

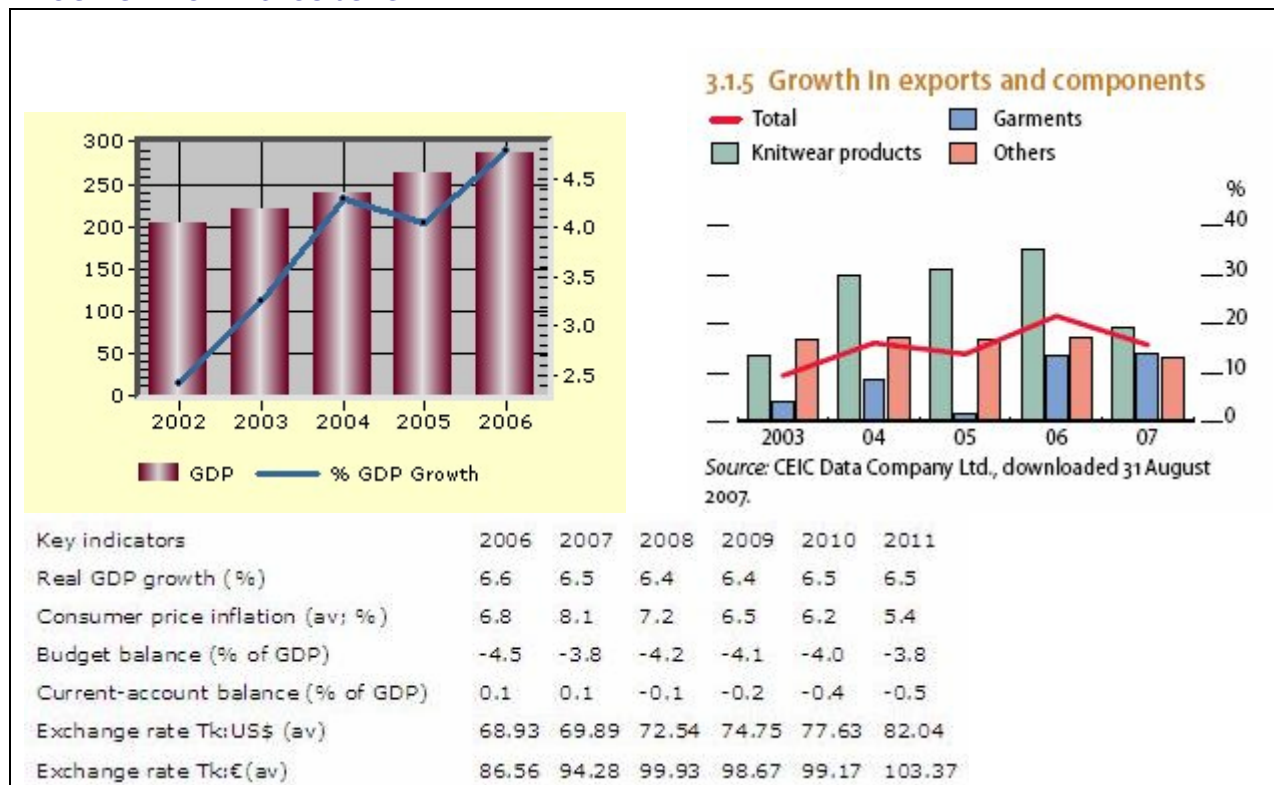
## Bangladesh: Economic Overview



### Problems and Potential:

Bangladesh, like many of its neighbors in South Asia, has had sustained economic growth over the last several years. Despite that strong growth the country remains very poor and overpopulated, and lacks an efficient government. Bangladesh must contend with creating enough jobs for a growing labor force, fighting corruption and government infighting in order to push through economic reforms, and dealing with the harsh weather conditions which result from its geographic location in South Asia.

### Economic Indicators:



- As of 2006 Bangladesh's GDP (PPP) was estimated at \$336.7 billion and grew at a rate of 6.6%.<sup>1</sup>

<sup>1</sup> CIA World Factbook 2007: <https://www.cia.gov/library/publications/the-world-factbook/geos/bg.html>

- In 2005 Bangladesh received a total of 802.5 million dollars in Foreign Direct Investment.<sup>2</sup>
- The trade deficit is expected to continue to widen in the coming year, while government accounts will record a small surplus in 2007, due to the strong inflows of expatriate workers' remittances.<sup>3</sup>
- Total investment, at 24.3% of GDP in 2007, declined by 0.4 % compared with the preceding year, on moderation in public investment following downsizing of the annual development program.<sup>4</sup>

### *Economic Structure:*

- The Bangladesh economy is driven mainly by the services sector, despite the fact that the majority of is eligible labors work in the agriculture sector. Bangladesh is continuing the process of economic liberalization, though it is expect to be at conducted at a slow pace. The government is trying to encourage foreign direct investment, especially in the textile industries. They are combating power shortages through the building of new power plants, some of which can be expected to come online in 2008.
- The GDP composition by sector is 19.9% agriculture, 20.6% industry, and 59.5% services, while the labor force is divided: 63% agricultural, 11% industry, and 26% services<sup>5</sup>
- The United States and Germany are Bangladesh's main export partners. Its main exports are garments and jute products, and its exports totaled over 11 billion dollars in 2006.<sup>6</sup>
- Bangladesh receives the majority of its imports from China and India, with machinery and petroleum products being among the top imports. In 2006 imports totaled nearly 14 billion dollars.<sup>7</sup>
- Bangladesh is a member of the South Asian Association for Regional Co-operation (SAARC), which accelerates economic exchange between member states, such as India and Pakistan.<sup>8</sup>
- Bangladesh joined the South Asia Preferential Trade Arrangement (SAPTA) and is committed to a South Asia free-trade agreement.<sup>9</sup>

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<sup>2</sup> World Bank: <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=BGD>

<sup>3</sup> Bangladesh: Country Outlook: <http://www.alacrastore.com/country-snapshot/Bangladesh>

<sup>4</sup> Asian Development Bank: <http://www.adb.org/Documents/Books/ADO/2007/Update/BAN.pdf>

<sup>5</sup> CIA World Factbook 2007: <https://www.cia.gov/library/publications/the-world-factbook/geos/bg.html>

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> Foreign Investment: <http://www.bangladoot.org/foreigninvestment.pdf>

<sup>9</sup> Ibid



### *Political Considerations:*

- Bangladesh is a Parliamentary Democracy with a unicameral parliament composed of 300 members, who are elected by geographical constituencies for terms of five years.<sup>10</sup>
- Executive powers are vested in the prime minister of the leading party in the parliament or with the head of the caretaker government.<sup>11</sup>
- A caretaker government takes office following the expiration of a government's term in office and administers the next general election, then leaves office once a new government is elected.<sup>12</sup>
- On January 11, 2007 the caretaker government canceled the scheduled general election for later that month and declared a state of emergency. The caretaker government has remained in office with the backing of the military.<sup>13</sup>

### *Attractions:*

- **Low Costs and Large Market:** .At present the costs of labor are comparatively low in both skilled and semi-skilled production. In turn with a population of over 150 million it has a potentially huge market for foreign products as its middle class continues to grow.

<sup>10</sup> The Economist, Political Structure:

<http://www.economist.com/countries/Bangladesh/profile.cfm?folder=Profile%20Political%20Structure>

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> Ibid

- **Regulations and Location:** Bangladesh has the lowest import-tariff rate in the South Asia region. It is ideally positioned between the economies of South Asia and South-East Asia to become a regional economic hub.<sup>14</sup>
- **Economic Liberalization:** There is every indication that Bangladesh will continue to liberalize its economy. Enacting policies to boost foreign investment and increase exports.

### *Troubled Spots:*

- **Expected Decline in Current Account Position:** Despite record inflows of expatriate workers' remittances, the current-account position is expected to deteriorate as growth in remittances fails to keep pace with import expansion.<sup>15</sup>
- **Rise of permanent military rule:** The next general election is scheduled for sometime between October and December 2008. There is talk that it could be further postponed due to the monsoon season. Increased delays give rise to the concern of the permanent imposition of military rule and the suspension of democratic processes.<sup>16</sup>
- **Poverty and Infrastructure:** Despite its strong growth GDP per-capita is only \$2600, with much of the population living on far less than that. There are problems with transportation and electrical infrastructure which must be addressed for the country to grow economically.

### *Acknowledgements:*

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Under the Supervision and Coordination of: Dr. Samuel Lee Hancock, CM, Executive Director*

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<sup>14</sup> Foreign Investment: <http://www.bangladoot.org/foreigninvestment.pdf>

<sup>15</sup> The Economist: Economic Data,

<http://www.economist.com/countries/Bangladesh/profile.cfm?folder=Profile%20Economic%20Data>

<sup>16</sup> Ibid