

ANNEXES

Annex 1:
Some Statistical Data on
Socioeconomic Conditions

TABLE 1 : POPULATION, NUMBER AND SIZE OF HOUSEHOLDS BY DISTRICT AND MUNICIPALITY 1991

[Unit : Number of people/ percent]

DIVISION	NUMBER OF DISTRICTS AND MUNICIPALITIES	TOTAL POPULATION	NUMBER OF HOUSEHOLDS	AVERAGE SIZE OF HOUSEHOLDS
CHITTAGONG DIVISION	15 DISTRICTS	27,288,000	4,678,000	5.83
CHITTAGONG DIVISION	22 MUNICIPALITIES	2,417,000	428,000	5.65
DHAKA DIVISION	17 DISTRICTS	32,666,000	6,103,000	5.35
DHAKA DIVISION	27 MUNICIPALITIES	5,464,000	982,000	5.56
KHULNA DIVISION	10 DISTRICTS	12,688,000	2,314,000	5.48
KHULNA DIVISION	21 MUNICIPALITIES	1,459,000	278,000	5.25
BARISAL DIVISION	6 DISTRICTS	7,463,000	1,389,000	5.37
BARISAL DIVISION	9 MUNICIPALITIES	385,000	70,000	5.50
RAJSHAHI DIVISION	16 DISTRICTS	26,210,000	4,914,000	5.33
RAJSHAHI DIVISION	28 MUNICIPALITIES	1,975,000	352,000	5.61
NATIONAL LEVEL	64 DISTRICTS	106,315,000	19,398,000	5.48
NATIONAL LEVEL	107 MUNICIPALITIES *)	11,700,000	2,111,000	5.54
URBAN SHARE		11.01	10.88	n.a.
RURAL SHARE		88.99	89.12	n.a.

NOTE : *) The three municipalities Charfardion, Lalmojan and Kheppara, which have been created after 1991, have not been included, because their population has been merged with other municipalities in the above table. 2) n.a. = not applicable.

SOURCE : JICA Study Team computations based on table 2.01 and 2.04, pages 39 to 44 in "1993 Statistical Yearbook of Bangladesh", BBS, Dhaka, 1994.

TABLE 2 : PAST PERFORMANCE OF REAL GROSS DOMESTIC PRODUCT (GDP) OVER THE PERIOD FISCAL YEARS 1984/85 TO 1991/92

	[UNIT : MILLION TAKA]										AVERAGE 1984/85 : 1991/92
	FISCAL YEAR										
	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92			
MAJOR GDP SECTORS											
Agriculture	135031	139599	139596	137119	134509	150828	152575	155101			143045
Forestry	10948	11412	11168	12038	12309	12586	12845	13147			12057
Livestock & Fishing	23991	24538	25486	25744	26219	26940	28001	29414			26292
PRIMARY SECTOR	169970	175549	176250	174901	173037	190354	193421	197662			181393
Mining & Quarrying	4	3	4	2	3	66	80	94			32
Manufacturing	40112	41156	44403	44682	45927	49256	50423	54117			46260
Building & Construction	22518	22908	24469	27475	28816	29749	31087	32471			27437
Power, Gas, Water & Sanitary Services	2348	2642	3217	3743	4822	5561	6704	7876			4614
INDUSTRY SECTOR	64982	66709	72093	75982	79568	84632	88294	94558			78342
Transport, Storage, Communication	45655	47115	52341	54293	56611	59024	60840	63349			54904
Banking & Insurance	6889	8700	9180	9312	9417	9523	9735	10002			9097
Trade Services	38816	39389	40394	41675	43663	44965	46707	48561			43021
Housing Services	32444	33435	34534	35645	36811	38030	39316	40656			36359
Public Administration & Defense	13235	15944	17191	18553	19839	20363	22334	24184			18955
Professional & Misc. Services	34942	37752	40354	44854	47657	50636	53775	57217			45900
SERVICE SECTOR	171981	182335	194004	204332	213998	222541	232727	243969			208236
GROSS DOMESTIC PRODUCT (GDP)											467971

SOURCE : JICA Study team compilation and computation based on table 11.04, pages 485/6, "1993 Statistical Yearbook of Bangladesh", BBS, Dhaka, 1994.

TABLE 3 : SHARES OF MAJOR SECTORS IN REAL GROSS DOMESTIC PRODUCT OVER THE PERIOD FISCAL YEARS 1984/85 TO 1991/92

	FISCAL YEAR										AVERAGE
	84:85	85:86	86:87	87:88	88:89	89:90	90:91	91:92	1984/5 : 1991/2		
[UNIT : PERCENT]											
MAJOR GDP SECTORS											
Agriculture	33.18	32.88	31.56	30.13	28.83	30.32	29.66	28.93			30.57
Forestry	2.69	2.69	2.52	2.64	2.64	2.53	2.50	2.45			2.58
Livestock & Fishing	5.90	5.78	5.76	5.66	5.62	5.41	5.44	5.49			5.62
PRIMARY SECTOR	41.77	41.35	39.84	38.43	37.08	38.26	37.60	36.86			38.76
Mining & Quarrying	0.00	0.00	0.00	0.00	0.00	0.01	0.02	0.02			0.01
Manufacturing	9.86	9.69	10.04	9.82	9.84	9.90	9.80	10.09			9.89
Building & Construction	5.53	5.40	5.53	6.04	6.18	5.98	6.04	6.06			5.86
Power, Gas, Water & Sanitary Services	0.58	0.62	0.73	0.82	1.03	1.12	1.30	1.47			0.99
INDUSTRY SECTOR	15.97	15.71	16.30	16.68	17.05	17.01	17.16	17.64			16.74
Transport, Storage, Communication	11.22	11.10	11.83	11.93	12.13	11.86	11.83	11.81			11.73
Banking & Insurance	1.69	2.05	2.08	2.05	2.02	1.91	1.90	1.87			1.94
Trade Services	9.54	9.28	9.13	9.16	9.36	9.04	9.08	9.06			9.19
Housing Services	7.97	7.87	7.81	7.83	7.89	7.64	7.64	7.58			7.77
Public Administration & Defense	3.25	3.76	3.89	4.08	4.25	4.09	4.34	4.51			4.05
Professional & Misc. Services	8.59	8.89	9.12	9.86	10.21	10.18	10.45	10.67			9.81
SERVICE SECTOR	42.26	42.94	43.86	44.89	45.86	44.73	45.24	45.50			44.50
GROSS DOMESTIC PRODUCT (GDP)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00			100.00

SOURCE JICA Study team compilation and computation based on table 11.04, pages 485/6; "1993 Statistical Yearbook of Bangladesh", BBS, Dhaka, 1994.

TABLE 4 : REAL GROWTH PERFORMANCE OF THE MANUFACTURING SECTOR OVER THE PERIOD FISCAL YEAR 1984/85 TO 1991/92

	FISCAL YEAR										AVERAGE 1984/5-1991/2	
	85:86	86:87	87:88	88:89	89:90	90:91	91:92	[UNIT : PERCENT]				
A. LARGE SCALE MANUFACTURING												
Food manufacturing	3.79	13.58	0.70	2.70	10.60	2.00	10.50					6.27
Beverage	3.79	13.56	0.72	2.70	10.60	1.98	10.50					6.26
Tobacco	3.73	13.77	0.53	2.62	10.71	1.84	10.41					6.23
Textile	3.78	13.61	0.71	2.71	10.59	2.01	10.51					6.27
Footwear, other wearing apparel for textile	3.78	13.57	0.70	2.71	10.60	2.00	10.50					6.27
Wood cork & allied products	3.71	13.55	0.68	2.68	10.46	1.97	10.44					6.21
	3.70	13.49	0.70	2.78	10.47	1.83	10.51					6.21
Furniture & Fixtures	2.78	13.51	0.00	2.38	9.30	2.13	10.42					5.79
Paper & paper products	3.74	13.66	0.67	2.65	10.66	2.04	10.44					6.27
Printing, publishing & allied products	3.98	13.66	0.48	2.87	10.70	2.10	10.70					6.36
Leather & leather products	3.74	13.51	0.79	2.62	10.49	2.08	10.43					6.24
Rubber products	3.03	14.71	0.00	2.56	10.00	2.27	11.11					6.24
Chemical & chemical products	3.81	13.56	0.69	2.69	10.59	1.99	10.50					6.26
Petroleum & coal products	3.79	13.60	0.71	2.72	10.61	2.01	10.49					6.28
Non-metallic mineral products	3.95	13.59	0.48	2.86	10.65	2.09	10.66					6.32
Basic metal industries	3.91	13.53	0.66	2.73	10.61	1.99	10.46					6.27
Metal products except machinery	3.77	13.64	0.80	2.65	10.57	2.10	10.50					6.29
Machinery except electrical	3.64	13.60	0.77	2.68	10.45	2.03	10.60					6.25
Electrical machinery & apparatus	3.80	13.58	0.76	2.64	10.64	1.99	10.57					6.28
Transport equipment	3.91	13.39	0.74	2.56	10.71	1.94	10.44					6.24
Other manufacturing industry	3.76	13.55	0.72	2.69	10.66	2.00	10.48					6.27
B. SMALL SCALE MANUFACTURING	1.26	1.30	0.53	2.90	2.90	2.88	2.94					2.10
F. TOTAL LARGE & SMALL SCALE MANUFACTURING	2.60	7.89	0.63	2.79	7.25	2.37	7.33					4.41

SOURCE: JICA study team compilation from table 11.04, page 485, "1993 Statistical Yearbook of Bangladesh", BBS, Dhaka, 1994.

TABLE 5 : DEVELOPMENT OF BANGLADESHI BALANCE OF PAYMENTS : 1985/86 TO 1991/92

ITEM	FISCAL YEAR						AVERAGE 1985/86 : 1991/92
	85:86	86:87	87:88	88:89	89:90	90:91	
A. CURRENT ACCOUNT							
Imports (f.o.b.)	6353.8	7185.2	8393.2	9748.9	11125.3	11891.9	9407.1
Exports (f.o.b.)	2716.6	3064.3	3704.5	4116.1	4892.9	5955.9	4530.4
Freight & Insurance	711.3	778.2	939.6	1063.3	1250.1	1323.9	1042.2
On Import	7.6	6.8	5.5	4.2	8.0	8.7	6.9
Earned	-703.7	-771.4	-934.1	-1059.1	-1242.1	-1316.4	-1035.3
Net							
Other goods and services net	-4.9	-97.6	-34.0	-49.4	41.6	226.0	47.9
BALANCE	-4345.8	-4989.9	-5656.8	-6777.3	-7432.9	-6149.9	-5863.5
B. DEFICIT/SURPLUS CURRENT ACCOUNT							
Investment income net	-376.7	-372.6	-415.4	-433.1	-404.6	-365.6	-386.7
Transfer by Bangladesh Nationals	1569.3	1927.4	2461.1	2686.0	2631.2	3016.9	2573.7
Grants, Donations, etc.: cash or kind	1639.0	2032.4	2578.5	2185.4	2461.5	2966.3	2425.8
B. DEFICIT/SURPLUS CURRENT ACCOUNT	-1514.2	-1402.7	-1032.6	-2339.0	-2679.8	-532.3	-1473.0
C. CAPITAL ACCOUNT							
Aid and loan net	1682.8	1667.7	1474.6	2489.6	2122.4	1969.3	1881.9
Long-term net	1515.8	1887.7	1900.2	2793.0	2709.8	2402.5	2171.1
Short-term net	167.0	-220.0	-425.6	303.4	-587.4	-433.2	-202.5
Other capital transactions	-185.1	-127.9	-405.1	20.4	807.3	-1094.9	-465.7
Errors & Omissions	16.5	-137.1	-36.9	130.2	249.9	-342.1	-60.4
D. SURPLUS ON CAPITAL BUDGET	1514.2	1402.7	1032.6	2339.0	2679.8	532.3	1473.0

NOTE : 1 Crore = 10 million Taka.

SOURCE : Bangladesh Bank quoted in table 8.01, page 331; 1993 Statistical Yearbook of Bangladesh; BBS, 1994.

TABLE 6 : DEVELOPMENT OF BANGLADESHI BALANCE OF PAYMENTS : 1985/86 TO 1991/92

ITEM	FISCAL YEAR							AVERAGE 1985/86 : 1991/92
	85-86	86-87	87-88	88-89	89-90	90-91	91-92	
A. CURRENT ACCOUNT								
Imports (f.o.b.)	2126.0	2345.9	2686.5	3033.0	3379.4	3121.7	3117.5	2854.5
Exports (f.o.b.)	909.0	1000.4	1185.7	1280.6	1486.2	1667.3	1187.7	1374.7
Freight & Insurance	238.0	254.1	300.7	330.8	379.7	344.1	273.2	316.2
On Import	2.5	2.2	1.8	1.3	2.4	2.4	1.8	2.1
Earned	-235.5	-251.8	-299.0	-329.5	-377.3	-341.7	-271.4	-314.2
Net	-1.6	-31.9	-10.9	-15.4	12.6	63.3	12.6	14.5
Other goods and services net	-1454.1	-1629.1	-1810.6	-2108.5	-2257.8	-1721.6	-1557.1	-1779.2
BALANCE								
Investment income net	-126.0	-121.6	-133.0	-134.7	-122.9	-102.3	-101.4	-117.3
Transfer by Bangladesh Nationals	525.1	629.3	787.7	855.7	799.2	844.6	674.7	781.0
Grants, Donations, etc.; cash or kind	548.4	663.5	825.3	679.9	747.7	830.4	635.9	736.1
B. DEFICIT/SURPLUS CURRENT ACCOUNT	-506.7	-458.0	-330.5	-727.7	-814.0	-149.0	-386.2	-447.0
C. CAPITAL ACCOUNT								
Aid and loan net	563.1	544.5	472.0	774.6	644.7	551.3	493.4	571.0
Long-term net	507.2	616.3	608.2	868.9	823.1	672.6	569.2	658.8
Short-term net	55.9	-71.8	-136.2	94.4	-178.4	-121.3	-53.1	-61.4
Other capital transactions	-61.9	-41.8	-129.7	6.3	245.2	-306.5	-122.1	-141.3
Errors & Omissions	5.5	-44.8	-11.8	40.5	75.9	-95.8	-15.8	-18.3
D. SURPLUS ON CAPITAL BUDGET	506.7	458.0	330.5	727.7	814.0	149.0	386.2	447.0

NOTE: Taka have been converted into current US dollars using the average of official rates as on 30th June. The conversion rates have been taken from table 9.52, page 435, 1993 Bangladesh Statistical Yearbook, BBS, 1994. The average has been calculated using a weighted average exchange rate over the period 1985/86 to 1991/92 of 32.9554 Taka per 1 US dollar.

SOURCE: JICA Study Team.

TABLE 7 : PAST PERFORMANCE OF MANUFACTURING SECTOR OVER THE PERIOD FISCAL YEAR 1984/85 TO 1991/92

	FISCAL YEAR										AVERAGE 1984/85-91/92
	84:85	85:86	86:87	87:88	88:89	89:90	90:91	91:92	[UNIT : MILLION TAKA]		
A. LARGE SCALE MANUFACTURING	21282	22088	25087	25263	25945	28695	29269	32342			26246
Food manufacturing	2245	2330	2646	2665	2737	3027	3087	3411			2769
Beverage	161	167	190	191	196	217	221	244			198
Tobacco	2988	3101	3523	3548	3644	4030	4111	4543			3686
Textile	5787	6006	6821	6869	7055	7803	7959	8795			7137
Footwear, other wearing apparel for textile	377	391	444	447	459	507	517	571			464
Wood cork & allied products	243	252	286	288	296	327	333	368			299
Furniture & Fixtures	36	37	42	42	43	47	48	53			44
Paper & paper products	508	527	599	603	619	685	699	772			627
Printing, publishing & allied products	176	183	208	209	215	238	243	269			218
Leather & leather products	321	333	378	381	391	432	441	487			396
Rubber products	33	34	39	39	40	44	45	50			41
Chemical & chemical products	2571	2669	3031	3052	3134	3466	3535	3906			3171
Petroleum & coal products	2140	2221	2523	2541	2610	2887	2945	3254			2640
Non-metallic mineral products	177	184	209	210	216	239	244	270			219
Basic metal industries	896	931	1057	1064	1093	1209	1233	1362			1106
Metal products except machinery	318	330	375	378	388	429	438	484			393
Machinery except electrical	220	228	259	261	268	296	302	334			271
Electrical machinery & apparatus	447	464	527	531	545	603	615	680			552
Transport equipment	250	239	271	273	280	310	316	349			284
Other manufacturing industry	1408	1461	1659	1671	1716	1899	1937	2140			1736
B. SMALL SCALE MANUFACTURING	18830	19068	19316	19419	19982	20561	21154	21775			20013
F. TOTAL LARGE & SMALL SCALE MANUFACTURING	40112	41156	44403	44682	45927	49256	50423	54117			46260

SOURCE JICA study team compilation from table 11.04, page-485, "1993 Statistical Yearbook of Bangladesh", BBS, Dhaka, 1994

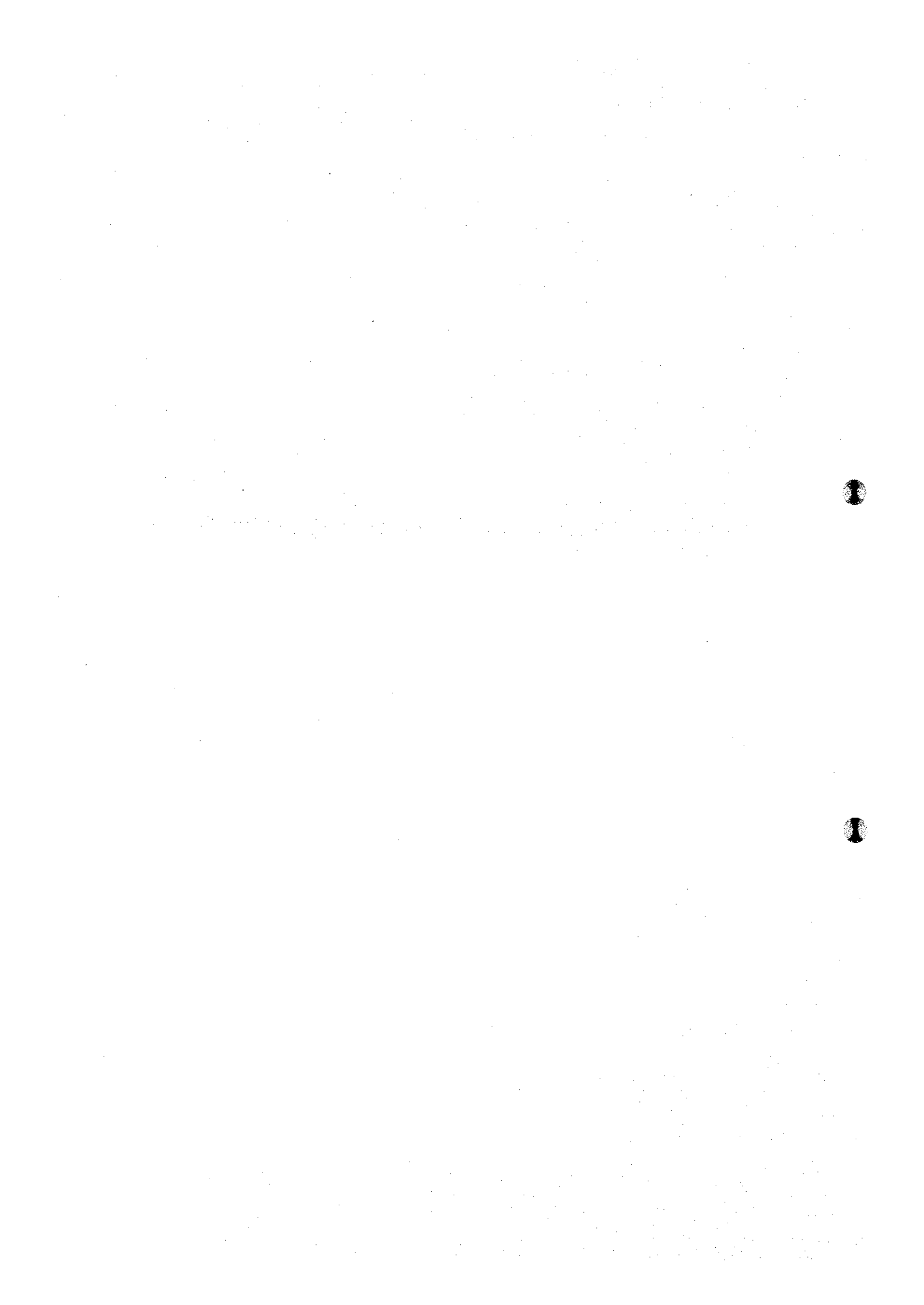
TABLE 8 : SHARES OF MAJOR PRODUCT GROUPS IN MANUFACTURING OVER THE PERIOD FISCAL YEAR 1984/85 TO 1991/92

	FISCAL YEAR										AVERAGE 1984/5-1991/2
	84:85	85:86	86:87	87:88	88:89	89:90	90:91	91:92	[UNIT : PERCENT]		
A. LARGE SCALE MANUFACTURING											
Food manufacturing	5.60	5.66	5.96	5.96	5.96	6.15	6.12	6.30	5.9847		
Beverage	0.40	0.41	0.43	0.43	0.43	0.44	0.44	0.45	0.4288		
Tobacco	7.45	7.53	7.93	7.94	7.93	8.18	8.15	8.39	7.9681		
Textile	14.43	14.59	15.36	15.37	15.36	15.84	15.78	16.25	15.4279		
Footwear, other wearing apparel for textile	0.94	0.95	1.00	1.00	1.00	1.03	1.03	1.06	-1.0033		
Wood cork & allied products	0.61	0.61	0.64	0.64	0.64	0.66	0.66	0.68	0.6466		
Furniture & Fixtures	0.09	0.09	0.09	0.09	0.09	0.10	0.10	0.10	0.0940		
Paper & paper products	1.27	1.28	1.35	1.35	1.35	1.39	1.39	1.43	1.3543		
Printing, publishing & allied products	0.44	0.44	0.47	0.47	0.47	0.48	0.48	0.50	0.4704		
Leather & leather products	0.80	0.81	0.85	0.85	0.85	0.88	0.87	0.90	0.8550		
Rubber products	0.08	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.0875		
Chemical & chemical products	6.41	6.49	6.83	6.83	6.82	7.04	7.01	7.22	6.8537		
Petroleum & coal products	5.34	5.40	5.68	5.69	5.68	5.86	5.84	6.01	5.7072		
Non-metallic mineral products	0.44	0.45	0.47	0.47	0.47	0.49	0.48	0.50	0.4726		
Basic metal industries	2.23	2.26	2.38	2.38	2.38	2.45	2.45	2.52	2.3900		
Metal products except machinery	0.79	0.80	0.84	0.85	0.84	0.87	0.87	0.89	0.8485		
Machinery except electrical	0.55	0.55	0.58	0.58	0.58	0.60	0.60	0.62	0.5858		
Electrical machinery & apparatus	1.11	1.13	1.19	1.19	1.19	1.22	1.22	1.26	1.1922		
Transport equipment	0.57	0.58	0.61	0.61	0.61	0.63	0.63	0.64	0.6128		
Other manufacturing industry	3.51	3.55	3.74	3.74	3.74	3.86	3.84	3.95	3.7536		
B. SMALL SCALE MANUFACTURING											
	46.94	46.33	43.50	43.46	43.51	41.74	41.95	40.24	43.26		
F. TOTAL LARGE & SMALL SCALE MANUFACTURING											
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00		

SOURCE: JICA study team compilation from table 11.04, page 485, '1993 Statistical Yearbook of Bangladesh', BBS, Dhaka, 1994.

Annex 2:

Results of Investment Demand Survey in Bangladesh



Annex 2: RESULTS OF THE INVESTMENT DEMAND SURVEY IN BANGLADESH

The Survey's Objective

The objective of the survey was to collect and analyse data, from domestic and foreign companies operating in the present business and manufacturing environment in Bangladesh, in order to assist the Study on Industrial Development now in operation in the Chittagong Region. to establish an understanding of the present and future expectations of the companies operating in this environment,

Overall Comments by the Managing Agents.

- incorporate the services and facilities desired by the majority of respondents into the design criteria for any new EPZ and /or industrial estate in the Chittagong Region
- prepare basic and detail engineering plans and design and inclement an appropriate infrastructure for the proposed EPZ at Chittagong, taking into consideration the identified present barriers/ constraints, desired services facilities etc, highlighted in the survey
- as an integral component of the findings an institutional and service reform programme should be undertaken to increase the efficiencies of the implementing, operating and managing Service Agencies in the industrial sector, like the Board of Investment (BOI), The Bangladesh Export Processing Zone Authority (BEPZA) and other relevant institutions by minimising the bureaucratic, procedural and operative barriers / constraints as identified through the survey.

The Survey's Major Findings

Companies Surveyed

207

Domestic and Foreign

Across All Sectors

**Major Barrier/Constraint Identified in Operating
in Bangladesh**

Government Policies and Lack of Assistance from the Service Agencies

Companies with Expansion Plans

134 (65%)

The Essential Service Identified to Assist an Expanding Business

Easy Access to Sources of Finance

The Prime Factors Identified Affecting Investment Decisions

Political Stability
The Economic Environment
Markets
Infrastructure

Investment Demand Survey in Bangladesh

1 Approach and Methodology

A preliminary "base line" target of companies to be surveyed was set by approaching the relevant Government and private agencies like the Board of Investment (BOI), who register all the investments, both foreign and local. In consultation with the JICA team it was decided that the major target group should be the foreign and joint-venture companies, including multinational companies operating in Bangladesh. A listing of such companies was collected from the BOI as a guideline. This listed 258 foreign and joint-venture companies located both outside and inside the Export Processing Zone (EPZ) at Chittagong and Dhaka..

Apart from BOI, the Bangladesh Export Processing Zone Authority (BEPZA) headquarters at Dhaka was approached, who provided their current list of manufacturing units - 100% foreign, joint-ventures and 100% Bangladeshi ventures registered with them. Other private-sector organisations like Foreign Investors Chamber of Commerce and Industry (FICCI), The Metropolitan Chamber and a few manufacturers' associations were also contacted to establish a base list.

2 Target Sample Size

As a large number of companies ultimately drop-out or refuse to take part in such surveys a 30% allowance was initially built into the target population of 200 manufacturing units. This set the target figure at about 260 units.

It was decided to first cover the units as listed by the BOI, EPZ, and FICCI. excluding duplications.

Ultimately the final starting list of companies amounted to 375 from whom 207 units co-operated and took part in the Survey.

3 Survey Approach and Strategy

The set target of about 260 companies were contacted with the two basic approaches to sampling surveys of this nature.:

- a). The questionnaire mailing method
- b). The direct interview method

The questionnaire as provided by the JICA team was mailed to all the companies.

Parallel to mailing, a field survey team comprising of 10 surveyors (2 nos. per/group x 5 groups), started direct interviews with the companies. The team was also charged with the responsibility of follow up and collection of the completed questionnaires to accelerate the survey process.

4 Selection and Familiarisation Training of Surveyors

In spite of the fact that surveyors were available with general background, ten energetic young people with basic backgrounds in Engineering (Polytechnic Diplomas), Marketing, Banking and Economics (Masters Degree holders from Dhaka University) were selected and engaged for the survey, taking into consideration the specialised nature of this job. Their technical/engineering and economic/financial logic, combined with the pre-survey orientation training would enable them cross check any illogical and inconsistent data/information provided

by the companies. Due to the type of information requested by the survey only people engaged at top management levels of the companies could be expected to respond to the questionnaire.

The surveyors, before being assigned into the field were given a brief orientation training session on the subject. Being a developing country, the entrepreneurs/managers of the companies are usually very conservative in divulging any company and/or production related data/information to outsiders. Hence, apart from imparting basic briefing on the survey's objectives, clarification of the questionnaire's terminology etc., the survey team were also oriented with appropriate social strategies acceptable to the interviewees in order to extract the information from them.

5 Test Survey

Before starting the field survey, follow ups and spot interviews, without which any micro level survey in Bangladesh would have an extremely slow progress rate, the surveyors were given a few Test Surveys to start with. About twenty companies, i.e. 10% of target were selected for this purpose and it was found that due to the comprehensive orientation training in 95% of cases they could fill in the questionnaires without too much difficulty.

Only after confirming the success of the Test Surveys, did the field survey and follow up take place.

6 Data Base Creation on Survey

A comprehensive computerised data base on the 207 companies has been created from the survey.

7 Guidelines for Interpretation of D-base/Code Clarification

All questionnaires received by the surveyors were checked, serially coded and entered into a computer data base using the format of a vertical serial Code column versus horizontal question-serial column. The standard D-Base V was used for creating the data-base.

The entered D-base was then transferred to a floppy as requested by the JICA Study Team for use as input for the on going investment demand study.

8 Major Findings

- There exists a good investment demand potential in Bangladesh provided the appropriate infrastructure, government policy, political and economic environments are created and sustained.
- of foreign, 50.7% of joint-ventures (foreign + local) and 30.6% of local manufacturing units surveyed, reported to have future investment plans.
- Most (39.61%) of industries having future investment plans reported either expansion of their present capacities and/or rehabilitation/modernisation of their existing production facilities.
- The total planned investment value of the companies (reporting further investments) amount to US\$ 381 million.
- The companies reporting future investment investment plans target markets are mainly to the following markets:

USA, Europe, Japan, Canada, Hong Kong and other countries.

- The average projected Sales Turnover (1995 and beyond) over a period of three years amount to US\$ 12 million/unit/year, the total projected turnover over the same period was: US\$ 3,469 million (or about US\$ 3.5 billion).
- A total of 83,699 persons are currently employed in the companies surveyed and the future employment potential lies in the range of about 137 per company (excluding a minimum distribution for industries employing over 1,000 persons). On a weighted average basis this would amount to a total employment potential of 18,358 people which would make a significant contribution to GDP.
- The majority of the industries surveyed foreign, joint venture and local consider Political Stability as the major constraint, which may affect their future investment decisions. The other four major constraints in order of weighted rankings were confirmed as (2) Economic Environment, (3) Market Size, (4) Availability of Industrial and Technical Base and (5) Infrastructure.
- The five major services sought in general (as well as by those who plan to invest further) in future are, in order of weighted rankings, were as follows:
 - a). Easy Access to Financing
 - b). Market Information Research
 - c). Training Facilities
 - d). Venture Capital
 - e). Recruiting Assistance
- The majority (71.50%) of companies considered that a new proposed EPZ and/or industrial zone should have the following facilities (in order of weighted rankings) :
 - a). Customs Clearance House
 - b). Commercial Centre
 - c). Security Guards and Facilities
 - d). Government Representative Office
 - e). Post and Telecommunication Centre

9 The Action Plans Recommended:

- Incorporate the service and facilities sought by the majority of operating/manufacturing companies (as evaluated through the sampling survey) into the Design Criteria for the new (proposed) EPZ and/or Industrial Estate in the Chittagong region.
- Prepare basic and detail engineering plans and designs and implement an appropriate infrastructure for the proposed EPZ/Industrial Estate at Chittagong, taking into consideration the identified present major barriers/constraints, service facilities etc., highlighted in the survey.

- As an integral component of this project, an institutional and service reform programme should also be undertaken to increase the efficiencies of the implementing, operating and managing GOB service agencies in the industrial sector, like BOI, BEPZA and other relevant institutions by minimising the bureaucratic, procedural and operative barriers/constraints identified through this survey.

10 Conclusions

- The overall target should be to plan, design and implement a very large scale and infrastructurally sound new EPZ/Industrial estate at Chittagong with "free zone" status, which will be of international standard in terms of all services with minimum bureaucracy and high degree of reliability.
- This large scale approach will not only encourage and promote the expansion of new investments of foreign, joint venture and local units already operating in Bangladesh, but by virtue of its dimensions and world class infrastructure and related facilities and incentives (in similar style with Jebel Ali EPZ/Dubai Bintulu industrial program, Malaysia etc.), shall be able to attract a large inflow of foreign investment into Bangladesh on a regional (SAARC, Far East countries) as well as global basis.
- The proposed approach should be able to create a micro-economic system, designed to make best use of the macro-economic success already achieved in Bangladesh in the recent past and thus encourage also the local investors to set up units in the zone inspired by the investment friendly infrastructure and better institutional systems and incentives that can be offered by the proposed EPZ/industrial estate.
- After conducting this survey - there are reasons to believe - based on its qualitative and quantitative evaluations - that with the proposed approach, even the much-spoken "Flagship" companies from Japan and/or other developed countries can be attracted to make "high finance investments" (in sectors like composite textiles, composite leather chemicals/petro-chemicals large electronic and other engineering complexes etc.) in Bangladesh. The large investments of such flagship companies - following the experience of other newly industrialised countries (NICs) of the Asia-Pacific region - are expected to trigger-off a "chain-reaction" of foreign investments into this lowest cost production-base of Asia and thus help Bangladesh materialise her long cherished dream of a rapid industrialisation.

The Investment Demand Survey in Bangladesh

Q1 Basic Information on Company		
PARTICULARS	NUMBER	PERCENT
1. Status of the company		
(A)100% local private	101	48.79
(B)100% government	2	0.97
(C)Local private/govt. J/V	6	2.90
(D)Foreign private/local private J/V	62	29.95
(E)100% foreign	36	17.39
Total	207	100.00
2. Ownership - (range of share)		
Type (C) Local Private	0-100	
Local Government	0-100	
3. Ownership - (range of share)		
Type (D) Local Private	0-100	
Foreign Private	0-100	
Local (Bangladeshi)	117	56.52
Australia	1	0.48
Bangla/Pakistan	1	0.48
Burma	1	0.48
China	2	0.97
Germany	4	1.93
Hong Kong	7	3.38
HK/China	3	1.45
HK/Srilanka	1	0.48
India	1	0.48
Japan	18	8.70
JP/Den./UK/Netherlands	1	0.48
Korea	4	1.93
Malaysia	2	0.97
Netherlands	4	1.93
NL/Hong Kong	1	0.48
Pakistan	3	1.45
Saudi Arabia	1	0.48
Singapore	1	0.48
S.Korea	11	5.31
S.Korea/HK	1	0.48
Sweden	3	1.45
Switzerland	4	1.93
Taiwan	1	0.48
Thailand	2	0.97
United Kingdom	7	3.38
USA	5	2.42
Total	207	100.00

Q2 Legal Status of the Company		
PARTICULARS	NUMBER	PERCENT
Private limited	168	81.16
Public limited	39	18.84
Total	207	100.00

The Investment Demand Survey in Bangladesh

Q3 Location of the Industrial Unit Surveyed			
PARTICULARS		NUMBER	PERCENT
Chittagon	inside EPZ	52	25.12
	outside EPZ	28	13.53
Dhaka	inside EPZ	9	4.35
	outside EPZ	118	57.00
Total		207	100.00

Q4 Sectoral Overview			
PARTICULARS		NUMBER	PERCENT
1. Textile/Apparel/Garments		72	34.78
2. Food/Agro/Food processing		14	6.76
3. Industrial chemical		9	4.35
4. Leather/Leather products		10	4.83
5. Engineering products		36	17.39
6. Drugs/Pharmaceuticals		5	2.42
7. Miscellaneous		61	29.47
Total		207	100.00

Q5 Employment			
PARTICULARS		NUMBER	PERCENT
1. Textile/Apparel/Garments		46,764	55.87
2. Food/Agro/Food processing		3,666	4.38
3. Industrial chemical		2,127	2.54
4. Leather/Leather products		4,064	4.86
5. Engineering products		7,675	9.17
6. Drugs/Pharmaceuticals		1,469	1.76
7. Miscellaneous		17,934	21.43
Total		83,699	100.00

Q6 General Investment climates			
PARTICULARS		NUMBER	PERCENT
1. Not as favourable as in other countries		69	33.33
2. About the same as in other countries		77	37.20
3. Better than in most other countries		47	22.71
4. In group of countries with best investment climate		12	5.80
5. No response/N.A.		2	0.97
Total		207	100.00

Q7 Identification of constraints		
	AVG RANKING	PERCENT REPORTED
A. General management	3	2.33
B. General manpower		
1. in quantitative terms	3	1.91
2. in qualitative terms	2	4.77
3. in quantitative/qualitative	2	1.48
C. Lack of sufficient qualified engineers	3	4.24
D. Insufficient market & market size	2	7.52
E. Inadequate marketing & distribution	3	3.39
F. Problems in obtaining adequate financing	2	7.84
G. Inappropriate product quality	3	2.86
H. Insufficient product development	4	2.33
I. Too high cost levels	3	0.95
J. 1. for management staff	4	1.27
2. for labour	3	1.80
3. for input materials	2	6.99
4. for utilities	2	5.08
5. for general business cost	3	2.33
6. others	2	0.11
K. Inadequate product technology	3	3.92
L. Inadequate/outdated process technology	3	3.50
M. Inadequate government policies		
1. in general	2	6.46
2. in domestic market protection	2	6.14
3. in the tax system	2	7.20
4. in the incentive system	2	4.03
5. in concessional financing	2	3.60
6. in support for R&D activities	3	3.81
7. in the legal framework	2	3.60
8. others	1	0.42
N. Other factors	1	0.11

Q8 Strategic business plan		
PARTICULARS	NUMBER	PERCENT
Yes	134	64.73
No	73	35.27
Total	207	100.00

Q9 Target of planned investment		
PARTICULARS	NUMBER	PERCENT
1. Expansion of existing facilities	55	26.57
2. Modernization	27	13.04
3. Additional/new facilities	51	24.64
4. No response/N.A	74	35.75
Total	207	100.00

The Investment Demand Survey in Bangladesh

Q10 Brief comments on plan		
PARTICULARS	NUMBER	PERCENT
Expand capacity/balancing/modernization	33	15.94
Go into new product manufacturing	24	11.59
Require government help	3	1.45
Go into joint venture	3	1.45
Require technical assistance/collaboration	1	0.48
Require marketing assistance/collaboration	2	0.97
Improve quality	3	1.45
Increase efficiency	1	0.48
No scope for future expansion	1	0.48
No response/N.A.	136	65.70
Total	207	100.00

Q11 Expansion project		
Total investment	90	381 mil.US\$

PARTICULARS	NO	AMOUNT (mil.US\$)	PERCENT
Target marketing			
domestic	35	121	39
Export	64	190	61
		NUMBER	PERCENT
Investment financing			
100% own fund		42	20.29
Equity plus loan		57	27.54
No response		108	52.17
Total		207	100.00

Q12/Q13 Listing of new product group		
PARTICULAR	NUMBER	PERCENT
1. Food processing	10	4.83
2. Textile and apparel	44	21.26
3. Machinery	6	2.90
4. Electrical	9	4.35
5. Electrical appliances	4	1.93
6. Electrical machinery	2	0.97
7. General metal working	2	0.97
8. Plastic and plastic products	2	0.97
9. Automotive components	2	0.97
10. Chemicals	6	2.90
11. Wood & wood processing	1	0.48
12. Other manufacturing	43	20.77
13. No response/N.A.	76	36.71
Total	207	100.00

The Investment Demand Survey in Bangladesh

Q14 Major objective of investment			
PARTICULAR		NUMBER	PERCENT
1. Production of basic input		11	5.31
2. Production of parts/components		5	2.42
3. Production of semi-finished product		9	4.35
4. Production of final products		101	48.79
5. Others		3	1.45
6. No response/N.A.		78	37.68
Total		207	100.00

Q15 Gross value of planned production			
PATICULARS		NUMBER	PERCENT
1. Less than 1 million US\$		11	5.31
2. Between 1 to 5 million US\$		5	2.42
3. Between 5 to 10 million US\$		9	4.35
4. Between 10 to 25 million US\$		101	48.79
5. Between 25 to 50 million US\$		3	1.45
6. Over 50 million US\$		-	-
7. No response/N.A.		78	37.68
Total		207	100.00

Q16 Planned turn over	
Average of 3 years (mil. US\$/Industry/year)	12
Total sum (mil. US\$/cumulative of 3 years)	3,469

Q17 Size of planned employment			
PARTICULARS		NUMBER	PERCENT
1. Less than 50		25	12.08
2. Between 50 to 100		24	11.59
3. Between 100 to 250		33	15.94
4. Between 250 to 500		22	10.63
5. Between 500 to 1,000		15	7.25
6. Over 1,000		6	2.90
7. No response/N.A.		82	39.61
Total		207	100.00

Q18 Factors of prime influence on investment							
PATICULARS	FIRST		SECOND		THIRD		
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT	
political stability	78	37.68	36	17.39	26	12.56	
Economic environment and prospects	23	11.11	45	21.74	42	20.29	
Market size	20	9.66	22	10.63	26	12.56	
Availability of ind. & tech. bases	13	6.28	9	4.35	7	3.38	
Availability of good infrastructure	12	5.80	7	3.38	10	4.38	
Cheap production cost factor	-	-	2	0.97	1	0.48	
Overall incentives	1	0.48	-	-	1	0.48	
Overall financial environment	1	0.48	-	-	-	-	
Availability of raw materials	-	-	-	-	-	-	
No response/N.A.	59	28.50	86	41.55	94	45.41	
Total	207	100.00	207	100.00	207	100.00	

The Investment Demand Survey in Bangladesh

Q19 Major infrastructural requirement identification		
PATICULARS	AVG RANKING	PERCENT
1. Water supply and sewerage	2	19.33
2. Electricity supply	1	29.24
3. Telecommunication facilities	2	21.85
4. Gas supply	2	13.78
5. Transport infrastructure	2	14.45
6. Other	2	1.34

Q20 Most important transport modes		
PATICULARS	NUMBER	PERCENT
1. Sea	106	51.21
2. Air	8	3.86
3. Rail	5	2.42
4. Road	77	37.20
5. Inland water	1	0.48
6. Others	-	-
7. No response/N.A.	10	4.83
Total	207	100.00

Q21 Desired services		
PATICULARS	NUMBER	PERCENT
1. Recruiting assistance	10	4.83
2. Training facilities	17	8.21
3. Finding sub-contractors	5	2.24
4. Market information & research	38	18.36
5. Venture capital	14	6.76
6. Easy access to financing	85	41.06
7. Others	2	0.97
8. No response/N.A.	36	17.39
Total	207	100.00

Q22 Company's preferred type of arrangement		
PARTICULAR	NUMBER	PERCENT
1. Sale of standard/standardised factory	19	9.18
2. Rent of standard/standardised factory	11	5.31
3. Sale of plots for own design factory	75	36.23
4. Rent of plot for own design factory	49	23.67
5. Others	1	0.48
Total	207	100.00

The Investment Demand Survey in Bangladesh

Q23 Facilities desired in a new industrial zone/EPZ		
PARTICULARS	AVG.RANKING	PERCENT
1. A customs clearance house	1	11.12
2. A bonded warehouse	2	6.20
3. A government representative office	3	9.02
4. A post & telecommunication center	2	8.75
5. A commercial center	2	10.76
6. A housing complex (for local staff)	4	5.93
7. A housing complex (for foreign staff)	4	7.93
8. A recreational center	4	5.20
9. Restaurants & cafeterias	5	6.20
10. A hospital & other medical facilities	5	7.75
11. Security guards & facilities	5	10.12
12. Other	4	9.94
13. A house of complex	4	1.09

Q24 Free trade zone (industrial estate)		
PARTICULARS	NUMBER	PERCENT
1.in favour	148	71.50
2.not in favour	59	28.50
Total	207	100.00

Q25 Foreign co-operation		
PARTICULARS	NUMBER	PERCENT
1.Interested	143	69.08
2.Not interested	64	30.92
Total	207	100.00

Q26 Form of co-operation desired		
PARTICULARS	NUMBER	PERCENT
1.Majority joint venture partner	60	28.99
2.Minority joint venture partner	39	18.84
3.License agreement	4	1.93
4.Marketing agreement for abroad	33	15.94
5.Management contract	0	0.00
6.Joint R&D	4	1.93
7.OEM agreement	1	0.48
8.Others	2	0.97
9.No response/N.A.	64	30.92
Total	207	100.00

Annex 3:

Results of Investment Demand Survey in Japan

Annex 3: RESULTS OF THE INVESTMENT DEMAND SURVEY IN JAPAN

The Survey's Objective

To introduce Bangladesh as a possible Investment Location to a sizeable number of Japanese companies and obtain their views on the areas of importance to them in making foreign investment decisions and establish their interest, if any, in setting up either on their own or in partnership with local business interests in Bangladesh.

Overall Comments

Although less than 100 questionnaires were returned much more additional information and insight was obtained directly from the many Japanese companies that were contacted by telephone.

The main location for private sector Japanese investment at present is in East and South East Asia. This development shows a move away for investment purposes from countries and continents further afield.

This shift in the Japanese foreign investment pattern reflects the widely held view that the Asian Continent is now at the threshold of a renaissance fuelled by a maximisation of benefits and opportunities of a rapidly changing international economic environment. The Continent now produces 25% of global exports, consumes 22% of the world's imports and commands 33% of international services.

A recent Asian Development Bank (ADB) projection said that the overall growth in the Asian developing countries is expected to surpass 7% in 1994, four times as high as Africa and double the rates of Latin America and The Middle East. Even the hitherto stagnant South Asia grew by 5.2% in 1993 and is expected to post even higher growth in the years ahead, due to an open market orientation, deregulation and economic liberalisation. Compared to South Asia growth rates in OECD countries during 1993 was 3.1%, in Latin America it was only 1.6% and in Sub-Saharan Africa 2.1%.

According to a report prepared by Japan's Ministry of International Trade and Industry (MITI) in about 25 years i.e. by the year 2020 the combined Gross National Product (GNP) of East Asia alone will be bigger than that of the whole of Europe and twice that of the United States.

Bangladesh's nearest neighbour India could, if its economy continues to develop and is properly managed, become the third largest economic power behind Japan and China in the first half of the next century which must have enormous spin-off effects for Bangladesh.

At this stage Bangladesh, as a new emerging economy, could not be expected to be high on the investment agenda of Japanese companies. But in time with the shift in the balance of global economic power, referred to above, and the improvement in the investment environment within Bangladesh, encouraging signs of which are already beginning to emerge, this will change and the country should be able to attract its fair share of Japanese and other foreign investment.

Major Findings

The most attractive locations for foreign investment at present

East and South East Asia

The Prime Factors in selecting a country for Investment

To exploit opportunities in local markets
Availability of low cost inputs

The Important Infrastructural Facilities in a Host Country

Electricity Supply
Telecommunications

The Important Services

Consistent Government Attitude to Foreign Investment

Factory Sites and Buildings

The sale of factory sites to build their own factories

Services required on an Industrial Estate or Export Free Zone

Security
Warehouse and Banking

The Impression of Bangladesh as an Investment Location

There is little known about Bangladesh as an Investment Location

If they wished to get further information on Bangladesh

some response

1. PURPOSE OF THE STUDY

This survey was carried out in parallel with the surveys undertaken in Bangladesh, South Korea, Singapore and Thailand. The purpose of this Survey was to introduce Bangladesh as a possible investment location to a sizeable number of Japanese companies and obtain their views on the areas of importance to them in making foreign investment decisions and establish their interest, if any, in setting up either on their own or in partnership with local business interests in Bangladesh.

2. TARGET COMPANY LIST

The target list of companies selected for the survey amounted to one thousand, one hundred and two companies (1,102).

2-1. The Type of Companies Selected

The type of companies selected followed as far as possible the classification of industry types in Bangladesh. Accordingly approximate 45% of the companies selected were in the non machinery industrial classification and another 45% could be classified broadly as being in the machinery sector. The remaining 10% were in the services sector.

Activity	Nos. of companies	Ratio(%)
Non Machinery	495	45
Machinery	495	45
Service Industry	110	10
Total	1,000	100

2-2. The Size of Industries Selected

In the Non Machinery Sector 60% of the companies selected were large scale industry and 40% small. This followed the general pattern of industry size in this sector. In relation to the Machinery Sector the breakdown was reversed with 40% coming from the large scale sector and 60% from the small scale sector. Again this breakdown reflects the general scale of operations in this sector. These breakdowns followed broadly the scale of operations that might be expected to evolve in similar sectors in Bangladesh. The services sector were mainly represented by small and medium scale industries.

Activity	Ratio of Large scale industry	Ratio of Small & medium industry	Total
Machinery	40	60	100
Non Machinery	60	40	100
Service Industry	40	60	100

2-3. Target Company Classification List

The numbers of selected target companies broken down over the various sectors and industry size are shown as below:

Item	Large industry	Small & medium industry
Stone/ceramics	11	11
Foods industry	53	48
Rubber products	7	5
Leather/leather products	3	3
Iron/non-metal	16	16
Metal products	38	30
Pulp and paper	12	10
Publishing	8	8
Textile	26	23
Textile products industry	29	23
Machinery	112	140
Electrical machinery	70	95
Precious machinery	12	14
Transportation machinery	26	39
Chemical industry	21	18
Furniture	9	8
Wood and wood products	12	11
Other manufacturing products	27	24
Road transportation	28	29
Ship transportation	8	9
Warehouse	4	6
Sub-total	532	570
Total	1,102	

3. METHODOLOGY OF SURVEY

The questionnaire was prepared and mailed to the 1,102 companies on September 27 1994. The first response was received on the 11 October and the daily average response rate ranged 2 to 10.

As this rate of response was not satisfactory follow up letters were sent to all companies who had not responded by the middle of October..

In addition telephone calls were made to approximately 200 companies at random from the target company list and useful information was collected by this means. In the final analysis 72 written responses were returned.anking of 13%.

4. RESULT OF SURVEY QUESTIONNAIRE

Questionnaire

Does your company have a business abroad?			
1.1	Item	Nos. of Responses	average (%)
1.1.1	already foreign business but no plan to invest further	31	48
1.1.2	already foreign business & plan to invest further	6	9
1.1.3	no foreign business but plan	3	5
1.1.4	no foreign business but interest	8	13
1.1.5	no plan and no interest	16	25
	Sub-total	64	

Thirty one companies (31) of the sixty four (64) that responded had experience of business overseas. And 17 companies of 64 have shown some investment plan and/or interest in overseas. These figures show a general trend of Japanese companies overseas interests, but question 8.1 shows 12 companies have an interest in Bangladesh and question 8.3 shows that 15 companies requested further investment information on Bangladesh.

When did you invest abroad?			
1.2	Item	Nos. of Responses	average (%)
1.2.1	before 1980	19	61
1.2.2	between 1981 and 1985	4	13
1.2.3	between 1986 and 1990	6	19
1.2.4	1991	1	3
1.2.5	after 1992	1	3
	Sub-total	31	

The main thrust of Japanese overseas investment was made prior to 1980 and it has shown a marked decline since this being particularly noticeable in the 1990.

Where did you invest?			
1.3	Item	Nos. of Responses	average (%)
1.3.1	Asia and Oceania	28	51
1.3.2	Europe	11	20
1.3.3	North America	11	20
1.3.4	South America	5	9
1.3.5	Africa	0	0
	Sub-total	55	

The majority of investments took place in Asia and Oceania. The response to this question shows 28 companies have invested in Asia and Oceania i.e. 51 %. Europe and North America received 22 investments i.e. 40 %, 5 companies invested in South America and there was no investment in Africa.

The Investment Demand Survey in Japan

Have you invested in East Asia?			
1.4	Item	Nos. of Responses	average (%)
1.4.1	China	15	27
1.4.2	Korea	10	18
1.4.3	Taiwan	14	25
1.4.4	Hong Kong	11	20
1.4.5	others	5	9
	Sub-total	55	

In the East Asia China with 15 companies is the country where the greatest number of foreign investment took place. Second came Taiwan with 14 companies, third and fourth were Hong Kong and Korea with 11 and 10 companies respectively.

Have you invested in ASEAN countries?			
1.5	Item	Nos. of Responses	average (%)
1.5.1	Singapore	17	28
1.5.2	Thailand	15	25
1.5.3	Indonesia	11	18
1.5.4	Malaysia	14	23
1.5.5	Philippine	3	5
	Sub-total	60	

Have you invested in South Asia			
1.6	Item	Nos. of Responses	average (%)
1.6.1	Bangladesh	0	0
1.6.2	India	2	100
1.6.3	Pakistan	0	0
1.6.4	Sri Lanka	0	0
1.6.5	others	0	0
	Sub-total	2	

Comparing East Asia/ASEAN with South Asia, there are many differences in the outlook of Japanese companies to investment opportunities in both areas. Japanese companies are familiar with East Asia and ASEAN area but are not familiar with South Asia so that these two areas are looked very differently by Japanese investors.

2. The Outline of Businesses / Investment Abroad

This question asked for the outline of existing businesses and/or investment abroad. The question was not answered by companies because they thought that this type of information is confidential..

When are you expecting to invest abroad ?			
2.1	Item	Nos. of Responses	average (%)
2.1.1	within 1 year	4	36
2.1.2	within 2 years	1	9
2.1.3	within 3 years	1	9
2.1.4	within 4 years	1	9
2.1.5	after 5 years	4	36
	Sub-total	11	

This question 2.1 covered new investment and expansion. There were 11 companies who intend to invest in near future. The companies that intend to invest within 1 year chose China, Thailand and Vietnam.

What is the final product of your business?			
2.2	Item	Nos. of Responses	average (%)
2.2.1	production of raw materials	2	7
2.2.2	production of parts	5	17
2.2.3	production of semi-products or components	9	31
2.2.4	production of finished products	7	24
2.2.5	other	6	21
	Sub-total	29	

The returns from companies producing products beyond the raw material stage were evenly spread.

What Business Sector is your Company Involved in ?			
2.3	Item	Nos. of Responses	average (%)
2.3.1	the food industry	2	5
2.3.2	textiles and garments	0	0
2.3.3	machinery	8	18
2.3.4	electronic and electricity products	9	20
2.3.5	the metal work industry	4	9
2.3.6	non metal industry	1	2
2.3.7	the chemical industry	3	7
2.3.8	jewellery and precious metals	0	0
2.3.9	other	17	39
	Sub-total	44	

Although there were 101 and 51 companies selected from the textile and garments and jewellery and precious metals sectors respectively no response was received from any company in these sectors. We selected 495 companies in the machinery industries sector but only 8 company's responded.

The Investment Demand Survey in Japan

2.4 What is the annual turnover of your company?			
	Item	Nos. of Responses	average (%)
2.4.1	less than 1 million dollar	6	18
2.4.2	between 1 to 5 million dollar	4	12
2.4.3	between 5 to 10 million dollar	6	18
2.4.4	between 10 to 50 million dollar	8	24
2.4.5	more than 50 million dollar	9	27
	Sub-total	33	

Annual turnover of the companies that respond was evenly spread.

2.5 What is the Capital Structure of Your Company ?			
	Item	Nos. of Responses	average (%)
2.5.1	100% own capital	13	27
2.5.2	joint venture	28	58
2.5.3	an minority investment in a foreign company	1	2
2.5.4	technical co-operation	3	6
2.5.5	commission based production	3	6
	Sub-total	48	

The majority of companies invested in joint ventures i.e. 28 followed by 13 companies with 100% owned companies..

2.6 What is the Source of your Investment Capital ?			
	Item	Nos. of Responses	average (%)
2.6.1	own capital	29	60
2.6.2	mother country's bank	12	25
2.6.3	local private bank in host country	5	10
2.6.4	local public bank in host country	1	2
2.6.5	other	1	2
	Sub-total	48	

In the vast majority (41 companies) investment capital was either obtained from own resources or mother country's bank. Most companies found it difficult to arrange finance within the host country.

The Investment Demand Survey in Japan

2.7 How much did you invest?			
	Item	Nos. of Responses	average (%)
2.7.1	less than 100 thousand dollar	1	3
2.7.2	between 100 thousand and 1 million dollar	15	38
2.7.3	between 1 and 10 million dollar	10	26
2.7.4	between 10 and 100 million dollar	4	10
2.7.5	over 100 million dollar	9	23
	Sub-total	39	

64% of all investments were in the range between 100 thousand and 10 million dollars.

2.8 How much industrial land have you?			
	Item	Nos. of Responses	average (%)
2.8.1	less than 10 thousand sq. meter.	16	44
2.8.2	between 10 and 25 thousand sq. meter	4	11
2.8.3	between 25 and 50 thousand sq. meter.	4	11
2.8.4	between 50 and 100 thousand sq. meter.	7	19
2.8.5	over 100 thousand sq. meter.	5	14
	Sub-total	36	

44% of companies owned sites less than 10 thousand sq. meters

2.9 How many workers have you?			
	Item	Nos. of Responses	average (%)
2.9.1	less than 50 persons	8	21
2.9.2	between 50 and 100 persons	6	15
2.9.3	between 100 and 300 persons	14	36
2.9.4	between 300 and 1,000 persons	6	15
2.9.5	over 1,000 person	5	13
	Sub-total	39	

72% of companies are in the small to medium scale range. Only 11 companies could be classified as large.

3. Investment Information

From where did you get your investment information?			
3.1	Item	Nos. of Responses	average (%)
3.1.1	mother country's public bank	15	19
3.1.2	main bank of company	34	44
3.1.3	company in host country	11	14
3.1.4	local institute or agency in host country	9	12
3.1.5	other	8	10
	Sub-total	77	

Over 60% of the companies are getting their information from Japan and/or Japanese companies with only 26% obtaining their information from the host country.

Where is your target market?			
3.2	Item	Nos. of Responses	average (%)
3.2.1	the local market	27	36
3.2.2	third country market	15	20
3.2.3	export to the mother country	21	28
3.2.4	order from the mother company	11	15
3.2.5	other	1	1
	Sub-total	75	

27 companies are selling to the local market i.e. 36 % while 28% export to mother country market.

What kinds of cost benefit do you expect?			
3.3	Item	Nos. of Responses	average (%)
3.3.1	availability of low cost low material	17	22
3.3.2	low cost labor	45	58
3.3.3	low operation cost	4	5
3.3.4	receiving of incentives	10	13
3.3.5	other	1	1
	Sub-total	77	

The main purpose of investment abroad is low labor cost. Local incentives had a ranking of 13%.

What kinds of benefit do you obtain from the investment?			
3.4	Item	Nos. of Responses	average (%)
3.4.1	to avoid trade friction	4	6
3.4.2	reduced production cost with an increase in production capacity	43	65
3.4.3	technical know-how transfer	1	2
3.4.4	collecting of information	13	20
3.4.5	others	5	8
	Sub-total	66	

The majority of companies invest abroad to reduce costs and increase production capacity..

4. The Most Important Infrastructure

What are you expecting from utility supply and treatment facilities?			
4.1	Item	Nos. of Responses	average (%)
4.1.1	water supply and sewerage	18	23
4.1.2	electricity supply	34	43
4.1.3	tele-communications	22	28
4.1.4	gas supply	4	5
4.1.5	other	1	1
	Sub-total	79	

Electricity is most important infrastructure for companies but telecommunication is also important.

What kinds of transportation do you require?			
4.2	Item	Nos. of Responses	average (%)
4.2.1	international sea port	28	40
4.2.2	international airport	19	27
4.2.3	railway	4	6
4.2.4	trucks	18	26
4.2.5	international delivery service	1	1
4.2.6	other	0	0
	Sub-total	70	

Sea port transportation is most important together with road transportation but some cases air transportation is becoming most important infrastructure.

What facilities are you expecting from industrial location?			
4.3	Item	Nos. of Responses	average (%)
4.3.1	security	22	24
4.3.2	stabilised raw material supply	23	25
4.3.3	stabilised transportation	14	15
4.3.4	stabilised supply of electricity	14	15
4.3.5	stabilised labor supply and stay	19	21
	Sub-total	92	

This question elicited the highest response rate of the whole survey.

What kinds of welfare facilities do you expect?			
4.4	Item	Nos. of Responses	average (%)
4.4.1	housing for foreigners	38	59
4.4.2	dormitory for worker	14	22
4.4.3	restaurant and cafeteria	8	13
4.4.4	gymnasium	3	5
4.4.5	other	1	2
	Sub-total	64	

Housing is the most important consideration for mother company and local welfare facilities follow closely behind.

What local Information do you require?			
4.5	Item	Nos. of Responses	average (%)
4.5.1	labour information	16	24
4.5.2	vocational center training	12	18
4.5.3	information on subcontractors	14	21
4.5.4	Information on market, industrial location, etc.	24	36
4.5.5	other	1	1
	Sub-total	67	

Information on investment location and market are most important..

5. Requests to Local Government

What are you requesting from the government system?			
5.1	Item	Nos. of Responses	average (%)
5.1.1	no change in the incentive package	25	29
5.1.2	additional incentives	14	16
5.1.3	quick evaluation system for investment	22	26
5.1.4	easy access to industrial land and housing with security	23	27
5.1.5	other	2	2
	Sub-total	86	

The high response to this question indicates a low level of satisfaction to the incentives on offer in host countries.

What requests do you make to government for facilities?			
5.2	Item	Nos. of Responses	average (%)
5.2.1	stabilised supply of electricity	34	41
5.2.2	stabilised supply of industrial water	13	16
5.2.3	protection from natural violence	3	4
5.2.4	maintenance for transportation facilities	30	37
5.2.5	other	2	2
	Sub-total	82	

A high level of requests are still being made for basic facilities..

6. Question for general industrial estate(GIE) and/or export processing zone (EPZ)

What services do you expect to find in a GIE/EPZ?			
6.1	Item	Nos. of Responses	average (%)
6.1.1	sale of standard factory	5	8
6.1.2	rental of standard factory	14	24
6.1.3	sale of industrial land	26	44
6.1.4	rental of industrial land	13	22
6.1.5	other	1	2
	Sub-total	59	

The sale of industrial land is the most important service sought by investors.

The Investment Demand Survey in Japan

What kind of administration service is required?			
6.2	Item	Nos. of Responses	average (%)
6.2.1	a custom office	11	16
6.2.2	full time guard	31	44
6.2.3	an efficient administrative service	16	23
6.2.4	one stop shop	11	16
6.2.5	other	1	1
	Sub-total	70	

Security is the most important consideration for investors.

Do you expect land for commercials buildings in GIE/EPZ?			
6.3	Item	Nos. of Responses	average (%)
6.3.1	sale of commercial buildings	2	4
6.3.2	rental of commercial buildings	24	53
6.3.3	sale of commercial lands	9	20
6.3.4	rental of commercial lands	4	9
6.3.5	other	6	13
	Sub-total	45	

There is a high demand for the rental of commercial land.

Do you expect support services in GIE/EPZ?			
6.4	Item	Nos. of Responses	average (%)
6.4.1	foreign exchange bank and insurance company	21	33
6.4.2	transportation and warehouse	23	37
6.4.3	international trading company	7	11
6.4.4	international delivery service	10	16
6.4.5	other	2	3
	Sub-total	63	

Demand for transportation and warehousing and bank facilities are high. Delivery service is important.

What are you expecting from bonded facilities?			
6.5	Item	Nos. of Responses	average (%)
6.5.1	free trade zone	15	27
6.5.2	bonded port area	4	7
6.5.3	bonded warehouse	21	38
6.5.4	bonded transportation	6	11
6.5.5	bonded factory	10	18
	Sub-total	56	

There is a high overall demand for bonded facilities.

7. Rating of problems in order of importance from easy to very difficult.

		Easy	Less Easy	Normal	Difficult	Very Difficult
7.1	no chance to open up local market	9	8	11	9	10
7.2	no industrial linkages	5	7	5	15	16
7.3	labor management	1	6	19	13	11
7.4	shortage of mother staff to assist with the in host country	5	6	12	13	12
7.5	problem with joint partner	4	4	15	12	13
7.6	lack of information for custom and law and regulations	2	5	14	13	16
7.7	poor transport infrastructure	3	2	13	18	14
7.8	regulation difficulties	3	4	22	14	7
7.9	An unstable political situation	3	5	18	14	10
7.10	financing difficulties	7	9	10	17	4
7.11	difficulty for operating financing	7	9	12	14	5
7.12	no stabilised stock market	5	6	13	16	9
7.13	others	0	0	0	0	0
	Sub-total	54	71	164	168	127

The overall trend suggests difficulties particularly in the areas of access to information and industrial linkages.

8. Question Relating to investment in Bangladesh

8.1	Item	Nos. of Responses	average (%)
8.1.1	we have a business in Bangladesh	1	2
8.1.2	an existing business and plans to invest further	0	0
8.1.3	no business but plan	0	0
8.1.4	no business but interested	12	21
8.1.5	no business and no interest	45	77
	Sub-total	58	

When did you invest in Bangladesh?			
8.2	Item	Nos. of Responses	average (%)
8.2.1	before 1980	0	0
8.2.2	between 1981 and 1985	0	0
8.2.3	between 1986 and 1990	1	33
8.2.4	1991	0	0
8.2.5	after 1992	2	67
	Sub-total	3	

8.3	Bangladesh intends to intensively promote the country for foreign investment Would you be interested in seeking information in any of the following areas?		
	Item	Nos. of Responses	average (%)
8.3.1	investment incentive material	6	18
8.3.2	pamphlet on GIE/EPZ material	2	6
8.3.3	country/Chittagong information	5	15
8.3.4	seminar/tour pamphlet	2	6
8.3.5	other	18	55
	Sub-total	33	

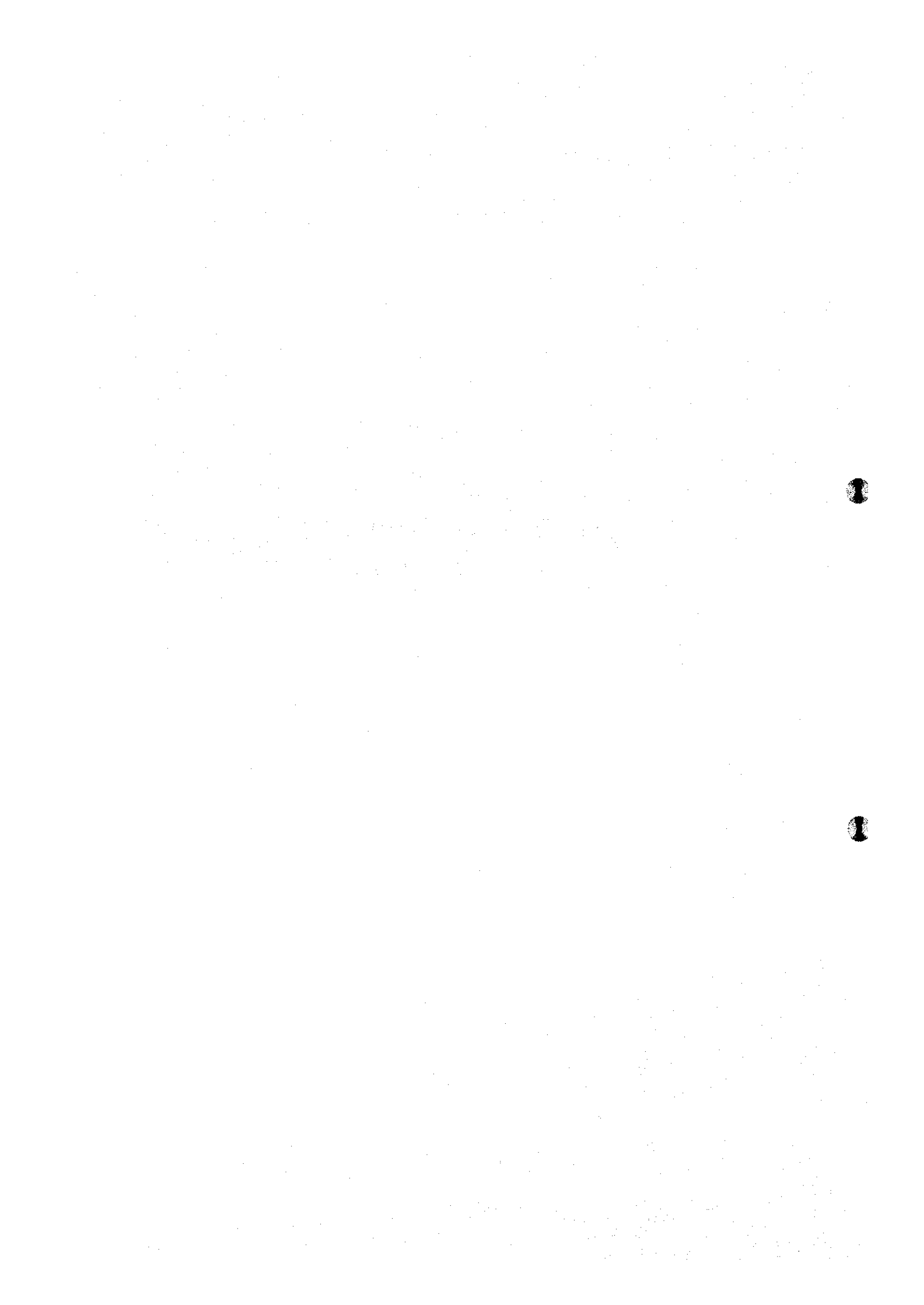
The responses to question 8.1 confirms 12 companies are interested in Bangladesh as an investment location and 8.3 confirms that 15 companies are seeking further information on Bangladesh.

8.4 Have you an opinion in any of the following matters if so please indicate below.

- (1) I have a clear understanding of economics and law, but I am afraid of the application of regulations after investing abroad.
- (2) If there is a set maker request, I will consider investing abroad.
- (3) there is no information at all enable me to make a decision
- (4) I have no information of Bangladesh and I have a interest in South Asia, but my interest is confined to India at this stage.
- (5) If there is a wide interest and demand in our products I would seriously consider investing in Bangladesh..
- (6) Bangladesh is located in a Delta Area and there are many natural problems associated with this compared to other companies.
- (7) We have to use local labor and develop their skills and expertise but I am concerned that after training they will leave the company for work elsewhere.

Annex 4:

Results of Investment Demand Survey in
Korea, Singapore, and Thailand



Annex 4: RESULTS OF THE INVESTMENT DEMAND SURVEY IN KOREA, SINGAPORE AND THAILAND

The Survey's Objective

To introduce Bangladesh as a possible Investment Location to a sizable number of overseas companies and obtain their views on the areas of importance to them in making foreign investment decisions and establish their interest, if any, in setting up either on their own or in partnersh with local business interests in Bangladesh.

Overall Comments

Having reviewed the data carefully it is our opinion that of the three countries surveyed, South Korea offers the best environment for attracting foreign investors. The number of Korean companies that already invest or have invested abroad is higher than that of Singapore or Thailand and based on the responses gathered, it appears that their planned size of employment creation, factory size and investment would be more substantial.

Response from Thailand was not so high and there does not appear to be much interest in foreign investment among Thai companies. We would suggest focusing resources on other countries that have more extensive plans for foreign investment.

Fewer Singapore companies are currently investing abroad or plan to than companies in Thailand and Korea. As most company offices in Singapore are branch offices that do not take investment decisions, efforts could better be concentrated elsewhere in areas with several or decision making offices.

In attempting to attract foreign investors, the following steps should be taken. First, a thorough evaluation of all the facilities and resources listed in this survey should be undertaken. In addition, any tax savings or financial incentives that could be offered should be put in place. After determining that all facilities and services are of the highest quality possible and easily accessible for foreign investors, a marketing campaign should be carried out. Companies in the above mentioned countries and other countries need to be informed of opportunities available and any advantageous circumstances that would make Bangladesh a prime investment choice. As a number of companies surveyed did not have any opinion and did not know of Bangladesh, this appears crucial for foreign investment to grow.

The Response Rate

	Korea	Singapore	Thailand
No of companies Contacted	501	501	520
Respondents	54	195	75

Major Findings

The Prime Factors in selecting a country for Investment

The Economic Climate in the Host Country

Access to a large domestic Market

Political Stability

(most important selection from the three countries)

The Important Infrastructural Facilities in a Host Country

Electricity Supply

(all countries)

The Important Services

The quality of the workforce

Venture Capital

Market information and research

(most important selection from the three countries)

Factory Sites and Buildings

The sale of factory sites to build their own factories

(all countries)

Services required on an Industrial Estate or Export Free Zone

A Banking Centre

A Customs Clearance House

Recreational Centre

(most important selection from the three countries)

OVERALL SUMMARY

Having reviewed the data carefully, it is our opinion that, of the three countries (Korea, Singapore and Thailand), Korea offers the best environment for attracting foreign investors. While response rate was low, the number of Korean companies that already invest or have invested abroad is higher than that of other two countries, and based on responses gathered, it appears that their planned size of employment creation, factory size and investment would be more substantial.

Response from Thailand was not so high and there does not appear to be much interested in foreign investment among Thailand companies. We would suggest focusing resources on other countries that have more extensive plans for foreign investment.

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RESPONSE TO QUESTIONNAIRE

	(1)	(2)	(3)
KOREA	501	54	10.5%
SINGAPORE	501	195	39.0%
THAILAND	520	75	15.0%

- 1) Number of companies the questionnaire sent to
- 2) Number of companies, answers collected
- 3) Collection rate (Number of collections / 500)

Question 1 is the Company Fact Sheet, so that we did not describe here.

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 2:

Has your company invested abroad in a manufacturing and/or other type of company?

Summary

Of the three countries surveyed, the largest percentage of companies not interested in investing abroad came from Singapore. Of the 195 companies in Singapore that responded to this question, only 21% had invested abroad and approximately 5% were planning to invest abroad. In contrast, more than 57% of the Korean companies that answered this question had already invested abroad and more than 20% had plans to invest abroad. While the majority of Thai companies were not interested in investing abroad, the percentage of companies currently investing abroad was the same as Singapore companies and the percentage of Thai companies planning to invest abroad was approximately equal to that of Korean companies. Korean companies appear the most likely to invest abroad and very few companies are without any intention to invest in the future. Fewer companies in Singapore and Thailand are investing or intending to invest abroad. The lack of interest could stem from a number of reasons such as local sources of labor, financing or political and economic stability.

	K	S	T	K	S	T
YES (invested)	31	41	27	57%	21%	36%
NOT YET (planning)	14	9	14	26%	5%	19%
NOT YET (no intention)	7	132	28	13%	68%	37%
RESPONDED to THIS SURVEY	54	195	75			

Note : K - KOREA, S - SINGAPORE, T - THAILAND

Question 2A

There was little disparity between countries regarding the percentage of respondents with 100% owned investments abroad. 63% of Singapore companies responding to this question had 100% owned investments abroad, compared with 48% of Korean respondents and 33% of Thai respondents. Thailand companies responding had more joint ventures with minority interest than companies in the other two countries surveyed. Reflecting their higher levels of investment activity abroad, Korean respondents had more joint ventures with majority interests and 100% owned investments. In keeping with the overall findings of Question 2, Korean companies are most likely to invest larger amounts of capital in foreign countries. They are more likely to hold 100% owned or majority interests abroad than companies in either Thailand or Singapore. While the majority of companies in Singapore and Thailand also had 100% owned investments and majority shares in joint ventures, a substantial number also limit their exposure by holding minority interest in joint ventures.

Question 2B

Of Thai companies responding, an almost equal number planned to invest in either a 100% owned operation (37%) or a joint venture with a minority interest (38%). No companies responding from either Korea or Singapore anticipated investing in a joint venture with a minority interest, planning to focus on 100% owned operations and joint ventures with majority interest. The future investment plans of Korean companies involve greater exposure than those of Singapore and, particularly, Thailand.

The Investment Demand Survey in S. Korea, Singapore and Thailand

Q2-A (invested)	K	S	T	K	S	T
100% OWNED	15	26	9	48%	63%	33%
J/V majority	17	19	14	55%	46%	52%
J/V minority	2	16	7	6%	39%	26%
Others	3	2	2	10%	5%	7%
Q2-A Answered	31	41	27			

Q2-B	K	S	T	K	S	T
100% OWNED	6	5	5	43%	56%	36%
J/V majority	8	7	6	57%	78%	43%
J/V minority	0	0	8	0%	0%	57%
Others	0	2	0	0%	22%	0%
ANSWERED	14	29	14			

Q2-C	K	S	T	K	S	T
NOT YET (planning)	7	132	28	13%	68%	37%

Note : Percentages are from answered/total-responce.

Recommendation

Thai companies have fewer investments abroad and appear to have very little interest, if any. Further, companies that do plan to invest abroad in the near future are likely to hold a minority interest in a joint venture. If this country's investors are targeted by the government of Bangladesh, great effort must be made to develop relations with the Thailand government and study their investment needs. Korean companies are very open to investment outside of their country, as demonstrated by the number of companies with current or past investments abroad. It seems that it would not be as difficult to bring in investment from Korea if companies were made aware of opportunities available. At this time, few companies in Singapore have plans to invest abroad and a number equal to that in Thailand have no interest. This group should be targeted in the same manner as Thailand companies to better understand what sorts of investments might attract them.

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 3:

What products does your company intend to manufacture abroad?

Summary

Of the 28 Singapore companies that responded, 18% expressed an intention to manufacture electronics, 14% an intention to manufacture chemicals and there was very little interest in the other categories listed. A majority of Korean companies responding intend to manufacture electronic appliances (32%) and wood working (26%) outside of Korea. Most Thailand companies did not respond to this question; out of the eleven that did respond, 33% planned to manufacture food. The majority of Thai companies (33%) listed an unspecified industry, as did the majority of companies in Singapore (36%). As several respondents from all countries surveyed indicated that they would manufacture a product not listed, it is difficult to reach any conclusions on trends. Singapore and Korean companies are more interested in manufacturing electronics abroad, perhaps considering labor and supply costs among other issues. Thailand companies, who do not intend to manufacture any electronic products abroad, would be likely to manufacture food products.

Recommendation

Based on the responses from Singapore and Korean companies, opportunities in the electronics and electronic appliances industries should be developed and brought to potential investors' attention as their interest lies in these areas. Any investment opportunities that are available the wood working industry should also be highlighted for Korean companies that manufacture wood working products. As the majority of Thailand companies responding selected an unspecified product, in addition to several companies in both Korea and Singapore, further investigation should be undertaken to determine what these unspecified products are.

Q3	K	S	T	K	S	T
:FOOD	0	0	6	0%	0%	33%
:TEXTILE	2	2	1	11%	7%	6%
:MACHNRY	3	0	2	16%	0%	11%
:ELCTRNC	0	5	2	0%	18%	11%
:EL_APPL	6	1	1	32%	4%	6%
:EL_MCHN	1	0	0	5%	0%	0%
:METAL	1	2	4	5%	7%	22%
:PLASTIC	1	2	2	5%	7%	11%
:AUTOMVL	1	1	1	5%	4%	6%
:RUBBER	0	0	1	0%	0%	6%
:CHEMCL	0	4	5	0%	14%	28%
:GEMSO	0	0	1	0%	6%	0%
:INSTRMT	1	0	0	5%	0%	0%
:WOOD	5	2	0	26%	7%	0%
:OTHER	6	10	6	32%	36%	33%
ANSWERED	19	28	18			

Question 4:

What is the target market for your planned factory abroad?

Summary

The majority of companies who responded to this question from all three countries indicated that their target market would be the local domestic market. A third country market as the target market was the next most chosen response for both Korean (52%) and Singapore companies (55%) while both re-exporting to their own country and exporting to a third country were equally popular responses for Thailand companies.

Regardless of nationality, all companies are interested in targeting either the local market or a third country market. Depending on their product and intentions, they will perhaps first determine the potential success of their product in the local market before investing in that country.

Recommendation

Access to the local domestic market can be made easier - perhaps with tax savings or lowered barriers to entry. Liaisons could also be provided to assist them in entering and understanding the local market.

Q4	K	S	T	K	S	T
LOCAL MARKET	16	15	15	70%	75%	83%
3RD COUNTRY	12	11	11	52%	55%	61%
HOME COUNTRY	4	5	6	17%	25%	33%
ANSWERED	23	20	18			

Question 5:

Please indicate the planned turnover (total sales) of your planned factory abroad over the first three years of its operation.

Q5	K	S	T
ANSWERED	8	10	4

Question 6:

What is the planned size of your investment?

Summary

The planned size of investment for 43% of Korean companies and 37% of companies in Singapore responding to this question was 2.5 million US. dollars or more. The second most often chosen response for both Korean and Singapore companies was 1.0 to 2.5 million US. dollars. Thailand companies responding were equally divided among all choices. When investing abroad, companies in Korea and Singapore anticipate a more substantial investment than companies in Thailand. This is in keeping with overall findings on Korean companies thus far; their current and intended investment plans are of a larger scale and larger in number than those of Thailand or Singapore companies. This is also consistent with the intentions of Singapore companies to invest more in 100% owned operations or joint ventures with majority interests. Thailand companies appear less willing or more hesitate to commit large amounts of money or interest to foreign investment plans.

Recommendation

Because there were no clear trends among companies of the three countries surveyed, it would be difficult to concentrate any tax or otherwise financial savings in any one range. Any overall progressive savings that could be made available to companies would encourage larger investments.

Q6	K	S	T	K	S	T
: <0.5	3	3	4	14%	19%	22%
: 0.5<1.0	3	3	2	14%	19%	11%
: 1.0<2.5	6	4	4	29%	25%	22%
: 2.5<5.0	5	5	3	24%	31%	7%
: OTHER	4	1	5	19%	6%	28%
ANSWERED	21	16	18			

Question 7

What is the planned size of the employment creation?

Summary

There were no clear similarities between countries in this case. With 43% of Korean companies responding anticipated employment creation of 100 to 250 people, the majority of Thailand companies responding (41%) planned employment creation between 50 and 100 people. With 195 respondents, Singapore had the largest pool of respondents. From this group, about 92% chose an unspecified size of employment creation.

It seems that, while companies in Singapore have relatively little interest in investing abroad, any investment would create a large number of jobs with a large number, ideally, being given to nationals of that country. However, in light of the lower size of their planned investment and lack of strong interest in investing abroad, it would be difficult to reach any absolute conclusion based on response to this one question. Korean companies would ideally bring new jobs to the host community, based on their responses to this and other questions thus far.

Recommendation

Educational standards overall should be raised and training for the labor force should be emphasized. If possible, specific training should be given to develop skills needed for specific industries, such as electronics, as it is determined which products would probably be manufactured in Bangladesh. Further, potential investors should be made aware of the educational level of the work force in Bangladesh.

Q7	K	S	T	K	S	T
: <50	3	5	6	13%	33%	35%
: 50<100	6	1	7	26%	7%	41%
: 100<250	10	6	2	43%	40%	12%
: OTHER	4	3	3	17%	20%	18%
ANSWERED	23	15	17			

Question 8

What is the planned factory size?

Summary

While 57% of Thai companies responding and the majority of Singapore companies (40%) anticipated a factory size of less than 10,000 square meters, 27% of Korean respondents selected this category and 32%, the majority, selected a slightly larger size of 10,000 to 25,000 square meters. There does appear to be an overall trend throughout the three countries towards smaller factories. The sizes of factories of Korean companies will be slightly more varied, though, as their production needs and the size of their overall investment vary.

Recommendation

It appears that, as their factories will be smaller, companies from Singapore and Thailand will not bring as much additional revenue to their host country or employ as many people. Referring back to the results of Question 7, Korean companies were more likely to hire a larger number of people than their counterparts in Singapore and Thailand. Consistent with this finding, Korean companies anticipate building larger factories. Based on these findings, Korean companies should be targeted as the companies most likely to bring additional revenue and jobs to their host country.

Q8	K	S	T	K	S	T
: <10	6	6	8	27%	40%	57%
10<25	7	5	6	32%	3%	43%
25<50	5	3	0	23%	20%	0%
OTHER	4	1	0	18%	7%	0%
ANSWERED	22	15	14			

Question 9

From which source did you obtain the most useful information for your proposed investment abroad?

Summary

The majority of companies responding in both Singapore (79%) and Thailand (70%) obtained their most useful information from business associations and connections. Korean companies, however, received useful information from a variety of sources in a more even distribution, with the largest percentage (55%) of respondents obtaining information from public organizations in the host country. Korean companies are less likely to rely solely on business associations and connections and are perhaps, therefore, less likely to be swayed by perceptions and public opinion, as opposed to facts. Companies in Singapore and Thailand which tend to obtain their information from business associations and friends would tend to avoid investing in a country with a bad image.

Recommendation

Overall, business associations were the source of the most useful information for the majority of the companies responding. As such, the Bangladesh government should endeavor to create larger professional associations that interact on a more international level and better inform the international business community of their resources and investment opportunities.

Q9	K	S	T	K	S	T
:BUSINESS	10	15	16	45%	79%	70%
:BANK	8	1	6	36%	5%	26%
:PUBLC-O	7	1	9	32%	5%	39%
:PUBLC-H	12	3	10	55%	16%	43%
:OTHERS	5	3	1	23%	16%	4%
ANSWERED	22	19	23			

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 10

Which factors did or do you consider to be of prime importance in selecting a country for investment?

Summary

While Thailand companies felt political stability was most important, access to a large domestic market and the infrastructure were more important for Singapore companies responding to this question. Further, while political stability was not perceived as an important factor for Korean companies, the current position in the economic climate of the host country and, like Thailand companies, access to a large domestic market were considered most important and government guarantees the least important. Korean and Singapore companies are more concerned with factors critical to their business' commercial success. Companies from these countries will invest in areas where access to a large domestic market is assured and a good economic climate are assured. Thailand companies, however, seem more interested in political and economical stability and the overall atmosphere of the country itself, focusing less on purely commercial factors.

Recommendation

As answers varied, a concrete recommendation based on responses to this question alone would be difficult. However, in general, stable political conditions, a healthy economic climate and an international awareness of these conditions will create a favorable environment for investment.

Q10 - KOREA	By Priority								TOTAL ANSWERED	
	1	2	3	4	5	6	7	8	96%	52
:ACCESS	13	8	1	3	0	0	1	0		
:EASY	17	5	0	1	1	0	0	1		
:LEGAL	2	4	3	6	3	3	4	1		
:OWNER	5	2	2	1	4	2	2	2		
:PROFIL	2	6	3	2	8	3	3	2		
:TAX	2	2	4	5	4	4	1	1		
:FOREIGN	2	2	6	4	7	5	1	2		
:POLITICAL	3	3	2	4	3	6	4	3		
:GOVMNT	1	0	2	0	3	3	5	6		
:CONSIST	3	3	1	3	0	4	7	6		
:CURRENT	12	10	2	3	2	4	3	1		
:FUTURE	7	9	5	2	1	0	3	1		
:INFRA	9	7	9	3	2	3	2	1		
:QUALITY	2	11	4	2	2	2	4	1		
:NATURAL	2	2	9	3	2	1	0	1		
:CREDIT	8	5	1	2	3	0	2	3		
:EXCHANG	6	5	0	1	1	1	0	10		
:SKILLS	3	1	3	1	0	4	3	4		

Note : Above figures indicates the number of companies answered.

Percentage of 'TOTAL ANSWERED' is of total responses in Thailand.

The number of 'TOTAL ANSWERED' is the companies answered to this question.

The Investment Demand Survey in S. Korea, Singapore and Thailand

Q10- SINGAPORE	By Priority								TOTAL ANSWERED	
	1	2	3	4	5	6	7	8	31%	61
:ACCESS	25	5	5	4	2	0	1	1		
:EASY	5	6	7	4	4	5	3	0		
:LEGAL	8	2	4	5	3	3	3	3		
:OWNER	8	7	3	4	7	7	1	1		
:PROFIL	11	2	9	7	5	1	2	4		
:TAX	6	4	3	3	7	5	2	2		
:FOREIGN	5	2	1	5	3	5	3	3		
:POLITICAL	22	4	4	6	1	3	1	4		
:GOVMNT	6	1	0	2	4	1	2	2		
:CONSIST	5	4	3	1	2	1	4	4		
:CURRENT	14	4	2	2	0	5	2	5		
:FUTURE	6	6	2	2	1	5	5	7		
:INFRA	14	12	4	4	5	4	6	3		
:QUALITY	3	3	2	2	1	1	2	0		
:NATURAL	3	1	3	0	0	1	0	0		
:CREDIT	3	0	4	0	2	2	1	1		
:EXCHANG	11	1	3	0	4	2	8	8		
:SKILLS	3	3	2	1	1	1	5	1		

Q10 - THAILAND	By Priority								TOTAL ANSWERED	
	1	2	3	4	5	6	7	8	92%	69
:ACCESS	22	5	5	3	2	2	4	2		
:EASY	3	8	3	5	3	0	1	0		
:LEGAL	14	5	7	2	6	2	4	10		
:OWNER	8	5	4	1	1	7	5	2		
:PROFIL	4	6	4	8	5	5	2	2		
:TAX	6	3	5	5	7	5	5	7		
:FOREIGN	4	2	2	6	2	4	2	3		
:POLITICAL	22	6	5	10	3	2	1	2		
:GOVMNT	4	5	4	0	2	4	3	7		
:CONSIST	1	4	2	0	2	1	3	2		
:CURRENT	14	11	9	4	6	6	4	0		
:FUTURE	14	13	5	5	3	1	4	2		
:INFRA	11	5	5	6	6	8	6	4		
:QUALITY	2	3	6	2	2	2	1	2		
:NATURAL	7	3	4	2	3	3	4	1		
:CREDIT	8	3	3	1	5	5	2	2		
:EXCHANG	8	3	1	1	1	2	3	7		
:SKILLS	3	3	5	1	2	2	3	4		

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 11

What infrastructural facilities do you consider to be most important in the host country.

Summary

Respondents from every country considered all facilities at least somewhat important and were generally in agreement regarding the level of importance. Respondents from all countries surveyed considered electricity to be the most important; Gas and water were perceived as being least important by respondents in all countries, excluding the category for unspecified facilities.

Recommendation

Maintaining high quality facilities and, more importantly, making potential investors aware of these high standards is necessary. As some investors might not be so familiar with Bangladesh or its facilities, among other things, awareness is key in attracting investment.

Q11 - KOREA	By Priority						TOTAL ANSWERED	
	1	2	3	4	5	6		
							94%	51
:WATER	2	12	10	22	3	0		
:ELECTR	29	11	8	2	0	0		
:TELECM	4	15	14	13	4	0		
:GAS	2	1	5	7	34	0		
:TRANSP	15	11	1	5	3	0		
:OTHER	3	0	0	0	0	0		

Q11 - SINGAPORE	By Priority						TOTAL ANSWERED	
	1	2	3	4	5	6		
							28%	54
:WATER	6	11	9	20	1	0		
:ELECTR	22	14	13	3	0	0		
:TELECM	18	13	14	5	2	0		
:GAS	1	0	2	3	31	0		
:TRANSP	11	15	15	11	2	0		
:OTHER	1	0	0	0	0	0		

Q11 - THAILAND	By Priority						TOTAL ANSWERED	
	1	2	3	4	5	6		
							87%	65
:WATER	9	9	10	5	10	0		
:ELECTR	35	13	7	2	1	0		
:TELECM	19	22	17	5	1	0		
:GAS	4	4	10	14	16	0		
:TRANSP	10	10	14	18	5	0		
:OTHER	0	1	0	0	0	0		

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 12

What transport mode do you consider to be most important in the host country?

Summary

Road, sea and air transportation were considered important for Singapore companies, and road and sea transportation most important for both Thai and Korean companies. All respondents felt that inland transportation was the least important mode of transportation, excluding the category for unspecified modes of transportation. Based on phone interviews conducted with Thailand companies, there was a perception that Bangladesh's roads and overall infrastructure were not very developed. For companies from all countries, it can be assumed that the quality of transportation in Bangladesh will be an important issue in their investment decisions.

Recommendation

Further development of road, air and sea transportation would facilitate business for foreign investors. If high quality transportation is already in place, it should be communicated to potential investors.

Q12 - KOREA	By Priority						TOTAL ANSWERED
	1	2	3	4	5	6	
							94% 51
:SEA	28	10	7	5	0	0	
:AIR	7	9	12	17	3	0	
:RAIL	3	14	13	18	1	0	
:ROAD	13	17	13	4	1	0	
:INLAND	0	0	3	2	35	0	
:OTHER	0	0	0	0	0	0	

Q12 - SINGAPORE	By Priority						TOTAL ANSWERED
	1	2	3	4	5	6	
							28% 54
:SEA	16	9	14	6	4	0	
:AIR	11	21	12	7	2	0	
:RAIL	0	6	13	19	0	0	
:ROAD	27	16	9	1	0	0	
:INLAND	0	1	3	3	28	0	
:OTHER	1	0	0	0	0	0	

Q12 - THAILAND	By Priority						TOTAL ANSWERED
	1	2	3	4	5	6	
							87% 65
:SEA	24	17	11	4	4	0	
:AIR	14	18	15	10	2	0	
:RAIL	1	9	14	18	4	0	
:ROAD	30	15	11	4	1	0	
:INLAND	2	1	5	6	27	1	
:OTHER	1	0	0	0	0	0	

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 13

What services do you consider to be most important in the host country?

Summary

While assistance in recruiting staff was important for respondents in both Singapore and Korea, the most important service for Thailand companies was market information and research. Singapore and Korean companies responding were also in agreement on the least important service - the availability of venture capital. In contrast, the accessibility of venture capital for Thailand companies was almost as important as market information and research. The least important service for Thailand companies responding was assistance in finding suitable subcontractors. As companies from these countries consider investment in Bangladesh and other foreign countries, the importance of knowledge of the local work force and the local market can not be overstated. As their understanding of the educational level, consumer demands and other market related issues increases, the likelihood of success for their investment increases and, consequently, the probability of their investment will rise.

Recommendation

The ability to provide information as well as assistance to foreign investors as they begin manufacturing in Bangladesh can not be overstated. It would be best to make foreign investors aware of sources of information and associations that may be available.

Q13 - KOREA	By Priority							TOTAL ANSWERED	
	1	2	3	4	5	6	7		
								94%	51
:RECLT	29	10	7	4	1	0	0		
:TECHN	3	8	10	15	9	4	0		
:SUB_CO	2	13	8	12	6	6	0		
:MARKET	11	11	10	7	5	6	0		
:VENTUR	3	3	3	3	13	20	0		
:FINNCE	2	6	13	7	13	8	0		
:OTHER	1	0	0	0	0	0	0		
Q13 - SINGAPORE	1	2	3	4	5	6	7	TOTAL ANSWERED	
								28%	54
:RECLT	12	18	13	5	3	0	0		
:TECHN	3	6	10	10	5	4	0		
:SUB_CO	8	6	12	5	4	2	0		
:MARKET	21	6	7	7	2	4	0		
:VENTUR	3	2	3	2	10	15	0		
:FINNCE	8	15	6	4	8	5	0		
:OTHER	1	0	0	0	0	0	0		
Q13 - THAILAND	1	2	3	4	5	6	7	TOTAL ANSWERED	
								87%	65
:RECLT	17	9	8	6	5	7	0		
:TECHN	2	4	8	13	11	10	0		
:SUB_CO	1	8	9	10	8	10	0		
:MARKET	26	4	13	5	8	4	0		
:VENTUR	16	15	10	7	3	3	0		
:FINNCE	10	18	10	3	6	4	0		
:OTHER	0	1	0	0	0	0	0		

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 14

If you locate your factory in an industrial estate or an export free zone, what is your preference for factory sites and buildings?

Summary

Purchasing (selling) factory sites to design and build their own factories was the preferred option for companies in Thailand and Singapore. Renting a factory was equally popular for Thailand companies. The majority of Korean companies preferred to rent a factory site and build their own factories. Overall, companies from all countries are reluctant to purchase standard factories. They prefer to either purchase a factory site and design their own factories or rent either a standard factory or one that can be designed to their specifications.

Recommendation

Providing potential and current investors with information on factory sites for sell will create a more favorable environment for investing and further expansion.

Q14 - KOREA	By Priority					TOTAL ANSWERED	
	1	2	3	4	5		
:SALE	0	1	2	0	0	93%	50
:RENT	9	1	0	1	0		
:SL_BLD	19	0	0	2	0		
:RE_BLD	23	1	1	0	0		
:OTHER	1	0	0	0	0		

Q14 - SINGAPORE	By Priority					TOTAL ANSWERED	
	1	2	3	4	5		
:SALE	8	8	15	10	0	27%	52
:RENT	12	5	10	15	0		
:SL_BLD	23	14	4	4	0		
:RE_BLD	9	21	10	4	0		
:OTHER	0	0	0	0	0		

Q14 - THAILAND	By Priority					TOTAL ANSWERED	
	1	2	3	4	5		
:SALE	9	18	14	8	0	85%	64
:RENT	19	4	14	13	0		
:SL_BLD	26	11	9	6	0		
:RE_BLD	9	18	9	12	0		
:OTHER	2	0	0	0	0		

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 15

If you locate your factory in an industrial estate or an export free zone, which of the following facilities would you like to have located within the estate or zone?

Summary

Responses varied among the three countries surveyed. While banking centers and custom clearances houses were considered important by all respondents, regardless of country, post offices were given less weight by Korean companies than Thai and Singapore companies. The least important facilities for all companies were recreational centers and restaurants. Overall, the availability of housing and all facilities necessary for the conduct of business were most desirable for an industrial estate or export free zone. Other facilities such as hospitals and recreation were not considered as important and essential.

Recommendation

The availability of financial centers and banks is necessary to encourage investors to bring business operations to Bangladesh. Further, a complete and smooth running business community, including all facilities essential to business operations, should be further developed and publicized for potential investors.

Q15 - KOREA	By Priority										TOTAL ANSWERED	
	1	2	3	4	5	6	7	8	9	10	93%	50
:CUSTM	34	6	1	0	1	0	0	0	0	0		
:BONDED	22	0	3	0	1	1	0	0	0	0		
:GOVMNT	17	1	2	1	1	1	2	0	0	0		
:POST	16	2	2	1	0	1	0	1	0	0		
:BANKNG	30	0	0	1	2	1	0	0	0	0		
:COMMC	9	0	0	2	0	2	2	2	0	0		
:HOUSNG	26	0	1	2	1	0	3	2	0	0		
:RECRN	10	0	0	0	1	0	0	2	2	1		
:RESTRN	5	0	0	0	0	0	1	0	3	1		
:HSPTL	16	0	0	1	0	1	0	1	1	3		
:GUARDS	18	0	0	0	1	1	1	0	1	2		
:OTHER	2	0	0	0	0	0	0	0	0	0		

Note : Most of the companies answered to this question set the priority '1' to all items.

The Investment Demand Survey in S. Korea, Singapore and Thailand

Q15 - SINGAPORE	By Priority										TOTAL ANSWERED	
	1	2	3	4	5	6	7	8	9	10		
:CUSTM	9	10	6	4	4	2	1	0	0	2		
:BONDED	8	8	3	4	4	2	1	2	1	2		
:GOVMNT	2	4	5	2	4	4	2	0	1	2		
:POST	7	6	7	10	7	1	0	3	0	0		
:BANKNG	10	8	9	4	1	2	2	1	2	1		
:COMMC	3	4	2	2	6	4	3	2	3	3		
:HOUSNG	9	4	6	5	1	6	4	2	1	1		
:RECR TN	0	0	0	2	1	2	4	2	5	5		
:RESTRN0	0	1	3	2	3	1	3	5	6	6		
:HSPTL	0	1	4	3	4	3	5	7	5	0		
:GUARDS	2	3	3	1	0	6	6	5	4	4		
:OTHER	2	0	0	0	0	0	0	0	0	0		

Q15 - THAILAND	By Priority										TOTAL ANSWERED	
	1	2	3	4	5	6	7	8	9	10		
:CUSTM	17	8	8	2	0	2	2	0	3	3		
:BONDED	11	13	4	4	1	3	2	4	2	2		
:GOVMNT	14	8	8	3	3	1	1	3	1	2		
:POST	8	6	11	4	9	4	1	3	2	1		
:BANKNG	10	9	9	12	4	3	2	1	2	0		
:COMMC	5	6	6	6	7	7	3	2	5	2		
:HOUSNG	5	5	8	6	6	3	5	3	2	3		
:RECR TN	0	1	1	1	2	4	2	6	4	6		
:RESTRN	1	0	1	4	4	4	8	4	8	8		
:HSPTL	3	3	3	3	6	6	6	8	3	2		
:OTHER	0	0	0	0	0	0	0	0	0	0		

Question 16

In your opinion, should an industrial estate or export processing zone also be a "free trade zone"?

Summary

A large majority of respondents overall believed an industrial estate or export processing zone should also be a free trade zone. At 15%, companies in Singapore had the largest negative response rate.

Recommendation

Any industrial estates or export processing zones created should also be free trade zones.

Q16	K	S	T	K	S	T
:YES	49	46	62	96%	85%	94%
:NO	2	8	4	4%	15%	6%
ANSWERED	51	54	66			

The Investment Demand Survey in S. Korea, Singapore and Thailand

Question 17

What is your impression/opinion of Bangladesh as an investment location?

Summary

42% of Singapore companies responding and 41% of Thailand companies did not have an opinion while the majority of Korean respondents (38%) had a fair impression of Bangladesh as an investment location and only 23% did not have an opinion. 2% of Korean companies had a very good impression of Bangladesh as an investment location compared with a 0% response from Thailand and Singapore companies. Based on comments made in phone interviews and these results, it appears that there is an overall negative perception of Bangladesh, stemming from a lack of concrete information and frequent news reports of natural disasters, among other events. While Korean companies responded more favorably, they also have little information on which to make actual investment decisions.

Recommendation

More effort needs to be made to provide foreign companies with information on Bangladesh. A public relations officer or agency would best handle this marketing campaign.

Q17	K	S	T	K	S	T
:VERY_G	1	0	0	2%	0%	0%
:GOOD	5	7	5	10%	11%	7%
:FAIR	20	14	23	38%	23%	34%
:POOR	14	15	12	27%	24%	18%
:DONT_K	12	26	28	23%	42%	41%
ANSWERED	52	62	68			

Question 18

Would you like us to send you further information on Bangladesh as An Investment Location?

Summary

Respondents from both Thailand and Korea were almost evenly divided while only 16% of Singapore companies wished to receive further information. It should be noted that most companies surveyed in Singapore were subsidiaries of multinational corporations and were not able to make investment decisions. For several companies, issues involving Bangladesh would be handled by a subsidiary in India, not Singapore.

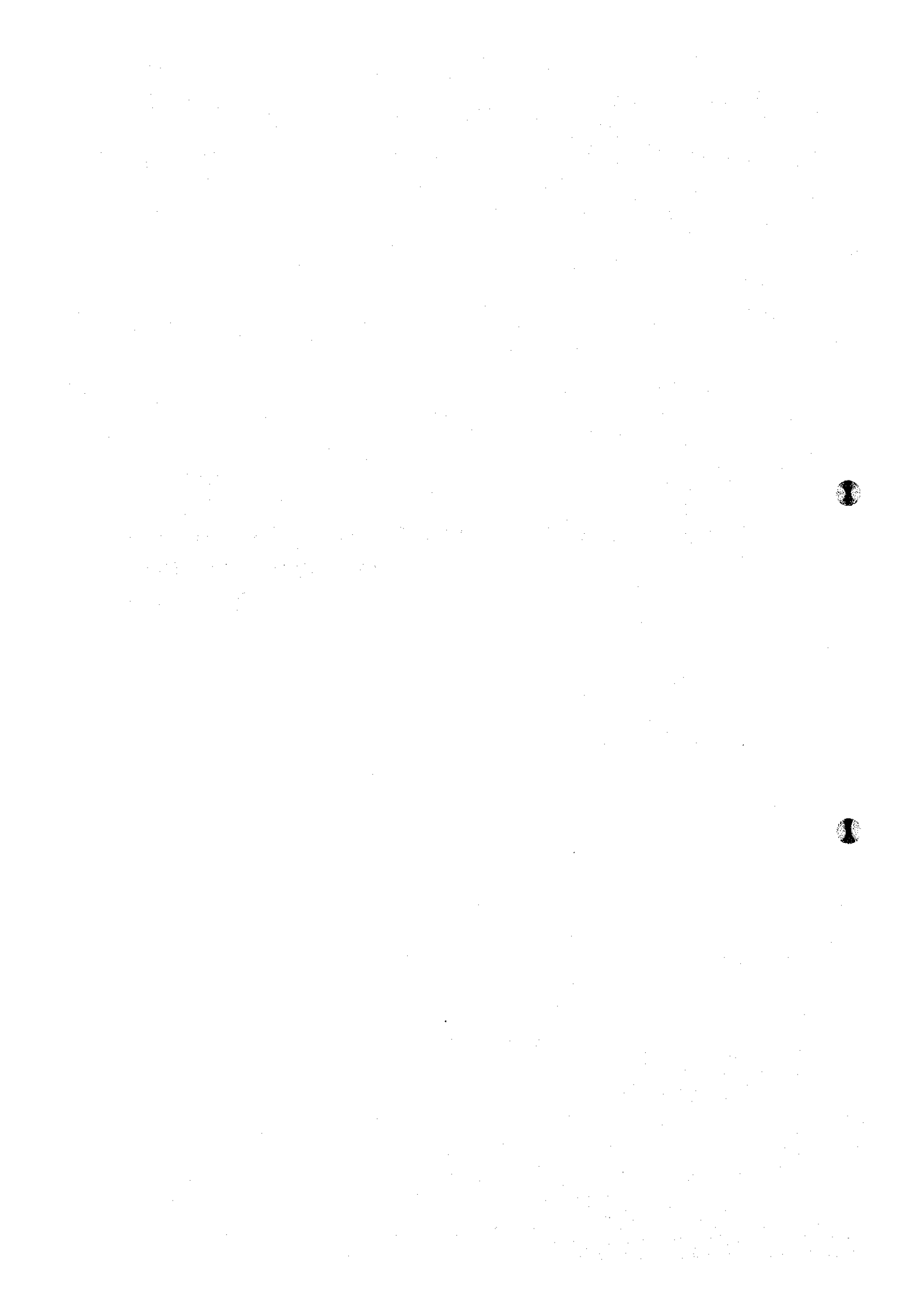
Recommendation

Upon sending information to various companies and government agencies in countries targeted as having potential investors, effort should be made to follow up and further develop new relationships with key leaders and companies.

Q18	K	S	T	K	S	T
:YES	25	21	29	49%	16%	42%
:NO	26	112	40	51%	84%	58%
ANSWERED	51	133	69			

Annex 5:

Bangladesh's Comparative Advantage from a Foreign
Direct Investment (FDI)
Point of View



Annex 5: BANGLADESH'S COMPARATIVE ADVANTAGE FROM A FOREIGN DIRECT INVESTMENT POINT OF VIEW

1. Introduction

The ability of the Bangladesh industries to create and sustain a competitive advantage in international markets will be determined not alone by their own resources, but also by the nature and detail of the operating environment in Bangladesh and the access they have to external (typically foreign) resources, which can short circuit the route to competitive success.

2. Transition in the Bangladesh Economy

The Bangladesh economy is on a path of transition from a centrally planned system to a market oriented one. As such it is engaged on a difficult program of political, economic and social reform unprecedented in its history. The first tentative steps have been taken and some progress has been made in addressing the triple objectives of:

- Liberalization of the domestic market
- Openness to the World economy, and
- Denationalization and privatization.

The economic policy reforms in Bangladesh carried out in the recent past appear quite impressive. The policy changes have provided, inter alia, for a liberalized investment climate, some outward orientation, financial sector and exchange rate reforms and prioritized Government expenditure for social development.

Notwithstanding the progress towards reform already made, much remains to be done. The success of the program now underway will depend totally on the political will to complete the transition. Difficult and at times unpopular decisions will have to be made, for instance, to unlock the bureaucracy that is rife throughout the system. The putting in place of legal and institutional reforms only constitutes a beginning. The real challenges lie ahead as Bangladesh moves forward to implement the reforms.

3. Bangladesh as a Location for Foreign Investment

The attractiveness of Bangladesh or any location for foreign investors is determined by a multiplicity of factors, which comprise the image and reality of the location in question. These factors are summarized in Overview 1.

3.1 Market Access

Ability to access a desirable market opportunity is the fundamental criterion underpinning any investment decision. If market access is not secure or if it is on disadvantageous terms relative to alternative locations then the prospects of a favorable investment decision will be substantially reduced

In examining Bangladesh's comparative position in this regard it is necessary to distinguish investment oriented towards the Bangladesh's domestic market from those involving exports.

3.1.1 The Domestic Market

While exchange rate volatility makes international comparisons difficult, Overview 2 gives an overview of Bangladesh's relative strengths with respect to the attractiveness of its domestic market to foreign investment.

While its GNP per capita is low by the standards of its main competitor countries the absolute size of its domestic market with a current population of 110 million people and its growth potential over the medium and longer term should be sufficient to ensure substantial foreign investment designed to take advantage of opportunities it presents in industrial, consumer goods and infrastructure markets.

The majority of the foreign investment decisions taken to date fall into this category including the investments by Lever Brothers, Berger Paints, Rhone Poulenc, G.E.C., B.A.S.F and others. It will be a key challenge for those charged with foreign investment promotion to turn this situation to greater effect by using it as a lever for investments which will serve not alone the domestic market but regional and international markets as well.

Overview I

Factors Influencing Foreign Investment Decisions

Market Access

domestic market
international markets

Receptiveness to Foreign Investment

legal framework
ownership rights
profit repatriation
tax incentives
foreign management
governmental guarantees
consistency of actions

Economic Climate

background to reform
current position

Physical Environment

infrastructure
quality of productive assets
natural resource base

Financial Environment

credit systems
foreign exchange

Skills Environment

Promotional Environment

Each will now be examined in turn with a view to developing a perspective on Bangladesh's national level competitive advantage in foreign investment promotion.

**Overview 2 GNP and GNP PER CAPITA 1992
(US\$)**

('000's)

Singapore	44315	15750
Malaysia	51917	2790
Thailand	106559	1840
Philippines	49462	770
Indonesia	122825	670
Sri Lanka	9459	540
Pakistan	49477	420
India	271638	310
Bangladesh	24376	220

3.1.2 International Markets

Although Bangladesh enjoys some preferential status with a number of countries including the USA and as one of the least developed countries it is part of the Generalized System of Preference (GSP) facilities for favorable export to the USA, it does not enjoy any comparative advantage in terms of freedom of access to international markets relative to its competing neighbors for mobile investment. Furthermore it is likely that third countries and trading blocks will continue to treat emerging nations on broadly similar terms in this regard for the foreseeable future.

Bangladesh's geographic location does offer some advantages with respect to ease of physical access to markets. It has good port facilities at Chittagong with excellent potential to develop deep water berthing facilities south of the present port. Its strategic location on major shipping routes to and from the Middle and Far Eastern markets gives

it a potential as a major transshipment bulk breaking center for the sub-continental and regional trade. Improvements in the port facilities and the up grading of the airport facilities to international standards at Chittagong will not alone benefit industry and trade, but will also open up new opportunities in tourism particularly in areas like Cox's Bazar, Kaptai and Rangamati.

Bangladesh's key basis for competitive advantage in terms of market access is the potential to turn its relatively large domestic market into a lever for investments which will also service international demand. It is cautioned, however, that this should be undertaken without recourse to restrictions on domestic market access which would serve to raise the spectre of Government interference and associated connotations of bureaucratic control and a closed economy. In this regard it is to be noted that the Government is steadily liberalizing its trade regime and significant progress was achieved during 1992/93 in reducing non tariff restrictions on trade and rationalizing tariff rates. The work of the National Tariff Commission, which was set up in November 1992 to oversee this whole area and devise a modern trading strategy regime, should be prioritized.

4. Receptiveness to Foreign Investment

4.1 The Legal Framework

In perusing investment opportunities, potential investors will be heavily influenced by the legal and administrative frameworks that are in place to govern their operations. These laws, the openness of Governments to changes in them in the light of operating experience and flexibility in their interpretation will be key determining factors in investment location decisions. They represent the prevailing level of goodwill towards foreign investment in the country.

Bangladesh has developed a substantial and advanced legal framework in support of enterprise and foreign investment which compares favorably with similar legal provisions in the main competitor countries. The key provisions of this legislation facilitate engagement in investment activities by foreigners through :

- Tax holidays for five to nine years depending on location of the business although the benefit runs out in 1995
- Legal protection is given to all foreign investments against nationalization and

expropriation

- New commercial enterprises can be established (subsidiaries or branches) either involving wholly owned foreign capital or in partnership with Bangladesh nationals
- Participation in an increase in the registered capital of an existing commercial company or the purchase of its capital stock
- Purchase or construction of production facilities and other buildings including residential buildings
- Business may be carried on by a locally incorporated company or a foreign company incorporated outside the State but registered in Bangladesh
- Three distinct forms of business entity can be established, namely companies limited by shares, companies limited by guarantee and unlimited companies
- The contribution to initial capital of foreign investors may be in the form of cash, equipment, inventory or intellectual property
- Repatriation of foreign capital together with profits/dividends is allowed
- Foreign investment may be undertaken in all sectors of the economy except the five sectors reserved for public undertakings. They are :

Arms, ammunition and other defense equipment and machinery,
Production of nuclear energy,
Forest plantation and mechanized extraction within the bounds of reserved forests,
Security printing (currency notes) and minting, and
Air transportation and railways.

Notwithstanding these wide ranging provisions, administrative reforms are urgently needed in certain areas. The Law Reform Commission long promised has yet to come into being. Archaic laws are frequently cited by both local and foreign entrepreneurs as being a formidable barrier to investment. Although a new Company's Act was passed into law recently, the Act and others such as The Banking Company and Exchange Commission Acts are only available in Bengali, which is causing serious difficulties for foreign entrepreneurs and their advisors

4.2 Foreign Ownership

Bangladesh is only one of three Asian countries (the others being Sri Lanka and China), which offers unconditional 100% foreign equity or ownership in industrial investments.

4.3 Profit Repatriation

The regulations regarding repatriation of foreign capital together with profits/dividends have been simplified. There is no approvals required from the authorities for their repatriation. Total freedom in the movement of capital and dividends is allowed.

However, competition for foreign investment tends to equalize conditions in many competitor countries with respect to profit repatriations so that it is difficult for individual states to derive any unique competitive advantage in this regard.

4.4 Tax Incentives

All countries in the region offer tax based incentives for foreign investments.

The tax system in Bangladesh still remains complex and non neutral inspite of the introduction of reform measures. The country offers many tax incentives including tax holidays and accelerated depreciation. Tax holidays which range in duration from five to nine years are available virtually to all investors have often been found to be wasteful or ineffective as an instrument for investment promotion. There are proposals to re-evaluate the tax holiday which expires in 1995 with the possibility of extending it or alternatively replacing it by such alternatives as accelerated depreciation allowances. This examination should be given top priority for as long as new provisions are not in place the country's tax incentive provisions will be totally uncompetitive.

At present the extent of the tax holiday is determined by the location of the industry and it is recommended that consideration be given in the re-evaluation to retain discretion to award additional tax breaks to companies fulfilling specific criteria (e.g. major export projects, key infrastructure developments). However such additional incentives should not be available for projects, where the key attraction to the investor is access to domestic consumer and industrial markets.

In relation to direct taxation measures corporate tax rates play a pivotal role in attracting

investors. The current rate of corporate tax in Bangladesh does not compare favorably with the rates prevailing in other competitor Asian countries. At present corporate tax has been fixed at 45% and 50% in the industrial sector and company sector, respectively. In countries like Singapore, Malaysia, South Africa, Thailand corporate tax rates varies from 20% to 30%. The Indian Finance Minister Mammohan Sing recently proposed corporate profits tax to be reduced from 50% to 46% and to reduce the top income tax rate from 48% to 40%.

Exporters who export 100% of their production either directly or through other exporters can import duty free through a bonded warehouse system. Similar facilities are also given to exporters operating on either of the two Export Processing Zones located in the country. In these cases all duties paid should be refunded through the Duty Drawback Office (DEDO).

Customs clearance procedures have come in for severe criticism. Apart from the problems of getting goods cleared through customs there is the added problem of obtaining refunds on duty paid on capital equipment. In theory on the import of capital equipment for export industries the duty payable is supposed to be refundable under certain circumstances. But in many cases this is proving to be very difficult to arrange and the entrepreneurs are being sent from department to department trying to arrange the refund although all the stated formalities have been complied with.

4.5 Foreign Management

There is no restriction on issuing work permits to foreign nationals providing there is no comparable skill available in Bangladesh. Work permits are issued by the Board of Investment, The Ministry of Industries or the Bangladesh Export Processing Zone Authority. For key management positions they are usually given on a one year renewable basis. These provisions are in line with those existing in competitor countries.

4.6 Government Guarantees

Foreign investments in Bangladesh are protected under law from nationalization, expropriation requisitioning or other measures of like effect.

Bangladesh is a member of MIGA (Multilateral Investment Guarantee Agency). This is a Washington based World Bank International Guarantee Fund for developing and emerging countries, which effectively insures investors against their exposure in

member countries. The guarantees cover losses caused by non-commercial risks such as currency transfer, expropriation, war and civil disturbances.

More than half of the applications for political risk insurance received by MIGA in the year ending June 1994 were for projects in Europe and Asia. They issued 38 contracts that facilitated \$1,300 million in direct investment which created an estimated 7,800 jobs in the host countries. Among these contracts of direct investment Bangladesh received 5% of the MIGA guaranteed amount as against for example 15% for Pakistan. To day with 121 member countries MIGA is among the top 5 political risk insurers in the world.

Bangladesh is also a member of ICSID (International Center for the Settlement of Investment Disputes), an agency which specializes in the settlement of investment disputes between states and nationals of different states

4.7 Consistency of Action

This is a most important consideration for investors, who will examine case history to see if there is a consistency in the operation of the rules and regulations applicable to foreign investment to ensure that there is no divergence between the "letter of the law" and how it is implemented. It is too soon to make a firm judgment on this yet in the case of Bangladesh.

In summary, it is possible to conclude that Bangladesh in its legal framework for foreign investment is as competitive in most respects with that of its neighboring competitor countries. However, there is an urgent need to have The Law Reform Commission established as soon as possible to up date archaic laws, which are frequently cited by both local and foreign entrepreneurs as being a formidable barrier to investment. Procedures relating to customs clearance and for obtaining refunds on duty paid on imported capital equipment need to be simplified. The tax holiday provisions need to be extended way beyond 1995 with greater flexibility added to give extended benefits combined with aggressive strategy of promoting to clearly identified priority sectors. It must, however, be clearly recognized that the legal and incentive framework of competitor countries is mostly in line and are being regularly reviewed to ensure that no country steals a competitive edge. In an effort to maximize Bangladesh's projection as a stable location for foreign investment consideration should be given to the development and establishment of an "Industrial Development Code", which encompasses all laws relating to foreign investment and guarantees that they will not be changed for a period of at least seven years. This could be introduced over the next

number of years as lessons are learned and the inevitable amendments made to further liberalize the regulations. Such a code could prove a significant marketing advantage in the competitive and volatile area for foreign investments in which Bangladesh will be operating.

5. Economic Climate

The major economic task facing the Government is to tackle the enormous problem of unemployment in the country. The extent of the problem is the need to create about one million new jobs per annum merely to absorb the new entrants to the labor market without making a dent into the huge backlog problem of massive unemployment and underemployment.

Foreign direct investment particularly by transnational companies (TNC's), formally known as multinationals, is now being seen as the key to economic growth and the generation of employment in developing countries, where 10% of all global employment in the non agricultural sectors are provided for by TNC's. One of the central points made in the UN's 1994 report on global investment was that developed human resources in a particular economy works as a powerful attraction to TNC's which then recruit, train and motivate to suit their own requirements.

The background to the reform effort in Bangladesh was a stagnating economy through most of the 1980's. At present it has a per capita income of 220 US \$ (1992 GNP base) which puts the country firmly in the poorest grouping of countries in the world. However it has achieved commendable success with its macro-economic stabilization in recent years with such successes as a current account deficit at 2.2% of GDP in 92/93, down from 6.9% in 89/90 ; an inflation rate running at 1.3% in 92/93 ; foreign exchange reserves continuing to rise reaching a present level of \$2.2 billion US and public expenditure at 11% of GDP, down from 15% in 89/90.

These successes and renewed development efforts have failed, however, to boost investments and generate a growth momentum that the economy badly needs with the result that the economy remains fragile and vulnerable. Although the annual growth in the country's GDP has averaged 4.02% over the seven year period 1986/93 this has been marginalised by the annual average rise in population of 2.2% over the same period. An annual growth rate in the region of 10% is needed to make a real economic impact.

Total investment at 12/13% of GDP is very inadequate. This compares with 24% in India, 23% in Sri Lanka and 18% in Pakistan. Public investment has stagnated at around 5.7% of GDP for the past six years. The implementation of the Government's Annual Development Program (ADP) has failed to reach target and has remained at or below 80% of the revised ADP during the past three years. Private investment averages only 6.5%. The World Bank has advised that Bangladesh will need to raise its investment rate to 17/19% from the present 12/13% in order to intensify economic growth and private investment needs to be doubled.

Exports are still critically dependent on a few major items. The World Bank has advised that the share of exports in GDP will have to rise to 13% from the present 9%, if living standards are to improve. Export growth fell sharply in the fiscal year 1993/94 and the downward trend compelled the Government to reduce the projected target of earnings from 3.5 billion US dollars to 3.1 billion US dollars for the current year.

Garments still account for 50% of total foreign exchange earnings. Add jute and this figure increases to 75% of export earnings. Diversification has to take place in exports in such items as leather goods, ceramics, sports equipment and electronic data processing. Changes have to be effected to achieve this and include easy access to raw materials at competitive prices, credit to exporters, lower transaction costs through an efficient customs administration and duty draw back system, removal of infrastructure constraints and improving marketing and technical skills. Despite the formation of an Government Export Task Force nothing substantive has come to the surface. These are chronic problems which require radical and innovative reforms throughout the whole economy.

Imports are sluggish at 11.8% of GDP, which indicates low aggregate demand and a depressed economy.

The average structural composition of the economy shows that it is dominated by the services and agricultural sectors which accounted for 44.9% and 37.9% respectively of GDP. The industrial sector accounted for on average 17.3% of GDP, of which manufacturing only contributed 10.1%. This extremely low level of activity for the manufacturing sector is a major constraint in the present drive to widen the industrial base of the country.

The labor cost advantage offered by a Bangladesh location while substantial in its own right fades into insignificance against the gap between labor costs in the South Asia Region and those of all investment source nations (Japan, Taiwan, Singapore, Western

Europe, USA etc.). In consequence, it is unlikely to compensate for the low industrial base in Bangladesh, low productivity ratings and the significant gaps in the infrastructural resources relative to its competitors. The major difficulties associated with under investment in the country's infrastructure is of critical significance to international investment and will have to be addressed.

Taken together these factors amount to an overall competitive disadvantage for Bangladesh relative to its regional competitors in seeking to attract mobile investment.

6. The Physical Environment in Bangladesh

Reference has already been made to the low capital stock levels pertaining in Bangladesh. This is inevitably reflected in three key areas of interest to foreign investors :

- The infrastructural environment including in particular energy, water and sewerage facilities, transport (road, rail and air) and telecommunications
- The quality of productive assets available for purchase through company privatizations, and
- The natural resource base.

6.1 Infrastructure

Bangladesh's low base of capital stock is reflected in the relatively poor state of its telecommunications, roads, rail and energy generation services. Taken together these factors will act as a competitive disadvantage in seeking to attract mobile investment

However, the development of these facilities will present major investment opportunities for domestic and foreign investors alike. The modernization of the telecommunications system will offer major investment opportunities and country wide rail services for both goods and passengers are in dire need of up grade and revitalization. Environmental considerations require that urgent attention be paid to the necessity for adequate industrial and urban effluent treatment capability.

It is inevitable that foreign aid will be directed at the alleviation of these and other infrastructural bottlenecks in the years to come. It is essential that maximum benefit be

derived for Bangladesh industry from such developments through careful planning and co-ordination with the foreign investment promotion drive. Should the Government contemplate the use of Build, Operate and Transfer (BOT) arrangements for the alleviation of major infrastructural bottlenecks, strong consideration should be given to the location of a specialized technical team to co-ordinate overseas promotional efforts in this regard.

6.2 Privatization Policies

The Privatization Board (PB) was set up by the Government in February 1992 as an autonomous body with two major responsibilities :

- The acceleration of the process of privatization, and
- The identification of ways for developing private investment.

The PB has been recently reconstituted and under the new guidelines all industrial units, big and small, profitable or loss making, were put under the control of the Board. There is provision to complete all formalities for the handing over of units to private ownership within 90 days of tenders being accepted and it now has its own budget and the power to independently deal with all privatization matters. The World's Bank recent decision to provide the PB with 2.5 million dollars to help the privatization process is a welcome development.

Privatization measures to date have met with only limited success. A large number of enterprises are still in public hands. Only about six units have been transferred and the Government has undertaken a programme to privatize a sizable number of industrial units in the year 1994/95. The units include 11 textile mills, 8 engineering industries, 10 chemical industries, 10 sugar mills, 9 jute mills and shares of the Government in 7 multinational companies.

There has been a very poor response to date from the private sector to the privatization measures and many complaints have been raised that the valuations placed on the units are higher than the market value of the units. Also strong worker agitation against the measures has hindered progress. Although undoubtedly one of the main causes for the slow progress is due to the socio-economic realities in the country, featuring large unemployment and poverty, the imperatives for privatization remain as strong as ever to help alleviate the huge drain on the public purse caused by the highly inefficient and loss making public enterprises.

Certain criticism has been levied against the operation of the PB as it is essentially a public sector bureaucratic organization that has no private sector representation on the Board. As its main task is to promote the sale of public assets to the private sector, consideration should be given to widening the membership of the Board to include representation from the private sector.

6.3 Natural Resource Base in Bangladesh

The Bangladesh economy has reserves of natural gas and has good deposits of limestone, hard rock, coal, lignite and silica sand. In addition there are indications that deposits of oil could be discovered in the not too distant future. If there was to be a major oil find, the technological and financial resources needed to exploit the find will open significant opportunities for foreign investors who would typically operate with local companies.

7. The Financial Environment

7.1 Credit Systems

The financial sector in Bangladesh is split into the normal type of structure of a Central Bank and the commercial banking both publicly and privately owned. The most urgent issue is the financial situation of the banks and the need to maximize competition and efficiency. All the banks suffer from similar problems with respect to their financial structure, medium term strategy, operational systems and staff skills. The sector remains uncompetitive and oligopolistic in nature.

Real lending rates in the banks are at an historic high at around 10% to 12%. The growth rate of credit in the private sector is dismal reflecting both supply and demand problems.

The sector is burdened with huge debts and has become very conservative in its lending policies. The increased caution in the system has led to an accumulation in liquidity and reflects the weak competition in the sector and the need to allow new entrants in to improve competition and so reduce interest rates. But there is little demand from international bankers to enter the market because of its poor performance. Under performing loan portfolios have contributed to keeping interest rates high as a compensating measure and high manning at the nationalized banks have led to high

costs, which must be passed on to the borrower.

While the immensity of the problem is recognized it is necessary to further emphasize the significance of an efficient banking systems to the foreign investment drive. Local joint venture partners have, for instance, to be able to raise their share of the capital through the banking system. Current criteria with respect to collateral and the total lack of risk capital will significantly impede the potential to maximize the local ownership of investments and the ability of local partners to weather the inevitable downturns, changes and mistakes they will face in building internationally competitive businesses.

Foreign investment will be seriously constrained pending the determination of the true financial position of the banks, and particularly the extent of bad debt accumulation as public industry is restructured.

It is therefore necessary to undertake a major study to examine ways to stimulate commercial and merchant banking activity in the Bangladeshi economy via joint ventures with or buy outs of existing banks or through greenfield arrangements. At a very minimum, there is an urgent need to determine the precise conditions under which major international banks would be interested in participating in the Bangladesh economy and to build these factors and conditions into policy for the evolution of the sector including the key issue of debt write -offs in the present system. The difficulties involved and the skill requirements necessary for effective promotion in this area are recognized. Nonetheless, the issue cannot be avoided and the Government in conjunction with the authorities in the Central Bank and the existing commercial banks should develop and implement an appropriate plan of action.

7.2 Foreign Exchange Relations

Freedom of access to foreign exchange to fund equipment and materials purchases and to facilitate repatriation of profits is of critical concern to the foreign investor regardless of location.

8. The Skills Environment

An assessment of the basic technical and attitudinal qualities of the local workforce confirms that they pose significant difficulties in developing the operational and technical capabilities required for international competitiveness. The training needs of both, the private and public sectors are enormous and the approach to be followed has

to be professionally managed to ensure that the training schedules and programs are appropriate and cost effective.

In addition, there is an extreme dearth of professional managers familiar with modern business practices particularly with regard to quality, marketing, finance and human resource management practice. These weaknesses will be apparent at an early stage in the negotiation of joint venture operations and can be a critical factor in the decision making process for the foreign investor.

Various initiatives can be taken to develop management training capability within Bangladesh. Initial efforts should be focused on the training of trainers. It is also recommended that immediate steps be taken to expose the key managers in the public enterprises that hope to move into the private sector or the potential joint venture companies to short term programs in modern business practices. The objective would be to enhance their ability to influence and impress potential investors/partners, to increase their understanding of the issues of concern to overseas investors, to improve their negotiation position and to enhance the preparation of their companies for privatization. As local companies in Bangladesh and their managers are a critical component of the foreign investment product the returns on this investment would be substantial.

9. The Promotional Environment

Bangladesh's image in international investor circles is poor. It would be consistently ranked in the lowest tier in terms of attractiveness to investors as compared to other competitor countries.

The country's poor image is as a result of a combination of factors, many of which were raised above in our examination of the factors influencing foreign investment decisions. In addition, however, it reflects Bangladesh's relatively unexplored status in the past by foreign investors and the uncertainty in the international investment community about Bangladesh's strengths and its commitment to a democratic and market oriented future. The overall result is that potential investors have a low level of "comfort" in dealing with Bangladesh.

It is of paramount importance, if Bangladesh is to achieve a reasonable share of investment that its international image be fundamentally altered through a structured and comprehensive targeted image building programme

10. Conclusions

The reality of Bangladesh's current position is that it does not possess any substantial national level basis for competitive advantage relative to its regional neighbors in the market for international mobile investment. Any advantages it has, like low labor rates, are offset by disadvantages in the economic and physical environments and the huge negative perception of Bangladesh internationally.

In consequence, the overall effectiveness of Bangladesh's foreign investment drive, particularly in the short to medium term, will be heavily impacted by the efficiency and effectiveness of its foreign investment promotion machine. A strategy that builds on the country's relative strengths (e.g. labor costs), attaches primacy to addressing weaknesses (e.g. infrastructural deficiencies, labor skills) and develops excellence in the areas of international image building, investment generation and investor servicing can in itself confer a competitive advantage to Bangladesh. The impact of such an approach will be determined primarily by the strategy adopted for investment promotion, the structures, systems and skills put in place to support the strategy, and the overall importance accorded to the foreign investment promotion program on the economic and political agendas. To be successful this program must become an absolute priority.

11. Summary of Recommendations

- It should be a key objective to turn Bangladesh's relative advantage in terms of its low labor rates and the size of its domestic market size to greater effect by using it as a lever for investments, which will serve not only the domestic market but regional and international markets as well
- Bangladesh should give consideration to the development of an "industrial development code", which would guarantee legislative and tax stability over a fixed period of time
- It should be a key task to ensure maximum advantage is derived for Bangladesh from major infrastructural development programs (energy, telecommunications etc.) by the promotion of joint ventures, if this is possible, and other arrangements, such as sub-contracting for local companies to enable them to participate in a significant way in what will be a major investment program

- There is an urgent need to have The Law Reform Commission established as soon as possible to up date archaic laws, which are frequently cited by both local and foreign entrepreneurs as being a formidable barrier to investment
- Procedures relating to customs clearance and for obtaining refunds on duty paid on imported capital equipment need to be simplified
- The tax holiday provisions need to be extended way beyond 1995 with greater flexibility added to give extended benefits combined with aggressive strategy of promoting to clearly identified priority sectors
- It should be clearly recognized that the valuation strategy adopted for early privatizations in Bangladesh and the quality and market orientation of these privatizations and the related international promotional programs will play a major role in determining Bangladesh's overall image and attractiveness to foreign investors
- As the main task of the Privatization Board is to promote the sale of public assets to the private sector, consideration should be given to widening the membership of the Board to include representation from the private sector
- In relation to the Banking Sector it is recommended that
 - a) A major study be undertaken to develop and implement an appropriate plan of action to stimulate commercial and merchant banking activity in the Bangladeshi economy via joint ventures with or buy outs of existing banks or through greenfield arrangements
 - b) There is an urgent need to determine the precise conditions under which major international banks would be interested in participating in the Bangladesh economy and to build these factors and conditions into policy for the evolution of the sector
 - c) A policy has to be devised on the key issue of debt write -offs in the present system.
 - d) The difficulties involved and the skill requirements necessary for effective promotion in this area are recognized

e) As an efficient and internationally based banking sector is vital to the development of the economy, it is imperative that the Government in conjunction with the authorities in the Central Bank and the existing commercial banks give their wholehearted support and assistance in the development and implementation of such a plan of action.

- The system of application for foreign currency and the priorities implicit in the allocation of currency will be critical in shaping the perceptions of investors.
- Initially training efforts should be concentrated on the training of trainers. It is also recommended that steps be taken to expose key managers in companies to be privatized soon or potential joint venture companies to short term programs in modern business practices
- It is of paramount importance if Bangladesh is to achieve a reasonable share of investment in South Asia that its international image be fundamentally altered through a structured and comprehensive targeted image building program.
- It should be recognized that the overall effectiveness of Bangladesh's foreign investment drive will be heavily impacted by the efficiency and effectiveness of its foreign investment promotion machine and that necessary resources must accordingly be allocated to this end.

The Comparison of Foreign Direct Investment in Asian Countries (1/8)

Items	Myanmar	Malaysia	Thailand	China	Viet Nam
General	<p>The Government of Myanmar encourages the international cooperation through a direct investment of foreign capital so as to introduce advanced technologies into her domestic industries and to increase both productivity and competitiveness, aiming at the production and exportation of advanced industrial products.</p> <p>A foreign investor company is authorised to invest from 35% to 100%.</p> <p>Myanmar's policy on foreign investment is an important component of the overall restructuring and development policy of the Government. The main components of the policy are:</p> <p>(a) adoption of market oriented system for the allocation of resources.</p> <p>(b) encouragement of private investment and entrepreneurial activity.</p> <p>(c) opening of the economy for foreign trade and investment.</p> <p>The policy objectives of the Foreign Investment Law are:</p> <p>(a) promotion and expansion of exports.</p>	<p>To join in developed countries by the year of 2020, Malaysia has placed her first Priority on the challenges for an advancement of industries and for an increase in added value. The country is willing to accept investments in the processing and manufacturing sector and in R&D organizations as well as in her infrastructure buildup. An sport incentive system, in particular, is provided in favor of those manufacturers who are making the products to be sold on the export market. Those companies which are exporting 80% or more of their products and 50 thru 79% likewise are allowed to be owned 100% by a foreign capital, provided that they satisfy a certain level of requirements.</p> <p>To promote investments in Borneo Island, Provinces of Saba and Sarawaku and in the area along the east coast of Malay Peninsula, a favorable incentive taxation system has been established in her efforts to reduce the difference existing from region to region. To foster supporting industries, the investments at indirect</p>	<p>To provide the Thai people with more investment opportunities while promoting the capitalization in Thailand, a foreign enterprise cannot mandatorily establish a local legal person in the country without getting 51% or more of the capital stock borne by a Thai citizen. It is evaluated that direct foreign investments have been significantly contributing to the growth of Thai economy. Consequently, the Thai Government will take the basic policy to promote the national development by continuing to invite the foreign capital there in the future, too.</p> <p>The new investment promotion policy announced in April 1993 has placed emphasis on the export-oriented enterprises and infrastructure developments while encouraging the regional difference to be reduced by transferring factories locally.</p> <p>As countermeasures to prevent a polarized concentration on Capital Bangkok and to reduce environmental problems, the Thai Government has begun to take such</p>	<p>China has placed the main objective of foreign enterprises direct technology transfer and foreign currency acquisition. Those special districts in which foreign enterprises are preferentially treated have been being gradually expanded while China has been striving to invite the direct investments. A foreign capital is required to have an investment ratio of 25% or more, which is allowed to increase up to 100%, too. A preferential treatment level of foreign enterprises varies from district to district, from enterprise type to enterprise type, from business line and/or from business type to business type. Under those circumstances in which the investment environments to invite foreign enterprises had not been built up yet, the Economy Wards was located. Later in the stage on which the environments have been progressively built up, the "Economy/Technology Development Ward" was provided. In addition, China has designated the</p>	<p>After adopting "Doi Moi" in 1986, Viet Nam has overcome the hyper inflation, and achieved a favorable economic growth in 1990s. Foreign investment has been increased since the foreign investment law promulgated in 1987 and accumulated approved amount of capital exceeded 10 billion dollars in 1994. Although the legislative system have been gradually established to encourage foreign investment, investors have still claimed more improvement of legal and administrative system and infrastructure.</p> <p>"Doi Moi" is moving into a new stage to transform state owned enterprises end to increase the capacity of capital to accelerate industrialisation and improvement of infrastructure.</p>

The Comparison of Foreign Direct Investment in Asian Countries (2/8)

<p>Generl (cont'd)</p>	<p>(b) exploitation of natural resources which require heavy investment. (c) acquisition of high technology. (d) supporting and assisting production and services involving large capital. (e) opening up of more employment opportunities. (f) development of works which would save energy consumption. (g) regional development. Foreign Investment Law (1988)</p>	<p>exportation are mandatorily required, in principle, to be made in a joint venture.</p>	<p>investment-related policies as to promote investments in local areas and to invite knowledge incentive enterprises. To foster supporting industries, moreover, Thailand has been expanding a range of designated business lines and incentive measures.</p>	<p>"Economy-Liberalized Ward" and the "Special Economy Wards later. In terms of enterprise categories, "export type and advanced technology type enterprises are treated with special preference. In terms of business line and business type, furthermore, those types which conform to the Chinese industrial policy are treated preferentially.</p>	
<p>Investment related Basic Law</p>	<p>Promotion of Investment Act. (1986) Industrial Coordination Act. (1975)</p>	<p>Investment Promotion Act. (1977), Alien Business Law (1972), Working of Alien Act. (1978)</p>	<p>China-foreign Capital Managed Enterprises Law (1979) China-foreign Joint Venture Managed Enterprises Law (April, 1988) and Foreign Capital Enterprises Law (enterprises 100% owned by foreign capital) (July, 1986)</p>	<p>- Law on Foreign Investment in Vietnam (1987), - Decree Providing Regulations on Foreign Investment in Viet Nam - Law on Domestic Investment - Statute of export processing zones (Oct., 1991)</p>	
<p>Investment Application Window (Responsible Agency);</p>	<p>Foreign Investment Commission (FIC, organized in 1989): It has been legally provided that two vice prime ministers are to act as chairman and assistant chairman while other ministers are to work as commission members. And the investment application secretariat is the Ministry of National Planning and Economic Development.</p>	<p>Malaysia Industrial Development Authority: such sectors as processing and manufacturing, agriculture, and sight-seeing. Foreign Investment Committee: any sectors other than processing and manufacturing, agriculture and sight-seeing</p>	<p>Board of Investment (BOI): investments to which a certain incentive measure is applicable, Registration Office of Ministry of Commerce: investments to which only incentive measure are not applicable</p>	<p>Foreign Trade Economy Joint Venture Dept.; as far as a certain extent of investments are concerned, however, the authority to approve such investments is entrusted to the foreign economy trade committee in each local government.</p>	<p>State Committee for Cooperation and Investment (SCCI) which was established in 1989 and directly under the Prime Minister as a unified government agency to manage foreign investment in Viet Nam</p>

The Comparison of Foreign Direct Investment in Asian Countries (3/8)

<p>Encouraged Fields and Enterprises</p>	<p>(Industrial sectors only referred to hereunder) The industrial sectors in which foreign investments are encouraged are foodstuffs, textiles, general daily merchandise manufacturing, leather product manufacturing, and such traffic machinery manufacturing as motor vehicles, bikes and bicycles, including building material manufacturing, pulp and paper making, chemicals production, pharmaceuticals production, iron and steel making, machinery and equipment production, construction contracting, etc.</p>	<p>(Encouraged Fields) processing and agriculture-related industries, sightseeing-related industries, Malaysian natural resources utilizing industries, high-technology industry and enterprises conducting environment conservation activities (Enterprises to Receive Incentive Measures <conditional>) pioneer enterprises, export undertakings, RHC (regional headquarters of conglomerates), small-sized enterprises and venture capitals</p>	<p>(Encouraged Fields <to be reviewed from time to time>) Business which distributes its operating offices regionally, develops the industries underlining an industrial development, develops the infrastructure, conserves natural resources and/or protects environments against depletion, and contributes to the substitution of energy and to the enhancement of the country's international trade balance. (Industries of Special Importance) basic transport systems, public-benefit services, environment conservation and recovery, technology development and basic industries (with metal molds, forging, castings, etc. designated).</p>	<p>(Investment-Encouraged Fields <main industrial sectors>) such industries as textiles, petrochemicals, chemicals, pharmaceuticals, plastics, leather products, black skin metal refinery and rolling, glassware, non-ferrous metal refinery and rolling, electric household appliances, industrial exclusive equipment, daily use machines, construction equipment, motor vehicles, ships, electronics, lighting fixtures and the like (Encouraged Enterprises) export-oriented enterprises, advanced technology companies, productive type firms, and undertakings located in investment-encouraged regions</p>	<p>(Promoted projects are as follows) - Export oriented industries and import substitutive industries. - Hi-tech industries which employ skilled workers, development of potential resources, integrated investment to improve efficiency of existing industries. - Labor intensive industries which are based on domestic materials and natural resources. - Service industries which contribute to increase foreign exchange reserve, for instance, improvement & development of infrastructure, tourism, ship repairing, and construction of ports & airports.</p>
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The Comparison of Foreign Direct Investment in Asian Countries (4/8)

<p>Foreign Capital Participation- Controlled Field</p>	<p>The sectors to be controlled are the following twelve: 1. Deforestation and sale of teakwood, 2. Forestry (except for the forests owned by villagers), 3. Mining and refining the oil and natural gas, 4. Collecting, producing and exporting pearls and other jewels, 5. Fishery within the waters surveyed, 6. Postal and communication services, 7. Air transport service and railway transport service, 8. Banking and insurance business, 9. Broadcasting and television business, 10. Mining and exporting minerals, 11. Power generation, except, however, for the power generated by legally authorized private enterprises and/or cooperatives, and 12. Producing military provisions</p>	<p>(Items in which Foreign Capital is not Allowed to Participate unless 80% or more of its Products are Exported) condensed milk, cement, clincker, 1300 thru 1600cc class passenger cars, oil refinery, electric power, communication cable, etc. (Items Allowing Foreign Capital to Occupy Majority of Capital Stock only when 100% of its Products are Exported) plastics, injection moldings, presses, packing materials, wire harnesses and fisheries</p>	<p>(Industrial Fields Closed to Foreigners) Building construction (Industrial Fields Closed to Foreigners other than Those Receiving Investment encouraged Measures) pharmaceuticals, wood workings, gold and silver products, Buddhist image production, castings, soda ash, cement, plywood, clothes, silk products, etc. (Industrial Fields in Which Foreign Capital is Allowed to Participate only unless it Competes with a Thai Enterprise) livestock feed production, vegetable oil expression, embroidery and knitting, bulbs and glassware, etc.</p>	<p>Since no legal regulations have been expressly available, a list was placed on the market in 1988, defining the specific lines of business encouraged, restricted, prohibited and permitted. According to this list, foreign capital is restricted or prohibited from participating in such sectors as vegetable oil processing, confectioneries, chocolate production, beer, fruit spirits, soft drinks, cigarettes, primarily processed cotton knitting and textiles, lifts, small construction machines, monochrome CRTs, medium-density ICs, arts and crafts, and so on.</p>	<p>Foreign investors should be approved by the Prime Minister in following fields: - production and transaction of explosives and toxic substances - exploitation of rare and valuable mineral resources - power generation and waterworks - manufacturing of communication equipment, postal & communication services, radio & TV broadcasting and publishing - marine and air transportation - imports and exports - international tourism (The share of foreign partners in joint venture projects should be more than 30 %, but there is no maximum limit on foreign share identified.)</p>
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The Comparison of Foreign Direct Investment in Asian Countries (5/8)

<p>Investment Guarantee</p>	<p>The Law guarantees that foreign investments undertaken under the FIL shall not be nationalized. It also guarantees the repatriation in foreign currency the rightful entitlement of the foreign investor after the termination of the business. The repatriation of savings of the foreign employees engaged by the foreign investor is also allowed.</p>	<p>No investment guarantee is provided for in the Investment Promotion Law. Nevertheless, Article 13 of the Constitution provides for the guaranty of ownership to every investor.</p>	<p>It is guaranteed that the encouraged enterprises authorized by BOI are allowed to bring out or remit foreign currency and are not to be nationalized.</p>	<p>It is legally guaranteed that a joint venture and a 100% foreign capital enterprise may remit the surplus funds to the exterior after settling down the profits and income. Joint ventures and 100% foreign capital enterprises are not to be nationalized or taken over by the Government. A reasonable compensation would be available if a foreign capital were taken over by the Government under special circumstances.</p>	<p>Article 20 of "Foreign Investment Law" guarantees that foreign organisations and foreign individuals shall be provided fair and equal treatment. Article 21 of "Foreign Investment Law" guarantee that any property shall never be commandeered, confiscated or nationalised. - Life period of Joint ventures and 100 % foreign owned enterprises have been extended to 50 years by revision of (cont.) Foreign investment Law in December 1992.</p>
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The Comparison of Foreign Direct Investment in Asian Countries (6/8)

<p>Industrial Estates and Free trade Zone, etc. in which Foreign Investments are encouraged</p>	<p>(Regions, Industrial Estate/Free Trade Zone, etc. where Foreign Investments are Encouraged) A concept has been worked out to locate an industrial complex in the district of Tilawa to the south of Yangon. The project, however, does not seem to proceed concretely. Hloneharyar Myothit, Mingaradon, Dagon North and Dagon South in peripheral area of Yangon City are newly developed zones and establishment of business facilities is encouraged.</p>	<p>(Industrial Estates) 234 locations and 81 locations being planned (Free Zone - FZ) 15 locations in Penang, Maraca, Seran Coal and Johore Provinces, etc. Import duties, etc. are exempt. (Bonded Factories) To promote the distribution of enterprises' locations, export product manufacturing factories are authorized to be located outside the FZ. (Development Areas) Borneo Island, Saba and Sarawak Provinces and area along the east coast of Malay Peninsula</p>	<p>(Industrial Estates) 40 locations or more including those under construction and being planned. Every industrial complex has an export processing zone (EPZ). (Export Processing Zone - EPZ) This zone is located in every industrial complex developed or co-developed by the Thai Industrial Complex Public corporation. And it is a bonded zone, too. To occupy a location in the industrial complex, a foreign capital is required to export 100% of its products. The added-value tax and import duties on the materials and equipment required to construct a factory are exempted.</p>	<p>Under those circumstances in which the investment environments to invite foreign enterprises had not been built up yet, the "Economy Zone" was located. Later in the stage on which the environments have been progressively built up, the Economy Technology Development Zone" was provided. In addition, China has designated the "Economy-Liberalized Zone and the "Special Economy Zone" later. What is encouraged varies from region to region and from business line to business line.</p>	<p>Export Processing Zone (EPZ): - The government has promoted to develop EPZs as joint venture projects. Then, SCCI has provided licenses to the development projects of EPZs by foreign investors in cooperation with Vietnamese partners. - 6 EPZs have ever been licensed in Hanoi, Ho Chi Minh City(2), Hiphong, Da Nang and Can Tho. Regulation on EPZ rules privileges including exemption or (cont.) reduction of corporate tax for investors in EPZs. - Favorable privileges have also been given to the Investment in remote rural regions.</p>
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The Comparison of Foreign Direct Investment in Asian Countries (7/8)

Incentives	<p>(1) Preferential Taxation System An investing foreign capital is exempt from the income tax for a period of three years after starting its operations. An exemption of taxes on the income from the benefit of exportation is allowed up to a maximum of 50%. Those machines and apparatuses which have been imported during the construction period will have their custom duties exempted. Besides, custom duties will be exempt on the importation of those raw materials which are to be imported for production during a period of the first three years after completion of the construction. (2) Remittance The foreign currency which a person has personally</p>	<p>Incentives for manufacturing industry (a) Pioneer-status companies are granted corporate income tax credit of 70%. (b) Companies granted investment tax credit are granted credit of 60% of their qualified capitals. (2) Manufacturing industry companies located in industry promotion areas can enjoy the benefit of these incentives for 5% deduction from their incomes over a period of five years. (3) Export encouragement system (a) An export credit refinance system is available, in which The Central Bank of Malaysia finances exporting companies at a preferential interest rate.</p>	<p>(1) Common preferential treatment (a) Encouraged enterprises are exempted from corporate tax for three to eight years. (b) Import tax and enterprise tax exemptions for facilities, equipment, and raw materials required for plant construction approved by the BOI. (2) Preferential treatment is available for investments in investment promotion areas. (3) Incentives for plant location in remote areas vary in the three areas. (4) Export tax, import tax, and enterprise tax exemptions for raw material imports and product exports by the exporting industry. (5) Remittances and foreign currency exceeding expatriation</p>	<p>(1) Corporate income tax (a) Productive enterprises are exempted from corporate income tax for two years after they show profits, and 50% exempted for the following three years. (b) Advanced technology enterprises are 50% exempted for a further three years. (c) Export enterprises are 50% exempted for an indefinite period. districts, technology Exempted for an indefinite period. (2) Local income tax (a) Special economic economy and development districts: from local income tax (b) Open economic districts and other areas: 3% taxation depending on the district (3) Customs duty</p>	<p>(1) Corporate Tax: - Tax rate: 25 % (and more than 25 % for petroleum, gas, and exploitation of rare or valuable natural resources) - Capital gain and dividend received shall be included into taxable income. - Losses are possible to carry forward for 5 years in principle. Depreciation on fixed rate method are as follows: - 30 % for intangible assets - 5 to 15 % for building and structures - 10 to 20 % for machine and equipment - 10-18 % for vehicles - 20 % for office equipment (2) Sales Tax: - 1 to 40 % of sales tax shall be imposed for every transaction of goods and services except for subjects of agricultural tax and special sales tax.</p>
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The Comparison of Foreign Direct Investment in Asian Countries (8/8)

<p>Incentives (cont'd)</p>	<p>carried in the country, an after-tax profit, a liquidated surplus fund and an after-tax salary for a foreign worker may be remitted to the exterior.</p> <p>(3) In case of export oriented commodities, Commercial tax levied on these commodities may be exempted on application.</p> <p>(4) In addition to these incentives foreign investors will be able to lease land and immovable property at reasonable rates from the government. As Myanmar is classified as a least developed country it is also entitled to tariff privileges such as the generalized system of preferences. The incentives provided are reviewed and adjusted to be inductive and competitive with other countries.</p>	<p>(b) A double tax exemption system is available for such expenses as export credit insurance premiums and export promotion expenses of exporting companies.</p> <p>(4) Remittances Remittances not exceeding 10,000 M dollars are free. Remittances exceeding 10,000 M dollars require approval.</p>	<p>(a) Remittances or expatriation US\$50,000/person/year requires permission.</p> <p>(b) Foreign currency expatriation by resident representatives upon returning home requires permission.</p> <p>(c) Expatriation of foreign currency deposits requires no permission.</p>	<p>(a) Special economic districts and economy and technology development districts: Construction materials and raw materials for use by companies themselves are free from customs duty.</p> <p>(b) Open economic districts and other districts: The above duty exemption is allowed for initial investment for initial investment or plant expansion only.</p> <p>(4) Remittance (a) Remittance is free for trade transactions, but remittance exceeding foreign currency account balance requires permission. (b) Personal remittance of more than 50% of income requires Permission.</p>	<p>(3) Special Sales Tax: - 20 to 70 % of tax shall be imposed for transaction of such specific goods as liquor and tobacco & cigarettes However, exports shall be excluded.</p> <p>(4) Tax on Exploitation of Resources: 1 to 40 % of tax on the amount of production shall be imposed for exploitation of crude oil, gas and mineral resources.</p> <p>(5) Tax on Remittance of profits: Joint venture enterprises shall have to pay tax on their remittance of profits at following rates depending on the amount of invested by the remittance. - 5 % for more than 10 million US \$ of contribution to investment - 7 % for more than 5 million US \$ of contribution to investment - 10 % for less than 5 million US \$ of contribution to investment.</p>
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Source : Engineering Consulting Firms Association and JICA Study Team

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