

Roundtable on 'Economic Zones-Transforming Bangladesh into a Manufacturing Hub- Key Policy and Regulatory Issues'

18thDecember 2017

Overview: Policy Research Institute (PRI) of Bangladesh held a roundtable themed on Special Economic Zones (SEZs) titled 'Economic Zones-Transforming Bangladesh into a Manufacturing Hub- Key Policy and Regulatory Issues' on 18thDecember 2017. The Principal Coordinator (SDG) to the Prime Minister's Office, Mr. Md. Abul Kalam Azad was present as the chief guest and the Executive Chairman (Secretary) of Bangladesh Economic Zone Authority (BEZA), Mr. Paban Chowdhury was present as a special guest. The roundtable discussion was chaired by Dr. Ahsan H. Mansur, Executive Director of PRI. The event was also graced by the presence of various distinguished researchers, private sector business leaders and investors and current and former policy makers of the country.

The program began with the opening remarks by Dr. Mansur, and then followed by a keynote presentation by Dr. G.M. Khurshid Alam,



Operations Director of PRI. The Managing Director of Abul Monem Economic Zone Limited Mr. ASM Mainuddin Monem; the Director of AK Khan and Co. Limited, AMM Shahadat Hossain; and the Practice Manager, Trade and Competitiveness, Ms. Esperanza Lasagabaster were among the distinguished panelists and discussants.

The main objective for the roundtable discussion was to highlight the ways and means by which Special Bonded Warehouse facilities could ensure export competitiveness to boost and diversify the export basket through expansion of the Non-RMG export

Keynote Presentation at the Event

In his detailed power point presentation, Dr. Khurshid focused on the importance of Special Economic Zones (SEZs) as a vehicle or instrument for transforming Bangladesh into a manufacturing hub. The main points covered were why Bangladesh can be a manufacturing hub, what are the challenges and suggestions to resolving the challenges. He noted that Bangladesh has been doing extremely well both in economic and social fronts. On the economic front, growth has been primarily driven by export oriented manufacturing with share of manufacturing in exports amounts to almost 98%. In the coming years, Bangladesh has set targets and one such target has been reaching towards 8% economic growth in order to become a middle income country by 2030. This will require an investment target of 34% of GDP of which private investment would

have to make up 26% of GDP and public investment will make up 8% of GDP. Private investment also needs to be supplemented by Foreign Direct investment (FDI). In order to encourage FDI and domestic investment, the right investment climate and right strategies need to be in place. Looking at the doing business and competitiveness indicators, it can be said that there is a huge scope for Bangladesh to improve in these fronts. Bangladesh has both regulatory and infrastructure constraints



and unless they are countered, the investment targets may not be realized. Some of the major developments have been the formation of BIDA and BEZA. BIDA has undertaken reforms to facilitate investment; however, these reforms will take time as they are undertaken across the country at a larger scale. In this context, SEZs have a big role to play; they can address the investment climate challenges immediately. SEZs operating in an enclave environment can provide a conducive regulatory environment, and targeted and focused infrastructure for firms on an immediate or short time frame basis operating within the zones. Dr. Khurshid however, pointed out regulatory and institutional issues, infrastructural bottlenecks and lack of adequate skilled human resources as major challenges faced by SEZs. One good step has been the decision to provide One Stop Services (OSS) by BEZA to all industries operating within the zones. It is important that full authority of overseeing the economic zones is delegated to BEZA, so that any regulatory issue can be well coordinated and relevant decision-making process can speed up. Early completion of the SEZs, specifically the Mirasarai, the largest one in the making; private economic zones that have been licensed and the G2G economic zones, will pave the way to reducing infrastructural bottlenecks. It will also send a positive signal to all investors that Bangladesh is open for business.

Lead Discussants: Director of AK Khan and Co. Limited, AMM Shahadat Hossain observed that the plan to operationalize 100 economic zones across the country sounds like a good initiative, but



the question is whether it will be feasible. He added that the growth of the zones depends directly on the performance of the ports and the performance of the ports will need to be improved for zones to be successful. The Managing Director of Abul Monem Economic Zone Limited Mr. ASM Mainuddin Monem said that to make the economic zone a reality, proper facilities need to be present. If 5 economic zones can be prepared as a model with the right infrastructure support, it can fill up the gap in infrastructure. He also added that procuring land is

one of the biggest hassles faced by businesses. Practice Manager, Trade and Competitiveness, Ms. Esperanza Lasagabaster commended the authorities for the progress of economic zones made over the past years. She mentioned, however, if we look forward, the aspiration for creating 100 economic zones may be a large number. The economic zone authorities would need to mobilize a lot of resources for achieving this target. Attracting highly competent developers, monitoring the progress of the developers and site selection are some important factors that need to be focused on.

Honorable Chief Guest Mr. Md. Abul Kalam Azad: Principal SDG Coordinator at the Prime Minister's Office Md. Abul Kalam Azad, said, that the government will provide 100 SEZs for entire country in the next 15 years. He ensured that the government will support all businesses. He further noted that currently, there are huge fallow lands in the southern region of the country which can offer sites for the development of future economic zones in the country. According to him, most of the authorities relevant to investment in economic zones, like BIDA, BEZA, BEPZA or PPP Authority, are already under the PMO. So, coordination should not be a big problem.



Honorable Special Guest Mr. Paban Chowdhury: Executive Chairman of BEZA Paban Chowdhury, the special guest of the event, said the government is planning to create a land bank for the special economic zones within the next two years to address the land-shortage issue.



Open Discussion:

Dr. Ahmed Ahsan, Director, PRI spoke of international experience that Bangladesh can look up to and mentioned Vietnam as a good example. He mentioned that zones in Vietnam and China were very focused and well connected to the rest of the economy. He also added that Bangladesh should emphasis on Public Private Partnership (PPP) Investments.

Dr. Mohammad Tareque, Director, BIGM and former Finance Secretary, mentioned that Bangladesh can maximize its benefits on two fronts, one is labour and the other is high technology. He also noted that the coordination of all authorities concerned and the location of zones is important.

Mr. Abdul Mazid, former chairman of NBR stated that the initiative of Abdul Monem Group in the context of developing economic zone is praiseworthy. He also added that government should oversee both off-site and on-site facilities given to the investors in economic zones.

Mr. Shahid Alam, representative from BTMA explained that it would be feasible to implement the 100 zones steadily and in steps, starting with the first 25 in the first five years and the next 25 zones in the next five years and so on.

If the Mirasarai Economic Zone and five others can be operationalized in the next 3-4 years, it will facilitate an easy flow of investment, and foreign investors will also gain confidence and be encouraged to investment in Bangladesh, commented **Mr. Suhel Chowdhury**, former Commerce Secretary.

Mr. M.A. Gabur, Abdul Monem Group Economic Zone shared that foreign investors are very keen on investing but require the adequate infrastructure facilities.