

INDUSTRIAL CAPACITY COOPERATION AND SHARED DEVELOPMENT

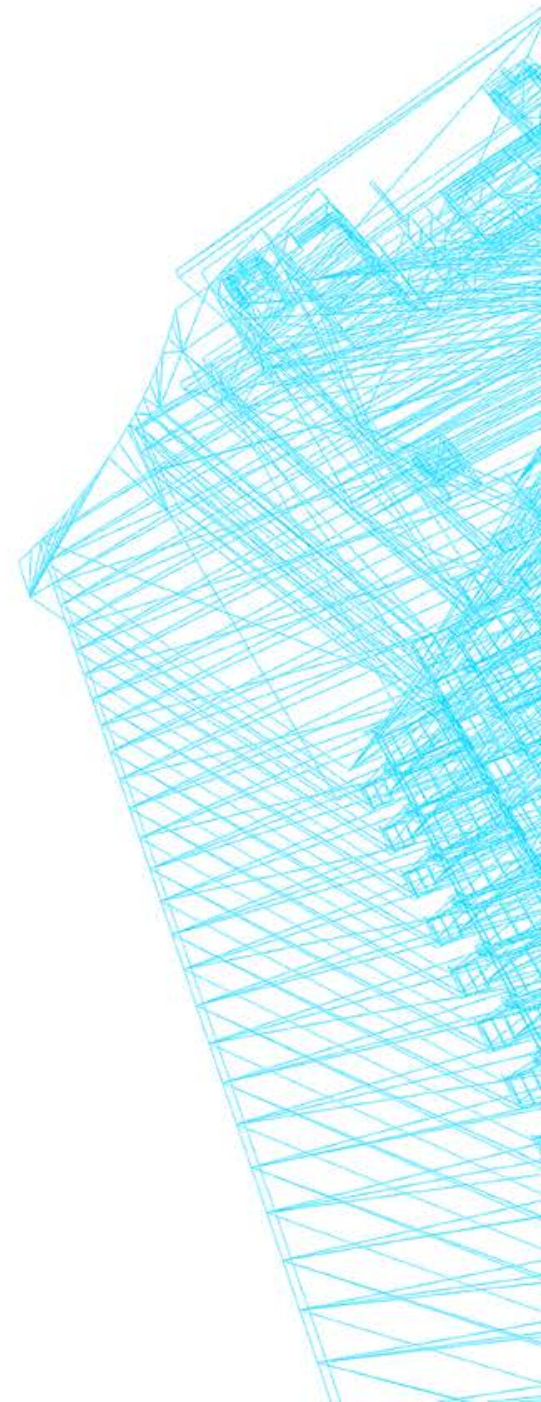
Industry Capacity Cooperation in the Region:
Practices and Experiences

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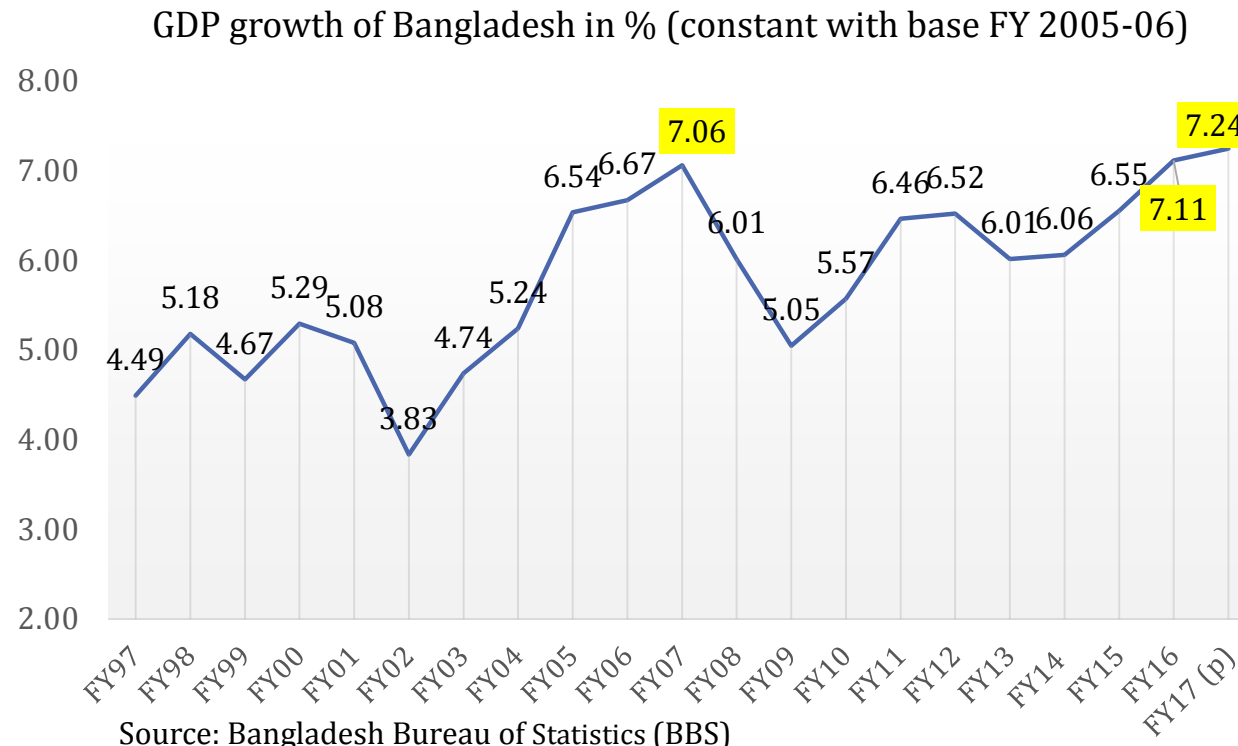
OUTLINE

- Introduction
- Dynamics of Industrial Development in Bangladesh
- Evolution of Industrial Policy of Bangladesh
- Challenges and Opportunities in Industrial Development
- Scope of International Cooperation
- The way forward



MACROECONOMIC OVERVIEW

- Bangladesh has experienced strong economic growth
- GDP growth has now exceeded 7% for the third time in history
- Bangladesh's GNI per capita has been projected to be about USD 1,602 for FY17

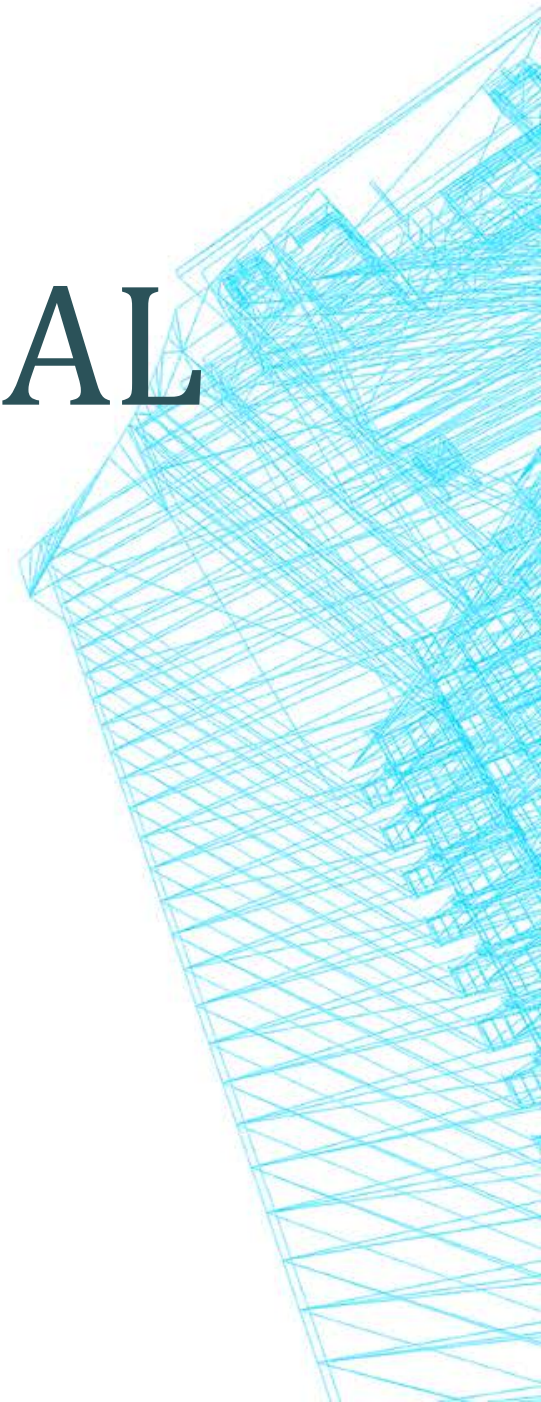


Source: Bangladesh Bureau of Statistics (BBS)

- This economic growth - mainly contributed by *Industrialisation*
- 3.18% of real GDP growth is contributed by growth of the industrial sector with manufacturing sector having a contribution of 2.21% (3.31% by service sector and 0.50 by agricultural sector) in FY17

DYNAMICS OF INDUSTRIAL DEVELOPMENT IN BANGLADESH

Structural transformation is evident – gradual shift
from agriculture to industry and services



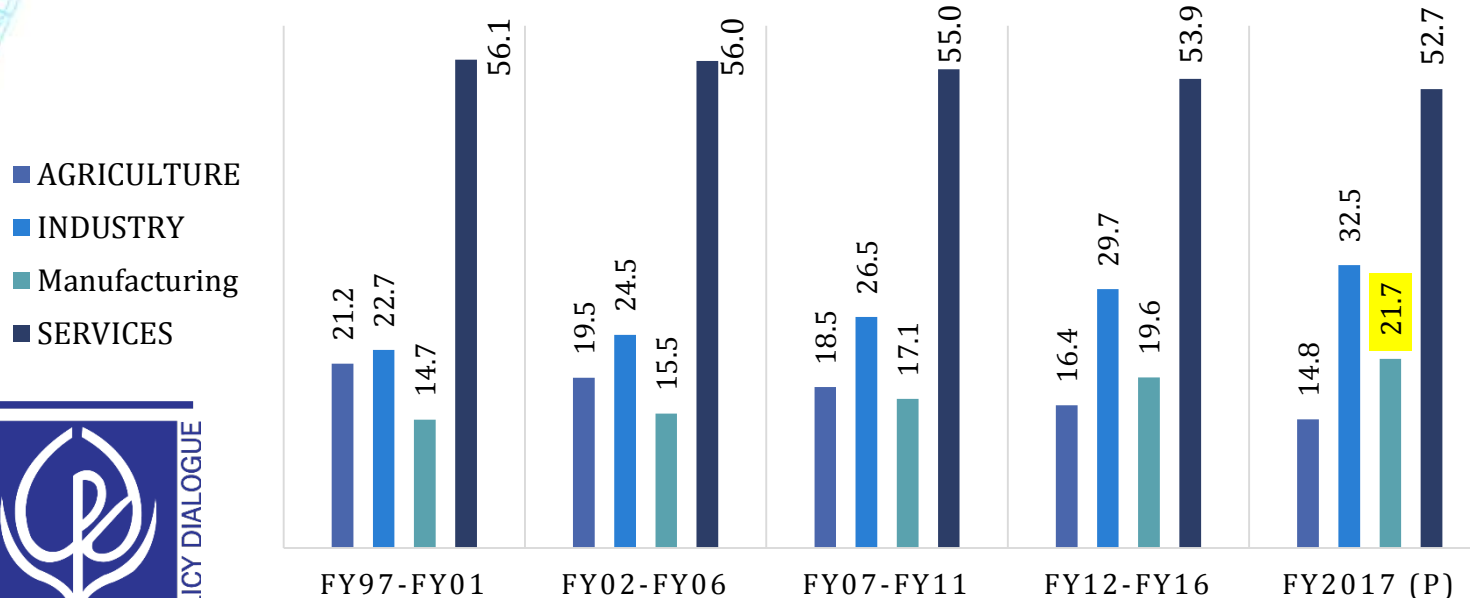
- Industrial growth has been the driver of this economic growth - *mainly boosted by the growth of manufacturing sector*

Table: Five-year average growth of major sectors (in %)

Sectors	FY97-FY01	FY02-FY06	FY07-FY11	FY12-FY16	FY2017 (p)
AGRICULTURE	4.5	3.8	5.1	3.2	3.4
INDUSTRY	6.6	7.4	7.8	9.6	10.5
<i>Manufacturing</i>	5.7	7.5	8.2	10.2	11.0
SERVICES	4.7	5.6	5.8	6.0	6.5
GDP at constant market price	4.9	5.4	6.0	6.5	7.2

- Manufacturing now accounts for 21.7% of GDP

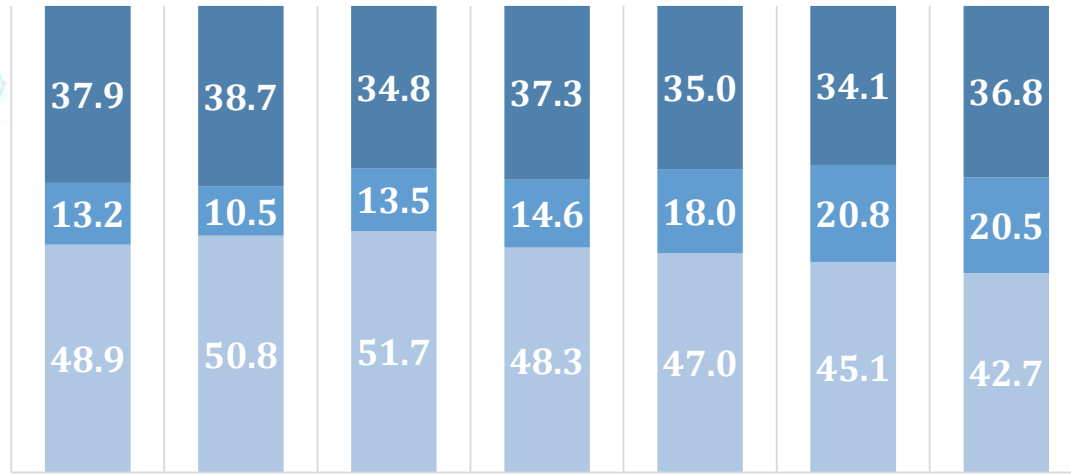
Five yearly average of GDP share (in %)



- Bangladesh's manufacturing sector has grown steadily as the country has industrialised.
- Largely driven by the ready-made garments (RMG) sector
- The employment structure has changed significantly

Employment Structure

■ Agriculture ■ Industry ■ Services



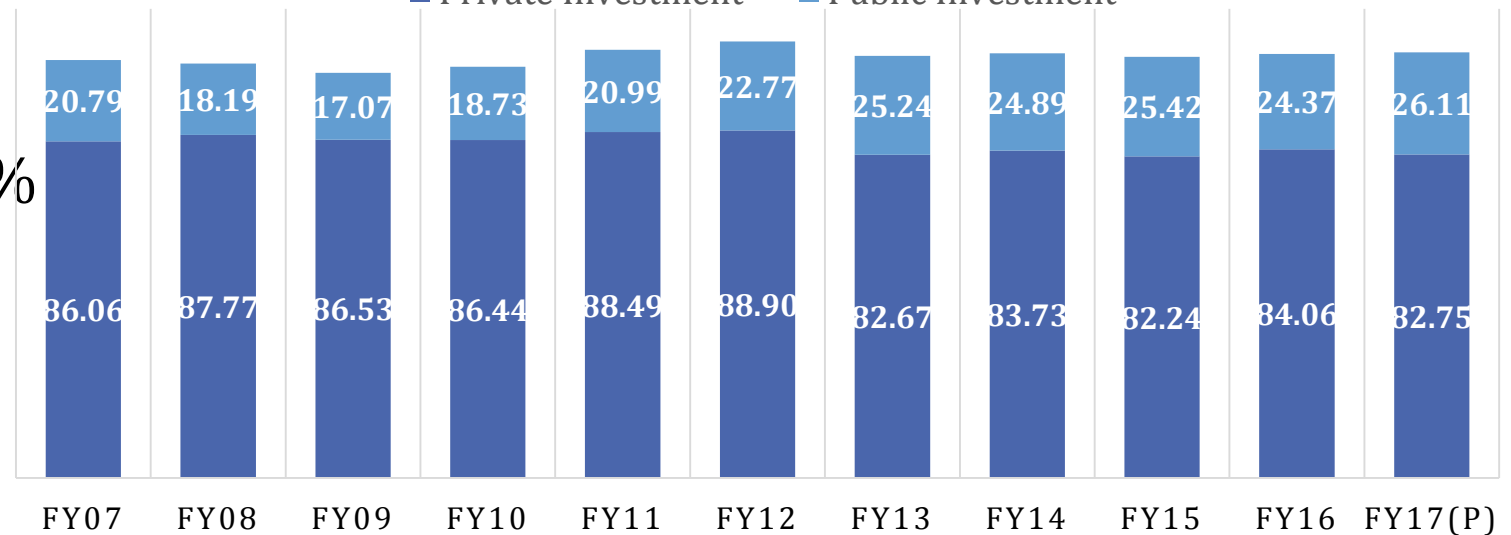
LFS 1995-1996 LFS 1999-2000 LFS 2002-2003 LFS 2005-2006 LFS 2010 LFS 2013 LFS 2016

Source: Labour Force Survey of Bangladesh

- Industrialisation has generated employment
- RMG alone employs more than 4 million workers – with 80% being women
- Though in LFS 2016 labour participation in Industrial sector reduced to 20.5 %

Investment as a % of the industrial GDP

■ Private Investment ■ Public Investment

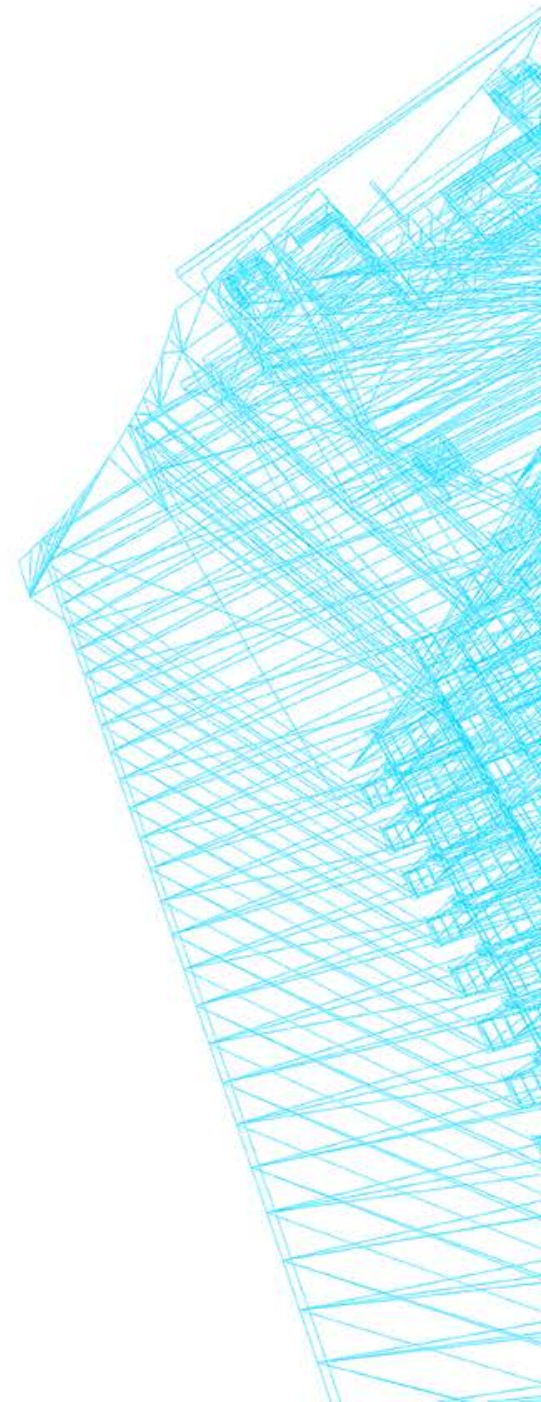


- Private investment as % of industrial GDP has decreased in recent times

EVOLUTION OF INDUSTRIAL POLICY

Bangladesh has implemented 11 industrial policies (IP) since independence and has achieved:

- ✓ Gradual shift from nationalised industrial policy to market-oriented privatization
- ✓ Implementation of liberalised trade policy with gradual deviation from protectionist policies
- ✓ Movement from import-substitution objective to export-oriented industrialisation



- Massive Nationalisation
- Limited private investment (BDT 2.5 million)
- Foreign private investment restricted
- Low ceiling on value of fixed assets

- Most Comprehensive policy
- Specific objectives
- Dominant export orientation
- Attract Foreign Direct Investment
- 16 thrust sectors identified
- Clear definitions of different types of industries

- Identification of two new types of industries for providing policy and financial support
- High priority sectors
- Creative industries
- Export diversification
- Reform of state-run enterprises – to increase private involvement

Industrial Investment Policy, 1973

Revised Investment Policy, 1975

New Industrial Policy (NIP), June 1982

Industrial Policy 1999

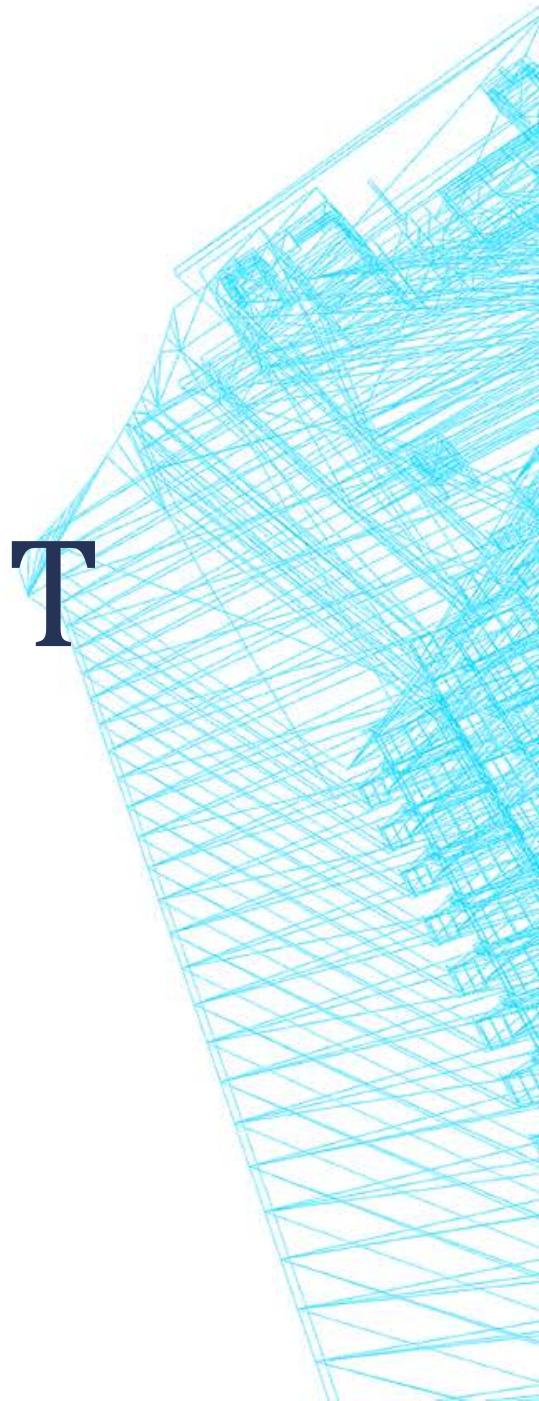
Industrial Policy 2016

- Amendment of constitution to facilitate large-scale denationalization
- Private sector-led growth
- Relaxation of investment sanctioning processes
- Liberal credit policies
- Generous lending by banks and DFIs
- Shift to “managed” floating exchange rate regime

- Structural adjustment programmes
- Promotional instruments introduced
- Export oriented growth
- Import liberalization – liberalization of tariff structure
- Rapid industrialization

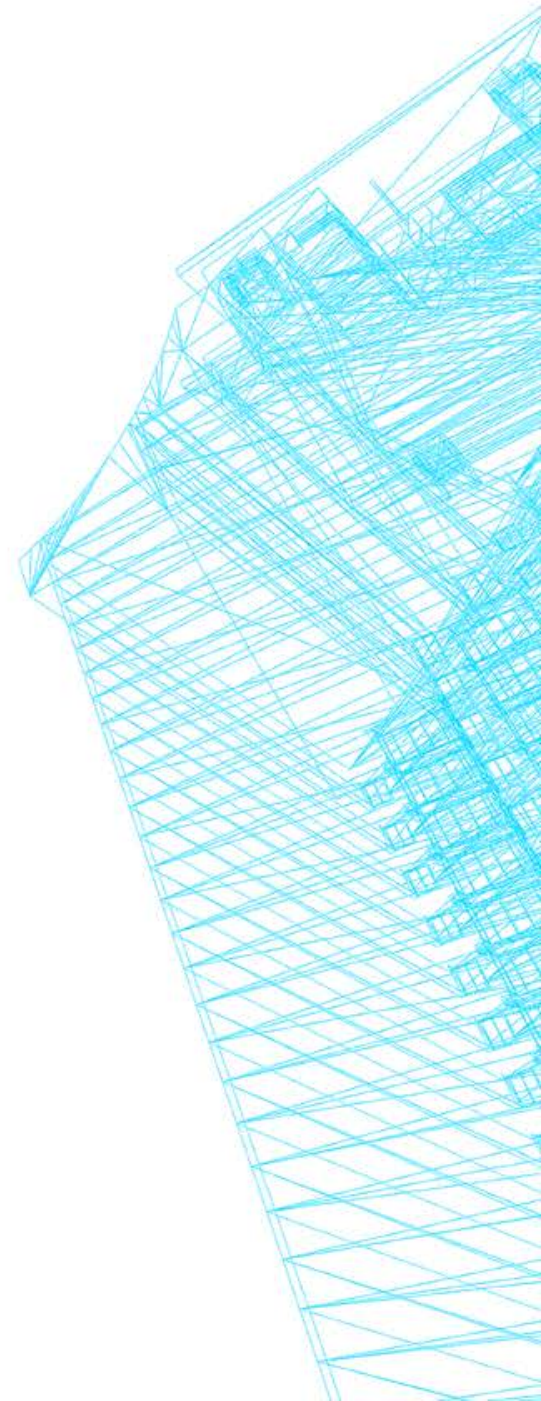
INTERNATIONAL COOPERATION IN INDUSTRIAL DEVELOPMENT

- ✓ Trade
- ✓ Foreign Direct Investment
- ✓ Overseas Development Aid



- BBIN Motor Vehicle Agreement
- BCIM Economic Corridor initiative
- The visit of Chinese President Xi Jinping in October 2016 yielded the signing of 27 deals, where Bangladesh will receive \$24.45 billion in assistance from China.
 - To boost trade between the two nations - 13 joint venture agreements
 - Finalisation of big investments and trade deals worth nearly \$40 billion
 - Approval of Chinese Investment Zone
 - Bangladesh should be more proactive in attracting the Chinese surplus investments fund for infrastructural improvement and export development
- Bangladesh and India inked 22 pacts during the Bangladeshi Prime Minister's visit to India in 2017
- Bangladesh needs to develop smart strategies to utilize the funds received

CHALLENGES AND OPPORTUNITIES FOR THE INDUSTRIAL SECTOR OF BANGLADESH



CURRENT CHALLENGES

- Bangladeshi Exports are mostly destined to concentrated markets – there is imminent need for market diversification
- Lack of product diversification in exports
- Transformation from factor-driven to productivity oriented processes
- Employment generation capacity of the existing industrial sector
- As Bangladesh graduates from the LDC status, support mechanism received now will be no longer available

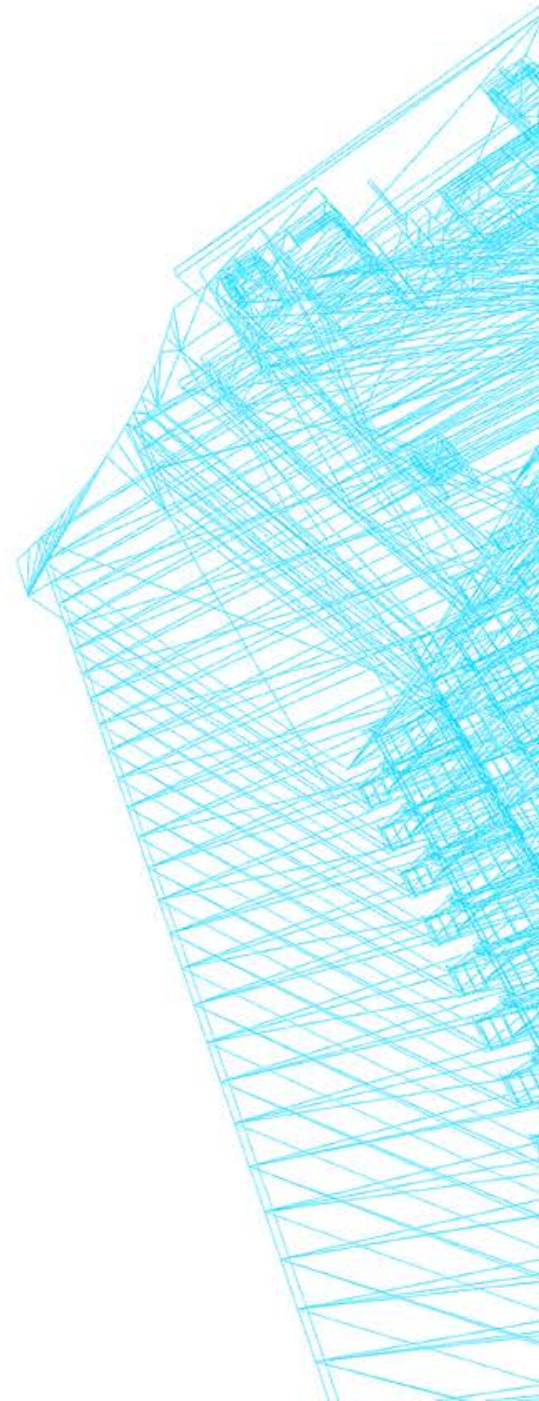
CURRENT CHALLENGES

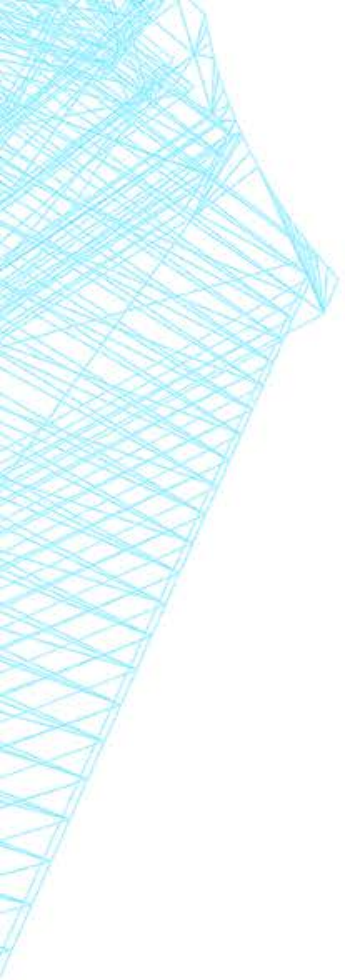
- Bangladesh as a lower-middle income country (LMIC) will have to encounter higher costs of credit, hard loans blended with the concessional loans (or soft loans).
- Private investment is not increasing (in recent times)
- Perennial infrastructure deficit
- Political economy problem of other sectors being deprived of policy benefits which were initially offered to facilitate the development of RMG sectors
- What will be the next stage liberalization policy?

OPPORTUNITIES

- Bangladesh is positioned in proximity to the current global growth drivers – India and China
- Bangladesh can use this position to incorporate her production into regional (and global) value chains
- Visiting Blue Economy potential for industrialization
- With proper macro, fiscal, monetary polices Bangladesh can attract more FDI
- Infrastructure development – can help utilize the favourable geographical position

SCOPES OF INTERNATIONAL COOPERATION





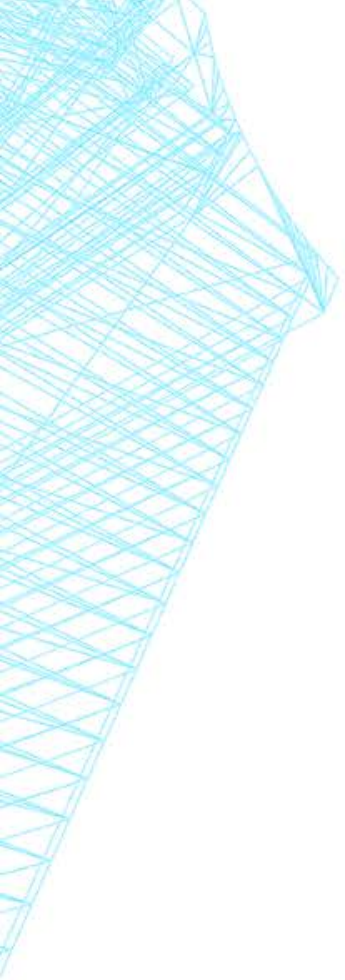
GLOBAL VALUE CHAIN

MARKET DIVERSIFICATION

FOREIGN DIRECT INVESTMENT

TECHNOLOGY TRANSFER





INFRASTRUCTURAL FINANCING

REGIONAL CONNECTIVITY

**OTHER NON-ECONOMIC
COOPERATION**

THANK YOU