

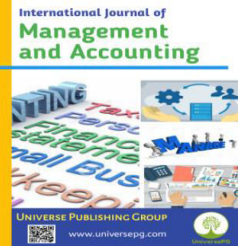


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Foreign Direct Investment in Bangladesh: Analysis of Policy Framework, Impact and Potential

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ABSTRACT

The paper examines the policy framework toward FDI including monetary and non-monetary incentives offered to attract FDI, analyzes the trend and sources of and the sectors attracting FDI inflows, and the potential for FDI in Bangladesh. The analysis is based on data collected both from primary and secondary sources. Major sectors attracting FDI include RMGs, power, textile and wearing, telecommunications, banking, gas, and petroleum. The analysis shows that fiscal/nonmonetary incentives alone and competitive advantage in factor endowment (cheap labor) are not enough to attract additional FDI into Bangladesh. The key is to adopt proactive policies for creating and maintaining an FDI-friendly business environment in the country Bangladesh. For attracting more FDI into Bangladesh, the efforts need to include, among others, increased infrastructure spending especially in digital architecture, creating functional one-stop investment service center, emphasis on skill training to facilitate technology transfer, targeted measures to attract FDI into backward and forward linkage industries, participation in regional and global value chains.

Keywords: FDI, Inward and Outward FDI, RMGs, Analysis, Regional, Framework, and Global value chains.

1. INTRODUCTION:

Bangladesh is widely considered as a land of opportunities, which has been experiencing high economic growth (exceeding 8 percent per year in recent times) and rapid social development over the last one and a half decades. A country, which was termed as a 'basket case' and a 'test case of development' after its independent in 1971, Bangladesh has emerged as a phoenix from the flames showing strong resilience against all adversities including repeated natural disasters, infrastructure insufficiency and political instability to turn into an emerging 'Asian tiger' in recent years. Still, the industrial base is shallow with little industrial specialization, and industrial growth is primarily driven by more than 6 million small and medium enterprises (SMEs) alongside the cottage and micro enterprises spread all over the country. Most of the SMEs lack modern technologies and institutional

support including finance and technical and management up gradation. If the micro, small and medium enterprises (MSMEs) could be provided with access to technical, management, marketing and financial services, these could emerge as growth drivers of the economy. There are 177 SME clusters (or industrial parks) throughout the country with potential to grow further, but limited availability of technical and other support services limits their growth and sustainability.

Foreign direct investment (FDI) is one of the major avenues of employment generation, technology transfer, and managerial capacity building, which increase the market efficiency in a country. In the present globalized economy, the developing countries put emphasis on FDI as, with increased global competition among the multinationals, the factors of production e.g., land, labor, and capital are becoming

costlier in the developed world. As a result, producing economical products by maintaining satisfactory quality is a major concern to the multinationals while retaining profitability. Without a satisfactory product with competitive pricing, an enterprise may not be able to retain its competitive edge around the world. For this reason, global investors are searching for more competitive locations where factors of production are cheaper and market access of the products are ensured. Relocation of the labor-intensive industries in the developing countries is the outcome of this trend of investing in FDI in the host countries. Moreover, export earnings, remittances and the FDI are the three key sources of revenue of the low-income countries. Therefore, the governments are offering special packages and incentives to attract foreign investors to invest in FDI. However, developing countries are somewhat in an advantageous position to attract FDI than the least developed countries (LDCs). Nonetheless, some of the LDCs have some absolute advantage over the developing countries in comparison with land and labor costs. Sufficient labor supply, large local market and special incentives from the government remain the significant factors for attracting FDI into these countries.

Bangladesh is one such LDC with an absolute advantage over many other countries to attract FDI. Notably, the beginning of the country's FDI attraction was not so great before the 1980s due to the adoption of the state sponsored industrialization policy by the government after independence. But these policies were reversed since the 1980s with the onset of globalization and Bangladesh adopted the principles of the market economy and started running the economy alongside private enterprises. As the national economies are dynamically becoming more borderless and integrated into the global economy, it is becoming more evident that the world has now come to be known as a 'global village'. Multinational organizations are making increasing passage into worldwide businesses, which presents them with opportunities for development and tremendous opportunities for increasing profitability; and FDI is an important avenue for such growth. More specifically, in order to attract FDIs, Bangladesh began to gravitate towards a more market based economic system through implementing economic reforms such as deregulation, privatization and creation of a legal system to protect property rights for foreign investors.

Bangladesh' sin creasing integration with the global economy through trade liberalization and other economic deregulation since the 1990s resulted in significant increase in income growth and poverty reduction. Even though trade liberalization alone does not explain these encouraging developments, it has played an imperative role in reducing the constraints to rapid growth (Ahmed & Sattar, 2004). The Bangladesh Investment Development Authority (BIDA) was created in 2016 to aid the flow of FDIs into the country.

1.1 Objectives

This paper highlights the fiscal/nonmonetary incentives offered by the government and its competitive advantage in factors of production such as cheap labor which, however, may not be adequate enough to attract FDIs into Bangladesh. More specifically, the paper identifies (i) the policy framework toward FDI; (ii) monetary and non-monetary incentives offered by the government to attract FDI; (iii) evaluates the trend in FDI inflow into Bangladesh during the last decade; (iv) identifies the sectors that have successfully attracted FDI inflows; (v) assesses the potential sectors for FDI in Bangladesh; and (vi) identifies the major countries that are investing in the Bangladesh economy. Based on the analysis, the paper draws several policy recommendations to attract more FDI into Bangladesh.

2. METHODOLOGY:

The study covers the monetary and non-monetary policy instruments and incentives that Bangladesh is offering to attract FDI, analysis of FDI inflow into Bangladesh during last ten years, sectors attracting attention of FDI entrepreneurs, the potential sectors for investment in Bangladesh and recommendations on what the government and private sector could do to attract more FDI into Bangladesh. More specifically, data on FDI in Bangladesh relevant within this scope have been used to analyze and draw conclusions and recommendations of the study. To achieve the objectives, data have been collected from primary and secondary sources.

In addition, a crucial amount of statistical data was collected from the FIED Cell, Statistics Department of the Bangladesh Bank web-site. Secondary sources included publicly available information from articles in newspapers or popular magazines, books, articles, data found in scholarly journals and websites.

The methodological limitations of the study cover a number of areas including the absence of detailed primary data such as surveys and observations due to time constraints. Additionally, data on outward FDI flow from Bangladesh were not available in most cases. The study is thus constrained in several areas due to limited availability of real data through secondary literatures like reports, books, journals and company documents available in the public domain.

3. Literature review

Foreign Direct Investment (FDI) is the group of international investments that reflects the goal of a resident entity in one economy attaining a permanent interest in another enterprise resident in another economy (Abdin, 2015). FDI takes place when a firm invests directly in facilities and operations to produce or market products or services in a foreign economy. A foreign direct investor is any individual, an incorporated or unincorporated public or private enterprise, a government, a grouping of interrelated individuals, or a group of interrelated incorporated and/or unincorporated enterprises which has a direct investment in an enterprise that is, a subsidiary, a joint venture or branch operating in a foreign country other than the country of residence of the foreign direct investor(s) (OECD, 1996). The flow of FDI denotes the amount of FDI undertaken over a given time period, which is usually a year. The stock of FDI refers to the total sum of accumulated foreign-owned assets at a given time in a country. The outflows of FDI mean the flow of FDI out of a country and the inflows of FDI mean the flow of FDI into a country. "FDI is a particular form of the flow of capital across international boundaries from home countries to host countries" (Lipsey, 2002). Usually, host countries are with better settings for FDI, in terms of larger market size, smaller fixed entry costs and lower wages, thus they draw more foreign investors. On the other hand, enterprises from home countries with higher wages are more likely to invest in FDI abroad.

Enterprises opt for FDI primarily from three motives i.e., to expand sales by gaining access into a larger market, to acquire resources of production by buying/hiring more assets such as land and capital, and to minimize risk by expanding operations overseas. Other reasons of enterprises investing more FDI in foreign countries are flexible labor markets, cheap labor; lower corporate tax, availability of surplus skilled workers, accessibility of duty-free market access in developed countries etc. are important. Intense

competition in international markets pushed multinational enterprises to consider for relocation of labor-intensive industries into cheaper labor markets of developing countries and LDCs. Evidently, FDI boosts government revenue earnings via corporate tax, income tax, and VAT, employment creation, technology transfer, thereby rising GDP growth, supplying funds from outside the country to develop new sectors, enhancing per capita income through employing local workforce, endorsing corporate culture and promoting CSR activities in the host country. FDI also has a growing impact on balance of payment; reducing import by producing import substitution and saving foreign exchange. Moreover, FDI assists to alleviate poverty and fosters economic development in the host country.

3.1 FDI Business policy environment in Bangladesh - Bangladesh in the recent two decades has emerged as a rapidly growing economy of South Asia, with a population of 164.7 million¹ of which, the working age population is 62.7 per cent in 2018 - which provides a demographic dividend to the economy (The Financial Express, 2019). Many of the factors of production are cheaper in Bangladesh than that of the other South and Southeast Asian nations, including cheap labour, energy and capital. Moreover, Bangladesh enjoys tariff free market access to the European, Canadian, Australian and Japanese markets. Bangladesh has advanced eight notches in global ease of doing business ranking to 168 out of 190 countries, according to the World Bank rankings; Bangladesh aims on taking these rankings to double digits by 2021. The World Bank (Trading Economics, 2019) has also named Bangladesh as one of the top 20 reformers. The country has made remarkable progress in reducing poverty, supported by sustained economic growth rate of 7.86% in 2017-18. Based on the international poverty line of \$1.90 (using purchasing power parity exchange rate) a day, it has reduced poverty from 44.2 per cent in 1991 to 14.8 per cent in 2016-17.

Bangladesh is becoming an attractive destination for FDI in South Asia due to three reasons: substantial potential market size due to high density of population, rising purchasing power of the population due to emergence of the working middle class, and the bright future economic prospects due to high GDP growth rate. Rapid economic growth has enabled Bangladesh to reach the lower middle-income country status in 2015. In 2018, Bangladesh fulfilled all

three eligibility criteria for graduation from the UN's Least Developed Countries to Lower Middle Income countries (The World Bank, 2021). All these development, progress and liberalization of the economy has resulted in FDI inflows of USD \$2.151 billion in 2018. Bangladesh fosters a free market system, with low inflation and low private sector debt, along with a high capacity for future growth as a developing nation. Recent political stability has added to the attractiveness of Bangladesh as a host-country for FDI.

3.2 Evolution of FDI policy in Bangladesh: deregulation, privatization in the 1990s – Bangladesh's shift toward a market based economic system began in several steps: deregulation, privatization and creation of a legal system to protect property rights.

Deregulation: Deregulation involves removal of legal restrictions to the free play of markets, allowing private enterprises to operate and the way private firms operate in the country (Hill, 2014). Bangladesh transformed its socialist command economic system of the 1970s and successfully adopted the global free market economy in late 90s. Bangladesh's increasing global integration based on trade liberalization and other economic deregulation, especially since the early 1990s, contributed considerably to increasing per capita income growth and poverty reduction. Ahmed and Sattar have argued that trade liberalization alone was not responsible for these positive developments, but it was only a necessary condition for removing the constraints to rapid growth (Ahmed & Sattar, 2004). Other complementary measures that the government undertook, such as restoring macro-economic stability, and removal of state controls on business and foreign investment, provided the supportive policy environment for bringing these positive changes to the economy. The Government of Bangladesh has taken these steps to create a facilitating environment for the private sector to operate as an effective economic agent that makes substantial contribution to the overall economic development of the country increasing competition, fewer barriers to cross-border trade and investment (Amin, 2020).

Privatization: Privatization is the transfer of ownership of state-owned enterprises to private sectors. Privatization in Bangladesh initially began in the mid-seventies. But it got an institutional shape by the creation of the Privatization Board in 1993. Privatization Board was changed to the Privatization Com-

mission under the provision of the Privatization Act, 2000. As the conditions of many of the State Own Enterprises (SOEs) deteriorated due to mono-poly, lack of competition and inefficiency, the government decided to quickly privatize such SOEs and commercial enterprises to reinforce the role of private sector and to stabilize them as an instrument of development. The Privatization Board and there-after the Privatization Commission privatized a total of 74 SOEs, of which 54 were privatized through outright sale/auction and 20 through offering of government shares. Although there were 12 different methods of privatization of SOEs, but Privatization Commission mostly used the method of sale through tender (Hoque, 2013). In 2016 Privatization Commission was merged with the Board of Investment in the name of the Bangladesh Investment Development Authority, established under the Bangladesh Investment Development Authority Act, 2016. The entrustment of privatizing SOEs was granted to BIDA under Section - 8(13) (14), Section 23 - 27 of the Act, which contains provisions relating to privatization/transfer of state-owned enterprises to the private parties, either local or foreign (Hoque, 2013).

Legal System to Protect Property Rights: An attractive market economy also requires laws protecting private property and good mechanisms for contract enforcement to attract FDI. Foreign investment in Bangladesh is secure vis-à-vis nationalization and expropriation. The Foreign Private Investment (Promotion and Protection) Act 1980 ensures full protection to foreign investors. The Constitution of Bangladesh also guarantees the right to private property through the Transfer of Property Act, 1882, the basic property law. Nevertheless, some government agencies like RAJUK restrict property transfers in urban areas through foreign direct investment. Furthermore, Bangladeshi contract law is centered on the Contract Act 1872 and the Sale of Goods Act 1930. According to the World Bank's 2016 Ease of Doing Business Index, Bangladesh ranked 189th in enforcing contracts globally. Recently, Bangladesh has also improved on the following aspects of laws related to foreign investment: laws relating to starting a business: procedures, time, cost and paid-in minimum capital to start a limited liability company, registering property: procedures, time and cost to transfer a property and the quality of the land administration system, protecting minority investors: minority shareholders rights in related-party transactions and in

corporate governance, enforcing contracts: time and cost to resolve a commercial dispute and the quality of judicial processes and finally, resolving insolvency: time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency in the country (Trading Economics, 2019).

3.3 Host-country policies: encouraging inward FDI

- The Inflow of FDI refers to the amount of FDI that flows into a country over a given time period. The growth of FDI inflow in Bangladesh has been attributed to the following factors:

- a) A move away from protectionism in the Bangladesh economy in the 1990s leading to removal of barrier to cross-border trade and investment.
- b) Political and economic changes leading to deregulation, privatization and fewer restrictions on Inward FDI.
- c) New bilateral and multilateral investment treaties designed to facilitate investment in Bangladesh as a host-country.

Example: Bangladesh also has signed bilateral investment treaties with 32 countries for promotion and protection of investment: Austria, DPR Korea,

Thailand, Belgium, Republic of Korea, UK, Canada, Malaysia, USA, China, Pakistan Uzbekistan, France, Poland, Vietnam, Germany, Romania, Singapore, Indonesia, Switzerland, Denmark, Iran, the Netherlands, India, Italy, The Philippines, UAE, Japan, Turkey, and Belarus. Bangladesh has also signed multilateral and regional treaties such as APTA, BIMSTEC, IORA, SAPTA, SAFTA, SAFAS, COM-CEC, TPS-OIC, Preferential Trade with D-8 Countries etc. to conveniently access market and investment opportunities. Furthermore, Bangladesh is a signatory to MIGA, OPIC, ICSID, WAIPA, WIPO and WTO. The globalization of the world economy has resulted in Bangladesh becoming part of the global supply chain management particularly in sectors like ready-made garments (RMG), energy, power generation, and Information and communication technology (ICT). Many foreign companies base their operations and manufacturing here to take advantage of cheap labor and other factors of production. Thus, inward FDI has become an important source of capital investment, technology transfer, management resources, and creation of employment leading to the future growth of the economy. Inward FDI is also having a positive effect on the current account in the balance of payment.

Table 1: Balance of payments [Monthly Data] from Bangladesh Bank.

(In million US\$)				
Items	2018-19 ^R	2019-20 ^{RP}	2019-20 ^P	% Changes
1	July-Sep	July-Aug	July-Sep	4 over 2
2	3	4	5	
Trade balance	-3852	-1990	-3717	
Export f.o.b. (including EPZ)	9747	6632	9535	-2.18
Of which: Readymade garments	8192	5716	8058	-1.64
Import f.o.b (including EPZ)	13599	8622	13252	-2.55
Current Account Balance	-1316	260	-678	
Capital account	58	4	28	
Financial account	1309	208	380	
Foreign direct investment (gross inflows)	1032	737	1105	7.07
Of which: Net FDI flows	599	428	642	7.18
Overall Balance	-158	139	-204	
Reserve Assets	158	-139	204	
Bangladesh Bank (net)	158	-139	204	

Source: Bangladesh Bank (<https://www.bb.org.bd/econdata/bop.php>).

Although, it is evident that Bangladesh has a current account deficit at the moment, but rising inward FDI and foreign remittances are having a positive effect on the balance of payments. Inward FDI is leading to increased productivity growth, greater product and process innovations resulting in greater economic growth. The government has adopted a policy frame-

work of encouraging inward FDI by offering incentives to foreign investors and firms to invest in the country. Bangladesh aims to benefit from the resource-transfer and employment effects of inward FDI. In recent years, the government has offered lucrative incentives such as tax concessions, grants or subsidies and new spending on infrastructure to capture

FDI away from other potential host countries in South East Asia, although how successful these incentives would be in attracting FDI away from attractive host countries like Vietnam, India etc. remains to be seen.

So far, the Bangladesh Government has not placed any restrictions on inward FDI, there are no ownership restraints or performance requirements on inward FDI, all the sectors are open to foreign investment with up to 100% foreign ownership. Few reserved sectors like production of arms and ammunition and other defense equipment, and machinery, forest plantation and mechanized extraction within reserved forests, production of nuclear energy and security printing (currency notes) and minting are prohibited to FDI. However, the government encourages joint ventures between foreign Multinational enterprises and local investors through tax incentives and subsidies. Performance requirements such as local content, technology transfer and local participation in management are also encouraged. For example, the government has offered 1% tariff concessions on imports of raw material components in the motor cycle industry to promote locally manufactured bikes over imported and locally assembled motor cycles. Similarly, the government is promoting locally manufactured smart phones over foreign imported ones by increasing supplementary duty on import of smart phones from 10 % to 25 % in the 2019-20 budgets; this prudent decision would help the local industry to grow. Currently the total tax on imported handsets is 32 %, which will go up to over 50 %. In contrast, locally assembled ones have to bear about 17 % in taxes. For handsets manufactured in Bangladesh, the tax is just 5 % (The Daily Star, 2019). Foreign MNEs like Samsung, Honda have already set up their own manufacturing factories in Bangladesh through FDI to take advantage of the tax incentives whereas a joint venture firm Niloy-Hero Motors (Joint venture between Hero MotoCorp and Niloy Motors) has been established in the country. Further-more, Bangladesh has signed Avoidance of Double Taxation Treaty (DTT) with 28 countries: Canada, Poland, Norway, China, Romania, Turkey, Denmark, Singapore, Vietnam, France, Republic of Korea, Philippines, Germany, Sri Lanka, Indonesia, India, Sweden, Switzerland, Italy, Thailand, Oman, Japan, the Netherlands, Malaysia, and UK.

Home Country Policies: restricting outward FDI:

Almost all investor countries place some control over outward FDI over the years. The government of UniversePG | www.universepg.com

Bangladesh has restricted outward FDI by limiting capital outflow, manipulate tax rules, and prohibiting FDI in fear of decline in the country 's foreign exchange reserve, concern for the country 's balance of payments, capital flights etc. The Bangladesh government outright limit the amount of capital a firm can take out of the country. The government also manipulates tax rule to encourage their firms to invest locally than pursuing FDI resulting in more jobs being created at home rather than abroad. Moreover, the Bangladeshi currency, Taka, is externally convertible meaning that only non-residents may convert it into a foreign currency without any limitations. The inability of the Bangladeshi residents to convert the local currency in to foreign currencies limits the flow of Outward FDI. Capital flight, which occurs when both residents and non-residents rush to convert their domestic currency into foreign currencies suddenly, has also been a fear for many governments of Third World countries making them prohibit outward flow of FDI to stabilize the exchange rate of their currencies.

3.4 Government policies, facilities and incentives offered to foreign investors in Bangladesh

Business environment of Bangladesh for a foreign investor: Bangladesh is one of the promising economies with a large domestic market, availability of labor with competitive prices, low utility charges, two Seaports and a potential Deep Seaport facility, long-term tax holiday, 100% repatriation facility, and easy access to largest regional market like India and China.

Facilities and incentives for a foreign investor

- 1) Tax exemption on royalties, technical knowhow and technical assistance fees and facilities for their repatriation
- 2) Tax exemption on interests on foreign loans
- 3) Tax exemptions on capital gains from transfer of shares by the investing company
- 4) Remittances of up to 50% of salaries of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return
- 5) No restrictions on issuance of work permits to project related foreign nationals and employees
- 6) Facilities for repatriation of invested capital, profits and dividends
- 7) Provision of transfer of shares held by foreign shareholders to local investors
- 8) Reinvestment of remit table dividends would be treated as new investment

- 9) Level playing field: foreign owned companies duly registered in Bangladesh will be on the same footing as locally owned ones

Fiscal incentives

- a) Corporate tax holiday of 5 to 7 years for selected sectors
- b) Reduced tariff on import of raw materials capital machinery
- c) Bonded warehousing
- d) Accelerated depreciation on cost of machinery is admissible for new industrial undertaking (50% in the first year of commercial production, 30% in the second year, and 20% in the third year)
- e) Tax exemption on capital gains from the transfer of shares of public limited companies listed with a stock exchange
- f) Reduced Corporate Tax for 5 to 7 years in lieu of tax holding and agricultural depreciation.

Additional facilities/incentives

- a) 100% foreign equity allowed.
- b) Unrestricted exit policy
- c) Remittance of royalty, technical know-how and technical assistance fees
- d) Full repatriation facilities of dividends and capital a text
- e) Citizenship by investing a minimum of US\$ 5,00,000
- f) Permanent resident permits on investing US\$ 75,000
- g) An investor can wind up investment either through a decision of the AGM or EGM. He or she can repatriate the sales proceeds after securing proper authorization from the Central Bank.

4. Recent trends in FDI: Bangladesh as a FDI destination

Bangladesh is still considered capital poor country that can use FDI as a potent vehicle to gain an advantage in achieving the country's socio-economic objectives of reducing poverty and higher GDP growth. FDI can function as a significant measure to build up physical capital, employment generation, and fiscal growth opportunities, expand productive capacity, enhance skills, etc. through the use of technology transfer and gain managerial practical knowledge and aid to integrate the domestic economy with the global economy. Bangladesh is deemed as one of N11 countries or land of opportunities as it has been growing at a 6-7% annual growth rate during past half decade without any major governmental intervention.

Bangladesh has emerged as very flexible economy as it has shown strong resilience power with high population density and she has shown the ability to cope successfully from natural disasters such as floods, cyclones every year and even though there are many setbacks or barriers, Bangladesh has emerged as an economic success stories of South-East Asia since its independence from Pakistan in 1971.

Shortage of electricity, infrastructural insufficiency, bureaucracy and red tape, political instability and widespread corruption were unable to prevent an annual growth rate of around 6% in the last decade. Although industrial specialization is more or less absent in the country, industrial base has not fully matured in any specific sector other than clothing and ready-made garments industries. This growth is driven mostly because of the 60 laces small and medium enterprise (SMEs) along with micro and cottage enterprises in the country. Most of these MSME's receives hardly any governmental incentives, loan coverage and technical up gradation. If Bangladesh could attract more inward FDIs through the government's regulatory and financial support, then the country could easily see a double-digit growth of 10% in the country. There are currently 177 SME clusters (Natural Industrial Parks) through-out the country and all these clusters have the potential to grow further in the future. Now, Bangladesh has tremendous potential and opportunities as an attractive host country to attract FDI. More specifically, global investors need to understand the setbacks they face in choosing an FDI destination. Global competition among the multinationals is raising tremendously, some sectors for which global companies are finding it difficult to reduce production costs such as land, labor, and cost of capital, especially in the developed countries. As a result, producing economical products by maintaining satisfactory quality is a major concern for TNCs and MNCs. For these reasons, global investors are relocating their labor-intensive industries to some emerging and LDC economies. Conversely, rising export earnings, foreign remittances and FDI are three major sources of income and revenue for the LDCs and Bangladesh has an absolute advantage over some of the developing countries in comparison to land and labor cost.

Bangladesh is such an LDC which is potent to attract FDI. Even though beginning of the country's FDI attraction did not go according to plan before the

1980's due to the nationalization movement of government and the lack of free market economy. There was a misconception that preserving the national interests were more crucial against foreign interests and FDI was seen as a threat to national sovereignty. Soon that misconception was all but forgotten and the Bangladeshi policy maker's apprehended that government alone could not run the economy smoothly and that the private sector should take the leading role in private investment fueling GDP growth. Afterwards the government started allowing joint venture investments for foreign investors from 1980's onwards but there was a discouraging tendency in the economy attracting insignificant FDIs and the economy remained sluggish with low GDP growth. And for these reasons Bangladesh's FDI inflow remained around US 308-356 million for 15 years from 1980 to 1995, which started with a meager estimated amount of US \$0.090 million in 1972.

Beginning with the government's opening up of the energy and telecom sectors in the mid-1990's, FDI inflow started to mount significantly. The government took steps such as establishing the board of investment in 1989, easing restrictions on capital control and bureaucracy and red tapes were reduced to some extent, which also added in rapid growth of FDI inflow from the year 1997 onwards, which raised FDI inflows almost 3 times to US\$1,407 than that of previous year 1996 (US \$ 535 million) (Abdin, 2015). Afterwards the government established free market economy, EPZ's (export processing zones), declared lucrative fiscal and non-fiscal incentives; still Bangladesh's inward FDI attraction was not adequate. The flow of Bangladesh 's FDI inflow rose further respectively in 2011 and 2012 to 1.13 and 1.29 billion against India's (US \$28 billion) and Pakistan's (US \$ 8.5 billion) (Abdin, 2015).

4.1 Trends in inward FDI - In recent years Bangladesh has attracted an increased amount of FDI in-flow because of significant foreign investments in the power generation sector and labor incentive industries such as readymade garments alongside the recent acquisition of United Dhaka Tobacco by Japan Tobacco. As per World Investment Report 2019 by United Nations Conference on Trade and Development (UNCTAD), equity investment increased by 108.6% to \$1, 12 billion and it was \$1.30 billion and it obviously showcases that investor confidence in Bangladesh has enhanced. Also, intra company loans

increased in the same period by 254% from a mere \$333.24 million to \$1.18 billion (UN-CTAD, 2019). It is worth noting that the power sector alone attracted investments \$1.01 billion where China invested \$0.83 billion followed by \$0.73 billion in the food sector and \$0.43 billion in the textile and wearing sector (Mahmud, 2019).

The South Asian scenario: FDI inflows to South Asia have increased by 4% in 2018 to \$54 billion. According to the report, FDI to India accounted for 70 to 80 % of total inflows to South Asia, which increased by 6% to \$42 billion. In Sri Lanka particularly, investments from China, India and Singapore pushed a record level of investment of \$1.6 billion. Pakistan, the fourth largest recipient of FDI in the region recorded a 27% decrease in investment to \$2.4 billion (Mahmud, 2019). According to the World Investment Report 2019, FDI inflows to the 13 LDCs (Least Developed Countries) in Asia attained \$12 billion, up by 8 % which is a record in the region.

Table 2: Ten largest announced Greenfield projects, 2018 in LDCs.

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Ethiopia	Petroleum refineries	Fairfax Africa Fund	United States	4 000
Bangladesh	Fossil fuel electric power	General Electric	United States	3 000
Angola	Oil and gas extraction	Eri SpA	Italy	2 236
Mozambique	Natural, liquefied and compressed gas	ExxonMobil	United States	1 400
Guinea	Other metal ore mining	Tebian Electric Apparatus	China	1 160
Myanmar	Fossil fuel electric power	Yunnan Investment Holding Group	China	1 147
Myanmar	Fossil fuel electric power	Aboltiz Equity Ventures	Philippines	1 147
Bangladesh	Fossil fuel electric power	China Huadian Corporation	China	984
Malawi	Commercial and institutional building construction	Anhui Foreign Economic Construction	China	668
Zambia	Industrial building construction	Eisewedy Electric (Eisewedy Cables)	Egypt	668

Source: UNCTAD, based on information from the Financial Times Ltd. (© Markets (www.ftmarkets.com)).

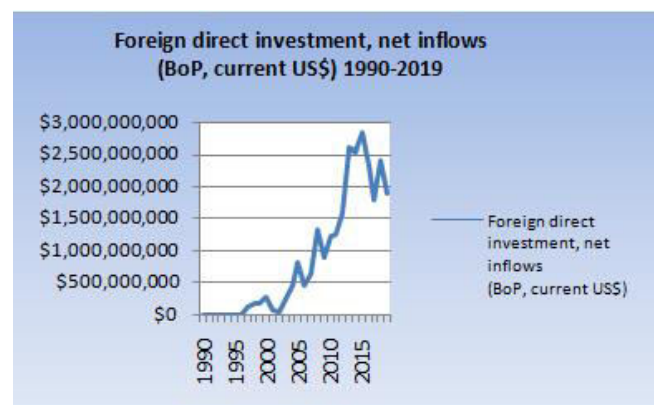


Fig 1: Net FDI Inflows in millions US dollar during the Years from 1990 to 2019.

Bangladesh has registered \$3.6 billion in FDI inflows and the gains were mainly the results of the M & A deal in the tobacco sector and new investments in the power sector along with the reinvested capital in the

country, principally by the MNEs in banking, textile and apparel wearing sector, which was estimated to be more than \$1.3 billion in 2018 (UNCTAD, 2019).

Fig 1 and **2** and **Table 3** show the recent trend of FDI inflows into Bangladesh from 1990 to 2019. It is evident that FDI inflows to Bangladesh took off around the year 2005 with inflows of USD 0.813 billion and has been steadily growing till 2016 to USD 2.332 billion and afterwards it rose to USD 2.421 billion in 2018 and then again dropped to around USD 1.908 billion in 2019.

Table 3: Top Ten Investor Countries in Bangladesh (Alam, 2012).

Sl.	Country	No. of Units	Investment (in million USD)
11.	United Arab Emirates	6	2,229.89
12.	Kingdom of Saudi Arabia (KSA)	4	1,850.40
13.	United Kingdom	45	982.03
14.	United States	23	735.37
15.	The Netherlands	7	351.19
16.	Egypt	2	177.14
17.	Malaysia	7	162.00
18.	South Korea	88	123.70
19.	India	43	93.80
20.	China	54	55.62

Source: Alam, M.S (2012); *Foreign Direct Investment in Bangladesh: A Critical Analysis*, South East Asian Journal of Contemporary Business, Economics and Law, Vol. 1.

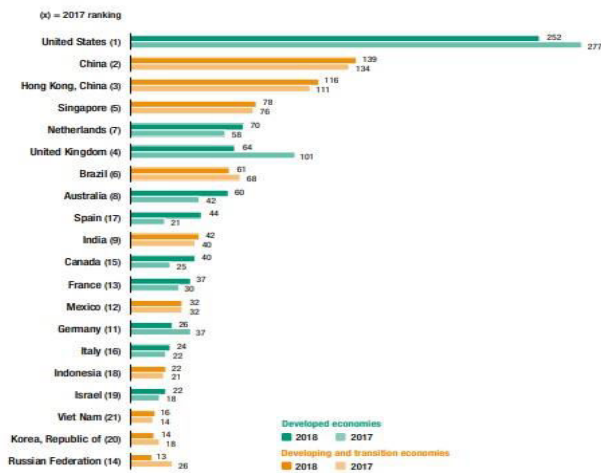


Fig 2: FDI inflows, top 20 host economies, 2017 and 2018 (Billions of dollars) (Source: UNCTAD, 2019).

However, then it fell to USD 41.769 million in 2014 to USD 59.902 in 2015 then falling further to USD 40.445 million in 2016; which showcases a depressing trend in FDI outflow from the country. By outward it means that Bangladeshi based businesses and multinational companies that have been or are currently under process of investing in other countries across the world. Further, Bangladesh Bank registered \$41 million in 2016 as outward FDI and it increased to \$170 million in 2017 to USD 15.23 million in 2018 according to World Investment Report (WIR) 2018 statistics.

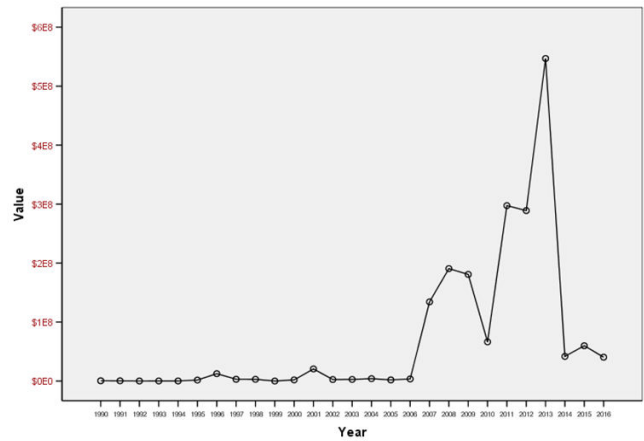


Fig 3: Outward FDI from Bangladesh in USD between 2019-2020 (Source: Authors' calculation based on IMF data)ⁱⁱ

4.3 Sectors Attracting FDI Inflows - Bangladesh received a net FDI inflows amounting to \$3.61 billion in 2018, the highest yet till date thanks to the one-off payment of \$1.47 billion by Japan Tobacco Inc. to purchase Akij Group’s tobacco business in Bangladesh.

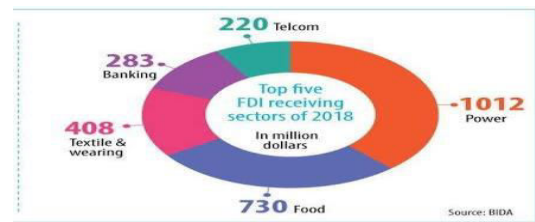


Fig 4: Top five FDI recipient sectors in Bangladesh 2018 (Source: BIDA; Ovi, Bangladesh sees highest ever foreign investment, 2019).

The inflows increased by 67.94 percent from a year earlier, according to the United Nations Conference on Trade and Development (UNCTAD) (UNCTAD, 2018). The power sector in Bangladesh engrossed the highest amount of FDI amounting to \$1.01 billion, followed by the food sector \$729.69 million, textile and weaving \$408.08 million, banking \$282.54 million, telecommunications \$219.87 million, leather and leather products \$110.55 million, trading \$101.91 million, other miscellaneous sectors received \$748.65 million, according to the Bangladesh Investment Development Authority (BIDA).

Out of the total of \$3.61 billion that came into Bangladesh as FDI inflows last year, \$1.12 billion were in the form of equity, \$1.30 billion as reinvested earnings, and \$1.18 billion came as intra-company loan (UNCTAD, 2018). Country-wise, China invested the biggest amount as FDI inflows to Bangladesh in 2018 with \$1.03 billion, followed by the Netherlands

with \$692 million, the UK with \$371 million, the US with \$174 million, and Singapore with \$171 million (UNCTAD, 2018).

Table 4: FDI Outflows of Bangladesh by major countries during the period 2019-20.

In million USD				
Country	Gross Outward FDI	Disinvestment	Net Outward FDI	% of share of Total net outflows
NEPAL	8.72	0.03	8.69	82.6
KENYA	7.31	0	7.31	69.5
INDIA	6.07	0	6.07	57.7
UAE	4.17	0.05	4.12	39.2
OMAN	1.32	0	1.32	12.5
Total of Top 5 Countries	27.59	0.08	27.51	261.5
Other Countries	9.93	26.92	-16.99	-161.5
Total	37.52	27	10.52	100.0

Source: FIED Management Cell, Statistics Department, Bangladesh Bank

Table 5: Outward FDI of Bangladesh by sectors during period 2019-2020.

In million USD					
Sl. No.	Sector of Investment Enterprise Abroad	Gross Outward FDI	Disinvestment	Net Outward FDI	% of share of Total net outflows
1	Chemicals & Pharmaceuticals	7.31	0	7.31	69.5
2	Mining & Quarrying	5.43	0	5.43	51.6
3	Gas & Petroleum	0.06	0.94	-0.88	-8.4
4	Financial Intermediaries	24.72	26.06	-1.34	-12.7
Total FDI Outflows		37.52	27	10.52	100.0

Source: FIED Management Cell, Statistics Department, Bangladesh Bank

Ready-made garments (RMGs): The RMG sector is at the center of the Bangladesh economy that has played principal role in the development of the country. The RMG sector is one of the biggest contributors to the gross domestic product (GDP). But the recent figures of this sector's contribution have been depressing as the RMG sector's contribution to the GDP has been declining for the past five years. The BGMEA reported in 2019 that the RMG sector contributed to GDP by 11.17% in fiscal year of 2017-18. But before that in fiscal year 2013-14, the sector's contribution to GDP was 14.17% which point toward a decrease of 3% (Dey, 2019). In summary, Bangladesh's total GDP in 2018 was TK 22, 504,793 million whereby RMG sector's contribution was TK2, 513,471 million. Even though the overall GDP has improved by 7.86% the RMG sector's contribution to GDP has not improved in the last five years (Dey, 2019). According to business specialists lack of diversified product bundle and lethargic private investments are the principal causes of this negative tendency in the apparel sector. Export earnings from the RMG sector are largely dependent upon sales of four to five basic products such as T-shirts, sweaters and other knit apparels. With the pace of globalization and Bangladesh being in the initial phase of industrialization, all industrial sectors of the country are trying to update and produce diversity of hi-tech products. But the RMG sector is still working in traditional way and the sector is suffering for this reason.

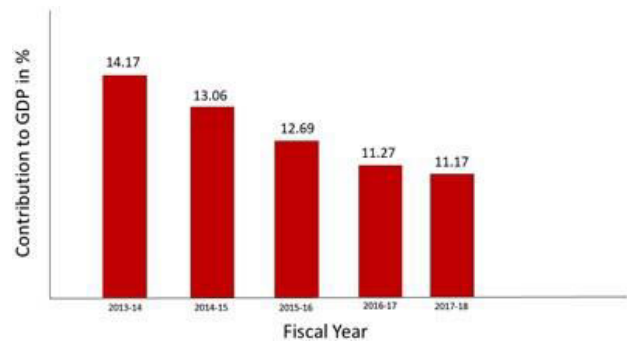


Fig 5: RMG sector's contribution to GDP from FY 2014 to 2018 (Source: BGMEA; Dey, 2019).

The downward slide of the contribution of the RMG sector towards GDP is distressing for the economy since this sector accounts for 83% of total export earnings of Bangladesh. During the last few years, new innovative investments has not taken place in the RMG sector since the industrialists had to spend a huge sum of money improving safety and environmental standards agreed by upon the Accord and Alliance after the Rana Plaza tragedy (Dey, 2019).

Conversely, international brands and buyers have cut prices incessantly which has caused ever decrease in the profit margins. Experts are robustly suggesting focusing on manufacturing value-added products and new FDI in the sector. If these issues are not resolved now, Bangladesh would not be able to stay competitive in the global market only because of its low-cost labor advantage. The RMG sector need to focus more on research and development and on manufacturing more diversified product bundle with higher value-added and innovative products. The government should aid in solving some issues like port congestion, improve infrastructure and reduce lead time. In general, the sector needs to focus largely on quality rather than quantity. If any drastic mishap takes place in textile sector, the entire economy of the country could be adversely affected (Dey, 2019).

Power sector: The power sector of Bangladesh is greatly reliant on gas. In 2010, almost 84% of the installed capacity in the power sector was gas based, around 4% was coal based, 4% hydroelectricity, and the rest 8% was oil based. However, by 2015, with competing demand for gas and its continuous supply shortages, gas-based installed capacity fell to 63%. The input of coal and hydro were also negligible as they fell by 2% each, while 4% of power generation was imported from India and the rest 29% were oil and petroleum-based. But by June 2015, the total

installed capacity was 11,532 MW, out of which the public sector contributed to 52%, while the private sector contributed to 44% (Mahbub & Jongwanich, 2019). Though the power generation capacity has significantly increased since the Sixth Five-Year Plan (2011–2015), the expenses of electricity production have also increased alongside the continual operational shortfall in the power sector. The Seventh Five-Year Plan (2016–2020) has addressed these two major issues through espousing low-cost and efficient sources of electricity through reliance on base-load power plants rather than rental power plants, since the choice of importing power from neighboring countries is dependent towards a regional base, as Bangladesh is looking to invest in joint ventures projects in the power sector especially with India, Myanmar, Bhutan, and Nepal through a regional power grid. Moreover, the choice of principal fuel has shifted from relying on gas to imported coal, with only a small amount was generated in renewable, such as solar and wind power (Mahbub & Jongwanich, 2019).

The installation of new power plants involves large capital outlays, which is outside the capabilities of the public and the private sectors in Bangladesh presently. Thus, foreign investors are playing a key role in the power sector. FDI inflows to the power sector has increased from \$ 30 million in 2004–2005 (accounting for about 4% of total FDI inflows) to \$ 53 million (7% of total FDI inflows) in 2010–2011 and then to \$ 208 million (10% of total FDI inflows) in 2015–2016. Even though FDI inflows have been showing an escalating trend in the power sector over the past ten years, the inflows have been comparatively low compared to other sectors like gas and petroleum. But the situation reversed in 2015–2016, when the share of FDI inflows to the power sector became closer to that of gas and petroleum, and banking and telecommunication in the country. Demand for electricity in Bangladesh is projected to surpass 34,000 megawatts (MW) by 2030, so the Government of Bangladesh has plans to boost power generation beyond expected demand; this would help propel growth in the export-oriented Bangladesh economy and also meet the demands of a growing middle class. Total investment in the power sector over the next 15 years is projected to be \$70 billion. While installed power generation capacity which includes captive power (as of June 30, 2018), has increased to 18,753 MW, private power production units have moved toward half of total installed capacity. But slightly

over two-thirds of Bangladesh 's population is presently connected to the national electricity grid which point towards an unexploited potential market of over 60 million people connecting to the national grid in the future years as Bangladesh continues its growth trajectory towards becoming a lower-middle income country by 2026.

Textile and wearing sector: Bangladesh's textile and wearing sector received \$408 million in FDI inflow in 2018, down by almost \$13 million from the year before. Although total FDI in Bangladesh rose by 68% to \$3.61 billion the same year, the fall in overseas demand and investment in textile and wearing sector raised serious doubts about whether its reasons and effectiveness were fair. The questions raised were: whether there is a need for FDI in the sector and if needed, which segments or sub-sectors of the industry needs it the most? Evidently, for the last five years, FDI in the apparel and textile has been floating around \$400 million. Within textile the and RMG sectors, what Bangladesh badly needs is to produce high-end products and increase production capacity in its apparel and wearing industry, FDI inflows in these subsectors could play a pivotal role in technology transfer from highly skilled foreign professionals as some economists and trade analysts opine. To increase its export earnings and maintain its current growth of exports, Bangladesh should increase its production capacity and manufacture more high value goods in the apparel sector to get better pricing from foreign brands. Thus, the sector needs a huge influx of capital and skilled labor which can be attained through FDI influx, such FDI should be invested by foreign investors in backward linkage industries to textile and high-end products of RMG. This will transfer foreign and latest technologies to bolster the local apparel industry. FDI in these subsectors can be beneficial for the Bangladesh economy in adopting towards higher value-added products market segment (Ovi, 2019).

Since Bangladesh is catering to the basic and medium-end products in RMG market segment, where the primary product is supplying fabrics and yarn. But within the primary product, there is a huge demand for investments within the primary textiles, especially in high-end fabrics segments. But there is a gap between the demand and supply of raw materials in the apparel sector, so Bangladesh needs huge amount of FDI in the primary textiles. According to BTMAⁱⁱⁱ, presently primary textiles sector meets around 90%

yarn demand for knit RMG and 40% yarn demand for woven RMG of the country.

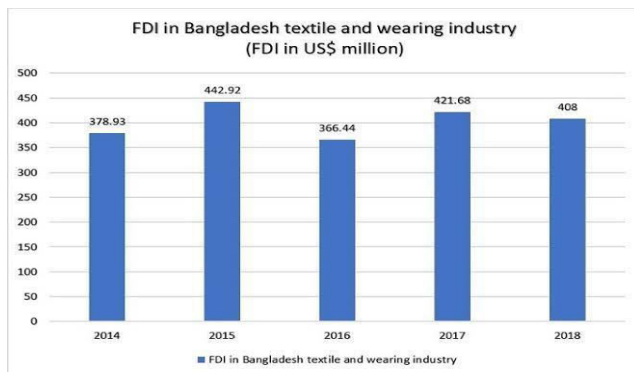


Fig 6: FDI inflows in textile and wearing industries in Bangladesh during 2014-2018 (Source: Bangladesh Bank data; BTT Business Report, 2019).

Conversely, denim fabrics in the country meet almost 50% of the demand, whereas high-end fabrics are typically dependent upon foreign imports. More often than not, apparel makers in Bangladesh are discouraging FDI in basic product segment as the country has enough productive capacity in basic and medium segments, but there is huge scope of investment in dyeing, chemical and also in high-end products such as suits, lingerie; outerwear jackets and fancy fabric segments (Ovi, 2019).

According to the Bangladesh Export Processing Zones Authority (BEPZA) and Bangladesh Economic Zones Authority (BEZA), 100% FDI is allowed in the textile and apparel sector but it also discourages investments for basic items. In the EPZs, 100% of FDI in apparel and textiles sector is allowed but these types of foreign investments are discouraged because within the basic items there is no scope of technology transfer, knowledge and experience sharing in such traditional investments; so, Bangladesh encourages foreign investments in high valued items such as jackets, suits, army wears, fashionable jackets, outerwear and protective gears. Furthermore, a foreign investor may also invest outside EPZs or SEZs after taking permission from the Bangladesh Investment Development Authority (BIDA) to export clothing items from Bangladesh (Ovi, 2019). According to Bangladesh Bank (BB) data, in 2018 the FDI in the sector dropped by 3.24% to \$408 million, from \$421.68 million in 2017. Hong Kong was the biggest investor investing \$83 million in the textile and garment industry, followed by the United Kingdom investing \$43 million, China investing \$40 million, South Korea \$35 million, British Virgin Islands \$33

million and Bermuda investing \$31 million. Investment in the textile and wearing sector is slow because of rise in production costs and burdensome process of getting factory permissions together with scarcity of land. Further, while investing in any country, foreign investors seek both security and return of their investment. As production costs are higher in Bangladesh due to rising gas and electricity prices together with land scarcities, FDI inflows have suffered. To further attract FDI in this sector, the government must encourage more investment opportunities by fostering enabling business climate and offering government incentives to keep production costs low. Nevertheless, the business analysts anticipate that FDI in this sector will grow further since the government is already allotting investment facilities in Special Economic Zones (SEZs). Economists also consider that the ongoing US-China trade war may open up new opportunities for countries such as Bangladesh as foreign investors are already relocating their production facilities from China to other countries. With intensifying trade wars between the US and China, investors are moving away from China. They are already investing in many Asian countries; Bangladesh is in a position to attract the investments that are moving away from China. Bangladesh as an LDC has sufficient opportunities to attract work orders and foreign investments from foreign nations. Bangladesh should liberalize its trade and investment policy further to attract FDI inflows giving its economy a boost, in investment and in productive capacity.

Telecommunications sector: The mobile phone market in Bangladesh includes four licensed mobile operators: Grameenphone, Rabi, Banglalink and state-owned Tele talk. At present, the virtual network operators (MVNOs) do not function in Bangladesh, nonetheless the BTRC is assessing the feasibility of allowing them penetrating the local market. In 2018, the telecom sector attracted \$220 million as FDI inflows to the sector. The mobile market of Bangladesh went through its first major consolidation inside the country in 2016, when the merger of Robi (Axiata) with Airtel occurred, which created the second biggest operator by number of connections in Bangladesh. By the end of 2017, Grameenphone had a 46% share of total connections, followed by Robi (28%), Banglalink (23%) and finally Teletalk (3%). CDMA-based Citycell had virtually been closed since final quarter of 2016 as the BTRC suspended its operating license because of non-payment of dues.

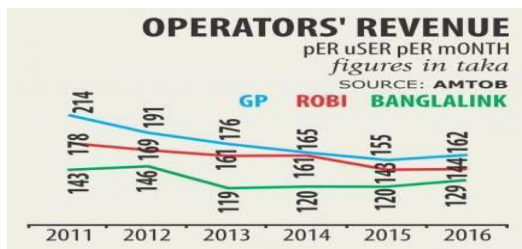


Fig 7: Mobile phone operators’ revenues between 2011-2016 (Source: Association of Mobile Telecom Operators of Bangladesh (AMTOB); Islam, 2017)

Banking sector: Overall, nine foreign commercial banks are currently operating inside Bangladesh as branches of the commercial banks which are incorporated abroad:

- 1) Bank Al-Falah Limited
- 2) Citibank N.A
- 3) Commercial Bank of Ceylon PLC
- 4) Habib Bank Limited
- 5) HSBC
- 6) National Bank of Pakistan
- 7) Standard Chartered Bank
- 8) State Bank of India
- 9) Woori Bank

In summary, FDI inflows (net) into the banking sector was USD 102.38 million during January-June, 2017 which grew by USD 49.18 million or 92.44% in comparison to July-December, 2016 (USD 53.20 million). But during July-December, 2016 FDI inflows (net) decreased by USD 59.67 million or 52.87% in comparison to January-June, 2016 and also decreased by USD 28.46 million or 20.14% during the period January-June, 2016 in comparison to July-December, 2015 (Bangladesh Bank, 2017).

Gas and petroleum sector: Bangladesh is heavily dependent upon natural gas as fuel in its power plants. The Government of Bangladesh is planning to decrease its dependence on natural gas and move more towards imported coal with plans to produce 50 percent of total electricity via coal-based power plants by 2030. Other way outs consist of importing electricity from neighboring countries, importing liquefied natural gas (LNG), and increasing use of renewable resources, such as solar and wind turbines. There are also ample prospects for offshore gas exploration in the Bay of Bengal. Presently, 18 offshore blocks sub-sist in the Bay of Bengal, most of which remain un-explored for allocation and gas exploration. Global oil and gas companies are able to pursue exploration and production joint ventures with the state-owned oil and

gas company, Petrobangla, through production sharing agreements. On March 2017, the government state-run Petrobangla and POSCO Daewoo Corporation of South Korea signed a production-sharing contract for oil and gas exploration in the deep-sea block 12 in the Bay of Bengal. The Government of Bangladesh had earlier pointed out that the terms of production sharing contracts would be enhanced to draw greater FDI in the energy sector. Bangladesh ‘s new form of production sharing contracts (PSCs) would allow Daewoo to export natural gas and other petroleum resources to a third party within the country or allow exports to foreign countries at negotiated prices if Petrobangla refuses or is unable to buy the offshore gas (Privacy Shield Frameworks, 2018).

In summary, FDI inflows (net) into Gas & Petroleum sector rose to US\$ 46.18 million between January-June, 2017 which then declined by US\$ 41.31 million or 47.22% in comparison to July- December, 2016 (US\$ 87.49 million). During July-December, 2016 FDI inflows (net) rose by US\$ 8.64 million or 10.96% in comparison to January-June, 2016 and declined by US\$ 64.62 million or 45.04% during the months of January-June, 2016 in comparison to July-December, 2015 (Bangladesh Bank, 2017). Bangladesh is also looking to liquefied natural gas imports to assist in meeting rising demands of fuel in the economy. Accordingly, the country is in the process of establishing its first floating storage and re-gasification units named Matarbari LNG Terminal, which is a proposed onshore liquefied natural gas (LNG) terminal in Matarbari, in the Cox's Bazar, Chittagong, Bangladesh and signed LNG supply con-tracts with Qatar. Additionally, Bangladesh is in the planning stages of several LNG-based power plants. Bangladesh has also effectively implemented a large-scale Solar Home System (SHS) venture with over 4.12 million solar power units countrywide, the government is supporting the extension of renewable energy in Bangladesh, with targets up to 20,000 MW by 2021 (Privacy Shield Frameworks, 2018).

Other sectors: Other sectors that attracted inward FDI flows in Bangladesh include the agriculture, manufacturing, services and transportation sectors. **Table 4** shows the various sectors ‘inward FDI’s (Hossain et al., 2018)

Agricultural sector has been a significant contributor to the economy of a developing country like Bangladesh, especially in terms of employment generation

and national output. The positive development brought on by the agricultural sector in Bangladesh is helping the country be self-reliant in food production including rice, food grains, livestock and fisheries; rapidly rising the sub sector’s contribution to the vibrant economy and attracting inward FDI in food processing and agro based industries.

YEAR	AMOUNT
2017	\$2.15 billion
2018	\$3.61 billion

Source: Foreign Investment & External Debt (FIED) Management Statistics Department, Bangladesh Bank.

Table 6: FDI inflows into other sectors: agriculture, manufacturing, services and transportation.

Fiscal Year	Agriculture & Fishing Sector	Manufacturing Sector	Power, Gas & Petroleum Sector	Services Sector	Trade and Commerce Sector	Transport, Storage & Communication
2001	15.72	183.95	313.78	9.83	35.25	5.40
2002	0.95	143.99	176.12	3.86	55.30	20.71
2003	2.41	196.22	58.07	11.50	49.24	61.74
2004	4.11	90.94	87.44	2.60	55.31	43.46
2005	2.07	235.51	198.40	2.04	101.80	263.96
2006	1.37	120.94	209.32	1.07	142.19	269.01
2007	4.57	147.46	229.93	1.82	103.84	305.12
2008	3.65	128.92	157.92	7.02	171.26	299.92
2009	19.14	183.96	46.89	7.77	122.53	579.62
2010	10.95	233.74	73.66	19.68	128.80	445.99
2011	11.53	330.25	127.19	20.39	234.82	54.50
2012	49.50	414.98	244.94	32.60	272.75	179.04
2013	29.72	712.88	93.67	65.18	295.05	527.09
2014	28.99	757.47	50.43	77.39	276.86	272.54
2015	29.22	539.28	279.98	57.00	436.88	183.20
2016	36.57	825.85	430.16	92.83	320.93	273.61
2017	43.26	869.43	467.93	104.44	309.73	601.28
Mean=	17.28	359.75	190.93	30.41	183.09	258.01
Max=	49.50	869.43	467.93	104.44	436.88	601.28
Min=	0.95	90.94	46.89	1.07	35.25	5.40

As Table 4 indicates, the average FDI inflow on Agriculture and Fishing sector was 17.28 USD million from fiscal year 2001 to 2017, upper limit was 49.50 USD million in 2012 and lower limit was 0.95 USD million in 2002. Table 4 also shows that the average FDI inflow on manufacturing sector was 359.75 USD million from fiscal year 2001 to 2017, the maximum was 869.43 USD million in 2017 and the minimum was 90.94 USD million in 2004 (Hossain et al., 2018). FDI inflows in of Services sector was 30.41 USD million from 2001 to 2017 on an average, the maximum was 104.44 USD million in 2017 and the minimum was 1.07 USD million in 2006. The rate of growth of FDI in services sector is 5.9401 USD million over per year. FDI has helped to create new employment in the services sector. The inflow of FDI in the construction and development sector has helped to attain substantial sustainable economic growth and development through creating jobs. The average FDI inflows in Transport, Storage & Communication sector was 258.01 USD million from 2001 to 2017, the maximum was 601.28 USD million in 2017 and the minimum was 5.40 USD million in 2001. The rate of growth of FDI in

Transport, Storage & Communication sector is 21.664 over per annum (Hossain et al., 2018).

4.4 Foreign direct investment and least developed countries - By the outward FDI stock reported by selected home economies, half of the top 10 investors in DCs are from emerging Asian economies. China’s FDI stock in LDCs almost doubled from 2013 to 2017, almost evenly distributed between LDCs in Africa and those in Asia. Yet the pace of accumulation of out-ward FDI from China to LDCs in Asia during that period was much faster (up 113 per cent) than the pace in Africa (up 41 per cent).



Fig 8: FDI inflows in LDCs (Source: World Investment Report 2019).

Gains in FDI stock held by investors from other developing economies in LDCs were attributed to growing investment in a small number of neighboring economies. Bangladesh attracted a \$3 billion project for the construction of oil and liquefied natural gas terminals, announced jointly by General Electric (United States), 25 Mitsubishi (Japan) and Summit (Singapore). Telecommunication subsector which falls under the service sector received the maximum FDI in Bangladesh. Apart from this agro based industries, garment/dyeing and the chemical sector are the major FDI recipient sectors in Bangladesh (Abdin, 2015).

4.5 FDI sources in Bangladesh by major countries - According to World Investment Report: Bangladesh second largest FDI recipient in South Asia. Bangladesh registered a record level of foreign direct investment (FDI) inflow in 2018, topping the list in South Asia. FDI in Bangladesh went up by 67.94% in 2018, according to reports. In 2018, Bangladesh reached the highest ever level in the country's history at \$3.61 billion, according to World Investment Report 2019 by United Nations Conference on Trade and Development (UNCTAD, 2019). Bangladesh's advantageous situation was principally the result of a \$1.5 billion M&A agreement in tobacco sector and

fresh investments in power generation. Further, reinvested capital earnings in the country, primarily by MNEs in banking, textiles and textiles apparel sectors, more than tripled to \$1.3 billion. Cross-border M&A sales witnessed a four-year high of \$1.3 billion, because of a single deal. The most prominent sale took place in Bangladesh, when Japan Tobacco acquired United Dhaka Tobacco for \$1.5 billion. This was the second most important acquisition in three years completed by this Japanese MNE in an LDC. In spite of the record value of deals struck in LDCs, the number of transactions went down 17 per cent from the previous year. Unlike during 2012–2017, Chinese investors did not participate in a single M&A deals in LDCs in 2018 (UNCTAD, 2019).

Table 7: FDI inflows by major countries and major sectors.

Country	Sector	FDI Gross Inflows classified by Major Countries and Major Sectors for the quarter Apr-Jun 2019														Total Gross FDI Inflows				
		Textile and Wearing	Power	Banking	Leather and Leather Products	Food	Trading	Gas & Petroleum	Metal and Machinery Products	Construction	Computer Software and IT	Chemicals and Pharmaceuticals	Aluminum and Polymers	Insurance	Commut		Fertilizer	Other sectors		
China People's Republic (P.R.)		13.90	158.09	---	12.06	0.06	1.74	---	0.01	2.16	---	2.29	---	---	---	---	0.06	4.83	195.20	
South Korea		101.15	---	2.65	5.63	---	3.38	---	---	0.06	---	---	---	---	---	---	---	1.90	113.77	
Singapore		25.98	7.23	---	4.21	8.35	1.42	---	3.82	0.03	0.40	1.49	---	---	---	---	---	53.09	106.01	
United Kingdom (UK)		9.24	2.72	28.48	---	15.70	0.88	---	0.10	7.87	2.37	---	---	---	---	---	---	3.05	97.56	
United States of America (USA)		1.84	6.29	2.02	---	2.47	23.41	---	5.10	---	0.14	6.81	---	---	---	---	---	0.72	54.87	
Sri Lanka		4.96	14.30	27.38	---	1.30	0.18	---	0.10	0.01	0.08	---	---	---	---	---	---	0.85	49.25	
Hong Kong, SAR of China		26.03	0.63	4.22	2.08	0.00	1.36	---	0.24	---	---	---	---	---	---	0.20	---	9.01	44.45	
India		5.51	12.26	3.32	---	1.85	1.86	---	0.29	1.13	0.47	0.96	---	---	---	---	---	18.52	43.17	
Japan		1.29	0.62	0.23	1.00	0.36	0.99	0.28	1.18	0.15	0.25	0.89	---	---	---	---	---	2.27	33.09	
Netherlands		2.82	2.57	0.16	1.79	---	---	4.89	0.17	---	---	---	---	---	---	---	---	0.12	17.82	38.47
Thailand		---	---	---	0.42	0.62	---	---	10.80	0.03	0.68	0.54	---	---	---	6.20	---	0.01	27.65	
Taiwan Province of China		1.81	---	---	21.83	0.74	0.57	---	0.04	---	---	---	---	---	---	---	---	1.67	26.46	
Tanzania		0.41	---	0.08	---	0.06	1.81	18.24	---	---	---	---	---	---	---	---	---	0.53	21.26	
United Arab Emirates (UAE)		4.06	4.03	0.07	---	2.73	0.09	---	1.94	0.18	0.60	---	---	---	---	---	---	2.96	16.66	
Mauritius		2.25	11.96	---	---	---	---	---	0.03	---	---	---	---	---	---	---	---	---	1.12	15.56
Pakistan		1.02	---	0.84	---	0.02	---	8.16	---	---	---	---	---	---	---	---	---	1.49	14.67	
British Virgin Islands		1.49	0.21	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	2.68	14.18
Sri Lanka		0.61	0.18	---	0.60	---	---	---	0.02	0.06	0.10	---	---	---	---	---	---	---	1.20	8.77
Malaysia		0.71	0.16	---	---	---	---	---	0.01	0.70	0.07	---	---	---	---	---	---	---	0.78	8.43
Other Countries		0.94	1.35	4.98	0.08	0.21	1.45	0.55	---	0.28	2.87	0.01	---	---	---	---	---	0.81	11.73	28.84
Total Gross FDI Inflows		226.18	225.78	109.18	45.20	34.64	33.39	28.65	27.18	18.53	16.38	15.12	14.21	6.87	6.49	6.87	4.89	141.52	973.28	

While China became the leading investor in the country with \$1.03 billion, the United States, traditionally the top investor, dropped to fourth with only \$0.17 billion in FDI for 2018 in Bangladesh, as per the report. The Netherlands stood as the second largest investor with of \$0.69 billion and the United Kingdom was the third highest investor with \$0.37 billion. Meanwhile, the report says, the investment flow across the world continued to decline for the third consecutive year in 2018, falling by 13 percent to \$1.3 trillion from a revised figure of \$1.5 trillion in 2017 (Mahmud, 2019).

The Bangladesh scenario - Bangladesh currently has eight public and one private EPZ, all of which are specialized SEZs focusing on apparel and textiles. The lone private EPZ, the Korean Export Processing Zone, was established and managed by a subsidiary of Young one Corporation of Republic of Korea. Other than the nine EPZs, the country also has another 30 economic zones, 24 of which are undergoing

development. Four of the zones are being developed through inter-national joint partnerships. The number of SEZs in South Asia is predicted to increase significantly in the next few years. In Bangladesh, an additional 60 SEZs are undergoing the approval process (Kibria, 2019).

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Ethiopia	Petroleum refineries	Fairfax Africa Fund	United States	4 000
Bangladesh	Fossil fuel electric power	General Electric	United States	3 000
Angola	Oil and gas extraction	Eni SpA	Italy	2 236
Mozambique	Natural, liquefied and compressed gas	ExxonMobil	United States	1 400
Guinea	Other metal ore mining	Tebian Electric Apparatus	China	1 160
Myanmar	Fossil fuel electric power	Yunnan Investment Holding Group	China	1 147
Myanmar	Fossil fuel electric power	Abotitz Equity Ventures	Philippines	1 147
Bangladesh	Fossil fuel electric power	China Huadian Corporation	China	984
Malawi	Commercial and institutional building construction	Anhui Foreign Economic Construction	China	668
Zambia	Industrial building construction	Elseswed Electric (Elseswed Cables)	Egypt	668

Fig 9: Ten largest Greenfield projects in LDCs in 2018 (Source: UNCTAD, World Investment Report 2019).

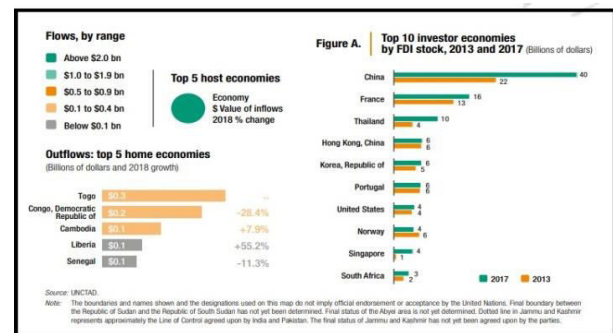
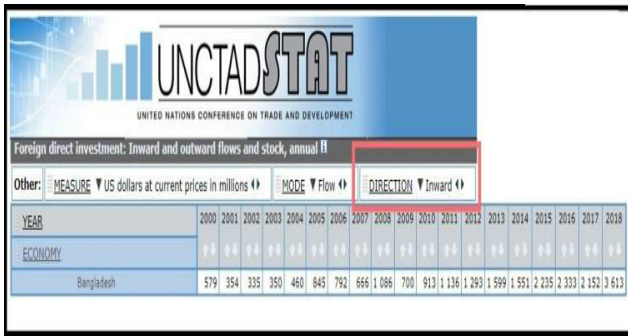
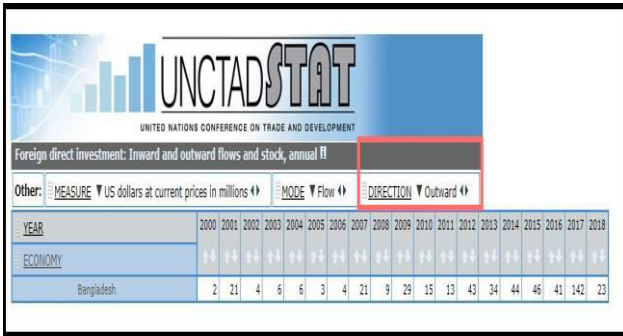


Fig 10: LDCs Top 5 host economies and 5 home economies (Source: UNCTAD, World Investment Report 2019).

In total, FDI inflows to Bangladesh grew by 68 per cent to a record level of \$3.6 billion in 2018. This was achieved by considerable investments in power generation and in labor-intensive industries like ready-made garments, and as a result of the US \$1.5 billion acquisition of United Dhaka Tobacco by Japan Tobacco (Upadhyay, 2019). World Investment Report 2019 reported that equity investment in Bangladesh increased by 108.6% to \$1.12 billion in 2018, which was \$0.54 billion whereas reinvestment increased by 2.32% to \$1.30 billion. Evidently, investor confidence in Bangladesh has enhanced. Furthermore, intra-company loans also rose during the same period by 254%, from \$333.24 million to \$1.18 billion. The power sector only engrossed investments worth \$1.01 billion, where China invested \$0.83 billion, followed closely by \$0.73 billion in the food sector, and another \$0.43 billion in the textile sector (Mahmud, 2019).

Long-term trends regarding FDI flows in the global economy - net of fluctuations driven by one-off factors such as tax reforms, megadeals and volatile financial flows included in FDI – has shown anemic growth since the global financial crisis of 2007-2008. Key factors and drivers for the long-term slowdown in FDI include policy, economic and business factors.



Source: UNCTAD

Policy factors: The gradual opening of emerging markets worldwide that spurred FDI growth until the late 2000s is no longer fueling FDI flows to the same extent. In the last few years, restrictions on foreign ownership, based on national security considerations or strategic technologies, have again resurfaced in the minds of policymakers. Ambiguity over the development of the international policy frameworks for trade and investment is also not supporting investor confidence globally.

Economic factors: Declining rates of return on FDI was a key factor behind the slowdown in the previous decade. In 2018, the global rate of return on inward FDI was down to 6.8 per cent, from 8 per cent in 2010. Although rates of return remain higher on average in developing and transition economies, most regions have not escaped this erosion. In Africa, for example, return on investment dropped from 11.9 per cent in 2010 to 6.5 per cent in 2018.

Business factors: Structural changes occurring in the nature of international production value-chains are also affecting the flow of FDI globally. The adoption of digital technologies in the global supply-chains UniversePG | www.universepg.com

across many industries is causing a shift towards intangibles and increasingly asset-light forms of international production, as reaching global markets and exploiting efficiencies from cross-border operations no longer requires heavy asset footprints (UNCTAD, 2017).

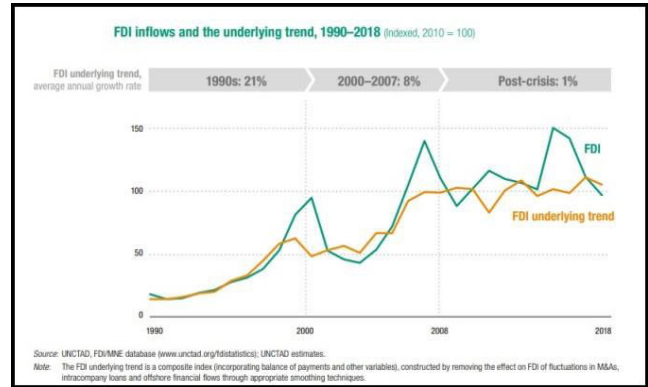


Fig 11: Global FDI inflows prior and after the Global financial crisis of 2007-2008 (Source: UNCTAD World Investment Report 2019).

Inward FDI rates of return, 2010-2018 (Per cent)									
Region	2010	2011	2012	2013	2014	2015	2016	2017	2018
World	8.0	8.5	7.7	7.5	7.6	6.9	6.8	6.8	6.8
Developed economies	6.4	6.7	6.1	5.9	6.4	6.0	5.9	5.9	6.0
Developing economies	11.0	11.5	10.1	9.9	9.5	8.4	8.2	8.1	7.8
Africa	11.9	12.0	11.7	11.4	9.6	6.5	5.0	6.0	6.5
Latin America and the Caribbean	9.7	9.8	8.5	7.0	6.3	4.5	5.4	6.2	6.2
Asia	11.4	12.2	10.6	10.8	10.7	10.0	9.6	9.0	8.5
East and South-East Asia	12.5	13.4	11.6	11.9	11.8	11.1	10.4	9.9	9.4
South Asia	8.9	7.6	7.2	6.7	6.1	5.5	6.4	5.6	5.3
West Asia	6.0	6.8	5.6	5.5	5.0	4.7	4.8	3.5	3.4
Transition economies	12.1	14.8	14.6	13.2	13.2	9.0	10.2	11.6	12.4

Fig 12: ROI of Inward FDI Globally during 2010-2018 (Source: UNCTAD, World Investment Report 2019).

This trend is visible in the divergence of key international production indicators - on a scale from tangible to intangible - with a substantially flat trend for FDI in the following graph, whereas trade in goods and services in intangibles are growing much faster than trade in goods and services in tangibles. Finally, international payments for intangibles (includes royalties and licensing fees) are also growing much faster for than those of tangibles.

Ease of doing business 2020: For the first time, Bangladesh has been acknowledged as a Top-20 improver and held a ranking of 168th position in the Ease of Doing Business 2020 rankings, which is an improvement of eight ranking positions from that of the previous year. The 2020 DB score was 45.0, which was 3.03 points higher than that of the previous year. Bangladesh marked improvements in three of the DB indicators.

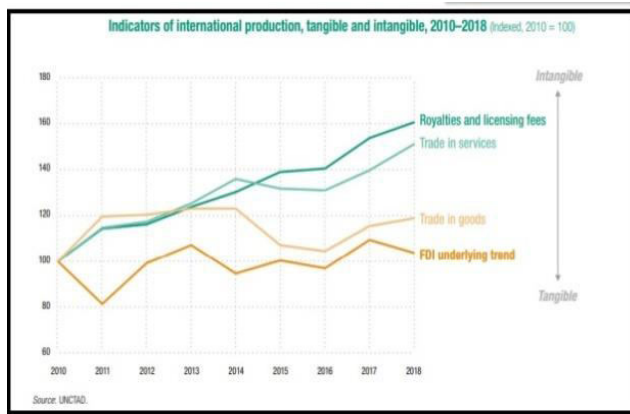


Fig 13: Growth in international production of tangibles and intangibles 2010-2018 (Source: UNCTAD, World Investment Report 2019).

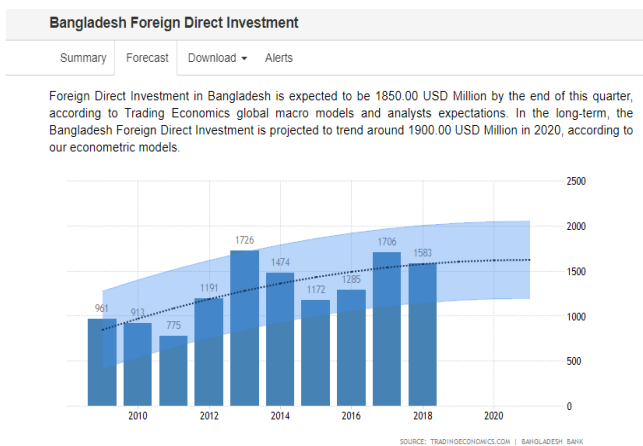


Fig 14: Bangladesh FDI inflow projections (Source: tradingeconomics.com).

To promote a more sustainable and inclusive investment environment, Bangladesh Investment Development Authority has undertaken steps for massive reforms to ensure (BIDA, 2019).

- 1) Creation of an effective one-stop service for foreign investors.
- 2) Assist the development of entrepreneurs inside the country.
- 3) Support the creation of necessary skills to match the needs of higher value.
- 4) Added production chains.
- 5) Efforts to advance the ratings of Bangladesh in various indicators globally such Ease of Doing Business report of World Bank and Global Competitive Index of the World Economic Forum and others.

The role of government in new growth communicating change: The introduction of e-governance in Bangladesh has attracted foreign investors in recent years. Training programmers and policies usually require the support and initiative of the government UniversePG | www.universepg.com

to be successful, and training in trade facilitation leading to FDI growth is no exclusion.

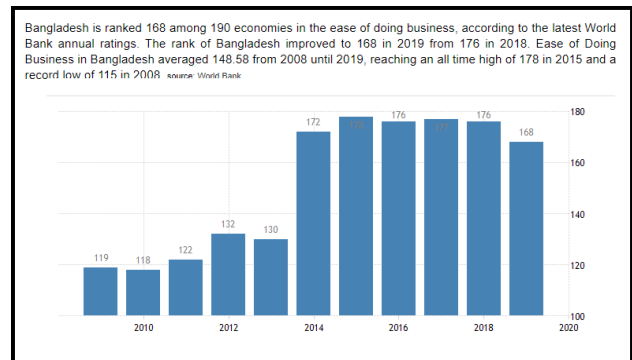
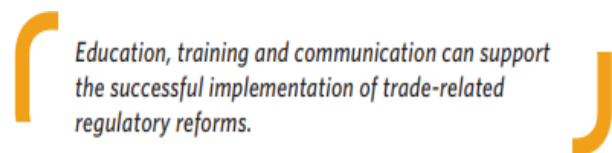


Fig 15: Ease of doing business 2020 rankings for Bangladesh (Source: The World Bank IBRD IDA).

Because trade facilitation catalyzes and spurs economic growth, educating and informing stake holders to espouse trade reforms successfully should be an essential priority for the government. Bangladesh has already recognized its top priorities for trade facilitation since capacity building activities at ports and customs offices all over the country are being revitalized; communicating with relevant players is also a top priority to make sure the proper implementation of regulations all over. Evidently, education, training and communications are able to support the successful realization of trade-related regulatory reforms (Doing Business, 2019).



Source: (Doing Business, 2019)

To attract more FDI inflows into the country, the government is establishing special economic zones (SEZs) all over the country. The ongoing trade war between the USA and China may also create some new prospects for attracting investments away from China both domestic and foreign investments. Bangladesh has the potential to become a prospective hub for investment since the government is already providing all types of support and incentives to foreign investors. Factors like high economic growth, a youthful talented workforce, and infrastructural expansion necessary to attract FDIs are already visible in Bangladesh. Thus, foreign investors are already have investing funds in the country, providing FDI inflows a sharp increase, even after the slowdown globally (Mahmud, 2019). Nonetheless, for higher

investments through FDIs, the government plans to further expand infrastructure: licenses to 11 private SEZs has already been approved. The government also plans to set up public SEZs. Furthermore, the government is creating country-specific SEZs, several mega projects are also being implemented for developing infrastructure further and after completion of the mega projects, the inflow of FDI are expected to increase further. The advancement of Bangladesh's position in the new ranking of Ease of Doing Business index has been announced at the end of the year 2020 and Bangladesh's position in the Doing Business ranking has improved considerably after the implementation of these initiatives by the government (Mahmud, 2019).

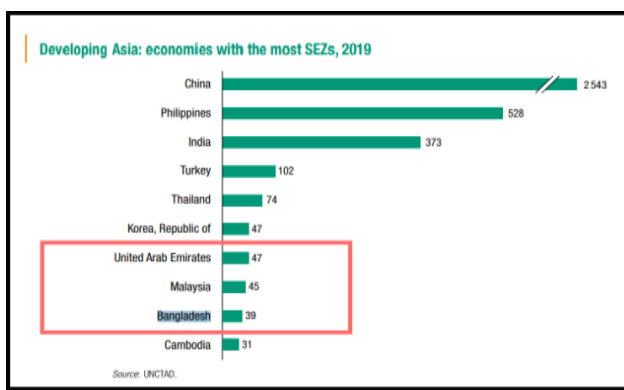


Fig 16: Most SEZs in developing Asia (Source: UNCTAD, World Investment Report 2019).

Continuing SEZ developments through public-private partnerships (PPPs) in Bangladesh and other Asian LDCs may add towards attracting and retaining more FDI inflows, not only from probable zone tenants in manufacturing, but also from zone developers or service providers to construct new infrastructure. So, the Bangladesh Investment Development Authority anticipated to record \$3.7 billion of FDI in 2019, propped up by its policy reforms (Kibria, 2019). To hasten economic growth and diversification across the country, Bangladesh instituted two new agencies in 2010, bestowed with governing the development of special economic zones and high-tech parks: the Bangladesh Economic Zones Authority (BEZA) and the Bangladesh Hi-Tech Park Authority (Mahmud, 2019).

Management competencies in global organization:

Foreign investors and their FDI associates (owners and managers) may choose to use the HRM practices of the foreign associates, follow the local practices, or a combination of both. Because of the dissimilarities in social, cultural or environmental circumstances of

business in the societies where the FDI is invested, anticipated effects or results of the original HRM may or may not happen, so it may become necessary to make some modifications or adjustments in the HR practices. Thus, MNCs may choose to combine Asian and Western HRM strategies and practices to ascertain that their approaches are harmonious rather than conflicting. Therefore, employee-centered HRM practices and participative leadership styles, maybe appropriate to the host countries 'work culture, which may be susceptible by control and command management techniques of the home country or vice versa.

FDI: Bangladesh environment: Bangladesh has already made significant progress in starting a business easier and less expensive by reducing the lead time for name clearance and registration fees, and also for abolishing the fee for certifying digital certificates. But these reforms are only applicable to Dhaka and Chittagong. Bangladesh also made getting new electricity connection faster by investing in digitization and additional human capital at the utility service provider. Getting electricity be-came less costly as the amount of the security deposit needed for a new connection was reduced; but this reform applies to Dhaka only. The government also enhanced access to credit information by expanding the coverage of the credit information bureau inside the country. The Government of Bangladesh has undertaken a number of further positive steps to improve Doing Business (DB) reforms such as formulating Action Plans, developing Taskforces, coordinating reform programs amongst relevant government agencies, offering reform support to line agencies, performing dialogues with private sector stakeholders, and monitoring progress of reforms. The government, together with the International Finance Corporation (IFC), has been running the DB reforms agenda, with IFC providing essential technical support to expand the DB Reform Action Plan and monitoring its implementation. In summary, the government plans to achieve a double-digit DB ranking by 2021. To achieve this end, the reform agenda requires further acceleration and extravagant reforms need effective implementation which includes the modification of Companies Act, Bankruptcy Act, Arbitration Act and *Imarat Nirman Bidhimalas*, ratification of Secured Transaction Bill, founding of a Commercial Dispute Resolution Court, and opening of efficient inspection systems for border compliance by formulating risk-profiles of businesses (BIDA, 2019).

Many of the foreign investors and businessmen argue that their prospects to continually invest and re-invest in Bangladesh are becoming narrowed. Consequently, they may choose to invest in countries like Myanmar, Vietnam, and some of the LDC economies in Africa, or they may even choose countries like Turkey and Indonesia. While Bangladesh is constructing more economic zones to attract more FDI, the government should enact government to government (G to G) arrangements by establishing some Bangladesh Economic Zone in countries like Vietnam, India, or Indonesia. This may expand our industries in other countries through FDI outflows and may even solve the long-term problem of our apparel sector. Bangladesh's apparel sector has shown a lot of determination to expand internationally and has gained some excess expertise to invest offshore as well (Rashid, 2019). Following the apparel sector, Bangladesh's leather, agriculture and steel sector may also decide to re-invest their excess capital offshore as outward FDI, especially into economies which enjoy preferential trade treaties with Bangladesh and have better infrastructure facilities (Rashid, 2019).

Major challenges to attract FDI into Bangladesh

One of the major challenges faced by LDCs including Bangladesh, according to the experts, is the new fourth industrial revolution; digitization of the global economy could erode the significance of low labor costs, the conventional competitive edge of most SEZs in these countries. Thus, SEZs in the country may need to foresee trends in their targeted industries globally and adapt accordingly. The lack of essential lands, infrastructure shortages and lagging in the standard ratings of the World Bank ease of doing business remain the principal challenges for attracting FDI inflows.

Abdin identifies the following challenges which remain vital for attracting FDI inflows into Bangladesh (2015):

- a) Inadequate capacity to supply sufficient electricity and gas to industries.
- b) Deficiency of proficient physical infrastructure.
- c) Bureaucratic red-tapes and complications to get registered or to get permissions.
- d) Lack of investment promoting agencies.
- e) Inadequate number of professionals and sector specific trained workforce.
- f) Poor implementation of intellectual Property laws.
- g) Lack of project specific proposals underway to attract international investments.
- h) Non-cooperation and lack of coordination between relevant government agencies such as the Board of Investment, Police, National Board of Revenue, and Environmental Authorities.
- i) Political disturbances, strikes and blockades.
- j) Deficiency in standardization/quality infrastructure in the country.
- k) Absence of technology infrastructure and internet coverage.
- l) Endemic corruption and bureaucracy.
- m) Differential policies and conduct with the change of government.
- n) Lack of administrative coordination amongst different government bodies and agencies.
- o) Delays in acquiring services from support organizations.

CONCLUSION AND RECOMMENDATION:

In conclusion, asserting a wide range of fiscal/non-monetary incentives or having a competitive advantage in factors of production such as cheap labor, is not sufficient to attract FDI inflows into a country like Bangladesh. The government must remain proactive and adaptive for creating and fostering an FDI friendly business environment in Bangladesh. To attract satisfactory amount of FDI in-flows, Bangladesh has to completely implement its policies such as discovering potential sectors for FDI, preparing project specific proposals, draw potential FDI investor companies internationally. A dedicated agency needs to be created by the government to promote investment opportunities inside Bangladesh instead of the traditional regulatory body of investment. Guaranteeing uninterrupted power and utilities supply, faster registration and certification process mechanism also has a direct linkage to attracting foreign investment or even inspiring local private investments to flourish inside the country. Furthermore, maintaining peaceful political atmosphere and an unswerving legal environment is equally essential to attract FDI inflows in a country. By following these policy agendas Bangladesh has the potential to increase the amount of FDI attainment and become a high-income country by 2041. Bangladesh aspires to achieve high income status through industrialization and FDI is a vital vehicle the country aims to utilize to achieve that end. Thus, the country needs initiatives like FDI attraction that encourages the expansion of manufacturing capacity and also investment in human capital develop-

ment to further expand exports from Bangladesh. Otherwise, it would be imperative to achieve and maintain a double-digit GDP growth. Without attaining double-digit growth rate in the next decade, Bangladesh may not meet the Vision 2041 in time. For that reason, Bangladesh is in a prospective position and it must concentrate upon attracting more FDIs by starting new initiatives to increase FDI inflow into Bangladesh, away from other LDCs and developing nations in the region.

To increase FDI inflows in Bangladesh

- 1) Boost power generation and other utilities (like gas, water) supplies to the manufacturing entity.
- 2) Organize complete project profiles (PPs) and approach appropriate multinational companies (MNCs) matching those PPs.
- 3) Create an Investment Promotion Agency alongside the Board of Investment (Regulatory body).
- 4) Boost government's investment (under Public-Private Partnership or PPP modality) to gain the trust of foreign investors.
- 5) Establish an efficient and fully functioning one stop investment service center to reduce investment relevant delays and harassments.
- 6) Increase/attract further investments in the country's infrastructure expansion.
- 7) Emphasize on the job training and human capital development to make possible technology transfer and further employment generation.
- 8) Attract FDI inflows into backward and forward linkage industries such as testing laboratories, regular facility centers, industrial park expansion and international value chain linkage industries.
- 9) Draw cluster-based investment inside the country by upgrading existing 177 SME Clusters in Bangladesh.
- 10) Emphasize on labor intensive, import substitution, and export oriented industries (Abdin, 2015).

To deal with the policy issues, in the short term, the government needs to:

- a) Create an internal government task force, which would include selected international experts, to annually assess the progress of the agencies in regards to site selection and public investments choices. Its goal would be to evade mission creep, uneconomical investment choices, and persuade compliance of private enterprises.

- b) Set up an environmental regulatory body panel to review and suggest initiatives to bring existing, and new, common effluent treatment plants and other joint/shared environmental infrastructure reliable and active with the necessary finances.
- c) Homogenize requirements and incentive structures across SEZs to guarantee a level-playing field (The World Bank, 2018).

To address these issues, in the medium to long term, the government needs to:

- 1) Incorporate SEZ development plans more with national plans around transport hubs and logistics corridors (road, rail, sea, air), human resources development, trade and investment strategies and plans (maybe multilateral, regional, bilateral), support institutions associated with the protection of intellectual property rights, national quality assurance agencies (testing, certifications etc.), and fiscal policies.
- 2) Perform a strategic review of the regulatory environment and public agencies, such as BEPZA, BEZA and BHTPA to suggest consistent joint visions and policy improvements that would usher in synergies, capacity transmission and possible mergers of agencies. At least, this step would clearly define operating guidelines/rules to evade replication and extravagant competition.
- 3) Permit complete autonomy in recruitment decisions so these agencies (ices) are able to espouse human resource (HR) policies further than government HR policies. This would ensure that positions are filled with motivated technical staff having the right legal, financial, engineering and planning know-how (The World Bank, 2018)

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CONFLICTS OF INTEREST:

The authors have no conflicts of interest to declare. All co-authors have seen and agreed with the content of the study and there is no financial interest to report. We certify that the submission is original work and is not under review as any other publication.

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APPENDIX

FDI stock						as a percentage of gross domestic product			
	1995	2015	2016	2017	2018	1995	2016	2017	2018
Bangladesh									
Inward	600	12 912	14 539	14 557	17 062	1.3	6.2	5.6	5.9
Outward	48	188	213	331	310	0.1	-	0.1	0.1
Memorandum									
Bhutan									
Inward	3	177	137	132	138	0.9	6.5	5.5	5.2
Outward	-	-	-	-	-	-	-	-	-
India									
Inward	5 641	282 617	318 320	377 287	386 354	1.5	13.9	14.2	14.2
Outward	495	139 038	144 086	155 176	166 193	0.1	6.3	5.9	6.1
South Asia									
Inward	15 320	390 261	439 279	504 695	522 909	2.4	13.2	13.3	13.4
Outward	828	145 514	151 175	162 755	173 794	0.1	4.6	4.3	4.5
Asia and Oceania									
Inward	574 109	6 034 528	6 379 189	7 371 674	7 668 098	14.6	28.8	30.8	29.7
Outward	211 517	4 708 518	5 148 034	6 186 771	6 546 916	6.0	23.4	26.0	25.5
Developing economies *									
Inward	842 659	8 541 117	9 087 389	10 303 717	10 678 872	13.0	31.0	32.7	32.0
Outward	311 970	5 500 006	6 002 697	7 227 297	7 523 731	5.2	20.9	23.4	23.0
World *									
Inward	3 564 447	26 312 743	28 243 023	32 623 558	32 272 043	11.1	37.3	40.7	38.1
Outward	3 993 274	26 259 583	27 620 616	32 383 049	30 974 931	12.9	36.8	40.8	36.9

Source: World investment report2018

Country fact sheet: Bangladesh

Foreign direct investment (FDI) overview, selected years

(Millions of dollars and per cent)

FDI flows	(Millions of dollars and per cent)					as a percentage of gross fixed capital formation			
	2005–2007 (Pre-crisis annual average)	2015	2016	2017	2018	2005–2007 (Pre-crisis annual average)	2016	2017	2018
Bangladesh									
Inward	768	2 235	2 333	2 152	3 613	3.8	3.3	2.7	4.0
Outward	9	46	41	142	23	-	-	0.2	-
Memorandum									
Bhutan									
Inward	40	4	- 7	- 10	6	9.9	-0.5	-0.6	0.4
Outward	-	-	-	-	-	-	-	-	-
India									
Inward	17 766	44 064	44 481	39 904	42 286	5.6	6.9	5.3	5.3
Outward	11 501	7 572	5 072	11 141	11 037	3.6	0.8	1.5	1.4
South Asia									
Inward	25 789	51 167	54 220	52 345	54 200	5.7	6.2	5.2	5.1
Outward	11 943	7 816	5 521	11 493	11 217	2.6	0.6	1.1	1.1
Asia and Oceania									
Inward	291 439	516 028	474 458	493 782	513 420	10.7	6.1	5.9	5.7
Outward	159 893	372 448	399 245	412 021	401 238	5.9	5.2	4.9	4.5
Developing economies *									
Inward	419 126	728 814	656 290	690 576	706 043	11.5	7.2	7.0	6.8
Outward	195 414	407 000	419 874	461 652	417 554	5.4	4.6	4.7	4.0
World *									
Inward	1 414 425	2 033 802	1 918 679	1 497 371	1 297 153	11.4	10.2	7.5	6.0
Outward	1 450 912	1 682 584	1 550 130	1 425 439	1 014 172	11.7	8.3	7.1	4.7

Source: World investment report 2018

ENDNOTES

ⁱWorld Bank 2017 data, Source: <https://data.worldbank.org/country/bangladesh>

ⁱⁱSource: International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.

<https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD?end=2018&locations=BD&start=1976>

ⁱⁱⁱBangladesh Textile Mills Association

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