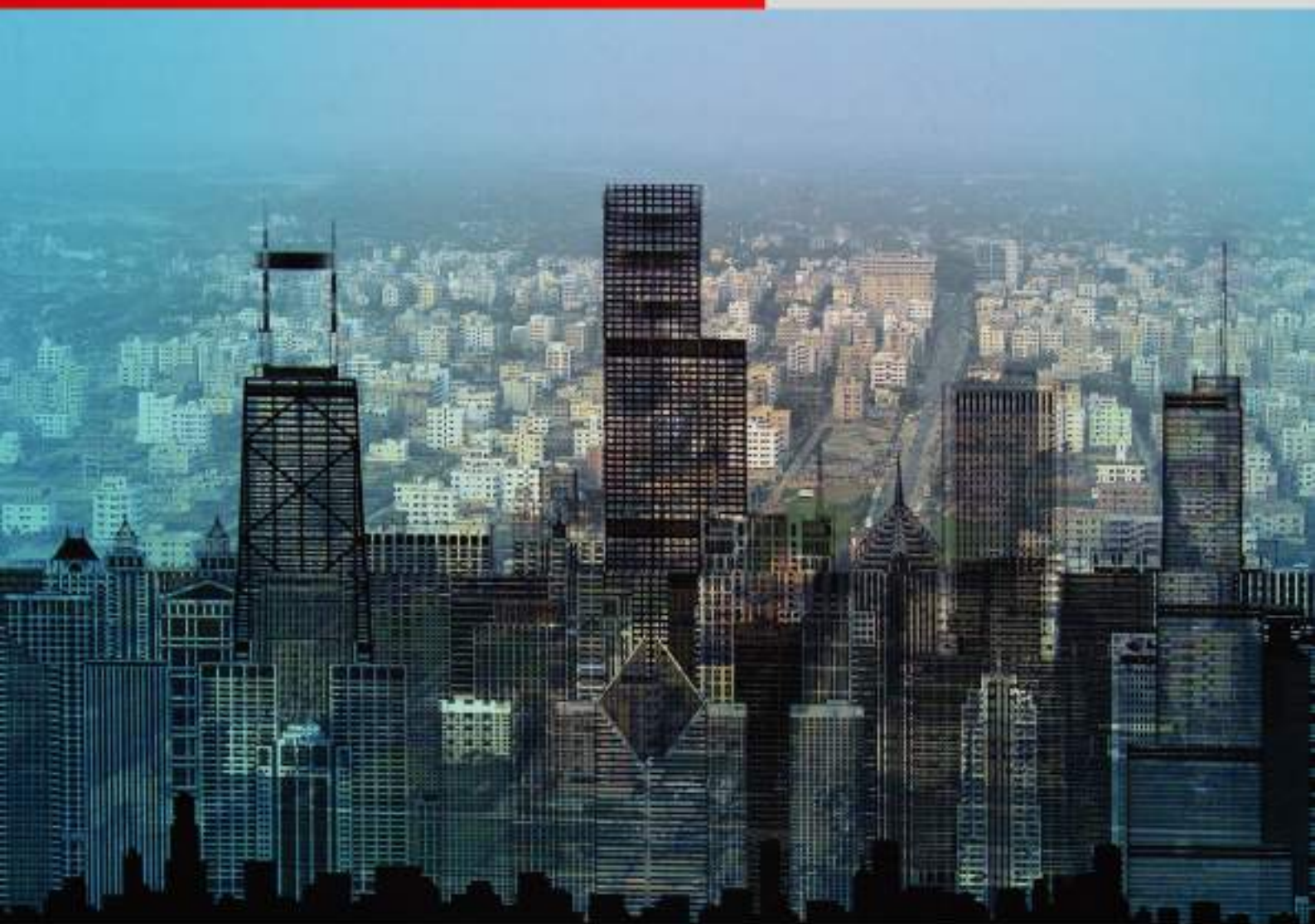


DCCI Conference on
BANGLADESH 2030

strategy for
growth
7 December, 2010



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DCCI Conference on
BANGLADESH 2030

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Preface

Bangladesh's economic growth has shown commendable performance for the last 20 years. Impressive private sector led growth of above 5% for last two decades have indeed taken the economy to a new trajectory - contributed by steady agricultural production, increased exports earnings, healthy remittance and vibrant domestic demand.

The recent positive sovereign rating by Moody's Investor's Services and Standard and Poor's (S&P) brought about a new dimension to Bangladesh's economic outlook. US investment Bank Goldman Sachs has included Bangladesh in "The Next-11" as one of the most promising economies after the BRIC nations. Price Water House Coopers (PWC) has also included Bangladesh in their new PWC 30 list considering its potentials of growth.

The present government has set "Vision 2021" to move Bangladesh to a middle Income Country (MIC) by 2021. We are confident that "Vision 2021" objectives of strong economic fundamentals will set the foundation for Bangladesh to become one of the 30th largest economies in the world. However, Bangladesh needs to accelerate its development activities by fast tracking into higher GDP growth and investment trajectory. Low cost production base alone will not determine Bangladesh's competitiveness as an attractive investment destination. Bangladesh needs to adopt pragmatic "Strategies" and competitive "Policies" to address the challenges in attaining high growth for new opportunities for investment.

In order to answer such critical questions and discuss upon the strategies and policies, DCCI is organizing the conference on Bangladesh 2030: Strategy for Growth, which will deliberate on the future strategies and policies. DCCI has invited some of the best minds in Bangladesh and a few from around the world from business, government, academia, civil society, and plain visionaries to participate in this conference. They will address the issues and debate their projections for the next 20 years.

We are confident that Bangladesh can achieve high growth rates of 8% - 10% on average in the coming years if we are able to meet the "pre-conditions" of such growth targets, which are mainly related to our infrastructure development. Bangladesh is truly positioned in a transition point in its history; it will be interesting to see how this transition and transformation takes shape in the coming years for achieving the desired level of prosperity and progress.

Opportunities and uncertainties make room for "challenges" - which need to be confronted with "bold strategies" so as to create room for prosperity and growth. On the contrary, if these "challenges" are not addressed adequately and timely, we will surely shy away from prosperity and growth.

DCCI strongly believes that Bangladesh has the potential of becoming the 30th largest economy in the world by 2030. In order to make this a reality there is a need to have certain policies and strategies in conjunction with the private sector. Such policies and strategies will have to be backed by definitive actions rapidly implemented in order to fast pace Bangladesh's economic development.

We look forward to a successful conference which will help us to understand the dynamics of our growth better.


Abul Kasem Khan
President, DCCI

"..not all businesses are the same,
we are better..."



BANGLADESH



The national flag of Bangladesh is bottle green in color and rectangular in size with the length to width ratio of 10:6. It bears a red circle on the background of green. The color in the background represents the greenery of Bangladesh while the red circle symbolizes the rising sun and the sacrifices of lives in our freedom fight. The national flag was designed by Kamrul Hasan. Prescribed size of the flag for buildings are 305cm X 1183cm, 152cm X 91cm and 76cm X 46cm and for vehicles are 38cm X 23cm and 25cm X 15cm.

At the very outset the flag had a different look. There was a golden colored map of Bangladesh at the center of the red circle. This was the original design of the flag of Bangladesh under which the valiant freedom fighters fought during the liberation war.

Did you know...

The national flag of Bangladesh was adopted officially on January 17, 1972. It is based on a similar flag used during the Bangladesh Liberation War of 1971. The map was later deleted from the flag in 1972.



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



PRESIDENT
PEOPLE'S REPUBLIC OF BANGLADESH
DHAKA

23 Agrahaion 1417
07 December 2010



MESSAGE

It gives me immense pleasure to know that the Dhaka Chamber of Commerce & Industry is going to organise a day-long conference on '**Bangladesh 2030: Strategy for Growth**' in Dhaka with a view to accelerating the economic pace.

To attain a sustainable growth by a stipulated time, the **vision** is of the paramount importance. I believe this conference would play a catalytic role in projecting Bangladesh's economic growth for the year 2030. I am confident various strategies and policies would be taken to achieve the projected target in accordance with the vision. Our government, as you all know, is committed to build an IT-based happy and prosperous Bangladesh by 2021. I deem it needs collective endeavour from all to materialise the Vision.

I wish the conference a success.

Khoda Hafez, May Bangladesh Live forever.

Md. Zillur Rahman

Emerging Bangladesh

JP Morgan, a global leader in **investment banking** included Bangladesh in their **Frontier Five**

- JP Morgan Report

Bangladesh is one the hottest emerging market having the potentials of **attracting more foreign investment**.

- Investor Chronicle, a UK based research organization

The Next Eleven (N-11) are eleven countries among which Bangladesh has a high potential of becoming **the world's largest economies along with BRICs**.

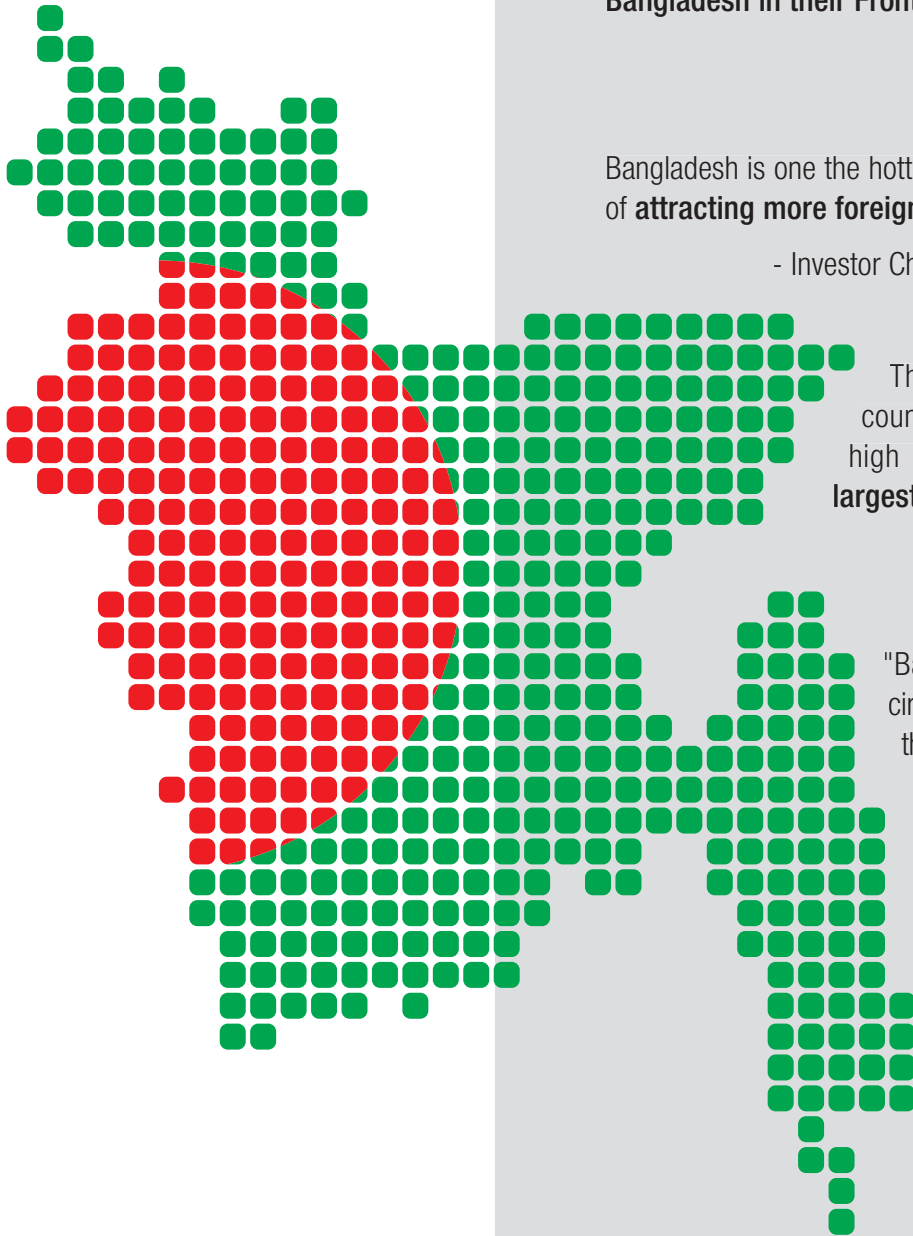
- Goldman Sachs research report

"Bangladesh shows us that even in circumstances that seem the most hopeless there are ways forward if the right strategies are applied, and if the right combination of investments is made"

-Jeffrey Sachs

"We consider Bangladesh free from major macroeconomic imbalance despite several fiscal constraints, a low income economy and heavy development needs."

-Standard and Poor (S&P)



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



PRIME MINISTER
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF
BANGLADESH

23 Agrahaion 1417
07 December 2010



MESSAGE

I am happy to learn that the Dhaka Chamber of Commerce and Industry (DCCI) is organizing a daylong conference titled 'Bangladesh 2030: A Strategy for Growth' on 7 December 2010 in Dhaka.

The government has been implementing 'Vision 2021' to turn Bangladesh into a middle-income country by 2021.

I think government's efforts alone are not enough and the private sector should come up in a bigger way to achieve the goal.

Economic data suggest that we are in the right direction on our way towards that target.

We have to devise appropriate growth strategy so that Bangladesh can be the 30th largest economy by 2030.

I hope that the conference will create a unique opportunity to discuss the issue and prepare a set of recommendations in this regard.

I wish the Conference a grand success.

Joi Bangla, Joi Bangabandhu
May Bangladesh Live Forever

Sheikh Hasina



Abul Maal A. Muhith
Minister
Ministry of Finance
Government of the People's
Republic of Bangladesh



MESSAGE

Since the birth of Bangladesh poverty alleviation has been the main objective of all economic development programmes. We have adopted many different strategies to achieve these objectives.

- We emphasized agricultural production to meet our food deficit; and make the farmers self sufficient.
- We emphasized employment programmes to provide earning capacity to large number of citizens.
- We went for micro-credit to enable poor people to add to their productive capacity.
- Meanwhile we had to tackle destructive effects of both manmade and natural disasters and more recently the onslaughts of climatic changes.
- We have learnt through experience that unless the quality of life improves, poverty can not be relieved.
- Education, we have found, is a key to productive capacity of individuals and gives them the right of choice.

Globally poverty appears to be almost an intractable problem. It is said that economic growth is not sufficient for poverty alleviation. It should be growth with equity. There should be specific pro-poor policies for overcoming the poverty problem. These days it is fashionable to say that the only way to eradicate poverty is to go for inclusive development in all sectors. It is also agreed that macro economic conditions must be at an equilibrium in order for growth to be effective and attention to equity considerations in growth strategy must be taken.

I am happy to learn that the Dhaka Chamber of Commerce and Industry, a premier organization of our people in business and industries, has designated their conference as **Bangladesh 2030 : Strategy for Growth**. In the past we have had publications and consultations on Bangladesh 2020 as well as on Bangladesh 2040. This time a new landmark has been chosen.

The present government of Bangladesh came to office with a huge mandate in an open and fair election in 2008. The election manifesto of the ruling coalition government promised a peaceful and prosperous Bangladesh in 2021 when the nation will celebrate its golden jubilee, which incidentally coincides with the 100 birth anniversary of the father of the nation Bangabandhu Sheikh Mujibur Rahman. At the moment Bangladesh is one of the 49 Least Developed Countries of the world. It is an ecologically disadvantaged country. In respect of its sea jurisdiction it is a geographically disadvantaged country. It is also the country through which the vast waters of the Ganges Brahmaputra basin drain to the sea though only 6% of the basin is in Bangladesh.

Projection of Bangladesh in the year 2030 will really need the use of a crystal ball. It is the 8th largest country of the world as far as population is concerned. Also in terms of PPP dollar it is the 44th largest country in the world. Its international trade accounts for about 40% of its national wealth. It is at the same time a land of impossible attainments. Simply unfeasible objectives are realized in Bangladesh such as demographic transition, supply of potable water, immunization coverage, or tele-density. The secret of its growth lies in human resources development, employment generation and release of the creative energies of people.

It is for the Conference organized by the DCCI to look at the constraints as well as the prospects of development in Bangladesh. I am fully confident that this country of impossible attainments will reach its goal of digital, peaceful and prosperous Bangladesh by 2021 and achieve the status of a mature economy by 2030.

I wish the conference all success.

(Abul Maal A. Muhith) 21 November 2010



Dilip Barua
Minister
Ministry of Industries
Government of the People's
Republic of Bangladesh.



MESSAGE

I am very glad to know that the Dhaka Chamber of Commerce & Industry (DCCI) is going to publish a Souvenir in connection with day long Conference titled "Bangladesh 2030: Strategy for Growth". It is really a praiseworthy initiative and I appreciate this noble venture of the organizers.

World economy is moving faster due to rapid industrialization and productivity enhancement across the globe. As a result, the least developed countries including Bangladesh may face several major challenges which are going to take place in manufacturing sector in upcoming years. These challenges may be global increasing trend of manufacturing, complex supply chain, environmental issues, cleaner & green production, imposition of ban on high carbon emission and use of toxic substances etc.

In order to face the upcoming challenges successfully to materialize the dream of establishing industrialize Bangladesh, we should be prepared ourselves properly. I firmly believe such kind of conference would be able to find out the appropriate ways and means to guide our industrial sector to the right path encountering the coming challenges.

I wish this conference a grand success and expect widest circulation of this Souvenir.

Dilip Barua

Dilip Barua



Air Vice Marshal (Retd.) A K Khandker
Minister
Ministry of Planning
Government of the People's
Republic of Bangladesh



MESSAGE

An interesting aspect of planning is to set goals. These could be short, medium or long term. It is, therefore, heartening for me to know that the Dhaka Chamber of Commerce and Industry (DCCI) is hosting this conference. 'BANGLADESH 2030: A strategy for growth' to bring together some of the best minds in the country to set specific goals, to strategize and to even how to plan to achieve an affluent Bangladesh.

Honorable Prime Minister Sheikh Hasina soon after she came to office this time gave the nation an extra-ordinary Vision 2021. She has given set goals. However, the overarching one is for Bangladesh to be a Middle Income country by 2021. As things stand today, we may be able to reach that level by that time comfortably or even earlier. Our Planning Commission has taken the cue from the Honorable Prime Minister and has laid down various sectoral goals, which our ministries and departments are assiduously working to achieve.

The DCCI initiative is but an extension of our Honorable Prime Minister's vision 2021 and will definitely add greater dimension to it. The need to strategize our planning priorities from now until 2030 has been highlighted in the title to the conference. It is assumed that economic growth is now an utmost priority for the nation. DCCI has therefore focused on (1) new drivers of growth (2) concretizing infrastructure priorities. The strategy would be to push forward relentlessly in these areas to achieve quantum growth of the economy.

The DCCI conferences will definitely discuss other aspects of planning for the future. However, two small points need emphasis here. The visionaries in the conference should prescribe actions, which should be tied to each goal. Another point to note is that when setting goals, they must be flexible. If barriers to achieve a goal impede progress, we should not give up the goal. Instead, we should modify them to meet the current situation.

I wish the DCCI conference success.

Air vice Marshal (Retd.) A K Khandker, BU



MINISTRY OF COMMERCE
GOVERNMENT OF THE
PEOPLE'S REPUBLIC OF BANGLADESH
DHAKA



MESSAGE

I am glad to learn that the Dhaka Chamber of Commerce and Industry (DCCI) has taken a seminal step in organizing a conference "Bangladesh 2030: Strategy for Growth". Although the discourse is likely to be more visionary, but an exercise of this nature is timely as it will reflect also on the changing nature of international trade and growth and its impact on an emerging country like Bangladesh.

The story of globalization is a story about specialization. Today, countries focus more and more on producing a relatively narrow range of goods and services. They exchange the fruits of their specialization for other goods and services. The traditional idea of specialization is horizontal firms and countries produce particular goods and services from scratch and then export them. However, that is changing and a significant characteristic of world trade is vertical specialization. Countries now use imported intermediate parts to produce goods and later they export. This means that countries link sequentially to produce a final good. Vertical specialization is related to several production concepts including outsourcing, vertical integration and foreign direct investment.

Bangladesh is physically a small densely populated country. However, the country with its huge and competitively priced labor is located conveniently close to major producer and consumer markets of the world like India, China and South- East Asia. If we are able to convert our unskilled labor to a skilled one in the near future, we would be able in a position to exploit our unique geographical position by trading in intermediate goods, adding value to them and re-exporting them to a third country in the region and get huge returns. It is said that vertical specialization gives quantum leap to overall export trade both in value and in volume.

Bangladesh is increasingly importing intermediate goods to fabricate new products cheaply. It is sending these products for further processing as final goods to countries far and wide. An efficient infrastructure, solid financial services and a skilled service sector may help to accelerate the process.

Bangladesh can enjoy the multiplier effects of international trade in the near future, if it can adopt itself to its changing nature.

Joy Bangla,

Joy Bangabondhu

(Mohammad Faruk Khan, MP)



Dr. Atiur Rahman
Governor
BANGLADESH BANK
(Central Bank of Bangladesh)



MESSAGE

I am happy to learn that the Dhaka Chamber of Commerce and Industry (DCCI), one of the leading Chambers of Bangladesh, is going to organize a conference titled '**Bangladesh 2030: Strategy for Growth**'. I believe that major policy issues will be discussed in this conference and will bring out significant insights about future economic and social development of Bangladesh.

Belying the widely held perception as an international 'basket case' at her birth in 1971, Bangladesh has achieved remarkable development turnaround with relatively low level of investment compared with the East Asian economies; by now not far off from the per capita national income threshold for the (lower) middle income group of economies. Over the 39 years since liberation, her per capita income has grown fourfold with near self-sufficiency in food production, poverty has been reduced by more than half, and she is well on course for achieving most of the MDGs. Bangladesh was awarded recently by the UN for achieving the MDG on child mortality. Many felt she could as well receive an award for women empowerment which is even higher than in many European countries. Some of the other breakthroughs and attainments (like pioneering of micro-credit as a tool combating poverty, building up a globally competitive apparels export sector from scratch) are also well recognized. Although Bangladesh still faces daunting challenges of pervasive poverty, climate change threat, governance weaknesses and deficiencies in physical infrastructure and human development; the progress thus far achieved in a functioning democratic framework is a story well worth highlighting as an inspiration for herself and others in innovatively, creatively curving faster progress paths ahead.

We believe that Bangladesh has strong macroeconomic fundamentals and huge potentials of becoming an economic power house by 2030. An appropriate policy mix is required to propel it to the trajectory of desired double digit growth. With rising trend in labour costs in major comparator economies like India and China, Bangladesh has well prospects of boosting her exports and attracting more foreign direct investments over the medium and longer term. With Bangladesh's unique geographical location connecting to three largest markets in the world: India, China and ASEAN countries comprising more than 3.4 billion consumers, we see ourselves as one of the major future suppliers of goods and services to the rest of the world. Bangladesh Bank, in its developmental role of financial inclusion, will continue encouraging credit expansion to unserved/underserved productive sectors like agriculture, SME, renewable energy and environment to support inclusive growth strategy of the government. It is high time for citizens of Bangladesh to work together in transforming our vision into reality.

(Dr. Atiur Rahman)



A.K. AZAD
President
The Federation of Bangladesh
Chambers of Commerce & Industry



MESSAGE

I am indeed happy to know that the Dhaka Chamber of Commerce & Industry (DCCI) is organizing an important Conference entitled "**Bangladesh 2030: Strategy for Growth**" in 7 December, 2010. This year the meeting would bring together some of the bright minds of the country to address this critical subject.

The country is indeed in a growth trajectory. With the right policies in place which gives healthy incentives to the private sector, there is no doubt that the economy will find its correct alignment for faster growth. The Government has already given Vision 2021 which would make us a middle income country. But by discussing the future we will indeed curve out new economic goals for our people.

The business community of Bangladesh is poised to move into new areas of investment in order to exploit existing resources. Beyond this, they are also looking at investing in our neighboring countries. There is no doubt that with the opening up of North East Indian States in the near future, Bangladesh business houses can look closely and invest profitably there. We are therefore seeking new markets and developing new products for our development.

I wish the Conference a grand success. I hope it will give the business community new ideas for investment and growth.

A.K. Azad
President, FBCCI



Bangladesh

2030

Strategy for Growth

Bangladesh 2030 logo description

Bangladesh's economy in spite of various challenges has been growing at 5% per annum. The economy has also weathered world recessionary tendencies and has proved to be fundamentally strong. The economy is poised to grow much faster in future. DCCI by engraving 2030 on the coin shows the target and that Bangladesh seeks to be the 30th largest economy in the world by year 2030.

Bangladesh
2030

strategy for
growth



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Conference Speech

Mr. Abul Kasem Khan, President, DCCI

Bismillahir Rahmanir Rahim

- Your Excellency **Sheikh Hasina**, Honorable Prime Minister, People's Republic of Bangladesh
- Honorable Finance Minister, **Mr. Abul Maal Abdul Muhith**, M.P., People's Republic of Bangladesh
- Honorable Industries Minister, **Mr. Dilip Barua**, People's Republic of Bangladesh
- Honorable Commerce Minister, **Mr. Muhammad Faruk Khan**, M.P., People's Republic of Bangladesh
- Honorable Ministers
- Honorable Members of the Parliament
- **Dr. Atiur Rahman**, Governor, Bangladesh Bank
- Excellencies, Business Leaders
- Distinguished Guests from Home and Abroad
- My Colleagues from the Dhaka Chamber of Commerce and Industry (DCCI)
- Friends from press and electronic media
- Ladies and Gentlemen

Assalamu- Alaikum and a very Good Morning to you all,

It is a matter of great honor and privilege to welcome you all to this day-long Conference '**Bangladesh 2030: Strategy for Growth**' hosted by Dhaka Chamber of Commerce & Industry (DCCI). We are especially thankful to our Honorable Prime Minister, who has in spite of important engagements agreed to join us and inaugurate this conference. Her presence here is a reflection of her deep interest in the future economic growth of Bangladesh. Honorable Prime Minister has herself initiated Vision 2021 to move Bangladesh to a **Middle Income Country (MIC)** by 2021. We are confident that **Vision 2021** will set the foundation for Bangladesh to become a major economy in the world.

Honorable Prime Minister and Distinguished Guests,

For sometime now, we all know that something immense is changing Bangladesh. These mega changes need to be understood and put in an understandable framework. Let me outline some major trends which are shaping Bangladesh.

- Bangladesh today is the **48th largest economy** in the world with **US\$ 225 billion GDP** on the basis of purchasing power parity. In nominal terms, the per capita income is US\$ 750 with a GDP size of nearly US\$ 90 billion. Bangladesh is the 70th largest exporter and the 4th largest RMG exporter in the world. Bangladesh is also the 21th fastest growing economy.
- Impressive growth of 5% and above in the last two decades have indeed taken the economy to a new growth trajectory – contributed by steady agricultural production, increased exports earnings, healthy

remittance and vibrant domestic demand. The steady growth of GDP during the recent global recession has demonstrated the resilience of our economy – adding an important seal that the economy has strong fundamentals. In the last 3 years this growth has been over 6%. Even this year's growth in spite of global slowdown would be between 6.5%-7%.

- At this point we take pride in paying our tributes to the **pioneers and entrepreneurs** from among our business community, who took the risk to invest their capital and undertook bold ventures and made them successful. They proved to the world at large, that Bangladeshis are capable of industrial investment and management.

Honorable Prime Minister and Distinguished Guests,

- National interests cannot be promoted by the Government single handedly. In dealing with national development, our dynamic and vibrant private sector had been a strong partner. Today, the private sector is also the largest contributor to the economy. Increased private sector participation in policy direction and national planning is now imperative to provide effective strategy formulation for the future.
- We realize that the Government alone in spite of its best intentions cannot meet all the challenges and solve all the problems in the economic front. The responsibility must be shared equally with the people. The private sector with its characteristic dynamism can support Government efforts and devise policies and add realistic dimensions while planning for the future.

Distinguished Guests,

- Bangladesh is passing through **unique times**, just as many of the countries in the region passed through in the recent past. The "**Four Asian Tigers**" i.e. **Hong Kong, Singapore, South Korea and Taiwan** became industrialized and were known for their exceptionally high growth rates. Later these four Tiger economies were turned into the Newly Industrialized Countries known as **NICs**. All these countries have today graduated into advanced economies with high income levels.
- All the four Asian Tigers have been able to create a highly educated and skilled work force and have specialized in areas where they had competitive advantages. For example, Hong Kong and Singapore became world leading financial centers, while South Korea and Taiwan became world leaders in information technology.
- Economic success in Japan, followed by the four Asian Tigers, can be attributed to the existence of harmonious



labor management relations. “Industrial Harmony” in the unique “Culture of Harmony” was consciously invented and developed in the last century in Japan.

- Japanese experience challenged the unilinear theory of modernization, which is found in western countries. It was reaffirmation of ancient Confucian values. It emphasized on harmony, self-sacrifice and non-individualistic group, striving in pursuit of a common cause. Such “Asian Values” became the foundations of growth of the **Four Asian Tigers**. They followed Japan and singled out **education** as a means of **improving productivity**. They focused on improving the education system at all levels. Heavy emphasis was placed on ensuring that all children attend elementary education and compulsory high school education. Money was also spent on improving the college and university system.
- Since all four Asian Tigers were poor in 1960's, they had abundance of cheap labor. Together with educational reform, they took advantage of a cheap yet productive work force. The Tigers were also committed to equity in the form of land reform and property rights. All this ensured that farmers were not disgruntled. They also gave subsidies on agricultural products. Finally they abandoned “Import Substitution”. The Tigers pursued an export driven model, with export of goods to highly industrialized nations in Europe and America. This brought them ready foreign exchange which they invested in their economy. This encouraged foreign investors to come into their country to also invest. Thus in two decades, the countries transformed themselves into productive, technologically developed rich economies.
- The original four tiger economics were subsequently followed by the new Tiger economics of Thailand, Malaysia and Indonesia. Encouraged by their predecessors, these countries also adopted the strategy of **export-led industrial growth**. These countries emphasized on four key areas for rapid growth. **The areas were:**
 1. Openness and manufactured exports
 2. Higher savings and investment
 3. Strong macroeconomic management especially Government fiscal policy
 4. And, education.
- At the outset, these three countries opened their economies to have greater access to new technologies. This helped to avoid misallocating labor and capital to inefficient industries. They had ready access to capital goods and intermediate inputs from world markets at world prices (i.e. without trade barriers). Then they produced products using their cheap labor easily which were exported with greater returns. Electronic exports from South East Asian countries are a case in point.

- On the other hand, the case of China was different. After years of state control of all productive assets, the Government embarked on a major program of economic reform. From 1978, it encouraged formation of rural enterprises and private businesses, liberalized foreign trade and investment, relaxed state control over some prices and invested in industrial production and the education of its work force.
- Although capital investment, like new machinery, better technology and more investment in infrastructure played a significant role in growth, the key element in China was higher productivity of its labor force. The reforms had raised economic efficiency by introducing profit incentives. They also freed many enterprises from constant intervention by state authorities. In late 1980's, China introduced the **Special Economic Zone (SEZ)** concept, allowing foreign investments to come into communist China. The SEZs were a test case which was the starting point of “**The Chinese Economic Miracle**” that we are witnessing today.
- Thus we can see that the four East Asian tigers, the three South East Asian new tigers and China are well on their way to become mature economies. In the late 1990's Vietnam also initiated its economic transformation by adopting a free market economy. This paved the way in attracting foreign investment into Vietnam. Both China and Vietnam who still have communism as political ideology have radically altered their economic philosophy, keeping in mind the changes and shifts in the global economy. This is a clear lesson to us too, that we should devise our strategies based on what advantages we have to push forward our economy ahead.

Distinguished Guests,

- Do we not see many developments in Bangladesh akin to what has taken place in those Tiger economies? Do we not see familiar images and hear similar sounds about Bangladesh? Let us carefully examine what we need to do, in order to push ahead. Before we do that, it would be pertinent to take note of what several international **Investment Banks and Risk Analysts are saying about us.**
- The world's two top credit rating agencies, **Standard & Poor's (S&P)** and **Moody's Investors Service**, for the first time, assigned sovereign credit ratings to Bangladesh. S&P assigned **BB-** and Moody's Investors Service assigned **Ba3** to Bangladesh and termed the country's macroeconomic outlook stable, putting Bangladesh at par with the Philippines, Vietnam and Turkey. In the South Asian context, Bangladesh is positioned higher than Pakistan and Sri Lanka.
- Several global financial institutions have also identified Bangladesh as one of the potential economies of the world. Leading US investment bank **Goldman Sachs** has included Bangladesh as one of the Next-11 (N-11)

countries, after the BRIC nations of Brazil China, India and Russia as one of the rising economies of the world. Similarly, **JP Morgan**, another global leader in investment banking has included Bangladesh in its 'JP Morgan Frontier Five'. And in a recent update of their 2006 report on "**The World in 2050 - Price Waterhouse Coopers**" extended their analysis to include 13 other emerging economies including Bangladesh in their new '**PWC 30 list**' as one of the long term potential growth economies by 2050.

- JP Morgan in its "*Ho Chi Minh Trail to Mexico*" research report states that it is the demographics that justify the inclusion of Bangladesh in the "JP Morgan Frontier Five". Their report identifies that:
 1. *The country ranks fourth in growth in economically active population.*
 2. *Five year economic growth is strong at 6.1% per annum.*
 3. *Progress has been made over the last few years to reduce poverty, increasing literacy levels and moderating population growth to a more sustainable level.*
 4. *There is an assertive judiciary.*
 5. *An active Civil Society.*
 6. *A relatively free media which has increased public accountability.*

Distinguished Guests,

- So what is pushing forward the country's economy? There are **three main growth drivers** in Bangladesh today. They are **exports, remittances and growth enhancing policy reforms**. **Exports** which were only US\$ 5.9 billion in 2002, jumped to **US\$ 15.6 billion** in 2009. What is impressive is that, despite the recession which had the world in its grip, Bangladesh's export maintained a positive trend. Import performance is a measure of trade and business activity. Bangladesh's imports also increased by 13% to US\$ 9.6 billion in 2003 and further by 12.9% to US\$ 10.9 billion in 2004. Today it is a whopping **US\$ 23.7 billion**.
- The amount of **remittance** sent by Bangladeshis working abroad has increased significantly. Total remittance in 2002 was US\$ 2.5 billion. It increased steadily and peaked at US\$ 9.6 billion in 2009. This is of course only the amount that comes in through the banking (official) channel. If we consider the remittance sent through other channels, it is estimated that the total remittance today could be at a much higher level.
- The third growth driver has been **policy reforms**. They focused on trade liberalization, banking, telecommunications and fiscal responsibility. These served to unleash a multitude of private sector initiatives which sharply accelerated the growth process. Policy reforms also contributed towards an institutional culture of macroeconomic prudence.

- Bangladesh therefore, seems set on her way to accelerated growth and development. However, in reality all the potentialities of our economy have not been fully explored.

Distinguished Guests,

- We feel that one of the objectives of "**Vision 2021**" of creating strong economic fundamentals, will set the foundation for Bangladesh to become the 30th largest economies in the world by the year 2030. Bangladesh will need to accelerate its development activities and fast track into a higher investment trajectory. It will also have to grab its large low-cost advantages. Bangladesh's economic performance in the past 20 years has always been underestimated, and as such the economy will out-perform expectations.
- Today **industry** and **services** contribute almost **80% to the GDP**. Yet **agriculture** remains the main source of livelihood of over 70% of our people who live in the villages. The villages continue to play the most important economic and social role in the country. Therefore particular attention should be given towards uplifting and improvement of our people living in the villages. This will directly contribute to both economic and social prosperity of the vast majority of our people. Emphasis on human development will result in creating conditions for higher rate of growth.
- There is also an urgent need for accelerated rate of investment in the **industrial sector** in order to provide employment to idle labour as well as to manpower joining anew job market. Investment in industries will come in once both local and foreign investors find conducive and friendly business environment. Particular attention must be given in providing all essential facilities to encourage both local and foreign investment with conducive business friendly environment.
- The country today is faced with a serious **energy crisis**. Considerable amount of natural gas which provides the base for large-scale manufacture of fertilizer and industrial products has been diverted and being used for power generation. Gas, as an industrial raw-material, is even more important than oil. We must devise a strategy by which we can move from gas dependant power generations to coal. This will allow uninterrupted energy flow to fire industries which will use natural gas for running.
- Bangladesh also needs to increase its **competitiveness**. The country is very competitive within the factory area, but unfortunately it is not competitive outside the factory area. Our competitiveness depends greatly on our infrastructure capabilities and capacities. The lack of modern infrastructures like port, rail, road, energy and power seriously hampers export growth and investment, and thereby limit opportunities for Bangladesh. In this age of globalization and export-led growth, reliable, efficient and modern transportation systems play critical role in becoming competitive.

Distinguished Guests,

- Various studies on Bangladesh's long term prospects point out that the country would require a higher GDP growth rate than at present to graduate to MIC status and go beyond. The immediate need is to attain a 8% growth rate. The present government has found that to achieve 8% GDP growth by 2013, our Investment to GDP ratio should be increased from the present 25% to nearly 40%. In order to have such a high GDP growth, the government will need an additional USD28 billion investment which should be pumped into the economy between 2010-2014.
- Economists and planners therefore need to devise strategies to accelerate the percentage rise of GDP annually. The acceleration in GDP growth will initially come from investments in infrastructure. Bangladesh today, is an **"Infrastructure hungry country"**. Timely investments in the right infrastructure are very important. Priority infrastructure projects must be identified keeping in mind the economic benefit that these investments will bring to the economy first. Priorities within a **"priority-list"** of infrastructure have to be made and then implemented. The priorities in infrastructure projects therefore are the following three. The first is the Dhaka-Chittagong Transport Corridor (DCTC) second Chittagong Port and lastly Dhaka City Transportation system.
- **Improving the efficiency and capacity of Chittagong port**, requires its infrastructures to be modernized, so that it can cater to increased trade, investment and business. Secondly, the Dhaka-Chittagong Transport Corridor (**DCTC**) needs to be upgraded. We are all aware of the importance and at the same time our dependence on this vital link. The corridor currently faces many bottlenecks including lack of an efficient means of transportation. The Asian Development Bank (**ADB**) estimates that the economy would grow by additional 1% if we can develop the **Dhaka Chittagong Economic Corridor (DCEC)**. An efficient and reliable transport corridor will not only play a major role in improving our competitiveness but would also work as a catalyst for the overall accelerated growth of Bangladesh.
- Traffic congestion is a problem faced by almost all mega cities in the world. We have seen chaotic traffic in Bangkok during the 1990s. Today, Dhaka is similarly faced with serious traffic congestion. The unbearable traffic congestion is not only creating immense suffering to the commuters everyday but is causing huge "economic loss" to the nation. This economic loss is a serious growth constraint to our GDP, and overall efficiency. We need to seriously address the traffic and transportation situation with a strategy that includes some **short, medium and long term as well as crash programs**.

- Dhaka is projected to become one of the top ten mega cities in the world by year 2020 with a population size of 25 million. We feel that decentralization must be brought about by developing other cities along the Dhaka-Chittagong Economic Corridor (DCTC). This will reduce congestion largely within metropolitan Dhaka.

Distinguished Guests,

- As we face challenges which have been outlined above Bangladesh also enjoys several advantages, which it must **engage and exploit**. Bangladesh has three key attractions for global investors and multinationals.
 1. *A large base of low cost labor*
 2. *A large domestic market of 160 million people*
 3. *Nearly 3 billion people in its vicinity (India, China and the ASEAN region) that it has market access to.*
- Recent phenomenal economic development of China has created **"new opportunities"** for Bangladesh. Many see China's competitiveness in low-cost production base diminishing as China moves up the value chain in its production line. This would lead to production moving out of China to other countries which is known as the **"China Effect"**. The "China effect" is taking hold because of;
 1. *Pressure on its currency RMB to revalue and therefore make its exports expensive.*
 2. *Rise of cost of labor in China viz-a-viz other Asian countries like Bangladesh, Cambodia, Vietnam, etc.*
 3. *Moving up the value chain in its production base.*
- Many global companies in the world are therefore adopting the **China plus 1 strategy** - averaging out the cost of production by having production in another country in addition to China. Investors will be looking at attractive low cost production base for their investments. This will put Bangladesh in an ideal position as one of the **"Next Investment Destinations"**.
- However, low-cost production base alone will not determine Bangladesh's attractiveness and competitiveness. Modern infrastructure and efficient transport system are important elements to keep Bangladesh in the global investor's map. The present infrastructure drawbacks have become serious entry barriers to accelerated growth and investments. Bangladesh must therefore develop pragmatic "strategies" and competitive "policies" to address these issues before it can attain high growth rates which these "new opportunities" can bring forth.
- It must however be said that in spite of these drawbacks, Bangladesh will remain an attractive destination for new investments. But unfortunately, we are not alone, other nations will also be competing. For the same chunk of investments the challenge will be to remain in the long term in competition for the investors interest. The success shown by Bangladesh to

withstand external shocks due to the resilience of RMG sector during the recent global financial crisis has greatly increased global investors confidence on Bangladesh. It needs to now robustly seek relocation of Chinese industry in textiles, garments, toys and other labor-intensive consumer goods to Bangladesh.

- It is also a part of our strategy to extend our export frontiers and develop new industries. Sectors having high potentials include pharmaceuticals, ceramics, home textiles, leather products, toys, cement, electronics assembling, light engineering, ICT and IT enabled services, need to be relentlessly followed up.
- In recent times, we have seen keen interests from German investors to invest in textile, apparel, electro-mechanical engineering sectors of Bangladesh. The Netherlands has shown interest to work together with Bangladesh for expansion of shipbuilding industry. Malaysia is eager to relocate textile, electronics and furniture industries in to Bangladesh. Therefore, we can see that the interest levels have increased and investors are looking at Bangladesh. At the same time new export markets are being created by the Chinese and Indian growth which can be explored by Bangladesh businesses due to Bangladesh's strategic location. All these will need supportive environment to stand up in a world of high competition.
- We all know that Small and medium enterprises (SMEs) play a vital role in an economy, they are considered to be the backbone to industrial growth. The Malaysian Government committed to develop its SME's by introducing a New Economic Policy in 1971. This policy led to creation of new business and new jobs. SMEs became a major pillar of its economy and based on this, it is now aiming to be a developed country by 2020. Our present government has taken many initiatives in order to promote the development of the SME sector. This will set the foundation for our rapid industrialization.
- At this point of time, Bangladesh needs to also move up in the RMG and textile industry and produce high end products. These will require acquisition of appropriate technology, as well as human resources. Skilled and technical experts and compliance standards to ensure quality controls are immediate needs for this industry. Bangladesh also will have to find new export destinations in East Asia, Latin America, Africa and Australia.

Distinguished Guests,

Challenges from Climate change are introducing also changes in business models, around the world. **Eco-system services** which projects forests and wetlands, soils and atmosphere will be playing a vital role, promoting business. In Bangladesh, such new businesses will need the support of Government to re-define their vision and strategy. The international support for eco-friendly industry provides Bangladesh another unique opportunity to explore markets for their eco-friendly products involving the jute and similar products. Jute based pulp and paper manufacturing is a

new industry which should be supported by the government in order for this sector to take off. **Jute based pulp and paper** could be an important sector for Bangladesh to "explore" under the climate change scenario.

Distinguished Guests,

We therefore see before us that Bangladesh has tremendous potentialities but it also faces some serious challenges. The DCCI conference today likes to start a discourse on whether in spite of all our challenge we can begin to think and strategize about being the 30th largest economy in the world in the next 20 years by year 2030. In this context, the legitimate questions that need to be asked are:

- What does the present growth trends reveal? Where does Bangladesh stand in respect of its ground realities? Does it have the basic macroeconomic fundamentals? Is the current momentum of the countries growth rate and policy mix sufficient to propel it into the desired trajectory of a double digit growth?
- Can Bangladesh by year 2030 take its place as an economic power house? What growth path and policy mix will lead Bangladesh towards the transformation and what is the road map in attaining such a growth scenario?
- What do we need to prioritize from among the priorities of infrastructure projects and industrial projects to trigger quick economic development?
- What could be the potential risks, competitive areas and regional partners for which Bangladesh should be prepared with appropriate strategies? What are the priorities and pre-requisites for accelerated growth scenarios?
- What are the **comparative and competitive advantages** of Bangladesh? What are the sectors that will dominate the economy and help build the foundation for accelerated growth.
- What are the areas to instill knowledge and technologies for agricultural development with the eventual goal to attain food security and maximize earning through commercialization of agriculture? How to establish a critical mass of human resources to integrate Bangladesh with the knowledge world of 21st century?

Honorable Prime Minister and Distinguished Guests,

The objective of today's conference is to identify and project the potentials of Bangladesh, to the world explore the opportunities and challenges we shall face, in the future. It is also to discuss and debate the strategies to be adopted in order to maximize Bangladesh's economic benefits, given the recent seismic economic changes that are reshaping our world.

Keeping these objectives in mind DCCI would like to make the following observations,

1. Bangladesh needs an integrated marketing campaign for branding "**Bangladesh**". A cohesive marketing



- planning program must be undertaken to highlight Bangladesh's strong points as a major investment destination. In addition, Bangladesh must devise effective policies and strategies to take advantage of the "China Effect". We must aggressively move and seek relocation of Chinese sunset industries like garments, textiles, toys and other labor intensive consumer goods industries to Bangladesh. We will have to ensure that we are only the number one option in the China +1 strategy.
2. Bangladesh needs to have energy for her industrial growth. Therefore top priority should be given to **explore new gas fields**. Gas should be used primarily for industries. At the same time, coal should be identified as an important energy source for our **Long-term Energy security**. Investment in coal extraction will be felt quickly as it will lead to quick industrialization and fast paced growth. Coal is the energy of our future growth.
 3. **"Infrastructure projects"** such as modernizing our Dhaka – Chittagong Transport Corridor (DCTC), improvement of our Chittagong port, particularly port efficiency and handling capabilities for catering the growing need for trade and investment should be our priority. Attention should also be given to improving our **river and rail transportation** systems to improve both cargo and passenger services.
 4. Innovation is the key to success. Bangladesh therefore must engage in research and development. The private sector must play an important role along with the government to support research and development with links to our universities. Establishment of research institutions under **"RnD Bangladesh"** needs to be set up to pursue research on critical matters. Both on existing and potential sectors. Bangladesh also has to discover its own industrial solutions to go to the next higher level. Bangladesh would need to know where it stands compared to other countries in the world in order to create its own *niche* industries. Research must continuously analyze our strengths and weaknesses in order to chase the moving goal post of competition.
 5. **"Jute based pulp and paper production** is a sector which Bangladesh should explore. The country can emerge as a leading pulp producer of the world and can manufacture paper under an eco-friendly process. Policy support from the Government for this purpose is needed for development of this promising sector.
 6. Bangladesh needs to improve its competitiveness in business, investment, trade, transportation and human resources. Therefore "key development" challenges and issues need to be discussed and debated with stake holders. Bangladesh needs to adopt pragmatic "strategies" and competitive "policies" from time to time, in order to compete against other nations for its growth and investment opportunities. It is therefore imperative that a **consultation process be set up under public-private** initiative to conceptualize how we can move towards a developed Bangladesh in the next 20 years. A public private think-tank could be an option among many.

Honorable Prime Minister and Distinguished Guests,

- In twenty years, Bangladesh will have a population of 200 million. We would have a young, dynamic population to steer our country forward. By 2030, we project our GDP size would be US\$ 1 trillion plus. Our per capita income would be US\$ 6,000. We could have about 30 million Bangladeshis in diaspora. They would be remitting more than US\$ 100 billion each year. Governance would be digitalized and all offices would be almost paperless. The country would be a Regional Transportation and Communication hub. Bangladesh would also be major ship building centre in world. But what would also be significant is that Bangladesh would graduate out of least developed country status to a high income country.

Honorable Prime Minister and Distinguished Guests,

Today Bangladesh is truly positioned in a transition point in its history. It will be interesting to see how this transition and transformation takes shape in the coming years for achieving the desired level of prosperity and progress. Bangladesh as we see things now is also at the **cross-roads** of history. The old order is changing. The rapid economic rise of China and India are windows of opportunity for Bangladesh. Our geographic location between these economic giants provides us with ample opportunities for faster economic development. The 21st century is the Asian century and since **Asia is the new economic frontier**, there is no doubt that our economic future will also be largely dependent on Asia.

We think Bangladesh needs to orient its compass towards rapid economic growth. Opportunities create many "challenges" – we need to confront these challenges with **"bold strategies"** for our growth and prosperity. We feel that these "challenges" must be addressed adequately and timely, otherwise we will surely shy away from our desired path to accelerate growth. In this the government and the people and specially the private sector, are all partners.

As part of this conference, we have also initiated a strategy competition titled **"DCCI Young Visionaries"** for students from various public and private universities of Bangladesh. The students have been invited to participate and give their ideas and recommendation on how they wish to see Bangladesh in 20 years time. We will be awarding the top three ideas in our concluding Session of this Conference. These young men and women may be able to better identify the challenges and the opportunities that are ahead for our common quest of becoming a mature economy taking our position as the 30th largest economy of the world by the year 2030. The exciting journey has already begun with **Vision 2021**.

In this historic month of December when we had won our freedom, we recall the sacrifices made by millions of our people and who laid down their lives for this great nation. We salute all of them and pledge to keep "Freedom" alive in the hearts of all including our new generation by building a prosperous Bangladesh. Once again, I take this opportunity to thank the Honorable Prime Minister who has given us her valuable time to be with time. I also take this opportunity to thank you all for your kind participation.

Allah Hafiz

STRATEGY 2030

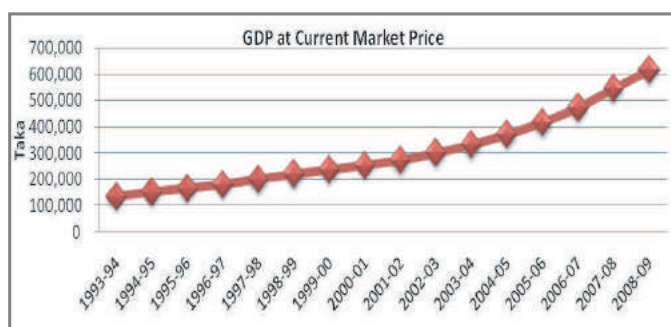
Targeting to be among the top 30 economies of the world

The Background

In 1971 the United Nations identified underdeveloped countries of the world as Least Developed Countries (LDC) and focused on socio-economic development of those countries. Bangladesh was identified as one of such countries in 1975. These countries have a large number of poor living on less than a dollar a day. In these countries the quality of education and health condition is poor, and the industrial sector is very thin.

The World Bank has also classified countries according to their per capita income. Countries with per capita income of US\$10,725 as High Income Countries (HIC) and countries with per capita income of less than US\$ 785 are Low Income Countries (LIC). At present per capita income in Bangladesh is at US\$685 with a GDP size of nearly USD90 billion. Bangladesh is also rated the 48th largest economy in the world as per GDP Purchasing Power Parity (PPP) basis and 77th largest trading nation. Industrial contribution to GDP is 28%; external trade is 40% GDP. We are no longer in position that we were in 1975-1990 but, unfortunately, we are still considered as one of the least developed countries (LIC) in the world due to low economic base and high level of poverty.

The present government has set "Vision 2021" to move Bangladesh to a middle income country (MIC) by 2021, however, many feel that the MIC status for Bangladesh may arrive by 2014 indicating that Bangladesh's economic performance may have been underestimated and as such the economy will out-perform expectations due to sound economic foundation that has been achieved over the last 20 years. The other interesting fact to Bangladesh's economy is the large informal economy that exists but is not accounted for in the formal economy. Some economists estimate that the informal economy is quite large but due to inefficient and other difficulties it is hard to bring into the formal economy.



Bangladesh economy until 1990 failed to gather much needed growth; average GDP growth rate was stagnant at less than 4%. But after restoration of democracy in 1991, the economy started to gain momentum and economic growth showed commendable performance for the last 20 years. Impressive growth above 5% for last two decades have indeed taken the economy to a new growth trajectory - contributed by steady agricultural production, increased exports earnings, healthy remittance and vibrant domestic demand.

GDP growth picked up to 6.2% in 2004 from a rate of 5.2% in 2003. After slowing down to 5.5% the next year, GDP picked up steam to post a 6.6% growth rate in 2006 and remained above the 6% level before declining to 5.8% by 2009. The steady growth of GDP in the context of the global meltdown exhibited the resilience of our economy yet at the same time revealed our relatively small exposure to the external environment. Growth rate, however, has become sluggish again. The growth rate is also on the decline due to impact of the slip-over effects of the global economic downturn, lack of investment in infrastructure, especially energy and power, port and communication has been identified as root cause behind sluggish growth. Strong resilience during global financial meltdown, added an important seal to the strong fundamentals of the economy. The Asian Development Bank (ADB) in one of its report have indicated that Bangladesh's economy can grow by an additional 1% if the Dhaka - Chittagong Economic Corridor (DCEC) can be upgraded and developed into a modern communication link between the two major cities of Bangladesh where it is estimated to have 65% of country's economic activities - the DCEC is considered as the "economic life line" of Bangladesh. It is also estimated the due to current power and energy crisis is also eating up close to 1% of Bangladesh's growth.

Therefore, taking the two estimations from the above, we can estimate that Bangladesh can target to achieve 8% growth rates quite easily. However, in order to achieve such growth rates, investment to GDP also needs to increase from 25% to 40% percent of GDP. This will not be an easy task, a large amount of resources mobilization will be required to raise rate of investment to 35%-40% of GDP.

Recent Development:

Bangladesh has recently received sovereign credit rating from Moody's Investors Services and Standard & Poor's

*JP Morgan, a global leader in investment banking included Bangladesh in their Frontier Five
- JP Morgan Report, April 2007*

(S&P), which has brought about a new dimension to Bangladesh's economic outlook. Bangladesh has been rated as BB- by S&P, and Moody's has given Ba3. S&P in its overview have indicated the following;

- We consider Bangladesh free from major macroeconomic imbalances despite several fiscal constraints, a low-income economy, and heavy development needs.
- We assign our "BB-" long term and local currency sovereign credit rating to the People's Republic of Bangladesh.
- The stable outlook reflects our expectation that prudent macroeconomic policy setting will prevail and microeconomic reforms to address growth constraints will continue.

On the other hand, the US investment bank Goldman Sachs in a recent report included Bangladesh in the Next 11 known as the N-11 along with Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam that could have a BRIC-like impact in rivaling the G-7. The report mentions that Bangladesh is one of the 11 countries that have a high potential of becoming a leading economy in the 21st century along with Brazil, Russia, India and China (BRICs). The report mentions the following projection for Bangladesh:

Growth Conditions

- The capacity to deliver on this growth potential varies greatly across the N-11. Korea rates higher than most developed countries including the US, while Bangladesh, Nigeria and Pakistan rank in the lowest third of all countries. (Challenge)
- Since the projections take to some extent the current growth conditions, significant progress in improving growth conditions could lead to substantial growth bonuses in some countries beyond the projections. This bonus could be as much as 3%-4% in Bangladesh, Nigeria and Pakistan.
- The low income group: With incomes below \$ 20,000, this group includes Nigeria, Pakistan and Bangladesh-the only N-11 countries that are not projected to reach the levels that qualify for 'high income' status even at today's income levels.

The Global Environment Scores (GES) comparisons point to three broad groups in terms of growth conditions:

- Countries with a relatively good growth environment
- Countries with specific weaknesses
- Countries with broad weaknesses

Bangladesh is pitted in the third group, i.e. countries which need improvement in all categories, along with Egypt, Indonesia, the Philippines, Nigeria and Pakistan. The report says that the most striking feature of this group is their marked weaknesses in political conditions, with all sub-components below the developing country mean. Goldman Sachs' observation, made using a Global Environment Scores system of ranking which includes indicators such as macro stability, openness to trade, political maturity, investment as criteria is based on the reasoning that seven of the N-11 countries including Bangladesh contributed more to world growth in 2007-2008 than from 2000 to 2006, and that stock markets in Bangladesh, Mexico and Korea declined notably less amid the global economic meltdown. Bangladesh was the only country in the BRIC and N-11 where macro stability components improved. Like others, it also benefited from higher mobile penetration, while "political conditions took a step back".

All the BRIC and N-11 countries, with the exception of Bangladesh, have suffered from higher inflation, rising external debt and deteriorating government deficits. However, the Report also warns that some of the N-11 countries are risky as the GES (Global Environment Scores) scores for some (Bangladesh 3.2, Nigeria 2.7 and Pakistan 3.1) rank towards the lowest among all the 170 countries monitored by them.

JP Morgan, a global leader in investment banking, in its report in April 2007 ('From Ho Chi Minh Trail to Mexico') included Bangladesh in their 'Frontier Five', based on the relative attractiveness of these markets on the basis of macro-economic and demographic trends. JP Morgan have recently commissioned a top Bangladeshi chartered accountant and consultancy firm for making a fresh study on Bangladesh economy and investment potentials.

In a recent update of their 2006 report on The World in 2050 Price Waterhouse Coopers extended their analysis to include 13 other emerging economies including Bangladesh in their new 'Pwc 30'. Investor's Chronicle, a UK-based research firm, in a recent report states that Bangladesh is one of the "seven hottest emerging markets" in the world owing to its relatively stable currency with solid foreign reserves and "record foreign worker remittances" as well as a 7% growth rate that appears set to continue. The World in 2050 Price Waterhouse Coopers further extends their view is that these 13 economies also have the potential to grow significantly faster than the established OECD economies: A strong debate is emerging currently in economic circles regarding Bangladesh's economic future possibilities. The debate centres on whether Bangladesh can graduate into a middle income country (MIC), and if so, by when. Some project Bangladesh's graduation by 2050, others suggest it to be by 2021, and yet some foresee Bangladesh's transition into MIC as early as 2015.

This article does not challenge any of the above theories and speculations. Rather, it is a brief attempt at addressing the following:

- What do the growth trends reveal, and where does Bangladesh stand in respect of its ground realities? Does it have the basic macro fundamentals?
- If Bangladesh does have the macro fundamentals, is the current momentum of the country's growth rate and policy mix sufficient to propel it into the desired trajectory for a double digit growth?
- If so, can Bangladesh by year 2030 take its place among the "top 30 countries" of world as an economic power house and graduate to MIC before 2021?
- What growth path and policy mix will lead Bangladesh towards this transformation and what is the Road Map in attaining such a growth scenario?

The N-11 report also mentions that Egypt, the Philippines and Bangladesh also have high growth potential, although Bangladesh is still projected to be the smallest of the economies considered in 2050 due to its very low starting point in terms of average incomes. For Bangladesh, however, any such projections are contingent on avoiding major natural disasters. How far do the ground realities of Bangladesh support these observations? A brief survey of Bangladesh's potential and its economic performance during the last decade may through some light on this.

Export of Goods and Services

The main drivers of Bangladesh's GDP are its exports and remittances. Exports which were US\$5,986 million in FY 02 showed a notable increase of over 9 % to US\$ 6,548 million in FY 03 and jumped by 16% the following year and further increased by 21% in FY 05 compared to the previous year. The growth rate of exports fell to 10% by FY 09. What is impressive is that despite the recession which had the whole world in its grip, Bangladesh's exports maintained a positive trend. This is also visible from the chart below: The surge in export growth was led by the robust performance of knitwear and woven garments. Jute and jute goods also performed promisingly.

Imports

Import performance is a measure of trade and business activity of a country. Bangladesh's imports increased by 13% to US\$9,657 million in FY03 and further by 12.9% to

US\$10,903 million the following year. Imports increased at a larger rate of 20% in FY 05 compared to the previous year, but the rate of increase slowed down the next two years before shooting to a 26% increase in FY 08. However, with the onset of global recession on our national economy, imports increased by a mere 4% in FY 09.

Remittances and Forex Reserves

The amount of remittance sent by Bangladeshis working abroad has increased significantly over time. Total remittances in FY02 were US\$2,501 million which increased to US\$3,062 million in FY03 and further to US\$3,372 million in FY04. Remittances increased steadily over the period and peaked at US\$9,689 million by FY09. The strong support shown by Bangladeshis abroad by sending hard earned forex back home has greatly helped Bangladesh maintain its favourable economic position in a situation of uncertain external environment. The robust accumulation of forex reserves is another strong point of the Bangladesh economy during recent years. Forex reserves increased from US\$1,583 million in FY02 to US\$3,484 million by FY06, US\$6,149 million by FY08 and to US\$9,549 million by FY09. One of the reasons for the high accumulation of forex seems to be that the increase in imports did not match the robust flows of forex from export earnings and remittances. Lack of import demand due to global recession could be one reason for this. The trends in forex reserves and remittance are shown below:

Savings and Investment (as % of GDP)

Gross investment did not show notable changes during the period. Beginning at 23.4% of GDP in FY02, investment peaked to 24.7% by FY06 and declined slightly to 24.2% by FY09. National savings, however, depicted modest yet steady increase from 23.4% of GDP in FY02 to 32.4 by the end of the period. The following table shows investment and savings situation:

Table 1: Savings and Investment (as % of GDP), FY02-FY09

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Gross Investment	23.4	23.4	24.0	24.5	24.7	24.5	24.2	24.2
Gross Investment in private sector	16.8	17.2	17.8	18.3	18.7	19.0	19.3	19.6
Gross Investment in Public Sector	6.4	6.2	6.2	6.2	6.0	5.5	4.9	4.6
National Savings	23.4	24.9	25.4	25.8	27.7	28.7	30.2	32.4
Domestic Savings	18.2	18.6	19.5	20.0	20.3	20.3	20.3	20.0

Source: Bangladesh Economic Survey

Bangladesh is one the hottest emerging market having the potentials of attracting more foreign investment.
– Investor Chronicle, a UK based research organization

GROWTH PROJECTIONS

The steady growth record, despite internal and external shocks, provides a reasonable basis for projecting Bangladesh's long-term-term growth prospects of an 8% GDP growth. However, to achieve this goal, the micro indicators reviewed above need to be accelerated at desired rates, which will be discussed in the next section. At the same time, improvements in infrastructure, skill development and support services image building, and good governance will have to be made to provide an enabling environment for reaching desired growth targets.

Various studies on Bangladesh's prospects point out that Bangladesh will require a higher GDP growth rate than at present to graduate to MIC status. The general consensus is that an 8% growth rate will be necessary to reach that status. But raising GDP growth to that level will require a very steep increase in rates of other indicators as well such as export growth, remittance growth etc. which may be difficult for Bangladesh to attain.

Bangladesh's GDP till the year 2030 are presented under five alternative scenarios: The estimates have been obtained by deploying a simple model using various growth assumptions for the period 2009-2030. The GDP estimates allow us to derive a per capita income series under various scenarios.

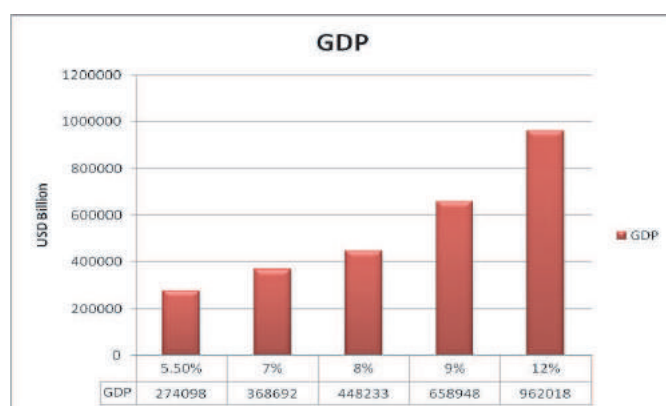
Estimation Exercise for GDP Projection

In the model, GDP growth is projected to grow at 5.5% simple growth rate under the "average case scenario". Under the "mid to very high growth scenarios, it has been estimated at 7%, 8%, 10% and 12% respectively. It is pertinent to note here that for calculating per capita GDP, account has to be taken for the growth of population during this period. The rate of growth of population in Bangladesh seems to have been stabilizing at around 1.1% growth rate, thanks to the success of various policy measures. Therefore the calculations for both scenarios have been made using a 1.1% population growth rate up to 2030.

Projected GDP and Per Capita under High Growth Scenario

Year		Growth%	GDP (US\$m)	Population	Per capita GDP(US\$)
2030	Average	5.5%	274,098	178	1542
2030	Medium	7%	368,692	178	2075
2030	Medium-High	8%	448,233	178	2517
2030	High	10%	658,948	178	3701
2030	Very High	12%	962,018	178	5403

It is observed that, under the "average case" scenario, total size of the GDP will increase to US\$274 billion by 2030 from the benchmark estimate of US\$89 billion in 2009. If GDP grows at 7% as estimated under the "medium case growth scenario" such increase will be US\$3,686 billion, which is 4x of current GDP. The per capita GDP level of US\$2,075 by the year 2030 under the medium-high growth case places Bangladesh's ranking comfortably as a higher middle income country. Under a high growth scenario of 8%, the GDP is expected to reach US\$448 billion, nearly 6x of present GDP with per capita at US\$2,571. At 10% growth rate, GDP is projected to be US\$658 billion by 2030 and per capita income at US\$3,701. At 12% growth rate over the period, GDP size in 2030 will be US\$962 billion and per capita income at US\$5,403.



Implications of higher growth rate on drivers of economy

GDP growth is the sum total of growth of different sectors of the economy. For GDP to come to the level projected by the growth scenarios the other sectors of the economy have to grow rapidly as well. The main drivers of growth in Bangladesh are its exports, remittances and investment. We shall link the implications by making projection estimates for these sectors.

Requisite growth in export growth

What are the implications of a 7% GDP growth till 2030 on export growth? Growth in exports has been a major driver in Bangladesh economy during the recent years. Exports comprised around 17 percent of GDP in 2009.

Projections in respect of export elasticity:

Earlier studies have found that the estimated value of elasticity of GDP with respect to export during FY 1991 to FY 2001 was 0.384. This means that for a 1% increase in exports, GDP grew by 0.384%. This elasticity has been used in the projections of exports. The export projections at 7%

GDP growth, exports need to reach US\$21.6 billion or 21% of GDP. Progressing at this rate, exports have to reach US\$ 503.1 billion level or 136% of GDP by 2030. Is this rate of growth in exports too high, and can Bangladesh sustain this growth rate in exports? Such a high percentage of exports is not uncommon in Asian economies. Malaysia's exports were 110% of GDP in 2008 and Hong Kong and Singapore had much higher export figures at 212% and 234% of GDP in 2008. Our estimate is that if the policies suggested are adopted, such a growth in exports may well be achieved.

Export diversification.

Bangladesh needs to seek for potential export markets in developing nations other than the traditional countries if it wants to rapidly increase its exports and avoid recurrence of adverse impacts of the global economic meltdown. A director of WTO in a recent visit to Bangladesh observed that Bangladesh's exports to the developing countries accounts for around 10% of the total LDC exports, which is far less than the average 45% export of other LDCs to the developing nations. This implies that there is much scope of expansion of exports to these countries if Bangladesh can maintain export competitiveness.

A noteworthy feature of the country's export trends is that the export growth performance of Bangladesh has been sustained mainly due to increase in volume (accounting for about 90% of the increase in export value) rather than price (by contrast, accounting for only about 10% of the increase in export value). Bangladeshi exporters have been able to sustain their market share by offering discounts, overcoming order deferment and cancellations, and taking significant cuts in profit margins. This reveals the unfortunate picture that Bangladesh exports most often suffer price setbacks in international trade, and the additions to export value are made up by increases in volume. Therefore, as a long-run strategy, Bangladesh should develop better expertise at negotiating export prices in international markets. Knowledge of international market and price situation is very handy at this stage.

By global standards, the Bangladeshi pharmaceutical industry is small. Yet this same industry has spawned world-class pharmaceutical companies and exports drugs to around 72 countries of the world including many OIC (Organization of Islamic Conference) member countries. According to a June 2009 Business Monitor International (BMI) report, Bangladesh had a domestic Pharmaceuticals market worth BDT 59,330.7 million in 2008 (US\$858 million). Most significantly, the growth rate and investment environment has been deemed highly attractive.

The export of small oceangoing vessels to some EU countries and other destinations reflect a great opportunity as the demand for Bangladeshi ships are increasing. If Bangladesh grabs on to this opportunity appropriately, its export earnings can increase tremendously. A study on shipbuilding industry in Bangladesh conducted by the Bangladesh Foreign Trade Institute (BFTI), said the government should not take so much time in making it a thrust sector as India and Indonesia are increasing their own ocean-faring vessel capacities. The study also noted that ship building industry in India had grown from Rs 10.17 billion in 2002 to Rs 36.57 billion in 2007 as a result of government support over those five years. If the Bangladesh Government gives similar support to its shipbuilding, this industry could be a topmost foreign exchange earner next to RMG.

For reaching long term export targets as projected, the following areas need constant attention:

- Simplification of export procedures reducing regulatory role of the government;
- Rationalization of the value of Taka to make the export trade more attractive;
- Creation of an Export Promotion Fund (EPF) for strengthening the export activities;
- Encouraging establishment of backward linkage industries through utilization of locally available raw materials;
- Participation in international trade fairs, single country exhibitions and specialized fairs and sending business delegations abroad for expansion and consolidation of existing markets and creation of new markets;
- Expediting BMRE of existing industrial units particularly the industries with high export value addition;
- Taking measures to improve quality, increase production and expand market of exportable agricultural products;
- Undertaking activities for export diversification such as increasing export of computer software, engineering consultancy and services;
- Expediting steps for export of labour intensive electronic and engineering products to various countries;

The Next Eleven (N-11) are eleven countries among which Bangladesh has a high potential of becoming the world's largest economies along with BRICs.
– Goldman Sachs research report

- Expanding the list of products under crash programme and including more items such as diamond cutting and polishing, jewellery making, stationery articles, silk, gift items, cut artificial flower & orchid, vegetables, engineering consultancy & services for export;
- Developing and expanding infrastructural facilities for export trade; and
- Creating product-development councils for important products.

The government is undertaking strategies for tackling the above-mentioned issues. However, regular monitoring progress in each of these areas and the capacity of adopting new strategies to meet changed situations is also necessary.

Required level of Remittances

To achieve a 7%-8% growth rate till 2030 the share of remittances as percent of GDP will have to increase to 34%-35% from the existing 11 percent. Although this seems to be a tall order, it is not unreachable if we review past performance in this sector and take appropriate strategies. Total share of remittances to GDP was 4% in 2001, but by 2009 the proportion increased to 11%. This is a big jump, considering the fact that GDP has been increasing between 5% -6% during this period. It is quite possible to increase the share of remittance to 34% of GDP if appropriate measures are taken and an action plan is chalked up. As a first step, training for creating skilled manpower for working abroad has to be done in a systematic manner. It is reported that there are various training centres in government and private sector but there is no data on how many skilled workers they are producing each year. These training centres have to be streamlined, new training centres have to be opened according to the regional demand for such centres depending on the population of eligible foreign-going work-force, and training in various skills will have to be given after estimating the demand for the various skills in different markets. It may be mentioned here that the economic and trade section of the Bangladesh Embassies and Missions abroad sometimes give information on the nature of demand of skilled workers in the respective countries, but this information is not regular. Once the system is streamlined, Bangladesh can set targets for exporting skilled workers according to professions in various export markets.

Implications for Investment

As shown earlier, the investment figures for Bangladesh are very poor. Domestic investment was 24.2% of GDP in 2009. In the light of the Vision shown by the present

Government, the government has planned to raise investment rate to 30.32 percent of the gross domestic product to take GDP growth to 8% by 2013, according to government sources. Earlier studies on Bangladesh economy have indicated that if Bangladesh wants to go on a high GDP level, it will have to increase its investment to 40% of GDP in the long-run. This rate is near to India's current investment rate (39% of GDP)

Where will the added investment come from and to which sectors should it go in the interest of rapid economic development? Appropriate to mention here that Pakistan's domestic investment position is also not too good, at 21% of GDP. However, the shortfall in domestic investment is more than made up by grand chunks of FDI. As such, Pakistan's FDI stood at US\$ 3,719.9 million in 2008-09. If Bangladesh wants to show similar performance in attracting FDI, it will have to gear up the domestic factors such as improvements in infrastructure, power and gas supply, and governance and business practices.

While infrastructure is being blamed for Bangladesh's poor FDI inflow, it is a peculiar coincidence that this very sector is now looked upon as an opportunity for investment, particularly foreign investment. The policies adopted in the current budget for investment under PPP have opened the door wide for FDI. What is needed is a strong legal framework in the form of PPP policy and transparent rules of the Government in dealing with the partners of PPP. Preliminary assessment of the required investment to boost growth rate till 2014 has been prepared in a Position Paper of the Government. According to the estimate, required investment from FY10 till FY14 have been projected at US\$ 185 billion, while available investment has been projected at US\$157 billion, leaving an estimated investment deficit of US\$ 28 billion investment deficit which is expected to be achieved with participation of the private sector. This can be calculated by adding the figures of the respective years in the following Table:

Table 3: Required Investment for Attaining Target Growth Rate and Investment Deficit

	2009-10	2010-11	2011-12	2012-13	2013-14
GDP Growth (percent)	6.0	6.8	7.5	8.0	8.0
Required Investment (US\$ Billion)	24.59	30.63	37.18	43.82	49.69
Investment(% of GDP)	24.0	27.02	29.25	30.4	30.40
Available Investment-MTMF (US\$ b)	23.55	27.1	31.36	35.54	40.29
Deficit (US\$ b)	1.04	3.53	5.82	8.27	9.4

Source: Preliminary Estimates of Ministry of Finance

" MTMF : Medium Term Macroeconomic Framework

In the aftermath of the turnover from recession, the developed economies are trying their best to accelerate their economy through investment abroad, and infrastructure investment is a popular choice. Bangladesh can make use of this opportunity by branding itself and adopting other country promotion measures like branding Bangladesh as the Next Investment Destination for FDI, etc.

Long-term Projection to 2030 in neighboring countries: Pakistan, Thailand

To keep up in economic competitiveness, other countries, particularly our neighbours are not lagging behind. Pakistan Government has prepared a document "Vision 2030" which aims to increase the size of the economy from US\$ 141 billion to US\$ 1 trillion and raise per capita income from the current US\$925 to US\$4000. The Vision 2030 for Pakistan has been prepared after a consultative process spread over two years.

In Thailand, a study has been undertaken to analyze Thailand's economic and social conditions in the next 10-20 years for setting up a Roadmap 2030. The roadmap identifies Thailand's geographic location as one of the country's strengths. According to the roadmap, Thailand's long-term development strategy covers five major areas: i) food production and food processing; ii) adding value to the services and products created from Thai wisdom; iii) development of Thai tourism sector; iv) establishment of a logistic hub with various projects linking rail, sea and air transport and v) development of alternative energy sources to cope up with higher oil prices. Investment rate: The experiences of the East Asian economies and India show that the 24% investment rate in Bangladesh compares poorly with the 35%-40% investment rates in these more dynamic economies. As a result, growth rates in Bangladesh are much lower than in these economies. So, the inability to convert the higher saving rates into a higher rate of investment is a source of concern rather than a reason to celebrate. The investment needs of Bangladesh are large. Much of the infrastructure is rundown and inadequate. Lack of electric power and primary energy is threatening to choke off growth and citizens' welfare. Massive investments are also needed to upgrade the labor force through education, health and training programs. Large investments are needed in the manufacturing sector to create good jobs.

Investment prospects:

According to official sources, Germany has shown keen interest of the German investors to invest in textile, apparel, electro-mechanical engineering sectors of Bangladesh. The Netherlands has shown interest to work together with Bangladesh for expansion of shipbuilding industry. Malaysia is eager to relocate textile, electronics and furniture industries in Bangladesh. Bangladesh is going through an action programme for installation of power plants on a rental basis. ADB plans to provide \$ 900 million financial support through its public sector window to Bangladesh. This is on top of the \$1 billion in support ADB is providing to ongoing projects to develop power plants in Khulna and Sirajganj and the country's first high capacity 400KV transmission from Meghnaghat to Aminbazar. A \$110 million shoe factory is being setup at the Korean Export Processing Zone (KEPZ) with remarkable progress in infrastructure development.

Advantages of Bangladesh vis-à-vis neighbors for investment:

A significant decline in demand for high-end garment products amid financial crisis worldwide has been noticed in recent times. China, Turkey, India and Pakistan are losing competitiveness for higher wages to workers and shifting of production to the high-end garment items. Bangladesh can make use of this opportunity because it can supply garment items at a low price due to some advantages like cheap and available labor besides the capacity of making basic items.

Conclusion:

Bangladesh can aspire to become the 30th largest economy by 2030 if it accelerates its development activities by fast-tracking into higher investment trajectory by grabbing its large low-cost advantages. Recent phenomenal economic development of China has created "new opportunities" as China's competitiveness in low-cost production base will diminish which will create opportunities for investment elsewhere. Investors will be looking for attractive destination with low cost production base for their investments, which will put Bangladesh in an ideal position as the "Next Investment Destination".

However, low-cost production base alone will not determine Bangladesh's competitiveness as an attractive investment

Bangladesh has the potential to achieve 7 percent or more economic growth a year, despite challenges of political uncertainty, weak infrastructure and vulnerability to natural disaster.

– Country Director, The Asian Development Bank (ADB), May 2008

destination, and therefore "key development" issues and areas need to be addressed. Bangladesh's acute power crisis, energy security issues, outdated infrastructure, poor governance record and political instability will become serious entry barriers to accelerated growth. Therefore, in the final analysis, we can only add that Bangladesh needs to change and adopt with pragmatic "strategies" and competitive "policies" to address the issues in attaining high growth with "new opportunities" for investments. Bangladesh is also faced with many challenges from climate issues to infrastructure development, these challenges raise many questions. Today Bangladesh has been identified as one of the most vulnerable countries under the global climate change; similarly, the nation's economy is faced with effects of globalization, energy security and outdated infrastructure. As there are challenges, there are also opportunities - new avenues of business is being created with the "China Effect" as China's advantage in low production base is diminishing with growing economic development, and therefore, as a low production base, Bangladesh is becoming an ideal destination for new investments but unfortunately, there are other nations also competing for the same business and investments. Bangladesh needs to position herself in the

potential list of countries with competitive advantages. At the same time new export markets are being created by the Chinese and Indian growth which can be explored by Bangladesh businesses due to Bangladesh's strategic location.

As there are many opportunities, similarly, there are also serious uncertainties surrounding us. Opportunities and uncertainties make room for "hard challenges", which need to be addressed with right strategies and pragmatic policy direction so as to avail the opportunities for our prosperity and growth; and on the contrary, if these challenges are not addressed adequately and timely, we will shy away from prosperity and growth.

Given the circumstances, we cannot afford to be complacent, continuous sectoral research on our comparative and competitive advantageous need to be addressed, analyzed and implemented. Similarly, SWOT analysis on our competition such as Vietnam, Cambodia and other countries need to be carried out so as to judge our strengths and weaknesses.

By courtesy: DCCI Research cell.

The projected list of fastest growing economies to 2050 is headed by emerging tigers and the top 10 includes Bangladesh.

– Price Waterhouse Coopers International Limited, March 2008



Bangladesh Labor Force and Foreign Private Investment - MAJOR ASSET OR BIGGEST PROBLEM?

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Summary

Bangladesh has a once-in-a-lifetime opportunity to achieve economic growth of 8-10% a year if it can capitalize on its assets & overcome serious obstacles.

- The decline in China's ability to compete opens a once-in-a-lifetime opportunity to capture a share of its world market for labor intensive manufactured goods.
- Bangladesh can compete because of its low cost labor & other assets.
- But it must also overcome major obstacles, especially a systemic weakness of government decision-making resulting in: inadequate power, gas, infrastructure, domestic & foreign private investment.
- Actions needed to speed decision-making and to have decisions implemented:
 - v Drastically reduce the number & scope of decisions that need to be made by officials – delegate decisions to EPZ, to local bodies, to private firms & reduce the reach of government, as competing countries have done.
 - vi Shift some decisions to collective bodies & political leaders: joint public-private bodies & a strong staff of the PM.
 - vii Free the import of inputs into all non-traditional exports by using bonded warehouses, EPZ & an automatic drawback system with built-in incentives to exporters.
 - viii Stabilize the purchasing power of the poor and the cost of labor by compensating for any depreciation/ decline in the value of the Taka.

1. Bangladesh has a once-in-a-lifetime opportunity to achieve annual economic growth of 8-10%, transforming the economy from a country mired in poverty to a middle-income one, and dramatically reducing poverty.

This opportunity is due to the declining competitiveness of China for labor intensive manufactures e.g.: car & motorcycle parts, shoes, furniture, textiles, garments, toys, plastic goods, etc.

China's exports of garments & textiles were \$ 185 billion in 2008. Capturing just 10% of that market would more than double all Bangladesh exports. And even 5% of China's manufactured exports would increase Bangladesh's exports

“ a middle income country where poverty will be reduced drastically, where our citizens will be able to meet every basic needs and where development will be on fast track with ever increasing rates of growth. ”

by some \$ 65 billion. In short, the declining competitiveness of China for labor-intensive manufactures is opening up a huge market. If, as a result, Bangladesh's labor-intensive exports grow at 35% a year, a rate that other countries have achieved, then it would add 1 million jobs a year directly in these industries and 2 million jobs a year once indirect effects are taken into account.¹

2. Bangladesh workers: Asset or Curse? Bangladesh does not create enough productive jobs for the additions to its labor force. It squanders half of its greatest asset, its workers, turning them into a curse: added consumers, producing little.

Table 1. Estimate of Productive Employment & Disguised Unemployment (millions of persons)

	Average per year	Total for 99/00- 05/06
Added to the labor force	2	12
Productively employed; of which	0.6	3.7
Manufacturing		(1.5)
Construction		(0.4)
Transport, communications		(1.5)
Mining, Utilities, Finance, Health & Educ., etc.		(0.3)
Added to work- & income-sharing of which:	0.8	4.7
Agriculture		(3)
Trade, hotel, restaurant, services		(1.7)
Added to unemployed	0.1	0.4
Added to migrants	0.2-0.3	1.2
Total accounted for of which:		10
Productively employed in country or outside		5
Unemployed or added to non-productive work- & income sharing 5		

¹Exports of \$ 14 billion and employment of 3 million = employment of 207,000 per billion exported. For Indonesia the added employment in the garment and textile industries is 230,000 for each additional \$ billion exported.

- Bangladesh adds 2 million people to its labor force every year.
- But it creates only about 1 million true jobs, even including migrants.
- Poor people cannot be unemployed. So the other 1 million workers a year who can not get productive jobs share work & income with family or those from the same village or drift into the informal sector where there is no real limit on the number of shoe-shiners, or parcel carriers or bicycle-rickshaw drivers that can be absorbed.
- These “disguised unemployed” keep wages low. They contribute little to the national income, even though they may work hard.
- If every year 3 million workers, instead of 1 million, found productive jobs, the growth rate would increase by 1%, income by \$ 1 billion, wages would rise & poverty decline.
- If millions cannot find productive work that is a horrible economic waste; it also creates the conditions for an explosion of angry and disappointed people.

3. **Bangladesh can capture Chinese market shares because China’s wages now are almost 4 times those of Bangladesh** and two to three times those in other Asian countries except for Indonesia. **China is therefore becoming less competitive in the labor-intensive industries that have provided most jobs in all successful labor-abundant countries.**

TABLE 2. Wages in the Garment Industry [Monthly in US \$ in 2010]

Bangladesh	43*
Cambodia	61*
China	150*
India	50
Indonesia	155
Vietnam	63-90*

*= Minimum wage as of August 2010. Vietnam has a range for minimum. For China the wage is that reported for the coastal areas. For Indonesia the average wage for unskilled & semi-skilled garment workers was \$ 140 as of September 2009, the latest data. From Sept 08 to Sept. 09 that wage increased by 11%. On the assumptions that the increase to Sept 10 would also be 11% the wage in September 2010 would be \$ 155.

Of course wages are not the only factor that determines competitiveness. Labor productivity, infrastructure cost and quality, investment climate, government honesty and efficiency and political and social stability also matter for costs and risks. But the major factor that has changed in the last year is the higher cost of labor in China as wages, labor regulation and workers’ benefits all have made for more costly labor. Investors are actively searching for alternatives to China to produce labor-intensive goods.

4. Other countries are competing with Bangladesh for the market vacated by China.

China itself remains a competitor, making up for high wages with lower infrastructure and other costs, and a variety of effective incentives. The four other Asian countries with abundant labor and low labor costs are shown in Table 1. Bangladesh’s advantage with respect to wages is great compared to China and Indonesia, but quite modest when compared to India [less than 20%].

5. Bangladesh advantage with respect to wages is offset in part by disadvantages with respect to infrastructure, corruption and perceived risk.

Other factors are difficult to measure. But it is clear from Table 3 that:

Table 3. Factors other than wages in competitiveness

	Bangladesh	Cambodia	China	India	Indonesia	Vietnam
1.% Income lost due to electrical outages	10.6	2.4	1.3	6.6	3.3	n.a.
2. % of firms making payoffs	85	61	73	48	44	67
3. Corruption rank	134	154	78	87	110	116
4. Days required to register a business	44	5	37	30	60	50
5. Rigidity of employment [higher more rigid]-	28	36	31	30	40	21
6. Size of economy Trillion – PPP	0.2	0.03	8	3.3	0.8	0.2
7. % school enrollment secondary & tertiary	44 & 7	40&7	74&22	57&13	76&18	na

Sources & Notes: 1, 2, 4, 5, 6, 7 from World Bank “World Development Indicators 2010”; 3 from Transparency International, “Transparency Perception Index, 2010”

- Bangladesh ability to compete in the world market is severely handicapped by poor infrastructure. The greatest difference between it and its competitors is with respect to infrastructure: losses due to this factor are estimated at 8 times as great as in China. One telling example: while Indonesia has increased its electric

supply by 50% from 2002 to 2009², the Bangladesh grid has been essentially unchanged.

- A high level of perceived corruption is another problem. Only Cambodia is seen as more corrupt. While there has been improvement in the last year the gap with China and India is considerable. Bangladesh is at the bottom in firms making pay-offs.
- It also lags in expanding education.
- The investment climate, one of the easiest things to fix, is also worse than in China and India, but better than Indonesia and Vietnam.
- Labor regulation, a frequent complaint of investors, is less onerous than in nearly all competitors
- While no quantitative indexes were found, it is likely that Bangladesh is perceived as politically less stable than most competitors and its labor-relations as more conflict-ridden.

6. Bangladesh actual performance: Good on exports, poor on Foreign Direct Investment

The net effect of these various factors on competitiveness was a good record of growth in manufactured exports, totally based on garments. Bangladesh actually expanded its share of the world market for manufactures by nearly 50% from 1995 to 2009 despite the increased competition from China (Table 4).

Table 4: Share of Manufactured Exports 1995-2008: Selected Asian Countries

Country	Manufactured Exports					
	1995		2008		2009	
	\$ Billion	Market Share (%)	\$ Billion	Market Share (%)	\$ Billion	Market Share (%)
World	3,931	100	11,291	100	8,355	100
Bangladesh	3	0.08	14	0.12	13	0.15
China	125	3.18	1,328	11.77	1,125	13.4
Indonesia	23	0.59	54	0.48	47	0.5
India	23	0.58	113	1.00	107	1.2
Vietnam	2	0.06	35	0.31	37	0.4

*Source: World Development Indicators (for 1995 and 2008).
Figures for 2009 : WTO's International Trade Statistics 2010, page: 64 to 70.*

But these numbers ignore several weaknesses:

[i] While Bangladesh outperformed Indonesia, which lost market shares, it fell short of the record of China, which increased its share of manufactures four-fold and Vietnam, which increased it seven-fold;

[ii] Bangladesh export performance is entirely due to the garment industry, which accounts for 80% of all exports and which increased its share of the world five-fold 1989-2008 or 2009 (Table 5). Such extreme export concentration

makes the country more vulnerable to changes in demand or fashions than a more diversified base;

Table 5: World Trade in Textiles and Garments

Country	1989		1998		2008		2009	
	US\$ Billion	% share	US\$ Billion	% share	US\$ Billion	% share	US\$ Billion	% share
World	193	100	336	100	612	100	526	100
Bangladesh	0.8	0.4	4.2	1.3	12	2	12	2
China	15	8	43	13	182	30	167	32
Indonesia	2.0	1.0	5.0	1.5	10	1.6	9	1.7
India	3.9	2.0	9.3	2.8	21	3.5	20.5	4
Vietnam	0.0	0.0	1.5	0.4	11	1.7	10	2
Cambodia	0.0	0.0	0.0	0.0	3.7	0.6	3	0.5

*Source (figures 2009) : WTO's International Trade Statistics 2010, page: 104 to 116.;
Figures for 1989 to 2008 : WTO.*

[iii] Since the garment industry primarily employs women the growth of manufactured exports provided very few productive jobs for men entering the labor force. Bangladesh' competitors have a much more diversified export base: garments and textiles are less than 20% of manufactured exports for India and Indonesia and less than a third for Vietnam.

Bangladesh manufactured exports increased relatively slowly in the recovery from the Recession: roughly 20% in 2009/2010 over the previous year [\$ 15.5 billion vs. \$13 billion]. Over the same period manufactured exports in Indonesia increased by about one-third. It appears that Bangladesh is losing out in the race for China's share of the world market of manufactured goods. Export concentration remained at 77% for garment alone.

7. In the competition for Foreign Private Direct Investment the news is discouraging.

The future of export growth and export diversification depend to a substantial extent on the amount and kind of Foreign Direct Investment [FDI] Bangladesh is able to attract. Foreign investment is critical:

- To develop a major asset: the gas reserves & pipelines. These require massive investment and specialized technical knowledge. There are a few major multinational corporations in the world that have the needed technical know-how and the ability to obtain the funding needed to tap into the reserves and to quickly build the pipelines to deliver the gas.
- To quickly build many of the large power stations & provide temporary power. Again Bangladeshi firms can build power stations and even large power stations, but to do so on the massive scale needed and in the short period that is required can not be done without heavy foreign involvement.
- To develop or expand new manufacturing industries or new aspects of existing industries that initially

²Statistik Indonesia, Web site "Listrik yang Didistribusikan ..."

require foreign participants to provide market access & technology. Examples include sports shoes, car parts [supply chain], high fashion garments and some agricultural goods [e.g.: orchids]. For instance a rapid expansion of car parts production usually requires that some large international manufacturer sources particular parts from a special supplier in the country, giving the supplier the exact specifications required and scheduling deliveries to fit an integrated, international supply chain.

All of these industries can develop without foreign direct private investment, but much more slowly. Bangladesh can not afford slow growth because it will result in more workers without regular work and income, workers that contribute little or nothing to the economy. Moreover if foreign investors go to other countries Bangladesh will lose the opportunity of gaining some of China's market; other countries will take it over and Bangladesh will take many more decades to reach its goal of becoming a middle income country. Unfortunately Bangladesh has a dismal record in attracting FDI despite the low cost of labor.

Table 6. Foreign direct investment - Asian countries

Country	Net inflow, current US\$, billion				
	Average 1999-2003	Average 2004-2007	2008	2009	Annualized 2010*
Bangladesh	0.2	0.7	1	0.7	
Cambodia			1	0.5	
China	44	88	108	95	
India	4.2	13	40	35	32
Indonesia	-2	6	9	5	16
Malaysia	2.8	6	7		
Pakistan	0.5	3.2	5	2	
Thailand	4.6	8	9	6	
Vietnam	1.4	3	8	4.5	

Sources: World Bank, "World Development Indicators" to 2008 & "Global Development Finance 2010: External Debt of Developing Countries" for 2009

Indonesia has seen an upsurge in foreign private investment in the last few months. It is now running at about 16 billion dollars a year, almost double the 2008 rate and more than 20 times the rate of recent foreign direct investment in Bangladesh [no 2010 data yet available].

8. Bangladesh can compete but not without effort.

Bangladesh can compete perfectly well if it can make the necessary changes in its policies and programs. But that requires a basic change in the view of some Government officials that there is nothing much that needs to be done, that current policies are enough to assure that the increased opportunities created by China's rising wages will accrue to the benefit of Bangladesh. That once some additional power is installed and 8-10% rate of growth is assured and so are the needed jobs. This kind of false optimism is a great danger to the country:

a. To achieve 8-10% growth means continuously reducing the key problems

highlighted in Table 3: above all the seriously inadequate infrastructure.

- Lack of Power & Gas are most obvious and the most serious – until they are dealt with growth will be slow.
- Other infrastructure: roads, ports, air services, drinking water, Dhaka transport. All these infrastructure problem will continue to plague Bangladesh for years
- Massive Government regulation, with slow, non-transparent particularistic decisions, influenced by what Indonesians call KKN or CCN- Corruption, Collusion and Nepotism.
- A poor investment climate, recently much improved. But there remains a strong streak of nationalist sentiment hostile to foreign private investment, aggravated by a particular interpretation of socialism by some decision-makers which is hostile to private investment. This obviously makes Bangladesh unattractive to investors looking for alternatives to China.
- A raft of regulations meant to protect labor which at best help a small minority of workers in the organized sector with good jobs at the cost of most workers outside the organized sector.

In addition Bangladesh needs to maintain its labor cost advantage until other problems are less serious, while the wage in Taka will, and should, continue to rise. For exporters this rise can be countered by a matching depreciation of the Taka. But that in turn fuels inflation, unless compensated by other steps³.

b. Basic cause is a systemic problem: For Government officials making decisions has heavy risks & costs; failure to decide is rewarded

Reducing these costs requires reforms. Reforms require decisions and have costs. But from ministers on down the system has evolved to make it risky to make decisions. Virtually any decision of significance leaves some parties aggrieved. They exert pressure to have the decision reversed and to punish the person having made the decision. Since "punishment" can include a very unpleasant stint in jail, it is a serious risk to be responsible for any important decision. A Minister said: "It is a mistake to say that senior civil servants are afraid of making decisions. Ministers also do not want to be accused of corruption or nepotism and go to jail". Decisions therefore are postponed or moved around until they reach the Prime Minister, whose office is overwhelmed.

8. Changing the system is hard;. Not changing it would be a catastrophe

- Reforms have political costs or they would have been implemented long ago: they harm powerful groups even if they benefit society.

³ Technically this is know as a "Compensated Devaluation".

- Governments made them because they have little choice, because the alternative is worse.
- The alternative is worse: millions of under-employed who consume but do not add much to income or production
- But that is not an immediate problem, one that requires immediate action, like a cyclone, a crop failure, a big strike or a large factory shutting down. Dealing with it can be postponed. But the longer it is postponed the harder it is because each year increases the numbers without real jobs.
- When people can not find work they tend to be angry at the government in power and that anger is likely to be felt at the next election. Governments who ignore the problem are likely to pay a price at the next election.

9. Bangladesh can grow at 8-10% and can create 3-4 million jobs a year

- Bangladesh can have a rate of economic growth of 8-10% and can create 3-4 million jobs a year if it takes advantage of its assets and overcomes its handicaps.
- The main source will be rapid growth of labor-intensive exports taking over Chinese market. In the past 10 years growth of labor intensive exports was around 12% a year. But to achieve its goals these exports should grow at 30-35%, as they have in other countries.
- With 25% growth of such manufactured exports, 3.5 million jobs will be created directly.
- Multiplier is close to 2; so would have 7 million jobs in 2 years from labor intensive exports.
- More taxes collected, could fund more jobs in infrastructure construction.
- Community Driven Development [CDD], a village administered labor-intensive rural works can employ 14 million families for 60 days in off-season. With better roads Bangladesh can produce flowers, fruits, and vegetables for export.

10. What does it take to get 10% growth, 4 million jobs a year?

[i] To have labor-intensive exports grow at 35% a year they obviously need to be profitable.

The major elements in profitability include:

- Imports used in producing exports must be duty free and readily available. It was the establishment of bonded warehouses for the garment industry which was a major factor in its growth. Exporters can not compete if they pay high duties or have to deal with delays due to import restrictions of various kinds.
- Bangladesh compensates for high costs elsewhere by low labor costs. But Taka wages inevitably rise over time and they should rise so that workers also benefit from development. The impact on exporters can be kept reasonable by following policies to

allow the Taka to depreciate. If prices of goods important to the poor and near-poor are stabilized then inflation can be minimized, workers purchasing power can grow while labor cost for exporters remain modest. Not easy, but possible.

- It is also important to lower the high costs imposed on all producers in Bangladesh by a terrible infrastructure; corruption; difficulties in establishing a business and costly labor regulation. Also difficult to do in the short run, but essential in the medium term.
- Incentive packages are rarely a major factor. Exemption from profits tax, for instance, does not help firms recently established that usually have no profits.

[ii] Rapid growth requires that FDI increase from \$ 1 billion to at least \$ 10 billion a year for the reasons given earlier. Another tall order but entirely feasible requiring:

- A major political & philosophical decision to welcome foreign private investment, recognizing that the essence of socialism is not government ownership but social justice. The essence of nationalism is not to keep out foreigners but to use them to advance the objective of society.
- A major effort to change foreigners perception of Bangladesh. India has succeeded in doing that.
- Speedy decisions that are reasonably fair. Foreign investors do not really expect equal treatment but they want to know what the rules are for getting permission, even if the rules favor Bangladeshis.
- They will work with corruption, but it raises the cost & if it raises uncertainty then it is a strong negative. A credible effort to reduce it is a big plus [Indonesia is getting more investment because it has a credible anti-corruption effort]

11. All of the reforms require decisions: The key is to end the bottleneck of government decision-making.

An action program to achieve an improvement in decision making would include:

[i] Drastically reduce the number & scope of decisions that need to be made by officials. This will be strongly resisted by some as reducing their power. It would include:

- EPZ are supposed to take over many decisions but some officials have refused to allow them to act and have retained the power to make all decisions. By sanctioning those officials establishing new enterprises can be made much easier.
- Eliminate unneeded decisions or amalgamate them. For instance the BOI is supposed to be one-stop authority, but in reality its approval only is a license to get other approvals, it does not eliminate other approvals.
- Leave local projects totally to local bodies. Several countries have very successful programs that provide



funds to local bodies to plan and execute local roads, irrigation and drainage works, wells and other structure. The program in Indonesia will employ 24 million people for 60 days in the agricultural off-season.

-Use Private-Public Partnerships which leave most decisions to the private partner with a system of penalties & rewards to assure decisions are in the public interest

[ii] Shift decisions to collective bodies & political leaders:

-A regular meeting of top officials and business leaders at a level which allows them to make decisions with the responsibility diffused among several people so no person can be singled out for retribution by those adversely affected.

-Provide a high level staff to the PM to deal with all the decisions that get pushed to that level [like the West Wing of the US President].

[iii] Give priority to the key decisions that give quick benefits to strengthen the Government for more difficult, long-term decisions.

-Bonded warehouses and EPZ to give a quick boost to investment in exports.

-Pipelines to bring gas from existing wells to consumers.

-Power production and distribution contracts with big bonuses for early completion- including those bringing power from India or Bhutan

[iv] Recognize that many successful governments concentrate reforms early in their tenure, bear their costs in order to reap the benefits before election

12. It Pays to Act especially in a Democracy

- India and Indonesia have shown that if reforms produce growth they pay politically.
- And attracting massive FDI [\$ 41 billion] is acceptable if it pays off in growth
- Indonesia has shown that a combination of a strong reputation for fighting corruption plus resources for villages to use for development can result in electoral success, even if the real benefits are limited
- A government that is seen as incapable or unwilling to act to tackle people's suffering, suffers at the polls. Inaction does not lead to success.
- If Bangladesh lets other countries grab the opportunities opening up in the next 2 years it will condemn itself to slow growth & massive underemployed for the next generation.
- If it takes advantage it can launch on the sustained rapid growth that its people have needed for the last 40 years or more.

The rise in Chinese wages has become unmistakable and has, if anything, accelerated.

But other countries -Vietnam & Indonesia- have aggressively pursued the opportunities for increasing exports that this has presented. This has obviously reinforced the point that it is urgent for Bangladesh to take the steps that are necessary for it to compete effectively in the world market under the new circumstances.

Investors are looking at Indonesia and Vietnam, some even to Cambodia, to place their new investment. Some have come to Bangladesh – a few have made investments. This is the time to attract many more and get the jobs they bring.

13. Does Bangladesh need to abandon its Socialist and Nationalist values to compete successfully?

There is no need to abandon the commitment to socialism or nationalism. The identification of socialism with public ownership is a historical accident. Surely it is not the objective of socialism to take away enterprises from capitalists who run them to benefit themselves, only to turn them over to government officials who run these enterprises to benefit themselves.

If one defines the objective of socialism as government ownership and control, then of course most proposed reforms require a reduction in the extent of government ownership and control. However, if the key objectives of socialism are greater equality of opportunity and assurance of a minimal standard of living for all regardless of the family into which they were born then achieving these objectives depends very much on increasing formal sector employment and increasing real wages to unskilled and semi-skilled workers who are the bulk of the poor. These objectives are also the objectives of reform.

Similarly with Nationalism. True nationalism means using foreign investment to benefit Bangladesh and especially its poor, not benefiting the Bangladesh elite at the cost of growth and therefore at the cost of better incomes for the poor. Policies can assure that foreign investment advances Bangladesh' objectives of growth and employment at minimal cost, rather than allowing it to exploit Bangladesh to advance only the firms' objectives.

Bangladesh has successfully gained a larger share of the World Market for garments despite strong competition. It is beginning to compete in shoes, ship building and some other goods. If it can break the decision-making bottleneck it can achieve similar success in other labor-intensive manufactures and with it an 8-10% rate of growth during the tenure of this Government. More important, that would mean it creates 3-4 million productive jobs a year turning the population curse into a population dividend, turning millions of workers from consumers to producers [as well as consumers] and giving its citizens the dignity and security of a regular job.



Bank Lending: Situation of the Meso Economy

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1. Introduction :

The global financial crises started in 2007 as an aftermath of the housing sector bubble coupled with aggressive lending practices in the US sub-prime mortgage market and lax regulations of the financial market has given rise to a number of concerns relating to financial regulation, capital account opening as well as the effectiveness of fiscal and monetary policies. Regarding monetary policy, the crisis has highlighted the transmission mechanism, particularly, the role of banking system in the process. In the presence of imperfect market information and other inefficiencies of financial markets, the conventional channels of monetary policy may not always operate effectively. That is why focus now is given on the "credit view" of monetary transmission which puts attention on the role of banks. However, among the various aspect of the "credit view", the bank lending channel of monetary policy transmission is very important but hitherto not treated adequately in various analyses (Bernanke and Blinder, 1988). The macroeconomic analysis will provide the economy-wide picture of the likely impact, however, in the transmission mechanism from the macro to the micro (household, enterprise) level, meso level like financial markets and institutions at the local level play an important role. This paper analyzes the meso situation to get a better insight into the Bangladesh economy.

2. Bank lending trend in Bangladesh :

The disbursement of banks credit comprising of advances and bills increased during the four quarters of FY 2008 compared to the four quarters of FY 2007. Again bank advances in FY 2009 in all the four quarters are higher than those of 2008. This is mainly because of the higher credit demand in the private sector resulting from rebound of economic activities, higher investor confidence, and rising commodity prices in the international market. However, the present state of excess liquidity in the banking sector indicates a sluggish demand for new investment, mainly because of lack of infrastructure facilities, specially gas and electricity. If the present trend in slow investment continues, this may affect the real economy resulting in slow GDP growth and employment opportunities.

Bank advances for nine economic purposes show an increasing trend in all the four quarters of FY 2008 and FY 2009. Bank advances for agriculture, industry, working



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capital and trade showed relatively higher growth compared to other six sectors. It can be seen from the table - 5 (macro scenario) that

advances in trade have the maximum growth, while miscellaneous purposes also recorded a steady growth. The investors are a bit shy for long -term investment in manufacture and other industrial activities with medium and long gestation gap. Trade and miscellaneous services yield quick return to the investors and as such banks have provided loan for these purposes. However, from the view point of long term sustainable growth of the real economy, investment in basic industries and manufacturing sector should be increased. This is a major concern for the growth prospect of the economy as well as employment prospect for the labour force.

There has been a growing demand for consumer loan and so the commercial banks have introduced various loan products in different areas such as purchase of household durables, flats, meeting educational purposes, buying cars and facilitating use of credit cards.

Looking at the monetary aggregate we notice that broad money (M2) recorded a growth of 19.2 percent in FY 2009 and 17.6 percent in FY 2008. The reserve money (RM) grew by 31.5 percent in FY 2009. Inflation adjusted growth rates of broad money were 12.5 percent and 7.7 percent respectively. Real RM also recorded a growth of 24.8 percent in FY 2009. Therefore, contrary to common perceptions, data on different indicators show that monetary and credit growth in Bangladesh have been maintained at a satisfactory level in the midst of severe global crisis. However, there is a seemingly gloomy picture of investment in recent months which may be explained by two factors: one is the downward rigidity in lending rates (there is little or no change in lending rates as seen from the table of interest rates developments) and the other one is lack of infrastructural support like gas and electricity. In addition, there are some institutional and policy issues like slow actions by regulatory bodies and slow pace of implementation of government policy decisions.

3. Situation of some bank branches

On the backdrop of the foregoing analysis, this section gives some idea about lending of some specific bank branches. Eighteen areas of Bangladesh were selected on a purposive basis as follows: are (a) Vulnerable areas (6) Naogaon, Barguna, Sunamganj, Kurigram, Serajganj, and Rangamati (b) Emerging areas (5) : Narsingdi, Monohardi, Rajshahi, Pabna, and Barisal (c) Viable areas (7) : Khatunganj, Joydevpur, Zinjira, Keraniganj, Mongla Port, Bangshal, and Cox,s Bazar. Areas.

Like the macro picture, the meso picture also gives an increasing trend of advances from end June 2008 to end March 2009. The sectors like agriculture, industry, working capital, construction, trade and miscellaneous received bulk of the total credit. It is pertinent to note that at the meso level trade and miscellaneous sectors received high advances, because of private demand for quick yielding, less risky ventures, whereas industry storage, transport and communication did not get due importance. Advances grew most in emerging areas (32%) followed by viable areas (20.5%). Growth rate of advance, however, remained low in the vulnerable areas. In the viable areas advances grew notably in agriculture, industry and working capital sectors. While in emerging areas major advances went to trade, industry, working capital and construction sectors. Remarkable is that loans to industry and working capital in the vulnerable areas have increased notably than agricultural sector.

Growth Rate of Advances by Stages of Development for Major Economic Sectors (Mar 09 over Jun 08)

Sector	Vulnerable	Emerging	Viable
Agriculture, Forestry and Fisheries	10.93	-8.21	1511.13
Industry	44.09	36.74	98.06
Working capital	14.89	12.47	56.95
Construction	-49.37	14.63	8.74
Water and Sanitation	-	-	-
Transport and Communications	-100.00	-	-98.19
Storage	-	-	-
Trade	8.03	84.43	-5.53
Miscellaneous	-59.96	-17.20	-1.54
Total	5.32	31.91	20.49

Source: Bangladesh Bank

Another feature is that the private commercial banks (PCBs) and some specialized banks (BKB, RAKUB) has contributed more than the state owned commercial banks (SCBs) despite their large network and large capital base.

4. Conclusion :

The bank lending channel in Bangladesh operated fairly well in the midst of global credit crunch, and Bangladesh does not appear to have faced any domestic credit crunch as experienced in the U.S.A. and elsewhere. However, presence of liquidity in the banking system recently has not resulted into a rise in bank lending as banks may have become highly risk-averse especially in the face of apprehension of non-repayment of loans. In this context the role of SCBs and specialized banks should be more proactive and dynamic.

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Bangladesh 2030 Strategy for Accelerating Inclusive Growth

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A Country on the Move

The derisive 1970s imagery of an international 'basket-case' no longer holds for Bangladesh. Increasingly, Bangladesh is cited as an example on several key social and economic achievements such as girl education, reduction in child mortality, effective disaster management, and, increased economic participation by women. The facts speak for themselves. More recently, the resilience and potential of the Bangladesh economy has been noted in many leading global economic scenario exercises: Goldman Sachs's 2005 list of Next 11, J.P. Morgan's 2007 list of Frontier Five, and, Price Waterhouse Cooper's 2008 updated report on the World in 2050.

A Personality Revolution . . .

Parallel to changing international imageries, the transition in the national psyche has been even more remarkable. Over the course of the four odd decades since independence, a personality revolution has touched critical segments of society – business community, farmers, youth, women, and the broad ranks of the poor themselves. A forward-looking entrepreneurial culture has taken root amidst enormous odds. Continuing problems of governance, political culture and elite failures have failed to dampen this transformation in aspirations.

Up-scaling the 'Middle Income' Ambition

Present government's Vision 2021 as well as the policy community at large has projected attainment of middle income status as a viable medium term objective. This is in no way an outsize dream. It is important to recognize, however, that middle income status is not merely a statistical goal of a certain per capita income level such as USD 1000. It can, in fact, encompass a substantially wide range. With one of the fastest growing economically active population in the world, Bangladesh can envisage crossing the USD 1000 per capita income mark within the medium term without any noteworthy acceleration in its current growth rate. But this would mean that problems of poverty would still be substantially with us. Clearly there is a need to sharpen our middle income ambition towards the high end of the range. Building on current achievements and Vision 2021, Bangladesh can adopt an upscaled middle income goal of transforming itself into the 30th largest economy of the world by 2030 from its current 48th ranking in the global economy. This will mean a quadrupling of nominal GDP to 400+ billion USD (1 trillion USD by PPP) and a tripling of per capita

Remarkably, over the entirety of this period, Bangladesh succeeded in avoiding even a single year of negative per-capita growth. Growth was also broad-based across sectors and critically contributed to reducing poverty from 70 percent at independence to 40 percent in 2005.

income to 2000+ USD (5000+ USD by PPP). International observers note that significant progress in improving growth conditions can easily make this a realizable goal.

The Growth Journey So far

After sluggish growth in the first two decades after independence, growth accelerated to a decadal average of 4.81% in the 1990s and 5.8 percent in the 2000s. Remarkably, over the entirety of this period, Bangladesh succeeded in avoiding even a single year of negative per-capita growth. Growth was also broad-based across sectors and critically contributed to reducing poverty from 70 percent at independence to 40 percent in 2005. The rise in per capita growth rates was even more striking since the period of growth acceleration also saw a substantial fall in population growth rate.

Growth Drivers: Well-known and Lesser-known

Some parts of the growth story are well-known. Three drivers are usually singled out and rightly so – RMG, remittance and growth-enhancing policy reforms. From its chance beginning in 1979-81, RMG export has risen to 12.48 billion USD in 2009. It has been a major source of employment and has spawned backward linkages. Remittance too increased from an annual inflow of 115 million USD to 11 billion USD in 2010. Remittance served to strengthen macro-economic balances, and also household-level liquidity, particularly in the villages and small towns. The third of the recognized growth drivers has been the policy reforms from late 1980s focused on trade liberalization, banking and telecommunications reforms and fiscal responsibility. These served to unleash a multitude of private sector initiatives which sharply accelerated the growth process.

Other growth drivers have been less well-known. Contrary to widespread perceptions, domestic economy has been as important a growth driver as exports. Small-scale manufacturing, construction, services and trade all relate to the domestic economy and these together accounted for nearly two-third of the incremental growth in the 1990s and even a larger proportion in the 2000s. Policy pre-occupations have tended to neglect this significance of the domestic economy as a growth driver. External and domestic economies have not, of course, been isolated realities. Tomorrow's exporters are being born within today's domestic

production activities and likewise export and remittance incomes have been a key source of the demand boost which has driven many of the service, construction, trade and small manufacturing activities of the domestic economy.

A unifying factor in driving growth in the domestic economy has been urban consumption. Urban population was estimated to be 27% of the population in 2007 and is probably nearer to a third today. The link between urban consumption and growth of rural non-farm employment constitutes a major gap in our research and policy thinking but some studies in the region are pointing to its critical role in the employment goal of the growth strategy. In realities where labour absorption within agriculture is becoming limited and urban manufacturing is yet to graduate to the status of principal employer, rural non-farm employment remains a critical vehicle for the masses of semi-skilled labour who are being swelled by 1.8 million every year.

A crucial catalyst in Bangladesh's growth story for galvanizing urban consumption and the link with rural non-farm employment has been the extensive network of LGED rural roads. Thanks to this network stemming from the late 1980s, urban agglomerations have transformed the rural-urban divide into a rural-urban continuum stretching from metropolitan Dhaka and Chittagong to larger secondary towns to rural towns to market centres to villages espousing urban consumption aspirations. Whether it is the emerging class of women entrepreneurs assisted by micro-credit or farmers tasting higher incomes through access to competitive prices, a multitude of economic actors have been empowered by this rural-urban linkage.

Agriculture: Providing Food Security but Growth Potential Untapped . . .

Where does agriculture stand in the growth story? Two facts are clear. First, as a share of GDP, agriculture has been secularly declining. Second, the agriculture growth trend has been inconsistent, sluggish in the 1990s, robust in the 2000s. However, the true significance of agriculture in our growth journey so far lies not so much as being a growth driver as providing a crucial cushion to the growth process in terms of food security. Policy mind-set has prioritized this aspect of the role of agriculture but unfortunately this appears to have been at the expense of tapping the sector's broader growth potential. Fisheries, livestock, dairy, forestry – the other potential non-crop growth sub-sectors within agriculture – all have suffered from a lack of sustained policy attention.

The Importance of Cushions . . .

The growth journey has not been a story of drivers only. The growth process has been sustained by two crucial cushions. First has been the attention to food security. Even as population doubled since independence, food production has tripled with annual food-grain production crossing the 30 million metric tons mark in 2008. The second cushion has been the development of an extensive system of safety net

programs. Though problems of leakage and mis-targeting remain, by and large these have ensured that the larger growth process has not been derailed by post-disaster cycles of death and hunger. With 30 major and 20+ minor programs, safety net allocations in 2010-11 stood at 1.615 billion USD.

Accelerating Inclusive Growth: The Strategic Agenda

No strategy is or can be wholly new. Building on achievements is an integral part of the strategy for growth acceleration. RMG will continue to be a key growth driver in the medium term. Rising labour costs in competitors such as China is fuelling a process of relocation and Bangladesh stands to reap the benefits of this diverted business on account of its comparative cost-competitiveness. Remittance as a growth driver, however, faces structural challenges on account of fragile global economic recovery and dwindling opportunities for unskilled labour. Annual number of out-migrants have already seen a sharp drop from an all-time high of 0.98 million in 2008 to 0.34 million in 2010.¹ Success in addressing the structural challenges will determine how far remittance will continue to be a growth driver in the coming decades.

The hard-won benefits of prudent macro-economic policies will have to be continued. So also the focus on the twin growth cushions of food security and social safety nets. The demographic dividend of a youthful labour force, however, faces long-term concerns on account of emerging reversals in the success on population control. Re-energizing population control measures will be critical to ensuring that growth gains translate into commensurate gains per capita.

However commendable our current growth performance is by historical standards, incrementalism alone will not take us to our desired goal of becoming a high-end middle income country i.e. 30th largest economy by 2030. A decisive shift of gears in policy efforts, strategic thrusts and innovative solutions is essential. Neither feel-good prescriptions nor encyclopedic wish-lists will produce this required shift of gears. The challenge here is about prioritizing within priorities, of being strategic about strategy.

Six Strategic Priorities

Four considerations define the pursuit of our high-end middle income goal: high growth, employment focus (inclusive of self-employment), productivity increase, and, economic diversification. These lie at the heart of the agenda for inclusive growth. Six priorities are identified as having the most strategic promise for accelerating such a growth process:

- Overcoming the infrastructure deficit,
- New sectors, new markets,
- Engaging on skills,
- Re-positioning agriculture for growth,
- Urban strategy,
- Strategizing on regional connectivity.

¹ Bureau of Manpower Employment and Training statistics



Provision of PPP in Infrastructure: Key to Achieving the 2030 Targets

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1. Targets for 2030 and the Existing Scenario

The government of Bangladesh has set a set of visions and perspective plans for 2030 to transform its economy into one of the 30th largest economies in the world given the existing level of poverty and underdevelopment. The government is also having targets to attain economic efficiency by the year 2021 through expediting country's economic activities in larger scales. A sustainable growth of GDP has been set at 8 percent to be achieved by the year 2013 and at 10 percent by the year 2017. The Vision Plan 2030 has emphasized on development of both physical and social infrastructure. Infrastructure development, especially, power and energy, ports, communication, supply of drinking water and waste management, education and health have been given highest priority as per the Vision Plan 2030.

However, a thriving investment environment is needed to attain the targeted level of economic growth. It is already reported that foreign investment, both direct and portfolio, declined compared with the same period of the previous year. At present, average investment GDP ratio is 24-25 percent, which is lower than the national savings ratio. Moreover, excess liquidity piled up in banks in excess of Tk. 35,000 crore and foreign exchange reserve has exceeded \$10.0 billion, the highest in the history of the country. Further it is reported that the GoB also repaid huge amounts of public debt as public expenditure was slack especially in ADP during the first half of the fiscal year. All these slowdowns will have adverse impact on GDP growth rate in this and the following years and if this continues in the long run, Vision 2030 targets will be missed.

2. Objectives and Rationales for doing Business in Infrastructure Sector through PPP

Bangladesh economy suffers from a lack of infrastructural services, particularly power and communication, which is a major constraint for investment. But due to difficulty in ensuring economic use of public resources and fear of collapse of market mechanism, government intervention and involvement in infrastructure development and maintenance is not highly appreciated and can not be determined through a competitive market process. Moreover, trade off occurs between infrastructure development and macroeconomic stability when government finance the huge investments by borrowing from domestic sources.

As per the preliminary estimates, an investment of US\$ 49.69 billion, that is, rate of investment needs to increase from 24-25 percent of GDP to 35-40 percent of GDP will be required by FY 2013-14 to achieve the projected growth

rate. Following is the GDP-Investment gap that needs to be reduced by public private participation, especially in infrastructure sector:

Table 1: GDP-Investment Ratio to Attain the Target Growth Rate

GDP-Investment Ratio to Attain the Target Growth Rate					
(Optimistic Scenario)					
Year	2009-10	2010-11	2011-12	2012-13	2013-14
GDP Growth (%)	6.0	6.8	7.5	8.0	8.0
Required Investment (Billion USD)	24.59	30.63	37.18	43.82	49.69
Investment (% of GDP)	24.0	27.02	29.25	30.40	30.40
Required Investment? MTMF* (Billion USD)	23.55	27.10	31.36	35.54	40.29
Investment Deficit (Billion USD)	1.04	3.53	5.82	8.27	9.40

*Medium Term Macroeconomics Framework
Source: Preliminary Estimates of Finance Division

This increasing demand for infrastructural services and inadequate resource availability for their developments have motivated the government to turn to the private sector to provide financial resources, innovative practices and technical expertise.

In this context, Government of Bangladesh has taken Public Private Partnership (PPP) as a form of procurement for the provision of public services and introduced PPP budget in its annual budget for FY 2009-2010. According to the budget for FY 2009-10, Tk 2,500 crore (2.2% of the total budget) has been allocated for PPP, including

- Tk 100 crore for fund for Technical Assistance (TA)
- Tk 300 crore for Viability Gap Funding (VGF) as subsidy or seed money
- The rest for an Infrastructure Investment Fund as loan and equity participation.

3. Priorities and Pre-requisites for Accelerated Growth Scenarios

3.1 Scope of PPP in the Development Process

While a PPP component in the budget is a new initiative for Bangladesh, PPP led projects operating in infrastructure building, particularly in power generation through IPP, has already been there for sometimes now. But the investment rate is far below the up to the mark as implementation of infrastructure projects requires a large amount of investment

from equity as well as debt from different local and international lenders and financial institutions. It is expected that scopes of PPP will be key elements that help the economy to grow and remain sustain at desired growth rate; some of which are illustrated below:

- **Moving towards New Concept:** The recent conference of South Asian ministers at Dhaka pledged to investment 6% of GDP in education (UNESCO: 7%) while GoB currently spends 2% of GDP on education, one of the lowest in the region. The private sector spends roughly another 2% in schools, colleges, coaching centers and private universities and medical colleges. PPP will be a way out to develop the social infrastructure of the country. For example, private sector can take responsibility of providing health care in a certain area as well as responsibility of all public health care providers in that area. The main idea behind these models is to outsource the management to the private sector.
- **Alternative to Government Own Fund:** Government wants momentum in revenue collection as well as success in delivering public goods and services by acquiring resources from sources other than government savings. Of the other sources, government would like to encourage and facilitate private investment and foreign resources. Government is looking for new sources to enhance revenue generation, taking initiatives to increase foreign assistance, and have formulated the PPP program as a new alternative.
- **Maintaining Economic Stability:** Since the private sector invests in the infrastructure development, there is no need for the government to take loans and pay interests. This does not exert excess pressure on money market, thereby diminishing upward pressure on interest rate and inflation.
- **Expansion of Business :** PPP facilitates expansion of business. The private sector can engage in sectors where conventionally public sector invests.

In the presence of imperfect market information and other inefficiencies of financial markets, the conventional channels of monetary policy may not always operate effectively. That is why focus now is given on the "credit view" of monetary transmission which puts attention on the role of banks.

- **Weak/No Relevant Authority:** Currently there are no sufficient relevant authorities in Bangladesh that can monitor and control PPP project process in the country. The PPP executing agencies need to manage the supervision.
- **Absence of Capacity Building:** To make country's PPP process flow uninterrupted, it is necessary to enhance the capacity building on PPP countrywide.
- **Insufficient Effort for PPP Project Development:** A centralized Technical Assistance (TA) fund is much awaited as it will provide rapid development to PPP projects. Although there are already funds for PPP in the country but creating an infrastructure fund is not a sufficient condition to encourage the up-front development of a PPP project, especially when these funds are meant to be for lending only. A lot of PPP infrastructure projects have been stalled due to inadequate resources in the initial stages of project development. Therefore, the provision of TA fund will support the executing agencies' project development functions.
- **Fiscal Incentives:** Appropriate fiscal incentive is to be introduced to attract domestic and foreign investors to investment in the infrastructure sector.
- **Legal and Policy Barriers:** From project to project, the lending amount varies from about 60% to 80% of the total project cost of an infrastructure project. The major concern and prime requirement of the lenders is to secure their huge investment by creating security based on sound and enforceable legal system.
- **A PPP wing needs to be established under the Planning Commission:** To monitor, supervise and design a project through PPP a PPP wing needs to be established on priority basis.
- **PPP as a Component of Sustainable Development:** The PPP efforts must also be sustained and be a component of sustainable development, without which long term benefits can not be achieved through PPP.

3.2 Challenges to the Policy Makers

Now the challenge is how to devise rules and norms for desired institutional mechanism to initiate the implementation process in PPP program. As infrastructure projects typically involve longer gestation periods, policy makers of Bangladesh need to work with the following challenges in order to make PPP effective to attain the best synergies in expanding the physical and social infrastructure on which the SMEs and others can install the superstructures of their diverse output activities:

The government is interested in involving private sector in all sectors to expedite growth and development of economy. Modern and reliable infrastructure is a must to uplift country's economy from the current state to a higher growth trajectory. Therefore, the government is determined to raise GDP growth to the desired level by augmenting infrastructure investment by mobilizing private sector's resources, expertise and experience through the PPP initiative.

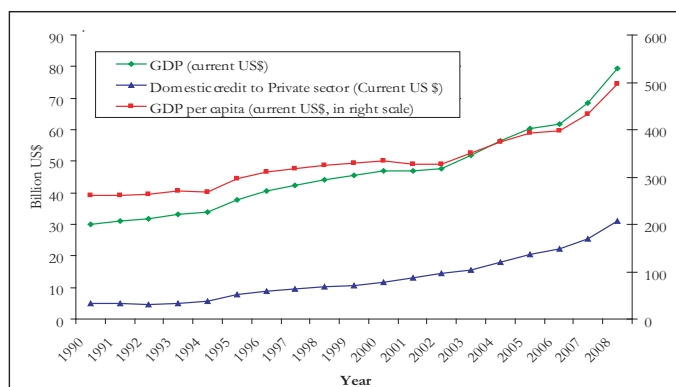


Dr. Ataur Rahman
 Chairman
 Department of Economics
 North South University

Growth and a Related Responsibility

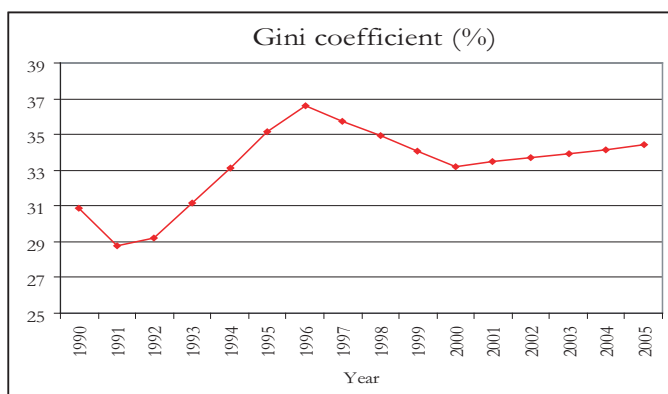
Growth has become the main point of focus in modern economy. While economics can have many objectives to pursue but realistically a modern economy is more focused to growth than anything else. Considering the history of mankind this trend is a relatively new one. Until 1820, world Gross Domestic Product (GDP) per capita was relatively stable and there were very little variations in consumption level among different regions. After 1820 world economy started to grow and as a result per capita income grew. This trend is still active. World economy is still prospering and as a result potential consumption possibilities of human beings are increasing consistently.

This trend however was not uniform for all countries. Some countries failed to float in this trend. For one reason or other they fell behind and in that process they could not get the advantages of such worldwide development. Fortunately Bangladesh is not one of those or at least for last two decades Bangladesh showed a clear trend of development. In last two decades it achieved tremendous growth in economic activities. GDP, both in per capita and absolute measure has recorded a significant increase during this period. Their average growth rates are 4.06% and 5.98% respectively in this period. Moreover this growth occurred without any recession. The following graph tells the story:



This huge success was mostly private sector driven. During this period domestic credit to private sector is consistently increasing with an average growth rate of 11.20%. Favorable deregulations, efficient workforce, easily yielding decision makers, thirst for growth all contributed in this development process. Important to notice that in this process contribution of Foreign Direct Investment (FDI) was negligible. FDI figure in this period was never touched 4% of domestic credit to private sector. This to my evaluation is a great achievement. Our entrepreneurs endlessly looked for business opportunities and wherever they found something they grabbed that. The process was intermittently hampered by political disturbances as well as external shocks, which are kind of expected in the growth pattern, but the growth process took its own course.

This process however was coupled with another trend of growing and persistent income inequality. When a country grows it is normally seen that income inequality grows. This is a concern of the development economists. As the main idea of all modern economic activities is the expansion of consumption possibility of the country. If this development does not expand through all layers of the society then the process will be incomplete.



The above figure tells that how the measure of income inequality (Gini coefficient) increased over time. There was a small decrease between 1995 and 2000 but over the whole period it has increased and that is not a very good trend to observe.

It is quite admirable that how our private sector came up in last two decades and pulled this economy to the level at which it is now. Obviously they got help from different layers of the society including the consumers, who can be only described as a bold class of people who are not intimidated to spend and sometimes spend creating personal loans. If these favorable condition are there (and I do not think of any reason why these favorable conditions will not be there) by the grace of Almighty most probably we will command an admirable growth.

But our whole effort will be kind of futile if we cannot reduce this income inequality. I am not arguing that the entrepreneurs have the sole responsibility to reduce this income inequality. Rather it is likely to be the responsibility of the government to achieve this goal. Private entrepreneurs sometimes lose the overall picture as they are more concerned with their own interest. But government should be there to direct the economy considering such normative judgment. But in our case we have not found government measures adequate enough to reduce this inequality. But somebody needs to do something effective. Because it is easy to have growth when we ignore such normative issues but it is rather challenging to have growth keeping those normative goals intact.





M. Abdur Rahman
Director (LPR)
Export Promotion Bureau (EPB)
Dhaka.

Trade is now being considered as the engine of economic growth and development. It not only increases business activities, it also generates employment opportunities, attracts foreign investment and creates opportunities for international exposures of the businessmen and SME's. In order to reap benefits from the International trade, any economy needs to be integrated with the global economy.

Bangladesh has been pursuing the export led growth, open and vibrant economic policy since 1980's. In order to integrate her economy both regionally and globally import tariff have been reduced drastically, import restrictions have been withdrawn and various incentives packages have been offered for encouraging the trade of the country. As we know stable macroeconomic environment not only helps to maintain stable price and real exchange rate but also helps improving effectiveness of other policies relating to enterprise development, technology transfer and infrastructure development. An enabling macroeconomic framework also contains actions to ensure prudent macro economic management focusing on fiscal discipline with policy oriented public expenditure, sustainable current account to facilitate FDI, financial sector policies supporting competitiveness policies in enterprise development, technology acquisition and up gradation.

International competitiveness is usually influenced by three factors which are the macro economic environment, the ability to develop/borrow and use technology to reduce costs, improve product quality and generate new products and the ability to market products successfully.

Hon'ble Prime Minister Sheikh Hasina, Government of the People's Republic of Bangladesh and her government's national vision states to transform Bangladesh into:

a middle income country where poverty will be reduced drastically, where our citizens will be able to meet every basic needs and where development will be on fast track with ever increasing rates of growth.

Basing on the strategy present government's vision are raising annual economic growth rate to 8%, reducing poverty rate to 25% (reducing absolute poverty rate to 15%) and enhancing electricity supply to 20,000 M.W. thereby raising the Bangladesh economy to the level of middle income country by 2021.

According to the dream of Dhaka Chamber of Commerce & Industry (DCCI), Bangladesh can fulfill the target of being one

Bangladesh Economy and Trade: **way forward**



a middle income country where poverty will be reduced drastically, where our citizens will be able to meet every basic needs and where development will be on fast track with ever increasing rates of growth.



of the 30th largest economies in the world, whereas it is now the 48th largest economy in the world considering the PPP.

Bangladesh economy, which is being integrating with the world economy has left largely unhurt by the recent financial tsunami. Bangladesh with a GDP of US \$ 256 billion economy grew by 5.6 percent annual growth in the FY 2009-2010. Apart from GDP growth other key economic variables have shown minimum fluctuation in the recent months. Foreign trade also has shown positive growth in the FY 2009-2010. Our export and imports have expanded by 4.11% and 5.47% which was US\$ 16,205 million and US\$ 23,738 million respectively. An export target of US\$ 18,500 millions has been set for the financial year 2010-2011. There has been a robust export growth during the 1st quarter of the current FY. During July-September period of the current FY, there is tremendous export growth of 37.35% over the same period of last FY which proves world recession is over coming. Readymade garment sector which constitutes 78% in our total export basket, It is expected that within 2030, RMG sector would be able to earn more than US\$ 50.00 billion provided we can develop the infrastructural facility like electricity & gas as well port facility. Bangladesh is now the 3rd largest exporter of RMG in the world market.

Export sector of Bangladesh constraints by many difficulties among which main constraints are narrow export basket, dependency on a very few markets like EU, USA, Canada & Japan and Lack of supply side capacity. Besides recently a few potential export product sectors have emerged which are Home textiles, ship-building, Pharmaceuticals, Agro product and ICT products.

Bangladesh also is in need of better market access in the developed and developing market as per WTO framework for diversifying our export products and export markets. Government in cooperation with the private sector have been trying to explore all the possible ways and means to achieve better market access especially in the USA market for the RMG products which is our number one export item. In order to diversify export product & market, we are also in need of adequate assistance in the form of Technical

Assistance (TA) from the donor agencies and joint venture foreign direct investment mainly for overcoming supply side capacity and building trade related infrastructure. In the mean time, a number of donor agencies like World Bank, IMF, WTO/ ITC/ UNCTAD, GTZ, USAID, and UNIDO are implementing a number of TA projects in Bangladesh.

Economic diplomacy has received the highest priority by the present government of Bangladesh which will also foster our dreams to become a middle income country by the year 2030. In that direction Ministries of Foreign Affairs and Commerce in cooperation with the private sector are working closely in that direction. We can easily expect that in the very near future, Bangladesh may be a potential source of FDI due to its strategic location with her neighboring countries India and China, the two giant emerging economic powers in this region. Besides we can also reap the benefit of the Japanese policy of China+ in this region as a potential source of supply of goods & services to the big Japanese market. Establishing deep sea port, road link between Chittagong and Kunming, 4 lane Dhaka-Chittagong road links, improvement of electricity generation will certainly assist developing the economy of the country. Presently around five million Bangladeshi expatriate are working abroad and the number is increasing significantly day by day. Remittance has recently crossed US\$ ten billion. As a result, we have been able to make a reasonable amount of foreign exchange reserve. It is expected that active public and private sector participation

in the nation building will assist in achieving our desired goal of becoming middle income economy by 2030.

According to **Goldman Sachs** research report, Bangladesh has been identified as one of the Next Eleven (N-11) countries having strong potentials for becoming worlds one of the largest economies along with BRIC nations (Brazil, Russia, India and China) for highly promising outlooks for investment and future growth. **JP Morgan** named Bangladesh as one of the Frontier Five (along with Vietnam, Kazakhstan, Kenya and Nigeria) a group of selected emerging countries having promising macro economic performance, demographic trends and social development. **European Commission** has recently included Bangladesh as one of the top 20 IT out sourcing destinations also.

To become a middle income country by 2021, per capita income has to reach US S 1086 from the current US\$ 750 and at the same time, GDP growth rate has to reach 10% in phases. we are now looking for better opportunities which includes new & sustainable market access for our export products, more employment at home & abroad and also for investment in developing infrastructure. We are badly in need of better access to technology which is t5he basic requirement for agricultural & industrial development of t5he country. We are quite optimistic in achieving our desired goal of self-dependent economy by 2021 which is the vision of the present elected democratic government and to be the 30th largest economy by 2030.

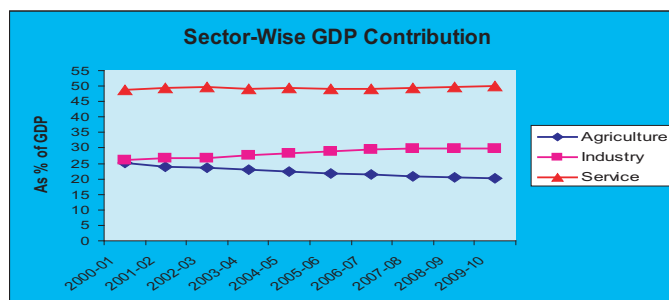
New Pillars of Growth: Strategies for Sustenance

Ferdaus Ara Begum¹

Economic strength is the main driving force for a nation today. Overall economic performance of a country is measured by the total productive power of the economy in a particular year. Bangladesh is striving hard to become one of the Middle Income Countries (MIC) by 2021 and set several indicators to achieve the goal. It is expected that the gross domestic product (GDP) of the country will continue to grow to a new pace and the growth rate of GDP will determine the progress. In order to ensure sustainable development, diversify exports and Investment we need to re-engineer our strategies to reach double digit growth. Some important issues are raised below to understand our development challenges.

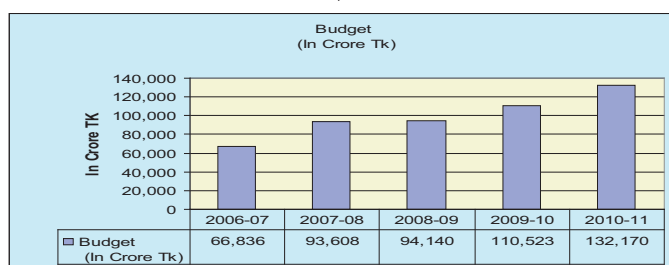
Economic Indicators: A higher growth rate will enable Bangladesh to utilize its abundant manpower efficiently in productive jobs. Once agriculture was the main contributor to GDP. Gradually the economic structure has been changed. The contribution of new sectors such as industries, banks and remittance (foreign and domestic) etc has increased. In 2000-01 agriculture directly contributed around 25.02% of GDP which decreased to 22.27% in 2004-05 and further to 20.16% in 2009-10. Industrial sector contributed around 26.01%, increased to 28.32% and again to 29.95% in 2009-10 to the GDP over the same period. Since 1990, economy has grown 5 to 6 percent per year on an average where as it was around 3 percent or less before.

Graph-1



The share of service sector has shown steady growth since 2000-01 and contributed 52.8% to GDP in 2010. Services sector acted as a catalyst to boost labour-intensive manufacturing sector. As such there has been a gradual shifting to manufacturing sector.

Graph-2



Economy of Bangladesh has shown resilience since several years. In the year 2009. Annual Budget projected GDP growth rate of 5.5%-6% and inflation at 6.5% against negative growth of global GDP at (-) 1.3% in 2008.

The per capita GDP and national income have been increasing significantly over the past few years. In FY 2009-10 per capita GDP and national income both have exceeded US\$750 for the first time. In 2000-01 per capita GDP was US\$ 362.

In fact stable price of rice-the main food crop at the domestic level and lower oil price contributed towards good economic performance. Budget 2010-11 is a continuation of the previous Budget with a size of Tk 1.3 trillion crore which was 19.6% higher than the previous Budget amounting to 1.10 trillion crore. Graph-2 above shows a comparative picture of Budgets of last five years. Initially it was critically evaluated as very ambitious but eventually it was felt necessary to feed all sectors of the economy and to maintain rate of growth.

The per capita GDP and national income have been increasing significantly over the past few years. In FY 2009-10 per capita GDP and national income both have exceeded US\$750 for the first time. In 2000-01 per capita GDP was US\$ 362. It means per capita GDP increased by 107% over the last ten years with an average at 4%. If the current trend in growth of per capita income prevails, Bangladesh will attain Lower Middle Income(LMI) threshold of USD 976 per year by 2012-13². It is an indication that the country will be able to achieve its MIC status within the stipulated time-frame. Private sector has a great role to play where the facilitatory role of the government has to be strengthened. Strategy is a plan of action initiated to attain specific goal. We need to formulate a strategy and engage all our efforts and resources to achieve these targets.

The country's external current account balance continued to record a surplus with a substantial increase in remittances more than offsetting trade and services deficits. A significant surplus in current account balance and a surplus in capital account led to a sizeable surplus in the overall balance which helped improve the foreign currency reserve position.

¹Acting Secretary, DCCI. Cooperation from Mr Humayun Kabir, DS(R&P) and Syed Habibul Haque, Intern(R&P), DCCI are gratefully acknowledged.

²Bangladesh Bank presentation.

The present current account balance is at US\$ 3150 million³ or 3.7% of GDP.

The remittance has increased by 400 percent over the last ten years with an average annual increase of 23 percent. Today remittance stands at US\$ 10.98 billion. Maximum utilization of remittances has to be planned. We need to exploit our demographic advantages. Skills should be developed at requisite levels. We should also act earnestly for skill development not only for foreign exports but also for local use.

Bangladesh's international trade experienced accelerated growth during the last decade. In 2000-01 total trade of Bangladesh was US\$ 15.80 billion. It stands at US\$ 39.94 billion in 2009-10. This figures indicates that the international trade capacity of the country has increased by 153% over the last ten years with an average year-to-year increase of 11% . The contribution of international trade to GDP stands at 43% in 2009-10 which was 15% in 1970's and 34% in 2000-01. In recent times a number of foreign buyers and investors from Germany, Netherlands, UK, Japan and Malaysia are moving to Bangladesh from Nepal, Pakistan, India, Vietnam and China. This is a very good opportunity for Bangladesh to strengthen international trade capacity. We need to utilize these prospects by improving the investment climate in the country.

Foreign Direct Investment (FDI) inflows have increased by 151 percent over the last ten years with an average annual increase of 16 percent. Amount of FDI is not up to the required level. Of the total 24.6 percent investment of FY 2009-10, the share of private investment was computed at 19.7 percent which was recoded at 15.8 percent of GDP in FY 2000-01. Domestic and national savings have been 19.8 and 29.7 percent of GDP in FY 2009-10 which were 18 and 22.4 percent of GDP in FY 2000-01. In order to concretize the new growth vision, DCCI feels that maximum utilization of resources, efficiency of our strategic institutions and skill development are the main priorities.

Skill Development and Employment: In respect of employment, agriculture still contributes 48.4% of total employment, manufacturing 24.3% and service sector only 14.2%. Improper employment structure is one of the reasons of high poverty level. Employment in manufacturing and service sectors should be increased. In 2009-10 labour force was 53.7 million⁴, unemployment rate has been calculated at 3.6%. Every year about two million new work force has been entering into the job market. Employment in the services sector can be increased which is less exposed to international trade. Economists suggest that agriculture as an important pillar can also be looked into for absorbing more efficient workers. Presently it has been treated as an

only area to support for food security. In order to increase income of a huge chunk of manpower engaged in agriculture, commercialization of this sector through diversification of agro-processing industries as a new growth drivers can be one of the most sought remedies. Among the industrial sector textile and RMG is one of the strong areas which engaged about 4.5 million labour force.

Table -1 below shows that in respect of Agriculture Bangladesh is doing better than China, India and Indonesia while in industrial growth Bangladesh is higher than Indonesia and almost close to India. With ten percent growth in this sector India is contributing 40% to GDP as against 28.6% of Bangladesh. We need to develop a holistic skill development strategy for identifying key institutional weaknesses.

Table-1: Country-wise contribution of manufacturing sector to GDP in 2010

Country	Agricultural Sector Contribution in GDP (%)	Industry production Growth rate (%)	Service Sector Contribution in GDP (%)	Manufacturing Sector Contribution in GDP (%)
China	10	12.9	42.6	46.8
India	17	10	54.9	40
Vietnam	21.3	17.1	38	47.6
Indonesia	15	6.1	37.1	28.2
Cambodia	29	12	41	30
Bangladesh	18.6	9.5	52.8	28.6

Source: CIA World Fact Book-2010

Bangladesh does not create enough productive jobs for its additional growing labour force. It needs to formulate strategies to accommodate more productive labour force in the industry and service sector at the same time make agriculture more advanced so that income from this sector increases. The figure below shows comparative sectoral strength of Bangladesh.

Table-2: Comparative strength of manufacturing sector to GDP of Bangladesh

Sector	Growth for July-June 2010 vis-a- vis 2009	Growth for July- June 2009 vis-a- vis 2008
Textile & RMG sector	Strong	Strong
Chemical & Pharmaceuticals	Strong	Moderate
IT	Moderate	Moderate
Paper & printing materials	Strong	Moderate
Agro base Production	Moderate	Strong

Table: Growth Prospects In manufacturing.

Mr Gustav F Papanek in his article⁵ said China's export of garments and textiles were US \$185billion in 2008, capturing just 10% of the market would more than double all

³Finance Division, Ministry of Finance

⁴Bangladesh Economic Review 2010



⁵Gustav F Papanek, Bangladesh's Labour Force and Foreign Private Investment-Major Asset or Biggest problem, October 2010.

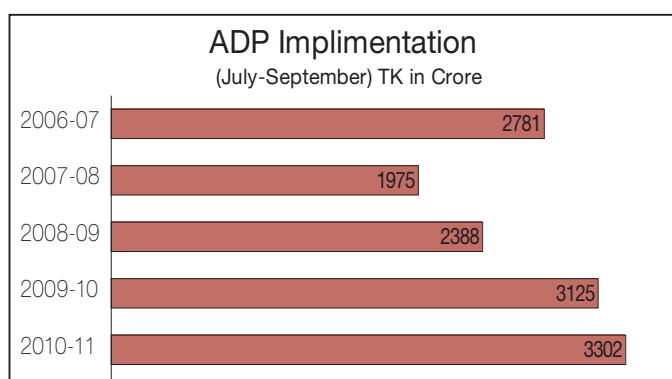
Bangladesh exports. In short, the declining competitiveness of China for labour-intensive manufactures is opening up a huge market for other countries, if increased at 35% a year, a rate that other countries have achieved, then it would add one million jobs a year directly in these countries and two million jobs a year once indirect effects are taken into account, Dr Papanek said. Bangladesh would need to be quick and take all out efforts to exploit these emerging opportunities.

Challenges: The country has been facing some challenges. Strategies should be drawn in such a way so that it can face these challenges. The budget 2009-10 predicted a lower capital productivity i.e., relatively more capital is required for output. Incremental capital output ratio (ICOR) has been shown at 4.4 for fiscal 2009-10, compared to 4.1 in 2008-09 and 3.9 in 2007-08 respectively. The average ICOR for the last five years was 3.9. It indicates that capital productivity has decreased in 2009-10.

Graph-2

Year	ICOR
2007-08	3.9
2008-09	4.1
2009-10	4.4

ICOR is matrices that assesses the marginal amount of investment capital necessary for an entity to generate the next unit of production. Overall, a higher ICOR value is not preferred because it indicates that the entity's production is inefficient. The measure is used predominantly in determining a country's level of production efficiency. Lower productivity of capital investment caused by lack of governance and confidence in the business and industry and inadequate infrastructure(both hard and soft). Government is concerned about the issue and several steps to reduce cost of doing business has been suggested. One of them is to automate business services as much as possible. A number of PPP initiatives have also been proposed by the government as one of the immediate prescriptions.



Better implementation of ADP was another challenge. Poverty eradication through enhancement of employment supported by rural based industrial development were one of the priorities of the government. Over the years ADP implementation failed to meet the target for leaving local projects to local bodies to build roads and other infrastructure.

Among other challenges, quality of education, low tax-GDP ratio, natural calamities and disaster-prone agriculture, declining productive lands (around 1% per year⁶), slow implementation of governance management projects, bureaucratic complexities etc. are identified as perceived risks which needs to be overcome.

Priorities of 2010 for shaping up the future:

The year 2021 will mark the golden jubilee of Bangladesh's independence. For resolution of crisis and a prosperous future, the government envisions a Bangladesh which by 2021 will be a Middle Income Country (MIC) where poverty will be drastically reduced and citizens of the country will be able to meet basic needs. Development of Bangladesh will take place on fast track with ever-increasing rates of growth. By 2021, the structure of economy of the country will be changed. The share of agriculture in the GDP will come down to around 8-10 percent and industry sector will have to account for a larger share of the GDP around 40 percent. This structural transformation in the economy will be needed to graduate from LDC status to a Middle Income Country which means reaching per capita GDP level of US \$ 2000 based on an average GDP growth rate of 10 percent. The economy will be supported by introduction of pro-industrialization and investment friendly economic policies which will create additional employment opportunities in the country.

- Bangladesh by 2021 wants to achieve, among others, following:**
- Elimination of illiteracy by 2014
 - Ensure per capita energy consumption rising to 600 kwh
 - Raising per capita income to US \$2000
 - Strengthening IT towards digital Bangladesh

The private sector believes that "Vision 2021" objectives of strong economic fundamentals may set the foundations for Bangladesh to become one of the 30th largest economies in the world by 2030. By this time the population of Bangladesh will be more than 185 million. The GDP growth rate is assumed to be at 10 percent and per capita GDP at about US \$ 5230.

Projection (conservative) of Economic Indicators of Bangladesh (2009-2010 to 2029-2030)

Year	Population (Million)	GDP at current price (US billion \$)	Per Capita GDP at Current price (US\$)	Export (Billion US \$)	Import (Billion US \$)
2009-10	146.1	99.80	684	16.20	23.70
2017-18	161.8	248.00	1533	40.64	50.81
2021-22	170.0	390.00	2294	63.95	74.39
2025-26	177.7	614.00	3455	100.62	108.91
2029-30	184.9	967.00	5230	159.03	159.45

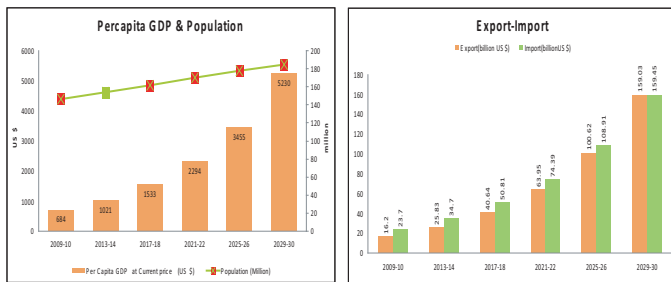
Source: DCCI RC

⁶ADB

In order to make Bangladesh as one of the 30th largest economies in the world by 2030 double digit growth rate(10-12%) should be achieved in the coming years.

This is possible if we are able to meet some basic preconditions which includes : (i)solving energy and power crisis, (ii)reducing infrastructure bottlenecks in transportation, (iii) increased private sector investment, (iv) focus on greater FDI inflows and (v)diversification of exports.

The forecast of Per capita GDP and population growth may also be seen from the following graphs:



Strategies to utilize the potentials: Bangladesh is ranked as the 48th largest economy in the world as per the Purchasing Power Parity method. Human Development Index (HDI) of Bangladesh has been increased by 81 percent in the past 30 years. Now Bangladesh is considered as one of the countries that has made the greatest progress in recent decades as measured by Human Development Report 2010. Impressive growth of 5% and above for last two decades have indeed taken the economy to a new growth trajectory – contributed by steady agricultural production, increased exports earnings, healthy remittance and foreign exchange reserve, improvement of life expectancy and vibrant domestic demand.

The Asian Development Bank (ADB) in one of its reports have indicated that Bangladesh's economy can grow by an additional 1% if the **Dhaka - Chittagong Economic Corridor (DCEC)** can be upgraded and developed into a modern communication link between the two major cities of Bangladesh where it is estimated to have 60% of country's economic activity – the economic corridor is considered as the **“economic life line”** of Bangladesh. DCEC can play a pivotal role in creating new businesses and investments and can decentralize developments from the major cities of Dhaka and Chittagong.

It is also estimated that the due to current power and energy crisis, Bangladesh is losing close to 1% of GDP growth. We believe, Bangladesh can achieve 8% growth rates quite easily. However, in order to achieve such growth rates, investment also needs to increase from 25% to 40% percent of GDP. This will not be an easy task, a large amount of resources mobilization will be required to raise the rate of investment to 35%-40% of GDP. It is estimated that Bangladesh needs US\$28 billion as investment into the economy to attain 8% growth from 2011 to 2014. The

government's public Private Partnership (PPP) initiative needs to be accelerated so that actual investment under the PPP frame work can start to accommodate the huge investments into the economy. PPP model will be able to attract private investments in infrastructure related projects including power generation, elevated expressways, tolled roads/highways, tourism, hotels, medical services.

We are confident that Bangladesh will achieve accelerated growth due to our dynamic private sector, strong economic foundation & fundamentals, strategic location and resilient people. Private sector can do a lot in future as they already have shown their brave steps in different strong non-traditional sector. One example have been given in Box-1. Bangladesh has also been able to explore possibilities of exporting Knit garments to China.

Rahim Afroze-Starts its new Journey

Rahimafrooz Globatt Limited (RGL), the newest battery subsidiary of Rahimafrooz, exported its first consignment to China in November 2010-Bangladesh's first export of engineered goods into China. It will export at least 500,000 units within the first 3 years, resulting in revenues of about US \$15 million per year. Currently, the Chinese vehicle population stands at about 90 million and boasts a 15% annual growth. RGL manufactures maintenance free automotive, tractor, and inverter batteries which commenced operations in August 2009 focusing SAARC countries, GCC, ASEAN, China, and African markets. During the first year, RGL has entered 18 countries initially. Batteries from RGL are sold under the brand name Globatt. Rahimafrooz-a group of industries starting exports in 1992 has over 56 years of experience in battery manufacturing, exported batteries to over 46 countries around the globe.

Strategic recommendations: In several Brain Storming Session(BSS) held in DCCI on Bangladesh 2030: Strategy for Growth Conference in order to identify new growth drivers a number of new recommendations have emerged. It was felt that new pillars of growth should have synergy with policies while coordination is important for effective implementation.

It is a common understanding that Bangladesh can not afford to waste time, because of two reasons: (i) it will result more workers without regular work and income, and (ii) Bangladesh will loose the opportunity of gaining some share of Chinese market. Other countries will take it over and Bangladesh will take many more decades to reach its goals of becoming MIC. Indonesia, despite several weaknesses in respect of regulatory barriers and perceived risks, have been able to attract foreign investment of about US \$16billion in 2010⁷.

Education directly contributes to building a dynamic economy. Skill development has been the core of developmental policy of the government. Education Vision

⁷ Gustav F Papanek, Bangladesh's Labour Force and Foreign Private Investment-Major Asset or Biggest problem, October 2010.

of the government has targeted for net enrolment at primary level at 100% soon, literacy rate at 100% in 2010-11 and after 2014 move towards free degree level education⁸. We would need qualitative improvement of education rather than giving importance on quantitative aspects only.

Private sector, the overwhelming driver of growth, feels that available skill is not up to the requirements of the economy and has been identified as one of the major constraints. About two million labour force is joining every year. Private sector are striving hard to get fresh manpower but quality is not matching to their requirement. It is a feeling that only increasing number of graduates from more than sixty public and private universities is not the answer. Employable education should be matched with industry-specific needs.

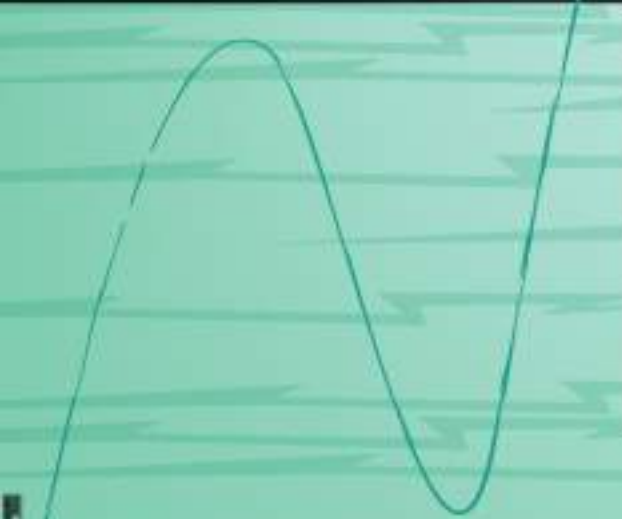
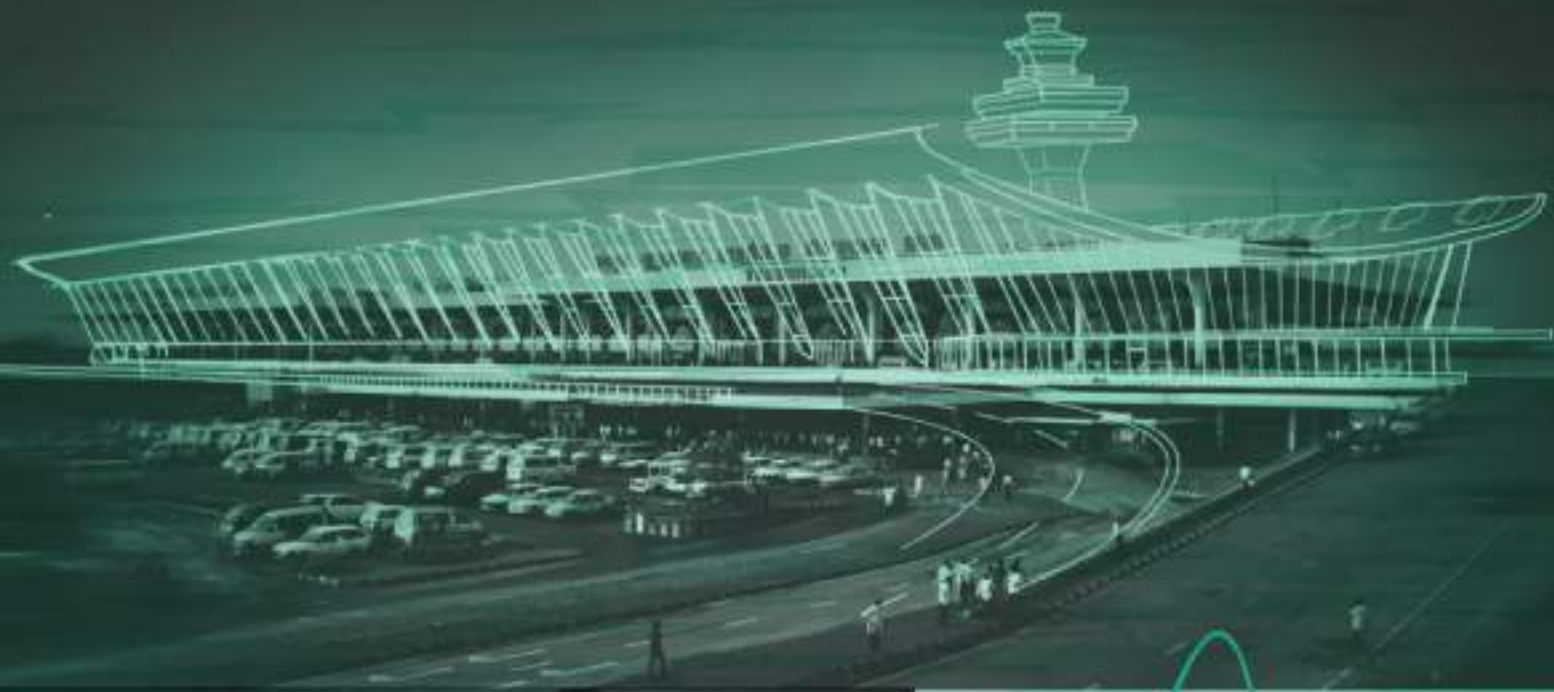
Remittance now constitutes as one of the largest foreign exchange earning sector. It can play a critical role in attaining self sufficiency through balance of payment and help import capital goods and raw materials for industrial development. At the same time it also help improve income distribution in favour of poor and less skilled workers. Productive use of remittances, quantitative significance of different formal and informal remittance channels are

important task to increase supply of foreign exchange and to maintain continuity of growth.

DCCI organized a Young Visionaries competition to involve young generation to know about their feelings and they are requested to participate in the Bangladesh 2030: Strategy for Growth Conference to present their ideas about graduating Bangladesh to an MIC and what should be the strategies they would like to recommend. Of these best three ideas will be awarded. From the new generation, some strategies may come out to transform Bangladesh and help prepare ourselves to make the country ready to meet the need of the emerging situation.

In conclusion, we would like to put in the picture that Bangladesh is a country full of potentials, but it has not been projected in a right manner. The country has been suffering from serious image problem. In order to bring a change of the situation we need to work hard together to prove our strength which is a reality. The Chamber has taken an effort to suggest some strategies which will be supported by the private sector. We may consolidate these efforts to work jointly for achieving Vision 2021 targets and even move further towards achieving Bangladesh 2030 targets.

⁸ Draft Outline perspective plan of Bangladesh 2010-2021-making vision 2021 a reality, June 2010





2030

strategy for
growth

Bangladesh 2030: Strategy for Growth

7 December, 2010

Venue: Pan Pacific Sonargaon Hotel, Dhaka

Inaugural Programme

- 09.00 : Guests arrive
10.00 : Arrival of the Chief Guest **H.E. Sheikh Hasina**
Honourable Prime Minister of the People's Republic of Bangladesh
10.05 : Recitation from the Holy Quran
10.10 : Welcome Address by **Mr. Abul Kasem Khan**, President, DCCI
10.20 : Video Presentation
Speech by Special Guests
10.30 : **Dr. Atiur Rahman**, Governor, Bangladesh Bank
10.35 : **Mr. Muhammad Faruk Khan**, M.P., Hon'ble Minister, Ministry of Commerce
10.40 : **Mr. Dilip Barua**, Hon'ble Minister, Ministry of Industries
10.45 : **Mr. Abul Maal Abdul Muhith**, M.P., Hon'ble Minister, Ministry of Finance
10.55 : Address by the Chief Guest, **H.E. Sheikh Hasina**
Honourable Prime Minister of the People's Republic of Bangladesh
11.15 : Vote of thanks
11.20 : Tea Break

Plenary Session

- 11.45 : Bangladesh 2030: Strategy for Growth
Chief Guest of the Session: **Mr. Abul Maal Abdul Muhith**, M.P., Hon'ble Minister, Ministry of Finance
13.30 : Lunch

Parallel Round Tables

- 14.30 : **Round Table One: Looking for New Growth Drivers**
Chief Guest: **Mr. A H M Mustafa Kamal**, FCA, M.P. Chairman, Parliamentary Standing committee on Ministry of Finance
Round Table Two: Infrastructure Development: A Pre-condition to Accelerated Growth
Chief Guest: **Dr. A. B. Mirza Md. Azizul Islam**, Former Advisor to the Caretaker Government
16.30 : Tea Break

Concluding Session

- 17.00 : Outcome Statement
17.35 : DCCI Young Visionaries Competition 2010 Award giving Ceremony
Chief Guest: **Mr. Muhammad Faruk Khan**, M.P., Hon'ble Minister, Ministry of Commerce

** Details of Plenary, Round Tables and Concluding Session can be seen in the Programme Book which is available at the Conference Venue.

**DCCI Conference on
BANGLADESH 2030**

strategy for
growth



**The Board of Directors of Dhaka Chamber of
Commerce & Industry (DCCI) for the year 2010**

A Strategy
Competition for
Young Minds
with Creative
Enthusiasm to
Think About
Our Future



DCCI
Young
Visionaries
2010

DCCI Young Visionaries Competition 2010

Dhaka Chamber of Commerce & Industry (DCCI) has organized a Conference titled 'Bangladesh 2030: Strategy for Growth' on 7 December 2010 in Dhaka. This is going to be an important event where local and foreign delegates will analyze the current socio-economic situation of Bangladesh and ways to achieve a higher growth rate with the ultimate goal of turning Bangladesh into the 30th largest economy in the world by 2030. Bangladesh is being termed as the next economic power house of Asia by internationally influential organizations such as Goldman Sachs, JP Morgan, and PriceWaterhouse Coopers. It has tremendous potential to grow if proper policy decisions are taken to facilitate the process.

In order to involve the future leaders of the country in this exciting of developing strategies for 2030, DCCI has planned a competition for university level students which will require the participants to develop implementable and sustainable business plans for the future economic growth of the country. This is a nationwide event and all public and private universities are participating. This is an initiative to widen the vision of young students in the light of existing realities and compulsions and to come up with innovative ideas for accelerated growth of the economy.

The nationwide competition is being held along with the Conference and the winners will be given the excellent opportunity to present their proposals in front of the business leaders as well as the whole nation. Besides, the winners will be given attractive monetary prizes.

Rewards:

Champion: BDT 100,000 and Champions' Trophy

1st Runners-Up: BDT 50,000 and 1st Runners up Trophy

2nd Runners-Up: BDT 50,000 and 2nd Runners up Trophy

* The rewards will be given on team-basis, not individually.

** The finalists will receive individual certificates/recognition from DCCI



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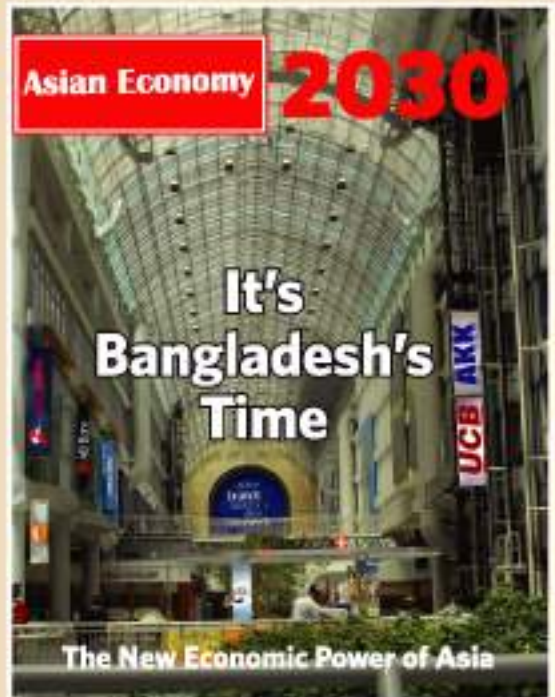
Bangladesh achieves middle income status



Asian Economy 2030

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Time

The New Economic Power of Asia



Bangladesh 2030: Strategy for growth Event

Sub-Committee

1. Conference Sub-Committee

- i. Mr. Nessar Maksud Khan
Director, DCCI
- ii. Major Md. Yead Ali Fakir (retd.)
Director, DCCI
- iii. Mr. M.A. Baten
Director, DCCI

2. Registration Sub-Committee

- i. Mr. M. Shahjahan Khan
Senior Vice President, DCCI
- ii. Mr. Md. Sirajuddin Malik
Vice President, DCCI
- iii. Mr. M. S. Shekil Chowdhury
Director, DCCI
- iv. Mr. Md. Sirajul Islam (Bulbul)
Director, DCCI
- v. Mr. M. Bashir Ullah Bhuiyan
Director, DCCI

3. Hospitality Sub-Committee

- i. Mr. Md. Sirajuddin Malik
Vice President, DCCI
- ii. Mr. Md. Nasiruddin Khan
Director, DCCI
- iii. Mr. S. Rumi Saifullah
Convenor, IF (P & E) PSD S/C, DCCI

4. Reception Sub-Committee

- i. Mr. Niaz Rahim
Director, DCCI
- ii. Mr. Nasir Hossain
Director, DCCI
- iii. Mr. T. I. M. Nurul Kabir
Director, DCCI
- iv. Mr. Waqar Ahmad Choudhury
Director, DCCI

5. Publication & Printing Sub-Committee

- i. Mr. M. Shahjahan Khan
Senior Vice President, DCCI
- ii. Mr. Rafiqul Islam Khan, FCA
Director, DCCI
- iii. Mr. Waliur Rahman
Director, DCCI
- iv. Mr. Mahabub Anam
Director, DCCI

6. PR, Media & Documentary Sub-Committee

- i. Mr. Asif Ibrahim
Director, DCCI
- ii. Mr. Data Magfur
Past Director, DCCI
- iii. Mr. Reaz Islam, Member, DCCI

Supporting Officials

- i. Ambassador Mr. Ashfaqur Rahman
- ii. Mrs. Ferdaus Ara Begum(Mem-Secy.)
- iii. Mr. Md. Humayun Kabir Fakir
- iv. Mr. Md. Rashadul Islam

- i. Syed Delwar Hossain (Mem-Secy.)
- ii. Mrs. Rehana Akter Ruma
- iii. Mrs. Farzana Akter

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- ii. Mrs. Rehana Akter Ruma
- iv. Mrs. Farzana Akter

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- iii. Mr. AKSM Tozammel Hossain

- i. Ambassador Mr. Ashfaqur Rahman
- ii. Mr. Abul Hasan Fazle Rabbi(Mem-Secy.)
- iii. Mr. Md. Akramul Haque
- iv. Mr. Md. Rashadul Islam
- v. Mr. Md. Nasimul Islam

- i. Ms. Ferdaus Ara Begum (Mem-Secy.)
- ii. Mr. Bini Amin
- iii. Mr. Abul Hasan Fazle Rabbi
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| ii. Mr. K. G. Karim
Director, DCCI | ii. Mr. Rezaul Karim |
| iii. Mr. Andaleep Hasan
Co-Convenor, Port , Shipping and
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| iii. Mr. Niaz Rahim
Director, DCCI | iii. Mr. Abul Hasan Fazle Rabbi |
| iv. Mr. Asif Ibrahim
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| v. Mr. Nasir Hossain
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| vi. Mr. Waliur Rahman
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| vii. Mr. Rizwan-ur Rahman
Co-Convenor, FDI, Capital Market and
Portfolio Investment S/C, DCCI | |

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Director, DCCI | i. Mr. Muhammad Zafarullah, FCA (Mem-Secy.) |
| ii. Mr. M. Anwarul Haque
Director, DCCI | ii. Mr. Md Habibur Rahman |
| iii. Mr. Absar Karim Chowdhury
Past Vice - President, DCCI | |
| iv. Mr. Haider Ahmed Khan, FCA
Past Director, DCCI | |

10. Business Award Sub-Committee

- | | |
|---|--------------------------------------|
| i. Mr. M.A. Baten
Director, DCCI | i. Mr. Md Samsuddin Azad (Mem-Secy.) |
| ii. Mr. Hossain A. Sikder
Director, DCCI | ii. Mr. Md. Humayun Kabir Fakir |
| iii. Ms. Safina Rahman
Past Director, DCCI
& Convenor, SME Entrepreneurship Development
and Product, Diversification | |

11. DCCI Young Visionary Award 2010 Sub-Committee

- | | |
|---|---------------------------------------|
| i. Mr. Hossain Khaled, Past President, DCCI &
Chairperson, Young Visionary Award Sub Committee | i. Mrs. Ferdaus Ara Begum (Mem-Secy.) |
| ii. Mr. Nessar Maksud Khan, Director, DCCI | ii. Mr. Abul Hasan Fazle Rabbi |
| iii. Mr. Asif Ibrahim, Director, DCCI | iii. Mr. Md. Akramul Haque |
| iv. Mr. T.I.M. Nurul Kabir, Director, DCCI | |
| v. Mr. Data Magfur, Past Director, DCCI | |



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for the following scope

The registration covers the Quality Management System for assisting members of DCCI, Bangladeshi business entrepreneurs, stakeholders and other interested parties in expanding their businesses at home and abroad and their capacity building through achieving business excellence, enhancing their effectiveness, quality improvement, networking and facilitating availability of necessary information.

Certificate No: QEC27876

Issued: 13 October 2010
Expires: 12 October 2013

Originally Certified: 13 October 2010
Current Certification: 13 October 2010

Alex Ezrakhovich
General Manager – Certification Services

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DCCI: An ISO certified Chamber

DCCI has achieved ISO 9001:2008 certification on 13 October, 2010 with the assistance of a consultant firm named Quality Institute of England. The certificate of ISO 9001:2008 was awarded by Australian business improvement firm SAI GLOBAL Limited- an US accredited body for SAI Global clients. Dhaka Chamber of Commerce and Industry (DCCI) is now certified to ISO 9001:2008, the brand new version of Quality Management System Standard published by International Organization for Standardization. The Chamber is now more committed to maintain quality and customer satisfaction sincerely through its services provided to its members.

A Management Review Committee of DCCI along with its all employees were involved in process of documentation for qualifying ISO9001:2008 certification. A number of internal and external audits had been completed for availing this achievement. It is the outstanding teamwork through which we have achieved the success of ISO 9001:2008 certification. An award giving ceremony on ISO 9001:2008 to DCCI was held on November 24, 2010 where Honourable Commerce Minister Mr. Muhammad Faruk Khan, M.P. was present as Chief Guest.





CACCI Local Chamber Award

In recognition of its crucial role in promoting the cause of business community in Bangladesh, DCCI won the 4th Confederation of Asia Pacific Chambers of Commerce & Industry (CACCI) Award in Big Chamber Category on July 6, 2010.

DCCI received the award from the newly elected President of CACCI Ambassador Benedicto V. Yujico at the award-giving ceremony of the 24th Conference of the Confederation at Colombo, Sri Lanka. A total of six nominations from Asian countries were received for the 4th CACCI local Chamber Awards under the Big Chamber Category.

DCCI attended the ceremony with three member delegation including Mr. Nessar Maksud Khan and Mr. Waqar Ahmad Choudhury, Directors of DCCI.

The Award committee evaluated all the nominations based on some set criterion: outstanding services to members (policy advocacy efforts, training programs), outstanding services to community and to country (trade and investment promotion projects, employment generation activities), participation in CACCI activities and projects. Based on the evaluation of the Award Committee, the CACCI Board of Judges of Award Committee nominated DCCI for Best Local Chamber Award of 2010.

Dhaka Chamber of Commerce & Industry

Acknowledgement

Dhaka Chamber of Commerce & Industry (DCCI) acknowledges with profound thanks the distinguished Past Presidents and Members of the Board of Directors of Dhaka Chamber of Commerce & Industry (DCCI) for the continuous guidance extended in organizing "Bangladesh 2030: Strategy for Growth" Conference and also for providing qualified support and assistance for the success of the event.

DCCI also takes this opportunity to put on record the whole hearted cooperation, support, advice, help and assistance extended by Sub-Committee members for organizing the Conference. We also acknowledge the co-operation of Dr. Hossain Zillur Rahman, Chairman, PPRC for developing the Research Paper for "Bangladesh 2030: Strategy for Growth".

We would also like to register our appreciation to all Keynote Speakers, Panelists, and Moderators to contribute to different Sessions of the Conference.

DCCI also thanks AB Bank Limited, BRAC Bank Ltd., The City Bank Ltd., A.K. Khan & Company Limited, Dana Group, Green Delta Financial Services Ltd., United Commercial Bank Ltd., AG Automobiles, Bangladesh Finance & Investment Co. Ltd., Abdul Monem Ltd., Commercial Bank of Ceylon PLC, Eastland Insurance Company Limited, ETBL Securities & Exchange Ltd., Karnafuli Fertilizer Company Ltd. (KAFCO), MAKS Renewable Energy Co. Ltd., M M Ispahani Ltd., Navana Ltd., Newage Group, Southeast Bank Ltd. for their support to organize the Conference.

Thanks are also due to DFID and IFC for their support and co-operation in inviting foreign guests and participants.

We are also thankful to ITC for their whole hearted co-operation for sending their representatives.

Our special thanks also go to all print and electronic media for their support.

Acknowledgement

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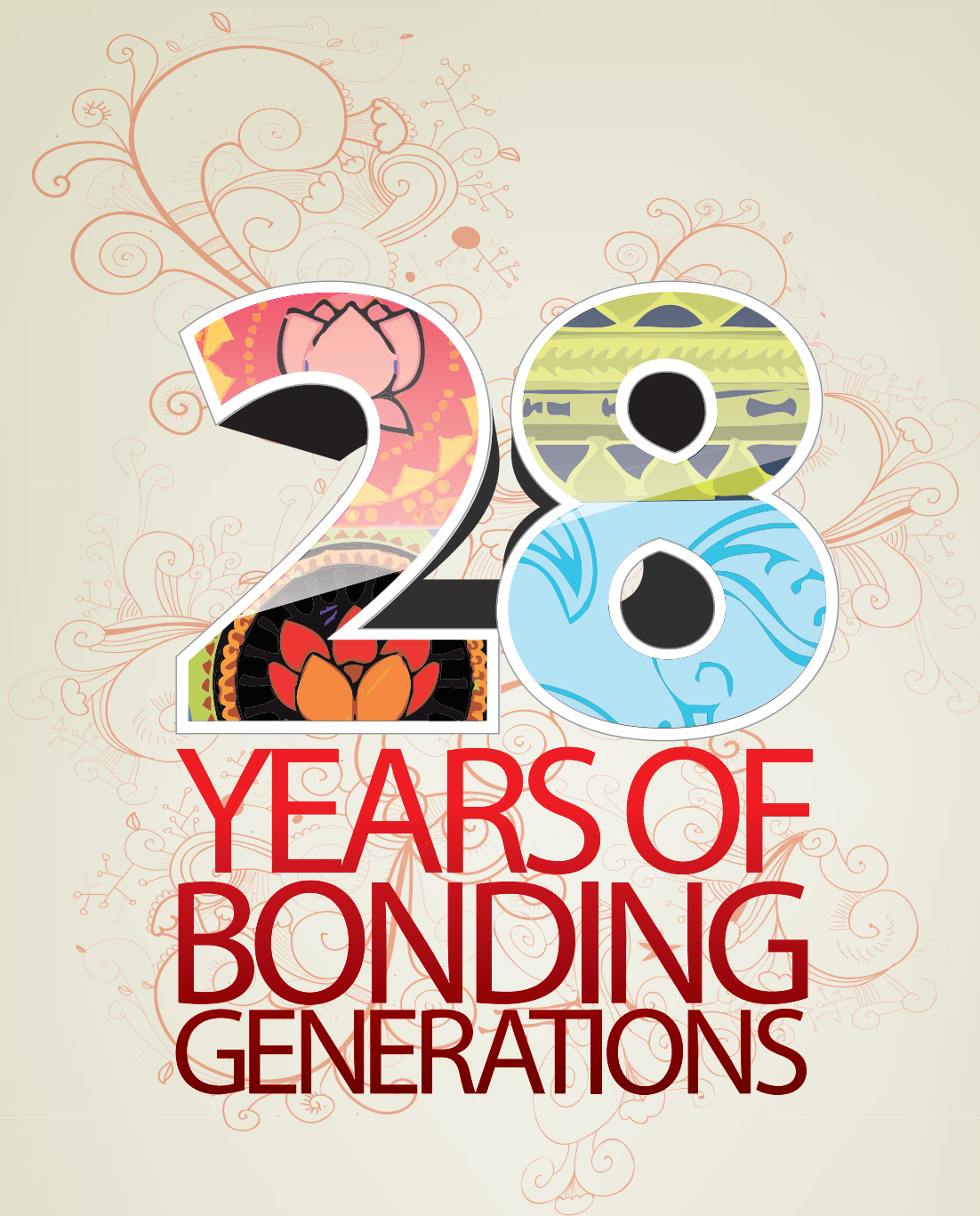


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