U.S. Department of State
FY 2001 Country Commercial Guide: Bangladesh

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

I. EXECUTIVE SUMMARY

The Awami League government has completed four years of its five-year mandate, having for the most part continued the previous government's gradual market-opening and economic reform policies, but gingerly, and without having made major changes to the structure of the economy. The political environment has been generally stable notwithstanding the frequent politically motivated general strikes, which are a recurring feature of Bangladeshi politics. Economic growth has been respectable, the agricultural sector strong, inflation moderate, and balance of payments stable. Nevertheless, the economy faces several continuing problems, which, if not addressed sooner rather than later, could derail economic growth.

Except in the energy and telecommunications sectors, the government has yet to pursue vigorously the pro-market reforms necessary for higher growth levels. About a third of the country's 130 million people live below the poverty line; the current per capita GDP is about $363. 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 potential. Labor is inexpensive, but productivity is low. Infrastructure such as electric power, telecommunications, and water and rail transport is poor, even by regional standards. In particular, an old, congested, and corruption-ridden port at 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 The country's legal system is outdated and undermanned, leading to long delays in resolving cases.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 as more controlling commercial activity than stimulating it. The state controls a large portion of the industrial infrastructure through huge, chronically money-losing parastatals that the Government is unable/unwilling to privatize. Corruption is pervasive at all levels of officialdom. The law and order situation has deteriorated, with extortion and crime affecting all corners of society.

Yet, these impediments have not prevented Bangladesh's economy from growing at an average annual rate of above 5% in the 4 years since the Awami League government came to power. GDP grew by an estimated 5.5% in FY2000 (July 1999- June 2000), up from the flood-impacted growth of 4.8% in FY 99. The economy has now recovered fully from the shock it suffered in 1998 from Bangladesh's worst flood of the century, which inundated more than two-thirds of the country, wiped out winter crops, and displaced millions of people. The pace of the economic recovery was led by the agricultural sector, which saw record back-to-back harvests during FY2000. These harvests were not only the result of favorable weather conditions, but were also due to more permanent structural changes such as increased receptivity by farmers to newer methods of farming (e.g., use of hybrid seeds, fertilizers, and irrigation, and willingness to try alternative crops rather than the traditional rice cultivation), increased use of arable land for very small scale vegetable farming, growth of micro credit and government-sponsored agricultural credit, and sharp expansion of non-crop agricultural activities, such as livestock and fisheries.

Inflation, aided by bumper agricultural harvests and slow industrial activity, has continued to plunge in 1999 and 2000, after peaking in December 1998 at 13%; inflation stood at 2.72% in May 2000 on a year-on-year basis. Looking forward, too, there are few signs of inflationary pressures, notwithstanding the economy's sharp monetary expansion in FY 2000 and two devaluations amounting to 5.2% during FY 2000, as good government food stockpiles and slow industrial activity keep pricing pressure at bay. Strong growth in overseas workers' remittances and sluggish growth in imports have kept the balance of payments stable, even though Bangladesh's current reserves, at $1.4 billion, have fallen to the lower end of the range in which they have fluctuated during the last 4 years.

Failure of the Government to address long-standing structural deficiencies in the economy and an uncertain business environment brought about by confrontational politics have seriously inhibited industrial activity in Bangladesh. The slow down in the industrial sector began in early 1998, and was exacerbated by the 1998 flood when manufacturing output contracted for three months. There now are some early signs of recovery from the flood-depressed low base of FY 99, with industrial activity increasing 5.5% in FY 2000.

Bangladesh's sharp monetary expansion during FY2000, fueled by unprecedented government borrowing from the banking sector, has serious consequences for the Bangladeshi economy if it continues unchecked. Broad money growth accelerated to 18.6% in the 12 months ending April 2000, compared to 10.4% in the 12 months ending June 1998. Government borrowing in the first 10 months of FY 2000 grew to taka 41 billion (approximately $800 million), far exceeding the taka 15 billion (approximately $300 million) budget target for the entire fiscal year. It will, however, be difficult for the government to apply spending and borrowing discipline in the run up to the general elections, which are to take place some time before mid-October 2001. The Bangladesh economy does not have close linkages to the international economy, which may explain why the Asian financial crisis had little direct impact in Bangladesh. The stock market has not recovered from a severe crash in 1996, although there have been some tentative signs of revival in recent days.

Relations between Bangladesh and the United States are excellent. These relations were boosted earlier this year when President Clinton visited Bangladesh, the first ever by a sitting U.S. president. The Bangladesh business community is well disposed toward American products. Business opportunities for U.S. firms are expanding as the economy grows. Commercial imports now make up approximately three-fourths of Bangladesh's import bill, with aid-financed imports accounting for the remainder. Principal U.S. exports to Bangladesh are raw cotton, wheat, computer hardware and software, and a wide variety of industrial inputs and machinery. U.S. investment has increased markedly, as planned oil and gas exploration/production investments were made. From a level of $25 million four years ago, American direct investment in Bangladesh now stands at over $750 million. Two-way trade surpassed $2 billion in 1998, and increased further in 1999; the U.S. had a $1.6 billion trade deficit with Bangladesh in calendar year 1999.

Best prospective sectors for American firms include gas exploration/production, power generation and related equipment, telecommunications, computers, aircraft parts and ground support equipment, textile machinery/equipment, and architecture/construction/ engineering services. As in the past, agricultural products will be the major U.S. exports to Bangladesh. Many of the larger Bangladeshi firms express interest in joint ventures with U.S. companies. Keys to success in doing business in Bangladesh are patience and having strong, effective local representation. The Embassy's U.S. Trade Center can assist with counseling and other services for American businesses interested in exploring trade and investment opportunities in Bangladesh.

Country Commercial Guides (CCG's) are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at www.stat-usa.gov; www.state.gov; www.mac.doc.gov, and the U.S. Embassy's website at www.usembassy-dhaka.org. CCG's can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE.

II. ECONOMIC TRENDS AND OUTLOOK

Major Trends, Outlook, Principal Growth Sectors

Bangladesh is a semitropical riverine nation with fertile soil and a high vulnerability to floods and cyclones. Most Bangladeshis (approximately 85%) live in rural areas and make their living from agriculture. With 130 million people crowded into an area the size of Wisconsin, 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, although agricultural output has increased steadily since independence, and the country is nearly self-sufficient in food during normal years. The country historically had received annually the equivalent of close to 6% of GDP in foreign assistance disbursements, but this figure has declined to around 3-4% in recent years as GDP has increased while aid utilization has leveled off.

Bangladesh has experienced fairly robust economic growth during the last decade, which saw restoration of a democratically elected government and a steady, albeit slow, liberalization of the economy. The average annual growth of GDP in the ten year period from FY 91 through FY 2000 was 4.8%; the preliminary estimate for FY 2000 economic growth is 5.5%. However, these growth rates fall short of the levels needed to reduce significantly the poverty that afflicts one in three Bangladeshis. Relative political stability and record back-to-back agricultural harvests allowed Bangladesh to post respectable economic growth since the devastating flood of 1998. Despite this relatively good economic 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 a weak financial sector, an unproductive and chronically money losing public sector, poor infrastructure, lack of export diversification, and pervasive corruption at all levels of the society. The failure of the political system to address these longstanding economic problems has adversely affected the business environment and investment climate. These weaknesses also account for the continuing fragile and vulnerable macroeconomic situation.

Agriculture

Bangladesh’s economic performance in the last two years has been led by the agricultural sector. This sector, which received a devastating shock during the 1998 floods which inundated more than two-thirds of the country, rebounded sharply and has maintained vigorous growth through successive record harvests. Weather conditions certainly helped, but structural changes have contributed as well. Increased use of hybrid seeds, broadening of markets through better road and rail links, some substitution of cash crops (corn, potatoes, fruit) for the traditional rice cultivation, increased use of arable land for very small scale vegetable farming, the growth of micro credit and government-sponsored agricultural credit, and sharp expansion of non-crop agricultural activities such as livestock and fisheries are helping make the agricultural sector an unqualified success in an otherwise fragile economy. As long as weather conditions cooperate, the agriculture sector should remain strong into FY 2001 and beyond.

Agriculture accounts for 26% of GDP, down from about 40% in the 1980’s, and is the primary occupation of about 70% of the population, mostly farmers or rural laborers. The growth rate of agricultural production accelerated from 5.0% in FY 99 to 7.0% in FY2000. The major contributor to the agriculture sector is crop production, which remains overwhelmingly dominated by rice that experienced an outstanding 8.5% growth in FY2000. The overall crop sector growth was 6.1% in FY2000, compared to 5.5% in FY 99. Non-crop agriculture also experienced growth over the past fiscal year: fisheries (10.0%), livestock (8.0%), and forestry (4.5%).

FY2000 food grain production showed an outstanding performance with 8.2% increase due mainly to the near ideal weather conditions. Also, inputs for crop production were adequately available at competitive prices. Aided by successive good harvests, the food grain situation eased remarkably in the year and half since 1998's severe summer floods. Bumper 1999 spring rice production offset the damaged 1998 summer and winter rice crops, and was followed by record FY2000 rice and wheat crops at 21.5 million tons and 1.9 million tons, respectively. The record crops and huge FY 99 foodgrain imports (5.5 million tons) have raised stocks to twice the normal levels. The wave of imports following the 1998 summer floods ebbed in the second half of calendar year 1999. Foodgrain imports in FY2000 were about 200,000 tons of rice and 1.58 million tons of wheat, compared with the previous year's record imports of 3.1 million tons of rice and 2.4 million tons of wheat. Food grain supplies as well as prices were stable throughout FY2000.

In the past decade, per capita food grain availability increased by 9% as supplies grew much faster (17%) than the population (8%). The nation's enhanced food security can be attributed both to several excellent harvests and the government's decision in the early 1990's to liberalize the import market for food grains. As evidenced in FY 99, the private trade and donors are capable of supplying food grains during acute shortages stemming form natural calamities. The total supply of food grains actually peaked in FY 99 (the year of the severe flood) due to record imports, most of which was handled by private trade.

Jute, the "golden fiber" of Bengal, 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. Inefficiency caused by heavy government involvement in procurement and processing has also hurt the sector. The government has introduced a 10% export bonus to encourage jute sales by the public and private sector. Jute production in FY2000 declined by 25% to 540,000 tons from an already depressed level of 720,000 tons in FY 99. This is about one-third of the record level jute production in FY1986. Farmers are growing increasingly disinterested in the crop due to the continued supply glut and corresponding low prices in recent years. The FY2000 production loss was exacerbated by a sharp fall in the crop acreage due to a drought in major jute growing areas during the planting season. The combined export earnings of jute and jute products now represent about 7% of the country's export eaniings, down from about 24% in FY1991.

Industry

Industry (manufacturing, construction, power, and utilities) accounts for about 26% of Bangladesh's real GDP. Failure of the Government to address long-standing structural deficiencies in the economy and an uncertain business environment brought about by confrontational politics have seriously inhibited industrial activity in Bangladesh. The slow down in the industrial sector began in early 1998, and was exacerbated by the 1998 flood when manufacturing output contracted for three months. There now are signs of recovery from the flood-depressed low base of FY 99, with industrial activity increasing 5.6% in FY 2000. The construction, power/gas, and the (small) mining sectors performed well in FY 2000, with each sector posting better than 7% growth. However, the country's post-flood industrial recovery occurred without much participation by the manufacturing sector, which grew at a feeble 2% in FY 99 (its worst performance in the 1990s, when it averaged annual growth of 7.8%), and a still anemic 4.3% in FY 2000. Industrial activity in the private sector remains constrained as consumer demand is weak, domestic and foreign investment is slow, import demand is slack, letter of credit openings are slow, and surveys continue to show lack of confidence in business conditions among businessmen.

Industrial growth in FY2001 will depend, in part, on the availability of both steady electricity supplies and financing, both chronic problems facing industry. During FY 99 and FY 2000 several large projects in the gas and power sector came on line. Both Shell/Halliburton/Cairns and Occidental Petroleum (which later sold its Bangladesh investment to UNOCAL) began delivering gas during FY 99, and three barge-mounted power projects came on line during the last two years. American company AES began construction on a 360 MW power plant at Haripur and a 410 MW power plant at Meghnaghat.

InflationAided by bumper agricultural harvests in calendar years 1999 and 2000, large government stockpiles of foodgrain, and slow industrial activity, inflation has continued to plunge in 1999 and 2000, after peaking in December 1998 at 13%; inflation stood at 2.72% in May 2000 on a year-on-year basis. Looking forward, too, one can expect only moderate inflationary pressures, notwithstanding the economy's sharp monetary expansion in FY 2000 and two devaluations amounting to 5.2% during FY 2000. The food supply situation continues to look good. The nosedive in the Consumer Price Index's food and beverage component, comprising two-thirds of the index, has been especially striking. In the immediate aftermath of the 1998 floods, food inflation touched 18%, but then began a sustained decline as the food shortages many expected did not materialize. Equally remarkable is the performance of the CPI's non-food component, which stood at 7.6% in September 1997, and then declined almost every month, falling to 2.5% by May 2000.

Government Borrowing and Money Supply

The most dramatic macroeconomic development in Bangladesh during the first half of FY 2000 has been the country's skyrocketing monetary expansion, fueled by unprecedented government borrowing from the banking sector through sale of treasury bills. Broad money growth accelerated to 18.6% in the 12 months ending April 2000, compared to 10.4% in 12 months ending June 1998. Government borrowing in the first 10 months of FY 2000 grew to taka 41 billion (approx. $800 million), far surpassing the taka 15 billion (approx. $300 million) budget target for the entire fiscal year. Even more troubling is that this government borrowing, in large measure, is to fund "unproductive" activities such as wage and salary increases for government employees and more subsidies to chronic money-draining state-owned enterprises. If this trend continues unrestrained, it would have serious consequences for inflation, interest rates and exchange rates, and, therefore, the country's economic growth in future years. The extravagant use of credit markets by the government is, in turn, crowding out private credit, demand for which is feeble in the first place due to slow industrial activity and greater scrutiny of loans by banks. The government increased its borrowing from domestic sources by issuing more expensive savings instruments, which are sold to the public at rates higher than those offered by banks. The government's efforts to impose a more stringent lending regime on the banks, and its efforts to step up its drive to recover overdue loans have affected credit availability.

Exchange Rates

The country's currency, the taka, was devalued by 2.1% in July 1999 and 3.0% in November 1999, thus continuing the government policy of small, incremental devaluations, to bring its currency value gradually in balance with its competitors in the region. Yet, the taka remains overvalued relative to the currency and price levels prevailing in its trading partners. The exchange rate in July 2000 is taka 51 to the dollar. The average annual exchange rate was 40.84 taka per dollar in FY 96, 42.70 taka in FY 97, and 45.4 taka in FY 98, 47.95 taka in FY 99, and 50.32 in FY2000. The Bangladesh Bank follows a semi-flexible exchange rate policy of valuing the currency on the basis of the real effective exchange rate, taking account of the nominal exchange rates and inflation rates of major trading partners. The taka's market value has been bolstered by the large sums of foreign exchange Bangladesh receives every year through aid transfers and through remittances from overseas workers. The taka is now almost fully convertible on the current account, but capital account convertibility, although promised for some time, has not yet happened.

External Debt

Assessed on the basis of outstanding principal, Bangladesh's external medium and long term debt stands at about $15.4 billion, or about 34% of GDP, at the end of FY 2000. Because virtually all of the country's outstanding external debt has been granted on highly concessionary terms (e.g., one or two percent interest, 40-year maturity, and a 10-year grace period) by donor nations and multilateral lending institutions, the net present value of the debt is far lower than the face value. The debt service burden on this debt is about 7% of current export earnings. As of the beginning of 2000, the outstanding balance of Bangladesh's PL-480 debt to the U.S. is $467 million. The U.S. and Bangladesh are negotiating an agreement under the Tropical Forest Conservation Act of 1998, which will reduce very modestly the PL-480 outstanding debt, while making available money in local currency for conservation of Bangladesh's tropical forests.

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 Bangladesh government 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; some 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, the government has found this opposition difficult to overcome, and implementation of policy reforms has often been lacking.

The state, a major participant in Bangladesh's industrial sector, owns 40% of industrial capacity, primarily in jute, textile milling, steel, and chemicals. According to the World Bank, the state-owned enterprises (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, and continue to burden the budget and are a major drag on the economy. In a poor country like Bangladesh, the opportunity cost of the SOE losses is acute, as social sectors like health and education lack sufficient resources. The nationalized commercial banks are grossly inefficient, with political influence and non-constructive trade union activities resulting in the proportion of non-performing loans approaching a staggering 50% of outstanding loans. Most public sector industrial units, especially textiles, jute processing, and sugar processing, are perennial money losers. These units drain the government's treasury and set relatively high wages that their private sector counterparts often are compelled to meet out of fear of labor 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 gas, power, and telecommunications (cellular and rural areas) portfolios to the private sector is a positive step which promises good results if the pace of such reform accelerates.

To date, the current government, as the one before it, has made little progress in reducing SOE losses through privatization or increased productivity. Since June 1996, the Privatization Board has sold to the private sector only 5 enterprises. The board is discussing sale of another 18 enterprises and has identified 50 more for potential privatization. The privatization effort targets SOE's in the jute, textile, steel and engineering, sugar, and chemical sectors. The board is hindered in its work by its lack of legal authority and by substantial opposition to privatization by labor unions and the public in general. It recently launched a publicity campaign to raise awareness of the losses that state owned enterprises incur; that campaign, however, was quickly suspended after labor unions objected. The private sector still struggles with power outages, overregulation, inadequate commercial laws, labor and political strikes, and other factors, which inhibit investment. All these factors keep Bangladesh from reaching the 7% sustained annual economic growth rate experts deem necessary to lift it out of poverty.

The Bangladesh Government unveiled its FY 2001 budget in June 2000 to a mixed response. Attention immediately focused on the anticipated budget deficit, which the Government projects at 5.8% of GDP, the IMF estimates at 6.3% and other knowledgeable observers peg at 6.8%. Budget watchers also decried burgeoning government borrowing from the banking sector, which is raising the interest burden on the budget as well as crowding out private lending, critics allege. Otherwise, the budget was largely unremarkable, proposing no major changes on revenue, spending or trade measures; business chambers by and large supported the budget even as they criticized the increasing deficit and government borrowing to support it. The budget calls for improvement of tax procedures and reduction of evasion to increase revenues instead of adding new taxes, although it does attempt to widen the value-added tax base. The government did not make reductions in overall tariff rates, as in past years, but did reduce import duties on some raw materials in an attempt to stimulate improve industrial activity and boost sluggish exports. The main opposition party boycotted the budget session and staged a one-day nationwide general strike to protest the "anti-people" budget, even though social sectors affecting the poor were not treated (relatively) unfavorably in the budget. All in all, the new budget sticks to the status quo, which is not too surprising in the eyes of most observers who believe this could be the ruling Awami League government's last budget before national elections, which must take place by mid-October 2001.

The FY 2001 budget projects revenues of taka 242 billion ($4.75 billion), 13.3% higher than the FY 2000 actual revenue. On the spending side, the Government's operating budget projects expenditure of taka 196 billion ($3.84 billion), 6.4% higher than FY 2000. Most of this increase is due to the increased cost of interest on domestic and foreign loans, although continuing subsidies for poorly-run state-owned enterprises also add to the fiscal burden. The Government's capital spending budget has been fixed at taka 175 billion ($3.43 billion), 13% higher than the FY2000 figure. The biggest winners in the new capital spending budget are health and education.

There was a significant deterioration in Bangladesh's fiscal position in FY2000, a result of accelerated government borrowing and an unabated increase in expenditures. The budget deficit increased to 6.1% of GDP in FY2000, compared to 4.8% in FY 99 and 4.1% in FY 98. If this trend is not reversed, the government will be confronted with significant economic difficulties in the coming years. Tax revenues fell 12% short of expectations in FY2000, reflecting an overly ambitious revenue increase target of 22.5%, and weakness in industrial recovery after the flood of 1998. Other factors contributing to this revenue shortfall were delays in implementing several new revenue-enhancing initiatives, including a pre-shipment inspection system of customs valuation, establishment of a large taxpayer unit within the income tax division, and introduction of a taxpayer identification number.

Balance of Payments

Current Account

After deteriorating dramatically in FY 99 as a result of flood-related imports, the current account is expected to improve in FY2000 (year-end data are not yet available).
The current account deficit in FY 99 grew from $253 million in FY 98 to $393 million in FY 99, but as of February-end 2000, the current account is showing a surplus of $402 million, compared to a deficit of $96 million in the comparable period a year earlier. Although the improvement has been in most components of the account, increased workers' remittances and a drop-off in foodgrain imports are primarily responsible for the improved current account. The overall balance of payments mirrors this current account trend, with a surplus of $158 million in the July 1999-Feb 2000 period compared to a deficit of $171 million in the comparable year-ago period. A troubling element in the data, however, is an unexplained "Errors and Omissions" number in the balance of payment, that remains unexplained, and that is now in excess of $500 million.

U.S. - Bangladesh Trade: The U.S. continues a trade deficit with Bangladesh; in calendar year 1999, this deficit reached a record $1.64 billion, up from $1.53 billion in calendar year 1998, and $1.42 billion in 1997. Bangladesh's garment trade is the primary reason for the deficit. In 1999, according to the U.S. Department of Commerce, U.S. imports from Bangladesh reached $1.92 billion, up 4% from the previous year. After increasing for two years, U.S. exports to Bangladesh slipped 16% in 1999 to $275 million from to $318 million in 1998.

Exports

Export growth, led by the garments and knitwear sectors, played a vital role in the recovery of the manufacturing sector during the 1990's, but the growth rate of the export sector has declined in the last two fiscal years. Garment exports grew at a phenomenal rate since 1994 due to the system of bilateral quotas with developed country markets, which 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.

After increasing annually at 15% during FY 91-FY 98, export earnings grew only 2.9% in FY 99 and 6.3% in the first 10 months of FY2000 (compared to first 10 months of FY 99), down from 17.1 % in FY 98. The slowdown in the export sector in FY 99 and FY2000 is attributable to an overvalued currency relative to Bangladesh's Asian competitors and flood-related disruptions in FY 99. The country has also failed to diversify its export base, with garments and knitwear continuing to account for about 75% of its export earnings. The performance of the leather, jute, and shrimp export sectors remains weak, in part due to sluggish world demand. Devaluations of 2% and 3% in July and November 1999 have failed thus far to stimulate exports appreciably.

Export outlook: Export growth in FY 2001 will likely be mixed. Garments and knitwear exports should strengthen from a 10% increase in the FY 99-FY2000 two-year period. But minimal growth in other export products (leather goods, shrimp and jute) will hurt overall export growth. With the elimination of the worldwide garment quota system in 2005, Bangladesh's garment export sector will be under increasing pressure from competitors.

U.S. exports to Bangladesh: U.S. exports declined 16% in calendar year 1999 to $275 million from $318 million in 1998, because of a drop in foodgrain imports which were boosted in 1998 due to flood-induced demand. Cotton and wheat remain the top two U.S. exports to Bangladesh. Computers, fertilizers, and textile fabrics are important contributors. The outlook for U.S. exports remains unremarkable. If industry resumes its expansion, U.S. exports will grow, as U.S. products and commodities have an excellent reputation in Bangladesh. Exports of cotton and wheat, industrial power generators, and computers should increase. Textile machinery--new and used--could also increase if purchasers can overcome financing difficulties. If foreign investment in the gas and power sectors increases, it will open up some opportunities for U.S. exports.

Imports

Import growth, which jumped to 10.5% in FY 99 due to flood-related demand for foodgrain, fell back to 1% in the first 8 months of FY2000, thus resuming its below 5% performance of FY 97 and FY 98. This sluggishness in imports is the result of generally slow economic activity during the last three years, and a tightening of credit which has inhibited domestic investment. By all accounts, unofficial imports, for the most part undocumented border trade with India, have continued to increase. The taka was devalued by over 5% in the first half of FY2000, and this may have restrained imports.

Import outlook: While industrial imports are likely to pick up in FY2001 as the sector begins to show some sign of life, agricultural imports are likely to weaken further due to record domestic foodgrain harvests. As Bangladesh imports most of its oil needs, fluctuations in world oil prices have an immediate impact on the country's import bill.

U.S. Imports from Bangladesh: There has been an uninterrupted increase in U.S. imports from Bangladesh, primarily garments and knitwear, during the last decade. This trend continued in FY2000 – and will likely hold in the coming years – as the U.S. imported a record $1.9 billion in merchandise from Bangladesh, an increase of 4% over the previous year. Besides garments and knitwear, which account for over 80% of U.S. imports, other significant import items are shrimp, jute, and leather products. In FY 99 and FY2000, Bangladesh's export capabilities recovered from supply disruptions caused by the floods in 1998. 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 over the next 4 years. Much will depend on whether Bangladesh can make improvements in production efficiency and finance, customs, port and transportation systems.

Reserves

Bangladesh's foreign exchange reserves, which stood at $1.4 billion at the end of May 2000, or about two months of import cover, are delicately balanced at the low end of the band in which they have fluctuated since FY 96. Weak industrial activity has restrained the demand for non-food imports, while bumper harvests have held down food imports. The economy has been struggling to accelerate its export earnings. The one unqualified bright spot in Bangladesh's balance of payments during the last decade has been worker remittances from overseas, which have increased each year since FY91. Official worker remittances grew a very robust 14% in the 11-months ending May 2000, compared to the comparable year-ago period. Unofficial remittances, which are not reported to the central bank and thus do not enter the national accounts, are reportedly as large and growing as robustly as official remittances. The central bank has tried recently, with some success, to restrain unofficial remittances and thereby increase funds being repatriated through official channels. While strength in remittances will likely continue into FY2001, remittances can fluctuate sharply as they are susceptible to political and economic events overseas.

Infrastructure

Bangladesh's two major seaports, Chittagong and Mongla, handled over 14.5 million metric tons of cargo in FY2000; Chittagong, by far the larger port, with two container terminals, handled over 80 % of the cargo. The Chittagong port suffers from inefficient space management, a shortage of handling equipment, corruption and congestion. The port has been closed at times by workers for various reasons, usually relating to benefits. The current port container storage area continues to be stocked with significantly more containers than its 8,500-container design capacity. Although in FY 98 the government approved in principle a private container project with an investment of approximately $440 million proposed by the U.S. company Stevedoring Services of America (SSA), the project has not gotten off the ground as several contracts with governmental bodies are yet to be signed. SSA's project would include the construction of two container terminals, one in Dhaka and one in Chittagong, linked by a barge line.

Bangladesh's 36,000-kilometer primary road network is in relatively good condition (although it did receive extensive damage in some regions due to the floods of summer 1998), giving rise to a substantial private trucking industry. The Jamuna Multipurpose Bridge, a mammoth $1 billion engineering and construction project which spans the Jamuna river, connecting east and west Bangladesh for the first time, was completed in June 1998. Inland waterways are extensive. 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 ticketless travel, and aged equipment. The government is modernizing the Chittagong airport and has plans to expand the Sylhet airport. Government-operated Bangladesh Biman Airlines runs a fleet of 11 aircraft, which connect Dhaka with the U.S., Europe, the Persian Gulf, and South, Southeast, and East Asia. Bangladesh has two domestic private airlines, GMG and Air Parabat, which entered the market in FY 98. Other domestic private airlines have started, but quickly folded during the last 3 years. Other private companies have also entered the market for helicopter services and for domestic and international cargo service. 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, inadequate generation and transmission capacity, and a lack of maintenance cause frequent outages. Necessary planned blackouts, called "loadshedding," are common 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. American companies have a big stake in the nation's electric generation. Three 100-plus megawatt (MW) barge-mounted plants (two U.S.--one owned by Coastal Energy/Summit, the other by El Paso/Ogden/Wartsila) currently sell power to the national grid, while U.S. company AES is building two land-based plants outside Dhaka that will add 810 MW to the nation's power supply upon completion. A U.K.-based subsidiary of American company Cinergy signed a letter of intent with the Government to build a 100 MW barge-mounted power plant in Baghabari, but the project is still to get off the ground.

Bangladesh's natural gas sector has attracted foreign investment, with international oil companies (IOCs--Unocal, Halliburton/Shell/Cairn Energy) supplying close to 30% of the nation's needs in 2000. IOCs also have increased Bangladesh's known proven and probable reserves by 60 to 70 percent. A small domestic market and no immediate export prospects have hampered increased foreign investment in the gas sector, as IOCs are delaying new spending while the government deliberates possible gas exports. In addition, slow payment for gas deliveries by the national oil and gas company has dampened investor confidence.

USAID has committed $80 million over the next decade to help Bangladesh improve the management of its energy sector, increase private sector participation, strengthen regulatory functions, and improve efficiency. The U.S. Geological Survey and the state oil company, Petrobangla, in the summer of 2000 will begin a joint evaluation of the nation's potential gas resources. The government continues to state its intention to open 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. The government is making progress in expanding gas and energy supplies, but not at a fast enough rate to keep pace with economic growth and the pressing needs of society. An inadequate power supply situation hampers industrial growth and frustrates the populace. 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. Nonetheless, those businesspeople (domestic and foreign) willing to invest for the long term continue to find Bangladesh a profitable place to invest in. To a large extent, all major political parties publicly support pro-private sector economic reforms.

The country's telecommunications services are inadequate. The government-run telephone service has approximately 490,000 lines to serve 130 million people, one of the lowest penetration rates in the world, and a call connection rate of 30%. About 60% of the lines are analog and the quality of service is poor. The telephone service company is undermined by widespread corruption. Efforts are slowly under way to upgrade the telephone system, including expanding domestic and international capacity and installing digital exchanges. Four private companies now are operating cellular service, with a combined subscriber base of 52,000. Several Internet service providers, featuring electronic mail and World Wide Web services, now exist in Dhaka. The government recently gave permission to these internet service providers to own and operate VSAT's, which should decrease the service charges significantly.

III. 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 FY 2000, the United States provided a total of $105.6 million in aid to Bangladesh, including development assistance and food aid. Since Bangladesh's independence in 1971, the United States has provided over $3 billion in economic assistance. In response to the devastating floods in 1998, the U.S. donated 700,000 metric tons of wheat, and also gave emergency supplies.

Major Political Issues Affecting Business Climate

There are no major bilateral or international political issues, which affect the business climate in Bangladesh. However, on the domestic political landscape, political demonstrations and general strikes (hartals) regularly disrupted business operations over the past five years The Awami League won a majority in parliamentary elections in June 1996, after a campaign of nonstop hartals in early 1996 forced its predecessor to step down. The new government's first two years saw relatively few hartals or other disruptive agitation programs. There were 27 days of nationwide general strikes in 1999, and several additional days in January and February 2000. While business has generally adjusted to the hartal culture prevalent in the country, the disruptions inflict a tangible cost on the economy and on individual businesses. The narrow focus on partisanship and political confrontation by both the ruling and opposition parties also contributes to poor governance, by detracting from the government's ability and willingness to focus on economic reforms and policy implementation. The current government must step down by no later than mid-2001, with general election no later than mid-October 2001. Both politics and business conditions increasingly will be affected by the approaching parliamentary elections.

Synopsis of Political System

Bangladesh is a parliamentary democracy. The Parliament has 300 elected members. An additional 30 seats are reserved for women chosen by majority vote in Parliament. Candidates may contest a maximum of five seats in any one election, but may hold only one. Parliament can sit for up to five years before dissolution and new elections. 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 Awami League's ruling majority. In August 1975, the elected government of Sheikh Mujibur Rahman--who was for long the most prominent leader in the nationalist movement--was overthrown in the first of a series of military coups and military rule, which plagued the country for the next fifteen years. In the August 1975 coup, Sheikh Mujib and most of his family were murdered. His daughter, Sheikh Hasina, was out of the country and survived, later becoming the Awami League chief. In 1981, President Ziaur Rahman, an army general (and founder of the Bangladesh National Party or 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 1982, General H.M. Ershad, then Army Chief of General Staff, seized power and declared himself President in December 1982. 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 Awami League, Jatiya Party and the Jamaat-e-Islami formed the bulk of the opposition. In March 1994, the opposition parties walked out of Parliament to protest an alleged insult by a BNP minister. The walkout became a boycott when the opposition alleged the BNP rigged a March 1994 by-election and demanded Khaleda Zia hand over power to a neutral caretaker government before the next national polls. Opposition MP's resigned en masse from Parliament in December 1994. The political impasse dragged on for nearly two years, and the opposition parties boycotted general elections held by the BNP in February 1996. The BNP government lost credibility with substantiated reports of vote rigging in the one-party election. Following this election, increasing popular pressure compelled the BNP to pass a constitutional amendment to permit election under a caretaker government and dissolve the short-lived parliament on March 30. New polls were contested by all the major parties in mid-June 1996, and were declared generally free and fair by domestic and international observer groups. A new government led by the Awami League and Prime Minister Sheikh Hasina took its seat in late June 1996.

There are few policy differences between the BNP, the Awami League 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. The opposition frequently uses street demonstrations, strikes and blockades to express itself. Awami League-BNP relations show no sign of improving, and this political acrimony between the major parties poses a serious obstacle to long-term stability and further economic reform.

IV. 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.

Use of Agents/Distributors: Finding a Partner

U.S. firms may appoint a Bangladesh 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 Embassy's experience suggests that a local organization which represents many foreign companies may not be as effective as a smaller one which can be more aggressive in pursuing a product or product line. An American firm seeking an agent in Bangladesh may wish to contact its district Department of Commerce office and request and pay for an Agent/Distributor Search (ADS) before deciding on a local representative, or contact the Embassy commercial office directly. 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.

Franchising

Franchising is generally not practiced in Bangladesh, although there are no regulations barring franchise operation. Because of the limited market, franchising is not generally considered attractive for U.S. firms in Bangladesh. That being said, some U.S. franchisers have expressed interest in the Bangladesh market during the last few years. Several European clothing and fast food operations, including Benetton and Wimpy's, opened during the last three 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 Bangladesh Government 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. One hundred percent 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. 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 Bangladesh Embassy or Consulate overseas. 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, because 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 a U.S. firm’s 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. 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) 861-3391, fax: (880-2) 831-2915, e-mail: amcham@bangla.net. The tenth annual U.S. Trade Show will be held January 25-27, 2001, at the Dhaka Sheraton.

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 newpaper and magazine sector, with over 200 English and Bangla newspapers and magazines, including over 100 dailies. The principal English-language dailies published in Dhaka are “Daily Star,” “The Independent,” “New Nation,” “Bangladesh Observer,” “Financial

Express," and "Bangladesh Times." The primary Bangla dailies are "Ittefaq," "Prothom Alo," "Jana Kantha," "Inquilab," "Bhorer Kaqoj," and "Sangbad." The government's monopoly over television and radio was diminished somewhat this year with the opening of a private domestic television station. The government controls and operates all other television and radio outlets. 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 Embassy has advocated elimination of a 60% advertising surcharge that the Bangladesh government 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 (Doordarshan); CNN, BBC, and a few other channels from the U.S/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 20 Internet service providers offering full Internet access via 64 KB VSAT connections. Some fax/phone retailers also offer e-mail services.

Product Pricing

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 government does not have price controls for the private sector, and prices are determined by the market's price mechanism. Due to inefficiencies in the market, prices for most products are higher in Bangladesh than demand and supply conditions would warrant. In May 2000, the inflation rate stood at a 2.72% annual rate.

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 Bangladesh Government 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 government direct importers are the 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); and the Directorate General of Defense Purchase (DGDP).

Major and bulk purchases to be made by public tender are published in the local media. The economic/commercial section of the Embassy monitors all bid announcements, posts them to its website (www.usembassy-dhaka.org), 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, telephone (202) 377-2373. This Department of Commerce office 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

The intellectual property rights (IPR) regime in Bangladesh is weak, with obsolete laws and poor enforcement. There is little awareness in the civil society at large of the economic costs of IPR infringement, and no urgency on the part of the government to strengthen IPR protection. Intellectual property infringement is common, but is currently of limited significance for U.S. firms, with the possible exception of pharmaceutical products and video products. There is an effort underway to update Bangladesh's intellectual property laws, which date from the pre-independence era. A new Copyright Act was passed in 2000 to bring Bangladesh's copyright regime in compliance with the World Trade Organization's Trade-related Aspects of Intellectual Property Rights (TRIPS) agreement. Draft legislation to update the Patents and Designs Act of 1911, as amended by the Patents and Designs Rule of 1933, and the Trademarks Act of 1940 is making its way slowly through the bureaucracy. Bangladesh membership in the World Intellectual Property Organization and the Paris Convention, and Bangladesh's signing of the WTO's TRIPS, has forced the government to take these steps to update its IPR laws, but such steps will prove ineffective if enforcement is not simultaneously strengthened.

Need for Local Attorney

Legal assistance may be required to settle business disputes. A representative list of Bangladesh 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.

Syed Ishtiaq Ahmed
69/1 New Circular Road
Dhaka 1000
Tel: 955-0479, Fax: 831-6164

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

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

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
Tel: 831-3508, Fax: 831-9279

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

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

Performing Due Diligence

To check the bona fides of a bank, agent or customer, U.S. firms can contact one of several chambers of commerce or business associations listed in annex E. The U.S. Embassy's economic/commercial section may also be able to provide some useful information.

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

Best Prospects for Non-Agricultural Products

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

The official estimate of Bangladesh's proven natural gas reserves is 10.7 trillion standard cubic feet (tcf). The U.S. Geological Survey and the international oil companies estimate that Bangladesh's gas reserves are far greater than the official government estimate. Subsidiaries of the national petroleum company Petrobangla and two foreign firms produce an average of 940 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 (US) has been delivering about 100 mmcfd to Petrobangla. The U.S. firm Unocal, which acquired Occidental Petroleum's Bangladesh interests, is also delivering approximately 100 mmcfd of natural gas to Petrobangla. Gas-fired power plants and urea fertilizer plants have placed increasing demands on the gas supply. An inadequate gas transmission system is considered by experts to be a serious bottleneck to growth.
In order to meet the need for increased investment and expertise in developing known fields and adding to proven reserves, Petrobangla has exploration and development contracts with four international oil firms: U.S. firms Unocal, United Meridian International, and Oakland, along with the Scottish firm Cairn Energy. After nearly one year of deliberations concerning the second bid round for exploration rights, the government announced five awards in late July 1998; winners were Enron/Oakland, Pangaea/OMV (although OMV since has reportedly left the alliance), Unocal, and Shell/Cairn. But the government is yet to finalize Production Sharing Contracts with these firms. Also several key blocks, believed to have larger reserves, are yet to be awarded, with U.S. firms, including Chevron, Texaco, Unocal, Mobil, and Union Texas Petroleum, having placed bids. The government recently signed contracts for gas exploration with Shell for blocks 5 and 10 and with Maersk for blocks 19 and 20.

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 more private sector participation in gas transmission and development activities. Several pipeline projects, including small feeder lines, need to be completed. The government is keen to build a new 82-km pipeline from Rashidpur to Ashugonj (R-A Pipeline) at an approximate cost of $70 million. Under the donor programs, funding will be provided for gas dehydration facilities, better gas distribution, and other components to modernize and improve the existing gas pipeline network. The plan will require considerable contract 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, and U.S. firms have won such contracts in the past.

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

Although Bangladesh has an installed capacity of 3,300 MW, its peak generation capacity currently is only generate 2,500 MW, all of which except 302 MW is government owned and operated. With a population of 130 million, Bangladesh's per capita power generation is only 110 KWH. About 85% of Bangladeshis have no electricity. Government officials have announced the goal of increasing the country's generation capacity to 5,739 MW by the year 2002, which will require an addition of about 3,439 MW. Such an ambitious increase will only be possible with private sector participation, and Bangladesh is joining the South Asia-wide shift in favor of private power generation. To attract long-term foreign investment in the power sector, however, the government will need to prove its ability to pay for purchased power in foreign currency. The Government 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.

A joint venture developed by local companies and the Finnish firm Wartsila and now majority-owned by Coastal Energy of the U.S, began to generate electricity from its 110 MW barge plant in Khulna in September 1998. This is the first private power project to be completed. The second barge owned by the Malaysian firm, Westmont, is also generating 90–100 MW. Another barge project of similar size came on stream in June 1999. This project, developed jointly by U.S. companies Ogden, El Paso, with Wartsila, is seeking OPIC lending and insurance. The U.S. firm AES, which was the low bidder for both Haripur 360 MW and Meghnaghat 450 MW power plants, signed its contract for Haripur in September 1998 and Meghnaghat in July 1999; it has 30 months from signing the land lease agreement to deliver power. The Government's Power Cell signed a letter of intent in September 1998 with the U.K.-based, U.S.-owned Cinergy for a 100 MW project at Baghabari. Meanwhile, a smaller 60 MW plant in Mymensingh has started generating electricity and another 60 MW plant is under final stage of completion. The French firm European Gas Turbine is supplying most of the equipment, while the Japanese firm Sumitomo is serving as engineering contractor for these 60MW projects. The Rural Electrification Board (REB) has selected operators for 14 small power (5-10 MW) plants, most of which will use generating equipment supplied by an American company. In an earlier attempt, the REB awarded 3 such plant contracts to a local firm. The government has delayed the announcement of pre-qualification notices for the 300 MW Sirajganj power project.

The Asian Development Bank and the World Bank are both involved in promoting necessary policy reforms and in financing plant construction. The World Bank's International Finance Corporation (IFC) is supporting both power and gas exploration projects. Other bilateral donors, Overseas Economic Cooperation (OECF) and German has committed to provide over $90 million for rehabilitation of PDB's existing power plants. Several projects have been tendered, and a few more are in the process of bidding.

The primary energy source is natural gas, but the near term market for and supply of gas is small despite the large gas reserves. There is some scope for coal-fired power plants; one plant has been planned in the country's northwest region where coal deposits exist. While prospects for renewable energy technologies are not very bright, the government has plans to install several wind and solar energy pilot plants in selected area. Several energy projects funded by the Asian Development Bank and the World Bank are in progress. These projects include construction of electrical transmission and distribution lines, a national load dispatch center and communication network, and engineering services for the West zone combined-cycle power project and the East zone open-cycle peaking power project.

USAID has committed $80 million over the next decade to help Bangladesh improve the management of its energy sector, increase private sector participation, strengthen regulatory functions, and improve efficiency. Under the proposed World Bank National Power Development Project, the government would build a major National Load Dispatch Center, as well as additional transmission and distribution lines. There is significant scope for providing technical assistance to this project, which could exceed $250 million and was expected to begin in 1999, but was delayed due to lack of understanding between the bank and PDB. The ADB's proposed 10th Power Development Project include provisions for consultancy/feasibility studies.

Short-term export prospects are good for transformers, treated wood poles, 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.

Sector rank: 3
Sector name: Telecommunications equipment
ITA Industry code: TEL

The Bangladesh Telegraph and Telephone Board (BTTB), under the Ministry of Post and Telecommunications, had a monopoly on Bangladesh's telecommunications sector until 1989. At present, there are seven private operators which provide telecommunications services. Two of these operators have licenses to provide basic telephone service in rural Bangladesh. A lone Analog Mobile Phone Systems-based (AMPS) cellular operator is providing cellular mobile service to subscribers in Dhaka and Chittagong. The same operator, recently started to provide Code Division Multiplex Access (CDMA) service to Dhaka and Chittagong. Besides this operator,
three Global Systems for Mobile-based (GSM) cellular companies are operating in Dhaka, Chittagong, and Khulna. Paging and radio trunking telephone service are provided by a single operator in Dhaka, Chittagong, and Khulna.

At present, BTTB has approximately 490,000 telephone lines to serve 130 million people. About 55% of these lines use analog switches, mostly from Siemens. The remaining 45% use digital switches from NEC (NEAX), CIT/Alcatel (E-10) and ITALTEL (Linea-UT). A Japanese firm has completed the installation of 67,000 digital lines in Dhaka. WorldTel, a U.S. telecommunication company recently signed a memorandum of understanding with the government to install 300,000 digital line on build, own and operate basis. A Chinese consortium was awarded a 230,000 digital line project for district towns of Bangladesh under a supplier's credit financing program.

In order to upgrade the existing transmission network to support digital exchanges and private rural operators, BTTB has proposed several transmission link upgrade projects including fiber optics, digital spur links and digital microwave links. Due to funding constraints, however, it has been unable to implement these projects, which carry a potential price tag of $152 million. BTTB requested the government to arrange funds from donors, while donors, especially the World Bank, have suggested that the projects should be offered to the private sector. The government's most recent telecommunications policy includes long-term plans to privatize

BTTB and to install fiber optic and microwave links. The government recently announced plans to increase telephone lines to 1.3 million by the year 2002, and to 1.6 million by 2005.

Private operators have installed approximately 150,000 telephone lines in rural and urban Bangladesh, about 95% of which are cellular mobile and radio trunking phones. The sole paging service provider has approximately 9,400 subscribers in Dhaka, Chittagong and Khulna. U.S. companies have done fairly well in supplying equipment to the private sector, which dominates the more technically-advanced telecommunications services. A U.S. company is one of the equipment suppliers to the first cellular phone licensee; another U.S. firm is a joint venture partner in a rural telephone service company. Several U.S. companies are supplying telecommunications services and equipment to the two private rural telecommunications providers. An American company signed an MOU with the government in March 2000 to lay an underwater fiber optics cable link to Singapore. Prospects for selling AMPS- and GSM-based cellular systems from the U.S. are good. Wireless local loop, PCS and CDMA-based technology should also be of great interest to private operators.

Sector rank: 4
Sector name: Computers/Peripherals and Computer Software
ITA Industry code: CPT & CSF

The approximate market size for computer hardware, peripherals and software is $20 million and increasing at a 20%-25% rate per year. The U.S. share of this market is about 60%. There are approximately 230,000 desktop PCs in Bangladesh, with sales dominated by locally-assembled clones. A large number of computer assemblers import mother boards and other components from Taiwan and South Korea. However, the software and peripherals market is largely dominated by the U.S. brands.

Strong customer preference for U.S. computers points to good prospects for increased sales. The June 1998 elimination of duties has boosted computer imports, and has already led to a reduction in retail prices of 30% to 40%. 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. U.S. industry should capture the great majority of this market, given senior bank management’s familiarity with and preference for U.S.-made computers.

Sector rank: 5
Sector name: Aircraft/Parts and Airport/Ground Support Equipment:
ITA Industry code: AIR & APG

The primary customers in the aviation sector are the government-owned Biman Bangladesh Airlines and the Civil Aviation Authority of Bangladesh (CAAB), also a government entity. Biman has a fleet of 12 aircraft: 5 DC-10-30 (one on lease), 2 Airbus A-310-300, 3 Fokker F-28 and 2 ATP's. Biman performs its own maintenance (except D Checks) on its four DC-10s, presenting opportunities for sales of spare parts, including engines. Two Airbus A310-300 mid-haul aircraft (with U.S. engines) are operating on Biman's Middle East routes. To transport pilgrims to Mecca from Bangladesh, Biman leases at least two additional aircraft annually. Biman has been planning to buy 2-4 long-haul aircraft since FY 97, but funding constraints have delayed the addition of the much-needed aircraft. Earlier this summer, Biman offered a tender for 4 airplanes, but the tender in vague in that it is unclear whether Biman is looking for new or used aircraft or whether it is seeking to buy or lease. Planning is currently underway to privatize 40% of Biman.

The CAAB is expanding its airports in Dhaka and Chittagong and anticipates procuring radar, navigational aids, HF and VHF radios, runway lighting, ground support and emergency vehicles, and additional boarding bridges. Global positioning systems (GPS) are a nascent technology in Bangladesh, with only a handful of GPS receivers in the country; both CAAB and the military plan to acquire GPS equipment. The $131 million Chittagong airport expansion project has been started by the Japanese Shimuzu and Marubeni Corporation. Several licenses for private domestic airlines were issued in FY 97 and three operators began service, although one has since shut down.

Sector rank: 6
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 40% destined for the latter. But Bangladesh produces only 10% of the export-quality cloth used by its garment industry, and government policy encourages development of the textile industry. The market for textile machinery and components is about $30 million. However, lack of bank credit has slowed the import of such equipment. 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 United States, 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. Bangladesh's garment sector, and hence the textile sector, will come under increasing pressure as the world-wide quota system is eliminated at the end of 2004.

Sector rank: 7
Sector name: Architect/Construction/Engineering Services
ITA Industry code: ACE

U.S. architectural/construction/engineering services, mainly 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. The U.S. market share is about 40%. While Asian firms are usually more cost-competitive in construction work, the government 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

1. Cotton:

The United States is Bangladesh's leading supplier of cotton, providing 35% (worth about $105 million) of the total cotton imports of 160,000 tons in FY2000. Bangladesh textile mills appreciate U.S. cotton for its dependability in quality and timeliness of shipment. Cotton imports by Bangladesh have been increasing in keeping with the growth in the textile industry (10% per year since the mid-1990's). Imports are projected at a record 175,000 tons, and the U.S. share is expected to reach 40% in FY01.

In the early nineties, export-oriented woven, hosiery and knitwear garments were entirely dependent on import fabric and yarn. Export bonuses (at a rate of 25%) on garments using locally manufactured yarn and fabric played a key role in enhancing the private textile mills' ability to supply yarn and fabric for export garments. According to the textile industry sources, 20 out of a total 123 spinning mills now produce export quality yarn. The country currently produces a total of 140 million kilogram (kg) yarn out of total demand of 467 million kg. About 10% of yarn requirement for garment exports is met from domestic production; the balance of the yarn need is met through bonded imports. However, the domestic industry complains of the leakage of bonded yarn to the local market, which according to industry sources is counterproductive. Most of the bonded yarn comes at a lower price from India (which protects domestic producers by keeping raw cotton prices for domestic mills around 20% cheaper than the export price of raw cotton); this yarn wins out over local yarn, especially in the medium count range. As India does not produce short and long staple cotton, the Bangladesh mills are competitive in spinning yarns of lower and higher counts.

Bangladesh currently has 123 spinning, 131 weaving, and 110 dyeing/finishing mills. Industry sources estimate that the country needs an additional 229 spinning mills (25,000 spindles each), 322 weaving mills (10 million square meters/year each) and 317 dyeing/finishing mills (10 million square meters/year each) to meet the demand (domestic and export-oriented) for yarn and fabric in 2005. The textile industry forecasts a 10-15% annual increase in raw cotton imports till the year 2005.

2. Wheat:

Wheat imports have fallen from a recent high of 2.4 million tons in FY 99 to 1.6 million tons in FY 2000. They are forecast to decline further to a normal level of 1.5 million tons in FY01. The FY 99 imports played a critical role in improving food security and price stability in the aftermath of the massive 1998 summer floods. More concessional wheat was arranged than needed. FY 2000 imports include a substantial carry forward from the previous year's contract. The FY 2000 imports consist of 600,000 tons of commercial and 980,000 tons arrivals under donation. Imports in FY01 are forecast at 1.0 million tons of commercial and 500,000 ton of donation.

From the mid-1980's until the early-1990's the United States was the dominant supplier of wheat to Bangladesh. With the suspension of Export Enhancement Program, however, Bangladesh began to purchase lower-cost supplies. While some private millers continue to select U.S. wheat to meet demand from the top end of the flour market, most have switched to lower-priced wheat from the EU and Australia. The market share of the U.S. in the commercial imports in FY2000 was unchanged from the 17% it was in FY 99.

3. Apples:

Bangladesh is a net importer of apples. Supplies come from India (the dominant and cheapest source due to its proximity), Bhutan, and Pakistan. U. S. apples represent the gourmet end of the market, with limited supplies of Washington Red Delicious and yellow apples. Bangladesh is projected to import about 1,500 tons of apples from the U.S. in FY2000 (about 10% of total apple imports, and worth about one million dollars). Buyers typically import U.S. apples between April and July, when the Indian supplies dwindle. Though consumers prefer U.S. apples, their prices hinder faster growth in the Bangladesh market. Apple consumption has been growing at about 10% a year, and similar growth is expected in years to come.

VI. TRADE REGULATIONS AND STANDARDS

Trade Barriers

Bangladesh has made significant progress in liberalizing its trade regime. The Customs tariff is the primary tool of Bangladesh's trade policy. The maximum customs duty rate has been lowered from 350% in 1991 to 37.5% in 2000. The number of tariff bands have been reduced to from 18 in 1991 to 5 in 2000: 0, 5, 15, 25, and 37.5%. The weighted average tariff has declined from 42.1% in 1991 to 14.7% in 2000. Although tariffs have been lowered significantly, they are still high, mainly because tariffs are the principal source of government revenue. The import permit system is now automatic, and the cumbersome procedure for opening letters of credit has been simplified. Bangladesh 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.

Duty rates are determined along the following lines:

-few items, mostly manufacturing inputs	0.00 - 05%
-basic raw materials	5.00 - 15%
-intermediate products	15.00 - 25%

-finished products	25.00 - 37.5%

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, 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 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 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 the value-added tax. 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 charged on an imported item [duty rate used in this example may not be actual rate]:

1300 cc car, C&F value	$ 10,000	
-- Insurance (1% or actual)	$ 100	
-- Landing Charge (1%)	$ 100	
Assessable value	$ 10,200	
-- customs duty @ 37.5%	$ 3,825	
-- supplementary duty @ 45%	$ 4,590	
Duty Paid Value	$ 18,615	
--VAT at 15% of duty paid value		$ 2,792
--advance income tax 2.5% of assessable value		$ 255
--license fee 2.5% on assessable value		$ 255
Landed Cost:		$ 21,917

The $10,000 vehicle's actual cost in Bangladesh is, therefore, $21,917

Beginning February 2000, the government implemented a pre-shipment inspection system of customs valuation to reduce the discretionary authority of customs officials in determining import valuation. Internationally-recognized companies have been contracted by the National

Board of Revenue to assign value for imports prior to their shipment from overseas. A new 1% fee on value of imports has been levied to pay for the pre-shipment inspections.

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 IRC (Import Registration Certificate), which costs between Taka 500 - 5000.

Export Controls

The following items are banned for export:
--all imported goods in their original or unprocessed form
--petroleum and petroleum products, except naphtha, furnace oil, lubricant oil and bitumen (This restriction will not be applicable according to the contract with foreign investors under production sharing contract)
--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 Bangladesh Wildlife Preservation Order, 1973
--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 sea water 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, wheat bran and urea fertilizer.

Quality control licenses issued by the Bangladesh Standards and Testing Institute are required to export the following items: cane molasses, shrimp and prawns (except frozen de-veined or cooked), oil cake, wet batteries and dry battery cells, electric fans and other select electric appliances, biscuits, and PVC electric cables. 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. Import against an LCA may be made without opening an L/C in the following areas:

--import of books, journals, magazines, and periodicals on sight draft of issuance bill basis;

--import of any permissible item for an amount not exceeding $ 5,000 only during each local fiscal year against remittances made from Bangladesh;

--imports under commodity aid, grant or such other loan for which there are specified procurement procedures for import of goods without an L/C; and

--imports of "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; and

--insurance cover note.

Foreign firms are allowed to import permissible commercial items against prior permission from the Chief Controller of Import and Export and need to provide 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; and

--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; and

--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 No.) 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; and

--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:

--import of books, magazines, journals, periodicals and scientific and laboratory equipment against surrender of UNESCO coupons;

--imports under 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;

--import of items by passengers coming from abroad in excess of the permissible limits as per permitted allowance; and

--import of 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; and

--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 Bangladesh Government'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, video tapes, etc. containing matters likely to outrage the religious feelings and beliefs of any class of the citizens of Bangladesh;

--unless otherwise specified, old, second-hand and reconditioned goods;

--unless otherwise specified, all kinds of waste; and

--goods bearing pictures or writing which is obscene or of 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, eggs (except hatching eggs), poppy seeds and dried posto dana, marijuana, opium, tendu leaves, lard, lard and tallow oil, solid or semi-solid palm oil, raw sugar, un-denatured ethyl alcohol (80% or higher) and other spirits denatured of any strength, wine, artificial mustard oil, selected petroleum products, woven fabrics of silk or silk waste, pig hair, some kinds of cloth, selected insecticides, nylon and polyethylene ropes, fishing nets (gillnets), used or new rags, vessels more than 15 years old, motorbikes more than three years old, and single phase electricity meters.

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.

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. Standards for pharmaceuticals are controlled by the Department of Drugs Administration under the Ministry of Health and Family Welfare. The Bangladesh Atomic

Energy Commission tests imported food items to ensure that the prescribed standard for radioactivity is maintained.

Free Trade Zones/Warehouses

Bangladesh has two Export Processing Zones (EPZ's), one in Chittagong and one in Dhaka. Four new EPZ's are under the development process in Comilla, Issardi, Saidpur, and Mongla. 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. Chittagong port has 116,375 square meters of covered warehouse space, with a capacity to hold 50,000 metric tons. The port also has a warehouse for hazardous cargoes (102 metric tons) and for cold storage (500 tons). 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. Two private EPZ's, including one to be owned and operated by Korean investors, have been approved in Chittagong, although construction is yet to begin.

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, but such trade provisions have now ceased.

Membership in Trade Arrangements

Bangladesh is a founding member of the World Trade Organization, where it has been active is 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 among LDC's in Asia. Bangladesh is also a member of BIMSTEC, an organization which seeks to promote economic cooperation (without preferential trade arrangements) between Bangladesh, India, Myanmar (Burma), Sri Lanka, and Thailand.

VII. INVESTMENT CLIMATE

Openness to Foreign Investment

The stated policy of the Bangladesh government is to pursue foreign investment actively. It has enacted a number of liberal investment 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, which the government hails as the most liberal in Asia, 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 on technology remittance fees, on interest on foreign loans, and on capital gains by portfolio investors. There are few performance requirements, and these do not generally present a problem for foreign investors. Trade has been gradually liberalized and duties reduced, although import duties remain high and constitute the largest single source of government revenues. Customs bonded warehouses assist exporters. Free repatriation of profits is allowed, and the taka is almost fully convertible on the current account. No prior approval is required for foreign direct investment except registration with the Board of Investment. The government places advertisements in international print media promoting Bangladesh for foreign investment and has arranged official and private trade delegations to Asian, European and North American cities.

For many years, foreign investors took little heed of these incentives, primarily because of the absence of market-oriented policies in the economy. In the last several years, however, there was a sharp increase in investment in the gas and energy sectors as the government increasingly opened these sectors to private investors. Partial privatization in the telecommunications sector has resulted in some modest foreign investment. The Embassy estimates that about 250 foreign firms have invested in Bangladesh, of which 26 operated prior to independence in 1971. Revised national accounts show that between FY95 and FY2000, gross domestic investment as a percentage of GDP increased modestly from about 19% in FY 95 to over 22% in FY 2000. Gross domestic savings and gross national savings rates show a similar pattern: the gross domestic savings rate as a proportion of GDP increased from 14.7% in FY 95 to 17.8% in FY 2000, while the gross national savings rate rose from 20% in FY 95 to 22.6% in FY 2000. Over 80% of total investment is construction related, a pattern which has remained stable over the last five years

Some of the difficulty in attracting foreign investment is Bangladesh's image as an impoverished and undeveloped country subject to frequent and devastating natural disasters. The second major hindrance to increased foreign investment is poor implementation of the new, liberal investment policies. Foreigners often find that the implementing ministries still require licenses and permissions that were supposedly done away with. Added to these difficulties are such problems as slow government decision-making, corruption, labor militancy, an uncertain law and order situation, poor infrastructure, inadequate commercial laws and courts, and policy instability (i.e., policies being altered at the behest of special interests.) However, companies that have been patient and managed to persevere through these impediments have done well in generating respectable rates of return, as profit margins tend to be high for well-managed companies in many of the sectors open to foreign investment.

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, and the Companies Act, 1994. Bangladesh has signed bilateral investment treaties with 11 countries, including the United States. Bangladesh also has tax treaties with several countries. Discussions are currently underway on a U.S.-Bangladesh bilateral tax treaty. While there are many government agencies that regulate business and commercial activity in Bangladesh, the National Board of Revenue (for taxation and customs matters), and the Bangladesh Bank (for foreign exchange) are perhaps the most important regulatory agencies for investors outside the line ministries in their sector of interest. Although discrimination against foreign investors is not widespread, some discriminatory policies and regulations exist. For example, manufacturing and import controls imposed by the national drug policy and the Drugs (Control) Ordinance of 1982 discriminate against foreign drug companies. In addition, imported products must pay a 60% advertising surcharge for television spots.

Government authority for dealing with foreign investment proposals is fragmented. The Board of Investment (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 (EPZ's) and assist them with tax treatment, land acquisition, utility hook-ups, and incorporation. The corresponding EPZ authority is the Bangladesh Export Processing Zones Authority. Registration with BOI is necessary to obtain benefits such as importing machinery at concessionary duty rates or importing items on the "restricted list." In 1994, BOI began using a greatly shortened form and providing registration automatically. The BOI also administers the approval of foreign loans and technology remittances on behalf of the Bangladesh Bank. Investments in power, mineral resources, and telecommunications must be approved by the corresponding government utilities and ministries, while garment makers must seek production allocations for quota exports to North America from the Export Promotion Bureau in the Ministry of Commerce. Although housed organizationally in the Prime Minister's Office, BOI has little regulatory and administrative powers – which remain vested in the line ministries - and thus has not proved to be a very effective advocate for foreign investors. Although privatization is a critical part of the government's stated economic reform policy, the slow pace of privatization has frustrated foreign and domestic investors.

Right to Private Ownership and Establishment

Officially, five sectors are reserved for government investment. These are:

1. Arms, ammunition, and defense equipment
2. Production of nuclear energy
3. Security printing and minting
4. Forestry in the reserved forest areas
5. Railways

Industrial activity is still dominated by inefficient public sector enterprises, which stifle the potential for greater economic performance. The government's privatization efforts have been watched closely as a barometer of the official attitude towards the private sector. Although on paper the government has sold off many companies, primarily in the jute, textiles, sugar, and food sector, in practice it has retained control of these firms. “Privatized” firms in these sectors continue to behave as parastatals and are heavily regulated; for example, management has not been able to reduce employment rolls. Privatization has slowed to a virtual standstill, despite the government appointment of a prominent local businessman in late FY 97 as Privatization Board Chairman.

Unofficially, many sectors are reserved at least in part for the government. Although occasionally the government has given way to the private sector, such as for wheat and fertilizer imports and fertilizer distribution, parastatals have often stifled private sector initiatives and undermined legal and policy reforms.

Protection of Property Rights

The Bangladeshi legal system recognizes and enforces secured interests in property, both chattel and real. A recognized system of recording security interests exists through the court system. Foreign investors have access to the legal system in order to protect and facilitate acquisition and disposition of property rights. Disputes involving land and property are common. The legal system is subject to corruption and overburdened. Foreign investors should operate with extreme care and work with established law offices and businesses when dealing with property issues.

Bangladesh is a member of the World Intellectual Property Organization (WIPO), and acceded to the Paris Convention on Intellectual Property in 1991. A new copyright law was enacted this year to update the country's copyright structure and bring it into conformity with the World Trade Organization's Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement. Draft legislation to update the Patents and Designs Act and the Trademarks Act is still languishing in the bureaucracy. Bangladesh has 10 years from January 1, 1995 to implement TRIPS.

Foreign Trade ZonesUnder the Bangladesh Export Processing Zones Authority Act of 1980, the government established an export-processing zone (EPZ) in Chittagong in 1983. Subsequently, another EPZ was set up near Dhaka in Savar. One hundred percent foreign-owned investments, joint ventures and 100% Bangladeshi-owned companies are all permitted to operate and enjoy equal treatment in the EPZ's. In FY 97, the government decided to permit privately-owned and managed EPZ's. Korean developers have established an EPZ in Chittagong since that time but, while the government has given approval, no construction has taken place. In terms of investment, employment, and exports, the country's 2 EPZ's have been been extremely successful. The 143 companies operating in the EPZ's represent a cumulative investment of over $400 million, employ 92,000 people, and generate about $700 million in export earnings each year. Investors in the EPZ's seem generally satisfied, although there has been occasional labor unrest, including 4 deaths at the hands of the security forces at one factory during 2000. Eight U.S. firms are currently operating in the EPZ's, with a cumulative investment of $16 million. South Korea is the largest foreign investor in the two EPZ's; Japan, Hong Kong, Singapore, the United Kingdom, Sweden, the Netherlands, Thailand, India, Malaysia, Canada, Germany, Taiwan, U.A.E., France, Italy, Denmark, Panama and Pakistan are the other foreign investors in the EPZ's. Industries range from garments and textiles to electronics, sporting goods, steel chains, and services (including equipment leasing and container repairs and handling). In addition to the Chittagong and Dhaka EPZ's, the government has plans to establish four more EPZ's by the end of the year 2001.

The government provides several tax, foreign exchange, customs and labor incentives to investors in the EPZ's. One such incentive is an exemption from application within the EPZ's of certain labor laws, which has 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 a U.S. labor organization, 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 government agreed to remove the exemption pertaining to labor laws in a phased process beginning in 1995. In 1999, the U.S. labor organization AFL-CIO filed another petition seeking revocation of Bangladesh's GSP status on the grounds that Bangladesh had not kept its 1992 commitment to allow freedom of association and the right to collective bargaining in the zones. As of mid-2000, the government and the U.S. Government are engaged in discussions on Bangladesh's GSP status in view of the continuing prohibition of freedom of association and the right to collective bargaining.

Performance Requirements/IncentivesIn its industrial policies, the government emphasizes manufacturing and labor-intensive industries which 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. There is a widely-used provision for full duty drawback at time of export on imported raw material 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 percent domestic content. The government also provides direct subsidies to export-oriented ready-made garment manufacturers if their exports use 100 percent locally- manufactured raw materials or have paid duty on imported raw materials. This cash subsidy, designed to encourage "backward linkages" in the textile and garments sector, amounts to 25 percent of the export value. A similar 10 percent of export value cash assistance, designed to encourage exports with domestic content, is available to exporters of jute products, leather products, handicrafts, and fresh and artificial flowers. The government also provides a variety of tax incentives to selected sectors of the economy, including: taxable income generated by export earnings is eligible for a 50 percent rebate; export earnings of handicraft and cottage industries are exempt from income tax; tax holidays of 5-7 years, depending on location, are available to new industrial enterprises; enterprises in the EPZ's can claim a 10 year tax holiday; enterprises not eligible for a tax holiday can claim accelerated depreciation; and income tax exemption for 15 years for power projects. The government provides loans at concessional rates through its nationalized banks and government-owned development banks for exports, cottage industries and agriculture.

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 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. Chambers call for a greater voice for the private sector in government decisions and for privatization, but at the same time they support protectionism and subsidies for their 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 domestic and some foreign investors of solicitation of bribes by public officials and politicians are too numerous to be dismissed. Bangladesh's donors regard public administration reforms as central to overall economic reform.In practice, government laws and regulations and their implementation do not reduce distortions or impediments to investment, but create them. Unhelpful treatment of businesses by some government officials, coupled with other negatives in the investment climate, raise start-up and operational costs, add to risk, and tend to counteract the government's praiseworthy investment incentives.

CorruptionA report by Transparency International listed Bangladesh as the fifth most corrupt nation in the world based on surveys of international business executives. The World Bank published a report this year which paints a bleak picture of pervasive corruption in Bangladesh society. The report suggests that corruption exacts a drag of about 2-3 percentage points on the annual GDP growth . Corruption at all levels in the bureaucracy is rampant, and should be taken into account by foreign investors considering business in Bangladesh. 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 frequently heard, as are allegations of insider trading in the stock market. In this regard, business people consider Customs to be among the worst, a thoroughly corrupt organization in which officials routinely make several times their salary in bribes by exerting their power to influence the tariff value of imports and to expedite or delay import and export processing at the ports. The introduction of a mandatory pre-shipment inspection system of import valuation earlier this year has reduced the discretionary power of customs officials over import processing, and could lower cost and improve efficiency at Bangladesh's trade entry points. An Anti-Corruption Bureau exists to combat corruption; it is not always seen as being free from political pressure in selecting whom to target in corruption cases. LaborBangladesh has a population of about 130 million people. The formal sector in Bangladesh has an estimated 4.8 million workers, with 1.4 million (30%) employed in public enterprises. The total labor force is estimated at about 60 million, comprised of 40 million agricultural jobs (growing at one percent a year) and 20 million 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. Technically trained personnel often seek and find employment in the Middle East at substantially higher wages than they would receive in Bangladesh. Over the past twenty years, more than 1.5 million Bangladeshis have worked overseas, officially sending back about $1.6 billion in foreign exchange during FY 99. Those remittances have become an important source of foreign exchange in recent years, and now exceed aid in the form of loans and grants.

Foreign managers report that Bangladeshi workers generally respond well to training. 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, although the export processing zones are exempt. Approximately 3.5% of Bangladesh's work force is unionized. Labor unions remain strongest in the jute, textile, and transportation sectors.Bangladesh's labor unions, most of which are 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 who often tend to be hoodlums and criminals, raise the cost of doing business in Bangladesh due to the downtime they impose on commercial activity. The opposition parties called 27 days of hartals in 1999; in addition there were numerous local strikes and labor actions. During the first half of 2000, the number of hartals was greatly reduced.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 labor in the ready-made garment industry was virtually eliminated, and children who formerly labored in the factories were provided education. ILO-assisted monitoring teams now find few child laborers during random visits to garment factories. The MOU, which was extended recently for another year, is now due to expire on June 30, 2001.

Efficient Capital Markets and Portfolio InvestmentForeign investors have access to local credit markets, but many seek financing offshore. If they finance locally, it is usually with a foreign bank branch. The private sector can also receive financing from four 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 lists 234 companies; the Chittagong Stock Exchange lists 158. On an average day, shares of around 300 companies are traded in both these markets. Volume is low, with average daily trading volume of 2.28 million shares and $1.71 million during the quarter ending March 2000. Trading was dormant until 1993. There was a large surge in the stock market in the summer and fall of 1996, but the market crashed late in that year and has yet to recover. For much of FY 2000 the market continued to remain at historic or near-historic lows. As of June 5, 2000, total market capitalization of listed companies was $1.838 billion. 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 Asian Development Bank has approved a loan of $80 million for the further development of the capital market. The government passed legislation in 1999 allowing the establishment of a central depository system for safekeeping and management of shares and securities. Steps are currently being taken to implement the system through a new quasi-governmental body.

The government's Securities and Exchange Commission (SEC) was formed in 1993 to regulate the DSE 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 (NRB). 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.The SEC and the Institute of Chartered Accountants of Bangladesh have just begun the task of rigorously enforcing reporting and audit requirements and bringing those requirements up to international standards. The country's single credit rating agency, Credit Rating Information and Services (FAX: 880-2-831-5214), provides credit rating information to international standards, although it is currently involved in a regulatory dispute with the SEC, which has curbed its activities.

Conversion and Transfer PoliciesThe taka is almost fully convertible for current account transactions, but not for capital account transactions. As of May 18, 2000, the government's foreign exchange reserves stood at about $1.447, at the lower end of the range it has seen during the last 4 years. Foreign exchange is generally available for permissible private sector transactions. The taka was devalued in two tranches by a total of 5.2% in FY 2000. The taka continues to be overvalued relative to the currencies of its competitors in the region, and recently (July 2000) the curb rate rose to over taka 55 per dollar as compared to the official buy-sell exchange rate of taka 50.85-51.15 per dollar.

The Foreign Investment Act guarantees the right of repatriation of invested capital, profits, capital gains, post-tax dividends, and approved royalties and fees. Bangladesh Bank (the central bank) exchange control regulations and the United States-Bangladesh Bilateral Investment Treaty (entered into force July 23, 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. Where tax disputes are causing the delay, firms may have to choose between timely profit remittance and sacrificing legitimate positions on tax issues. Some of these difficulties may be eliminated with the signing of a U.S.-Bangladesh tax treaty, which is currently under discussion. According to the Foreign Private Investment Act of 1980, there is no specific restriction on repatriation of capital gains. BOI also issues passbooks limiting repatriation of royalties and other technology transfer fees. However, no permission is required for remitting fees amounting to less than 6% of sales.Expropriation and CompensationIn 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. All domestically-owned cotton textiles, jute, and sugar manufacturing units, none of which was owned by foreigners, were placed under government control. Since then, the Foreign Investment Act of 1980 has forbidden nationalization or expropriation without adequate compensation. There have been no instances of foreign property expropriation since the Foreign Investment Act was passed.Dispute SettlementA fundamental impediment to investment in Bangladesh is a weak legal system in which the enforceability of contracts is uncertain. Ten years or more can pass between bringing a court case and receiving a decision. 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. Articles 115 and 116 of the Constitution allow the head of government to control and discipline judges, including Supreme Court justices. Legislation to make the judiciary independent is pending. Nevertheless, the Supreme Court has retained a reputation for fairness and competence. This has meant that at least at the appellate level, the outcome of commercial cases is more likely to be determined on merit.There has been only one investment dispute between the government and an American investor over the past few years that went into the Bangladeshi court system. In 1999, the Bangladesh High Court ruled in favor of the American company, but the government has appealed the multi-million dollar ruling to the Supreme Court. Although Bangladesh is a signatory of the International Convention for the Settlement of Disputes (ICSID), it has not yet acceded to the U.N. Convention for the Enforcement of Foreign Arbitral Awards. A provision in the United States-Bangladesh Bilateral Investment Treaty gives procedures for referring unresolvable 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.Most 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 new Bankruptcy Act was enacted in FY 97, but has been ineffective in addressing the insolvency and cross-indebtedness problem of borrowers. 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 untrustworthy and 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. 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. The Bangladesh Export Promotion Bureau has been helpful in assisting in dispute settlement of export-related transactions, but its powers are limited. 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 collateralization.

Political ViolenceThere have been no incidents over the past few years of politically- directed damage to foreign projects or installations, and violence targeted against business concerns has been isolated and criminal in nature. 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. A deterioration of law and order, largely due to corruption, politically-sponsored thuggery, and ineffective enforcement, is a matter of widespread concern among Bangladeshis and has dampened domestic investment.

Bilateral Investment AgreementsThe 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 concluded with 21 countries: the United States, Belgium, Egypt, China, France, Germany, Indonesia, Iran, Italy, Japan, Malaysia, the Netherlands, Pakistan, the Philippines, Poland, Romania, South Korea, Switzerland, Thailand, Turkey, and the United Kingdom. The United States-Bangladesh Bilateral Investment Treaty, signed on March 12, 1986, entered into force on July 23, 1989.Bangladesh has concluded tax treaties, assuring investors of fair treatment and the reduction or elimination of double taxation, with 20 countries: Belgium, Canada, China, Denmark, France, Germany, India, Italy, Japan, Malaysia, the Netherlands, Pakistan, Poland, Romania, Singapore, South Korea, Sri Lanka, Sweden, Thailand, and the United Kingdom. In September 1991, a bilateral tax treaty was signed with the United States, but has not yet entered into force. Subsequent changes to U.S. tax law now require a re-negotiation of some aspects of the agreement to make it consistent with U.S. law; discussions between the two governments are on-going. OPIC and Other Insurance ProgramsThe United States Overseas Private Investment Corporation provides insurance coverage for some U.S. firms currently doing business in Bangladesh. In recent years, government authorities have been cooperative in approving requests for OPIC insurance, and in one case, for a loan. OPIC and the government signed an updated bilateral agreement in May 1998. Bangladesh is a member of the Multilateral Investment Guarantee Agency. Capital Outflow PolicyBeginning in fiscal year 1992, the Bangladesh Bank introduced measures to relax existing controls on the use of foreign exchange, especially on the current account. However, restrictions apply to capital account transactions. Bangladeshi investments abroad require case-by-case approval by various government agencies and the Bangladesh Bank. Cases are more likely to be favorably considered if it can be shown that the investment will contribute directly to the export of goods, services or labor from Bangladesh--areas with potential for generating additional foreign exchange earnings. The restrictions on capital account transactions was one of the factors that insulated Bangladesh from the Asian financial crisis of 1997-98.

Major Foreign InvestorsThe following is a list of major foreign direct investments in Bangladesh:U.S. Companies: --AES, power generation --American Express Bank, banking and travel services--American Life Insurance Company (American International Group), life insurance
--Cinergy, power generation
--Citibank, N.A., banking--Coastal Energy, power generation--Exxon/Mobil, LPG, lubricants facility (pending)

--Halliburton/Brown & Root, gas production/energy services--IBM World Trade Corporation, computer hardware and software

--Louis Berger International, Inc., engineering and construction consultant--New England Power Company (a consortium of El Paso Energy, Ogden International, Wartsila), power generation --Okland Oil/Tullow, oil exploration (U.S., Ireland)--Rhone-Poulenc Rorer (Bangladesh) Ltd., pharmaceuticals (France/U.S.)--Ready Cash/ American International Investment, financial service-- Stevedoring Services of America, port construction and operation (projected)

--Unocal Bangladesh, gas production, energy services
--Xpronet, oil/gas exploration

Third Country Companies
--Ahmed and Hakodate, deep-sea fishing (Japan joint venture)--AKZO-Nobel, chemicals (Netherlands)—

--ANZ Grindlays Bank, commercial banking (Australia/U.K.)
--APL Private Company Limited (NOL), shipping (Singapore)--Bangal Fisheries Ltd., deep-sea fishing and processing, (Japan joint venture)
--Bangladesh Oxygen Ltd., manufacturer of dry ice, welding electrodes, industrial and medical gases, British Oxygen Ltd. (U.K.)--Bangladesh Tobacco Ltd., subsidiary of BAT Ltd., manufacturer of cigarettes (U.K.)

--Bata Shoe Co. Ltd., manufacturer of footwear (Canada)

--Berger Paints Bangladesh Ltd., manufacturer of paint products, Berger Group (U.K.)
--Burroughs Wellcome & Company (Bangladesh) Ltd., manufacturer of pharmaceuticals, Burroughs Wellcome Ltd. (U.K.)
--Cairn Energy, oil exploration and development (U.K., with Shell)--Cosmo Food Ltd., seafood processing (Japan joint venture)
--Credit Agricole/Indosuez, commercial banking (France)--Dada Bangladesh Ltd., manufacturer of headgear (South Korea)
--Duncan Brothers (Bangladesh) Ltd., tea estates, Lawrie Group (U.K.)
--The General Electric Company of Bangladesh, manufacturer of fans, GEC Ltd. (U.K.)
--Glaxo Bangladesh, manufacturer of pharmaceuticals and related products, Glaxo Group Ltd. (U.K.)
--Habib Bank, commercial banking (Pakistan)--Hanil Bank, commercial banking (South Korea)
--Hoechst Pharmaceutical, manufacturer of pharmaceuticals, Hoechst (Germany)

--Hong Kong Shanghai Bank, commercial banking (U.K.)
--Industrial Promotion and Development Company of Bangladesh, holding company (U.K. joint venture)
--International Development Leasing Company of Bangladesh, leasing (Korea/U.K. joint venture)
--Kader Synthetic Fibers Ltd., manufacturer of synthetic yarn (Saudi Arabia, Netherlands joint venture)
--Karnaphuli Fertilizer Company Limited (KAFCO), manufacturer of urea and ammonia, (Chiyoda and Marubeni of Japan, Haldor Topsoe of Denmark, Stamicarbon of the Netherlands, Commonwealth Development Corporation of U.K.)

--James Finlay & Co., tea estates, P & O Containers (U.K.)--Lever Brothers Bangladesh, manufacturer of toiletries (U.K.)

--Nestle Bangladesh Ltd., manufacturer of food products (60% Switzerland)
--Novartis (Bangladesh) Ltd., manufacturer of pharmaceuticals and related products (Switzerland)

--Olympic-MI Bangladesh Ltd., manufacturer of electrical tools, fishing, and golf equipment (Japan)
--Reckitt & Colman, manufacturer of pharmaceuticals and related products, Reckitt & Colman (U.K.)
--Saudi-Bangladesh Industrial Investment & Agriculture Investment Company Ltd., holding company (Saudi Arabia joint venture)--Scotia Bank, commercial banking (Canada)
--Siemens Bangladesh Ltd., manufacturer of telecommunications equipment (Germany)
--Singer Bangladesh Limited, manufacturer of sewing machines, consumer electronics, lighting products and appliances (Canada)
--Standard Chartered Bank, commercial banking (U.K.)
--State Bank of India, commercial banking (India)
--Tamijuddin Textile Mills Ltd., manufacturer of textiles (Netherlands joint venture)--Youngone Co. Ltd., manufacture of sportswear and garments (South Korea)

VIII. TRADE AND PROJECT FINANCING

Brief Description of Banking SystemThe Bangladesh banking sector is made up of 4 nationalized commercial banks (NCB's), 6 development finance institutions, 27 domestic private banks, 19 non-bank financial institutions, including the Dhaka Stock Exchange and the Chittagong Stock Exchange, and 13 foreign banks. The percentage of non-performing loans in the banking system is extremely high: NCB's –47%; development finance institutions – 68%; domestic private banks – 29%. Only the foreign banks have been able to keep their classified or non-performing loan portfolio in check at about 4% of the non-performing loan. The government banks, resulted from directed lending, mostly to money-losing parastatals and as patronge to private borrowers. The banking system is impaired by a web of weak balance sheets, weak demand from creditworthy borrowers, and heavy reliance on liquid asset-based lending. Despite market reforms, such as the liberalization of interest rates, the government continues to encourage its own banks to lend to "sick" industries, both parastatal and private. 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.
The Bangladesh Bank regulates all banking institutions, including the NCB's, the development finance institutions, the domestic private banks and foreign banks. Collectively, these banks make up the "scheduled" banking system. As in many countries, the central bank is controlled by the Ministry of Finance rather than being independent. The Bangladesh Bank is headed by a Governor, who reports to the Secretary, Finance Division of the Ministry of Finance. Overall banking activity is dominated by the four NCBs--Sonali Bank, Janata Bank, Agrani Bank, and Rupali Bank. There are six development finance institutions: Bangladesh Krishi Bank, Bangladesh Shilpa Bank, Rajshahi Krishi Unnyan Bank, Bangladesh Shilpa Rin Sangstha, House Building Finance Corporation and the Investment Corporation of Bangladesh. Domestic private banks and foreign banks compete with the NCB's by offering superior service. The 27 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, Bank of Small Industries and Commerce, 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, and the BRAC Bank. The thirteen foreign private bank branches are American Express Bank, Citibank, ANZ Grindlays Bank, Credit Agricole Indosuez, Standard Chartered 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 share of domestic private banks in deposits and lending is small compared to the government banks. Foreign Exchange Controls Affecting TradeProvided a local importer can obtain trade financing, which is widely available and competitive, foreign exchange availability has not been an issue. The taka is 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 AvailabilityTrade 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 the foreign bank branches in Bangladesh. The foreign bank branches can do project lending for foreign investments, and can arrange offshore syndicated loans.

How to Finance Exports/Methods of PaymentUnless 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 Bangladesh Government 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. 880-2-956-8351, 956-1805, 956-1751, or 956-1752) and Citibank (fax 880-2-956-2236, tel. 880-2-955-0060 to 955-0069). Types of Available Export Financing and InsuranceTrade financing for private sector importers is widely available. There are no multilateral or local sources for directly financing U.S. exporters for sales to 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 gone through its internal process of approving and making a request for assistance. 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. Project Financing AvailabilityThe government procurement market is large, encompassing 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 market for government procurement for which U.S. firms are eligible to compete is approximately $1billion per year. 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 Asian Development Bank, headquartered in Manila, is an international development finance institution owned by 56 member countries of which Japan and the United are the largest shareholders. The ADB lends a significant amount of money to Bangladesh to promote economic and social progress.   The Bank'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 in funding the development needs of its member countries. A commercial liaison office, which reports directly to the Office of Multilateral Development Banks at the Commerce Department in Washington, assists U.S. suppliers and consultants in winning contracts on projects and activities funded by the bank. The office includes a senior commercial officer and two commercial specialists. One of the specialists represents the United States-Asia Environmental Partnership (US-AEP) at the bank. The liaison works closely with the U.S. Executive Director who represents the United States on the bank's board of directors. Interested parties should contact Cantwell Walsh, U.S. commercial liaison to the Asian Development Bank; fax: (632) 890-9713, e-mail: cwalsh@doc.gov

Correspondent U.S. Banking ArrangementsU.S. banks maintaining correspondent relationships in Bangladesh include:--American Express Bank (full service branches in Dhaka and Chittagong)--Citibank (full service branches in Dhaka and Chittagong)--Chase Manhattan Bank--Bank of America--Bankers Trust Company--Bank of Boston--Bank of New York--Marine Midland Bank--Morgan Guarantee Trust Co.--Security Pacific Int'l Bank--Texas Commerce Bank--US Bank of WashingtonAll scheduled banks have arrangements with U.S. correspondent banks for their U.S. dollar clearing requirements.
IX.   BUSINESS TRAVELBusiness CustomsBangladeshi 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 VisasUpdated 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. To access the Consular Affairs Bulletin Board, dial (202) 647-9225 via a modem with standard settings. For information by fax, call (202) 647-3000. In addition, the Internet/World Wide Web homepage maintained by the State Department's Bureau of Consular Affairs has Bangladesh travel advisory information at http://travel.state.gov. All United States citizens are required to have visas for entry into Bangladesh. Business travelers should request visas with five-year duration and multiple entries. Should a business traveler be unable to arrange for a visa in advance, immigration officials at Zia International Airport in Dhaka are authorized to issue limited validity visas for up to 90 days for a $45 fee. Visa extensions are possible; a $45 fee must be paid to the Department of Immigration and Passports, 127 New Iskaton, Dhaka, telephone (880 2) 935-1984, fax: 935-1673. Generally extensions are granted for 3-6 months (short-term) with a single entry. For one year or more (long-term) extensions for an expatriate working on a government project, a letter from the relevant ministry and security clearance from Ministry of Home in favor of him/her through the related ministry are required, along with the prescribed visa extension application form.   One passport size photograph is also required. For further information concerning entry requirements for Bangladesh, travelers can

contact the Embassy of the People's Republic of Bangladesh, 3510 International Drive, Washington, DC 20008, telephone: (202) 244-0183, fax: (202) 333-4971, 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; Consul General, 10850 Wilshire Blvd., Suite 1250, Los Angeles, CA, 90024, telephone: (310) 441-5983, fax: (310) 441-4458; Honorary Consul General, 3785 Old Pali Rd, Honolulu, HI, 96817, telelephone: (808) 521-5353; Honorary Consul General, 321 St. Charies Ave. New Orleans, LA 70130, telephone: (504) 586-8300.   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 FeesBusiness travelers departing on domestic and international flights must pay an Embarkation Fee/Departure Tax, currently TK. 50 for domestic flights and TK. 300 for international flights. Foreigners are not required to pay other local travel taxes.Currency and Exchange Regulations There is no limit on the amount of foreign or U.S. dollar instruments (travelers checks, money orders, etc.) that may be brought into Bangladesh, but all foreign exchange exceeding $5,000 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 WeekBangladesh observes a Sunday-Thursday workweek. While government offices and banks have a two-day weekend (Friday and Saturday), a large portion of the private business sector remains open on Saturday. Business hours are 9:00-17:00. Muslim religious holidays vary with the appearance of the moon.

A list of Bangladeshi holidays in 2001 will be published at the end of December 2000. Local holidays observed by the Embassy during 2000 are as follows:

January 5 (Shab-e-Quadr)   January 9-10 (Eid-ul-Fitr)
February 21 (Martyrs' Day)   March 16 (Eid-ul-Azha)
March 26 (Independence Day)   May 17 (Buddha Purnima)
August 22 (Janmasthami)   December 24 (Shab-e-QuadrDurga Puja)
December 25 (Christmas Day)
December 28 (Eid-ul-Fitr)

There are additional local holidays which are not observed by the Embassy. In addition to the local holidays, noted above, the Embassy also observes the following American holidays:

New Year's Day (January 1)
Martin Lither King Day (January 16)
President's Day (February 20)
Memorial Day (May 28)
Independence Day (July 4)
Labor Day (September 3)
Columbus Day (October 8)
Veterans Day (November 12

Thanksgiving Day (November 23)Business Infrastructure Transportation: Zia International Airport is located at Kurmitola, about 12 kilometers north of Dhaka city. The national air carrier, Biman Bangladesh Airlines, is the major domestic air travel provider. GMG has flights from Dhaka to Chittagong, Barisal, Jessore, Rajshahi and Sylhet, and Air Parabat had flights from Dhaka to Chittagong, Cox's Bazar, Barisal and Jessore, but now has curtailed operations sharply.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 for business correspondence. Collect telephone calls or toll-free calls cannot be made from Bangladesh. International direct dialing telephones and fax machines are increasingly available in major cities in Bangladesh. Cellular phone service is available in Dhaka and Chittagong. Bangladesh is 6 hours ahead of Greenwich Mean Time. Airmail post takes about two weeks to arrive from the United States. Registration of all letters sent by international mail is recommended. Express mail service is available in the major international cities. International courier services, including Airborne, DHL, Federal Express, TNT Skypack, 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. Two more moderately priced hotels, the Purbani and the LaVinci, are also used by business visitors to Dhaka. 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. All tap water should be presumed to be contaminated, even in hotels. 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 western-trained physicians/facilities are present in Dhaka:--Dr. M.A. Wahab: 881-1454

--British High Commission Medical Unit, Elizabeth House: 882-4345

--Dr. Timor Nawaz: 881-2871

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.

X. ECONOMIC AND TRADE STATISTICS

Appendix A - Country Data

--Population: 130 million
--Population Growth Rate: 1.6%
--Religions: Muslim (88%); Hindu (11%); Buddhist,
Christian and Other (1%)
--Government System: Parliamentary
--Languages: Bangla (Bengali), English
--Work Week: Sunday-Thursday

Appendix B - Domestic Economy
Fiscal year ending June 30
(projections for FY 2001 are not available)

	FY 1998	FY 1999	FY 2000
- Current GDP (in billion taka) (1)	2,001.2	2,197.0	2,412.7
- Real GDP Growth Rate (%) (1)	5.4	4.9	5.5
- Current GDP Per Capita (in taka) (1)	15,824	17,137	18,528
- Govt. Revenues (% GDP) (2)	9.3	9.0	8.9
- Govt. Spending (% GDP) (2)	13.3	13.8	15.0
- Budget Deficit (% GDP) (2)	4.1	4.8	6.1
- National Savings (% GDP) (2)	20.5	20.9	21.4
- Inflation (%) (3)	7.0	9.0	4.5
- Unemployment (%) (4)	n/a	n/a	n/a
- Gross Foreign Reserves (in million $) (5)	1,751	1,522	1,416.1
- Avg. Exchange Rate (TK/1US) (6)	45.4	47.95	50.32
- External Public Debt (in million $) (7)	14,019	15,144	15,413
- U.S. Economic Aid (8)	77.0	153.0	105.6

Notes:

1) From the Bangladesh Bureau of Statistics
2) From International Monetary Fund
3) Base year 1985-96; FY 2000 inflation is average for 12-month period ending April 2000; the CPI in May 2000 stood 2.7% higher than in May 1999
4) Reliable figures for Bangladesh's labor force, particularly in the agricultural sector, employment, unemployment, and underemployment are not available
5) As of fiscal year end, except FY 2000 figures which are as of May 31, 2000
6) Annual Average
7) Medium term and long term
8) Figures are for U.S. fiscal year (October 1-September 30)

Appendix C - Trade (Millions of U.S. dollars)

	FY 1997	FY 1998	FY 1999	FY 2000
--Total Bangladesh Exports 1)	4,403	5,158	5,300	4,561
--Total Bangladesh Imports 1)	7,162	7,524	7,515	5,081

	CY 1996	CY 1997	CY 1998	CY 1999
--U.S. Exports 2)	210	259	318	275
--U.S. Imports 2)	1,343	1,679	1,846	1,918

Notes:

1/ Bangladesh fiscal year (July 1 to June 30). Exports are reported on shipment basis; FY 2000 exports are for the 10-month period July 1999 through April 2000, and FY 2000 imports are for 8-month period July 1999 through February 2000

2/ Calendar year (January-December)

Appendix D - Investment Statistics

The Embassy estimates total current foreign direct investment (FDI) from FY 1995 through FY 2000 to be about two billion dollars. This figure represents the Embassy's best estimate, compiled from information provided by multilateral financial institutions and foreign investors. Direct investment will probably increase significantly when additional foreign firms are authorized to explore and develop natural gas. The opening of the power sector to private power companies should significantly add to foreign investment. The private sector is investing several hundred million dollars in two power projects for which the Bangladesh Government has signed commercial contracts, and for which construction has begun. An American company is seeking to invest over $400 million in a project to build private container port terminals in Chittagong and Dhaka and operate a barge service between the two terminals. Bangladesh can attract more investment by stepping up the pace of structural economic reforms to improve the investment climate and by enhancing political stability through dialogue and accommodation between the major political parties.

At present, the United States is the largest foreign investor in Bangladesh with total fixed direct investment of about $750 million. Embassy estimates that after the United States, the three largest foreign investors in Bangladesh by place of origin are Malaysia, Japan, and the United Kingdom. The next tier of investors is Singapore, India, Hong Kong, China, and South Korea. The Embassy estimates U.S. investment in Bangladesh will be about $2.5 billion in 2-4 years if projects underway and/or proposed are completed. Prior to 1997, 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, the assets of one life insurance company, the banking operations of two U.S. commercial banks, and about 10 other U.S. service and marketing firms. Currently, U.S. companies have a significant presence in the gas exploration and production and power generation sectors.

Appendix E - U.S. and Bangladesh Contacts

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

U.S. Embassy Website: www.usembassy-dhaka.org

U.S. Government Commercial Staff

Contact Name	Address	Phone/Fax
Dan Mozena Political/Economic Counselor	American Embassy Baridhara, Dhaka 1212 e-mail: MozenaDW@state.gov	TEL 882-4700 FAX 882-4008
Cleveland Charles Econ/Commercial Chief Arrives: August 2000	American Embassy Baridhara, Dhaka 1212 e-mail:	TEL 882-4700 FAX 882-4008
Dennis Winstead Econ/Commercial Officer Arrives: August 2000	American Embassy Baridhara, Dhaka 1212 e-mail:	TEL 882-4700 FAX 882-4008
William Laitinen Econ/Commercial Officer	American Embassy Baridhara, Dhaka 1212 e-mail: LaitinenWH@state.gov	TEL 882-4700 FAX 882-4008
Kamal Bhuiyan Economic Specialist	American Embassy Baridhara, Dhaka 1212 e-mail: ustc@bangla.net	TEL 882-4700 FAX 882-3744
Shafiqur Rahman Business Development Manager	American Embassy Baridhara, Dhaka 1212 e-mail: ustc@bangla.net	TEL 882-4700 FAX 882-3744
Pam Kazi Econ/Commercial Secretary	Madani Avenue Baridhara, Dhaka 1212	TEL 882-4700 FAX 882-4008
Weyland Begley Agricultural Counselor (Resident in New Delhi)	American Embassy, Shanti Path Chanakyapuri, New Delhi 110021	Tel: 91-11-419-8260 Fax: 91-11-419-8530
Joseph M. Carroll Agricultural Attache (Resident in New Delhi)	American Embassy, Shanti Path Chanakyapuri, New Delhi 110021 Email: carrollj@usda.fas.gov	Tel: 91-11-419-8260 Fax: 91-11-419-8530

Bangladesh Government Contacts

Organization	Contact Name/Title	Address	Phone/Fax
Ministry of Commerce	Golam Rahman Secretary	Bhaban No. 3, 3rd Floor Secretariat, Dhaka 1000	Tel: 861-9006 Fax: 861-5741
Ministry of Finance	Dr. A.K.M. Masiur Rahman	Bhaban No. 7, 3rd Floor	Tel: 861-0406

	Secretary, E.R.D. Dr. Akbar Ali Khan Secretary, Finance	Secretariat, Dhaka 1000	Tel: 811-2641 Fax: 861-5581
Bangladesh Bank	Dr. Mohammed Farashuddin Governor	Motijheel, Dhaka-1000	Te; 955-5000/22 Fax: 956-6212
Ministry of Industries	Mr. Al Amin Chowdhury Secretary	91 Motijheel C/A, Dhaka 1000 Shilpa Bhaban, 2nd floor Dhaka 1000	Tel: 9567024 Fax: 8610588
Ministry of Energy & Mineral Resources	Dr. Tawfiq-e-Elahi Chowdhury Secretary	Bhaban No. 6, 1st Floor Secretariat, Dhaka 1000	Tel: 861-6188 Fax: 861-1110
Ministry of Communications	Syed. Rezaul Hayat Secretary Road & Railways Division	Bhaban No. 7, 8th Floor Secretariat, Dhaka 1000	Tel: 861-2866 Fax: 861-6636
Ministry of Posts & Telecommunications	Mr. Nazmul Ahsan Chowdhury Secretary	Bhaban No. 7, 6th Floor Secretariat, Dhaka 1000	Tel: 831-2160 Fax: 861-5755
Ministry of Textiles	Mr. Md. Helal Uddin Khan Secretary	Bhaban No. 6, 11th Floor Secretariat, Dhaka 1000	Tel: 861-7266 Fax: 861-0600
Ministry of Shipping	Mr. Sohel Ahmed Secretary	Bhaban No. 6, 8th Floor Secretariat, Dhaka 1000	Tel: 861-8033 Fax: 861-8122
Ministry of Planning	Mr. Abdul Hamid Chowdury Secretary	Block No. 7, Room 7 Sher-e-Banglanagar Dhaka 1000	Tel: 811-5142 Fax: 811-7781
Ministry of Civil Aviation & Tourism	C. M. Mohsin Secretary	Bhaban No. 6, 19th Floor Secretariat, Dhaka 1000	Tel: 861-7244 Fax: 861-9206
Privatization Board	Kazi Zafrullah Chairman	Jiban Bima Tower 10 Dilkusha C.A. , Dhaka 1000	Tel: 956-3723 Fax: 955-6433
Board of Investment	Mokammel Haque Executive Chairman	Jiban Bima Tower 10 Dilkusha C.A., Dhaka 1000	Tel: 955-9378 Fax: 956-2312
PetroBangla	Mosharraf Hossain Chairman	Petrocentre 3 Kawran Bazar Dhaka 1000	Tel: 811-4972 Fax: 811-1613
Telephone and Telegraph Board	Khandoker Abdul Matin Chairman	Telejogajog Bhaban 36/1 Mymensingh Road, Dhaka	Tel: 831-1500 Fax: 831-2577
Power Development Board	Brigadier Abdul Malek (Retd.) Chairman	WAPDA Building 48 Motijheel, Dhaka 1000	Tel: 956-2154 Tel: 956-3532 Fax: 956-4765

Bangladesh Trade Associations/Chambers of Commerce

Organization	Contact Name/Title	Address	Phone/Fax
American Chamber of Commerce in Bangladesh	Forrest Cookson President A. Gafur Executive Director	Dhaka Sheraton Room 319 1 Minto Road Dhaka 1000	TEL: 861-3391 FAX: 831-2915
Bangladesh Garment Manufacturers & Exporters Association	Anisur Rahman Sinha President	BTMC Bhaban (Ground Fl.) 7-9 Kawran Bazar Dhaka 1215	TEL: 812-5732 FAX: 811-3951
Federation of Bangladesh Chambers of Commerce & Industry	Abdul Awal Mintoo President	60 Motijheel Dhaka 1000	TEL: 956-0588 FAX: 861-3213
Dhaka Chamber of Commerce & Industry	Aftab-Ul-Islam President	65-66 Motijheel Dhaka 1000	TEL: 956-0732 FAX: 861-3608
Metropolitan Chamber of Commerce & Industry	Latifur Rhaman President	122-124 Motijheel Dhaka 1000	TEL: 955-8435 FAX: 956-5212
Chittagong Chamber of Commerce & Industry	Vacant President	Chamber House Agrabad C.A. Chittagong 4000	TEL (031)713366 TEL 711355 Fax: 710183
Bangladesh Employers Association	A.S.M. Quasem President	Chamber Building 122-124 Motijheel Dhaka 1000	TEL: 955-8435 TEL: 956-5208/09/10 FAX: 956-5212
U.S.-Bangladesh Business Council	Dr. Herbert Davis Executive Director email: usbbc@uschamber.com	U.S. Chamber of Commerce 1615 H Street, NW Washington, D.C. 20062	TEL: 202-463-5732 Fax: 202-463-5732

Washington-based U.S. Government Contacts

Organization	Contact Name/Title	Address	Phone/Fax
U.S. Dept. of Commerce	George Paine Dick Harding Country Desk	Herbert Hoover Bldg 14th & Constitution, N.W. Washington, DC 20007	TEL:(202)482-2471
U.S. Dept. of Commerce	Farah Nareem Advocacy Center	Herbert Hoover Bldg 14th & Constitution, N.W. Washington, DC 20007	TEL: (202)482-0024

U.S. Dept. of Commerce	Janet Thomas Commercial Liaison Office Off. of Multilateral Dev. Banks	Herbert Hoover Bldg 14th & Constitution, N.W. Washington, DC 20007	TEL: (202)482-5179
STATE	Brian Phipps Desk Officer	SA/PAB, RM 5247 Department of State Washington, DC 20520	TEL: (202)647-7593 FAX: (202)647-3001
STATE	Karen Walker Coordinator, Business Affairs	RM. 3831A Department of State Washington DC 20520	TEL: (202)647-0079
OPIC	Kelly Krohounek Regional Manager	1615 M. Street NW Washington DC 20571	TEL: (202)336-8588 FAX: (202)408-5145
ExIm Bank	Terence J. Hulihan Vice-President, Asia International Lending	ExIm Bank 811 Vermont Ave., NW Washington, DC 20571	TEL: (202)565-3946 FAX: (202)565-3210
Trade and Development Agency (TDA)	Manisha Kothari Bangladesh Desk Officer Geoff Jackson Regional Director	TDA 1621 N. Kent Street Ste. 300 Arlington, VA 22209-2131	TEL: (703)875-4357 FAX: (703)875-4009
U. S. Department of Agriculture	Foreign Agricultural Service Trade Assistance and Promotion Office	USDA 14th & Independence Ave., S.W. Washington DC 20250	TEL: (202)720-5138 FAX: (202)690-4374
U.S. Department of Energy	Ed Rossi Davic Jihad	Forrestal Building, 1000 Independence Ave. S.W. Washington, DC 20585	TEL: (202)586-6156
US AID	Louis Kuhn	Ronald Reagan Building 1300 Pennsylvania Ave N.W., Washington 20523	TEL: (202)712-0253

Bangladesh Commercial Banks Organization Contact Name/Title Address Phone/FaxFOREIGN PRIVATE BANKS

American Express Bank	John A. Smetanka Senior Director &	18-20 Motijheel Dhaka 1000	TEL 956-1751 FAX 956-1722

General ManagerCitibank David Rees
Chamber Building TEL 9550060 Vice President & Country
122-124 Motijheel FAX 9562236 Corporate Officer
Dhaka 1000ANZ Grindlays Bank Muhammad A. Ali 2 Dilkusha
C/A TEL 9562337 General Manager Dhaka 1000
FAX 9562332

Credit Agricole Indosuez Francis Dubus 47 Motijheel TEL 9566566
Country Manager Dhaka 1000 FAX 9565707

Hong Kong & Shanghai BankMark Humble Anchor Tower, 5th Fl TEL: 9660536
Chief Executive Officer 1/1-B Sonargaon Road FAX:
9660554
Bank of Nova Scotia Sean Watts 113-116 Old Airport Rd Tel:
8110161
Country Head Tejgaon, Dhaka 1212

Standard Chartered Sethu Venkateswaran Alico Building TEL 9561713
Chief Executive 18-20 Motijheel FAX 9561758
Dhaka 1000NATIONALIZED
COMMERCIAL BANKS
Agrani Bank M.A. Yusuf 9/D Motijheel TEL 9556465
Managing Director Dhaka 1000 FAX 9562346Janata
Bank S.A. Chowdhury 110 Motijheel TEL 9564640
Managing Director Dhaka 1000 FAX 9560869 Rupali Bank
Ltd. Md. Yeasin Ali Rupali Bhaban TEL 9552481
Managing Director 34 Dilkusha C/A FAX 9564148
Sonali Bank Enamul Hoq Chowdhury Head Office TEL
9565944 Managing Director Motijheel FAX
9561410 Dhaka 1000

DOMESTIC PRIVATE BANKS

Arab Bangladesh Bank A. Rahim Chowdhury BCIC Bhaban, TEL 9564125
President & Managing 8-9th Floor FAX 9564123
Director 30-31 Dilkusha C/A
Dhaka 1000
Bangladesh Sheikh Amin Uddin Ahmed 19 Rajuk Avenue Tel: 9559831-2
Commerce Bank Managing Director Dhaka 1000

Bank Asia Quazi Baharul Islam Rangs Bhaban Tel: 8124321
Managing Director 113-116 Old Airport Rd
Tejgaon, Dhaka 1215

City Bank	Mohammad Faiz	10 Dilkusha C/A	TEL 9565916
	Managing Director	Dhaka 1000	FAX 9562347
Dhaka Bank	A.I.M. Iftekar Rahman	115-120 Motijheel C.A.	Tel:9556587
	Managing Director	Dhaka 1000	95565784
Dutch-Bangla Bank	Nurul Azim Chowdhury	1 Dilkusha C.A.	Tel:9568539/44
	Managing Director	Dhaka 1000	Fax:9568537
Eastern Bank	M.K Alam	10 Dilkusha C.A	Tel:9556360/70
	Managing Director	Dhaka 1000	Fax: 9562364
Exim Bank	Mohd. Lakiotullah	5 Rajuk Avenue	Tel:9565026
	Managing Director	Motijheel C/A,	Fax:9565027
		Dhaka 1000	
First Security Bank	S.A. Chowdhury	23, Dilkusha C/A	Tel: 9564733
	Managing Director	Dhaka 1000	
IFIC Bank	Md. Shawkat Ali	BSB Building	TEL 9559647
	Managing Director	17-19th Floor	FAX 9562015
		8 Rajuk Avenue	
		Dhaka 1000	
Islami Bank	M. Kamaluddin Chowdhury	71 Dilkusha C/A	TEL 9567173
	Executive President	Dhaka 1000	FAX 9564532
Mercantile Bank	M Taheruddin	61 Dilkusha C/A	Tel:9559333
	Managing Director	Dhaka 1000	Fax:9561213
Mutual Trust Bank	Mosharraf Hossain	14-15, Motijheel C/A	Tel: 9557786
	Managing Director	Dhaka 1000	Fax: 9562386
National Bank	Rafiqul Islam Khan	18 Dilkusha C/A	TEL 9561201
	Managing Director	Dhaka 1000	FAX 9569404
One Bank	Ashfaque Uddin Chowdhury	45 Dilkusha C/A	Tel: 9558295
	Managing Director	Dhaka 1000	Fax: 9564249
Premier Bank	M.A. Yussouf	Iqbal Center (4th floor)	Tel: 8811417
	Managing Director	42 Kamal Attaturk Rd.	Fax:8815393
		Banani, Dhaka	
Prime Bank	Kazi Abdul Majid	119-120 Motijheel C.A.	Tel:9567265/70
	Managing Director	Dhaka 1000	
Pubali Bank	Md. Qamrul Huda	26 Dilkusha C/A	TEL 9552779
	Managing Director	Dhaka 1000	FAX 9564009
Southeast Bank	Syed Anisul Huq	1 Dilkusha C.A.	Tel:9550081/85
	Managing Director	Dhaka 1000	Fax:9550093

Standard Bank	Fariduddin Ahmed Managing Director	19 Dilkusha C/A Dhaka 1000	Tel:9560299 Fax:0560299
The Trust Bank	Md. Helaluddin Managing Director	98 Main Road Dhaka Cantonment Dhaka	Tel: 9871095
United Commercial Bank	K.C. Rezaul Huq Managing Directro	59-60 Motijheel C.A Dhaka 1000	Tel:9555075/77 Fax:9560587
Uttara Bank	M. Aminuzzaman Managing Director	90 Motijheel Dhaka 1000	TEL 9556104 FAX 863529

Appendix F - Market Research The U.S. Commerce Department makes Country Commercial Guides 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 worldwide 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.List of Foreign Agriculture Service Commodity Reports and Market Briefs1. Grain Monthly Upgrade Reports2. Grain and Feed Annual Report--February 20003. Oilseeds and Products Annual Report--April 20004. Cotton Annual Report--June 2000

Appendix G - Trade Event ScheduleThe U.S. Trade Show 2001, an established premier annual trade event, will be held at the Dhaka Sheraton Hotel, January 25-27, 2001. The show is organized by the American Chamber of Commerce in Bangladesh (AMCHAM). For 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

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