BANGLADESH

Country Commercial Guide
2003-2004

United States Trade Center
American Embassy, Dhaka

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COUNTRY COMMERCIAL GUIDE

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This Country Commercial Guide (CCG) presents a comprehensive look at Bangladesh's commercial environment, using economic, political and market analyses. CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the United States business community. CCGs are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

1. EXECUTIVE SUMMARY

Although Bangladesh's economic growth has been respectable, the agricultural sector strong, and inflation moderate, the economy as a whole faces several lingering problems that may seriously affect performance. Despite the recent private sector participation in the energy and telecommunications sectors, the Bangladesh Government (BDG) has yet to pursue the vigorous pro-market reforms necessary for higher growth levels. Presently, about a third of the country's 132 million people live below the poverty line; the current per capita gross domestic product (GDP) is about $360. Bangladesh's investment policies are friendly to foreign investment, but implementation of these policies has been a continuing problem. As a result, actual foreign investment has lagged well behind its potential. Labor cost per unit is low, but so is productivity. Infrastructure such as electric power, telecommunications, water, and rail transport is poor, even by regional standards. In particular, an old, congested, and corruption-ridden port in Chittagong exacts a heavy toll on the economy. The country's legal system is outdated and undermanned, leading to long delays in resolving cases. Many government officials view their role more as controlling, rather than stimulating, commercial activity. Corruption is pervasive at all levels of the government and there is concern that law and order have deteriorated, with extortion and crime affecting many corners of society. Failure of the BDG to address long-standing structural deficiencies in the economy and an uncertain business environment brought about by confrontational politics has seriously inhibited industrial activity from reaching its potential in Bangladesh.

These impediments have not prevented Bangladesh's economy from growing at an average annual rate of about 5.0% from FY1991-2001 (Bangladesh's fiscal year runs July 1 - June 30). While GDP grew by an estimated 4.4% in FY2002 and is expected to grow by 5.2% in FY2003, these rates fall short of the sustained 7.0% growth rate needed to significantly reduce poverty. As of May 2003, industrial production climbed back over 8% on a 12-month moving average, and food grain production is up 5% (to 26 million tons) from last year. Inflation has increased, but remains manageable at about 6%, and foreign exchange reserves have improved over the last six months (reaching $2.0 billion as of mid-2003) due mainly to increased remittances from workers abroad. Export levels increased nearly 10% in 2002, although export earnings have remained flat. In FY2002, Bangladesh's imports totaled $7.7 billion while exports totaled $5.9 billion.

Relations between Bangladesh and the U.S. are excellent. These relations were boosted in March 2000 when President Clinton visited Bangladesh, the first visit ever by a sitting U.S. President, and when Secretary of State Colin Powell visited in June 2003. The Bangladesh business community is well disposed toward American products. Principal U.S. exports to Bangladesh are raw cotton, wheat, edible oils, generators, and a wide variety of industrial inputs and machinery. U.S. direct investment to Bangladesh increased dramatically in the late 1990's, primarily in the natural gas and power sectors. From a level of $25 million in 1995, American direct investment in Bangladesh now exceeds $1 billion. Foreign direct investment to Bangladesh from all sources, however, has stagnated over the last few years. The U.S. had a $1.86 billion trade deficit with Bangladesh – mainly due to exports of ready-made garments – in calendar year 2002. A third of Bangladesh's total exports are destined for the U.S. while only about 3% of its imports originate from there. During the period January to April 2003, U.S. exports to Bangladesh reached $67 million compared with $111 million for the same months in 2002. Exports for the entire calendar year 2002 totaled $269 million, down by $38 million from 2001.

The best prospective sectors for American firms' investment include gas exploration and production equipment, power generation and related equipment, computers, and textile machinery/equipment. As in the past, agricultural products will remain the major U.S. export to Bangladesh. Many of the larger Bangladeshi firms express interest in joint ventures with U.S. companies.

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2. ECONOMIC TRENDS AND OUTLOOK[1]

MAJOR TRENDS, OUTLOOK, AND PRINCIPAL GROWTH SECTORS

Bangladesh is a semitropical riverine nation with fertile soil and a high vulnerability to floods and cyclones. Most Bangladeshis live in rural areas and make their living from agriculture, although there has been heavy migration to the cities, primarily to Dhaka, the capital. With 132 million people crowded into an area the size of Iowa, Bangladesh has the highest population density of any country, except city-states such as Singapore. Since independence in 1971, Bangladesh has been one of the world's poorest countries.

Bangladesh has experienced fairly robust economic growth during the last decade, which saw the restoration of a democratically elected government and a steady, albeit slow, liberalization of the economy. The average annual growth of GDP in the period from FY1991-2001 was about 5.0%; the estimated rate for FY2002 was 4.4% and the projected rate for FY2003 is 5.2%. However, these growth rates fall short of the estimated 7.0% growth rate needed to significantly reduce the poverty that afflicts one in three Bangladeshis. Inflation rates have remained moderate, averaging 5.9% during the 12 months through February 2003.

Despite a relatively good performance in the last decade, the economy is beset with many structural weaknesses, which the government has yet to address. Chief among these weaknesses are the undercapitalized financial sector, an unproductive and chronically money losing public sector, poor infrastructure, lack of export diversification, and pervasive corruption at all levels of society. In July 2002, Transparency International reported that Bangladesh is perceived to be the most corrupt country in the world. The failure of the political system to address these long-standing economic problems has adversely affected the business environment and investment climate.

Agriculture

Agriculture accounts for approximately 25% of GDP, down from about 40% in the 1980s, and is the primary occupation of about 70% of the population. The agricultural sector is dominated by rice production. The nation's enhanced food security can be attributed both to several excellent harvests and the government's decision in the early 1990s to liberalize the import market for food grains. Receptiveness to the use of hybrid seeds, the substitution of cash crops (corn, potatoes, fruit) for traditional rice cultivation, increasing use of arable land for efficient small scale vegetable farming, growth of micro credit and government-sponsored agricultural credit, and the sharp expansion of non-crop agricultural activities such as livestock and fisheries are making the agricultural sector an unqualified success in an otherwise fragile economy.

In FY2002, total food grain production was 25.9 million tons, a 3.2% decline from the previous year. The FY2003 food grain projection is estimated to be approximately 28.1 million tons. Private sector food grain imports increased in FY2003, totaling 2.2 million tons as of April 2003, compared to 1.3 million tons for the entire FY2002.

Jute is Bangladesh's main cash crop, cultivated in rotation with rice. Although Bangladesh is still the world's leading jute exporter, the fiber's prominence has slipped in recent years as world demand for jute products such as carpet backing and burlap bags has stagnated or fallen.

[1] The economic statistics in this section were derived from the Bangladesh Bank and/or the Asian Development Bank.

Inefficiency caused by heavy government involvement in procurement and processing has also hurt the sector. Accordingly, on June 30, 2002, the BDG closed down the Adamjee Jute Mill, the country's largest and most costly state-owned enterprise (SOE). Farmers are growing increasingly disinterested in the crop due to the continued supply glut and corresponding low prices in recent years. The combined export earnings of jute and jute products now represent about 7% of the country's export earnings, down from about 24% in FY1991. Export volumes, however, have been increasing.

Industry

Industry (manufacturing, construction, power, and utilities) accounts for approximately 26% of Bangladesh's real GDP. During the first half of FY2003, manufacturing output increased 4.9% compared to the same period in FY2002. Chemical products, food processing, and wood products are performing well. The output from small scale enterprises is also doing well, increasing 5.7% in the first half of FY2003 compared to the same period last year. Continued industrial growth, however, will depend upon the availability of a steady supply of electricity, other infrastructure improvements, better governance, and continuous financing, which are chronic problems facing industry.

GOVERNMENT ROLE IN THE ECONOMY

Bangladesh's industrial development has been hampered by a history of government intervention in trade and industry. Although over the past decade the BDG has enacted policies to diminish bureaucratic requirements and open the economy to private sector development, these efforts at market-based reforms have only been partly successful. Trade has been liberalized and new sectors opened to private sector development; other reforms have also improved the business climate. However, many other reforms such as privatization, encounter stiff opposition from vested interest groups, such as public sector labor unions, bureaucrats or opposition political parties. To date, Bangladesh's government has found this opposition difficult to overcome, and implementation of policy reforms has often been lacking.

Approximately 30-40% of the government's fiscal deficit stems from financing state-owned enterprises. According to the World Bank, in FY2001, SOE's accounted for over 25% of total fixed capital formation, but only 6% of GDP. Gross losses of these SOE's cost the government several hundred million dollars each year. In a poor country like Bangladesh, the opportunity cost of operating a resource draining SOE is acute, as resources are moved away from social sectors like health and education. The nationalized commercial banks are grossly inefficient, with political influence and non-constructive trade union activities resulting in non-performing loans accounting for approximately 35% of all outstanding loans. Most public sector industrial units, especially textiles, jute processing, and sugar processing, are perennial money losers. Units like these drain the government's treasury and set high wages that their private sector counterparts often feel compelled to meet out of fear of union action. Also, crucial non-manufacturing industries — power, telecommunications, railroads, and the national airline — are still largely inefficient public sector monopolies, which limit private sector productivity and growth. The opening up of the oil and gas, power, and telecommunications (cellular and rural areas) portfolios to the private sector is a positive step. Continued privatization also promises good results if the pace of such reform accelerates. At present, about 35 firms are in various stages of privatization, and an additional 100 firms have been identified for future sale to the private sector.

The FY2003 budget projected revenues of taka 331 billion (about $5.7 billion), 20% higher than FY2002 estimates, and expenditures to rise 5.6% from FY2002, with the largest allocations for education (taka 67 billion) and improved delivery of health services (taka 30.3 billion). During the first nine months of FY2003, actual collection exceeded these targets, growing 20% compared to the same period last year. The BDG has reached its revenue targets by improving collection and expanding the tax base. Domestic indirect taxes increased 26% and import taxes grew 18% from last fiscal year. Collection of income tax also increased 16%. The fiscal deficit in FY2002 declined to 4.3% of GDP from 5.1% the previous year. Although data on expenditures and the deficit for the current fiscal year are not yet available, the budget deficit is projected to decrease to 4.1% in FY2003. Domestic financing of the government budget is also expected to drop from 2.5% of GDP in FY2002 to 1.9% in FY2003.

BALANCE OF PAYMENTS SITUATION

Exports from Bangladesh

Export growth, led by the garments and knitwear sectors, played a vital role in the recovery of the manufacturing sector during the 1990s. Garment exports grew at a phenomenal rate since 1994 due to the system of bilateral quotas with developed country markets, whose quota regimes limit the exports of many competing Asian suppliers. Another key to the success of garment exports is a relatively light load of government regulations, the provision of customs bonded warehouses for imported cloth, and financial arrangements (back-to-back letters of credit) which enabled foreign banks to finance raw material inventories. All textile quotas in 2001 were given a 10% increase over the 2000 limits and a 13% increase for 2002. The long-term outlook of garment imports from Bangladesh is less clear, as the quota system under the Uruguay Round Agreement on Textiles and Clothing phases out. With the elimination of the quota system under the World Trade Organization (WTO) in 2005, Bangladesh's garment export sector will be under increasing pressure to correct deficiencies and improve its performance and quality. Much will depend on whether Bangladesh can make improvements in finance, customs, port, and transportation systems.

During the first seven months of FY2003, exports amounted to $3.7 billion – an increase of 5.4% from the same period in FY2002 – mainly due to large increases in frozen foods, agricultural products, jute and jute goods, and knitwear and hosiery products. Export earnings for tea, ready-made garments, and leather, however, continue to decline. The slowdown of the U.S. economy, sluggish growth in Japan and the European Union, and an overvalued currency relative to Bangladesh's Asian competitors have hampered export growth. In FY2002 and FY2001, exports totaled $5.9 billion and $6.4 billion respectively. The country has failed to diversify its export base, with garments and knitwear continuing to account for about 75% of its export earnings. To help expand exports, the BDG lowered lending rates for garment and frozen food exports and offered cash incentives for some exports, and moved to a managed float of the currency in June 2003.

Total U.S. imports from Bangladesh have remained steady over the last several years, primarily due to a generous quota regime for the garment and knitwear sectors. In calendar year 2002, the U.S. imported nearly $2.1 billion in merchandise from Bangladesh, slightly lower than the $2.4 billion imported in 2001. From January to April 2003, exports to the U.S. reached $711 million compared to $693 million for the same months in 2002. Approximately, 33% of Bangladesh's annual exports are destined for the U.S.

Exports to Bangladesh

Exports to Bangladesh for the first six months of FY2003 at $3.8 billion were nearly identical to the same period in FY2002. Large increases in imports of rice, edible oils, and petroleum products have offset declining imports of petroleum, textiles, and capital goods. In FY2002, Bangladesh's imports totaled $7.7 billion.

U.S. exports to Bangladesh stood at nearly $307 million in calendar year 2001, and $269 million in calendar year 2002, with raw cotton, edible oils, wheat, generators, and textile-related machinery being the key exports. During the period January to April 2003, U.S. exports reached $67 million compared with $111 million for the same months in 2002. Imports of U.S. cotton will increase if prices remain competitive. Wheat also has good prospects. The exports of industrial power generators and other major equipment, and computer hardware are expected to increase. Should the BDG approve natural gas exports, future foreign investment in this sector will also create opportunities for U.S. exports.

Current and Capital Accounts

Increasing worker remittances led to improvements in the current account. The trade deficit also declined to $624 million during the first six months of FY2003 from $788 million during the same period last fiscal year. The current account (minus aid grants) had a surplus of $523 million during the first six months of FY2003. The improved current account has offset sharp decreases in direct investment and medium and long-term loans.

Reserves

Bangladesh's foreign exchange reserves stood at approximately $2.0 billion as of June 2003, having increased gradually over the last few years mostly from increased worker remittances. This is enough to provide payment for about two months of imports. The BDG has taken a number of steps, such as establishing banks and exchange houses overseas and stepping up enforcement of its Money Laundering Prevention Act 2002, to increase the volume of remittances through official channels.

INFRASTRUCTURE

Bangladesh's two major seaports, Chittagong and Mongla, handle approximately 14.5 million metric tons of cargo annually; Chittagong, by far the larger port, with two container terminals, handles over 80% of the cargo. The Chittagong port suffers from inefficient space management, a shortage of handling equipment, corruption, and congestion. The BDG approved a private container project in 1998 worth approximately $440 million proposed by a U.S. company, but the project stalled for lack of a signed implementation agreement with the government. The legal status of the U.S. firm's Bangladeshi subsidiary was challenged in the courts and is presently pending before the Bangladesh High Court.

Foreign shipping companies halted operations to Bangladesh from May 31 to June 4, 2003, following BDG enforcement of a court decision upholding a 1982 law giving preference to local flag vessels. The two local flag companies, with only eleven vessels between them, were unable to carry more than eight percent of Bangladesh's cargo. As a result, a few days after the foreign flagged vessels ceased operations, inbound and outbound cargo faced significant delays, warehouses were full, and garment factories stopped deliveries of export-bound products. The crisis was resolved only after the BDG rescinded its directive and gave assurances that the law would be amended.

Bangladesh’s 36,000-kilometer primary road network is in relatively good condition, giving rise to a substantial private trucking industry. The Jamuna Multipurpose Bridge, a mammoth $1 billion engineering and construction project that spans the Jamuna River, connecting east and west Bangladesh for the first time, was completed in June 1998. Inland waterways are extensive and inland water transportation accounts for about 65% of domestic cargo transportation and about 38% of inter-district passenger traffic, despite seasonal siltation problems and inadequate inland port facilities. Bangladesh’s 4,364-kilometer railway system is in poor condition, hobbled by a mix of track gauges, widespread ticket-less travel, and aged equipment. The BDG has modernized the Chittagong airport and is in the process of expanding the Dhaka airport. Government-operated Biman Airlines runs a fleet of about a dozen aircraft, and several airlines connect Dhaka with Europe, the Persian Gulf, and South, Southeast, and East Asia. Bangladesh has one flourishing domestic private airline, GMG, which entered the market in 1998. Other private airlines have started up but quickly folded over the last three years, though several companies operating helicopter services and international cargo services may carve out small niche markets. Air cargo volumes, while still small, have been growing steadily over the last few years.

Bangladesh's public power sector is inadequate and rife with corruption. Over 40% of electricity distributed to urban areas is never paid for. Overloading and a lack of maintenance cause frequent outages. Necessary planned blackouts, called "load shedding," are common occurrences throughout the country. Damaged equipment, investments in standby generators, and lost production time caused by power irregularities and failures have cost some firms up to 30% of their value of production.

The U.S. Geological Survey and the state oil company, Petrobangla, completed an evaluation of the nation's potential gas resources in fall 2000. The BDG intends to open this part of the economy further and improve the investment climate for foreign investors, but on-the-ground progress is very slow and implementation of pro-private sector policies in some sectors is lacking. Slow payment for gas deliveries by Petrobangla has tempered investor confidence. The government is making progress in gas and energy, but not at a fast enough rate to keep pace with economic growth and the pressing needs of society. A deteriorating power supply situation hampers industrial growth and frustrates the populace.

The country's telecommunications services are also inadequate. Bangladesh devotes a mere 0.7% of its GDP to the telecom sector as compared to the regional average of about 2.0%. The government-run telephone service has approximately five telephone lines for every 1,000 people, giving it one of the lowest penetration rates in the world. Approximately half the nation’s 900,000 telephone land-lines are located in Dhaka, a city of over 12 million people. Bangladesh’s call completion rate remains under 50% and its land-line network barely supports moder telecom accessories such as call-waiting, call forwarding, and voice mail. The telephone service company is undermined by widespread corruption. While cheaper and easier to obtain than land-lines, mobile phones face similar technological problems. Due to inadequate interconnection facilities for mobile phones, only about 10% of mobile phones can actually call a land-line. More than a mere inconvenience, these limitations place businesses operating in Bangladesh at a severe disadvantage to their competitors located elsewhere in the region and around the world. Several Internet service providers, featuring electronic mail and World Wide Web services, now exist in Bangladesh. Bandwidth, however, is very expensive since the country does not have an Internet Exchange Point and is not yet connected to a submarine fiber-optics cable system.

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

3. POLITICAL ENVIRONMENT

NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES

U.S.-Bangladesh relations are excellent. U.S. policies have focused primarily on efforts to promote Bangladesh's economic development and political progress as a democracy. In FY2002, the U.S. provided a total of $88.5 million in aid to Bangladesh, including $39.9 million in Child Survival Funds, $21.6 million in Development Assistance, $3.0 million in Economic Support Funds, and $23.9 million pursuant to P.L. 480 Title II. The U.S. is planning to provide Bangladesh a total of $93 million in aid in FY2003. Since Bangladesh's independence in 1971, the U.S. has provided over $4 billion in aid, approximately half of which has been food aid.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

The narrow focus on partisanship and political confrontation by both the ruling and opposition parties contributes to poor governance by detracting from the government's ability and willingness to focus on economic reforms and policy implementation. The Awami League (AL) government stepped down on July 13, 2001, successfully completing its five-year term. Elections were held on October 1, 2001, and the Bangladesh Nationalist Party (BNP) won the majority of seats in Parliament. The new government has committed itself to implementing business and law and order reform. Some prospective foreign investors have been either confused or discouraged by a seeming indifference toward the private sector, where bureaucratic delays and inconsistencies with policy pronouncements are common. To a large extent, all major political parties publicly support private sector economic reforms.

There are no major bilateral or international political issues that affect the business climate in Bangladesh. During the war in Iraq, however, political demonstrations occurred almost daily and in a few instances resulted in damage to some American businesses. General strikes (hartals) have regularly disrupted business operations in the past. The AL won a majority in parliamentary elections in June 1996, after a campaign of nonstop hartals forced its predecessor, the BNP, to step down. In 2001, there were 22 days of nationwide strikes during the build-up to the October parliamentary elections. Although hartals have been less frequent since the election, they continue to occur. While business has partially adjusted to the hartal culture prevalent in the country, the disruptions inflict a severe cost on the economy and on individual businesses.

SYNOPSIS OF POLITICAL SYSTEM

Bangladesh is a parliamentary democracy, with general elections constitutionally required at least once every five years. The Parliament has 300 elected members (MPs). Candidates may contest a maximum of five seats in any one election, but may only hold one. Parliament elects the country's President, whose duties are largely ceremonial, to a five-year term.

Following its war of independence in 1971 and the establishment of a new Constitution in 1972, Bangladesh held its first parliamentary election in March 1973, which solidified the AL's ruling majority. In August 1975, the elected government of Sheikh Mujibur Rahman — who was a prominent leader in the nationalist movement — was overthrown in the first of a series of military coups followed by military rule, which plagued the country for the next fifteen years. In this first coup, Sheikh Mujib and most of his family were murdered. His daughter, Sheikh Hasina, was out of the country and survived, later becoming the AL chief. In 1981, President Ziaur Rahman, an army general (and founder of the BNP) who came to power in the turmoil following the death of Sheikh Mujib, was himself assassinated. His party's mantle passed to his wife, Begum Khaleda Zia. In December 1982, General H.M. Ershad, then Army Chief of General Staff, seized power and declared himself President. He remained President for eight years, forming the Jatiya Party and attempting to legitimize his rule through political manipulation. He was forced to resign in December 1990, following months of popular demonstrations.

In February 1991, the BNP won a parliamentary plurality of 140 seats in general elections and formed the government, with Begum Khaleda Zia becoming Prime Minister. The AL, Jatiya Party, and the Jamaat-e-Islami formed the bulk of the opposition. A political impasse dragged on for nearly two years, and the opposition parties boycotted general elections held by the BNP in February 1996. After the BNP government lost credibility with substantiated reports of vote rigging in the one-party election, popular pressure compelled the BNP to hold an election under a caretaker government. New polls were contested by all the major parties in mid-June 1996, and a new government led by the AL and Prime Minister Sheikh Hasina took its seat in late June 1996. Elections were held again on October 1, 2001, and were declared generally free and fair by domestic and international observer groups, and a BNP-led Parliament was sworn in on October 10. On June 23, 2002, the AL agreed to end its boycott of Parliament and took up its seats in the legislature for the first time since the October parliamentary elections, though it continues to stage occasional “walk outs.”

There are few apparent policy differences between the BNP, the AL, and Jatiya Party. Jamaat-e-Islami calls for an Islamic state, but also professes a commitment to tolerance, democracy, and economic freedom. Despite a remarkable degree of policy consensus, political cooperation has been in short supply. Street demonstrations, strikes and blockades are frequent means of opposition expression. Political acrimony between the major parties could pose obstacles to long-term stability and further economic reform.

4. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

The primary channel for selling U.S. goods in Bangladesh is through a resident agent or representative (importer, wholesaler, or distributor). An agent may be appointed on an exclusive or non-exclusive basis. Approximately half of Bangladesh's imports are made through tender or direct purchase by public sector corporations, autonomous bodies, and government-controlled corporations. These agencies prefer to deal with local firms acting as exclusive agents or distributors of foreign manufacturers and suppliers. An exclusive agency or distributorship arrangement ensures that foreign suppliers submit only one bid. In the private sector, too, businesses prefer deals with exclusive agents to ensure after-sales service, continuous supply of spare parts, and to solve possible future technical problems. It is also helpful for a foreign firm to have an exclusive distributor in order to monitor the progress of major projects, provide information on upcoming sales opportunities, and work out strategies to win tenders. Non-exclusive arrangements are common for commodities such as cotton, wheat, edible oil, chemicals, and metals, where brand names are not as important.

Urban retailers usually purchase or obtain on credit supplies sufficient to last them for a week. Rural retailers generally travel to large cities like Dhaka or Chittagong to inspect goods and to place orders sufficient to last a month or more. While many retail stores carry general merchandise, only a few carry a wide enough range to be considered small department stores. The typical retail shop sells a single commodity, such as tires, cooking utensils, or jewelry. It is frequently located in a crowded bazaar area near other shops carrying similar goods and is likely to be small.

USES OF AGENTS/DISTRIBUTORS: FINDING A PARTNER

U.S. firms may appoint a Bangladeshi firm or individual as an exclusive or non-exclusive agent. The local agent should be reputable, imaginative, active, politically astute and well connected, and technically competent. A local agent may be authorized to service industrial consumers, to bid on government tenders, or to place orders or book indent orders for his own account. The U.S. Embassy's experience suggests that a local agent, which represents many foreign companies, may not be as effective as an agent working solely on behalf of a U.S. firm, which can be more aggressive in pursuing a product or product line. An American firm seeking an agent in Bangladesh may wish to contact a district Department of Commerce office and request and pay for an Agent/Distributor Search (ADS) before deciding on a local representative, or directly contact the U.S. Embassy. The Embassy charges $600 to perform an ADS report. U.S. firms should carefully check a potential agent’s financial soundness, sales capabilities, and contacts with public and private sector organizations. Personal interviews are useful in discussing a business proposal with a potential agent or distributor. Given the level of corruption that pervades Bangladesh, exporters are cautioned to screen carefully any potential agents working on their behalf. Close political ties with the government of the day do not automatically guarantee success, as new governments have delayed or re-tendered deals done by their predecessors.

FRANCHISING

Franchising is generally not practiced in Bangladesh, although there are no regulations barring franchise operations. Some U.S. franchisers have expressed interest in the Bangladesh market during the last few years. Pizza Hut is planning to open a restaurant in Dhaka in 2003. Several

European clothing and fast food operations, including United Colors of Benetton and Wimpy's, have also opened over the last few years.

DIRECT MARKETING

Most imports, especially government procurements, are made through local agents. Due to transportation and customs bottlenecks, direct marketing of consumer goods from overseas is almost non-existent.

JOINT VENTURES/LICENSING

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

The Industrial Policy of 1991, updated in 1999, ensures equal treatment for local investment, joint venture, and 100% foreign investment. According to the policy, no permission of the government is required to set up a joint venture project. This could be misleading, however, as licenses, permits, visas, and other authorizations are required from the relevant regulatory and administrative ministries. The joint venture must also register with the Board of Investment (BOI), which enables the enterprise to obtain facilities such as import entitlement for raw materials and spare parts, land, and utility connections. The BOI is located at Jiban Bima Tower, 10 Dilkusha Commercial Area, Dhaka 1000, telephone: (880-2) 956-2414, fax: 956-2312, e-mail: ecboi@bdmail.net, website: www.boibd.org. Aside from completing its two-page registration application, the BOI does not require any additional documentation. Joint ventures with public sector corporations are also allowed, although clear policies and regulations do not always exist.

ESTABLISHING AN OFFICE

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

Any foreign firm incorporated outside of Bangladesh must be registered in Bangladesh in order to carry out business. Business firms are incorporated and registered under the provisions of the Companies Act of 1994. The incorporation/registration is done by the Registrar of Joint Stock Companies, 24-25, Dilkusha C/A, Dhaka 1000, telephone: (880-2) 955-6398. Any foreign firm with its corporate head office outside Bangladesh wishing to open a branch or liaison office must apply on a prescribed form to the Ministry of Industries, Shilpa Bhaban, Motijheel C/A, Dhaka, telephone: (880-2) 955-0590. The foreign firm must submit with the application its original Overseas Certificate of Incorporation or a copy attested by a Bangladeshi embassy or consulate. There may be a fee for attestation.

SELLING FACTORS/TECHNIQUES

One of the most important selling factors in marketing U.S. products is selecting an efficient and effective local agent or distributor. U.S. firms should carefully consider their potential partner's financial soundness, sales capabilities, and, most important, close contact with public and private sector organizations. The local agent/distributor should be instructed to provide advance information regarding potential government purchases, since the government's tender procedures are complicated and require considerable paper work and lead time to prepare a sound, competitive bid. Local companies should be given adequate product information and training in order to promote U.S. firms' products/services in the local market. Promotional materials such as product brochures, catalogs, posters for display, and specific media advertisements greatly assist a local agent in selling his principal's products/services. U.S. firms should also consider promoting their products/services through the annual U.S. Trade Show held in Dhaka, or participate in the U.S. Embassy's annual catalog exhibition series. Details on the trade show are available from the Executive Director, American Chamber of Commerce in Bangladesh (AMCHAM), Room 319, Dhaka Sheraton Hotel, 1 Minto Road, GPO Box 504, Dhaka 1000, telephone: (880-2) 934-9217, fax: (880-2) 831-2915, e-mail: amcham@bangla.net. The annual U.S. Trade Show is tentatively planned for January 2004.

ADVERTISING AND TRADE PROMOTION

Bangladesh has a small but growing advertising and market research industry. Product and trade advertisements are the most commonly used sales promotion vehicle in Bangladesh, and are carried through the whole range of advertising media, including newspapers, magazines, radio and television, billboards, posters, film shorts, and local exhibitions. Bangladesh has a large and vigorous newspaper and magazine sector, with over 200 English and Bangla newspapers and magazines, including over 100 dailies. The principal English-language dailies published in Dhaka include "Daily Star", "Bangladesh Observer", "Financial Express", and "The Independent." The primary Bangla dailies are "Jugantar", "Ittefaq", "Prothom Alo", and "Jana Kantha." The BDG strengthened its monopoly over terrestrial television broadcasts when it revoked the license of a private domestic television station, Ekushey Television, which had rapidly built up market share. The government-run Radio Bangladesh offers commercial advertisements, generally in Bangla, but Bangladesh Television (BTV) carries a fair share of its advertisements in English. Since 1995, the U.S. Embassy has advocated elimination of a 60% advertising surcharge that the BDG imposes on foreign products. Radio Bangladesh broadcasts over 20 hours per day. BTV broadcasts primarily in the afternoon and evening. Satellite television is increasingly popular among city dwellers, who watch mostly programs beamed from Hong Kong (Star TV) and India; CNN, BBC, and other channels from the U.S. and Europe are also available. Local cable TV companies, which have sprung up in Dhaka and Chittagong during the last two years, offer a relatively wide selection of foreign programming. Bangladesh now has about 60 Internet service providers offering full Internet access. Some fax and phone retailers also offer e-mail services.

PRICING PRODUCT

Since most government purchases are through open public tenders, contracts are usually awarded to the lowest bidder. Other than a few essential pharmaceutical products and petroleum products, the BDG does not have price controls for the private sector where price levels are determined by the market's price mechanism. Due to inefficiencies in the market, the price level for most products is higher in Bangladesh than demand and supply conditions would warrant.

SALES SERVICE/CUSTOMER SUPPORT

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

SELLING TO THE GOVERNMENT

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

Major BDG direct importers are:

- Bangladesh Chemical Industries Corporation (BCIC)
- Bangladesh Steel & Engineering Corporation (BSEC)
- Bangladesh Oil, Gas and Mineral Corporation (BOGMC or Petrobangla)
- Bangladesh Sugar & Food Industries Corporation (BSFC)
- Trading Corporation of Bangladesh (TCB)
- Bangladesh Power Development Board (PDB)
- Rural Electrification Board (REB)
- Dhaka Electric Supply Authority (DESA)
- Water and Sewage Authority (WASA)
- Department of Health and Family Planning
- Bangladesh Telephone & Telegraph Board (BTTB)
- Directorate General of Defense Purchase (DGDP)
- Civil Aviation Authority of Bangladesh (CAAB)

Major and bulk purchases to be made by public tender are published in the local media. The U.S. Embassy's Political/Economic Section monitors all bid announcements and reports them promptly to the Office of International Projects (OIMP), Room 2015-B, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230, and telephone: (202) 377-2373. OIMP also tracks all multilateral development bank projects valued at over $5 million. Information on tenders under $5 million is received by the U.S. Department of Commerce's Office of South Asia, telephone: (202) 377-2954.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Protection of intellectual propery rights in Bangladesh has worsened and is becoming a serious concern. Bangladesh is a signatory of the Uruguay Round agreements, including the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and is obligated to bring its laws and enforcement efforts into TRIPS compliance by January 1, 2006. The BDG enacted a Copyright Law in July 2000, updating its copyright system and bringing the country into compliance with TRIPS. Enforcement of this and other IPR laws is lax. The BDG has been urged to move quickly to improve protection. The U.S. Trade Representative's "Special 301"

Watch List, which identifies countries that deny adequate and effective protection of intellectual property rights or deny fair and equitable market access for persons that rely on intellectual property protection, has never included Bangladesh. In 2003, however, a U.S. trade association proposed adding Bangladesh to the Watch List. Intellectual property infringement is common, particularly of computer software, motion pictures, pharmaceutical products, CDs/DVDs, and audio and videocassettes. Bangladesh has been a member of the World Intellectual Property Organization (WIPO) in Geneva since 1985.

NEED FOR LOCAL ATTORNEY

Legal assistance may be required to settle business disputes. A representative list of Bangladeshi attorneys handling commercial law cases follows. No responsibility for professional ability or integrity of those listed is implied, but the firms have been chosen with care. Names are listed alphabetically.

Advisors' Legal Alliance
35/A Purana Paltan Line, VIP Road
Dhaka - 1000, Bangladesh
Telephone: 880-2-9337695, 9338805
Facsimile: 880-2-9131977, 8319427
Email: tlc@bangla.net; web: www.lawconsbd.com

Ain Bid Sangstha
Sadharan Bima Bhaban (8th Floor)
139 Motijheel C/A
Dhaka 1000, Bangladesh
Tel: 955-3968, Fax: 956-0195

Dr. Kamal Hossain & Associates
Chamber Building (2nd floor), 122-124 Motijheel C/A
Dhaka 1000, Bangladesh
Tel: 955-2946, 956-4954, Fax: 956-4953

H & H Company
Shareef Mansion (2nd floor), 56-57 Motijheel C/A
Dhaka 1000, Bangladesh
Tel: 955-0705, 955-2447, Fax: 956-9233

Huq & Company
47/1, Purana Paltan
Dhaka 1000
Tel: 955-2196, Fax: 955-5953

Lee Khan and Associates
City Heart, Suite No. 5/7
67, Naya Paltan (4th floor)
VIP Road, Motijheel Commercial Area
Dhaka 1000, Bangladesh
Tel: 831-3508, Fax: 831-9279

Moudud Ahmed & Associates

Islam Chamber, 9th Floor, 125/A
Motijheel C/A,
Dhaka 1000, Bangladesh
Tel: 956-818, 956-5477, Fax: 956-5479

The Law Syndicate
Isphani Building (1st floor), 14-15, Motijheel C/A
Dhaka 1000, Bangladesh
Tel: 955-9335, Fax: 811-5090

PERFORMING DUE DILIGENCE

To check the bona fides of a bank, agent, or customer, U.S. firms can contact one of several Bangladeshi chambers of commerce or business associations. The U.S. Embassy's Political/Economic Section may also be able to provide some useful information.

5. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL PRODUCTS

Sector rank: 1
Sector name: Oil, Gas, and Mineral Exploration/Production Services
ITA Industry code: OGS

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

The gas distribution bottleneck is being addressed by projects financed by the World Bank and the Asian Development Bank (ADB). Through the Gas Sector Development Strategy and Gas Sector Development Program, the World Bank and ADB are prodding the government toward private sector participation in gas transmission and development activities. In addition to completing small feeder lines, the BDG has started to build a new 28-km pipeline from Rashidpur to Habigonj at an approximate cost of $20 million. Another two such projects, the 125-km Ashugonj-Ellenga pipeline and the 55-km Bakhrabad-Meghnagaht pipeline are included in future planning. In addition to the pipeline projects, Petrobangla plans to set-up a $110 million NGL extraction and LPG/Fuel production plant. At-least six exploratory and appraisal gas wells are also planned to develop existing gas resources. These wells are expected to require drilling and production services and equipment worth over $50-70 million. Under donor programs, funding will be provided for gas dehydration facilities, new wells, better gas distribution, and other components to modernize and improve the existing gas pipeline network.

Future projects, especially the expansion of pipelines in Western Bangladesh and fields in the Sylhet District, will require considerable technical assistance, including consulting services in project engineering and construction, supervision and institutional development support in gas network management, and environmental and safety management. Petrobangla and its subsidiaries regularly publish bid notices for piping and facilities construction. U.S. firms have won such contracts in the past. In 2002, U.S. exports of drilling and oilfield equipment totaled $1.1 million; in 2001 exports reached $1.3 million.

Sector rank: 2
Sector name: Electrical Power Systems
ITA Industry code: ELP

Bangladesh currently possesses an installed capacity of less than 4,000 MW, with peak generation capacity of 3,500 MW. The current forecast is to increase the generation capacity to 5,200 MW by 2005 and 7,700 MW by 2007, raising the total proportion of electricity supplied by independent power producers from 21% to 35%. In order to meet its target for expanding electricity generation, the BDG plans to make the following investments through 2007: additional generating capacity of 3,000 MW ($1.6 billion); construction of a 1,555 km 230/132 kV transmission line, 22 new 230/132 and 132/33 kV substations, and rehabilitation of 29 existing substations ($0.8 billion); construction of 6,000 km distribution lines and associated 33/11 kV substations ($1.2 billion); construction of a load dispatch center ($30 million); rehabilitation of existing power plants ($50 million); and new 100-150 MW captive generation plants (mainly gas generators from private sector vendors) for local industries and commercial installations ($50 million).

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

The ADB and the World Bank are both involved in promoting necessary policy reforms and in financing plant construction. Thus far the ADB has pledged about $250 million for this sector. The German government also pledged over $62 million. A number of donors, facilitated by a long-standing USAID bilateral program, are providing commodity and technical assistance in rural electrification. USAID, through its bilateral and South Asia Regional Initiative on Energy (SARI/E) programs, and a number of other donors also are providing assistance in the power generation, transmission, and distribution areas as well.

The dominant energy source in Bangladesh is natural gas, which accounts for 75 percent of all commercial power generation. Bangladesh has estimated reserves of about 14-16 trillion cubic feet, with an additional 32-40 tcf in undiscovered gas resources. There is limited scope for coal-fired power plants; one plant is under construction in the Northwest where coal deposits are located, though environmental and cost concerns still make the plant of questionable viability. While prospects for renewable energy technologies are not very bright, the BDG has plans to install several wind and solar energy pilot plants in remote areas. Short-term export prospects are good for transformers, treated wood poles, pre-paid electric meters, pilfer-proof digital meters, insulators, surge protectors, line tools, commercial diesel and gas generator sets, and spare parts for U.S. and U.S.-licensed turbines in government-run power plants. In 2002, U.S. exports of electric equipment totaled $3.7 million, while exports of generators reached $12.8 million; in 2001, the exports of these products totaled $2.7 million and $14.4 million respectively.

Sector rank: 3
Sector name: Computers/Peripherals and Computer Software
ITA Industry code: CPT & CSF

The computer hardware, peripherals and software market is worth approximately $25 million and increasing by 20-25% per year. The U.S. share of this market is about 55%. There are approximately 500,000 desktop PCs in Bangladesh, with sales dominated by locally assembled clones (85%). A large number of computer assemblers import motherboards and other components from Taiwan and South Korea. However, the software and peripherals market is largely dominated by U.S. brands.

Strong customer preference for U.S. computers and a zero import tariff points to good prospects for increased sales. A 2002 plan to impose 7.5% duty has now been withdrawn. Most vendors are targeting small offices and home users. A growing number of computer training schools, including one sponsored by Microsoft, will increase skilled computer personnel. Since the introduction of Internet services in 1997, a growing number of businesses and individuals are buying computers for their communications needs. The central bank, the government-owned commercial banks, and private banks are continuing to computerize operations. Several local and foreign banks have installed ATM machines in various parts of Dhaka city. U.S. industry could capture the majority of this market, given senior bank management's familiarity with and preference for U.S.-made computers. U.S. exports of computers, computer accessories, and semiconductors totaled nearly $3.9 million in 2002 and $3.7 million in 2001.

Sector rank: 4
Sector name: Textile Machinery/Equipment
ITA Industry code: TXF

Bangladesh exports about $5 billion worth of garments to Europe, Canada, and the U.S., with about 43% destined for the latter. But with 75% of the needed raw materials imported into Bangladesh, the major garment exporters association, with some encouragement from the government, is pushing to develop stronger backwards linkages for its textile industry. 30% of all spinning of garment materials is produced domestically, while 17% of all woven materials is produced domestically. The market for textile machinery and components is expected to grow steadily over the next several years, and U.S. suppliers of sophisticated weaving, spinning, finishing and dying machinery should find a ready market. However, the lack of bank credit at reasonable rates is impeding purchases. New machinery from Japan, Korea, Britain, Switzerland, and Germany presents stiff competition in this market, yet there have been signs of increased interest in new, used, and reconditioned equipment from the U.S., which often offers better value. Bangladeshi buyers have complained in the past, however, about a lack of information and responsiveness from U.S. vendors of used and reconditioned equipment. Bangladeshi buyers typically prefer to see a demonstration of the machinery they intend to purchase. U.S. textile machinery exports totaled $10.0 million in 2002 and $5.5 million in 2001.

Sector rank: 5
Sector name: Architectural, Construction and Engineering Services
ITA Industry code: ACE

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

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

Sector rank: 1
Sector name: Cotton

The U.S. has been the second major supplier of raw cotton to Bangladesh, providing 19% of total cotton imports (216,000 metric tons) in FY2002. Cotton imports have been increasing at about 10% per year since 1995. The countries comprising the former Soviet Union have emerged as the principal cotton suppliers to Bangladesh in terms of export volumes. If U.S. cotton prices remain competitive, American cotton could increase to 30% of Bangladesh's total cotton imports. U.S. raw cotton exports to Bangladesh in 2002 totaled $66.5 million.

Bangladesh is a growing market for ELS and superior quality cotton. Approximately 30% of cotton imports are destined for export oriented spinning mills. These mills regularly import U.S. Pima and Upland cotton, preferring U.S. quality, consistency and better ginning, and are willing to pay reasonably higher prices for it. However, high freights costs and longer delivery periods often lead Bangladeshi importers to source their cotton from non-American suppliers. In addition to retaining price competitiveness, export credit programs and direct contact between Bangladeshi buyers and U.S. suppliers through exchange visits and trade shows could help increase U.S. cotton exports to Bangladesh.

In the early 1990s, export-oriented woven, hosiery, and knitwear garments were entirely dependent on imported fabrics and yarns. Export bonuses at a rate of 25% for locally manufactured garments played a key role in enhancing the private textile mills' ability to supply yarns and fabrics for export garments. Recently, however, the BDG reduced cash incentives for the export oriented textile sector to 15% until June 2003. In FY2004, this will be reduced to 10% and in FY2005 to 5%. The country only produces about 210 million kilograms of yarn, although there is domestic demand for 500 million kg. While 25% of yarn requirements for garment exports is met from domestic production, the shortfall is typically met through bonded imports. Most of the bonded yarns are imported from India, which protects domestic producers by keeping raw cotton prices for domestic mills around 20% cheaper than the export price of raw cotton. As India does not produce short and long staple cotton, Bangladeshi mills can compete with India in spinning lower and higher counts of yarn.

Presently Bangladesh has 158 spinning mills, 151 weaving mills, and 282 dying/finishing mills, 300 knitting, knit dying and finishing plants, and 3,000 ready-made garments plants. This industrial base is capable of supplying around 90% of the knitwear fabrics and 30-35% of the woven fabrics for the country's export oriented ready-made garment sector. Industry sources estimate that the country needs a total of 229 spinning mills (25,000 spindles each), 322 weaving mills (10 million meters per year) and 317 dyeing/finishing mills (10 million meters per year) to meet the current level of domestic and export demands for hosiery, knitwear and garments. The textile industry forecasts a 10-15% annual increase in raw cotton imports to prepare for increased competition in 2005.

Sector rank: 2
Sector name: Wheat

Wheat imports have regained momentum and are projected to reach 1.5 million tons in 2003 despite tough competition from low priced rice from India. Food availability improved significantly due to a consecutive good grain harvests, as well as large-scale imports by the private sector following the BDG's liberal tariff policy and removal of quantitative restrictions. In 2002, the U.S. exported $18.9 million worth of wheat to Bangladesh.

From the mid-1980's until the early-1990's the U.S. was the dominant supplier of wheat to Bangladesh. With the suspension of the U.S. Export Enhancement Program (EEP), however, Bangladesh began to purchase wheat elsewhere. While some private millers continue to select

U.S. wheat to meet demand for high quality flour, most have switched to lower-priced wheat from India and Australia. Wheat has established itself as a staple in Bangladesh with consumption largely influenced by the price and availability of rice. In the last few years, however, the urban population has started substituting wheat for rice in their daily diet, and the demand by restaurants coupled with the rapid growth of the poultry feed industry is generating a demand for 100,000-200,000 additional tons of wheat per year.

Sector rank: 3
Sector name: Vegetable Oil

Vegetable oil imports in FY2003 were estimated to be 855,000 tons, a 6 percent increase from FY2002. The sustained price competitiveness of palm oil compared to soybean oil resulted in imports of an estimated 410,000 tons of palm oil in FY2003, up 12% from FY2002. The consumption of edible oil in Bangladesh is growing at 5% annually in recent years, a trend that is expected to continue. FY2004 edible oil imports are forecast to reach 870,000 tons.

In 2001, a Bangladeshi firm imported about 24,000 tons of CDSO from the U.S., the first commercial vegetable oil imports from the U.S. in five years. The firm’s decision to purchase U.S. CDSO was due to price competitiveness and the American Soybean Association’s export promotion initiatives. Bangladesh also imports small quantities (around 16,000-20,000 tons per year) of refined soybean oil and refined palm oil. This includes about 1,600 tons of refined U.S. soybean oil. To keep consumer prices stable, the Bangladesh Government slashed import duties on refined edible oil to 7.5 % from 32.5%. U.S. edible oil exports to Bangladesh in 2002 totaled $24.9 million.

Sector rank: 4
Sector name: Apples

Bangladesh is a net importer of apples. Supplies come from India (the dominant and cheapest source due to its proximity), Bhutan, South Africa, Australia, China, and the U.S. American apples represent the gourmet end of the market, with limited supplies of the Washington Red Delicious and yellow apples. Bangladesh imported 1,200 tons of U.S. apples in 2002, worth about $1.0 million. Although consumers prefer U.S. apples for their higher quality, price hinders faster growth in the Bangladeshi market. Despite high tariffs, apple imports to Bangladesh have been growing about 5% each year.

6. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS

The customs tariff is the primary tool of Bangladesh's trade policy. Although tariff rates have been lowered significantly, they are still high, mainly because tariffs are the principal source of government revenue. Bangladesh currently has no tariff quotas on imports. Customs duties are levied on all imports except raw cotton, textile machinery, certain machinery used in irrigation and agriculture, animal feeds used by the poultry and dairy industries, and certain drugs and medical equipment. Bangladesh also has in place a system of duty-free (bonded) imports of certain raw materials to be used for producing finished goods for export. Additional information on customs duties is available on the National Board of Revenue website: www.nbr-bd.org.

Duty rates are primarily determined along the following lines:

Few items, mostly manufacturing inputs	0.0-7.5%
Basic raw materials	7.0-15.0%
Intermediate Products	15.0-22.5%
Finished products	22.5-32.5%

There are a variety of additional border charges. A 2.5% infrastructure development surcharge is levied on almost all imports, excepting rice, raw hides, cotton, synthetic fiber, and computer hardware and software. A letter of credit or import permit fee of 2.5% is charged on imports exceeding taka 100,000 ($1,800), with some exceptions. An advance income tax is levied on importers; the advance tax payments can be claimed as a tax credit at the end of the tax year. A trade neutral value added tax (VAT) of 15% is levied on all imports and domestically produced goods, with some exceptions. Supplementary duties ranging from 5-270% are levied on certain "luxury" and "sin" products such as liquor, tobacco, certain cosmetics, ceramic tiles, large engine automobiles, air-conditioners, refrigerators, and televisions. Excise duties have been abolished on all items except manually prepared cigarettes, bank accounts, and textiles. Certain products are exempt from VAT. Other export-oriented industries and indirect exporters can claim a duty-drawback at stated rates.

CUSTOMS VALUATION

All tariffs are ad valorem except on gold imports, where tariffs are assessed on weight rather than value. Ad valorem tariffs are generally assessed on the basis of the CIF (cost, insurance, freight and other charges) cost of goods. Duties are collected in Bangladesh currency by customs authorities under the Bangladesh Customs and Excise Departments of the Ministry of Finance's National Board of Revenue.

The following is an example of how duties are imposed on an imported item (the duty rate used in this example is not the actual rate):

1300 cc car, C&F value	$100
Insurance, 1% or actual	$1
Landing Charge, 1%	$1.00
Assessable value	$102.01
Customs duty, 32.5%	$33.15

Supplementary duty, 50% (on Assessable value + Customs duty)	$67.58
Duty Paid Value	$202.74
VAT, 15% of duty paid value	$30.41
Advance income tax, 2.5% of assessable value	$3.06
License fee, 2.5% of assessable value	$2.55
Landed Cost:	$238.76

The product's actual cost in Bangladesh is, therefore, $238.76.

IMPORT LICENSES

Import licenses are not required for any imported items, except those on the restricted list, such as raw sugar, milk food, pork sausages, and several other items the import of which is controlled for religious, health or trade reasons. However, importers need to use Letter of Credit Authorization (LCA) forms to import goods. Importers also need to use an Import Registration Certificate (IRC), which costs between TK 500-5,000 ($9 - $90).

EXPORT CONTROLS

The following items are banned for export:

- Petroleum and petroleum products, except naphtha, furnace oil, lubricant oil, and bitumen (This restriction is not applicable to foreign investors engaged in a production sharing contract with the state-owned energy company.)
- Oil seeds and edible oils, except kapok seeds
- Jute seeds and sunn-hemp seeds
- Wheat
- Gur and khandseri sugar
- Animals, animal skins, and wildlife covered by the 1973 Bangladesh Wildlife Preservation Order
- Arms and ammunition, explosives, and ingredients thereof
- Fissionable materials
- Raw and wet blue leather
- Rare items of archaeological interest
- Human skeletons, blood plasma or anything manufactured of human blood
- Pulses
- Prawns and shrimp, except frozen and processed
- Rice bran (except de-oiled rice bran)
- Shrimp of count 71/90 and sizes below for seawater and 61/70 and sizes below for fresh water, excluding two varieties (Harina and Chaka)
- Bamboo and cane in whole form and wood logs
- Frogs of all species (live or dead) and frog legs
- Chemical weapons
- Onions

In addition, the following items are restricted for export, requiring Ministry of Commerce permission on a case-by-case basis:

- Molasses

- De-oiled rice bran and wheat bran
- Urea fertilizer
- Date-gur

An inspection certificate is required for exports of raw jute. All plants and plant materials for export must be inspected and certified that they are free of insects or disease.

IMPORT/EXPORT DOCUMENTATION

Unless otherwise specified, all imports transacted through a bank require a Letter of Credit Authorization (LCA) Form. Obtaining an LCA is not onerous and many of the documents required for submission by importers can be kept on file with their banks. At present, there is no lack of foreign currency for import transactions. However, as a safety cushion against currency fluctuation, banks prefer to source foreign currency for L/Cs over $500,000 from the central bank. Typically, 1-2 days are required to obtain registration from the central bank. Unless otherwise specified, all imports must be made by opening an irrevocable letter of credit. Even in those cases where an L/C is not mandated, the Embassy strongly recommends U.S. exporters use them. (Note: The following information is based on the Bangladesh Import Policy Order 1997-2002. According to Commerce Ministry sources, the Order is still in effect, although it may undergo revision in late 2003.)

Import against an LCA may be made without opening an L/C in the following areas:

- Books, journals, magazines, and periodicals on sight draft of issuance bill basis
- Any permissible item for an amount not exceeding $5,000 only during each local fiscal year against remittances made from Bangladesh
- Commodity aid, grant or such other loan for which there are specified procurement procedures for import of goods without an L/C
- "International Chemical References" through bank drafts by recognized pharmaceutical (allopathic) firms on the approval of the Director, Drug Administration, for the purpose of quality control of their products

Importers must submit to their nominated banks the following documents along with the LCA:

- L/C application form duly signed by the importer
- Indents for goods issued by indentor or a proforma invoice obtained from the foreign supplier
- Insurance cover note

Foreign firms are allowed to import permissible commercial items with prior permission from the Chief Controller of Import and Export and need to provide the following documents:

- Photocopy of the valid Import Registration Certificate
- Photocopies of invoices, bill of lading, and import permit duly certified by the bank
- Original or copy General Index Register (GIR) certificate from Income Tax Authority
- Certified copy of the last income tax assessment order
- Name and description of each item to be imported with quantity and approximate CIF value

Public sector importers also need to provide the following documentation:

- Attested photocopy of allocation letter issued by the allocating authority in favor of the concerned public sector agency specifying the source, amount, purpose, validity, and the terms and conditions
- Attested photocopy of sub-allocation letter, if any, issued in favor of the importing agency or unit
- Attested photocopy of sanction letter from the administrative ministry or authority, where applicable
- A declaration by the authorized officer of the importing agency indicating the amount of utilized/unutilized government funds and that imported raw materials will not be sold

Private sector importers need to furnish the following documents:

- Valid membership certificate from the registered local chamber of commerce and industry or any trade association, established on an all-Bangladesh basis, representing any special trade or business
- Proof of payment of renewal fees for the Import Registration Certificate (IRC) for the concerned fiscal year
- Copy of a "TIN Certificate" issued by the tax authority. The TIN (Tax Identification Number) Certificate is a new requirement aimed at ensuring collection of income tax, VAT and other revenues from importers
- A declaration, in triplicate, that the importer has paid income tax or submitted an income tax return for the preceding year
- Any such documents as may be required by import policy order or public notice, or instruction issued by the Chief Controller of Imports and Exports

In the following case, neither an LCA nor the opening of an L/C will be necessary, but an import permit (IP) or clearance permit (CP) will have to be obtained by the importer:

- Books, magazines, journals, periodicals and scientific and laboratory equipment against surrender of UNESCO coupons
- Pay-as-you-earn scheme for a limited number of cars, fishing vessels, cargo or passenger vessels, and new machinery on the basis of clearance from the Bangladesh Bank
- Items by passengers coming from abroad in excess of the permissible limits as per permitted allowance
- Free samples, advertising materials, and gift items above prescribed ceilings

TEMPORARY ENTRY

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

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

Equipment or machinery imported on a temporary basis is exempt from duty if the importer obtains an import/export permit.

LABELING/MARKING REQUIREMENTS

Imported goods (including their containers) must not bear any words or inscriptions of a religious connotation, the use or disposal of which may injure the religious feelings and beliefs of any class of the citizens of Bangladesh. In addition, imported goods should not bear any obscene pictures, writing, inscription, or visible representation. Milk food can be imported in cans and in bulk. The container must indicate the ingredients in Bangla as well as the manufacturing and expiration dates in Bangla or English. A measuring spoon must be supplied in all containers of baby food. Non-fat dried milk is importable only in airtight containers with the date of manufacture and expiration noted in Bangla or English. Pesticide containers must be able to withstand "handling by sea," indicate the chemical contents, and meet other specifications.

PROHIBITED IMPORTS

Bangladesh's Import Policy Order 1997-2002 places controls on some imports. Items banned from import include:

- Maps, charts and geographical globes which indicate the territory of Bangladesh, but not in accordance with the maps published by the BDG's Department of Survey
- Horror comics, obscene and subversive literature or similar types of materials
- Reconditioned office equipment (i.e. photocopier, typewriter, telex, computer, phone, fax machine)
- Printed material, posters, videotapes, etc. containing matters likely to outrage the religious feelings and beliefs of any class of citizens of Bangladesh
- Unless otherwise specified, old, second-hand and reconditioned goods
- Unless otherwise specified, all kinds of waste
- Goods bearing pictures or writing which is obscene or have a religious connotation which may injure the religious feelings of any class of Bangladesh citizens

Other items completely banned on either religious/social/health grounds or on economic grounds in the case of textile products that compete directly with locally produced items, including:

- Live pigs, pig and poultry fat, and eggs (except hatching eggs)
- Poppy seeds and dried posto dana
- Marijuana, opium, and tendu leaves
- Lard, lard and tallow oil, and solid or semi-solid palm oil
- Raw sugar
- Un-denatured ethyl alcohol (80% or higher) and other spirits denatured of any strength, and wine
- Artificial mustard oil and selected petroleum products
- Woven fabrics of silk or silk waste, pig hair, and some kinds of cloth
- Selected insecticides
- Nylon and polyethylene ropes
- Fishing nets (gillnets)
- Used or new rags
- Vessels more than 15 years old and motorbikes more than three years old

- Single phase electricity meters
- Two-stroke engines

In addition, the import of goods from Israel and Yugoslavia (Serbia and Montenegro), and shipment of goods on vessels operating under the flags of these countries, is prohibited; the Ministry of Foreign Affairs has sought to remove the Yugoslavia ban, but as of June 2003, the prohibition remained in place.

Certain items are restricted, not banned, from import for religious, social, health, security or trade reasons. Of the restricted items, some can be imported with prior permission, and others can be imported only by authorized industrial users, e.g., pharmaceutical enterprises, or government agencies, e.g., arms and ammunition.

The number of items banned or restricted comprise 2.2% of the HS 4-digit tariff lines.

STANDARDS

Quality standards are set and monitored by the Bangladesh Standards and Testing Institute. Bangladesh also recognizes and accepts goods bearing certification from standard institutions of other countries. The Department of Drugs Administration under the Ministry of Health and Family Welfare control the standards for pharmaceuticals. The Bangladesh Atomic Energy Commission tests all imported food items to ensure that the prescribed standard for radioactivity is maintained.

FREE TRADE ZONES/WAREHOUSES

Bangladesh has two main Export Processing Zones (EPZ's), one in Chittagong (630 acres) and the other in Dhaka (142 acres). A small EPZ was also built in Comilla in 2000. The EPZ's offer tax breaks, a relatively secure power source, the duty-free import of capital machinery, warehouse facilities, and other benefits to 100% export-oriented industries. Mongla port near Khulna (southwest Bangladesh) also has warehouse facilities. For industries outside the EPZ's, the National Board of Revenue provides bonded warehouse facilities to 100% export oriented industries or to industries whose raw materials/components are mainly imported. Production within bonded areas is free of import duties, with a minimum of customs formalities. Privately owned and operated EPZ's are now legal. An EPZ owned by Korean investors has been approved in Chittagong.

SPECIAL IMPORT PROVISIONS

Bangladesh encouraged counter-trade and barter trade for many years, primarily with countries in Central and Eastern Europe, Central Asia, China, and North Korea. Such trade provisions are now regaining popularity. Bangladesh signed counter-trade agreements recently with Burma and Indonesia.

MEMBERSHIP IN TRADE ARRANGEMENTS

Bangladesh is a founding member of the World Trade Organization, where it has been active in promoting the interests of the least developed countries. Bangladesh is a member of the South Asia Preferential Trade Agreement (SAPTA) under the umbrella of the South Asia Association for Regional Cooperation (SAARC). Bangladesh is also a signatory to the Bangkok agreement, which aims at trade liberalization between LDC's in Asia. Bangladesh is also a member of BIMSTEC, an organization that seeks to promote economic cooperation (without preferential trade arrangements) between Bangladesh, India, Burma, Sri Lanka, and Thailand.

7. INVESTMENT CLIMATE STATEMENT

OPENNESS TO FOREIGN INVESTMENT

U.S. investors continue to show interest in Bangladesh, but recently have seen a series of disappointments. An American firm has been unable, after five years, to gain approval for its $225 million container project, which would greatly increase the efficiency of the country's primary port. U.S. shareholders of a popular, private Bangladeshi television station protested when the BDG revoked the station's license. Prominent U.S. firms also have had trouble receiving timely payments. A U.S. exporter is waiting to be paid for a wheat shipment it made 8 years ago, international oil companies are owed $150 million in payment arrears for gas deliveries, and a U.S. power company continues to struggle with the BDG over the terms of its contract. Problems like these deter investors, and have resulted in a decline in new foreign direct investment (FDI) to a fraction of what it was in the late 1990's.

According to an UNCTAD report, FDI to Bangladesh averaged $7 million annually from 1990-1996, but increased to an annual average of $196.8 million from 1997-2000, primarily due to foreign investment in Bangladesh's energy sector. In 2001, however, new foreign investment dropped 72% (to $78 million) from the previous year and continues to decline. Bangladesh Bank, the central bank, estimates that direct investment in 2002 totaled approximately $45 million.

The major reason for the sharp decline in foreign investment in Bangladesh is due to poor implementation of the country's liberal investment policies. Foreigners often find that ministries require unnecessary licenses and permissions. Added to these difficulties are such problems as corruption, labor militancy, an uncertain law and order situation, poor infrastructure, inadequate commercial laws and courts, inconsistent respect for contract sanctity, and policy instability (i.e., policies being altered at the behest of special interests, and decisions taken by previous governments being overturned when new ones come to power). To a lesser extent, difficulty in attracting foreign investment also results from Bangladesh's image as an impoverished and undeveloped country subject to frequent and devastating natural disasters. This is a partial misconception, as the annual floods which inundate up to one-third of Bangladesh, are vital for agricultural production each year. Prior to political instability and warfare in the 1950s, Bangladesh had been one of the wealthiest regions in Asia and its land is still considered among the most fertile in the world.

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

The stated policy of the BDG is to pursue foreign investment actively, and it has enacted a number of policies to this end. There are no distinctions between foreign and domestic private investors regarding investment incentives or export and import policies. Incentives for investors include: 100% ownership in most sectors; tax holidays; reduced import duties on capital machinery and spares; duty-free imports for 100% exporters; and tax exemptions. The 2003 budget withdrew tax holidays for several sectors, but added tax incentives for agro-based businesses. There are few performance requirements, and these do not generally present a problem for foreign investors. Customs bonded warehouses assist exporters. Free repatriation of profits is allowed and is almost fully convertible on the current account. Although discrimination against foreign investors is not widespread, some discriminatory policies and regulations exist. For example, advertisements for imported products are assessed a 60% advertising surcharge for television spots on state-owned television.

Privatization is another critical part of the BDG's stated economic reform policy. Although the privatization process slowed to a crawl in the 1990s, an invigorated Privatization Commission has accelerated closures of loss-making companies and promoted sales of numerous firms with some revenue potential. Three large industries—the Adamjee Jute Mill, the country's largest and most costly state-owned enterprise, the Karnaphuli Chemical Mill, and the Chittagong Chemical Complex—were closed in 2002. The closures passed peacefully, with no major violence or unrest. At present, about 35 firms are in various stages of privatization, and an additional 100 firms have been identified for future sale to the private sector. Most of these firms are textile and jute plants, pulp and paper mills, sugar factories, and timber and wood processing facilities. Five government-owned hotels and two tea gardens are also targeted for sale.

The BDG still resists privatizing utilities and opening critical sectors to full competition, though that is starting to change. Bangladesh allowed private sector entry in power generation and natural gas exploration, but efforts to grant autonomy in petroleum marketing and gas distribution have hit stumbling blocks. Biman Airlines tried to sell a large stake in its ownership, but could not find a willing partner. The government used to provide telecom services exclusively, but now two private companies operate in rural telecom and four firms are involved in cellular phone systems. There is continued talk of privatizing the Bangladesh Telephone and Telegraph Board, inland ports, and container and cargo handling.

Trade has been gradually liberalized over the past five years, although import duties and supplemental taxes remain high and constitute the largest single sources of government revenue. The FY2003 budget reduced the maximum import duty rate by 5% and eliminated the 2.5% license fee on all imports. The budget also withdrew 120 of the 170 supplemental taxes, including those on machinery, electronics, chemicals, and paper products.

Major laws affecting foreign investment are the Foreign Private Investment Act of 1980, the Industrial Policy of 1999, the Bangladesh Export Processing Zones Authority Act of 1980, the Companies Act, 1994, and the Telecommunications Act, 2001. Bangladesh has signed bilateral investment treaties with 43 countries, including the U.S.

CONVERSION AND TRANSFER POLICIES

On May 31, 2003, the Bangladesh central bank officially floated the local currency (taka), allowing individual banks to set their own buying and selling rates for foreign currency based on supply and demand. The taka is almost fully convertible for current account transactions, such as import trade and travel needs, but not for capital account transactions, such as investing or currency specualtion. The Foreign Investment Act guarantees the right of repatriation of invested capital, profits, capital gains, post-tax dividends, and approved royalties and fees. The central bank's exchange control regulations and the U.S.-Bangladesh Bilateral Investment Treaty (entered into force in 1989) provide similar investment transfer guarantees. In practice, foreign firms are able to repatriate funds without much difficulty, provided the appropriate documentation is in order. Foreign firms in joint ventures, which are only able to remit profits in the form of dividends, also report no difficulties. However, in some cases, foreign firms' profit remittances have been delayed for over one year pending tax clearance from the National Board of Revenue. Although there is no specific restriction on repatriation of capital gains in the Foreign Private Investment Act of 1980, one U.S. firm was denied permission to repatriate gains on share sales. The Board of Investment may need to approve repatriation of royalties and other technology transfer fees over 6% of sales.

The BDG's foreign exchange reserves have increased steadily from a low of about $1 billion in November 2001 to over $2 billion in June 2003. This was primarily due to Finance Ministry initiatives to increase the flow of remittances from overseas workers through official banking channels. As a result, remittances now total approximately $3 billion annually. The taka currently trades at about 58 per dollar. Foreign currency also is widely available on the parallel (curb) market at a minimal premium. Inflation has risen recently to a still-manageable 6%.

EXPROPRIATION AND COMPENSATION

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

DISPUTE SETTLEMENT

A fundamental impediment to investment in Bangladesh is a weak and slow legal system in which the enforceability of contracts is uncertain. The judicial system does not provide for interest to be charged in tort judgments, and hence there is no penalty for delaying proceedings. It is widely acknowledged that in the lower courts, where cases are first brought, corruption is a serious problem. Legislation to make the judiciary independent has been pending for several years, but requires a two-third majority vote by Parliament members because it would necessarily amend the Constitution. By severing control of the judiciary from the executive branch, this legislation would greatly reduce the effect of corruption and political interest on the courts. Nevertheless, the highest levels of the judiciary, including the Supreme Court, have retained a reputation for fairness and competence even in the absence of this proposed legislation. This has meant that at least at the appellate level the outcome of commercial cases is usually determined on merit.

Bangladesh is a signatory of the International Convention for the Settlement of Disputes

(ICSID) and it acceded (on May 6, 1992) to the United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards. A provision of the U.S.-Bangladesh Bilateral Investment Treaty gives procedures for referring irresolvable investment disputes to ICSID for third-party settlement. In any case, the ability of the Bangladeshi judicial system to enforce its own awards is weak, and there is no reason to think enforcement of foreign judgments would be stronger. The Bangladesh Export Promotion Bureau is sometimes helpful in assisting in dispute settlement of export-related transactions. Major Bangladeshi trade and business associations can also be helpful in assisting in transaction disputes.

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

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

PERFORMANCE REQUIREMENTS/INCENTIVES

BDG industrial policies emphasize manufacturing and labor-intensive industries that use local inputs. There are a variety of subsidies and other incentives provided to different industrial sectors, primarily the export sectors and, to a certain extent, import substitution sectors. The BDG also provides loans at concessional rates through its nationalized banks and government-owned development banks for exports, cottage industries, and agriculture. These incentives are available to both domestic and foreign investors.

There is a provision for full duty drawback at the time of export on imported raw materials used in manufacturing products for export. In lieu of the duty drawback, exporters can use the special bonded warehouse facility to import raw material duty-free. In order to qualify for the duty drawback and special bonded warehouse schemes, the exported item must have at least 25% domestic content. The BDG also provides direct subsidies to export-oriented ready-made garment manufacturers if their exports use 100% locally manufactured raw materials or have paid duty on imported raw materials. This cash incentive, designed to encourage “backward linkages” in the textile sector, amounts to 10% of the export value. Similar 10% export cash assistance, designed to encourage exports with domestic content, is available for jute and leather products, handicrafts, and fresh and artificial flowers.

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

- A 50% rebate for taxable income generated from export earnings
- Income tax exemptions for export earnings from handicraft and cottage industries

- Tax holidays of 5-7 years, depending on location, for new industrial enterprises
- A 10 year tax holiday for enterprises in the EPZs
- Accelerated depreciation for enterprises not eligible for a tax holiday
- Income tax exemption for 15 years for power projects

As of June 2003, the World Trade Organization had not received any notifications alleging Bangladeshi violations of the Agreement on Trade-Related Investment Measures.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

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

- Arms, ammunition, and defense equipment and machinery
- Production of nuclear energy
- Security printing and mining
- Forestry in the reserved forest areas
- Air transportation (except air cargo and international air transportation) and railways

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

PROTECTION OF PROPERTY RIGHTS

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

The BDG is progressing slowly in bringing its intellectual property rights laws into compliance with the World Trade Organization's Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement. Parliament is expected soon to amend the country's trademark, patent, and copyright legislation, following a lengthy inter-agency approval and clearance process. The government, however, allocates too few resources to IPR enforcement, and is experiencing a worsening IPR situation. The prevention and punishment of IPR violations is very low in proportion to the number of infringements. The government also sets a poor example by failing to account fully for software in its tenders. A number of American firms, including film studios, manufacturers of consumer goods, and software firms, have reported violations of their intellectual property rights. Bangladesh is a member of the World Intellectual Property Organization (WIPO), and acceded to the Paris Convention on Intellectual Property in 1991.

TRANSPARENCY OF THE REGULATORY SYSTEM: LAWS AND PROCEDURES

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

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

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

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Foreign investors have access to local credit markets, but many seek offshore financing. If they finance locally, it is usually with a foreign bank branch. Four state-owned banks, known as nationalized commercial banks (NCBs), comprise nearly 50% of the banking sector's total assets. The largest NCB has assets totaling approximately $4 billion. An estimated 30% of the country's total asset base is estimated to be non-performing, primarily because of long-outstanding debts to the NCBs.

The private sector can receive financing from leasing companies and by issuing shares or debentures on the Dhaka Stock Exchange (DSE) or the Chittagong Stock Exchange (CSE). All CSE-listed shares are also listed on the larger and older DSE. Among the world's smallest share markets, the privately-owned Dhaka Stock Exchange (established in 1954) lists 241 companies; the Chittagong Stock Exchange (established in 1995) lists 183. There was a large surge in the stock market in the summer and fall of 1996, but the market crashed late in the year and has yet to fully recover. Foreign portfolio investment, never more than $200 million, has virtually disappeared. Both the CSE (July 1998) and the DSE (August 1998) have started automatic trading services.

The BDG's Securities and Exchange Commission (SEC) was formed in 1993 to regulate the DSE and CSE and protect investors. On September 28, 1997, the SEC imposed new restrictions on the involvement of foreign investors in the Bangladesh capital market. The guidelines stipulate that 10% of primary issues are reserved for non-resident Bangladeshis. Major foreign investors have protested these measures. Foreign investors point out that this measure exacerbates the Bangladesh market's greatest drawback: the difficulty of buying or selling in volume over a reasonably short period. SEC and the Institute of Chartered Accountants of Bangladesh have the task of enforcing reporting and audit requirements and bringing those requirements up to international standards.

POLITICAL VIOLENCE

Incidents of politically directed damage to foreign projects or installations has occurred, although violence targeted against business concerns generally has been isolated and criminal in nature. Following U.S. military action in Iraq, a number of sizeable (between 10,000 and 80,000 participants) anti-American demonstrations occurred. A few of these demonstrations resulted in minor property damage to U.S.-affiliated businesses. Calls for boycotts of American goods and services had limited impact and ended following the war's conclusion. Extortion of money from businesses by thugs claiming political backing is common. Clashes between supporters of rival political parties and their student and youth wings and even factions within the same party are frequent occurrences. General strikes and blockades called by political parties mostly affect businesses by keeping workers away with the threat of violence and blocking transport, resulting in productivity losses. Vehicles and other property are at risk from vandalism or arson during such programs, and looting of shops has occurred. The perception of a general deterioration of law and order, believed to be largely due to corruption and politically sponsored thuggery, is a matter of widespread concern among Bangladeshis and has dampened domestic investment. From late 2002 to early 2003, the Bangladesh military was deployed to assist civil law enforcement tackle crime.

CORRUPTION

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

An Anti-Corruption Bureau exists to combat higher-level corruption, but it remains a largely ineffective body due to reported corruption among its officials and lack of independence from the political authorities. At the May 2003 Development Forum, the BDG pledged to replace the Bureau with an independent Anti-Corruption Commission.

BILATERAL INVESTMENT AGREEMENTS

The Foreign Investment Act includes a guarantee of national treatment. National treatment is also provided in bilateral investment treaties for the promotion and protection of foreign investment. Treaties have been signed with: the United States, Belgium, Canada, France, Germany, Hungary, Indonesia, Iran, Italy, Japan, Malaysia, Pakistan, Philippines, Poland, Republic of Korea, Romania, Switzerland, Thailand, The Netherlands, Turkey, and the United Kingdom. The U.S.-Bangladesh Bilateral Investment Treaty, signed on March 12, 1986, entered into force on July 23, 1989. A bilateral taxation treaty between the U.S. and Bangladesh is pending and is expected to be signed soon.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

The U.S. Overseas Private Investment Corporation provides insurance coverage for some U.S. firms currently doing business in Bangladesh. In recent years, BDG authorities have been cooperative in approving requests for OPIC insurance, and in one case, for a loan. OPIC and the BDG signed an updated bilateral agreement in May 1998. Bangladesh is a member of the Multilateral Investment Guarantee Agency.

The Export-Import Bank of the U.S. (Ex-Im Bank) is an independent U.S. government agency that helps finance the overseas sales of U.S. goods and services. It provides export credit insurance policies to cover political and commercial risk, and loan guarantees to banks for medium and long-term loans. In Bangladesh, only the Bangladesh Government is eligible for ExIm Bank cover with a sovereign guarantee. The bank does not lend or provide cover to private enterprises in Bangladesh purchasing U.S. exports except in the following case: ExIm Bank can provide a guarantee to the lender to enable a private firm to buy U.S. products to construct a processing facility whose output will be sold offshore for hard currency and such funds can be captured offshore.

LABOR

Bangladesh has a population of about 132 million people. The formal employment sector in Bangladesh has an estimated 4.8 million workers, and an estimated 1.4 million (30%) of these workers are employed in public enterprises. An estimated 40 million workers are employed in agricultural jobs (increasing at 1% a year) and 20 million in non-agricultural jobs. Low official unemployment statistics obscure a huge and growing under-employment problem in Bangladesh. Bangladesh's comparative advantage in cheap labor for manufacturing is partially offset by low productivity, due to low skills, poor management, and inefficient infrastructure and machinery. Foreign managers report that Bangladeshi workers generally respond well to training.

Skilled Bangladeshis often seek and find employment in the Middle East and East Asia at substantially higher wages than they would receive in Bangladesh. Over the past 20 years, Bangladesh has become a reliable source of labor, and during FY2002 $2.5 billion in foreign exchange was remitted to Bangladesh through official banking channels. Remittances have become an important source of foreign exchange in recent years, and now exceed aid provided in the form of concessional loans and grants.

All employers are expected to comply with the government's labor laws, which specify employment conditions, working hours, wage levels, leave policies, health and sanitary conditions, and compensation for injured workers. Freedom of association and the right to join unions is guaranteed in the Bangladesh Constitution. There are over 6,300 registered trade unions in Bangladesh, with over 1.9 million union members.

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

Bangladeshi laws do not uniformly prohibit the employment of children or set a minimum age for employment. Numerous laws prohibit child labor in certain sectors, ranging from transport workers to tea plantation labor, but these have not addressed the informal sectors, such as agriculture and domestic work, where the majority of children are employed. As a result, child labor in Bangladesh has historically been a fact of life. On July 4, 1995, Bangladesh's garment exporters association signed a memorandum of understanding (MOU) with the United Nations Children's Fund (UNICEF) and the International Labor Organization (ILO) under which child laborers in the EPZ textile factories were removed and enrolled in education programs. ILO-assisted monitoring teams, which found child laborers in 43% of EPZ factories in 1996, found fewer than 5% in 2001. The MOU program is being phased out, and the U.S. Embassy considers the project a success, with most child labor now eradicated from the EPZs. However, child labor outside of the EPZs remains rampant, and non-EPZ industries are known to have the most hazardous conditions. A $6 million U.S. Department of Labor project that started in October 2000 seeks to remove children working in hazardous conditions in non-EPZ factories by offering them and their younger siblings alternative work.

FOREIGN TRADE ZONES

Under the Bangladesh Export Processing Zones Authority Act of 1980, the BDG established an EPZ in Chittagong in 1983. Another EPZ was set up near Dhaka in Savar in 1994 and a third in Comilla in 2000. 100% foreign-owned investments, joint ventures and 100% Bangladeshi-owned companies are all permitted to operate and enjoy equal treatment in the EPZs. In terms of investment, employment and exports, the country's EPZs have been extremely successful. Due to increased demand by investors, the BDG has doubled the capacity of the Dhaka EPZ. Investors seem generally satisfied, although there has been occasional labor unrest.

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

The BDG provides several tax, foreign exchange, customs and labor incentives to investors in the EPZs. One such incentive provided in recent years was an exemption from certain labor laws, which had the practical effect of prohibiting trade unions from the zones. The U.S. Generalized System of Preferences (GSP) law requires the beneficiary country to satisfy certain conditions relating to labor rights. In response to a petition filed by the U.S. AFL-CIO, the U.S. opened a review of Bangladesh's GSP status in 1992. As a result of the review, Bangladesh retained its GSP privileges, but the BDG agreed to remove the exemption pertaining to labor laws. In 1999, the AFL-CIO filed another petition seeking revocation of Bangladesh's GSP status on grounds that Bangladesh had not kept its 1992 commitment to restore freedom of association and the right to collective bargaining in the zones. On January 31, 2001, the day before the U.S. was set to suspend Bangladesh's GSP status, the BDG officially announced its intent to gradually open the EPZs to allow freedom of association. This official announcement in the BDG Gazette specified a gradual timeline toward complete recognition of association and collective bargaining by January 1, 2004. Initial changes outlined by this announcement, such as the establishment of worker selected committees able to hear grievances by workers and a tribunal comprised of workers, management, and outside representatives to adjudicate disputes, were in place by late 2001 but were not yet operating by mid-2003.

FOREIGN DIRECT INVESTMENT STATISTICS

According to the UNCTAD World Investment Report 2002, total foreign direct investment to Bangladesh from 1997 to 2001 was $865 million. During the same 5-year period, FDI to India totaled over $14 billion, while Pakistan and Sri Lanka attracted FDI totaling $2.4 billion and $1.2 billion respectively. The Embassy estimates the current stock of foreign investment in Bangladesh (totaling $2.2 billion according to the World Bank) represents approximately 4.6% of the country's 2002 GDP.

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

1990:	$3.2	1997:	$139.4
1991:	$1.4	1998:	$190.1
1992:	$3.7	1999:	$178.0
1993:	$14.1	2000:	$279.8
1994:	$11.2	2001:	$78.1
1995:	$1.9	2002:	$45.0 (Based on Bangladesh Bank estimates)
1996:	$13.5		

At present, the U.S. is the largest foreign investor in Bangladesh with total fixed direct investment of nearly $1.3 billion, followed by Norway, Malaysia, Japan, and the United Kingdom. The second tier of investors is Singapore, India, Thailand, Hong Kong, Germany, and South Korea. Prior to 1995, the stock of U.S. investment in Bangladesh was estimated to be approximately $25 million in book value, including five manufacturers in the Chittagong EPZ, one life insurance company, banking operations of two U.S. commercial banks, and about 10 other U.S. service and marketing firms. Since 1995, 16 U.S. companies have invested in Bangladesh in the following sectors:

Sector	Investment (in millions)
Textiles/Garments	2.295
Bitumen Processing	0.529
Credit Cards	134.600
Hospitals	0.750
Shrimp Processing	0.350
Consumer Goods	0.530
Energy	1,149.832
Total U.S. Investment:	1,288.886

8. TRADE AND PROJECT FINANCING

BRIEF DESCRIPTION OF THE BANKING SYSTEM

The Bangladesh banking sector is made up of four nationalized commercial banks (NCBs), five government-owned specialized banks, 30 domestic private banks, 22 non-bank financial institutions, including the Dhaka Stock Exchange and the Chittagong Stock Exchange, and 12 foreign banks. Collectively, these banks make up the "scheduled" banking system. The percentage of non-performing loans in the banking system is extremely high. As of March 2003, NCB rates were 35%, government-owned specialized banks at 56% and domestic private banks at 17%. Only foreign banks have been able to keep their non-performing loan portfolio in check at about 2%. The government banks are weak because of a system of directed lending to money-losing parastatals and to unsecured private borrowers. The banking system is further impaired by a web of weak balance sheets, minimal demand from qualified borrowers, and heavy reliance on liquid asset-based lending. Despite market reforms, such as the liberalization of interest rates, the government continues to encourage NCBs to lend to money losing industries, both parastatal and private. The U.S. Government and donor institutions are assisting with financial sector reforms. Part of the reform effort is to upgrade regulations and accounting standards to international standards as far as possible.

Bangladesh Bank regulates all banking institutions, and, as in many countries, the central bank is controlled by the Ministry of Finance rather than being independent. A Governor, who reports to the Secretary, Finance Division of the Ministry of Finance, heads Bangladesh Bank. Overall banking activity is dominated by four NCBs - Sonali Bank, Janata Bank, Agrani Bank, and Rupali Bank. The five government-owned specialized banks are Bangladesh Krishi Bank, Bangladesh Shilpa Bank, Rajshahi Krishi Unnyan Bank, Bangladesh Shilpa Rin Sangstha, and the Investment Corporation of Bangladesh. Domestic private banks and foreign banks compete with the NCBs by offering superior service. The 30 domestic private banks licensed to operate in Bangladesh are Pubali Bank, Uttara Bank, Arab Bangladesh Bank, Eastern Bank, National Bank, National Credit and Commerce Bank, City Bank, IFIC Bank, United Commercial Bank, Al Arafa Bank, Prime Bank, South East Bank, Dhaka Bank, Social Investment Bank, Al-Baraka Bank, Dutch Bangla Bank, One Bank, Standard Bank, Mercantile Bank, Export Import Bank, Bangladesh Commerce Bank, Mutual Trust Bank, First Security Bank, Premier Bank, Bank Asia, Trust Bank, Shahjalal Bank, Jamuna Bank, Islami Bank Bangladesh Limited, and BRAC Bank.

The 12 foreign private bank branches are American Express Bank, Citibank, Credit Agricole Indosuez, Standard Chartered Grindlays Bank, State Bank of India, Muslim Commercial Bank, Hanvit Bank, National Bank of Pakistan, Scotia Bank, Hong Kong Shanghai Bank, Al Faisal Islamic Bank, and Habib Bank. The domestic private banks share of deposits and lending is relatively small compared to the government banks.

FOREIGN EXCHANGE: THE CONTROLS AFFECTING TRADE

Provided a local importer can obtain trade financing, which is widely available and competitive, foreign exchange availability has not been an issue. The taka is now almost freely convertible for current account transactions. Foreign exchange availability may become an issue in the future, if projected out payments for oil/gas and electricity providers are greater than export growth.

GENERAL FINANCING AVAILABILITY

Trade finance, working capital, and term loans are generally available from local banks, particularly to multinational companies. Foreign companies involved in manufacturing commonly obtain trade financing and working capital loans from foreign bank branches, which can arrange for project lending to foreign investors and for offshore syndicated loans.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

Unless the importer is a multinational company operating in Bangladesh or a reliable, long-standing Bangladeshi customer, the Embassy strongly recommends all U.S. exporters require their local buyers to present irrevocable, confirmed letters of credit to secure payment, preferably from a U.S. bank. This is true whether the importer is private or part of the BDG and whether or not the importer is being financed by a multilateral institution or bilateral donor agency or government. U.S. exporters should also be aware that it is a normal business practice for government procurement agencies to require exporters to post performance bonds. Performance bonds can be arranged with any of the local banks, including the two U.S. banks, American Express Bank (fax 880-2-956-1722, tel. 880-2-956-1751, or 956-1752) and Citibank (fax 880-2-956-2236, tel. 880-2-955-0060).

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

Trade financing for private sector importers is widely available. There are no multilateral or local sources for directly financing U.S. exports to Bangladesh. However, the U.S. Ex-Im Bank facilities may be available for U.S. exporters; initial inquiries should be made directly to the Ex-Im Bank in Washington (see also Chapter 7 for more information on ExIm Bank lending in Bangladesh). There are significant export sales opportunities in the government procurement market. These opportunities can either be in the context of straightforward procurement of goods by government agencies and parastatals, increasingly financed by the government itself or by donor agencies. Although government ministries and agencies from time to time encourage companies interested in promoting projects and making sales to approach donors directly, such approaches are of minimal value until the government has completed its internal process of approving and making a request for assistance.

PROJECT FINANCING AVAILABILITY

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

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

A commercial liaison office, which reports directly to the Office of Multilateral Development

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

BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

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

9. BUSINESS TRAVEL

BUSINESS CUSTOMS

Bangladeshi business executives are usually very courteous, and try to make their foreign guests feel at ease. Business visitors should be aware that in Bangladesh, men and women do not usually shake hands with each other, and may avoid doing so with a visitor of the opposite sex. Foreign visitors often find that hosting meals for their Bangladeshi agents or business contacts helps to smooth business negotiations. Visitors may also be invited to share meals as guests of their Bangladeshi hosts.

TRAVEL ADVISORY AND VISAS

Updated travel advisory information on Bangladesh is available from the State Department's Bureau of Consular Affairs in several formats. For recorded information, call (202) 647-5225. For information by fax, call (202) 647-3000. Travel advisory information for Bangladesh can also be found on the State Department's Internet site at www.state.gov (follow the link entitled "Travel Warnings").

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

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

Foreign nationals staying on regular or temporary visits longer than 90 days are required to show a Submission of Income Tax Clearance Certificate or Income Tax Exemption Certificate when departing Bangladesh. For additional information on these forms, travelers can contact the National Board of Revenue (NBR), Rajasha Bhaban, Segunbagicha, Dhaka, telephone: 933-3444. NBR also maintains a website: www.nbr-bd.org.

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

TRAVEL FEES

As of March 13, 2003, the government of Bangladesh has levied a departure tax on foreign national adults and children age two and older. The amount of the departure tax varies for travel to different regions. The tax for travel to other countries in South Asia is Taka 800 (about $14) and for travel to North and South America, Europe, the Far East, Australia and New Zealand the departure tax is Taka 2,500 (about $43). There is no tax for transit passengers traveling through Bangladesh without a visa and in country for 72 hours or less. These rules may be subject to change and travelers are advised to check with the Embassy of Bangladesh before traveling.

CURRENCY AND EXCHANGE REGULATIONS

There is no limit on the amount of foreign or U.S. dollar instruments (traveler's checks, money orders, etc.) that may be brought into Bangladesh, but all foreign exchange exceeding $3,000 must be declared upon entry, and visitors should be prepared to account for it upon departure. Visitors should only make financial transactions through authorized channels. Commercial exchange facilities are available through both domestic and foreign commercial banks or through local hotel cashiers. The banking sector can carry out most international transactions, but service efficiency varies greatly among banks and individual branches.

HOLIDAYS/WORK WEEK

Bangladesh observes a Saturday-Thursday workweek. Business hours are 9:00-17:00 on Saturday-Wednesday and 9:00-14:00 on Thursday. The Embassy observes a two-day weekend (Friday and Saturday). Muslim religious holidays vary with the appearance of the moon.

A list of Bangladeshi holidays in 2004 will be published at the end of December 2003. Local holidays being observed by the Embassy during 2003 are as follows:

Eid-ul-Azha	February 12*
Independence Day	March 26
Bengali New Year	April 14
Buddha Purnima	May 14
Janmashtomi	August 19
Durga Puja	October 5
Eid-ul-Fitr	November 25* & 26*
Victory Day	December 16

* Subject to appearance of the moon.

In addition to the local holidays, noted above, the Embassy also observes the following American holidays:

New Year's Day	January 1
Martin L. King's Day	January 19
President's Day	February 16
Memorial Day	May 25
Independence Day	July 4

Labor Day	August 31
Columbus Day	October 12
Veterans Day	November 11
Thanksgiving Day	November 27
Christmas Day	December 25

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

BUSINESS INFRASTRUCTURE

Transportation: Zia International Airport is located at Kurmitola, about 12 kilometers north of Dhaka city. The national air carrier, Biman Airlines, is the major domestic air travel provider. Private GMG Airlines has flights from Dhaka to Chittagong, Cox's Bazar, Barisal, Jessore, Rajshahi, and Sylhet.

Language: Although Bangla (Bengali) is the official language of Bangladesh, English is widely spoken and used in official and business circles. U.S. business people may greet their Bangladeshi counterparts with normal English salutations. The usual greeting among Bangladeshis is the Arabic phrase "as-salaam-alaikum" (meaning "peace be with you"). The cordial response is "walaikum salaam" ("peace to you as well"). A polite parting phrase is "Khoda haafez" ("God preserve").

Communications: Telex, telephone, fax, Internet, e-mail, and airmail postal services are available in Bangladesh for business correspondence. International direct dialing telephones and fax machines are increasingly available in major cities. Collect telephone calls or toll-free calls cannot be made from Bangladesh and phone cards are also not available. Cellular phone service is available in most areas of the country. Bangladesh is six hours ahead of Greenwich Mean Time. Airmail post takes about two weeks to arrive from the U.S. Registration of all letters sent by international mail is recommended. Express mail service is available to the major international cities. International courier services, including Airborne, DHL, Federal Express, and United Parcel Service, operate to and from Bangladesh.

Lodging: Two international class hotels – the Dhaka Sheraton and the Sonargaon Pan Pacific Hotel – are located in Dhaka. Business visitors to Dhaka also use two more moderately priced hotels, the Purbani and the Best Western-LaVinci. The Westin, now under construction, is expected to open in 2004, and the Radisson in late 2003. In Chittagong, business visitors usually stay at the Hotel Agrabad. For longer stays, guesthouse accommodations are available in upper-class neighborhoods in Dhaka and Chittagong.

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

Dr. M. A. Wahab, Dr. Wahab's Clinic, Baridhara, 882-1454, wahab@dhaka.agni.com
British High Commission Medical Unit, Elizabeth House, Baridhara, 882-4345
Dr. Nalini Bayen, Johnson's Place, Banani, 882-6789, bayen@bdonline.com

Food: Restaurants in Dhaka and Chittagong serve mainly local (Bengali), Indian, Chinese, and other Asian cuisine. Continental food is available at Dhaka's internationally operated hotels. The main local foods are boiled rice and fish, or curry of mutton, beef, or chicken. Vegetables and lentils are also popular. There is no effective system of health inspection of restaurants. A number of restaurants popular with expatriates have opened in the last several years.

10. ECONOMIC AND TRADE STATISTICS

APPENDIX A – COUNTRY DATA

Population:	133 million
Population Growth Rate:	1.59%
Density Per Square km:	891
Religions:	Muslim (83%) Hindu (16%) Buddhist, Christian and Other (1%)
Government System:	Parliamentary
Languages:	Bangla (Bengali), English
Work Week:	Saturday-Thursday

APPENDIX B – DOMESTIC ECONOMY

	FY 2000*	FY 2001*	FY2002*
- Current GDP (1)	47,947	46,987	47,571
- GDP Growth Rate (%) (1)	5.5	5.3	4.4
- Current GDP Per Capita (1)	373	359	361
- Govt. Spending (% of GDP) (1)	15.4	15.0	14.9
- Inflation (%) (2)	4.5	3.4	2.4
- Unemployment (%) (3)	n/a	n/a	n/a
- Foreign Exchange Reserves (4)	1,416	1,306	1,582
- Avg. Exchange Rate (TK/1US) (5)	49.7	54.04	57.43
- Debt Service Ratio (% of GDP)	7.3	9.2	7.3
- U.S. Economic Aid (7)	92.8	126.3	88.5

Notes:

* Bangladeshi FY runs July 1 to June 30. Categories indicated are for FY ending in that year.
All figures in USD millions, except Current GDP Per Capita, which is in USD.
1) From the Bangladesh Bureau of Statistics and/or Bangladesh Bank
2) Base year 1985-96; FY inflation is average for 12-month period ending April
3) Reliable figures for Bangladesh's labor force, particularly in the agricultural sector, employment, unemployment, and underemployment are not available
4) In October 2001, the reserves dipped to $1.05 billion but as of April 2003 the reserve stood at $ 1.8 billion
5) Annual Average
6) From the World Bank
7) Figures are for U.S. fiscal year (October 1-September 30)

APPENDIX C – TRADE

	FY 2000	FY 2001	FY2002
- Total Bangladesh Exports (1)	5,752	5,872	5,929
- Total Bangladesh Imports (1)	8,200	8,367	7,697
	CY 2001	CY 2002	CY 2003
- U.S. Exports (2)	307	269	*67
- U.S. Imports (2)	2,359	2,134	*711

Notes:

* Bangladeshi FY runs July 1 to June 30. Categories indicated are for FY ending in that year.
All figures in USD millions.
1) Exports are reported on shipment basis
2) Figures are for calendar year; *2003 up through April 2003.

11. U.S. AND BANGLADESH CONTACTS

Bangladesh Country Code: 880
City Area Codes: Dhaka 2
Chittagong 31

U.S. Embassy Phone Number: 880-2-885-5500
U.S. Embassy Website: www.usembassy-dhaka.org
U.S. Trade Center email address: ustc-dhaka@state.gov

BANGLADESH GOVERNMENT CONTACTS

Organization	Contact Name/Title	Address	Phone/FAX
Ministry of Commerce	Secretary	Bhaban No. 3, 1st Floor Secretariat, Dhaka 1000	TEL: 716-9006 FAX: 861-5741
Ministry of Finance	Secretary E.R.D. Finance Secretary	Bhaban No. 7, 3rd Floor Secretariat, Dhaka 1000	TEL: 811-2641 TEL: 716-0406 FAX: 716-5581
Ministry of Industries	Secretary	91 Motijheel C/A, Dhaka 1000 Shilpa Bhaban, Dhaka 1000	TEL: 956-7024 FAX: 956-3553
Ministry of Energy & Mineral Resources	Secretary	Bhaban No. 6, 1st Floor Secretariat, Dhaka 1000	TEL: 716-6188 FAX: 716-1110
Ministry of Communications	Secretary Road & Railways	Bhaban No. 7, 8th Floor Secretariat, Dhaka 1000	TEL: 716-2866 FAX: 716-6636
Ministry of Posts & Telecommunications	Secretary	Bhaban No. 7, 6th Floor Secretariat, Dhaka 1000	TEL: 831-2160 FAX: 716-5755
Ministry of Textiles	Secretary	Bhaban No. 6, 11th Floor Secretariat, Dhaka 1000	TEL: 716-7266 FAX: 716-0600
Ministry of Shipping	Secretary	Bhaban No. 6, 8th Floor Secretariat, Dhaka 1000	TEL: 716-8033 FAX: 861-8122
Ministry of Planning	Secretary	Block No. 7, Room 7 Sher-e-Banglanagar, Dhaka 1000	TEL: 811-5497 FAX: 811-7581
Ministry of Civil Aviation & Tourism	Secretary	Bhaban No. 6, 19th Floor Secretariat, Dhaka 1000	TEL: 716-7244 FAX: 716-9206
Privatization Commision	Chairman	Jiban Bima Tower 10 Dilkusha C.A., Dhaka 1000	TEL: 956-3723 FAX: 955-6433
Board of Investment	Executive	Jiban Bima Tower	TEL: 955-9378

	Chairman	10 Dilkusha C.A., Dhaka 1000	FAX: 956-2312
PetroBangla	Chairman	Petrocentre 3 Kawran Bazar, Dhaka 1000	TEL: 811-4972 FAX: 811-1613
Telephone and Telegraph Board	Chairman	Telejogajog Bhaban 36/1 Mymensingh Road, Dhaka	TEL: 831-1500 FAX: 831-2577
Power Development Board	Chairman	WAPDA Building 48 Motijheel, Dhaka 1000	TEL: 956-2154 FAX: 956-4765

BANGLADESH TRADE ASSOCIATIONS/CHAMBERS OF COMMERCE

Organization	Title	Address	Phone/FAX
American Chamber of Commerce in Bangladesh	Executive Director	Dhaka Sheraton Room 319 1 Minto Road Dhaka 1000	TEL: 934-9217; 861-3391 FAX: 831-2915
Federation of Bangladesh Chambers of Commerce & Industry	President	60 Motijheel Dhaka 1000	TEL: 956-0588 FAX: 716-3213
Dhaka Chamber of Commerce & Industry	President	65-66 Motijheel Dhaka 1000	TEL: 956-0732 FAX: 716-3608
Metropolitan Chamber of Commerce & Industry	President	122-124 Motijheel Dhaka 1000	TEL: 955-8435 FAX: 956-5212
Chittagong Chamber of Commerce & Industry	President	Chamber House Agrabad C.A. Chittagong 4000	TEL: 713366 TEL: 711355 FAX: 710183
Bangladesh Employers Association	President	Chamber Building 122-124 Motijheel Dhaka 1000	TEL: 955-8435 TEL: 956-5208/09/10 FAX: 956-5212
U.S.-Bangladesh Business Council	Executive Director email: usbbc@uschamber.com	U.S. Chamber of Commerce 1615 H Street, NW Washington, D.C. 20062	TEL: 202-463-5732 FAX: 202-463-3173

12. MARKET RESEARCH

The U.S. Commerce Department makes CCGs and other useful economic and commercial reports available to the public through the National Trade Data Bank (NTDB) on CD-ROM or through the Internet. The NTDB is the U.S. Government's most comprehensive source of world trade data. For more information on the NTDB, call 202-482-1968. Also contact STAT-USA at 1-800-STAT-USA for more information. To locate Country Commercial Guides via the Internet, please use the following world wide web address: www.state.gov or www.stat-usa.gov, or the U.S. Embassy's website at www.usembassy-dhaka.org. This document can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

The following reports and market briefs are available from the U.S. Embassy's Trade Center and the Foreign Agriculture Service Office:

1. Report on Bangladesh's Power Sector
2. Grain Monthly Upgrade Reports
3. Grain and Feed Annual Report
4. Oilseeds and Products Annual Report
5. Cotton Annual Report

13. TRADE EVENT SCHEDULE

U.S. TRADE SHOW 2003

The U.S. Trade Show, an established premier annual event, is tentatively scheduled for January 2004 in Dhaka. The show is organized by the American Chamber of Commerce in Bangladesh (AMCHAM) and is co-sponsored by the U.S. Embassy. For more information, contact: A. Gafur, Executive Director, AMCHAM, Dhaka Sheraton Hotel, Room 319, tel. (880)(2) 861-3391, fax (880)(2) 831-2915, e-mail: amcham@bangla.net.

CATALOG EXHIBITIONS

The U.S. Embassy periodically exhibits catalogs from U.S. firms at various locations throughout Bangladesh.

In mid-September, the U.S. Embassy will hold the following catalog shows in Dhaka, Chittagong, and Sylhet:

- The New Products USA Catalog Exhibition
- Electric Power Generation Catalogs
- Home Furnishings and Construction Industry Catalogs

Please visit the U.S. Embassy website (www.usembassy-dhaka.org) for updated information on trade events.