division

Ministry of Finance
Secretary
Bhaban 7, Room 238
Secretariat, Dhaka 1000
7160406, 7164512
7165581 (fax)

Industries

Secretary
91 Motijheel C/A, Dhaka 1000
Shilpa Bhaban, Dhaka 1000
956-7024
956-3553 (fax)

Planning

Secretary
Bhaban 4, Ground floor,
Agargaon, Sher-e-Banglanagar
Dhaka
811-5497
911-7059 (fax)

Posts & Telecommunications

Secretary
Bhaban No. 7, 4th Floor
Secretariat, Dhaka 1000
716-2160
716-5775 (fax)

Shipping

Secretary
Bhaban No. 6, 8th Floor , room 811
Secretariat, Dhaka 1000
716-8033
716-8122 (fax)

Textiles and Jute

Secretary
Bhaban No. 6, 11th Floor
Secretariat, Dhaka 1000
716-7266
716-0600 (fax)

Government Organizations

Board of Investment

Executive Chairman
Jiban Bima Tower
10 Dilkusha C.A., Dhaka 1000
955-9378
956-2312 (fax)

Privatization Commission

Chairman
Jiban Bima Tower
10 Dilkusha C.A., Dhaka 1000
956-3723
955-6433 (fax)

PetroBangla

Chairman
Petrocentre
3 Kawran Bazar, Dhaka 1000
811-4972
912-0224 (fax)

Telephone and Telegraph Board

Chairman
Telejogajog Bhaban
37/E Eskaton Garden
Dhaka 1000
831-1500
831-2577 (fax)

Power Development Board

Chairman
WAPDA Building
Motijheel, Dhaka 1000
956-2154
956-4765 (fax)

Bangladesh Trade Associations/Chambers Of Commerce

[American Chamber of Commerce in Bangladesh/](#)

Executive Director
Dhaka Sheraton Room 319
1 Minto Road
Dhaka 1000
934-3217
831-2915 (fax)

[Bangladesh Employers' Federation](#)

President
Chamber Building
122-124 Motijheel
Dhaka 1000
955-8435
956-5208, 5209, or 5210 (alt. ph)
956-5212 (fax)

Chittagong Chamber of Commerce & Industry

President
Chamber House
Agrabad C.A.
Chittagong 4000
713366
711355 (alt. ph)
710183 (fax)
ccci@spnetctg.com

[Dhaka Chamber of Commerce & Industry](#)

President
65-66 Motijheel
Dhaka 1000
956-0732
955-0103 (fax)

[Federation of Bangladesh Chambers of Commerce & Industry](#)

President
60 Motijheel
Dhaka 1000
956-0589
717-6030 (fax)

[Metropolitan Chamber of Commerce & Industry](#)

President
122-124 Motijheel
Dhaka 1000
956-5208
956-5212

U.S.-Bangladesh Business Council

Executive Director
U.S. Chamber of Commerce
1615 H Street, NW
Washington, D.C. 20062
usbcc@uschamber.com

Market Research

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To view market research reports produced by the U.S. Commercial Service please select [Country and Industry Market Reports](#).

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Trade Events

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Please click [Trade Shows and Events](#) for information on upcoming trade events.

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: Export.gov

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