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# Focus on Bangladesh

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A CUTTING EDGE SOURCE FOR DOING BUSINESS WITH BANGLADESH  
PRESENTED BY THE SWEDEN BANGLADESH BUSINESS COUNCIL

## Swedish Business Delegation Visits Bangladesh:

### 67% increase in imports from Bangladesh since 2007

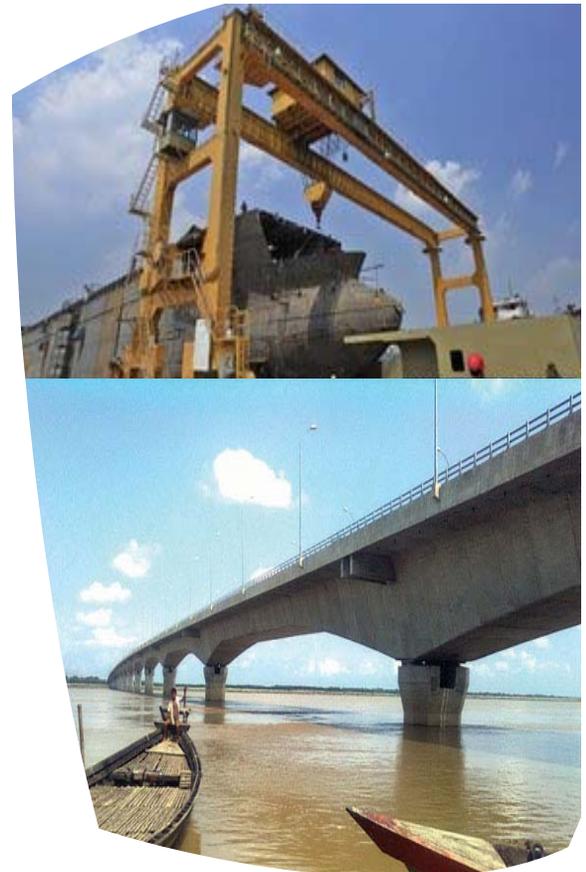
The Swedish business delegation visit to Bangladesh on the 25<sup>th</sup> of February, 2013 marked the first ever of its kind. Swedish State Secretary for Trade Gunnar Oom led the two-day visit to Bangladesh, consisting of representatives from 11 Swedish companies: Atlas Copco, Exportkreditnämnden, Geodesign, Indpro, Oriflame, Raychem, Sandvik, Scania, SEB, Volvo and Walter Tools.

Strong growth, driven by a booming garments and textile sector, has facilitated opportunities in the telecom, pharmaceuticals, ICT, shipbuilding and cleantech industries in Bangladesh. Moreover, Bangladesh has been named the only LDC to be included as a “Next 11” country by Goldman Sachs and has duty free market access to the European Union, making it an attractive investment climate for Swedish business.

Oom highlighted that Swedish imports from Bangladesh increased 67 percent since 2007 and is nearly five times bigger than Swedish exports to Bangladesh. He expressed the desire for further bilateral trade growth.

The delegation was able to meet key stakeholders in Bangladesh, including Sabur Khan, the president of the Dhaka Chamber of Commerce and Industry. He highlighted that Bangladesh is an emerging country, looking for investment and presented a new help desk to help foreign businesses in Bangladesh.

Bangladesh is an incredibly dynamic country which has enormous business opportunities, said Anneli Lindahl Kenny, Swedish Ambassador to Bangladesh. “I hope and believe that this trade delegation is the beginning of much more intensified trade relations between our two countries.”



GDP GROWTH IN PERCENTAGE



## Economic Outlook:

### Growth Resilient and Likely to Accelerate

Bangladesh has maintained a robust 6 percent plus growth over most of the last decade through strong export and remittance growth. GDP is projected to grow at around 6 percent in 2013, despite an unfavorable global economy, which places Bangladesh among the top 35 out of 150 countries in IMF’s October 2012 World Economic Outlook. Bangladesh is also currently ranked 16<sup>th</sup> among 74 Foreign Direct Investment (FDI) - recipient countries with a record \$1.13 billion FDI inflow.

Following the IMF Executive Board’s first review of Bangladesh and approval of a USD 139.4 million disbursement on February 20<sup>th</sup>, 2013, Naoyuki Shinohara, deputy managing director of International Monetary Fund, particularly praised the resilience shown by the country in the face of a global slowdown and the stabilizing measures the government has taken. Shinohara cautioned that the uncertainty surrounding the elections, however, could hinder the economy.

# Utilizing Labour Market Potential:

## Is Bangladesh the Next China?

With its competitors becoming steadily more expensive and its comparative advantage in labour-intensive manufactured goods on the rise, Bangladesh is shaping up to be an excellent business destination.

Currently, Bangladesh's wage is half of India's, and less than one-third of China's and Indonesia's. Bangladesh can take advantage of this low-cost edge over its competitors to become the 'Next China'.

Over the next few years, China's exports of labor-intensive manufactured goods are projected to decline. Therefore, it will lose its one-third share of the world market in garments, textiles, shoes, furniture, toys, electrical goods, car parts, plastic, and kitchen wares. Capturing just 1 percent of China's manufacturing export markets would

almost double Bangladesh's manufactured exports.

A recent World Bank study shows that if Bangladesh can improve its business environment halfway to India's level, it could increase its trade by about 38 percent.

Given that Bangladesh's labor-intensive manufactured exports are already growing at double-digit rates per year, it is clear a big transformation can take place if infrastructural constraints are addressed and the large pool of underemployed labor is utilized at this critical juncture.



## Diminishing Barriers to Business

In 2011, McKinsey & Company's survey of chief purchasing officers in European and U.S. apparel companies recognized transportation and utility supply as key challenges for Bangladesh to address. The Doing Business Report 2013 highlighted similar concerns. Although scoring well on protecting investors, poor rankings indicated Bangladesh has problems in infrastructure and credit facility.

The good news is major improvements are on the way. In February 2013, Bangladesh's largest ever loan for development assistance was signed between Md. Abul Kalam Azad, Secretary Economic Relations Division, Ministry of Finance and Takao Toda, Chief Representative, Japan International Cooperation Agency.

The funding was for projects to:

- build the first urban rapid transit railway in Dhaka to provide a smooth flow of people and goods, and stimulate economic activity, with an estimated 510,000 users per day.
- construct a gas thermal power station to greatly improve the power supply, with fewer green house gas emissions.
- construct substations and transmission lines on a national scale to provide a stable supply of electricity.

These projects will have a large positive impact on the ease of doing business in Bangladesh.

**Did you know?** Bangladesh has attracted attention from foreign companies, including those in Japan, as a country that is part of a China-plus one strategy, in which a company locates a production base or investment in one country outside of China as a way to hedge against manufacturing and other risks.

## A BRIGHT FUTURE FOR ICT



Bangladesh is seeking to capitalize on its huge potential in the Information and Communication Technology (ICT) sector. Currently, with 15,000 IT-professionals, it ranks as one of the top 30 IT-sourcing destinations in the world.

The Government will implement two projects worth US\$98.8 million to create large-scale employment and diversify exports in ICT between 2013 and 2018.

The first project will train 10,000 graduates on software development and another 20,000 on ICT servicing. It also seeks to help expand the national data centre, introduce 'cloud computing' and provide ICT training to government officials.

The second project will develop an IT Park in Gazipur with funding from the World Bank and the UK's Department for International Development. The project will develop the support infrastructure of the park, such that an export-oriented IT industry can be set up through public-private partnership.

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