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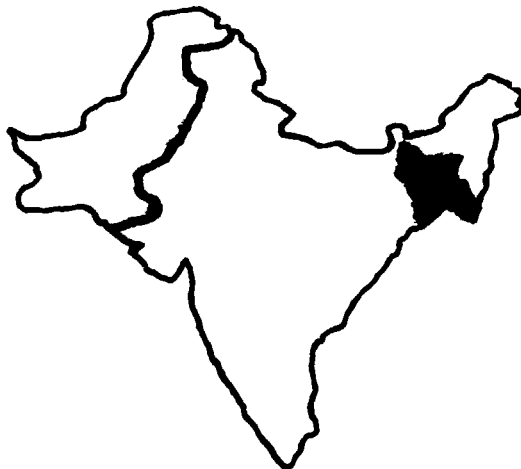
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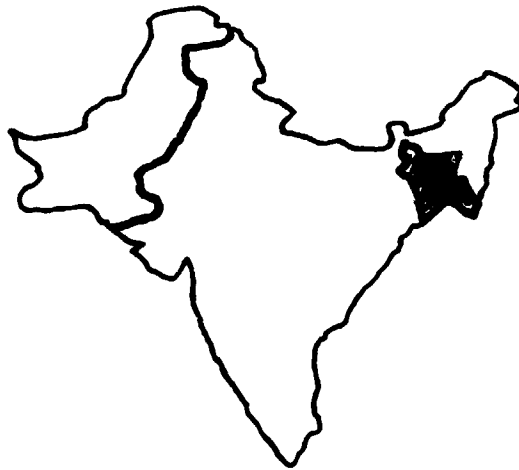
**UNIDO TECHNICAL ASSISTANCE
PROJECT**
to
**BANGLADESH EXPORT PROCESSING ZONES
AUTHORITY**
FINAL REPORT



499

Loebinger International, Inc.
1010 H St. NW, Suite 800
Washington, DC 20005
February 1992

**UNIDO TECHNICAL ASSISTANCE
PROJECT**
to
**BANGLADESH EXPORT PROCESSING ZONES
AUTHORITY**
FINAL REPORT



Louis Berger International, Inc.

1819 H St. N.W., Suite 900
Washington, DC 20006

February 1998

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Immediate, Medium-, and Long-Term Promotion Strategies

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- 1 Interim Report, September 25, 1982
- 2 Supplementary Report, August 1984

ABBREVIATIONS USED IN THIS REPORT

BEPZ	Bangladesh Export Processing Zone (or Zones)
BEPZA	Bangladesh Export Processing Zones Authority
CDC	Commonwealth Development Corporation
CEPZ	Chittagong Export Processing Zone
CMLA	Chief Martial Law Administrator
DEPZ	Dhaka Export Processing Zone
\$	When used in this report, \$ refers to the U.S. dollar
EPZ	Export Processing Zone (or Zones)
I.L.O.	International Labour Organisation
I.P.D.C.	Industrial Promotion and Development Company of Bangladesh Limited
LBII	Louis Berger International, Inc.
MEMBER (F)	BEPZA Board Member in charge of finance
MEMBER (IP)	BEPZA Board Member in charge of Investment Promotion
MEMBER (I & TS)	BEPZA Board Member in charge of infrastructure and technical services
N.B.R.	National Board of Revenue
O.B.U.	Offshore Banking Unit
TK	Taka, the Bangladesh currency unit (one U.S. dollar equals approximately Tk 25.00)
Type "A"	an EPZ investment 100% foreign owned
Type "B"	EPZ joint venture between local Bangladeshi and foreign partners
Type "C"	100% Bangladeshi owned investment in EPZ
UNIDO	United Nations Industrial Development Organisation

INTRODUCTION

This final report incorporates in the main text BEPZA target industries as well as step-by-step guidance for marketing, managing, staffing, and scheduling.

As background, we have included the Interim Report and Supplementary Report (along with their respective appendices and annexes) at Tabs 1 and 2, respectively.

The Interim Report outlines progress through September 1982, remaining tasks, and tasks for counterpart staff in order to keep the CEPZ program going.

The Supplementary Report gives practical advice and guidance for BEPZA in 1984.

It must be remembered that some of what is written in the Interim and Supplementary Reports is outdated. However, much of the information can be used in conjunction with the main text as a handbook for making the BEPZ successful.

CHAPTER 1

OVERVIEW

The global proliferation of export processing zones (EPZs) in recent years has meant increased competition for the Bangladesh Export Processing Zones Authority (BEPZA), making an effective marketing strategy one of the most critical factors in BEPZA's future success. As Bangladesh does not yet have a well-established reputation internationally among investors, however, BEPZA's task in this regard will be doubly difficult.

Recognizing the key role of marketing to the success of the BEPZ, the Consultant has determined to focus on marketing issues in this report. The analysis includes a discussion of recent economic development in Bangladesh, with the focus of the chapter being the global market in view of prevailing tariff and quota restrictions. The Consultant identifies general product groups with potential for expansion in light of these trade constraints.

The product groups identified, however, may not necessarily meet the industrial development objectives of the Government of Bangladesh (GOB). Those objectives include, among others, two key dimensions--the efficient use of scarce capital resources and increasing employment. Thus, the product groups were tested for and evaluated based on these critical criteria. That analysis is carried out using data from a survey carried out by the Consultant in a country

with similar dual objectives, as well as information acquired by on-site analysis in Bangladesh, it is possible to identify appropriate product groups.

Broad product groups notwithstanding, the key is, of course, specific products that can be produced under prevailing conditions in Bangladesh. A list of major manufacturers for each product is included in the appendices. Step-by-step procedures for contacting firms and increasing their interest in Bangladesh is detailed. To implement these detailed procedures some institutional changes are required, which are also discussed. These changes are extremely important if any success is to be achieved in the face of stiff competition.

The report also includes a summary of recommendations, as well as appendices outlining data sources and background information on or about the countries which should figure as principal targets for marketing, i.e., the U.S, West Germany and Japan. Also included in the appendices is a list of existing directories of potential target establishments.

CHAPTER 2

BACKGROUND: RELEVANT TRADE AND INDUSTRIAL PATTERNS

A) Trade and Industrial Development in the Asian Region

i) Overview

Over the last two decades, the economic rise of the Asian Pacific newly-industrializing countries (NICs) has been one of the great success stories of modern economics. Compared to many countries in other regions of the world, the Asian NICs have relatively few natural resources, and their comparative isolation from the major global markets would have seemed to place them at a disadvantage vis-a-vis other developing countries. In spite of their unfortunate exogenous circumstances, however, the NICs have done astonishingly well at increasing output, boosting productivity, and raising their standards of living to levels approaching those of the most advanced nations of the world. In analyzing the situation of Bangladesh, it will be useful to explore the circumstances in which this economic growth has occurred, and the patterns of growth that have emerged as a result; for many of the economic characteristics of Bangladesh, including high population density, largely undiversified economy, inadequate capital formation and dangerously low standard of living, were at one time shared by many of the now most rapidly developing NICs. To understand the prospects and constraints Bangladesh now faces in accelerating its development through expansion of its export

sector, one must first examine trade patterns in the neighboring NICs, which in many cases both compete with, and provide a market for Bangladesh.

ii) Patterns of Trade Growth in the NICs

Over the last decade, the East Asian NICs--Hong Kong, Singapore, South Korea and Taiwan--have maintained a consistent trade surplus with the U.S. This phenomenon has been especially evident since 1983, with the strength of the U.S. dollar vis-a-vis those countries' currencies, and the resurgent buying power of the U.S. public as a result of the economic recovery. Between 1984 and 1985 the NIC surplus with the U.S. increased by nearly \$4 billion, to over \$25 billion. NIC imports of U.S. goods fell to \$16.4 billion in 1985, 6 percent below the record 1984 level of \$17.4 billion. The decline in imports, due primarily to the high U.S. dollar, was broadly based, with chemicals, electronic components and agricultural products accounting for the largest drops. Imports of aircraft and aircraft parts, however, actually grew quite sharply.

NIC exports, however, have maintained their growth trend, which led to a 7 percent increase in 1985 to \$41.9 billion from the 1984 level of \$39.1 billion. Most of this increase was in consumer goods, i.e. footwear, clothing, toys, sporting goods, jewelry, furniture, and consumer electronics.

Since 1981, the NIC trade surplus with the U.S. has more than tripled, due to the 90 percent surge in imports during that time and the relatively moderate 11 percent growth in exports.

iii) Patterns of Trade in Other Asian Countries

Though less substantial than the NIC trade surplus with the U.S., the surplus of the other Asian LDCs with the U.S. is nevertheless significant. Between 1984 and 1985 the trade imbalance between the U.S., on the one hand, and India, Pakistan, Malaysia, the Philippines, Indonesia and Thailand, on the other, narrowed somewhat, to \$7.8 billion from \$8.1 billion, primarily due to a 10 percent decline in Asian exports, to \$16.6 billion. Contributing to this movement was the fact that U.S. purchases from Indonesia, a major supplier of crude oil, were significantly lower, as were U.S. imports of electronic components and parts. U.S. purchases from Pakistan and Thailand increased, however, in 1985, as did imports of outerwear.

U.S. exports to the region also fell some 15 percent to \$7.2 billion in 1985, owing to decline in U.S. sales of electronic components and parts, wheat, vegetable oils and cotton, and exports to Indonesia, Malaysia, the Philippines and Thailand. However, U.S. exports of fertilizers and internal combustion engines increased, while sales to India and Pakistan were also higher.

Overall, the Asian LDC trade surplus widened 26 percent between 1981 and 1985, with U.S. exports falling 10 percent during that period, from \$8 billion to \$7.2 billion, and imports rising more than 5 percent, from \$14.2 billion to \$15 billion.

B) Patterns of Bangladeshi Trade**i) Trade with the United States**

After a dismal rate of growth of under 1 percent in 1981-1982, the Bangladesh economy has recently rebounded. Preliminary estimates for the 1982-1986 period show average annual growth in real GDP of 4.1 percent. Manufacturing growth has stabilized at over 4 percent in real terms. Growth in the private sector, particularly in small- to medium-scale enterprises, may be even higher than these figures indicate, as total figures tend to be lowered by the poor performance of public sector enterprises.

Since independence, Bangladesh's exports have been dominated by jute, whereas non-traditional export products have accounted for only 5 percent of export earnings. Since the 1970s, however, international demand for raw jute and jute products has steadily declined, owing to increased competition from synthetic fibers, while jute supply has been increasingly crowded out by increased acreage devoted to rice. The government has attempted, with only partial success, to remedy the problem by shifting to exports of other manufactured products and attempting to identify alternative uses for jute, such as carpets and wall hangings, but because of the large jute component in both GDP and export earnings, the secular decline in international jute prices, and increasing annual price and demand fluctuations for the commodity, the Bangladesh balance of payments has become increasingly difficult to manage.

The Bangladesh trade balance with the U.S. has undergone unusual changes over the last three years. U.S. exports to Bangladesh have increased 15 percent between 1983 and 1985, from \$190 million to \$219 million, which is in keeping with the general regional trend; however, Bangladeshi exports to the U.S. have grown dramatically, more than doubling from \$110 million in 1983 to \$227 million in 1985, an increase of 106 percent. The effect of this turnaround on the trade balance between the two countries has been significant: a Bangladesh deficit of \$80 million in 1983, growing to \$144 million in the following year, was converted to an \$8 million surplus by 1985, and a \$53 million surplus in the first six months of 1986 alone.

This trend was especially evident in manufactures trade between the U.S. and Bangladesh. During the 1983-1985 period, Bangladesh imports of U.S. manufactures rose a substantial 52 percent, from \$58 million to \$88 million. Exports, however, increased over 120 percent from \$91 million to \$202 million, bringing the Bangladesh manufactures trade surplus with the U.S. to \$114 million in 1985, from only \$33 million in 1983.

Contributing heavily to these trends, of course, has been Bangladesh manufactures and trade of textiles, particularly outerwear apparel. Certain categories of outerwear which were virtually untraded between the two countries as recently as 1981 had, by 1985, been exported by Bangladesh in amounts of hundreds of millions of dollars per annum. Food and live animals also showed a doubling of trade during the period, from \$10.7 million to \$23.6 million, but certain other traditional manufactured exports from Bangladesh, such

as woven fabrics from textile fibers, declined substantially, from \$89.2 million in 1981 to \$56.1 million by 1985. The chief causes of the increases and declines in these areas will be covered in later sections.

Bangladesh imports of U.S. goods, as pointed out earlier, have increased considerably, from \$158 million in 1981 to \$219 million in 1985. Most of this is owing to increased agricultural imports from the U.S., including wheat, fertilizer, rice and wood, with additional increases in pharmaceuticals, telecommunications equipment and engineering contracting services.

ii) Trade with Other Countries

The primary destination of Bangladesh's manufactured exports are developing countries, which in 1982 absorbed some 49.8 percent of total Bangladeshi manufactured exports. The share of Bangladesh manufactured exports absorbed by centrally planned developed countries was 12.5 percent. The developing countries are also important suppliers of manufactured goods to Bangladesh. In 1982 their share of Bangladeshi total manufactured imports was 51.4 percent, compared to the share of the developed market economy countries, 41.9 percent.

C) Trade Barriers in Major Markets

Ironic as it may be, the greatest impediment to increasing Bangladeshi exports and foreign investment in Bangladesh may be the local trade regulations and restrictions promulgated by Bangladeshi authorities themselves. Tariff rates in Bangladesh range from 0 to 400 percent, with the highest rates often being levied on the basic inputs needed for export goods production.

The import duty on basic raw materials has been fixed at 20 percent, while the duty on imported finished products is spread over four categories, depending on consumption patterns: 100 percent for telephones and equipment, 150 percent for stainless steel blades, 300 percent for knit fabrics and 400 percent for superior grade cigarettes, for example. There are some special concessionary rates, such as 2.5 percent for imported machinery installation in less developed areas, 5 percent for baby food, 10 percent for cotton, wool and synthetics, and 15 percent for imported machinery for installation in developed areas; however, some 56 percent of total Bangladesh government revenue is derived from customs duties and excise taxes, which illustrates the potential difficulty of restructuring the foreign trade sector.

Other internal barriers also serve to discourage trade and foreign investment. In a survey of foreign-based manufacturing firms with operations in Bangladesh, the impediments to increased U.S. investment in Bangladesh that were most often cited included restrictions on the repatriation of profits or surplus funds; exchange controls; bureaucratic

delays; high taxes; prohibitive regulatory controls on retail pricing and imports; and continued devaluation of the taka. For Bangladesh to be able to reap the benefits of technology transfer and increased export earnings, it is clear that the government itself will have to engage in a certain amount of internal adjustment, in order to present a better investment climate to both domestic and foreign manufacturers.

i) United States

The U.S. maintains no tariff barriers on trade with Bangladesh, and in fact offers Bangladesh Most Favored Nation status on trade between the two countries. Bangladesh textile imports, however, are subject to certain quotas through U.S. participation in the Multi-Fibre Arrangement (MFA) and Article XIX of the GATT articles (the escape clause). Since textiles constitute Bangladesh's largest source of exports to the U.S., any further significant expansion of exports will most likely have to occur from other industries.

However, Bangladesh has been able to benefit from the U.S. General System of Preferences (GSP) in certain products, and probably could do so in the future with others. Jute still figures as one of Bangladesh's most important exports to the U.S. under the GSP, with the total value of its exports, both raw and manufactured, running well over \$1 million in 1985. Certain other light manufacturing goods also figure into the list of important Bangladesh exports qualifying for the GSP, but one of the newest, and potentially the largest, is the manufacture of cooking stoves and ranges, which totaled some \$160,000 in 1985, from zero the previous year.

ii) European Economic Community

The EEC assigns tariffs of different levels to virtually all textile goods exported by Bangladesh to those countries, and does not afford Bangladesh favored nation status for any of the MFA textile products. Bangladesh does, however, figure in the list of beneficiary countries for certain non-MFA textile products, including certain yarns, linens, twines and cordage, sacks, felts, woven pile fabrics and certain articles of outerwear. For exports of these goods to the EEC, individual tariff ceilings are in effect for the various beneficiary countries, exports above which are not subject to import duties. For many of these goods, Bangladesh has not seen fit or has not been able to take advantage of the import duty ceilings, and has instead maintained its exports at levels which are 100 percent subject to import duties.

D) Prospects for New Industries in Bangladesh

i) Shifting Trade Patterns in the NICs Due to Trade Barriers

Trade barriers erected by the United States have not yet reached the point where it is necessary for the East Asian NICs to choose between lowering production while maintaining the focus of their exporting on the U.S. market, or exporting intermediate products to such countries as Bangladesh, who are not subject to such restrictive trade barriers and who thus would be able to finish these goods for final export to the U.S. themselves. However, recent rhetoric in the U.S. Congress threatening increased trade sanctions has undoubtedly started the East Asian NICs on the road to at least considering exporting unfinished goods to the lesser developed Asian countries for subsequent export to the U.S.

On the international level, as has been previously mentioned, Bangladesh's opportunities for expanding its exports of textiles to the developed country's are constrained by the MFA. Before 1973 the market for textiles in the developed countries was expanding steadily, and there was a steady increase in exports by the LDCs. However, since that time import quotas in the developed nations have been expanded to include textiles made from a full range of fibers, as well as cotton and a wider range of clothing categories. As a result, growth in exports of textiles and wearing apparel from LDCs to the developed countries of the North has reached a virtual standstill since 1975.

Exports from Bangladesh to the East Asian NICs themselves do

not appear to have been increasing significantly. Since Bangladesh exports are overwhelmingly concentrated on many of the very products that most of the East Asian NICs export, namely textiles, natural fibers and light manufacturing, there does not appear to be any significant gap in the East Asian NIC market that Bangladesh could uniquely fill.

ii) Shifts from NICs Due to Lower Costs

Bangladesh does, however, benefit from an overwhelming absolute cost advantage in certain industries, due to the large supply of unskilled labor in that country. However, whether or not this translates into a comparative advantage vis-a-vis the East Asian NICs is another question. Because of the low capital/labor ratio in most Bangladesh industries, labor productivity tends to be quite low in comparison with more advanced countries, and this disadvantage may balance or outweigh the advantages to be derived from lower labor costs. In addition, the lower levels of training, education and skills in Bangladesh further contribute to low labor productivity in comparison with other Asian countries, and serves to discourage heavy foreign investment in the country.

At this point the industries best suited to take advantage of Bangladesh labor parameters would be those which require low levels of skill and education, are extremely labor intensive, and do not require a great deal of capital per unit of labor. Unfortunately, these are the very characteristics of the raw materials and textiles industries, which because of existing or potential trade barriers are

unlikely to expand. New, non-traditional industries with these special characteristics will have to be sought, which are not affected by current trade barriers and which are tailored for the unique labor supply characteristics of Bangladesh.

CHAPTER 3

GOALS AND OBJECTIVES

Goals to be achieved by the EPZs include:

1. Acquisition of foreign investment in Bangladesh with subsequent increase in foreign exchange earnings through exports;
2. Creation of substantial employment opportunities;
3. Acquisition of new technologies;
4. Broadening of the industrial base; and
5. Development of new markets.

Specifically, the Chittagong EPZ is aimed at attracting industry so as to maximize exports of domestic manufactured goods, increase value added and generate growth in the country's manufacturing capacity, given the constraints of capital, labor and resource endowments, as well as the physical and institutional infrastructure of Bangladesh and the Chittagong region. The EPZ is also intended to address the more specific objectives and criteria for selecting industries to be targeted for a marketing campaign designed to increase the attraction of investors to Chittagong. The primary criterion for the selection of targeted industries for the EPZ should be the potential for employment generation, which is the most pressing priority for the country's economy now and in the foreseeable future. The intensity of labor in the production process is also an important factor in the decision of foreigners to invest in

given the relatively low labor costs there and the potentially high comparative advantage to be enjoyed by manufacturers located in Bangladesh.

In the context of national industrial development, maximizing employment entails concentrating marketing efforts on those industries which have high labor/capital ratios in the production processes. In the context of a particular EPZ, intensive use of land and other finite physical infrastructure should also be emphasized as an important criterion so as to obtain maximum employment density per acre, for it is the infrastructure in the Chittagong EPZ as a whole, rather than the total amount of capital invested in an individual factory that represents the investment of the country's scarce capital.

Related to this, of course, is the criterion of maximum utilization of other domestic resources, versus imported inputs. However, since duty-free import of input materials constitutes one of the basic rationales of any EPZ, industries which also use large quantities of imported materials along with local materials should not be exempted from the marketing efforts on that basis alone.

As a prerequisite to actual marketing it is necessary to be somewhat conservative and select the most appropriate areas where investment may be readily found. Concurrent with this is choosing the industrial sectors which have high growth rates and which require wage-intensity and new technologies. Priorities must be clearly delineated at the outset and projects which have little local added value eliminated from consideration in line with the parameters laid down by the legislation of the BEPZ Act.

Mainly because of the low wage rates in Bangladesh the BEPZ will be competing with other countries in the region for projects in, for instance, electronics and textiles. Happily, there is a clear advantage from the industrialist's point of view as several longer - established locations such as Hong Kong and Singapore are tending to have their previous advantages eroded due to substantial wage increases and more militant trade union pressures. For these reasons we should examine these nearby markets in order to wrinkle out any new expansion plans that overseas corporations may have in the drawer, so to speak. Singapore may suggest itself as a suitable area for this analysis in view of its almost complete state of development and limited scope for additional projects, but we shall look at other areas also. However, the primary sources of investment, such as Europe, the United States and Japan may not be ignored and the aim should be to divert plans for setting up manufacturing operations in this hemisphere towards Bangladesh. In some countries certain affinity aspects such as in ethnic tradition, trade patterns and raw material sources may be a basis for attracting investment. Thai, Pakistan and Indian entrepreneurs may find it easier to establish here than other nationalities, for instance, so that would suggest that concentration on these markets may have merit.

CHAPTER 4

STRATEGIES

A) Overall Strategy

Unlike sales promotion and marketing of consumer and capital goods, the acquisition of direct investment in a country is very often by its very nature a long term exercise. When the country is a late entrant into EPZ development it is probable that much emphasis initially must be given to the creation a credible image for the country, its administration and institutions as a first step.

This is certainly the case with Bangladesh. The first task then will be to project a positive impression generally and especially among influential circles in finance, industry and the media, an impression which is formed with an awareness of the shortcomings and a frank statement of obvious problems but which spells out clearly the considerable potential of this location compared with others.

Because financial resources will be limited there is little room for an advertising campaign on a large scale at least in the first stage. Alternative methods of generating interest among investors will have to be used at the start, possibly backed up by a localized and ad hoc series of ads linked to a particular function.

B) Selecting Target Industries

i) Computerized Industrial Data Screening

Precise evaluation of industries in terms of their desirability and suitability is difficult to perform on a sector-by-sector basis because the operational parameters of individual plants differ within a sector, such as between automobile frame versus engine manufacturing, as well as between countries. For general guidance in the evaluation of labor intensity, however, certain proxies may be utilized. In this case, the Consultant has used the capital/labor ratios and labor/output ratios for manufacturing industries in the Philippines, broken down at the 4-digit level of the Philippine Standard Industrial Code (Table 4.1). Four separate tests were run, the first assigning a 50/50 weighting to the two ratios, the second, assigning a 40/60 weighting, the third 25/75 and the fourth 10/90. There are several justifications for using the Philippine data as a basis for analyzing the Chittagong EPZ:

(a) The Philippines and Bangladesh are both characterized by similar labor surplus economies, although the situation in Bangladesh may be somewhat more severe than that in the Philippines;

(b) The two countries have similar agricultural and agronomic conditions with respect to the production of raw materials for agro-industry;

(c) The Philippines has exceptionally good and relevant data available for the purpose of constructing and sorting an industrial and agro*industrial data base;

PSIC Code	Description	Prod./ Labor Index	Labor/ Capital Index	50/50 Weight	40/60 Weight	25/75 Weight	10/90 Weight
3111	Meat Products	13.53	1.22	7.38	6.15	4.30	2.45
3112	Milk and Dairy	55.14	2.46	28.80	23.53	15.63	7.73
3113	Dairy Except Milk	2.99	3.19	3.09	3.11	3.14	3.17
3116	Edible Oils	1.07	21.50	11.28	13.32	16.39	19.45
3117	Veg, Animal Oils, Fats	15.24	2.73	8.98	7.73	5.86	3.98
3118	Rice, Corn Milling	14.15	3.30	8.72	7.64	6.01	4.38
3122	Bakery Products	38.46	2.16	20.31	16.68	11.24	5.79
3123	Sugar Milling, Refining	6.54	2.73	4.63	4.25	3.68	3.11
3124	Cocoa/Choc/Sug Confect'y	15.05	100.00	57.53	66.02	78.76	91.51
3126	Ice, Except Dry Ice	5.76	1.58	3.67	3.25	2.63	2.00
3127	Coffee Roast/Process	2.26	9.50	5.88	6.61	7.69	8.78
3129	Confect'y/Coffee/Cocoa	3.82	24.73	14.28	16.37	19.50	22.64
3131	Alcoholic Beverages	2.11	7.28	4.70	5.21	5.99	6.76
3134	Soft Drinks	7.43	8.01	7.72	7.78	7.87	7.96
3141	Cigarettes	7.67	11.06	9.36	9.70	10.21	10.72
3212	Knitting	12.33	10.18	11.25	11.04	10.71	10.39
3213	Textile Products	2.76	5.56	4.15	4.43	4.85	5.28
3215	Cordage, Rope, Twine	6.23	3.47	4.85	4.57	4.16	3.75
3221	Custom Tailoring	2.62	1.25	1.94	1.80	1.60	1.39
3222	Ready-Made Clothes	3.86	4.60	4.23	4.30	4.41	4.53
3232	Leather & Subs, non-Shoe	3.31	14.56	8.93	10.06	11.74	13.43
3311	Sawmills	7.90	3.79	5.84	5.43	4.82	4.20
3312	Veneer, Plywood	5.10	3.55	4.32	4.17	3.94	3.70
3314	Wooddrying, Preserving	55.97	2.66	29.32	23.98	15.99	7.99
3316	Wood, Cane Containers	3.32	11.33	7.32	8.12	9.33	10.53
3319	Other Wood, Cork, Cane	1.76	30.67	16.21	19.10	23.44	27.78
3321	Wood Furniture	2.99	12.23	7.61	8.54	9.92	11.31
3323	Box Beds, Mattresses	4.60	7.12	5.86	6.11	6.49	6.87
3411	Pulp, Paper, Paperboard	13.12	3.28	8.20	7.21	5.74	4.26
3412	Paper Boxes, Containers	11.92	1.06	6.49	5.41	3.78	2.15
3422	Printing and Publishing	8.06	3.36	5.71	5.24	4.54	3.83
3423	Commercial Printing	1.77	2.50	2.14	2.21	2.32	2.43
3511	Basic Chemicals	39.57	2.14	20.86	17.11	11.50	5.88
3514	Agricultural Chemicals	0.58	2.08	1.33	1.48	1.70	1.93
3521	Paints, Varnishes	28.56	5.87	17.22	14.95	11.54	8.14
3522	Pharmaceuticals	9.58	5.31	7.45	7.02	6.38	5.74
3523	Soaps and Cosmetics	26.84	10.50	18.67	17.04	14.59	12.14
3529	Other Chemical Products	5.59	2.79	4.19	3.91	3.49	3.07
3540	Misc Petrol/Coal Prod.	2.75	1.41	2.08	1.95	1.74	1.54
3551	Tires and Tubes	43.44	1.52	22.48	18.29	12.00	5.72
3559	Other Rubber Products	3.71	2.65	3.18	3.08	2.92	2.76
3560	Other Plastic Products	16.31	1.56	8.93	7.46	5.24	3.03

3610 Pottery/China/Ceramics	2.81	1.42	2.11	1.97	1.97	1.56
3620 Glass, Glass Products	3.94	21.50	12.72	14.47	17.11	19.74
3630 Cement	4.13	6.04	5.08	5.27	5.56	5.85
3691 Structural Clay Products	5.76	1.36	3.56	3.12	2.46	1.80
3692 Struct. Concrete Product	5.72	2.68	4.20	3.89	3.44	2.98
3712 Steelworks/Rolling Mills	8.51	1.39	4.95	4.24	3.17	2.10
3719 Iron/Steel Industry	100.00	13.22	56.61	47.93	34.91	21.90
3723 Non-Ferrous Metalworking	23.67	3.59	13.63	11.62	8.61	5.60
3811 Cutlery, Handtools	3.78	5.30	4.54	4.69	4.92	5.15
3812 Structural Metal Product	0.96	5.96	3.46	3.96	4.71	5.46
3813 Metal Containers	15.22	2.02	8.62	7.30	5.32	3.34
3814 Metal Stamp/Coat/Engrave	8.22	0.75	4.49	3.74	2.62	1.50
3822 Ag. Machinery, Equipment	17.86	1.12	9.49	7.81	5.30	2.79
3824 Industrial Machinery	1.41	5.81	3.61	4.05	4.71	5.37
3829 Other Machine, non-Elec.	0.00	10.50	5.25	6.30	7.88	9.45
3831 Elec. Industrial Machine	3.82	19.01	11.42	12.93	15.21	17.49
3832 Radio/TV/Comm Equip.	4.95	6.85	5.90	6.09	6.37	6.66
3833 Elec. Appliances	12.05	4.41	8.23	7.47	6.32	5.18
3834 Primary Cells, Batteries	3.01	1.55	2.28	2.13	1.91	1.69
3841 Shipbuilding, Repairing	1.79	3.05	2.42	2.55	2.74	2.93
3843 Motor Vehicles	2.19	6.44	4.32	4.74	5.38	6.02
3844 Ship/Aircraft/Auto Parts	2.28	5.42	3.85	4.17	4.64	5.11
3846 Motorcycles and Bicycles	4.59	26.44	15.51	17.70	20.97	24.25
3860 Metal Furniture/Fixtures	2.41	2.59	2.50	2.52	2.55	2.57
3902 Musical Instruments	3.08	7.85	5.46	5.94	6.66	7.37
3904 Medical Supplies	7.21	2.54	4.88	4.41	3.71	3.01
3906 Toys, non-Rubber/Plastic	4.94	29.49	17.21	19.67	23.35	27.03
3907 Stationery/Art Supplies	4.61	7.19	5.90	6.16	6.54	6.93
3909 Other Manuf. Industries	2.71	9.66	6.19	6.88	7.93	8.97

(d) Finally, and perhaps most importantly, even if the absolute numerical rankings of industries in the Philippines are not perfectly reflective of the situation in Bangladesh, the relative rankings are most likely reasonable approximations, and it is these that will be used in the analysis. Together with the industries' capacity to employ relatively abundant labor and resources, their own potential for growth and, more importantly, their contribution to effecting growth and improvement in the home economy in general has to be considered. Development inducement effects can be analyzed both quantitatively and qualitatively. Transfer of management and engineering technology constitutes an important and well-recognized source of overall economic growth. In terms of inter)industry linkage, non-primary processing types of manufacturing can generate demand for manufactured inputs and can easily integrate with home industries through backward and forward linkages. The labor/output ratios shown for Philippine industries can indicate elements of labor intensity, but more appropriately they can be considered a proxy for backward linkages because the output (gross sales) includes intermediate inputs as well as value added.

Of course, at the present stage of industrial development in Bangladesh, these last aspects need not be emphasized too strongly. Most manufacturing establishments producing competitive export products can be expected to possess viable technology which can add to the technological development of home industries. On the other hand, industries requiring too sophisticated technology or too extensive a supply base are not likely to seek location in Bangladesh at the present stage.

It has been the experience of other developing countries that the growth of labor-intensive, non-traditional manufactured exports, regardless of their technological status, has improved overall labor absorption capacity of manufacturing in general and also generated demand for domestic products and for advanced technology. Nevertheless, branch plant operations with little technological content or little linkage with home industries should be accorded low priority in the targeting and marketing processes.

The last four columns of Table 4.1 show the combined score of the industries analyzed with various weights given to the capital/labor ratio versus the labor/output ratio. The fourth column from the left ranks the industries based on an equal (50/50) weighting of the two criteria, and the other three columns provide progressively greater weight to the labor/capital ratio, which the Consultant considers the most important of the two parameters for targeting purposes. Table 4.2 ranks the industries in the four different weighting schemes from highest to lowest. This evaluation methodology, after elimination of obviously domestic market oriented sectors, recommends the following general sectors as especially appropriate for targeting in the Chittagong EPZ marketing effort:

ii) Results of Computerized Screening

a) Iron and Steel Basic Industries: the iron and steel industry scores high under all the weighting schemes except for the 10/90 ratio, where its relatively high value added per employee is not taken so highly into account. The weight characteristics of this industry make it particularly

Table 4.2 Ordered Rankings of Philippine Industries by Weights

PSIC	10/90	PSIC	25/75	PSIC	40/60	PSIC	50/50
3124	91.51	3124	78.76	3124	66.02	3124	57.53
3319	27.78	3719	34.91	3719	47.93	3719	56.61
3906	27.03	3319	23.44	3314	23.98	3314	29.32
3846	24.25	3906	23.35	3112	23.53	3112	28.80
3129	22.64	3846	20.97	3906	19.67	3551	22.48
3719	21.90	3129	19.50	3319	19.10	3511	20.86
3620	19.74	3620	17.11	3551	18.29	3122	20.31
3116	19.45	3116	16.39	3846	17.70	3523	18.67
3831	17.49	3314	15.99	3511	17.11	3521	17.22
3232	13.43	3112	15.63	3523	17.04	3906	17.21
3523	12.14	3831	15.21	3122	16.68	3319	16.21
3321	11.31	3523	14.59	3129	16.37	3846	15.51
3141	10.72	3551	12.00	3521	14.95	3129	14.28
3316	10.53	3232	11.74	3620	14.47	3723	13.63
3212	10.39	3521	11.54	3116	13.32	3620	12.72
3829	9.45	3511	11.50	3831	12.93	3831	11.42
3909	8.97	3122	11.24	3723	11.62	3116	11.28
3127	8.78	3212	10.71	3212	11.04	3212	11.25
3521	8.14	3141	10.21	3232	10.06	35	9.83
3314	7.99	3321	9.92	3141	9.70	3822	9.49
3134	7.96	3316	9.33	3321	8.54	3141	9.36
3112	7.73	3723	8.61	35	8.37	3117	8.98
3902	7.37	3909	7.93	3316	8.12	3560	8.93
3907	6.93	3829	7.88	3822	7.81	3232	8.93
3323	6.87	3134	7.87	3134	7.78	3118	8.72
39	6.82	3127	7.69	3117	7.73	3813	8.62
3131	6.76	3902	6.66	3118	7.64	3833	8.23
3832	6.66	3907	6.54	3833	7.47	3411	8.20
3843	6.02	3323	6.49	3560	7.46	3134	7.72
3511	5.88	39	6.39	3813	7.30	3321	7.61
3630	5.85	3522	6.38	3411	7.21	3522	7.45
33	5.80	3832	6.37	3522	7.02	3111	7.38
3122	5.79	3833	6.32	3909	6.88	3316	7.32
3522	5.74	35	6.18	3127	6.61	37	7.16
3551	5.72	3118	6.01	3829	6.30	31	6.81
3723	5.60	3131	5.99	3907	6.16	3412	6.49
3812	5.46	3117	5.86	3111	6.15	3909	6.19
3824	5.37	3411	5.74	3323	6.11	34	5.99
3213	5.28	33	5.61	3832	6.09	3907	5.90
3833	5.18	3630	5.56	37	6.06	3832	5.90
3811	5.15	3843	5.38	31	6.03	3127	5.88
3844	5.11	3813	5.32	39	5.97	3323	5.86
3222	4.53	3822	5.30	3902	5.94	3311	5.84
32	4.45	3560	5.24	3311	5.43	3422	5.71
3118	4.38	3811	4.92	33	5.42	39	5.69
3411	4.26	3213	4.85	3412	5.41	3902	5.46

3311	4.20	31	4.85	3630	5.27	33	5.29
35	3.99	3311	4.82	3422	5.24	3829	5.25
3117	3.98	3812	4.71	34	5.23	3630	5.08
3422	3.83	3824	4.71	3131	5.21	3712	4.95
3215	3.75	3844	4.64	3843	4.74	3904	4.88
3312	3.70	3422	4.54	3811	4.69	3215	4.85
31	3.68	32	4.49	3215	4.57	3131	4.70
3813	3.34	3222	4.41	32	4.54	3123	4.63
3113	3.17	37	4.40	3213	4.43	32	4.57
3123	3.11	3111	4.30	3904	4.41	3811	4.54
3529	3.07	3215	4.16	3222	4.30	3814	4.49
3560	3.03	34	4.09	3123	4.25	3312	4.32
3904	3.01	3312	3.94	3712	4.24	3843	4.32
3692	2.98	3412	3.78	3312	4.17	3222	4.23
34	2.96	3904	3.71	3844	4.17	3692	4.20
3841	2.93	3123	3.68	3824	4.05	3529	4.19
3822	2.79	3529	3.49	3812	3.96	3213	4.15
3559	2.76	3692	3.44	3529	3.91	3844	3.85
37	2.74	3712	3.17	3692	3.89	3126	3.67
3860	2.57	3113	3.14	3814	3.74	3824	3.61
3111	2.45	3559	2.92	36	3.26	3691	3.56
36	2.43	36	2.85	3126	3.25	36	3.54
3423	2.43	3841	2.74	3691	3.12	3812	3.46
38	2.26	3126	2.63	3113	3.11	3559	3.18
3412	2.15	3814	2.62	3559	3.08	3113	3.09
3712	2.10	3860	2.55	38	2.73	38	2.89
3126	2.00	38	2.50	3841	2.55	3860	2.50
3514	1.93	3691	2.46	3860	2.52	3841	2.42
3691	1.80	3423	2.32	3423	2.21	3834	2.28
3834	1.69	3834	1.91	3834	2.13	3423	2.14
3610	1.56	3610	1.77	3610	1.97	3610	2.11
3540	1.54	3540	1.74	3540	1.95	3540	2.08
3814	1.50	3514	1.70	3221	1.80	3221	1.94
3221	1.39	3221	1.60	3514	1.48	3514	1.33

appropriate for a seaport EPZ such as Chittagong, and the supply of raw materials (coal, iron) should pose no more of a problem in Bangladesh than it does in the Philippines, Singapore or other Southeast Asian countries.

b) Other Wood, Cork and Cane Products: the degree of labor intensity in this industry is relatively high, and the abundant supply of raw material in Bangladesh would make this an ideal industry for targeting by the EPZ.

c) Toys and Dolls, except Rubber or Plastic: like c) above, the relatively high degree of labor intensity, the low level of skill and capital investment needed for production, and the relatively low value per weight of the finished product make this an ideal industry for EPZ targeting. Perhaps most importantly, children's toys and handicraft items are subject to few trade barriers in the U.S. (most items qualifying for the GSP) [Guide to the GSP, pp. 54-5] and the EEC, and so would be an ideal export item.

d) Motorcycles and Bicycles: as a highly protected industry in many parts of the world, motorcycles and bicycles may not be the most appropriate industry for export targeting. However, given its relatively high degree of labor intensity and value added, it could be an logical industry to be promoted for import substitution purposes.

e) Wood Drying and Preserving: specialty hardwoods have long constituted a lucrative export product from Southeast Asia to the U.S. and Europe, although as often as not, they are in the raw log form. Processing the wood into usable lumber would increase the amount of value added accruing to this industry.

f) Milk and Dairy: dried and/or vacuum)packed milk and dairy products would serve as a low)cost source of nutrition to neighboring countries as well as a valued input into other products. The possibility of exporting milk and dairy products to the U.S. or European markets, however, is low.

Further rankings, grouped in the various weighting categories for labor productivity and labor/capital ratio, are shown in Table 4.1. It is worth emphasizing again, however, that even though industrial classifications may be quite detailed, production characteristics cannot be uniformly defined for a particular sector because of the great variety of intra-sectorial operations and the differences across nations and stages of development.

iii) On-site Industrial Analysis

The evaluation of the most appropriate industries to be targeted for BEPZA's marketing efforts should not, of course, be dependent solely upon Philippine industrial data.

Although this data can be extremely useful for providing a general idea of which industries conform to the two criteria outlined above, given an industrial climate with certain similarities to that found in Bangladesh, it has limitations, both in terms of the relevance of Philippine data to Bangladesh conditions, and the inherent bias toward already-established industries, as opposed to new industries which might be more appropriate for the CEPZ.

In addition, a third important criteria for industrial targeting should be considered, which is not easily quantifiable for the purposes of the computer screening performed

above. This is the amount of technology transfer occurring in the industrial process, given the constraints of the limited raw material resources of the country. Although the above recommendations attempted to take this factor into account, technology transfer was not an explicit part of the screening process, and thus it was determined that it would be useful for a further analysis to be performed. To supplement the computerized data survey, therefore, the Consultant has performed an intensive on-site analysis of investment conditions in Bangladesh and has conducted a great number of interviews and research with both Bangladeshi and foreign government officials, businessmen and institutional representatives. The methodology used in this analysis, and which may be followed by BEPZA or by consultants in the future, is described below.

Step 1

A. Target Sectors

1. Identify industries in Bangladesh which provide basic raw materials, e.g., jute, fish, hides and skins, clay, etc.
2. Identify industries in Bangladesh which can provide secondary (by-product) raw materials, e.g., textiles, fish meal, pet food, ceramics, etc.
3. Identify industries overseas which can provide technology for 1 and 2, e.g., food processing, sporting goods manufacture, furniture, etc.
4. Identify industries overseas which can provide technology not present in Bangladesh, e.g., electronics.

B. Market Sourcing

Identify the market(s) in which growth patterns are buoyant. Without leaving Bangladesh it is possible to obtain some basic information necessary to enable preliminary opinions to be formed. This data may be located at some of the organizations mentioned below, and can be extracted from a number of primary sources, including:

- a) Import statistics of selected countries
- b) Trade and industrial magazines
- c) Pamphlets on particular industrial matters related to the selected sectors
- d) Newspaper and related media extracts

The sources from which much of the basic data can be extracted include:

- i) United Nations U.N. Information Center (UNIC)
Dhaka and other agencies,
e.g., UNDP, UNIDO, FAO, etc.
- ii) Embassies The Commercial Consular Section
of the major industrialized
countries can usually provide
useful data on which to build a
profile of the particular
country in question.
- iii) The World Bank World Development Reports -
usually issued on an annual
basis.
- iv) Industrial Periodicals Far Eastern Economic Review,
Business Asia, Fortune, The
Economist, etc.
- v) International Banks Provide regular bulletins on
different countries, e.g.,
Standard Chartered, Lloyds,
Barclays, Asian Development
Bank, etc.

The assimilation of information from these sources should facilitate the preliminary preparation of a country profile, providing basic economic, socio-economic and related data which would enable initial judgments to be made as to whether or not to consider a given market.

Step 2: Country Profile

Having gathered the relevant information it will then be necessary to assemble this in a functional format which would be used as a model for other project (or country) profiles. This might take the form suggested below:

- A) Country Characteristics
 - o Population
 - o Growth rate
 - o Gross National Product (GNP)
 - o Gross Domestic Product (GDP)
- B) Major Centers of Manufacture (itemize)
- C) Production (by principal product group) 1980-86.
- D) Total Imports
 - o By Principal Product Category 1980-86
 - o Main Countries of Origin 1980-86
- E) Inflation rate
 - o Current Year
 - o 1980-86 Annual Average
- F) Total Exports
 - o By Principal Product Category
 - o Main Destinations
- G) Balance of Payments

Step 3: Market Analysis

The next stage would be to analyze the import statistics gathered during Step 1. These may, for example, indicate the following trends for locks and security devices in the U.S. in the period 1980-84:

<u>SITC</u> <u>Heading</u>	<u>Product</u>	<u>1980</u> <u>(US\$'000)</u>	<u>Main</u> <u>importing</u> <u>countries</u>	<u>1984</u> <u>(US\$'000)</u>	<u>Main</u> <u>importing</u> <u>countries</u>
699.1	Locksmith wares, etc.				
	Total	235,742		569,762	
	Developed Countries	173,462			
		Germany	43,000	Germany	39,000
		Japan	38,000	Japan	86,000
		Italy	7,000	Italy	18,000
		U.K.	5,000	U.K.	12,000
	Developing Countries	61,579		190,896	
		Hong Kong	15,000	Hong Kong	24,000
		Mexico	11,000	Mexico	29,000
		Korea	3,000	Korea	11,000

From the foregoing certain points can be established:

- i) that the market for locks and security devices has increased by 120 percent in the United States in a five-year period.
- ii) that Japan's share of this import activity is in a similar proportion to the total and was achieved largely at the expense of Germany. Both Italy and the U.K. doubled their import volume in the period under review.
- iii) That the developing countries shared in the overall growth by trebling their total imports, while each of the principal importing countries were able to record significant volume increases.

At this stage one would be attempting to establish the identity of some of the major exporting firms involved. The embassy of the country concerned should be able to assist in this matter.

It may be possible, particularly in the case of Germany, to persuade a manufacturer of such devices to consider Bangladesh as a base for locating a plant. It is thought that the Germans, due to high labor costs and currency fluctuations, have been selling high value products to the U.S. and could be "sold" on the virtues of low-cost production, an abundant and adaptable work force, and the package of incentives offered by the government of Bangladesh. A similar approach could be taken vis-a-vis Hong Kong manufacturers, some of whom may see Bangladesh to be attractive in view of the changes pending in Hong Kong after 1997.

Step 4: Identifying and Attracting the Potential Investor

One simple method is to use import statistics as an indicator, which can establish the source, level and growth rate of imports. Generally a pattern exists which may suggest upward or downward trends by importing countries. When the overall market trend remains constant or increases and a developed country's exports do not keep pace with the trend, this is a possible target for an investment opportunity as production costs may have contributed to a decline in that particular country's export performance. In any event important factors may be established by direct discussion. In most exporting situations there may be between ten and twenty firms engaged in the activity.

While it would be desirable to contact all firms engaged in the particular activity, it is likely that only three or four would be sufficiently interested to consider overseas investment.

Commercial Sourcing

In most developed countries there are numerous sources to be contacted to inquire about investment opportunities. Commercial banks, venture capitalists, merchant banks and other related institutions are among the most important. Banking associations would be a practical route in this respect. There are also many local corporations, not all multi-national, that may be interested in investment, transfer of technology or indeed joint venture opportunities with suitable partners in developing countries. Contact with these parties can usually be made either directly or through local Chambers of Commerce.

Economic trade publications and business journals are another valuable source of information. Such commercial reading matter is a necessary part of executive life in developed countries. However, business directories are possibly one of the most important preliminary sources to which an organization wishing to "sell" EPZ's or other services can turn. The most notable include the following:

- Kompas International Business Directories
- Thomas Register
- J. R. Diamond & Son
- Who owns Who (usually printed for different countries)
- Billion Dollar Company Directory

These publications usually provide brief details on firms engaged in industrial activity by sector in developed markets. Within all sectors there normally exists an extensive range of trade magazines which provides useful background data on specific sectorial progress. In many instances the names of key executives are provided. Other useful sources of information are available as well, such as corporate annual reports (if the target is a publicly traded firm). These are often helpful during discussions with executives, and knowledge of their contents demonstrates a real and positive interest in attracting their firm to invest in the EPZ--it is often flattering to executives to learn that personnel in EPZ authorities take the trouble to read and assimilate the information contained in these documents. Another source of information is the daily newspaper; snippets of information on selected companies can usually be found in the financial section, regarding share behavior on

the stock exchanges, plans for expansion, export statistics, the development of new products or processes, etc.

Organizations can also resort to mailing lists, which are readily available in the U.S., Japan and the EEC countries, and which often provide more general information rather than details on specific target companies. There are also subscriptions to many business and financial magazines, a list of which are provided in Appendix VI.

Detailed findings and listings of visits and results are provided in the appendixes, but below are the additional product groups which the Consultant has found to be appropriate for BEPZA targeting.

iv) Results of On-Site Analysis

a) It has been found that the leather industry could be developed at the tanning level with either German or Italian technology, which would ultimately reflect itself in (finished) leather goods, accessories, footwear, etc. of good design and quality.

b) Among Bangladesh's few natural resources are glass sand, which could prove to be a profitable source of export earnings. The penetration by East Asian suppliers in the developed country market for glasswares and ceramics has traditionally been low, because of the high cost of transporting such fragile products, but penetration into other LDCs, especially in East Asia, could increase significantly through increased production, taking advantage of Bangladesh's easy access to labor, fuel and the necessary raw materials.

The technology for glass and ceramics production is easily transferable, and could be acquired by the targeting of Japanese or West German firms for the CEPZ. Further, many types of glassware and ceramics fall under the U.S. General System of Preferences, and so would be subject to only small duties if exported to the U.S.

c) The potential for fish processing is considerable on a world-wide basis, particularly in developed-country markets where evidence exists of an increasing trend away from red meat consumption. Such a movement has long been exploited by several other Asian countries, and could be done by Bangladesh as well. A fish processing industry is vital for Bangladesh, as the value added in the process of filleting, processing, cooking, canning and packaging will reflect in higher employment levels than those currently obtaining the commodity-type of block freezing. By-product industries from fish include fishmeal and pet food--the latter constituting a substantial market within both North America and the EEC. Along with the possible development of a fruit and vegetable industry in Bangladesh, the fish processing industry could serve as the basis for an important food export processing industry.

d) Certain auto parts and machine parts, such as mufflers, exhaust systems, fuel tanks, hoses, etc. are of relatively light weight per unit of value, which would make for easy and cheap transport (car batteries, for example, are far too heavy per unit of value to be desirable as export goods). Production of these goods demands only relatively simple technology and unskilled labor, does not require a large amount of capital investment, and is well

suited to the abundance of natural gas in the country, which can be used for industrial heat process generation. Perhaps most importantly, these goods are not currently subject to import quotas or tariffs in the U.S., coming from Bangladesh, nor are they among the most heavily protected goods in the EEC. Furthermore, they are industries in which the most advanced countries of both the East and West are suffering increasing cost pressure, as labor costs increase and the cost of the required technology to the LDCs falls in relatively terms.

e) Certain categories of textiles and outerwear have not yet been completely exploited in terms of filling quotas to the maximum level, or in the case of partial tariffs, by exporting at levels high enough to avoid the tariff ceilings. These areas of light manufacturing could be more completely explored, although it is not known how long the possibilities for trade will continue to exist if they start being targeted in the future by LDC government-sponsored processing zones.

f) Another potentially targetable industry is electronics, which in Bangladesh is still in a fledgling stage of development. Several small-scale enterprises are currently manufacturing radio, television and telephone receivers, which are mostly assemblies based on imported kits for subsequent export. Locally produced electronic goods or parts include knobs, springs, battery holders and transformers. However, facilities for designing and etching printed circuit boards do not exist, nor do domestic or international subcontracting arrangements. As there are currently no trade barriers to the U.S. market directed

against Bangladesh exports of electronic equipment, and since electronic equipment manufacturing at the lower end of the technology scale is very sensitive to wage rates, such an industry in Bangladesh could conceivably be quite competitive.

g) One of the most quickly growing sectors in developed countries is the leisure market, which includes consumer sportswear. Sports equipment, e.g. golf, tennis, squash, badminton, and football accessories, also figures prominently.

h) Security in all forms, including personal, property, industrial and domestic security, has provided marketing opportunities for numerous devices and products, such as security shutters for shop fronts, hidden eye cameras for department store or apartment house observation, burglar alarms and anti-rape devices.

i) The growth in communication systems is expected to continue, and the recent increase in the use of car telephones may prove to have more practical advantages than previously thought.

j) Home improvement products should also continue to be in demand, with earlier retirement now becoming more prevalent in some developed countries; unemployment or short-term work is not conducive to new home ownership but improvements to the existing property can be undertaken. In this context there has been considerable growth in hand tools, as well as gardening equipment including power-driven lawn mowers, hedge clippers, lawn trimmers, etc.

k) The medical equipment sector has shown dramatic growth in developed countries, characterized by new instruments, orthopedic aids, pacemakers etc.

1) Construction activity is improving, which offers opportunities for sanitary-ware, furniture (both conventional and knock down), ladders (metal and wooden), and floor coverings.

In each of these activities there is considerable scope for export-oriented joint venture participation with foreign enterprises, which would be of considerable practical benefit to Bangladesh in terms of technology transfer and job creation, and would contribute toward further improvement in the balance of payments.

C) Marketing the EPZ in the Targeted Industries

i) Desirable Characteristics in an EPZ

A country searching for overseas investors to develop local sources of raw materials and assist in the expansion of national exports can, within limits, dictate the conditions under which an overseas investor may operate. If the investor requires access to particular markets or materials, his choice of locations is limited. Investors searching for a suitable location for an export industry have a much wider choice of locations. For certain products, especially those involving a large degree of transfer of technology, investors may be able to choose from virtually any country in the developing world. In other instances they can at least choose between a number of neighboring countries in a geographical area, such as the Asian states.

Potential investors considering Bangladesh as an export location might also be considering Malaysia, Thailand, Singapore, Philippines, Sri Lanka, Taiwan, Korea or any of the countries set out in the first three appendices. Such factors as operating costs, security of investment, political stability, supply of raw materials, tax rates and access to export markets are among those considered when an investor considers a country as a potential location.

Promoting an area as a location for an export industry is a highly competitive business today. The number of countries seeking foreign investment far exceeds the supply of investors.

Some essential characteristics commonly sought by investors are included below:

- Political stability
- Availability of labor (preferably skilled)
- Attractive tax incentives
- Minimum bureaucracy at all stages of application procedures
- Efficient administration
- Proximity to international markets
- Proximity to raw materials
- Adequate training facilities
- Efficient telecommunications and power systems
- Regular and competitive transportation facilities.

The first step in attracting industry is in persuading an investor to at least consider a particular location--in this case either Chittagong or Dhaka. The overseas image of a country or location is important in this respect, the number of foreign firms already established being a good measure of attractiveness. Unfortunately, Bangladesh does not rate highly in this regard. As an investment location, Bangladesh does not have a positive image, and the task of creating one is indeed daunting, especially bearing in mind the level of competition from nearly 70 other countries. Bangladesh possesses an abundance of low cost labor, which is considered a significant advantage over many other countries both in Southeast Asia and in other regions, as Table 4.2 demonstrates.

Table 4.3
Hourly Labor Rates in Selected Countries
(1985/5)

	US\$
Caribbean	0.75-1.00
Mexico	1.00
Sri Lanka	1.00-1.10
Morocco	1.10-1.25
Korea	1.30
Indonesia	1.35
Taiwan	1.40
Hong Kong	1.60
Singapore	2.10
Bangladesh	0.35-0.50

Source: U.S. Department of Labor

ii) The Role of Marketing

The level and intensity of activity being created in most of the free world economies through the creation of export processing zones has grown enormously during the past decade. The EPZ concept has expanded greatly from its first modest origins at Shannon, Ireland in 1960, to now include an estimated 70 EPZs either operating or under construction around the world.

One of the major attractions the creation of an EPZ holds for a country is increased technology transfer, as well as the more obvious boost to national exports. There is unquestionably considerable evidence that both objectives can be attained; such was the case in Ireland where exports in 1960 amounted to slightly more than \$1 million, largely concentrated in agricultural products to a single market (the U.K.). The value of exports had increased to over \$14

billion in thirty markets by 1985, of which industrial and high-tech products were clearly dominant. It has also been demonstrated in Ireland's case that many new industries and techniques emerged as a result of the technology acquired through the EPZ, which produced a group of highly trained managers, many of whom have since started their own enterprises based on the knowledge, training, and expertise gained in working with foreign companies operating in the EPZs.

A key feature in the evolution of the EPZ in Ireland was the total commitment by the Irish government to an industrialization program linked to export development, a commitment pursued vigorously by successive Irish governments in the past twenty years and which has enabled the country to raise living standards, expand overseas markets, and increase the levels of commercial awareness and business acumen among the Irish business community. Similar results were experienced in Korea, Taiwan, Singapore and Hong Kong. How then can this level of dynamism be related to Bangladesh, bearing in mind the highly competitive environment which was non-existent when the Shannon EPZ commenced operations over 25 years ago? Bangladesh has many attributes working to its advantage as a potential base for overseas EPZ investors, including:

- Adequate labor supply
- Certain raw materials
- Low wage rates
- Flexible investment incentives
- A core of multi-national firms already operating in the country
- Good access ports for sea and air shipments

During the course of this study visits were made to a number of the multi-nationals, all of whom expressed satisfaction in the ability of the labor force to respond to training, acquire new techniques and adapt to given tasks in a satisfactory manner. The degree of product consistency and quality control demanded by multi-national enterprises on world markets is high and tightly constrained. It must be viewed, therefore, as an asset to a host country if the rigorous standards set by local foreign manufacturers can be met, and this should be used by BEPZA as a selling point in its overseas marketing efforts.

BEPZA, however, needs an immediate action plan to identify target markets and target companies within those markets whose technological competence and performance would be of value in the short term to the Authority and in the long-term to Bangladesh. A suggested set of steps to be taken in the matter are set out later in the report. As a short-term expedient this work might be undertaken by an individual or a small firm which is familiar with such tasks overseas, using the rifle rather than the machine gun approach.

iii) General Approach

On a broader scale there is a need for the following steps to be carried out by BEPZA:

- a) Conduct market research in certain target countries, e.g., the U.S., Japan, and Germany.
- b) Identify market demands in terms of products and growth potential.

c) Become acquainted with the strengths and weaknesses of potentially competing EPZs in other countries, through acquisition of data brochures, industrial analyses, study of targeting efforts, etc.

d) Devise marketing campaign on targeted industries (in early stages, personal visits may derive more practical results than (mass) media campaigns, and can be less costly.

e) Prepare marketing budget for a program which would embrace 24 months of active and aggressive marketing.

f) Consider engaging the services of a professional organization or individual knowledgeable of the appropriate markets to carry out task e) and able to train BEPZA staff in the necessary marketing techniques.

iv) Product Knowledge in Marketing an EPZ

Extensive product knowledge is fundamental for selling an EPZ. Essential factors comprising basic product knowledge include the following:

a) Basic information: Basic Information on the country, government, culture, communications, zone, etc.

b) The role: One of the most important roles will be filled by the person who is responsible for "selling" the concept of the zone. Product knowledge is essential; equally so is personality, as well as personal contacts with corporations in a variety of industrial sectors. Fluency in French, German or Spanish is also desirable.

c) The incentives: What are they? Tax holidays, depreciation allowances, training grants, custom-made factories, low rents, easy access to ports, etc. How do they compare with other Asian competitors?

d) Applications procedures: Possibly the most vital information for any investor is rapid knowledge as to whether or not the application has been approved so that all procedures are smooth, thorough and expeditious.

e) Transportation: How close to an airport or seaport? Details of freight rates, duration of voyages, etc. Facilities available to import raw materials and export finished goods. Infrastructure--how good are the access roads, etc.?

f) Customs: Can clearance be expedited for the import of raw materials? How quickly? Will finished goods be inspected on the loading container at company premises, thereby ensuring maximum security?

g) Communications: How effective are these? Maximum number of telephone lines. Can a (direct) link line be established for priority calls to parent offices overseas? How efficient is the telex service? Are telecopying facilities available? Can these be installed? How quickly?

h) Training schemes: Can these be set up? How close is a training facility to the zone? What is the caliber of middle management?

i) Market research: This is essential in targeting markets. Some of the data gathered can be used selectively to greatest advantage in discussions with potential investors.

j) Regular market visits: There is no substitute for first-hand knowledge, as such visits can be most helpful in dealing with inquiries or other related matters in the follow-up work with potential investors. Such visits should be made at the discretion of the executive concerned, but

should take place every 3 to 4 months for a given market, each time following up on specific leads and always generating new ones.

Regular meetings should be also arranged with Chambers of Commerce and other business associations and clubs in order to sell BEPZA to foreign investors.

v) The Role of Government

Implicit in the foregoing is the extent to which GOB influence and involvement is present. Bangladesh's image overseas is that of a poor country without significant resources where excessive bureaucracy and corruption are a way of life. Such an image, accurate or not, makes the task of "selling" Bangladesh as suitable for foreign investment extremely difficult.

In this context, it should be kept in mind that (i) an EPZ is an economic entity protected from most distortions which might otherwise adversely affect economic and industrial activities; and (ii) the success of an EPZ is largely dependent upon the effectiveness with which the local zone authority deals with these matters at an early stage of inquiry.

These points imply that any successful zone authority has the power and discretion to deal decisively with any related matters which might arise during the initial delicate stages of negotiation. This does not appear to have been the case with BEPZA, which seems to have been restricted in its decision-making activities by lack of adequate authority granted to it by the Government. It is understood that in the past some potential foreign investors have been sufficiently disenchanted with processing delays on the part of BEPZA as to quietly forget about investment in Bangladesh and look elsewhere.

The systems now operating in Korea, and to a lesser extent in Taiwan have much to be commended. In Korea, the EPZ administrator has been delegated all necessary power through various ministries; similar delegation of authority occurs

in the case in Taiwan. It is more than coincidence that these are among the most successful EPZs in the world. In recently amended legislation, BEPZA is expected to have more discretionary power, but to be truly successful, BEPZA should be made responsible for all aspects of application processing, and any further streamlining of these functions would be beneficial. India, for example, has an unfortunate reputation for excessive bureaucracy, which may have contributed to the difficulties they have been experiencing in filling their EPZs.

Corrupt practices even on a minor scale by agencies other than BEPZA providing utility services to the EPZ enterprises should be eliminated at all levels as they do injustice to the country and make BEPZA's task of attracting investment all the more difficult.

The embassies which Bangladesh maintains overseas should also be brought into the promotional framework. BEPZA should be provided with basic facilities in offices abroad in order to make some initial contacts for the difficult task of identifying and persuading foreign firms to locate their production facilities in Chittagong or Dhaka. This task can be more effectively performed by a commercially motivated executive operating from the embassy rather than diplomats whose enthusiasm for involvement in such matters may be more limited. The national airline, shipping company and tourist organization could also be included in the marketing efforts.

D) Specific Public Relations and Marketing Strategies

i) Seminars

It is recommended that as soon as feasible, i.e. when suitably trained support staff become available, a series of one-day investment seminars be scheduled for a number of selected cities in the South-East Asia and European regions. These are best held under the auspices of the local Chamber of Commerce and the resident Bangladesh Ambassador. Usually these visits are best planned 6 to 9 months in advance. The format should embrace an address of welcome by officials of the delegation, a talk on investment possibilities describing incentives, a short film slide show, lunch and an open forum discussion or individual meetings. Invitations should be sent to major and key industrialists, bankers, leading accountants and local officials and politicians.

Ideally the delegation should be led by the Minister for Industries or his deputy to lend weight to the occasion, a few experts in the economy and finance departments, and bank personalities. In some countries Chambers of Commerce are very helpful and may place a suitable venue at the disposal of the delegation together with secretarial and support facilities such as catering. Also, on such occasions the banks can be stimulated to host receptions to which they may invite prominent industrialists. Equally, major investment concerns in Bangladesh may be prepared to arrange a headquarters visit and lunch or dinner reception. Such opportunities should be used to the fullest as they lend credence to the aims of the program and establish direct contact with leaders of industry and commerce.

An important component of these visits is the press conferences, which usually can be fit into the program as a separate meeting during the visit to the Chamber of Commerce. These must be arranged well in advance and it may be necessary to hire a local agency to arrange for invitations, follow up with telephone calls and manage the conference if the delegation's back-up staff is limited in numbers.

Here the local agency can be of use in arranging television and radio interviews with leaders of the delegation. In this manner for very little effort a rather wide audience can be reached very effectively.

ii) Ambassador-Hosted Functions

Another vehicle for marketing and promotion activity is the reception hosted by the Ambassador or Consul. This may be either a lunch or dinner event in the residence where feasible. A small number of invitees including industrialists, bankers and a few personalities in public life may be gathered for an informal discussion on direct investment. This is of course, a "soft-sell" occasion and may be more suitable when seminars are not possible for one reason or another. The Chairman or a director of the BEPZ Authority should be present and the function can be in his honor. He would give a brief after dinner talk on that occasion. Media exposure for these events is also a possibility.

iii) Facility Visits for Journalists

The question of facility visits for journalists should be examined in detail. Normally this is extremely useful in maintaining an on-going public relations program. It is usually for the country to host such a visit, picking up the tab for travel, hotel, etc. For Bangladesh, it may be a formidable investment to invite a group of journalists for a week or ten days with the ever present risk of negative reports. It may be more prudent to invite individuals on a scheduled program and possibly connected with some event, such as the opening of a new project.

Whenever favorable reports can be stimulated, they are much more effective, in view of their independence, than many advertisements. It is for this reason that this technique should not be ignored.

iv) Participation at Trade Fairs

There are some international trade fairs which may be examined with a view to participation with an information stand or office (e.g. Hannover and Milan). Here it is possible to make contact with industrialists in a concentrated period and in fairly large numbers for a relatively modest outlay. Development bodies in many countries have found the trade fair a very successful vehicle for promotion and marketing.

v) Approaching Potential Clients

It is important to distinguish between direct and indirect client groups in the marketing campaign. Direct client groups include industrialists, chairman of boards, and corporate planners who can decide for or influence their companies to study the matter of investment in Bangladesh. It is among these that most attention must be concentrated as here one has the direct line to success (or failure). The opportunity of meeting with these personalities, however briefly, is not easily come by and should be used to full advantage. Technique of approach, the correct kind of information and argument, and the diplomatic but firm follow-up that should take place must be introduced at this stage.

Indirect client groups are the banks and larger accountancy firms (especially those with international affiliations such as Price Waterhouse, Peat Marwick Mitchell, Arthur Anderson, etc.) and economic commentators in the media. These may be met at seminars and should always be on the invitation list. It is also very productive to organize individual meetings with them in the form of briefings, luncheons, etc. since they are in touch on a regular basis with the major and medium-sized companies and are in a position to suggest at board level that Bangladesh ought to be studied as a location for the next overseas expansion. Again this line of attack demands very little effort and expense and can be highly rewarding in terms of results.

vi) Following-up

The follow-up work after a seminar or other initial contact is just as important as the event itself. Contacts established at the function with requests for specific data, must be written to afterwards and the interest converted to the next stage where a site visit might be planned. At the follow-up stage the full resources of the marketing team will come into play. The aim should be to achieve the maximum number of site visits. The greater the number of site visits, the greater chances are that they can be converted into actual projects.

vii) Initiating Contact

Having identified a possible target company it is then necessary to establish direct contact. Ideally a letter should be written briefly explaining the EPZ concept and the incentives involved. The letter should not exceed four thoughtfully worded, precise paragraphs indicating the following:

- a) Introducing the BEPZA, stating its origin and objectives;
- b) Highlighting very briefly the major attributes of using the Bangladesh EPZ as a production base and referring to enclosed literature;
- c) Providing a brief and subtle reference to the trends in the recipient's particular industrial sector; and
- d) Stating that a named BEPZA representative will be in the firm's home city, specifying a date 30 days in advance in order to facilitate efficient scheduling, and requesting a meeting to explore the prospects of considering Dhaka or Chittagong as a base.

The letter should be addressed to the chief executive, chief operating officer, or president of the company concerned. Great care should be taken to ensure that the correct name, initials and title of the recipient are used, as well as the correct mailing address, which should include zip codes in order to expedite delivery. U.S. mail without such information can often take up to a week longer than otherwise. In the United States executive offices are often located away from manufacturing plants, in many instances thousands of miles away.

In the initial stages of the EPZ authority's development such letters should be signed by the Chairman or Board member classified for the purpose of the U.S. market as Vice President. It is also desirable to ensure that telephone numbers appearing on the letterhead include the international prefix and telex number, as well as a telecopy number, should the EPZ authority possess such a facility. All business cards should contain similar data, as well as any promotional literature.

viii) Negotiating

Negotiations aimed at securing a project once a client's needs are identified and arranged to be met are perhaps the more difficult part of marketing. It may be that more than one site visit will be required to complete a proposal and help should be given where necessary in completion of the proposal. About this time the client should be relating to one or better still two officers of the Authority and care should be exercised to build up a good rapport with him so that he gets the feeling that he is being well looked after

in the implementation of his plan. Frequent communication will be necessary and replies to any queries dispatched expediently. It ought to be a rule of the operation that when a proposal is received a visit by a representative of the Authority to the industrialist's factory is arranged. This visit will not only advance the project but also enable an impression to be had of the company's existing operations and products. It is at such a meeting that contacts are cemented and mutual confidence established.

CHAPTER 5

MANAGEMENT, STAFFING AND SCHEDULING

A) Institutional Considerations

In order for all the necessary goals set by BEPZA to be achieved, a number of additional, yet fundamental steps should be taken, which might contribute to the more effective functioning of the Authority:

The concept of a "one-stop shop" should be made a reality with all possible speed, with the total investor package finalized within 45 days. BEPZA should be entrusted with complete decision-making authority in this regard, and ideally would be wholly responsible for all matters relating to industrial investment. This could also possibly include peripheral activities such as water, electric and telephone service, or at least a role in the direct coordination of these activities.

At the current stage of the country's development, there is little scope for sectorial interests or any of the less attractive aspects of bureaucracy which have no real function in the decision-making process of industrial investment. While recognizing the risks inherent in such an action, it is nonetheless necessary to streamline the decision-making process in its entirety, bearing in mind the competitive market among EPZs globally.

Businessmen are anxious to reach decisions quickly--the very nature of modern industry demands such discipline, although quick decisions may often run counter to the more bureaucratic administration of of government EPZ.

It is both necessary and desirable that the government have within this framework a representative responsible for EPZ activities, ideally a Minister acquainted with relevant developments in EPZ and BEPZA management, or possibly even the BEPZA Chairman. In this way decisions could be taken in an orderly fashion and within the confines of the 45 day time scale. By implication, BEPZA will stand or fall on its own policy decisions and will be compelled to accept the consequences of any ill-conceived judgments.

This organizational system should be effective in encouraging a more rational and expeditious decision-making process than that which currently exists.

B) Recruitment

It may be also relevant to discuss recruitment of additional key executives to help compliment the existing small staff. The criteria for selection should ideally focus on marketing skills, as well as practical overseas experience. A language in addition to English would also be helpful. It is unlikely that suitable candidates will be found within the public sector, and BEPZA may be compelled to recruit from private enterprises, which may bring salary differentials into focus. In this and other budgetary needs the Board will have to argue vigorously to ensure that adequate funds are available for a marketing and promotional program overseas. The presence of a Cabinet Minister as a direct link to the GOB would be beneficial, to emphasize the fact that if the Government is seriously committed to reducing unemployment, welcoming overseas companies and partners in order to assist this process, and ensuring that practical

steps are taken to develop and expand the export program, then no arguments can be entertained regarding the unavailability of funds for a 5-year period for this vital purpose.

C) Reference Library

The Authority should have its own reference library in which directories, company reports, press clippings, trade and other useful material relating to economic trends which influence investment may be retained. The compilation of such base data is a vital tool in the process of target marketing and should be catalogued and up-dated annually for future reference. If one accepts the axiom that good judgments are based on facts, the justification for a well-organized reference library becomes self-evident.

D) Marketing Manual

A marketing manual should be prepared outlining the specific stages and action involved in organizing the marketing program so that in time there is a formal structured approach to the task and little is left to chance. Each member of the marketing team should be fully aware of the nature of the different roles even if he or she may be engaged only in a particular segment of the work. In this way teamwork and high motivation can be the hallmark of the operation and staff advancement opportunities enhanced.

E) Background Research

In preparation for a visit to selected companies in target countries some specific background materials will need to be drawn up. Usually this will take the form of an investment profile showing a projected investment module (which can be based on known successful operations) emphasizing positive bottom line figures in the form of a dossier with all relevant information to make a corporate planner's task easier. A meeting with the top executives will be sought by letter, possibly signed by the Minister, and two or three executives of the Authority will call and make the presentation. Getting the door open in this manner is not easy in some countries but the effort is well worthwhile. Meetings with companies at this level yields valuable information and experience which may benefit the work of the Authority even if the first meeting is not immediately fruitful. This type of program must be planned well in advance in order to make full use of the time available and to secure appointments.

Market officers should become involved in research by sector, company and country at an early stage in order to identify target industries and to complete a list of leads for presentations or direct mail. Details of such companies may be gleaned from quite a variety of sources. Industry directories are available in most developed countries and these usually provide sufficient data such as size of company, turnover, employment, product range, names of top executives, etc. Chambers of Commerce also provide lists of member companies in their area with gradings according to size. There are also computerized libraries of major

industrial groupings and the tapes can be bought and print-outs obtained. Banks are also prepared to be cooperative in this regard. A further source is the Employers' Federation or Industrial Syndicate or Trade Federation in the country. A library of international directories referred to above is an essential acquisition and it is required at an early stage.

At the same time consideration may be given to the establishment of a small research section which would have as its main object the search for suitable leads for the marketing team and the collection of interesting and useful information to be available in a data bank for use in determining overall marketing policy. This section would monitor, as a matter of course, significant growth trends and potential areas of industry in overseas markets.

F) Presentation Documents

A presentation dossier should be of a high quality so that its mere appearance is good on a boardroom table. But the contents must also be interesting and to the point. It will contain certain background data on the economy of the country; a clear statement of its problems and successes, objectives of the Government's economic planning; and data on labor, labor costs, energy, education, trade arrangement and topography.

Referrals by resident foreign companies in Bangladesh should also be included. The dossier should be bound in hard covers with title and name of the company printed on the cover. Where possible color photographs should be used to illustrate the CEPZ site and manufacturing operations already established.

To prepare the compilation of this study it would be useful to secure in advance a copy of the company's annual report (if published and normally readily available upon written request to the public relations department). It makes good sense to show that the marketing delegation is familiar with the various activities of the company at the meeting. It may be prudent to have the Ambassador present at major presentations.

G) UNIDO Investment Promotion Service

There is potential available for marketing through the UNIDO Investment Promotion Service formerly in New York and now in Milan, Italy and Washington, D.C. This service offers access to a number of important organizations in industry and commerce in North America. This scheme provides introductions to meetings and conferences such as those staged by the U.S. Overseas Private Investment Corporation, as well as with U.S. banks, finance houses, Chambers of Commerce, and the World Bank.

It also offers on-the-job training to industrial development officers from Third World countries. Already one Bangladeshi officer, Mr. A.N.S. Mahmud, participated in this program. Perhaps there will be opportunities for participation by other officers. In fact this training exercise would appear to allow a representative to function, once trained, more or less full-time on behalf of the CEPZ marketing program at a very low cost. Perhaps UNIDO may be encouraged to fund a long term representative office in the United States.

H) Monitoring of Progress to Approval Stage

It is important that a monitoring procedure be set up to pursue the progress of each individual project on a monthly basis in order to obviate any undue delays in bringing the project to fruition. It is the personal experience of the writer that the longer a project remains in the pipeline the greater are the chances that it will not go ahead.

Therefore, the object should be to process projects as soon as possible and have a Board decision, be it positive or negative, within a reasonable time period.

Some projects, because they are complicated, require more time than others. But there should be no avoidable delay within the Authority.

I) Management Committee

It is recommended that a management committee be set up within the Authority to be chaired by one Board member and comprised of several project managers or division managers. This committee should meet once a week or biweekly to discuss the status of each project based on weekly or biweekly reports prepared by the project officers. Minutes of the meeting together with recommendations which the committee should be empowered to make could go to the Board for consideration and discussion. Copies should be circulated among the marketing and promotion staff for their information.

J) Board Meetings

The Board of the Authority should fix schedules of weekly or biweekly meetings apart from ad hoc meetings when matters demand them. The main purpose of these meetings should be to decide on proposals submitted and all other management and organizational matters requiring attention and direction. These meetings shall be minuted and copied to the members of the management committee. The Board may also call in relevant project managers and officers to discuss details of particular projects.

As soon as Board decisions are made on proposals no time should be lost in communicating these decisions to the industrialists concerned, and the appropriate letter of offer of facilities together with draft lease agreements should be forwarded for signature.

K) Overseas Representation

Consideration may also be given to the establishment of one or two offices abroad, say one in New York to deal with North America and one in London to deal with Europe. These would be staffed with a Traveling Representative whose main function would be to promote and market the CEPZ and to lead the marketing team when in these areas. The Traveling Representative should be of a very high caliber, capable of much initiative and highly motivated and rewarded accordingly.

These offices could be located within embassies but the staff would be directly responsible to the Chairman of BEPZ. Embassy status would enable them to gain relatively easy access to many industrialists.

L) Training Programs

Reference has been made earlier to the need for more specific marketing expertise in BEPZA. There is also an equally pressing need for a more comprehensive understanding of such basic commercial activities as:

- Business and Intelligence Research
- Project Appraisal
- Meeting Investors
- Preparing a Presentation
- Design Promotional Literature
- Press and Public Relations

A training program should be considered to embrace these aspects, and might also include personnel from the Export Promotion Bureau who would be engaged in "selling" Bangladesh exports overseas. The program, through workshop sessions, could discuss all of the foregoing subjects and would be supported by on-the-job training both in Dhaka and in certain overseas markets thereby including BEPZA personnel, and, if necessary, commercial staff of some Bangladesh Embassies.

This is particularly important as a number of key activities will be carried out by persons based overseas, and therefore somewhat remote from the organization base. An additional benefit could be that persons will be trained in more than one skill area and this will improve flexibility within the organization as priorities change in future years.

CHAPTER 6

RECOMMENDATIONS

The Consultant recommends you carry out the strategy outlined in the preceding pages by preparing an action plan to include:

- o Selecting target industries;
- o Projecting a positive impression;
- o Marketing the EPZ in the targeted industries by:
 - conducting market research,
 - identifying market demands,
 - becoming acquainted with strengths and weaknesses of potential competing EPZs,
 - devising marketing campaigns,
 - preparing the marketing budget, and
 - knowing the product;
- o Obtaining Government support;
- o Designing and maintaining an on-going public relations campaign by:
 - holding seminars and Ambassador-hosted functions,
 - supporting facility visits for journalists, and
 - participating in trade fairs;
- o Detailing a marketing strategy to include:
 - approaching potential clients,
 - following-up,
 - initiating contact, and
 - negotiating;
- o Defining the management structure;
- o Staffing the organization; and
- o Scheduling activities.

Additional Recommendations for developing the BEPZ were presented in the August 1982 Supplementary Report in "Memorandum: Immediate-, Medium-, and Long-Term Promotion Strategies." These are found in Annex 1 of this main report.

Further, the Consultant recommends a joint-venture strategy for BEPZA's marketing efforts. Joint-venture partners may be better suited for carrying out the task of identifying and following up on potential foreign investors. This would not preclude a BEPZA role in marketing the Dhaka and Chittagong EPZ's, but would, rather, strengthen and support BEPZA's own campaign.

APPENDIX I: Country Profile of the United States

	<u>1975</u>	<u>1980</u>	<u>1981</u>
1. GDP (\$M)	1,538,697	2,598,996	2,906,096
Per capita (\$)	7,206	11,643	12,888
Manufacturing share	24.0	23.1	22.7
2. Manufacturing			
Value added	369,056	599,093	660,384
Constant price index	100	126	129
Gross output	1,036,100	1,857,100	-
Employment (000)	17,108	19,210	-
Profitability			
Per \$100 of gross output	100	100	-
Intermediate input (\$)	57	59	-
Wages and salaries (\$)	18	17	-
Operating surplus (\$)	24	24	-
Productivity (\$)			
Gross output/worker	60,562	96,674	-
Value added/worker	25,764	40,078	-
Average wage	11,096	16,406	-
3. Trade (\$M)			
Exports, total	106,102	212,887	225,777
Exports, manufactures	79,330	163,653	175,760
Imports, total	96,904	250,280	271,213
Imports, manufactures	64,112	155,056	175,367

Source: UNIDO, Industry and Development, Global Report 1985

The American economy has remained satisfactory through 1986 notwithstanding the pessimistic predictions and conflicting opinions of a variety of economists. Growth in the final quarter of 1986 was 1.7 percent, bringing the average for the year to 2.5 percent, although government spokespersons were predicting until quite recently growth in the region of 4 percent. A large part of the ongoing recovery is due to a surge in defense spending supported by strong car sales. The drop in oil prices has also contributed to this economic growth. One of the underlying problems of the U.S. economy over the last few years has been the trade deficit, which continues to increase. The drop in the value of the dollar over the past twelve months with respect to the Japanese yen and the West German mark has not yet been reflected in a significant reduction in the trade deficit, primarily because the dollar has continued to remain stable, or even rise vis-a-vis the NIC currencies and the Canadian dollar.

The U.S. is a substantial investor in Bangladesh, largely through the USAID program, which provides upwards of \$170 M annually. Most of these funds are targeted for social as well as infrastructural purposes with amounts

also earmarked for small-craft industry development, rural extension services, etc.

In addition, there are approximately 30 U.S. firms currently operating in Bangladesh, primarily in the service sectors. A list of potential U.S. target companies covering a wide range of industries can be used as the basis for an initial approach by BEPZA, and is set out at the end of this appendix.

U.S. Incentive Programs

There are five incentive programs provided for by U.S. Customs, under which developing countries may obtain access at reduced (or zero) tariff levels. A brief description of four of these is provided below--the fifth relates to the Caribbean Basin Initiative and is not relevant.

Article 806

Article 806 provides that metal goods may be exported from the U.S. for processing (bending, punching, drilling, etc.) abroad, provided that at least one further processing step in their manufacture occurs following their return to the U.S., and that the value of the goods at the time of export be subtracted from the value of the entering metal product when calculating the dutiable value of the good for assessment of the duty to be paid.

Article 807

Article 807 provides that articles may be sent abroad for assembly and return to the U.S., and that the value of the U.S. goods exported shall be subtracted from the value of the returning assembled product in assessing duty to be paid. Under 807 there are strict rules as to what constitutes "assembly" and U.S. Customs monitors each manufacturing program to ensure that only permitted assembly operations are carried out abroad. In practice, Article 807 accounts for over 98 percent of the value added abroad under 806/807 as measured by dutiable value.

Generalized System of Preferences (GSP)

Since 1976 the U.S. Generalized System of Preferences has permitted beneficiary developing countries to obtain duty-free access to the U.S. market for 2500-3000 TSUSA items as designated each year by the President, provided that 35 percent of the entering value be produced in one or more beneficiary countries. Limitations as to total dollar volume and percentage of total U.S. imports of a particular item are set. In general, quota items, such as garments and leather goods, are not included in GSP. In 1984 the GSP was modified to limit participation by the most advanced of the LDCs (e.g. Taiwan, Republic of Korea, Hong Kong, Mexico).

Semiconductors Duty-Free (SEM)

Beginning in April, 1985, duty-free entry was permitted of certain semiconductors from all Most Favored Nations, including both advanced nations and developing countries. Semiconductors have been the most important single product group entering from developing countries under 806/807 and have been a significant component of imports under GSP and CBI.

SELECTED TARGET ORGANIZATIONS - UNITED STATES

Health Care (medical and surgical equipment)

- o Health-Chem Corporation, 1107 Broadway New York, NY 10010
- o Health Development Corporation, 2551 Casey Avenue, Mountain View, CA 94043
- o Health Guardian Corporation, 1112 7th Avenue, Monroe, WI 53566
- o Health Care Products (Div. IPC), Route 104, Bristol, NH 03222
- o Health Care Specialities (Div. 3M), 3M Center, 225-5S1R, St. Paul, MN 66144 (implant systems, hearing systems, contact lens, etc.)
- o Healthmark Industries, 22522 Ten Mile Road, St. Clair Shores, MI 48080
- o Bristol-Meyers, 345 Park Avenue, New York, NY 10020
- o American Home Products, Inc. 685 Third Avenue, New York, NY 10017

DIY

- o ALCO Standard, Inc., P.O. Box 834, Valley Forge, PA 19482
- o ALACO Ladder Company, 10774 Lower Azusa Road, El Monte, CA 91731 (aluminum and fibreglass ladders, step stools, work platforms, etc.)
- o Aladdin Manufacturing Group, 3621 Frankford Avenue, Panama City, FL 32405 (custom made brushes for industrial, shoe care, car, marine, hardware uses, etc.)

- o Allegheny Bolt & Screw Corporation, 48-51 36th Street, Long Island City, NY 11101 (tamperproof screws, nuts, bolts, etc.)

Air Conditioning

- o Airflow Company, 295 T.H. Bailes Lane, Frederick, MD 21701
- o Air Structures International, Inc., 30-32 Rockland Park Avenue, Tappan, NY 10983 (air cooling equipment for swimming pools, tennis courts, ice rinks, etc.)
- o Airserco Company, Inc., 90 Vermont Avenue, P.O. Box 1415, Main Post Office, Dayton, PA 45401 (production and testing equipment for the air conditioning industry)

Industrial Appliances

- o North American Industries, Inc., 35-37 Bow Streete, Everett, MD 02149 - P.H. Levenson, V.P. (cranes and hoists)
- o American Hoist and Derrick Company, 63 S. Robert Street, St. Paul, MN 55107 (steel casting, heavy engineering)
- o Emerson Electronics Co., 8000 W. Florissant Avenue, St. Louis, MO 63136 (motors, tools, lighting, foundries)
- o White Consolidated, Inc., 11770 Berca Road, Cleveland, OH 44111

Miscellaneous

- o Polar Ware Company, 2806 N. 15th Street, P.O. Box 211, Sheyboygan, WI 53081 (metal specialties, stainless steel products)
- o Poly-optical Products, Inc., 1815 E. Carnegie Avenue, Santa Ana, CA 92705 (fibre optic light fixtures, medical endoscopes)
- o Polymer Corporation, 2140 Fairmont Avenue, Reading, PA 19603 (poly/plastic fabricated parts, corrosion resistant pipes, custom made nylon shapes)
- o Polymer Plastics Corp., 65 Davids Drive, Hauppauge, NY 11788 (specialty maintenance coatings for construction industry)
- o Polymicro Technologies, Inc., 3035 N. 33rd Drive, Phoenix, AZ 85017 (fibre optics and fused silica capillary tubing)

- o Polyscience Corporation, 7800 N. Merrimac, Niles, IL 60648
(specialized laboratory equipment)
- o Rockwell International Corporation, Flow Control Division,
401 N. Lexington Avenue, Pittsburgh, PA 15208 (valves,
valve sealants) Corporate Office: 600 Grant Street,
Pittsburgh, PA 15219
- o Rogers Corporation, One Technology Drive, Rogers, CT 06263
(electronic interconnection products, printed circuits)
- o A.O. Smith Corporation, 11270 W. Park Place, Milwaukee, WI
53224 (computer software, electronics, protective glass
products, etc.)
- o Solaronics, 706 Woodward, Rochester, MI 48063 (oil, gas
infra red radiant heaters, exhaust fans, etc.)
- o Solarflow Corporation, 22903 Aurora Road, Bedford Heights,
Cleveland, OH 44146
- o The Specialty Manufacturing Company, 2360 University Avenue,
St. Paul, MN 55114 (valves, swivels, nozzels, metal
fabricating, etc.)
- o Spencer Clarke Metal Industries, 17066A S. Park Avenue,
South Holland, IL 60473 (aviation alloys, stainless
clad reinforcing bars)
- o Sperry Graphic, P.O. Box 500 Township Line and Jolly Road,
Blue Bell, PA 19424 (computer based information systems)
- o Spinform Industries, Inc. 20735 Belshaw Avenue, Carson, CA
90746 (precision metalforming aerospace and commercial
alloys)
- o Spinks Industries, Inc., P.O. Box 40295, Fort Worth, TX
76140 (helicopter components)
- o Sterling Tool Manufacturing Company, N 60 W 22700 Silver
Spring Drive, Sussex, WI 53089 (metal stampings, machine
tools and dies)
- o Stow Manufacturing Co., 400 Bump Road, Binghamton, NY
13902 (construction equipment, pump manufacturing and
related equipment)
- o Arvin Industries, Inc. 1531 13th Street Columbus, IN 47201
(videos, stereos, metal stampings).

Sporting Goods Equipment

- o MacGregor Golf Company, 1606 S. Slappey Drive, Albany, GA 31701.
- o Wilson Sporting Goods Company, 2233 West St., River Grove, IL 60171 (Part of Pepsico).
- o Fugua Industries, Inc. 3800 First National Bank Tower, Atlanta, GA 30303.
- o Excel The Executive Company, 9935 Beverly Blvd., Pico Rivera, CA 90660 (Exercise Work Benches).
- o American Corp. Inc. P.O.Box 3825, Bellvue, WA 98009 (Exercise Bicycles)
- o Diversified Products, Inc. Opelika, AL, Compton, CA (Exercise equipment).

Security Systems and Electronics

- o Mosler Safe Company, 1561 Grand Blvd. Hamilton, OH 45012.
- o Pittway Corporation, 333 Skokie Road, Northbrook, IL 60062.

Electronics

- o EG&G, Inc., 2450 Alamo Square, Albuguerque, NM.
- o AMP, Inc. 1840 S. WIlmington, Avenue, Compton, CA
- o BAIRNCO, 200 Park Avenue, New York, NY 10166
- o INSILO, 1000 Research Parkway, Meriden, CT 06450.
- o RAYTEK, Inc. 1201 Shaffer Road, Santa Cruz, CA 95060 (W. B. Schmidt, President)
- o RayTECH Industries, Inc., Stafford Industrial Park, Box 6, Stafford Springs, CT 06076 (T.L. Heffron, V.P.)
- o Red Wing Products, Inc. Kellyville, Oklahoma.

Sanitary Ware

- o American Standard, 40 W 40th Street, New York, NY 10018.
- o Kohler Company, Inc., Dept TR, Kohler WI 53044.

APPENDIX II: Country Profile of Japan

	<u>1975</u>	<u>1980</u>	<u>1981</u>
1. GDP (\$M)	498,719	1,040,827	1,126,650
Per capita (\$)	4,472	8,930	9,606
Manufacturing share	30.1	29.1	30.9
2. Manufacturing			
Value added	150,316	302,925	347,679
Constant price index	100	141	144
Gross output	435,760	974,895	1,033,236
Employment (000)	10,565	10,252	10,606
Profitability			
Per \$100 of gross output	100	100	100
Intermediate input (\$)	64	65	65
Wages and salaries (\$)	15	12	13
Operating surplus (\$)	21	23	22
Productivity (\$)			
Gross output/worker	41,245	95,093	97,420
Value added/worker	14,846	33,241	33,943
Average wage	6,009	11,574	12,305
3. Trade			
Exports, total	55,754	129,542	151,910
Exports, manufactures	54,583	127,134	149,463
Imports, total	57,865	139,892	140,830
Imports, manufactures	17,833	46,130	45,805

Source: UNIDO, Industry and Development, Global Report 1985

While there seems to be some disagreement between government and private sector economists on the subject of economic growth, it is generally predicted that the rate of growth in the coming year will be less than 1 percent. This sluggishness following on a long period of sustained growth is attributable largely to the strength of the yen against the U.S. dollar. Japan's intention in maintaining a strong yen is to boost domestic demand while endeavoring to appease Japan's principal trading partners--the U.S. and the EEC. Whether this policy will be successful in 1987 remains to be seen.

Retail sales did not escape the general downturn, having emerged from a period of decline in the early 1980s. According to Japan's Department Stores Association, department stores and supermarkets stores managed a 3.9 percent increase in 1985 over the previous year. The Japanese Chain Store

Association claimed a 2.5 percent volume increase over the 1984 level. Meanwhile, Japan's trade balance has been registering record surpluses, especially vis-a-vis the U.S., with whom it is expected to be over \$50 billion in surplus in 1987.

Japanese government assistance to Bangladesh in the 1971-85 period has totaled Y109,142 million in grants and Y291,505 million in loans. According to the Japanese embassy in Dhaka there still exists a willingness on the part of Japan to continue investing in various forms as suitable opportunities arise.

Following is a list of Japanese organizations in nine industrial sectors, plus one with miscellaneous products. This can be used by BEPZA as an initial base to identify potential Japanese investors or joint venture partners.

SELECTED TARGET ORGANIZATIONS: JAPAN

Medical Equipment

- o ACE, Inc. 1-8-10 Kitasuna, Koto-ku, Tokyo 136. President: Yasu ni Koga. M.E.I. Annual Sales Y100M. Items exported: Digital thermometers, ultra sound fetal heart detectors, electrocardiographs.
- o ATLAS Trading 2-10-17 Kakinokizaka Meguro-ku, Tokyo 152. President: Yoshihisa Ueda. Sales Y800M. Assorted medical instruments, laboratory and measuring instruments.
- o Carton Optical Industries Ltd., 1-27-11 Higashi Neno, Taito-ku. Tokyo 110. President: Noboru Kato. Sales N/A. Microscopes for school, Laboratory use, ophthalmic instruments, optical goods.
- o Dentronics Co. Ltd., 1-10-19 Takadanobaba, Shinjuku-ku, Tokyo 160. President: Kazunari Shiota. Sales Y510M. Dental equipment, casting machines, mixers, dental impression equipment.
- o Green Medix Corporation, 4-5-10 Hongo, Bunkyo-ku, Tokyo 113. President: Shoichi Aimiya. Sales Y300M. Operating tables, colposcopes, operating lamps, selected equipment.
- o Jeol Kou, Kyodo Bldg. 6F, 1-15-6 Ginza, Chuo-ku Tokyo 104. President: Kazuo Ito, Sales Y= 44BN. Medical and analytical equipment, measuring and checking apparatus, high tech instruments.

Electronics and Fiber Optics

- o ADO Electronic Industrial Co., Sasage Bldg. 7F, 2-4-6 Sotokanda, Chiyoda-ku, Tokyo 101. President: Kazuo Kanayama. Items exported:

Integrated circuits, transistors, micro-computers, electronic devices.
Annual Sales 1985 Y7.5B.

- o Advance Laboratory, 5-7 Nihonbashi Kobuna-cho, Chuo-ku, Tokyo 103. President: Nobuchika Urakabe. Sales Y10B. Medical electronic equipment, industrial measuring devices, computer systems, etc.
- o Akai Electric Company, 2-12-14 Higashi-Kojiya, Ohta-ku Tokyo 144. President: Makoto Gkaga. Sales Y80B. Video tape recorders, cassette decks, motors for video cassette recorders, portable radio cassette records, magnetic drives for floppy discs, etc.
- o Ando Electric Company, Ltd., 4-19-17 Kamata, Ohta-ku, Tokyo 144. President: Shunichi Oshiro. Sales Y43B. Desk top computers, optical power meters for fiber optics, communications, optical spectrum analysis, etc.
- o Fujikiko Company, Ltd., 2-92-3 Imadaira, Musashi-Murrayrema City, Tokyo 190. President: Kunihiro Shiabasaki. Sales Y2B. Microcomputer-controlled auto posting systems, forging machinery, machine tools.
- o Hijiri Manufacturing Company, 3752, Kawaguchi-machi, Hachioji City, Tokyo 193. President: Yutaka Nitta. Sales Y850M. Extenders for wires and cable covering, extenders for optical fiber coverings.

Leather Goods

- o Aoki Company, Ltd., 16-10 Nihonbashi Kodenma-Cho, Chu-ku, Tokyo 113. President: Masajiro Lizuki. Sales Y2B, Travel bags, brief cases, suitcases.
- o Grand Canyon, Inc., 9-8 Sarnjaku-cho, Shibuya-ku, Tokyo 150. President: Naohiko Matsuoka. Sales Y305B. Assorted small leather goods.

Two-stroke Engines with Pistons, Castings, etc.

- o Art Metal Manufacturing Co., Hourri Bldg, 6-14-5 Ginza, Chuo-ku, Tokyo 104. President: Tatsuo Sakakibara. Sales Y315M. Pistons for internal construction and compressors.
- o Capital Industry Company, ltd., 3-53-5 Kamiliishihrra, Chofu City, Tokyo 182. President Shintaro Hori. Sales Y800M. Assorted pistons and parts.
- o Getz Brothers and Company, Sumitomo Seimei Aoyama Bldg. 3-130 Minami Aoyama, Minato-ku, Tokyo 107. President Koichi Nakajima.

Sales Y5.58. Assorted industrial machinery and parts, castings and forging parts, medical equipment.

- o Hashiba Tire Mold Company, 2-19-6 Hashiba, Taito-ku, Tokyo 11. President Shinji Okada. Sales Y2.68. Precision casting, automobile tire molds.
- o Iwata Air Compressor Company, 1-9-14 Ebisu-Minawi, Shibuya-ku, Tokyo 150. President Kazuya Iwata. Sales Y188. Pistons and screw air compressors, automatic painting systems.

Hand Tools and Specialty Tools

- o Ashihi Diamond Industrial Company, Ltd., 1-2-3 Motoakasuka, Minato-ku, Tokyo 107. President: Arishisa Tanaka Sales Y308. Diamond and CBN tools.
- o Bunkaboeki Kogyo Company, Ltd., 2-62 Marunouchi, Chiyoda-ku, Tokyo 101. President Tadasi Mochizuki. Sales Y1.58. Electronic hand tools and equipment.
- o M&E Chiyoda Company, Ltd., Yurachucho Denki Building South, 1-7-1 Yurackucho, Chiyoda Ku, Tokyo 100. President: T. Kameda. Sales Y400M. Electronic screwdrivers, bits, probe pins, circuit board testers, and related components.
- o Hamai Company, 5-5-15 Nishi-Gotanda, Shinagawa-ku, Tokyo 141. President: Koshi Mutoh. Sales Y98.

Plastic Moulding

- o Asahi Yukizai Kogyo Company, Ltd., Gojokai Bldg., 2-15-9 Uchikanda, Chiyoda-ku, Tokyo 101. President: Isao Kawanami. Sales Y408. Thermoplastic valves, fittings and pipes.
- o Heisen Yoko Company, Ltd., Ryoka Bldg., 4-6 Nihonbashi Muromachi, Chuo-ku, Tokyo 103. President Akitoshi Hashiguchi. Sales Y68. Rubber injection moulding systems. Sealants, Adhesives.

Bicycles (racing, leisure, etc.)

- o Ashico Ltd., 7-12-19 Minaamisuna, Koto-ku, Tokyo 136. President: Naohito Ashizawa. Sales Y28. Racing bicycles, Motor cycle accessories.

Costume Jewelry

- o Chatani Jewelry Company, 1-1-9 Nishi-Asakusa, Taito-ku, Tokyo 111. President: Masahiro Chatani. Sales Y2.5B. Imitation pearls, cultured pearls, jewelry of all kinds.
- o Fujitakato, 1-6-8 Motoasakusa, Taito-ku, Tokyo 111. President: Katsuo Takahashi. Sales Y200M. Costume jewelry, metal jewelry chains, raw and brass plated necklace chains, pearls, etc.

Sports Equipment

- o Daiwa Seiko, Inc., 3-14016 Maesawa, Higashurume City, Tokyo 203. President: Yoshiyuki Matsui. Sales Y34B. Fishing rods, golf clubs.
- o Frost International (Japan), 1-20 Asahi-cho, Maitsu City Aomari 039-51. President: Griffith Frost Y600M. Sporting equipment.
- o Hiyoshi Sangyo Company, Ltd., Kyodo Bldg. 9F, 2-4 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103. President Tetsuo Kawana. Sales Y2B. Fishing rods, fishing tackle.

Miscellaneous

- o Fujimaru Industry Company, Ltd., 5-32-8 Kyodo, Setagaya-ku, Tokyo. President: Yoshito Kishi. Sales Y6.6B. Electric fry pans, griddles, cookers, multi-pan sets.
- o Godokiden Company, Ltd., 2-3-38-3 Nishirokugo, Ota-ku, Tokyo 114. President: Noboru Kameya. Sales Y300M. High grade elevator parts, dumbwaiters.
- o Goyo Corporation, Matsubara Bldg. 2F, 8-15-3 Nishi-Shinjuku, Shinjuku-ku, Tokyo. Sales Y2.5B. President: Kounosuke Nishikawa. PCB's for video games machines, integrated circuits for personal computers.
- o Hiraoka and Company, 1-21-8 Minowa, Taito-ku, Tokyo 110. President Yoshiji Hiraoka. Sales Y10.5B. Cotton and synthetic canvas. PVC-coated car carpeting and tiles, PVC artificial leather and turf.
- o Hochiki Corporation, 2-10-43 Kamiosaki, Shinagawa-ku, Tokyo 141. President: Shigeru Iibuchi. Sales Y27B. Automatic smoke detectors, automatic heat detectors, ionization and photo electric type.

- 0 Honda Denki Company, 4-5-37 Kamiosaki, Shinagawaku, Tokyo
141. President: Tomizo Hosono. Sales Y3.2B. Standby power
systems, solar electric power systems, batteries, rectifiers and
chargers.

- 0 Iwaki Glass Company, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo
100. President: Kunio Iino. Sales Y24B. Lens, reflectors for auto
headlamps, glass trays for microwave ovens, laboratory glassware, heat
resistant glass table ware.

- 0 Iwasaki Electronics Ltd., Nishikawa Packing Bldg. 8F, 1-1
Kanda-Izumacho, Chiyoda-ku, Tokyo 101. President: Hiroji Iwasaki.
Sales Y3.2B. Micro development systems, computerized locking systems
for safes, lockers, etc.

- 0 Japan Engineering Company, Ltd., 2-29-14 Koenji-Kita,
Sugmami-ku, Tokyo 166. President Hisato Iida. Sales Y334M. PCB
manufacturing equipment, resistor manufacturing equipment.

APPENDIX III: Country Profile of Germany

	<u>1975</u>	<u>1980</u>	<u>1981</u>
1. GDP (\$M)	418,206	816,248	683,230
Per capita (\$)	6,764	13,396	11,243
Manufacturing share	37.9	36.0	35.7
2. Manufacturing			
Value added	158,655	293,925	244,178
Constant price index	100	118	116
Gross output	290,505	630,468	531,062
Employment (000)	7,284	7,229	7,056
Profitability			
Per \$100 of gross output	100	100	-
Intermediate input (\$)	50	57	-
Wages and salaries (\$)	25	21	-
Operating surplus (\$)	25	22	-
Productivity (\$)			
Gross output/worker	39,833	87,213	-
Value added/worker	19,808	37,359	-
Average wage	9,778	18,501	-
3. Trade (\$M)			
Exports, total	90,021	191,644	175,284
Exports, manufactures	84,757	179,569	163,480
Imports, total	74,208	185,922	162,691
Imports, manufactures	51,997	129,512	112,667

Source: UNIDO, Industry and Development, Global Report 1985

The German domestic economy continued to expand during 1986 and indications in the current year are that the trend will continue. Exports, however, have fluctuated markedly in the short term. Since the beginning of 1985 the trend has been one of marginal decline, following the extended growth period of 1983-1984. This was probably due as much to the slowing growth of world trade as to the appreciation of the mark against the U.S. dollar. The decline was further exacerbated by a drop in demand from OPEC countries, whose oil revenues have fallen dramatically since the beginning of 1986.

On the domestic side, construction demand has grown vigorously in the last two years. Orders received by the construction industry during the period February-May 1986 rose by 11 percent in price, seasonally adjusted, and 15.5 percent in volume against the comparatively low levels recorded during the corresponding period last year. Retail sales, the short term indicator of consumer spending trends, continued to develop at a satisfactory pace.

Between February and May of this year, an increase of 3 percent in price in seasonally adjusted terms was registered, which surpassed the level in the corresponding period of 1985 by 5.5 percent in real terms.

The outlook is for continued growth in this sector as private households adjust their spending in line with higher disposable income levels. Marked increases in sales were recorded in textiles, clothing, footwear and leather goods.

The drop in unemployment has been consistent with the indicators noted above, with 82,000 fewer unemployed in June 1986 than a year earlier, the official total being 2.078 million.

On the export side, the largest single market bloc decline was recorded with OPEC countries (-27 percent). The EEC market, a traditionally strong consumer of German products, declined by 0.5 percent; while exports to EFTA countries increased by some 3 percent. Significantly, German exports to the U.S. rose only slightly (1 percent). As noted previously, the revaluation of the mark against the dollar by over 50 percent since March 1985 has acted as a brake on German export activity. While this slower growth is considered by many German firms to be short term, others have decided to absorb at least part of the exchange rate effects in price cuts, after many years of above average earnings in the U.S. According to the Deutsch Bank Bulletin of July 1986, however, German exports are expected to grow by 2 to 3 percent in real terms in 1986 and 1987. Table A3 below provides the U.S. export ratios for various sectors.

TABLE A3

Exports to the USA as a Percentage of Total Sales		1980	1985
1.	Road Vehicles	6.3	11.7
2.	Precision and optical goods, clocks and watches	4.5	10.1
3.	Musical instruments, toys, games, sports equipment, etc.	4.6	8.5
4.	Office machinery and EDP equipment	5.1	7.2
5.	Aircraft, spacecraft	1.5	6.7
6.	Mechanical engineering products	3.1	5.6
7.	Iron and steel	1.9	4.8
8.	Fine ceramics	3.5	4.8
9.	Glass and glass products	1.7	4.6
10.	Non-ferrous metals and semi-finished goods	2.2	3.4
11.	Electrical engineering products	1.4	2.8
12.	Chemical products	1.6	2.7
13.	Products of drawing shops and cold-rolling mills	1.2	2.6
14.	Pulp, paper, paperboard	0.1	2.5

15.	Iron, steel sheet and metal goods	1.1	2.5
16.	Products of steel-shaping industry	0.7	2.2
17.	Rubber products	1.6	2.2
18.	Plastics products	0.8	1.8
19.	Leather and leather goods	0.6	1.6
20.	Textiles	0.4	1.5
21.	Clothing	0.2	1.4
22.	Manufacturing industry, total	1.8	3.7

Sources: Federal Statistical Office

Germany also pursues an aid policy with developing countries based more on a partnership basis than on disbursing large sums for uncoordinated projects. The German government's development policy has a variety of priorities, including:

- the meeting of basic needs and combatting of dire poverty
- rural development, with emphasis on food production
- improvement of energy supplies
- conservation of the environment and the sensible use of raw materials
- education and vocational training

The total level of aid placed at the disposal of developing countries by West Germany in 1984 (latest figures available) was DM 18,500 million, much of which was earmarked for Africa and funded as follows:

- State-funded Program DM 9,700 M
- Private Organizations DM 1,100 M
- Business and Industrial Services DM 7,700 M

By the end of 1985 some 4,500 German experts and development aid workers were active in developing countries, implementing German development aid co-operation projects. From the standpoint of the Bonn government, cooperation between German private sector interests and those in developing countries represents a major factor in achieving economic and technological progress, particularly in the small/medium-sized firm sector. It is in this area of investment that BEPZA might do well to focus its energies.

Following is a selection of names of German manufacturers in industries which could potentially be targeted by BEPZA.

SELECTED TARGET ORGANIZATIONS - GERMANY

GARDEN EQUIPMENT

Tools

Wilhelm Abt, GmbH 26 Stuttgartstr 4-8
Linden Battowwerk GmbH & Co.
Brill Gartengerate, Darmannsbusch 7
Wilhelm Forster Pf 1328
Cl. Meifort Sohne, Linenstr 61
Gerate Wolf. GmbH, Gregor-Wolf Str

7060 Schorndorf BW.
8333 Herbetsfelden BY.
5810 Witten-Herbede NE
5884 Halver NW
2210 Izehoe SH*
5240 Betzorf RH*

* also motor mowers

Two & Four Stroke Engines

Blohm & Voss AG. Postfach 100720
Ford Werke AG Ottoplaz 2
Humboldt Klockner Deutz AG,

M.A.N.-B&W Diesel GMBH, Stadbackstr 1
Spillingwerk GMBH, Weiftstrasse 5
Thyssen Henschel, Henschplatz 1

2000 HamburglHH
5000 Koln 21 NW
Deutz-Mulheimer str.,
5000 Kolu NE
8900 Augsburg By
2000 Hamburg 11 NH
3500 Kassel HS

SECURITY SYSTEMS

ADARMA - Machtlfingenstr 21
GERB. BERKER GmbH Pf 1160
Burkle & Schock KG. Gewerbestr 38
DOM-Sichenheitstechnik Pf 1949
Eichhoff-Werke GmbH Buchsfeldenst 10
Gein-Fernmeldetechnik, Stressemanstr 12
Hans Kolbe Pf 1149

8000 Munchen 1 By
5885 Schalksmuble 1 NW
7000 Stuggart 80 BW
5040 Bruhl NW
5880 Ludenscheid NW
4000 Dusseldorf NW
3202 Bad Seltzdetfurth NS

SHOES

Manufacturers

Gunther Bauer, Lugina-Schuhfabrik,
Christian Binder, Kaiserstrasse 10
A. Borsinger KG, Utah Schuhfabr,
Cronauer KG Raentaler Str 47

6749 Lub RH (All Types)
Sarstr 44
7200 Tuttlingen BW (All
Types)
Wilhemstra, 7125
Kirchheim BW (All Types)
7550 Rastatt BW (All Types)

Daumling Schaufabriken, Postfach 1124	6783 Dahn 1 RH (Men, Ladies, Children)
Ebrego GmbH Schahfabr, Sudetenlandstr 29	8052 Moosburg By (Men, Ladies, Children)
Forelle Schahfabr, Fabrikstr	6791 Herwersberg RH (All Types)

LEATHER PRODUCTS

Leather Clothing

Gudrun, Baus, Schlosstrasse 47	6752 Winnweiler RH
Max Faber GmbH & Co. Brunnenstr 19	7000 Stuttgart 50 BW
M Flues GmbH Co. Flieth 15	5600 Wuppertal 11 BW
H.E. Forster KG Kleinbalinstr 45	4152 Kempen 1 BW
Fritz Klien GmbH Co.	6750 Kaiserslautern 25 RH
Karl Kluber Kg Rosengartenstr 24	8755 Alzenau By

Gloves

Held-Handschule GmbH	8978 Burgberg By (Leather, work, Sport, ski, and protective gloves)
Kopp & Siegaert GmbH Co. Kg Neuffenstr	7920 Heidenheim 1 BW (Leather, work, Sport, ski, and protective gloves)
Ferdinand Lorenz Kg., Kevenhullerstra 4	8432 Metzingen BW (Leather, work, Sport, ski gloves)
Trebes & Henning, Konigin-Elisabeth str	1030 Berlin 19 BL (Leather and work gloves)
Ernstvitt, Gruner Weg 5,	6330 Metzler 1 HS, (Leather gloves)
Franz Zeiner Grubh, Schwedengasse	8103 Oberhammergau By (Leather gloves)

Leather Manufacturing - Tanning (of all types)

Gerb Bader KG, Metergersta 32	7320 Goppingen BW
Endriss & Schaffler GmbH.,	Bahnhofstr 53-5, 7320 Goppingen BW
Wilhelm Reuter KG. Hasselborner Str 3.	6331 Waldstolms HS.

Leather Goods & Accessories

Karl Peter Blickhan, Hauptstr 107	6116 Eppertshausen HS.
Christian Breuninger OHG., Heinkelstr. 1	7060 Schorndorf BW.

Franz Bechine Postfach 26
Caressa-Werk Karl Mueller
Josef Durner KG, Bahnhofstr. 1-2
Ludwigkruum Gold-Pfeil kaiserstr 39-4
KG Leibold, Raderbergerstr. 15
Peter Meid, Vibelerstr. 28
Andreas Paul, Gmbh, Dieselstr. 38-40

7540 Neuenburg BW
6922 Meckeshein BW.
8330 Eggenfelden By
39-4 Offenbach Hs.
5000 Koln 51 NW.
6050 Offenback HS
6050 Offenbach HS

Leather Saddles

G. Mohlenbeck & Co. Dusseldorferstr 189
Christian Schaefer Geierstr 1

4330 Mulheim NW.
5350 Euskirchen NW.

PRECISION TOOLS

Wilh. Becker Ohg. Pf 100147
BellaPlast Machienbau GMBH Pf 160
Bergfeld & Heider, Hampstr 124.
W. Berger Osloerstr 116a
HeinrichBetz. Muhlstr 1
Blanke & Co. IM Muhlental 1
Hugo Breunenstuhl GMBH Seestrassse
Flender & Mueller, Ringstr 49-53
O&K Geissler GMBH Portfach 60

5630 Remscheld 1 NW.
6501 Heldsheim RH.
5093 Burscheid NW.
100 Berlin 65BL
6474 Ortenberg HS
5860 Iserlohn 7 NW.
7400 Tubinger 9 BW
5000 Kolu 50 NW.
6955 Aglasterhauseu BW.

BICYCLES

Auto-staiger GMBH Nordbahnstr
Josef Bachtenkirch KG Hustenerstr. 16
Karl Goebel Fahrzeugfabrik, Finkenstr 3850
Otto Kynast GMBH Artlandstr 55
H&W Sudbrack GMBH Benzstr 19
Walter Westerheide Flensburgerstr 16

7000 Stuttgart 1 BW.
5760 Arnsberg 2 MW/
4800 Bielefeld NW.
4570 Quakenbruck NS.
4902 Bad Salzuleu 1 NW
4800 Bielefeld NW.

APPENDIX IV: Some Export Processing Zones Worldwide

<u>Location</u>	<u>No. of EPZs</u>	<u>Under Construction</u>	<u>Total Investment</u>	<u>No. Employed</u>	<u>No. Users</u>	<u>Level of Exports (\$M)</u>
Jamaica-Kingston						
Montego Bay	2	-	n/a	n/a	93	20
Puerto Rico	2	-	n/a	90,000	n/a	-
Colombia (1)						
-Baranquilla						
Free Zones	6	-	n/a	2,500	n/a	51
Mexico (2)						
-Juarez				75,000		
-Other	90 (est.)		-	225,000	725	500
India-Kundla				10,000	80	190
Bombay				7,00	54	80
Madras	3	3		n/a	n/a	
Philippines						
-Baguio City	2	2	609	39,000		330 (1984)
Liberia-Monrovia	1	-	12	n/a	3	n/a
Sri Lanka-Airport				36,000		
-Colombo	2			10,000		
Panama	1		n/a	n/a	-	-
Syria	1		n/a	n/a	-	-
Ireland	1	-	30	12,000	30	50
Belgium	1				-	-
Turkey		4			-	-
Malaysia	1	2	n/a	7,000	-	-
Korea-Masan	1		116	120,000		800
Taiwan	2			80,000	-	-
Singapore	1			100,000	-	-
United States	130					
Indonesia	1	2		3,000	-	-

<u>Location</u>	<u>No. of EPZs</u>	<u>Under Construction</u>	<u>Total Investment</u>	<u>No. Employed</u>	<u>No. Users</u>	<u>Level of Exports (\$M)</u>
Thailand	1			5,000	-	-
Egypt	1			8,000	-	-
Tunisia	1			33,000	-	-
Dominican Republic	1			40,000	-	-
Mauritius	1			50,000	-	-
Hong Kong	1			60,000	-	-
Haiti	1			10,000	-	-
Macao	1			60,000	-	-
Brazil	1			60,000	-	-
Barbados	1			9,000	-	-
Honduras	1			5,000	-	-
Bangladesh	1	1	-	2,000	15	40
El Salvador	1		-	2,000	-	-
Morocco	1	-	-	1,500	5	25
Chile	1	-	-	2,000	-	-
Costa Rica	-	-	-	1,000	-	-
Maldives	-			1,000	-	-
Pakistan	-			1,000	-	-
Belize	1			500	-	-
St. Vincent	1			400	-	-
Jordan	1			1,000	-	-
St. Lucia	1			1,000	-	-
St. Kitts	1			150	-	-
Montserrat	1			200	-	-

<u>Location</u>	<u>No. of EPZs</u>	<u>Under Construction</u>	<u>Total Investment</u>	<u>No. Employed</u>	<u>No. Users</u>	<u>Level of Exports (\$M)</u>
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Grenada	1			300	-	-
China	4			50-70,000	-	-

It is estimated that there are some 30 additional zones in various countries not listed above; however, the extent of meaningful information on these is extremely limited and for this reason they have not been included.

Notes:

- (1) Special Free Zones (SFZ) are considered to be extraterritorial areas free of custom controls, targeted to export.
- (2) Border Industrialization Program/Private Industrial Parks

APPENDIX V: Some Business and Financial Media

Journals

The Economist
Fortune
Forbes
Time Magazine
Newsweek
U.S. News and World Report
Asia Weekly
The Far East Review

Newspapers

The Wall Street Journal
The Financial Times
The New York Times
The Washington Post
The Chicago Herald Tribune
The Times (of London)
The Daily Telegraph
The Guardian

APPENDIX VI: Firms and Organizations Visited

Dhaka

- Swedish Embassy
- Danish Embassy
- German Embassy
- U.S. Embassy
- JETRO
- Ministry of Commerce
- Ministry of Industry
- Bangladesh Bicycle Company
- Pacific International
- Lexo Leather
- Doz Lock Manufacturers
- Bangladesh Shipping Corp.
- Emen Freight Forwarders
- Bangladesh Insulator Company
- Export Promotion Bureau
- Industrial Promotion & Development
- A.E.G.
- Fisons
- Hoechst
- G.E.C.
- Organon
- BASF

- British High Commission
- Korean Trade Center
- The World Bank
- U.N.I.C.

Chittagong

- Univogue Garment Company
- Tri Corporation Ltd.
- Global Towelling Company
- Elite Tea Company
- International Frozen Fish Company
- Bhagdad-Dhaka Carpet Company
- Showa Chain Company

United States

- UNIDO offices, New York
- Embassy of the Philippines
- Embassy of Bangladesh
- Office of the U.S. Trade Representative
- U.S. Department of Commerce
- EEC Representation

APPENDIX VII: Sources

- The International Monetary Fund
- The World Bank
- United Nations
- Far Eastern Economic Review
- Business Asia
- Asian Development Bank
- U.S. Department of Commerce
- U.S. Bureau of Statistics
- Japanese Economic Almanac
- Bangladesh Export Statistics
- EIU Quarterly Review
- U.S. Trade Representative
- UNIDO
- Louis Berger International, Inc.
- European Economic Community

ANNEX 1

BANGLADESH EXPORT PROCESSING ZONES AUTHORITY

MEMORANDUM

**IMMEDIATE, MEDIUM-, and LONG-TERM PROMOTION
STRATEGIES**

prepared by

Joachim Leckscheidt and John J. O'Sullivan
Louis Berger Technical Assistance Team

August 4, 1982

Dacca

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Mr. Mahmoodul Haq
Project Director/Chairman Designate
BEPZ
Dacca

August, 1982

Re: Strategies for Promotion and Marketing of CEPZ

Dear Mr. Haq,

In presenting you with the attached draft plan for implementing a promotion and marketing programme, Mr. Leckscheidt and I are extremely conscious of the danger of mounting an operation without the Authority being established and equipped in advance to deal with any sizable response on the part of investors. The effect of this shortcoming could prove highly counterproductive and we would urge on you the necessity to proceed without delay in recruitment of staff. We appreciate that, to an extent, your hands are tied but it would be a pity if the initial staff members are not available during the limited time in which the Louis Berger Advisory Team is present in Dacca, as the team could help them in a very practical way to become au fait with their various tasks.

We are glad to be able to work with Mr. Arad Wassag, member-designate in charge of marketing, and believe we have helped him in our discussions to become acquainted with promotional and marketing objectives and techniques in industrial development.

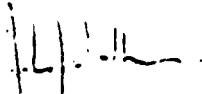
It will be very important to have counterpart staff available when Mr. Lim Fat (methods and training) commences his input on September 1. Should that not be the case I may have to recommend that Mr. Fat postpone his visit until such time as staff are available. Then, of course, we may have to await his availability.

Nonetheless we feel that this document will enable some activity to begin even with a minimum staff almost immediately. The actual promotion work as distinct from administration work should now begin to have more of your personal time and attention in order to yield projects for the pipeline in time to take up the facilities coming on stream in Chittagong Zone.

Naturally we shall be pleased to discuss any of the many features in this document before agreeing a final version.



Joachim Leckscheidt
(Louis Berger Advisory Team)



John J. O'Sullivan

MEMORANDUM

IMMEDIATE, MEDIUM, and LONG-TERM PROMOTION
STRATEGIES, prepared by :

Joachim Leckscneidt and
John J. O'Sullivan, Louis
Berger Technical Assistance
Team

1.1. Introduction :

Having reviewed progress to date of the implementation of BEPZ's plans, it is strongly felt by the writers of this memorandum that no further time should be lost with the introduction of some promotion and marketing activity of the zone in order to make use of the premises and plots soon becoming available for occupancy on the zone. Accordingly, this document sets out a suggested immediate programme of work and a related time schedule which should be undertaken by the Authority's marketing and promotion division.

1.2. Immediate Measures:

The programme is so designed in the present format to be executed by a minimum of staff with a minimum of training. Nevertheless, it must be clearly understood that there is a danger in launching a promotion campaign, however limited in scale, without the Authority as such being fully established and equipped to receive industrialists and process their proposals quickly and efficiently. If these basic organisational and functional facilities are not available then it would be inadvisable to invite industrialists to Bangladesh on preliminary site visits. The results could be very negative and counter-productive.

1.3. Bar-Chart:

Assuming that minimum requirements, especially regarding staff, have been met and the Authority is able to function, the programme should be undertaken in accordance with the bar-chart set out herewith. It is strongly advised to adhere to the timing as closely as possible as few weeks' delay may disrupt the whole programme if clashes occur with holidays, fairs, etc., in other countries.

1.4. Direct Mail:

Due to budget limitations at the outset it has been decided initially to recommend a promotion campaign which will not involve heavy investment in advertising but rather concentrates on creating opportunities for face-to-face contacts with industrialists and investors, i.e. seminars and presentations to selected companies.

1.5. Light Assembly Industries:

However, a small-scale direct mail campaign is advocated as a part of this initial effort. A list of selected companies in certain sectoral groups is being compiled (Annex 2). These groups will be in the light industry, assembly, electronics and garments sectors. The reason for selecting these as against other groups is that they will be relatively easy, in terms of installations and training to get off the ground and will not require extensive lead times in preparation (apart, perhaps from the time involved in building which must be considerably reduced).

1.6. Air Freight:

Another reason for favouring this type of industry is the desire to develop air-freightable products. Relying on sea transport alone puts Bangladesh at a serious disadvantage vis-a-vis her competitors, with a conscious and

determined effort to generate air freight out of Chittagong at attractive rates we shall be able to deliver goods into Europe and North America within days rather than months. Recent discussions with Mr. Houff, sales manager, Biman Airways, have yielded a definite and positive attitude towards this objective and further discussions are planned to agree strategy on this important aspect.

1.7. Detailed Market Analysis to be made:

It must be stressed that as yet no detailed analysis of the potential market areas, target sectoral groups or main selling points of the CBZ has been undertaken. In the absence of this there is a hesitation in stating a definite policy line to be pursued. However, because we shall be engaged initially in a limited promotion campaign geared to our capability from staffing and budgetary points of view we are suggesting some areas which experience shows are rather obvious sources of investment.

1.8. Asean Region :

A glance at the number of foreign investors already in Bangladesh shows that there are a number from Thailand, India, Singapore and Japan. The Asean region is now recognised as possibly the fastest growing economic region, in the world to-day. From the business practices and mentality points of view Bangladesh is not an unknown quantity as far as companies in this general area are concerned. Consequently, it should be regarded as a fairly important geographical target area for marketing activity.

1.9. Major Investors:

However, the major cross-border investors are to be found in the U.S., Japan, F.R.G., West Germany, France,

Netherlands, Switzerland, and Scandinavia, roughly in that order. The main initial thrust will be within this group. Here in this context it is interesting to consider the motivation behind decisions of German and American industrialists to invest abroad. In the graphic attached (Annex 1) will be seen the relative importance of various factors governing such decisions. One must examine how these criteria can be met by Bangladesh and where there are shortfalls.

We know that many European companies have invested in Asia in order to take advantage of low wages, production costs, etc., and that some of these original advantages have been eroded over time. Many find it difficult to expand their parent companies and competition is growing keener. It is felt that some of these industries with experience of production overseas may be open to suggestions that they might consider Chittagong for future plans.

1.10. Established Links:

Because of traditional trading links between Bangladesh and the UK, and the language and institutional ties we consider that Great Britain may prove an interesting market for promotional activity. Furthermore, there are substantial numbers of Bangladeshi residents in Great Britain, some of who may be interested in investment in their motherland. The possibility of establishing an office with a permanent representative of the Authority in the UK, perhaps located in the London Embassy, should be considered.

1.11. US Market:

Despite the current recession the US still is the leading investor in foreign countries, particularly in Asia. The US market is vast and we advocate that immediate use be made of the facility offered by UNIDO in New York for the

trainee development officer from Bangladesh to contact US and Canadian investors on the basis of a list which should be drawn up here in Dacca as soon as possible.

2. Evaluation of Promotion To-date.

Evaluating the performance of the promotional efforts up to the present , the success of the Investor's Forum of Spring 1982 indicates :

- that there is obviously genuine interest of various industries in the EPZ offer and
- that the right kind of presentation can create attention and awareness and trigger off serious negotiations.

Of the 120 attending investors at the forum 40 have shown interest in a more detailed evaluation and 17 proposals have been submitted. Other investors have followed up with further investigation of the investment situation. In all 6 projects could be ranked with a high chance for realization.

however, the comparison of the inducements and investment conditions of the EPZ Chittagong with other free zones of the region, e.g. Sri-Lanka, Karachi, Bombay, Cataan, Singapore, Thailand and Korea reveals that it does not offer outstanding features to constitute a unique attraction for investors. Selling points such as the availability of raw materials and energy (gas) or favourable labour cost have to be seen in the context of their constraints such as undeveloped infra-structure or the image of low productivity.

On the contrary, in making available factory space or setting up the institutional framework for promotion,

Bangladesh is lagging behind all the other 40 LDCs competing for the foreign industrialists investment. This adds to the given handicaps of the location (climatic conditions, danger of flooding or communication disadvantages) and the generally not very favourable image regarding Bangladesh's economic stability.

It should be borne in mind, that the decision of the investor does not only depend upon clearly visible cost factors but is determined to a great extent, by his perception of the general business environment including the capability and presentation of the investment authority.

3. Basic Considerations underlying this recommendation:

The recommendations of section 4 and 5 are based on the following experiences and considerations:

3.1. It is very important to get the first 6-8 projects operational as soon as possible in the EPZ. This would constitute the best advertisement and proof of the suitability of this investment location and its advantages. For these first 6-8 projects the question of selection should be approached in a very open-minded manner, having leading brand names among the first 6-8 would be an additional asset but might be difficult to accomplish. Therefore it is recommended for the start and activation of the EPZ, to consider any project as long as the cost - benefit evaluation for the EPZ works out as a break - even.

3.2. Using the criteria of accessibility and fast response, the various target groups might be classified into:

1. Companies familiar with the situation of Bangladesh. They will be less prejudiced, but the prevailing

economic situation into the right perspective and have a clearer view of the investment potential in the EPZ. This group includes Bangladeshi enterprises, foreign companies operating in Bangladesh, overseas Bangladeshi investors, Pakistani, Indian and to a certain degree, Thai and Singaporean businessmen.

This category of potential investors could be approached even under the present constraints of the officially not yet existing EPZ authority, incomplete infrastructure and a number of unsolved problems concerning procedures and operations in the EPZ.

- II. Foreign companies evaluating the Chittagong EPZ in the light of competing locations. Investors of this category will require well prepared and detailed information. The marketing of the authority, the standard of infrastructure in the zone and adaptation of procedures and government regulations are sometimes of greater importance than cash-incentives. Although foreign companies might want to negotiate certain investment conditions they expect a clear set of regulations for their setting up of operation and conducting business.

Establishing these preconditions, preparing appropriate information material and training of staff for promotion, guidance and negotiations requires a certain lead time (see chapters 6 and 8).

Promotional activities aimed at category II investors only be undertaken after the necessary prerequisites have been created. Approaching investors of cat. II in a rather haphazard manner without proper preparation for follow-up and follow-through might back-fire.

The disappointed investor or a whole group would be lost once and for all and is likely to spread a counterproductive image of the investment conditions of the EPZ Chittagong.

3.3. Given the geographical, climatic and economic constraints of the location it appears most likely that, initially, the majority of applications from foreign investors will be low-risk, fast-pay-back projects such as garments or electronics. An exception might be expected when local resources such as gas or food products offer an additional advantage.

3.4. Very often this type of project must be operational within a short span of time, i.e. few months. Investors might even settle for slightly higher costs when factory premises ready for occupation are available. Therefore the construction of standard factories appears to be an essential prerequisite for the attraction of foreign investors. As will be seen from the status reviews of June 2, written by Mr. O'Sullivan, one single storey factory is to be completed within a few months and two storeys of a three-storey factory premises will be completed by mid-1983. As there are already so many enquiries, it is clear that the single storey premises will be occupied as soon as it is completed, i.e. autumn 1982. This will mean that no premises will be available until the middle of the following year.

The effect of this is, that for a considerable period of time, one of the main incentives for the foreign investor (the possibility of commencing production immediately) is not available to him. It would appear that competing zones have plenty of buildings available. Therefore such clients will be lost by Chittagong.

The promotional work with these target groups can easily be tuned to the financial and personnel capacity of the authority. The feed-back from the target groups allows for immediate corrections in the argumentation or promotional approach. In addition, the initial activities in the local business environment provide a good training ground for the more complex and demanding promotional activities abroad to follow.

4.1 Enquiries:

4.1.1. Target Group:

All persons or companies, which have approached the authority to-date requesting information or documenting interest. This is an estimated total of 124 local and 55 foreign companies.

4.1.2. assumed motivation for investment and selling points to emphasise.

The reason for investment can only be classified after thorough analysis. However, with local investors the fiscal incentives and the ready industrial infrastructure of the EPZ seem to constitute the main incentives. The arguments of EPZ being outside present fiscal restrictions and official bureaucracy and the possible inter-linkage with local industry should be highlighted.

4.1.3. Method of initial contact:

Individual personalised typed letters from chairman.

4.1.4. reminder:

Individual typed standard letter or phone call.

4.1.5. main promotional activity:

Aim of the activity is to stimulate an enquiry

from those projects regarded as desirable. In cases of positive response to the standard letter or phone call, a personal visit must be arranged at the investors premises which at the same time serves as a first screening. Enquiries judged positively should receive further encouragement and advice in order to shape the project idea into a realistic proposal suited to the EPZ conditions.

Consultancy effort to this target group requires substantial inputs from the authority in terms of its officer's time or even assistance through local consultant specialists. As the work has to be done in close cooperation with the investors, success depends widely on his ability and readiness with information. Progress will be determined by his performance. This phase can serve as a yardstick for judging the seriousness of the project.

The consultancy to the target group "enquiries" should result in classifying the group into 3 categories:

- A. High priority projects
- B. Proposals to be pursued, but second in order of priority.
- C. Proposals considered not feasible not attractive.

High priority projects (A) should receive intensive follow-up consultancy whereas (B) proposals should be pursued by occasional phone call reminders, however, in a regular and systematic way.

In answering the various kinds of enquiries a number of typical problems related to the setting-up of a company in the EPZ will have to be tackled, e.g. sources of local raw materials, local manufacturers of certain parts and components, e.g. specialties, packaging.

the question of waste disposal, possible sale of scrap to inland bangladesh, sources of credit facilities, forwarding agents, freight and transport arrangements, customs formalities etc. This entails a substantial corpus of information established and readily available within the authority. Fact sheets should be established on all these particular problems and solutions to be integrated into a set of promotional material. Several problems will require decisions and regulations by the various government departments, which in most cases have to be brought about by negotiation through the authority's chairman.

It can be estimated that during the first 6 months of operation 1 member of the marketing and promotion division will need to devote more than half of his time to answering and following-up enquiries and a considerable inputs of the Chairman's time will also be required.

4.1.6. Follow-up:

Assistance in conversion of Enquiries to Proposals and in negotiations for selected "high priority" projects. To trigger off investment decisions, certain additional incentives, could be introduced at the crucial stage of negotiation.

• Proposals in the pipeline:

4.2.1. Target group:

All proposals inland to-date: 47 projects , 12 of which are considered realistic (provisional approval to be expedited).

4.2.2. Assumed motivation for investment, selling points to emphasise

As in 4.1.2.

4.2.3 Methods of initial contact:

Individually drafted letter.

4.2.4. Reminder:

Phone call or letter by Chairman.

4.2.5. Main promotional activity :

As in 4.1.5. The main task in arriving at a reasonable selection would be the evaluation of the advantages of the individual investment in the EIZ. This evaluation would probably result in a more detailed project design or possibly a revision thereof leading either to a final license application or refusing the proposal.

with an estimated average requirement of only 3-4 man-days per project, the evaluation of an estimated 40 projects to process would occupy 2 officers for roughly 10 weeks each. At the same time, this would provide an excellent training ground for the follow-up on future project proposals.

4.2.6. Follow-up:

As in 4.1.6

4.3. Projects in hand for provisional approval:

4.3.1. Target Group, motivation and selling points.

12 Investors who have to-date submitted their application. Selling points as in 4.1.2.

4.3.2. Method of Contact.

Phone call by chairman with the aim of arranging a meeting for further clarification and processing of the application. In the course of the time, this -

function could be taken over by the member for marketing.

4.3.4. Reminder :

If necessary second phone call.

4.3.5. Main promotional activity:

As applications are already in and no further promotional activity.

4.3.6. Follow-up:

Evaluation of the applications , preparation of answers to questions arising (as under 4.1.6).

4.4. Potential Local Investors :

4.4.1. Target Group:

Bangladeshi resident companies , particularly, and foreign companies with manufacturing units and representations in Bangladesh. In a first campaign approximately 100-200 companies should be approached, which would probably cover less than half of the potential of this target group. Priority should be attached to those activities in industry, agriculture and fisheries who are already directly or indirectly engaged in the export market.

- either producing raw materials, foodstuffs, or semi finished products for export which could be further processed in the EC,

- or producing raw materials, foodstuffs, and components at present only sold in the local market that could be made into exportable finished products in the EC.

At a first glance at the export statistics of Bangladesh, food processing industries, leather goods and shoe manufacture, paper products or finished jute articles seem to offer best opportunities.

4.4.2. Assumed motivation for investment and selling points to emphasise.

The main attractions of the EPZ for the local bangladeshi investors are assumed to be

- easier procedures for exporting
- the possibility of establishing a new and modern manufacturing unit in a less restricted business environment.
- the access of the EPZ company to foreign exchange for re-investment.
- the possibility of investing local currency (for working capital) in a foreign exchange earning venture.
- possible supply of own local raw material or components to a foreign exchange earning project.

Accordingly, these elements should be emphasised in promotional material, seminar or discussions. The argumentation should aim at the introduction of foreign marketing and production know-how through the contacts of the bangladeshi investor, whereby the form of cooperation might be a joint-venture or a mere know-how or marketing agreement.

For the foreign investor, who knows Bangladesh through his operation in the country the motivation should be somewhat different:

- use of local resources at lower the costs and his knowledge of the local scene for building-up markets.

- increase in exports and better facilities at the LFZ instead of present exports from inland.
- the benefits of being established in Bangladesh, i.e. contacts to the markets.

4.4.3 Methods of initial contact:

It is proposed to secure the cooperation of the Chambers of commerce and industry, both in Dacca and Chittagong for a joint promotional seminar aimed at local investors. This seminar should be announced by an introductory letter of the chamber and the Authority, or a joint letter plus coverage in the usual mass media. The letter should not be accompanied by detailed material to save the main information for the seminar.

4.4.4. Reminder:

Those who have not replied for participation and are judged important should be phoned by the Chairman of the Authority or the Secretary of the Chamber and be invited again.

4.4.5. Main promotional activity:

For preparation and execution of the seminar the memorandum for seminars abroad (annex 4) can be followed with some adjustments made regarding the selling point and the organisational procedures.

4.4.6. Follow-up:

With those companies who have already shown interest at the seminar, a meeting at their

premises should be arranged to discuss further details and to file an enquiry or application (see chapter 4.1. or 4.2).

All other companies, which have attended the seminar should be approached by phone or through a personal visit to give their opinion on the seminar and indicate whether they might be interested. The further steps are according to the guidelines of chapters 4.1 and 4.2.

Companies who did not attend should receive a letter announcing a second seminar arranged for those who could not attend the first time. Again, the more important companies should be contacted by phone.

4.4.7. Documentation:

All contacts (invitations, participation in seminars, enquiries, applications) should be registered in an index file containing data on the activity, size, standing etc., of the investor, type of intended production, and a record of all contacts made with the Authority.

4.5. Overseas Bangladeshi:

4.5.1. The target group and selling points:

Bangladeshi nationals with residence abroad are considered a very important target group:

- they are said ^{to} possess considerable funds for investment.
- they have know-how and contacts for export development.
- they have, in most cases, contacts with the local Bangladesh business scene and can identify

the right joint venture partner or sources of raw material.

- their evaluation of the local business scene, administrative procedures and the economic situation might be less critical than the judgement of the average overseas businessmen.

The argumentation should stress the upward trend and improved consistency under the Martial Law administration and present the invitation to invest in the EPZ as an opportunity offered, in the first place, to Bangladeshi nationals with a certain special treatment for the initial (clearly limited) stage.

4.5.2. Means of contact and promotional activity:

A mailing list should be established with the help of the Chamber of Commerce and Industry, the immigration department and various other organisations and institutions.

- Bangladeshi clubs and associations overseas would play a key role in reaching the right people. They should be approached to arrange an investment seminar, possibly early 1983.
- Contact should be made directly to persons on the mailing list by individually typed standard letter with some information material attached.

For approaching this target group, a special folder should be designed which concentrates on the points outlined under 4.5.1.

4.5.3. Follow-up :

First follow-up by letter answering the enquiries.

As a second step, a group visit of potential investors could be arranged in cooperation with the overseas Bangladeshi clubs and Bangladesh Airlines.

4.6. Pakistani, Indian, Thai, Malaysian and Singaporean Businessmen.

A mailing list should be established with the help of local businessmen or the Chambers of Commerce and Industry, and using trade directories of the most important industrial locations of these countries. In those countries which suffer from rising labour cost (Malaysia, Singapore) the campaign should focus on labour-intensive assembly industries.

One of the advantages with this target group as compared with USA or Europe is the closeness to Bangladesh, in distance and regarding mentality. It can be assumed that this target group might be less deterred by political and economical instability or bureaucratic performance, at least, it might be prepared to find a compromise. Selling points might rather be the immediate cash incentives as low-labour cost or the advantage of Bangladesh's quota for textiles and other exports to Europe.

The follow-up during the "immediate action" phase should be only by mail, in important cases by phone or personal visit. But investment seminars, company presentations, and group visits should be arranged at a later stage.

4.7. Other Foreign Companies with Links to Bangladesh

4.7.1. The Target Group and its Motivation :

In the past, foreign companies have seen Bangladesh either as a source of raw materials or as a market, but rarely as a production base.

- companies which are at present being supplied from Bangladesh with raw materials might, in view of the high labour costs overseas, consider transferring some of their production operations to the BZ. This option might even be more attractive, if second-hand machinery can be used in the production line. As probably the whole overseas activity of the company might depend on the BZ operation fully or to a certain degree, the securing of regular production and shipping would play a major role in the investment decision.
- for those companies which have their markets in South-east-Asia and also export to Bangladesh, the investment motives might rather be the proximity to the markets, the presence in an important country like Bangladesh, and last not least savings in production and freight costs.

Both these two groups have therefore different motivational standpoints.

4.7.2. Methods of Initial Contacts:

The fields of operation of the companies engaged in trade with Bangladesh can be easily gleaned from the import and export statistics, which

are to be analysed in detail. After extracting those industrial fields that could be considered for promotion, a priority list should be drawn up.

To ascertain the addressees of the major foreign trading partners one should enquire at the custom authorities, local import/export agents, the export promotion bureau, local companies or the chamber of commerce and industry. The identified priority companies should be approached by individually typed letters with an information folder attached.

4.7.5. Main promotional activity:

For the first stage of promotional work (immediate measures) only this mailing campaign is recommended. Selected foreign companies might additionally be approached through a letter or phone call by the Bangladesh ambassador in the respective country.

However, more comprehensive promotional measures such as seminars and promotional trips can be planned only after the authority can handle the necessary marketing and follow-up.

4.7.6. Follow-up:

as in 4.6.

4.8 embassies, banks, auditors, agents etc. in Dacca and Chittagong.

this group should be contacted as soon as the promotional material has been prepared. In a covering letter, a short outline on what type of companies might be interested and

what the advantages are should be included in the mailing

It is highly important that any response from this target group be followed-up immediately.

Delay on the part of the authority in reacting would be negative and might endanger the good-will which may have been built-up.

4.9 Necessary Promotional Material :

As outlined in the preceding chapters, the various target groups should be approached,

- using different selling points, i.e. different sets of promotional material
- providing information in a staged degree of detail: general information and/or one specific offer for the first contact, more detailed material at consecutive mail shots, seminars etc.

The existing promotional material, developed for a general coverage, should be revised and the following set of information material be printed :

4.9.1. Folder for Local Investors (L1) :

Contents: Information on SZZ for type B & C of investment. Selling points according to chapter 4.4. Layout of SZZ, Map of Battambang area (similar to the one contained in the project proforma).

Size: 213 x 113 mm, 1/4 x 1/2 x 1/4 in.

Weight : Maximum 50 g.

Colour : 2-3 additional colours.

Copies : 1000

Photographs have to be carefully chosen or arranged to picture the right image; most photographs of present publications (e.g. "Facts about Bangladesh" or "Opportunities for Investment...") are not suited.

Copies: 5000

4.9.4 Set of Information Fact-sheets:

Contents: Detailed and up to-date information on 36 different subjects (see annex 3) such as wages, labour, legislation and relations, fringe benefits, air transport, tariffs and expedition, company registration, procedures, exchange control regulations etc.

Size: DIN A4, 1-6 pages each

Copies: 200 each

4.9.5. Sector Profiles

Contents: Detailed information on selected sectors such as leather and leather products, agricultural produce, agricultural raw materials, timber industries, fisheries, textiles/garments, electronic components, engineering industries.

Size: DIN A4, 1-6 pages each

Colour: 1 or 2 colours

Copies : 200 each

4.9.6 Sachets

Contents: Graphic design and addressed only.

Size: to hold DIN A 4 pages.

Colour: 2 colours (matching folder and brochure design).

4.9.7 Graphic charts, Overheads, Slides:

For use at seminars, and company presentations.

Subjects: economic and industrial data, incentives/
selling points, maps and A-Z layouts, photos as in
brochure.

4.9.8 Visual aids:

1 epidiascope, 1 overhead-projector, 1 portable desk
projector (including screen), blow-up photographs
(i.e. 30 x 40 cm).

5. Necessary inputs for immediate measures

5.1. Personnel requirements and costs

For carrying out of the measures described in chapters
4.7 to 4.9 considerable time will be required for
research, compiling of information, writing copy,
organising and monitoring the campaigns and finally
answering enquiries and receiving investors. The
necessary time inputs are estimated as follows:

- | | |
|---|--------------|
| 1. Answering enquiries,
simultaneous preparation
of fact sheets | 1 man-month |
| 2. Screening and follow-up
on proposals | 4 man-months |
| 3. Advising/negotiations
with projects in hand | 1 man-month |
| 4. Campaign aimed at potential
local investors | 3 man-months |

- | | | |
|--|---|--------------|
| 5. Campaign aimed at overseas Bangladeshis | } | 2 man-months |
| 6. Campaign aimed at Pakistani, Indian | | |
| 7. Campaign aimed at other foreign investors | | |
| 8. Campaign aimed at embassies, banks, etc. | | |
| 9. Establishing the most essential promotional material, i.e. 2 folders, approximately 15 fact sheets, charts, overheads | | 2 man-months |

Total : 13 man-months

If all these measures shall be implemented by January/February, 1963, an immediate recruitment (to start beginning of September at the latest) of

- a) The member marketing and investment promotion division,
- b) two qualified executives for this division are indispensable. Furthermore, sufficient funds (approximately Tk. 500,000 plus Tk. 400,000 in foreign exchange) must be allocated for the employment of a graphic designer, for printing, photography, travelling costs, etc.

The presence of Mr. Sullivan (till end of October), Mr. Melin (to be agreed) and Mr. Leckscheit (second period: November/December) should be utilised for advice and training.

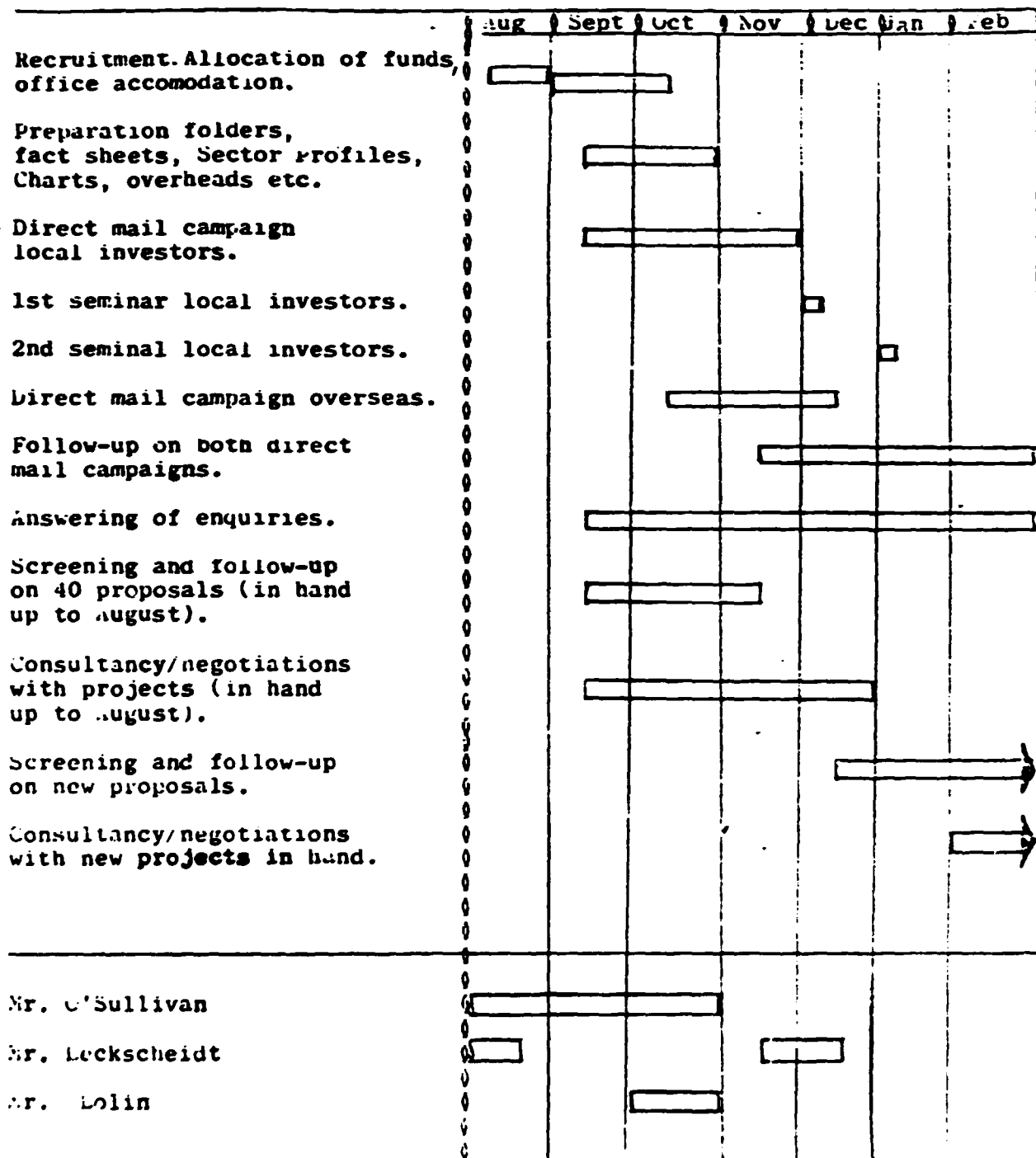
5.2. Setting-up of the Authority.

At this point it is well to re-emphasise the importance to the programme of having the Authority finally established and in a position to recruit and train executive staff. From a perusal of this document it will be clear that there is a very considerable work-load to be accepted, organised and delegated if even a minimum of progress within the next 9-12 months is to be reported. Now that a number of provisional approvals have been issued to some promoters who must embark on the work involved in building factories on their rented plots in the Zone it would be wasteful in terms of the time and expenditure already invested by the Government to have any further delay in the Authority becoming fully operational.

We would urge that to make maximum use of the visits of the Louis Berger team now proceeding on schedule the necessary counterpart staff be recruited immediately.

Furthermore it is not considered that the present office arrangements are suitable even on a *protem* basis and it is recommended that more representative and more suitable office space be rented prior to engaging any additional staff. Pending the building or renting of larger accommodation a number of rooms should be rented in one of the larger hotels which are quite good for the reception of foreign visitors.

6. Time Schedule for Immediate Measures



7. Long-term Strategy.

Recommendations for a long-term strategy can be given to a certain degree only on the basis of past experience in industrial promotion. Every location and country has its own advantages which must be seen in their relevance to the potential investor. In view of the keen competition among the various Export Processing Zones it is highly important to specify the market gaps, i.e. target groups in combination with some specific selling points of Bangladesh.

Experience has shown that promotion is as successful as it is tailored to the specific needs and problems of the potential investors.

We must realize that the starting point of the communication process is the investors' personal perception (often misconception) of a country's investment conditions.* If in his perception these conditions are below the acceptance level, he will simply pay no attention to whatever press advertising or direct mail he might be exposed. In a long-term promotional strategy designed to attract foreign companies for an estimated employment of over 10,000 we must at first clarify our exact position before launching a comprehensive campaign. There might be a misconception on our, the marketer's side as well : we might overestimate some advantages, e.g. labour costs, or not recognize others, such as possibly vacant quotas for garments, or leather articles.

Before establishing mailing lists, drafting promotional letters or attending fairs abroad, we must identify , in which countries, which industrial sectors and with what selling points, we should succeed. This in turn will determine the promotional campaigns and the material to be used.

* for communication process see annex 5.

We strongly feel, that introducing the EPZ, Chittagong , as an investment location would call for a long-term strategy in which marketing and investment promotion is based on on-going research, backed by continuous public relations.

7.1. Research Phase:

Parallel with the campaigns planned for the period September 1982 to February 1983, the research for the long-term strategy, particularly for the promotional campaigns abroad, can be carried out. This would tie up very well with the necessary training of the marketing division's staff and the drafting of the promotional material.

A. Competition Analysis, Clarification of Selling Points.

1. Transport cost and time situation for air freight and sea freight for the intended EPZ products ? which share of the cif costs at the target countries is taken up by transport costs ? which competing zones can offer preferential freight rates and which are burdened with high freight costs ? At what level would air freight rates ex-Chittagong be attractive ?
2. Comparative labour-cost advantage of the EPZ taking into account, wages plus fringe benefits and productivity.
3. Start-up time in the EPZ compared with other free zones and repercussions on pay-back.
4. Cost and time of
 - a) lease of plot plus construction of building
 - b) ready factory premisesas compared with competing locations.

3. Importance of start-up time for pre-investment cost and pay-back.
6. Comparison of the EPZ vs. competitors in three cost factors : total labour cost, premises, freight.
7. What are the selling points and weak spots in the offers of the competitors?
8. Customs tariff and quota situation in intended target markets (EC, USA, Japan, South-east-Asia) for sensitive products such as garments, shoes or electronic components. Situation regarding "qualifying tariff steps".
9. Bangladesh exports of raw materials and semi-finished products which might be suitable for further processing in the EPZ.
10. Industries with considerable use of water or gas.

E. Target industries:

From experience in investment promotion for other locations it would appear that light assembly industries, projects with a fast pay-back, air-freightable goods, processing operations based on local raw materials, and joint-venture opportunities with well established local companies should be the kind of offers to emphasise in promotion. However, this may, at present, be considered only a working hypothesis which must be verified and specified.

- Therefore it has to be examined whether the above hypothesis is over-rigid. Probably the industrial infra-structure of Chittagong constitutes a sufficiently strong incentive also to attract projects with a longer pay-back period and greater investment, management and training inputs (e.g. metal working, pumps manufacture, chemical, wood-working or ship-building).
- We must also investigate, how appropriate the location would be for major capital intensive projects such as within the food industry, e.g. fish processing and manufacturing of beverages using local resources.

C. Target groups of investors, question of image:

As for the image of Bangladesh, the advantages and disadvantages of the EAZ Chittagong, as seen by the investor, several possible reservations have already been pointed out in the review of June 2nd 1982 by Mr. O'Sullivan and in section 2 of this memo. The recommendation to direct the immediate measures at investors familiar with Bangladesh's environment and situation is based on one of these notions.

To clarify the priority range of target groups and selling points and to assess the role of public relations, the following hypotheses should be evaluated:

Hypothesis 1:

The image of Bangladesh's political and economical stability appears to be very unfavourable in regard to attracting investors to the country.

Questions:

- What actually is the knowledge about the country and to what extent are existing notions just based on unfavourable (often unjustified) press reports. Could this image be corrected in a long-term PR campaign ?
- Does this image pertain to all target groups or is it somewhat differentiated (as it is our hypothesis)? Are overseas Bangladeshi and South-east-Asian businessmen less hesitant than Americans or Europeans ? Or are, on the contrary, the Bangladeshi those who have no trust in the situation and do the Europeans judge the conditions more rationally ?

Hypothesis 2:

What is the foreign investor's idea of the Bangladeshi worker, his or her technical skills, the achievable productivity, the ability to understand and handle modern machinery and to turn out quality products ? We suppose that the assumed notion of Bangladesh as an agricultural country subject to floods and other disasters has so far prevented the outside world from realising that there is a solid industrial base and considerable technical skill and management ability already in the country.

Questions:

- What is the knowledge and the image regarding the work-force and local management: non-information (neutral), positive knowledge, negative ideas or negative experience ?
- What indicators of efficiency does the investor accept as proof of efficiency: testimonials by multi-

national companies a suitable selling point even though they might be from a different industrial activity?

D. Capital formation of Overseas Bangladeshi funds:

1. What is the investment capital available
 - a) with non-resident Bangladeshi
 - b) from remittances/wage-earners scheme/WFL
2. Is this capital concentrated as funds for investment or is it fragmented and must yet be channelled into investment corporations or other forms of share-holding (i.e. the Turkish model or guest-worker companies)?
3. Which countries show the highest capital formation and how can the target groups be reached ?

7.2. Target groups and their motivation

The target groups have already been described in the preceding chapters. Therefore only a summary is given in this section.

Target groups by country :

1. Pakistan, India, South-east-Asian countries, Japan: To these countries Bangladesh offers specific advantages regarding proximity and similarities in business environment. As wages are rising in some places, investors might evaluate Bangladesh's cost advantages, combined

with available quotas for textiles and other labour-intensive operations. Some companies, e.g. from Japan or Korea, might also consider investment worthwhile just to be present in Bangladesh. These might even include capital-intensive projects, where raw-materials and energy might play an important role.

2. USA: the vast USA market appears to offer great potential to attract US companies for transferring some of their activities to Bangladesh. Target industrial fields could be electronics, light mechanical industries and production on local raw material and industries or on gas as a basic energy.
3. European countries : UK, West Germany, Netherlands, Switzerland and Scandinavia have always been traditional target countries for investment promotion. Pressure on labour-intensive production and the need to be near to their export markets continues to force European companies to set up production units in developing countries. This includes all types of industrial activity : consumer goods as well as investment goods, precision items and machinery as well as mass production of garments or electronic components.
4. Oil States: although these countries do not possess industrial know-how they are interesting for their available investment capital and ready markets. A tripartite joint-venture should be envisaged in which the Arab party supplies a major part of the

capital and guarantees the marketing, a European, USA or Japanese company offers know-how and some investment and the Bangladeshi side contributes local investment and know-how.

Target groups by industrial field:

1. Light assembly industries : particularly garments, leather articles and electronic components. Decisive for these products are comparative cost advantages and secured delivery. Product lists can easily be established using the export statistics of competing countries or the import statistics of USA or the European Community.

Although the main markets for these products are USA and Europe, all four above mentioned country target groups can be considered for investment promotion.

2. Projects using local resources: based on agriculture, forestry, fisheries, water, gas as well as on the existing industrial base of Chittagong.

For projects based on agriculture, forestry and fisheries it should be ensured that people in the villages and towns are not deprived of their traditional source of foodstuff, firewood or of their income, when export industry starts buying commodities in bulk. It would be irresponsible and contrary to existing Government policy launching a project that draws unduly on vital resources of the population. Projects based on local foodstuffs or other resources can only be justified, if the development and increase in production of the respective commodity is included in the frame of the

EPZ project. This would be achieved best, if some of the foreign exchange earned by these projects is channelled back into the development of the raw material supply, i.e. into agricultural, fisheries or forestry projects.

- 3, Other capital-intensive projects : although the long-term investment promotion might focus on the above two groups, other industrial activities, covering the full range of manufacturing industry, must not be overlooked. As it is difficult to pre-determine target industries, the initiative would in the majority of cases be up to Bangladeshi investors who have identified the business opportunity from their knowledge about export markets.

Target group by type of investors:

1. Internationally operating companies (see annex 2):
This group includes the large companies operating internationally, who are constantly evaluating investment locations. Names such as Texas Instruments, ITT, Hitachi, Bosch, KSB, GKN, Plessey, Philips, Ciba-Geigy, Sandvik, to name a few of them. These companies maintain special departments for international evaluation of locations which collect and compare the offers of various countries and EIZs systematically. For these companies, setting up production abroad is a strategic move to maintain presence in important markets or secure raw materials (see annex 1) and low-cost production bases. These companies are generally always open for information. They expect well-prepared, detailed and up to-date

information and presentation is often taken as an indicator for an E-Z's business approach and performance.

Main target areas: USA, Europe, Japan. Investment decisions are made only after thorough comparison, whether they be capital - or labour intensive productions. Normally they do not act under time pressure and are prepared for a reasonable span of time for setting up their operations.

2. Mobile labour intensive production :

This group consists of a certain type of very mobile companies , mainly in the fields of textiles/garments, shoes and leather articles, electronic components, spectacle frames and optical goods, parts and spares for electrical appliances, the automotive computer and other industries. These companies do not necessarily include great brand names but might nevertheless employ several thousand people in various plants at different locations (see annex 2 B).

For this group of investors, an easily trainable work force, productivity, low wages and good freight connections are the main criteria. In most cases, these investors are under time pressure and intend to install production within virtually a few months. They do not wish to be troubled with building their own factory but prefer to move into ready premises immediately.

For many of these companies it has become routine to constantly seek out new favourable locations. As their production in most cases does not involve heavy investment the investors might be prepared to accept certain risks for the usually short pay-back period of the project. However, they wish their

operations ^{safeguarded} against disruption of supply due to lack of infrastructure, strikes, hold-ups in customs clearance or irregular freight connections.

The investor is not prepared to accept lengthy application processes, difficulties in labour relations or insufficient infrastructure. In some cases, those companies have even reduced or closed down their operations when labour costs kept rising or political instability caused interruption in production (e.g. Portugal). But generally this target group will provide a fast build-up of employment and stay in an EPZ as long as labour costs remain competitive.

Main target areas are Europe and USA, but some of the Asian countries (Japan) might become increasingly important.

3. Bangladeshi Investors:

Structure and motivation of this target group has been discussed in chapters 4.4 and 4.5. It appears that no particular industrial sector can be identified for them as the type of projects will greatly depend on the personal business experience and contacts of the investor. Target countries should be, apart from Bangladesh, the traditional emigration countries namely UK, USA and recently the Gulf states.

Priorities

As has been already pointed out in chapter 7.1 the eventual setting of priorities requires some more detailed research.

However, a preliminary strategy might be adopted as follows :

The immediate aim would be to attract at first a number of Bangladeshi enterprises or joint ventures in order to activate the EPZ and create some kind of leadership effect. The subsequent long term promotion should then be directed towards foreign companies, among which the mobile labour-intensive industries constitute doubtless the easier target. However, as the ultimate aim is the creation of a healthy industrial structure interlinking with the potential of the region and the creation of a "textile monoculture" should be avoided, the emphasis should be placed ultimately at attracting a fair number of the major internationally operating enterprises.

It is reiterated that at this point in time a detailed analysis and comparative study of the various markets which might or might not be open to promotion on the part of Bangladesh has not been undertaken. We are satisfied that, if the approach outline in this memorandum is followed results in the creation of a pipeline will materialize. Nonetheless, one of the priority tasks to be tackled when the Authority is established and staff are available, will be the full assessment of the various target groups, on the basis of which a detailed action plan which can be drawn up.

7.3. Long-term Promotional Activities.

The marketing mix of long-term promotion should consist of

1. Direct mail
2. Sector analyses and profiles
3. Joint venture brokerage
4. Seminars
5. Presentations to companies
6. Visits to trade fairs
7. answering enquiries and follow-up
8. Group visits of industrialists
9. Site visits by individual investors.

Advertising in the mass media , apart from being beyond the available foreign exchange budget, is not advocated because it is felt that well prepared campaigns aimed at selected audiences and presenting a specifically tailored offer will yield better results. But it is recommended to devote considerable effort and allocate the necessary funds to public relations.

The most important promotional tools and tactics have already been briefly described in the preceding chapters. For the planning and execution of seminars, a guideline is contained in annex-4. The following sections shall present some other important measures of the marketing mix, which have to be developed further in conjunction with the training activities for the division's staff.

7.3.1. Direct Mail

A broad outline on the execution of companies has been given in chapter 4.4 , mainly directed to the Bangladeshi business scene. In approaching foreign companies , special attention must be paid to the correct addressing of the target person which involves considerable work in preparing the mailing list.

Technicalities to be observed for direct mail campaigns should be worked out during the training period. The relevant marketing literature should be purchased for the Authority's library.

7.3.2. Sector analyses and profiles

For selected industrial sectors likely to be canvassed for the EPZ, industrial profiles should be established. Such profiles are usually based on a thorough analysis of the local industrial potential and the investment conditions for the respective field. It is advisable to establish this information with assistance of a local or foreign specialist in the field, whereby the engagement of a foreign short-term expert offers advantages regarding his inside-knowledge about the overseas' companies cost situation and possible contacts to potential investors.

A sector profile usually contains the following information:

- short review of the investment location
- labour market: costs, skills, productivity, training, availability
- transport possibilities, tariff and times
- customs
- available materials and components
- incentives
- lease of plots, rent of premises
- cost comparison (examples)
- procedures for establishment of a company
- the existing industrial potential of the respective field
- list of local companies interested in joint ventures
- list of local companies and products for subcontracting

7.3.3. Joint-Venture Brokerage

Several international and national organizations such as UNIDO, the EC (CID), the German BFAI, and various business publications (e.g. made in Europe) maintain a regular joint-venture brokerage service which publishes offers and enquiries and connects the responding parties. These services should be approached by the Authority on behalf of the Bangladeshi companies.

7.3.4. Seminars

In view of the fact that there is virtually no experience within the Authority organisation at present on mounting seminars and although the attached memorandum (annex 4) on this type of promotional function is a blue-print for planning and executing such functions, it is felt that the availability of an advisor with relevant experience in this field at least for the first two seminar programmes would be highly desirable. He should not be responsible for the organisation but should induct these staff members in the techniques involved.

7.3.5 Company presentations

A programme of visitations to selected companies in target countries will be drawn up. Usually this will take the form of preparing an investment profile showing a projected investment module (which can be based on known successful operations) emphasising positive bottom line figures in the form of a dossier with all relevant information to make a corporate planner's task easier. A meeting with the top executives will be sought by letter, possibly signed by the Minister, and two or three executives of the Authority will call and make the presentation. Getting the door open in this manner is not easy in some countries but the effort is well worth-while and the confrontation with companies

at this level yields valuable information and experience which may benefit the work of the Authority even if the first meeting is not immediately fruitful.

Here again this type of programme must be planned well in advance in order to make full use of the time available and to secure appointments.

A presentation dossier should be of a high quality so that its mere appearance is good on a boardroom table. But the contents must also be interesting and to the point. It will contain certain background data on the economy of the country, clear statement of its problems and successes, objectives of the Government's economic planning, data on labour, labour costs, energy, education, trade arrangements and topography. Referrals by resident foreign companies in Bangladesh should also be included. The dossier should be bound in hard covers with title and name of the company printed on the cover. Where possible, colour photographs should be used to illustrate the CEPZ and manufacturing operations already established.

To prepare the compilation of this study it would be useful in advance to secure copy of the company's annual report (if published and normally readily available upon written request to the P.R. department). It makes good sense to show that the marketing delegation is au fait with the various activities of the company at the meeting. It may be prudent to have the Ambassador present at major presentations.

7.3.6 Visits to Trade Fairs

There are some international trade fairs which should be visited. They may also be examined with a view to future participation with an information stand or office (e.g. Hannover and Milan). Here, it is possible to make

contact with industrialists in a concentrated period and in fairly large numbers even as a visitor only. Development bodies in many countries have found the trade fair a very successful vehicle for promotion and marketing.

7.4 Public relations

Unlike sales promotion and marketing of consumer and capital goods, the acquisition of direct investment in a country is very often, by its very nature, a long term exercise. Much emphasis initially must be given to the creation of a credible image for Bangladesh, its administration and institutions as a first step.

The first task then will be to project a positive impression generally and especially among influential circles in finance, industry and the media, an impression which is formed with an awareness of the shortcomings and a frank statement of obvious problems but which spells out clearly the considerable potential of this location compared with others. There are various campaigns necessary with different aims, on different subjects and directed to different audiences. They all have in common that they depend on the cooperation of the media which are normally very open and publish information free of charge, as long as they are supplied with tangible news or substantial documentation.

Bangladesh's local scene.

General information on the advantages of foreign investment, the mechanism of know-how transfer, functioning and advantages of IZ in general and the status of the IZ Dhaka. Supply of short articles, photographs, press releases to the local press, TV and/or radio interviews.

Bangladesh's business scene.

Articles and short information in local business magazines

and information bulletins. Papers read and/or discussions at Lions and Rotary club etc. Seminar as outlined in section 4.4. subjects as above.

Overseas Press, reviews and handbooks.

Supply of comprehensive information on Bangladesh, her political and economic situation and development, climatic conditions, agricultural and industrial potential etc., in order to correct a possible unfavourable image of the country. Mentioning of the LDC only in the general context of the economic development, but emphasising the skill and potential of the labour force.

Overseas business journals, bulletins of the Chambers of Commerce and Industry, Trade associations, and similar publications.

Supply of detailed and concise information on the investment conditions and the LDC. Press releases on seminars abroad, group visits and other LDC news.

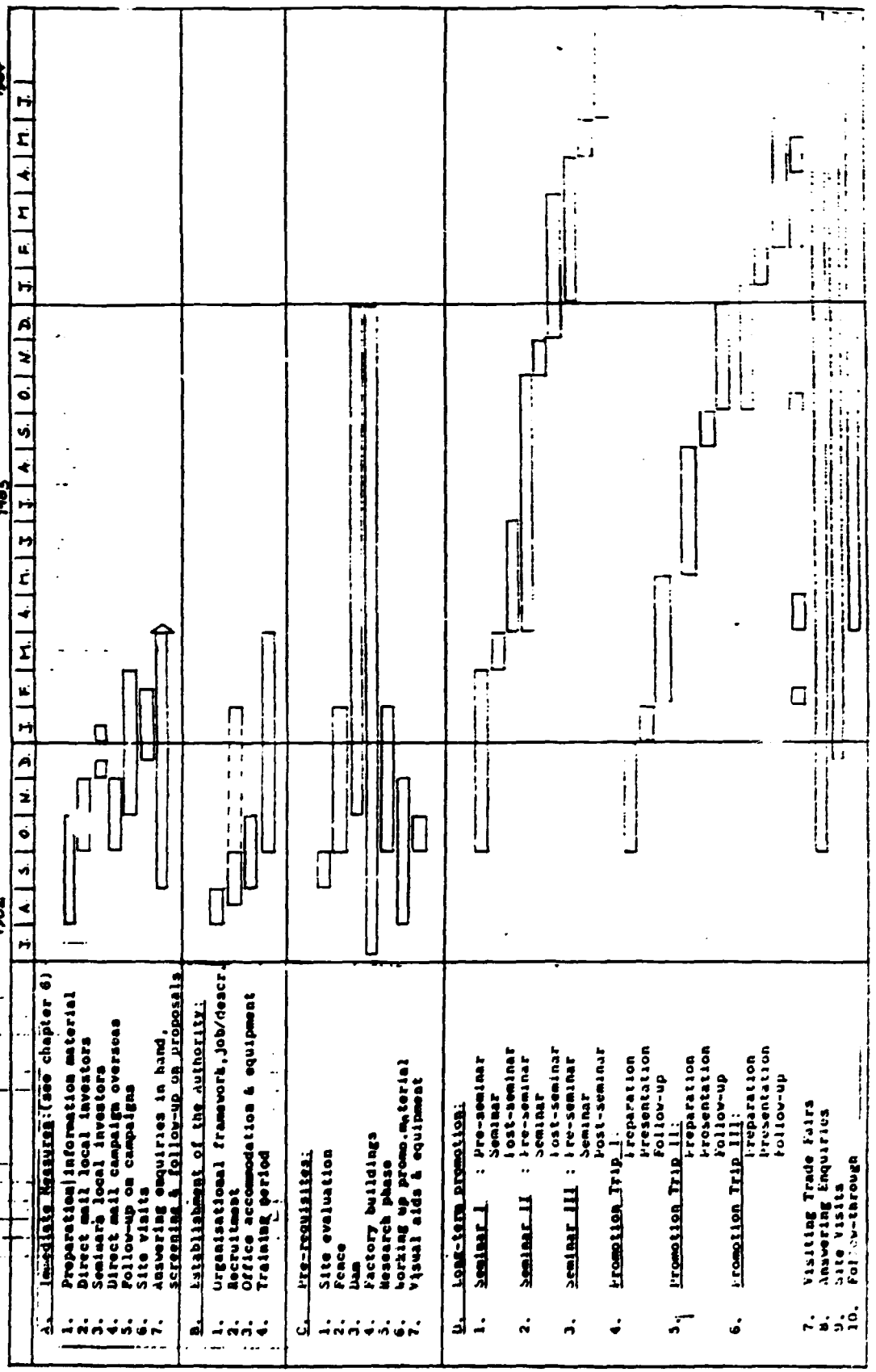
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Time schedule for long-term measures.

1984

1983

1982

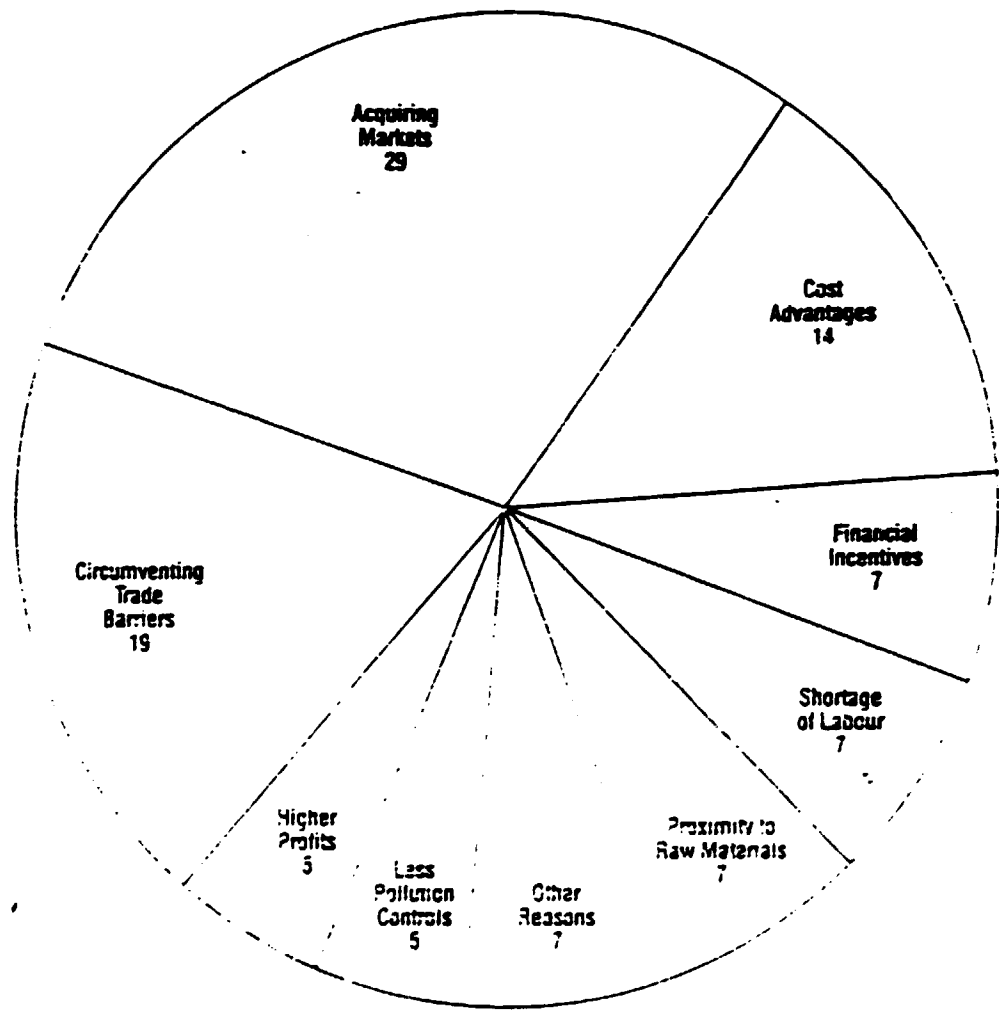


ANNEX

1. Motives for Foreign Investment
2. List of Selected Companies
3. List of Fact Sheets
4. A Suggested Format for Holding Investment Seminars
5. Relationship of Promotion - Marketing to Investors

ANNEX 1:

German Foreign Investment Motives for Foreign Investment in %



Source: German Investment Survey, 1977

Extract from survey

**MOST IMPORTANT FACTORS IN SELECTING NEW PLANT
LOCATIONS OUTSIDE MAINLAND US**

Q. In choosing between potential locations outside the 48 mainland United States for a manufacturing or processing facility, which three to five of the following factors would your company consider the most important?

	Total	<u>Largest Industrials</u>		
		Top 100*	Next 400	2nd 500
Political calm and stability	72%	67%	73%	74%
Government's attitude toward multinational corporations	62	58	65	61
Proximity to markets	60	64	58	62
Proximity to raw materials, components, etc.	41	44	46	33
Availability of unskilled or semi-skilled workers	37	20	41	40
Financing and tax concessions	36	36	33	40
Availability of skilled workers	35	29	34	39
Availability of energy supplies	34	36	37	31
Availability of technical or professional workers	22	13	20	27
Transportation costs	19	20	21	16
Living conditions for American nationals	13	13	13	11
Construction costs	9	4	9	12
Miscellaneous other factors	8	2	4	11
No answer	2	2	2	3
Companies planning new plant locations outside US	111	141	113	83

NOTE: Details add to more than 100% because of multiple answers. Caution: Small base.

Source: Facility Location Decisions

Fortune Market Research Study

ANNEX-2

List of Selected Companies.

This list is not intended to be comprehensive. It merely illustrates the kind of company that might be induced to list Bangladesh among its potential re-locations at a future date.

A. Companies Operating Internationally.

ITT, Bell, Northern Telecom, General Electric, Nixdorf, IBM, Bosch, Siemens, Philips, Moulinex, Remington, General Instruments, Mitachi, Sony, Sanyo, Krups, Vorwerk, Progress, Hoover (Electric, Electronic and household products).

Leckton Dickenson, Pywe, Aesculap, Emda, Horita, Braun-Melsungen, Warner Lambert, Travenol (Medical instruments and apparatus).

B. Mobile Labour-intensive Production.

Wrangler (fruits of the loom, Levis and others (jeans)).

Clarks, Puma, Adidas, Joki, Milton, Bradley, Maedler, Mattil, Komika, Salamander, Lloyd (shoes, sports-goods, leather articles).

Rodenstock, Rosch & Lomb, Menrad etc. (spectacle frames).

Lampax, Procter & Gamble, Zellstoff Waidhoff (napkins etc).

Jears & Coetuck, Penneys, Macys, Marks & Spencer, Harrods, Kaufhof, Quelle, Otto, OGA, P&C, Domus (mail order and chain stores) while these companies themselves are not considered as potential investors, they would be able to stimulate their major suppliers).

Fujitsu, Mitsui, Intertone, Attari, Westinghouse, Schmidt AG, Westermann, Astor-Lenning, Yale, L&S (electrical and mechanical components).

ANNEX-3

Fact sheets

DIN A4 1-2 colours, 1 notaprint, 1-6 pages.
100-200 copies each

English, later German and French.

Subjects : (one individual leaflet per subject):

- 1 - Map of Bangladesh
- 2 - Bangladesh as a country: Geography, history, cultural heritage.
- 3 - Bangladesh's economy
- 4 - Economic policy (past and present).
- 5 - The industrial sector : public enterprises, local private companies, foreign companies.
- 6 - Agricultural raw materials-base of Bangladesh.
- 7 - Exports and imports of Bangladesh.
- 8 - Sub-contracting possibilities , local purchases, and necessary procedures.
- 9 - Quality standard.
- 10- Universities, technical etc., colleges, training institutions.
- 11- Labour force (including emigrants returning).
- 12- wages, on-costs, overtime pay, etc.
- 13- Working hours, holidays, shift regulations.
- 14- Unions, labour relations, labour legislation.
- 15- Productivity/efficiency.
- 16- Gas/electric power/water/acetylen/Oxygen etc.
- 17- Industrial services.
- 18- Climatic conditions.
- 19- Employment of expatriates/living conditions for expatriates.

- 20 - Transport, tariffs, expedition.
- 21 - Communications.
- 22 - Map of EPZ and surrounding area, description of the industrial and other supply potential of Chittagong.
- 23 - The Bangladesh Export Processing Zones Authority.
- 24 - Standard reply requesting information.
- 25 - Layout of EPZ, layout of plots/factories/construction regulations.
- 26 - Lease of land/rent of factories.
- 27 - Type A/B/C investment.
- 28 - Incentives.
- 29 - Setting up a company in Bangladesh.
- 30 - Investment guarantee.
- 31 - Banking/local financing.
- 32 - Exchange Control regulations, repatriation.
- 33 - Tax/tax system/ Double taxation agreements.
- 34 - Customs and customs procedures.
- 35 - Important government departments and institutions.
- 36 - Foreign embassies and trade missions in Dacca, Bangladesh embassies, trade missions and other bases abroad.

A SUGGESTED FORMAT FOR HOLDING INVESTMENT SEMINARS

There are a number of approaches and techniques in the staging of investment seminars, depending on location, the nature of the invitation list and the sponsors of the seminar. This is merely one suggested format based on experience in Europe and North America. It is felt that, with some adaptation it could be employed also in other locations.

For the sake of order we shall divide the seminar exercise in promotion/marketing into three phases, viz, Pre-seminar, Seminar, and Post-seminar. Thus activities associated with these three phases are clearly delineated and the responsibilities for individual inputs by the officials of the Authority and others are known to all concerned well in advance of the event. This ensures careful and timely preparations so that little is left to chance and a degree of professionalism may be introduced at an early stage.

Whether a single seminar or a series is being held it is essential that the first step should be the appointment of an organiser with, possibly, an assistant. He or they must immediately draw up a check list for the action programme which itemises who is designated to carry out preparatory work, and the deadlines for completion of these tasks. They will monitor progress and report back to the Member of the board in charge of marketing who will bear overall responsibility.

Assuming that the Board has decided to mount a series in different but related locations it must be determined in which order these locations will be visited, the dates (bearing in mind local holidays, etc) and under whose auspices the functions will be held. It is suggested that, normally, a general itinerary be drawn up about nine months ahead and that this be refined and finally decided upon not later than six months ahead of the start of the programme.

The approach may be different in each country but in some of European countries it is possible to persuade the Chambers of Commerce to host the seminar. This means that the function may be held in the Chamber's and some essential facilities are readily available at no or low cost. They are sometimes helpful in the organisation of invitation lists and pre-seminar publicity. Furthermore their hosting confers official approval of the efforts of EEPZ Authority and thus leads credence to investment programme offer and incentives.

These important considerations should be borne in mind when plans are being formulated. In most cases it is advisable that the Embassy should give advance notice on an informal basis of the intention to hold promotional seminars to the Foreign Office Trade Section in the country. This is usually regarded as a mark of courtesy.

PRE-SEMINAR:

The selection of appropriate locations and matching these with dates is one of the first tasks in this phase. At this point it is also well to design the seminar programme even in outline terms. This will enable determination of the facilities required such as visual aids, documentation, literature and where necessary translations of leaflets , etc., all of which involves a fairly substantial lead time if printing is required.

Here one ought to be able to decide here the main emphasis and themes of the seminar as well as the selection of the Authority's team to deliver the message. In Appendix I some suggestions are given for themes that might be covered by presentations at the Seminar.

The format will very much depend on whether the seminar will be spread over a full day or half day and this may be dictated by the practice in the individual country. Advice from the Chamber of Commerce will be of value in this respect.

Alternative programmes are suggested to fit each case.

INVITATION LIST:

An attendance of about 50 should be aimed at. This is a suitable number which allows contacts to be established with members of the visiting delegation in the comparatively brief time at their disposal, and possible appointments to be made afterwards for private discussions.

In order to achieve that attendance it may be necessary to send out approximately 500 invitations on the basis of a response of 10 per cent positive replies.

Invitations must be out in plenty of time, say one month in advance of the date. Where possible and feasible invitations should be issued in the name of the Ambassador. They should be accompanied by a leaflet, preferably printed but can also be a typed copy, giving the agenda and list of speakers and their subjects.

The selection of invitees will demand time and research. They should be representative of the industry in the area but should include leaders of those sectors in which the Authority has a special interest. Assuming that some responses have not come in within ten days it will be necessary for the organiser, his assistant or in some cases Ambassador to telephone those invitees and endeavour to obtain a verbal accept. e. Failing that

they might be encouraged to send a top level deputy instead. This, however should always be regarded as a fall back situation. Other names can be drawn from a list of companies which have trading relations with Bangladesh, also major accountancy firms who are known to be engaged in business in this area.

Another tactic to be employed in the compilation of the list is to write to such firms requesting them to nominate companies which in their view might be suitable for inviting. Sometimes in order to obtain such suggestions a personal call might be fruitful.

The Chamber of Commerce can usually be relied upon also to supply names. Similarly the major banks may also be asked to suggest names of industrialists.

In certain cases and in order to secure the attendance of desirable invitees it may be feasible for either the chairman of the Authority, the Minister for Industry or the Ambassador to write personally-signed letters advising of the programme to accompany an invitation. Reply cards should be included for convenience and to facilitate keeping records.

Where time permits the programme should allow for a second full day to be spent in the area by the delegation. This would provide an opportunity to visit some important firms such as multinationals

and this can often include a lunch with members of the board. In this kind of scenario it helps very much if the delegation is led by a Government Minister.

Every advantage should be taken to obtain television and radio coverage for the visit and this can be done by advising the media well in advance and providing some background information to enable editors to taste the material. Another gambit is to hire a local PR agency to take care of this aspect only.

The effectiveness of the seminar can only be judged by the results and, again, results can only be deduced from records kept of contacts established. For this reason it is important that delegates maintain a record note of each individual discussion, indicating what follow-up inputs is required. These must be collected by the organiser and coordinated by him after each seminar. From these discussions will also emerge a general impression of the kind of questions industrialists are likely to be raising at other venues and thus they will be the better prepared to deal with them.

Publicity, Promotion :

As already intimated, the visit of an official delegation provides an excellent opportunity for developing maximum and favourable publicity for the Authority's programme. Consideration may be given to the production of a short video-type film to be shown at seminar and clips of which might be made available to TV studios.

During Seminar:

The organiser will have satisfied himself in advance that all arrangements according to the check-list have been satisfactorily completed. His main function during the seminar will be to ensure that the timetable is adhered to and the speakers are reminded when necessary which themes to emphasise. He will also monitor progress and see that the facilities such as visual aids, information kits, copies of speeches, refreshments, etc. are to hand at the right time and in the right place. He will also supervise any promotion division staff supporting the presentation and technical staff or sub-contractors or advertising agency involved in the programme.

Post-seminar:

After the seminar the results can be evaluated. It will be useful to set out the degree of interest for the Authority of each attendee and this will enable one to decide on what appropriate follow-up activity should be undertaken. Depending on what one considers to be his interest in investing in Bangladesh an action plan can be drawn up setting out when he should be next contacted, viz., in a month, in six months or in a year after the seminar. Equally it may be necessary to eliminate him from the list of potential investors. By categorising the contacts in this manner the task of converting enquiries into projects will be greatly facilitated.

The annexes attached are intended as sample documents which may be used as guidelines when the organiser is actually drawing a seminar programme.

ANNEX I : Sample letter by Ambassador to introduce Seminar:

EMBASSY OF THE PEOPLE'S REPUBLIC OF BANGLADESH
SEMINAR FOR THE PROMOTION OF INVESTMENT IN
BANGLADESH

Dear Chairman, .

The Government of Bangladesh have decided through The Export Processing Zones Authority to arrange a number of Seminars on investment in our country in the near future. These will be held in a number of European cities during March, beginning in Frankfurt on March 6th, where the venue will be Industries and Handelskammer.

At these seminars we shall be discussing the considerable potential which our country has for development of manufacturing industry and the swiftly-growing markets which this industry can service in South-East Asia. The objective will be to attract the interest of investors, to encourage them to establish branch operations in Bangladesh and to assist them, where desired, to find suitable partners for joint ventures in Bangladesh.

Each Seminar will consist of two sessions. The first day shall be devoted to a number of presentations on various aspects of the Bangladesh economy, its political and social future, financial and banking policies and the Administration plans to provide employment and improve the general standard of living in the country.

The very attractive incentive package now being offered by The Bangladesh Export Processing Zone Authority in its first zone at Chittagong, the country's main seaport, will also be discussed. An important feature of this package is the tax freedom on profits and individuals for first five years of a project's operations followed by a reduction of tax by 50% thereafter. Very reasonable labour costs enable Bangladesh to compete very keenly with other low cost centres in Asia.

I should like to invite you to attend our Seminar and I feel that it would be interesting for you to learn at first hand how we are planning to solve our problems by developing our economy and industry. Allow me to hope that you will be able to join us in Frankfurt on March 6th.

An official invitation and agenda will be sent to you shortly.

Yours sincerely,

Ambassador

PRE-SEMINAR

PLANNING, ORGANISING

CHECKLIST

		<u>Action by</u>	<u>Deadline</u>	<u>Implemented</u>
1.1	DATES, Selection. Check that holidays are avoided and trade fairs etc.	Board and Organiser	6 to 9 months ahead	
	Determine delegation members .	Board	6 months ahead	
1.2	Seminar Locations. Select venue, hotel or Chamber of Commerce	Organiser	31-12-82	
1.3	Facilities. Decide on number of guests.	Organiser	31.12.82	
	Decide on speakers.	"	31.12.82	
	Reserve conference room and rooms for second day	"	31.12.82	
	Layout of seating arrangements.	"		
	Make lunch arrangements. coffee, breaks, refreshments. Select menu. Arrange timetable.	"	1.2.83	
	Equipment required from hotel or outside, microphone, projector, graphic operators of equipment.	"	1.2.83	

	<u>Action by</u>	<u>Deadline</u>	<u>Implemented</u>
	Translation of speech texts	PR Department	1.2.83
	Book photographer	PR Department	1.2.83
	Reserve bedrooms for team	Organiser	1.2.83
1.4	Seminar Agenda.		
	Decide themes and sequence	Organiser	15.2.83
	Speakers	Chairman	1.2.83
	Decide chairman of delegation	Board	
	Programme of factory visitors meetings on second day.	Organiser	1.1.83
	Select and contact firms	Organiser	1.1.83
1.5	Speeches, Visual Aids, etc.		
	Scripts to be written	Speakers	15.12.82
	Design display material, maps, photos, flip charts, notepapers.		15.12.82
1.6	Finalise Travel for Delegation.	Organiser	1.1.83
	Dossier and Travel kit completed and including:	Organiser	1.1.83
	Travel reservations	"	1.1.83
	Hotel reservations	"	1.1.83
	Seminar programme	"	1.1.83
	Speeches	"	1.1.83
	Statistical data	"	1.1.83

	<u>Action by</u>	<u>Deadline</u>	<u>Implemente</u>
	Organiser	15.2.83.	
List of attendees and short notes on important guests			
Table plan for lunch	"	15.2.83	
Name cards for speakers on top table	"	15.2.83	
Name tags for guests	"	20.2.83	
List of likely discussion points and replies	"	1.2.83	
Contact forms for delegation (notes of persons met)	"	1.2.83	
1.7 Dossier for Attendees to include seminar programme	"	15.2.83	
Promotional Material	Prom. Div	1.2.83	
Travel connections to Dacca			
Statistics on Bangladesh	"	1.2.83	
List of project profiles	"	1.2.83	
Notepaper pencil	"	1.2.83	
1.8 Invitation list			
Identify sectors, companies contact for inclusion	Marketing Div.	1.11.82	
Make list of these note response to invite	"	1.12.82	
1.9 Invitation, print items.	"	1.11.82	
Decide who issues	"	1.12.82	

	<u>Action by</u>	<u>Deadline</u>	<u>Implemented</u>
Design, write copy for invitation and letter, reply card, print cards, print programme, name cards, contact forms, name tags	Marketing Div.	1.2.83	
Agree who mails invitation Any other leaflets to ready	Organiser	1.12.82	
1.10 Replies to invitations			
Follow up on phone non-responses	"	1.1.83	
List positive and negative replies (final)	"	12.1.83	
1.11 Project profiles	"	1.1.83	
Select Profiles for presentation at seminar	Marketing Div.	12.12.82	
Prepare written and visual aid material on them	Organiser	1.12.82	
1.12 Briefing Delegation in advance	"	1.2.83	
Determine responsibilities of each Delegate including Ambassador	"	1.2.83	
who receives guests			
who records list			
who checks facilities			
who issues dossier,			
who notes questions at Seminar and Press Conference			
who participates at private meetings			
who participates at Press Conference		1.2.83	-

Action by Deadline Implemented

1.13 Visit to Major Firms in area
Select list of suitable firms
Make contact and agree
arrangements

Organiser 1.2.83

Prepare special presentation
if required.

Marketing 1.2.83
Div.

PUBLICITY AND PROMOTION

2.1. Advertising
Determine media, copy budget
Decide if appropriate order
ads in financial press

Promotion 1.1.83
Div.

2.2. Set scene by advance reports
and Press "elcase

PR Div. 1.1.83

2.3 Journalists' Visits
Estimate cost involved, decide
on budget

Promotion 1.1.83
Div.

Select key journalists for
visit before or after seminar

" 1.2.83

Prepare outline itinerary of visit

" 1.2.83

2.4 Advise Business Organisations
Prepare list of contacts in each
territory including banks,
Employer Organisations, Chambers
of Commerce, major consultancy
and accountancy firms

" 1.1.83

Draft letter to those seeking
they advise members/clients

Action by Deadline Implemented

2.5

PRESS

**ARRANGE conference venue Organiser/ 1.2.83
and time PR**

**Prepare list of invitees " 1.2.83
Prepare letter of invita-
tion , Prepare press
release kit and Issue invitation
and contact journalists by
phone**

DRAFT PROGRAMME FOR SEMINAR

INVESTMENT OPPORTUNITIES IN BANGLADESH

A Seminar to discuss the advantages for industrialists and investors in Bangladesh.

Date. March 6th and 7th, 1983

Time: 09.30 to 17.00, 6th March - Papers, Information, Open Forum
09.30 to 12.30, 7th March - Delegation holds meetings, Discussion.

Venue: Hotel Intercontinental, Frankfurt or
Industrie and Handelskammer zu Frankfurt.

PROGRAMME

6th March 1983

09.30 Arrival and registration of guests.

10.00 Welcoming address and introduction of delegation from Bangladesh.

Speaker: President or General Manager, Chamber of Commerce

10.10 Bangladesh Today.

A country with a rapidly growing population and fairly substantial problems arising therefrom but with equally substantial potential for development. An awareness that her people must do much to help themselves, consequently the search for suitable employment and outlet for innate skills and adaptability of workers. A desire for political and economic stability with progressive attitudes towards business and foreign trade and partnership in manufacturing industry.

10.30 A Sunny and Green Fertile Land.

A slide show.

Located between the Himalayas and the Bay of Bengal, Bangladesh is a flat, green verdant country with year round sunshine and an agreeable climate. Her people, many English-speaking, are kind, hospitable and well disposed towards visitors and expatriates from abroad. Bangladesh possesses many natural resources and seeks know-how and capital for their exploitation.

11.00 Break for Tea (Bangladesh Tea).

11.15 A Base for Exporting to South-East Asia, the Gulf States, and European Markets.

Because of its location, Bangladesh is ideally suited for exporting to a number of rapidly growing markets. Asean has been described as the most rapidly growing market in the world today. Very attractive production costs allow for very keen competition from Bangladesh.

11.45 The Bangladesh Incentive Package :

Details of the incentives available for new projects whether they are fully-owned foreign subsidiaries, joint ventures or wholly-owned Bangladeshi projects. Formalities involved in setting up a business in Bangladesh.

11.25 Special facilities available for investors.

Favourable legislation and state guarantee for repatriation of investment and profits.

Infra-structural and other facilities, energy, water and the new gas deposits now becoming available.

What Bangladesh is seeking.

Project Profiles .

12.45

Lunch

14.15

The Bangladesh Export Processing Zones Authority:

How it can assist the investor. How it operates. The Chittagong EPZ. The strategic location at the country's main seaport. Factories and sites available, costs, lease. The plan to develop air freight out of Chittagong to world markets. Suitable air freightable product groups. The scope for heavy port-based industry.

Simplified customs clearance formalities.

14.50

Labour and Labour costs:

Description of labour laws, trade unions, availability of skilled and unskilled workers, details of labour wage rates and fringe benefits, productivity etc.

15.20

"Why Lever, Inc. Invested in Bangladesh"

Mr. [redacted] Talks about the reasons why his company invested in Bangladesh and the experiences he has had of leading a major multinational subsidiary in Bangladesh.

15.35

coffee break.

15.55

"Why We Invested in Bangladesh"

Mr. [redacted] relates the background of his company's decision to invest in Bangladesh and the success it has had in the region since 1965.

16.15

Panel Forum

Questions to two speakers and general discussion.

16.45

Summary of opportunities for direct investment in Bangladesh.

17.00

Conclusion of Seminar.

cocktail reception.

7th March 1983

09.30 to 12.30

Members of the Bangladesh delegation are available for private consultations and meetings in hotel. Meetings can be arranged in advance or during seminar by contacting Mr.

Draft Programme for Second Day

09.30

Members of delegation available for private meetings and discussions with industrialists.

11.00

Press Conference given by delegation leader in hotel. Press statement to be distributed at conference and questions invited after short address.

12.30

Lunch at important local firm with board members. Attended by head of delegation and a few other members plus Ambassador.

This to be followed by a brief visit to factory.

Evening:

Leader of delegation may host dinner for local dignitaries, Mayor, bankers, political personalities, etc.

Duration of Seminar Programme

Normally a seminar programme should be spread over 1½ to 2 weeks and involve 4-6 different venues. This work load is quite sufficient and will not over-tax the delegation specially in an initial trip.

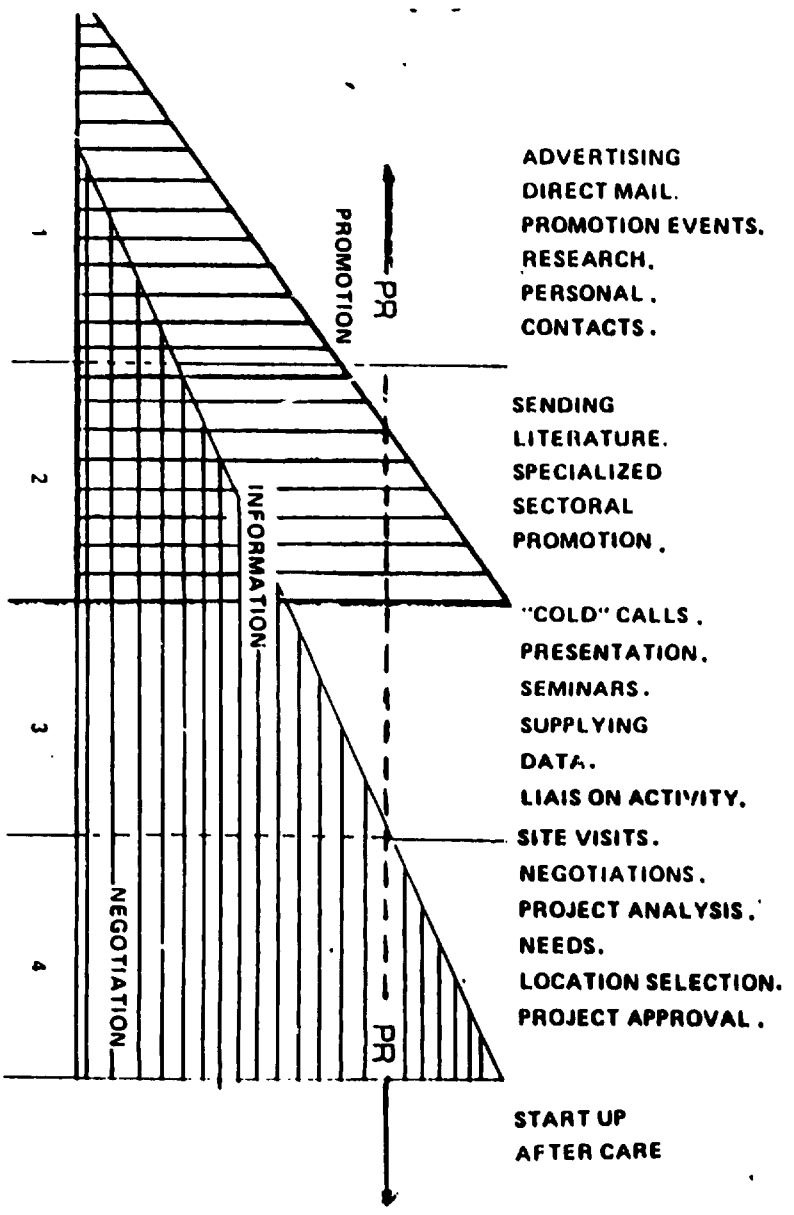
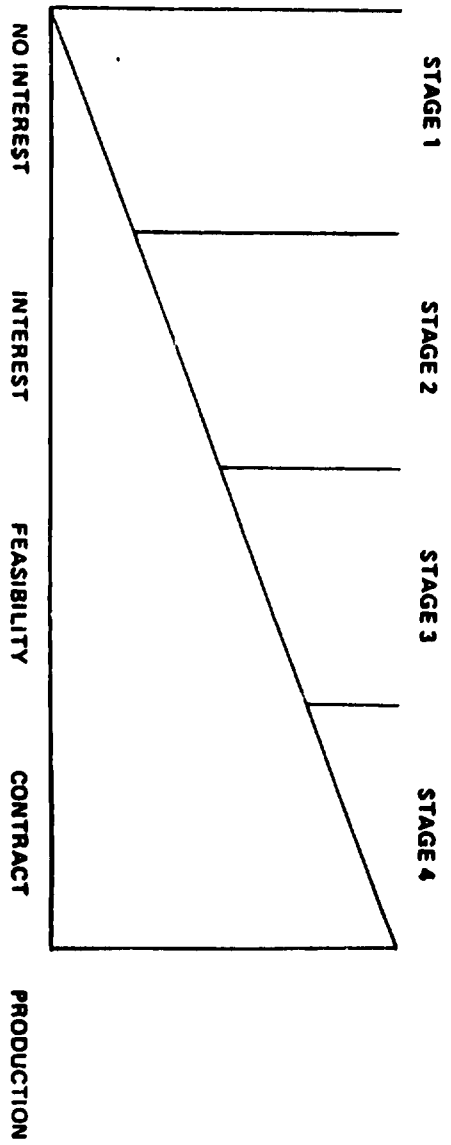
The budget for a seminar promotion programme will be discussed later in another document dealing with the overall promotion budget.

With regard to authority personnel on the delegate team, it may be prudent to provide for deputies in the event of any last minute problem preventing an individual from participating.

ASCCA
12.7.1952

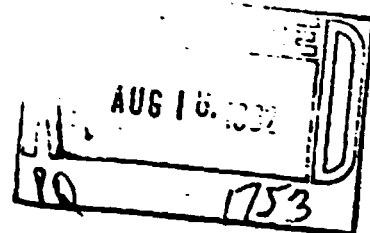
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RELATIONSHIP OF PROMOTION-MARKETING TO INVESTORS:



DRAFT LETTER

to some major international companies - BEPZ



Mr.
Chairman of the Board
Messrs.

Dear Chairman,

I daresay you have heard of Bangladesh in the past in the context of problems, political, social and economic. It is true that destiny has left us with a very large dependence on developed countries for practical material support and we are grateful for this assistance now and in the past.

However, in the future we must help ourselves and part of our plans to do so is the establishment of Bangladesh's first Export Processing Zone at the country's main seaport Chittagong. It is well located to serve markets in South-East Asia, one of the world's fastest growing economic areas.

Production costs, especially in regard to wage rates, are quite low when compared with similar manufacturing bases in Asia, Europe and North America. The development of air freighted goods is one of our priorities in Chittagong and we shall initially concentrate on assembly, light engineering, electronic and garment-making operations. Long-term plans envisage more capital-intensive projects, where possible using local raw materials. Natural gas will soon be available at the site.

I would like to invite your company, when next considering an investment in this part of Asia, to give careful consideration to our incentive and assistance package. To help in your studies I have taken the liberty of including some information material.

Of course I should be happy to deal with any specific queries your company may have in relation to local conditions and procedures. Should you or any of your executives be in Asia at some time in the near future I would be very pleased if a visit to Dacca could be included in the itinerary.

Yours sincerely,
signed

Encls.

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2. Memorandum on Immediate-, Medium-, and Long-Term Promotion Strategies
3. UNIDO Seminar on Industrial Project Preparation, Evaluation, Financing and Contracting: Seminar Programme
4. London Financial Times, September 16, 1982, Article on Manila Semi-conductor Exports
5. Job Specifications: Electronics; Garments, Accessories, Sub-materials; Shoe and Leather Articles
6. September 17, 1982 Newspaper Article on Quality Control Over Bangladesh Shrimp Exports
7. Memorandum on Meeting Between Messrs. Lauber, O'Sullivan, and Leckscheidt
8. Memoranda on Meetings with Bangladesh Tobacco Company and Bangladesh Oxygen
9. Sample Project Memoranda
10. Memoranda on Meetings with Biman Bangladesh Airways
11. Air Freight Rates to the United States and Wages in Electronics in Bangladesh
12. Comparative Survey of EPZ Conditions
13. Temporary Organigram of EPZ Authority
14. Responsibilities of BEPZ Chairman and Board Members
15. Standard Project Proposal Forms
16. Project Progress Report Form

OBJECTIVES

- 1.1 At the briefing session at UNIDO in Vienna in May 1982, which was attended by Mr. Derish Wolff, Vice-President of Louis Berger International, Inc., and John O'Sullivan, Team Leader, the need for practical assistance was underscored. It was agreed that this Interim Report would outline progress to date and the remaining tasks as well as indicate what the counterpart staff should do in the intervals between the inputs by the Berger experts in order to maintain a degree of continuity in the tasks.
- 1.2 The directive relating to practical help has been implemented whenever possible, and the Project Director and his assistants have been extremely cooperative. An excellent rapport has been established. Some of the objectives set out at the beginning of the project have not been achieved due to circumstances outside of the team's control. It is hoped that their achievement has merely been postponed for a short time and that the overall concept of the CEPZ program will not be altered.

CEPZ PROJECT REVIEW: PHYSICAL WORKS

2.1 The June 2 review concentrated on the progress that had been made on the physical works of the zone in Chittagong with the Chittagong Development Authority acting as agent for the BEPZ Authority in planning and supervising land development and building construction. Additional elements that have been considered since the review are discussed in the following paragraphs.

Roads

2.2 The brick-laid roads and footpaths on the site have not yet been asphalt carpeted. It is desirable that this work be completed before the dry season is over or, at any rate, before the first industry is ready to begin production. The prospect of half-completed service roads will not impress potential investors on their first site visits. Although these roads are reasonably wide, care must be taken to complete them in such a way that 40-foot articulated container trucks will be able to negotiate and turn on them. As the containers may be off-loaded, sufficient space should also be allocated to allow for the swinging of heavy-duty forklifts. The axle weight of these trucks could be up to 15 tons; the access road surface should be able to withstand this load.

Container Park

2.3 The final position and layout of the container park should be determined now and a sufficiently high load-

bearing carpeting laid down. Reference should be made to experience with heavy container traffic in other locations. A reasonably similar situation existed at Rosenberg, Rotterdam, Holland, for instance, where the large Bell container terminal was built on sand reclaimed from the North Sea. An attempt will be made to procure relevant data on this facility for comparison purposes.

Standard Factory Buildings

2.4 As of this writing, none of the standard factory buildings has been completed. Their status is as follows:

Single-story building: 96% completed

Three-story building: 28% completed

Warehouse building: 22% completed

2.5 A delay in the release of funds being allocated by the Government has held up building operations. This delay is unfortunate, and every effort should be made to have the zone operational as soon as possible.

2.6 After further consideration, it has been concluded that one single-story and one two-story factory building are not adequate to respond to initial inquiries for production space. A study of pipeline projects reveals that some investors are prepared to build their own factories and are allowing up to one and a half years to do so. Available space is likely to be retained for the better projects. These projects would employ an estimated 600 to 800 people; thus, this number of jobs would be deferred for well over a year while factories are being built, not altogether an attractive proposition.

- 2.7 Two points might be made in this connection. The first is that the time required to construct even a relatively simple structure such as a standard factory building is unduly long. The second is that the essence of success in attracting foreign investment in the face of competition is to have all of the facilities, especially production space, readily available. Only then will investors make quick decisions.
- 2.8 Investors in capital-intensive projects will possibly accept a lengthy construction period, but the quick-return investors who expect profitability within two years (such as garment manufacturers, electronics firms, and light assemolies) will wish to move quickly. Therefore, it is recommended that the Authority once again examine the possibility of constructing additional buildings, preferably single-story structures. It is also recommended that alternative quick-to-build units be planned. Finally, the cost of approximately \$180 per square meter for the existing buildings appears to be very high compared to European levels. The height to the eaves in the factories seems to be unnecessarily high given that light assembly operations do not normally require much head space. Perhaps savings can be effected by lowering the ceilings.

Creation of a BEPZ Building Division

- 2.9 The CDA, acting as agent for the BEPZ Authority, appears to have done an excellent job to date; periodic shortages of materials and funds have not made its work easy. In the long run, however, it

would be better for the Authority to supervise its own building program and that of other on-site projects through its own Building Division staffed with architects and engineers. The sooner this division can be created the better. It will be necessary to monitor the Authority's building code from an early stage (indeed as soon as the zone opens), and the Building Division should be entrusted with this task.

ACTION PLAN

- 3.1 The action plan was drawn up in late May on the assumption that there would be two major stages in the development of the projects: the formal establishment of the Authority and the appointment of the Board of Directors and the recruitment of executive staff in the first half of July. These steps have been affected by procedural delays, and there is essentially a stalemate in the program and the implementation of the plan. As of this writing, the Government has not decided when the Authority will be established.
- 3.2 Under these circumstances, no staff appointments can be made. It was therefore considered prudent to defer the visit of Lim Fat and the second tour of Joachim Leckscheidt pending clarification of the Authority's schedule. Mr. O'Sullivan also arranged to complete his first tour of five man-months on October 12. The visit of Mr. Roger Patton, the hydrologist who will work mainly on flooding precautions for the CEPZ site, will proceed as planned as it is not affected by lack of staff. Apart from these assignments, the team will await developments on the part of the Bangladesh Government.
- 3.3 The team leader has discussed this aspect of the action plan fully with Mr. Mahmoodul Haq, Project Director, and he is in agreement with this decision. Mr. O'Sullivan has also briefed Mr. Kocer and Mr. De Raad, UNIDO, Dacca, as well as Mr. Ryan, UNIDO,

Vienna. Mr. Pat Quinn, of Louis Berger International, Inc., and Mr. O'Sullivan also discussed the matter in a meeting with Mr. Haq in his office on September 10. A revised action plan including actual inputs to date and projected inputs for the future appears in Figure 1. In sum, the scheduling of the visits of the Louis Berger Team of advisers has been as follows:

<u>Adviser</u>	<u>Input to Date</u>	<u>Total Tour</u>
J.J. O'Sullivan	5 man-months (May 9-Oct. 12)	8 months
J. Leckscheidt Promotion, Marketing	1 man-month (July 16-Aug. 19)	3 months
P.M. Quinn Vice-President, LBII, Inc.	0.5 man-months (Sept. 10-14)	0.5 months
Roger Patton Hydrologist	2 man-months (September 21-)	2 months

The next inputs will be as follows:

Lim Fat	2 man-months (Dec.- Jan.)	2 months
J. Leckscheidt	2 man-months (Jan.-Feb.)	2 months
J.J. O'Sullivan	April 1983	

SCREENING PIPELINE PROPOSALS

- 4.1 Notwithstanding the unsatisfactory stalemate position, the Project Director and Team Leader agreed that a good deal of useful preparatory work could be done in anticipation of the day when the team could proceed at full pace. This work included examining existing pipeline projects and conducting meetings with promoters. A number of meetings were held in the Director's office, and they enabled the team to elicit much more information and background material than might have been obtained from a study of promoters' submissions. Such discussions will form a vital part of the relationship between the Authority and its clients and should be attended by several of the Board's staff, if only to expose them to the technique of handling such meetings. For obvious reasons, this attendance was not possible for the recent meeting, but it is recommended that this point be given attention in the future when staff become available.
- 4.2 A logical extension of this contact would be for officers of the Authority, preferably those who are suitably qualified, to arrange to visit the promoter's factory or business premises in order to evaluate the level of sophistication of the enterprise. This visit would also enable the officers to identify and specify needs much more clearly.
- 4.3 Table 1 provides an indication of the kind of proposals that have been approved in principle pending ratification by the Authority. Provisional sanction

FIGURE I

UNIDO TECHNICAL ASSISTANCE TO BEPZ AUTHORITY
 LOUIS BERGER TEAM
 ACTION PLAN 1982-83

ACTION HEADINGS	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
Berger Team Leader in Dacca	—————														
J. Leckscheidt (Promotion, Marketing) Report - Memorandum - Action Plan			—————						—————						
R. Patton (Hydrologist)					—————										
Lim Fat (Methods and Training)								—————		—————					
CEPZ review by J.J. O'Sullivan	—————														
Review incentives		—————													
Revise EPZ project profile	—————														
Evaluate pipeline proposal		—————													
Finalize EPZ documentation and procedures		—————													
Finalize exchange control procedures				—————											
Finalize customs procedures				—————											
Advise Director on various aspects of program	—————														
Appointment of Board								-----							
Recruitment of Staff								-----							
Staff training								-----							
Short and medium - term promotion											-----				
Berger Team Interim Report					—————										
Final Report												-----			

Note: For details of medium and long term marketing strategies, see separate memorandum in Annex 2.

----- Tentative Timing

TABLE I
 APPLICANTS FOR INVESTMENT IN CEPZ AS OF AUGUST 31, 1982

TYPE	TOTAL	TYPE OF INDUSTRY						OTHERS
		GARMENTS	ELECTRONICS	SPECIALIZED TEXTILES	PROCESSING OF AGARWOOD	LEATHER PRODUCTS	FOOD OR FISH PROCESSING	
Foreign	3				2			1
Joint	20	12	2	2	1	1		2
Local	34	14	2	3			3	12
	57	26	4	5	3	1	3	15
Foreign	1				1			
Joint	2	1	1					
Local	3	1	1		1			
Foreign	2							
Joint	3	2	1	1				
Local	5	3	1	1				
Foreign	2	2						
Joint								
Local	2	2						
Foreign	5			1	2			1
Joint	13	12						
Local	22	8	2	3	1			8
	40	20	2	5	2			9
Foreign	2							
Joint	5	1						2
Local	7	1						4

A) PROVISIONAL SANCTION GIVEN

B) NO OBJECTION GIVEN TO OPERATE TEMPORARILY OUTSIDE OF CEPZ

C) APPLICATIONS DISQUALIFIED

D) APPLICATIONS IN PROCESS

E) APPLICATIONS WITH NO INTEREST

has been given to three projects to set up in the CEPZ.

- 4.4 Five projects have been given tentative permission to operate outside of the CEPZ. These projects include electronics, textiles, leather products, perfumes, and jute conversion concerns. They will move to Chittagong when they are ready to build their own factories. The companies have been obliged to pay an earnest deposit of Taka 45,000, which will be credited against their rent or, if they fail to move to Chittagong inside of one and half to two years, will be lost. This arrangement initially appeared to be complicated and possibly open to abuse, but the team has been assured that it would have the effect of weeding out marginally economic projects in advance and minimizing the failure rate in the early days of the zone. The attraction for the industrialists to operate outside of the zone at present lies in their ability to import raw materials duty free.
- 4.5 From the perspective of the CEPZ, there is some danger that some of the firms will become successfully ensconced in their present locations and will be reluctant to move when the time comes. Protection against this development is provided by the fact that firms refusing to move will lose their temporary CEPZ status and the BEPZ Authority will gain Taka 44,000 in each case.
- 4.6 At present 40 applications are being processed. These submittals include 5 foreign, 13 joint ventures, and 22 local concerns.

DOCUMENTATION AND PROCEDURES

- 5.1 A good deal of time has been devoted to the drafting, and in some cases finalizing, of documentation and procedures. The following items have been drafted:
- a) Lease Agreement for Building Plots in CEPZ
 - b) Lease Agreement for Standard Factory Buildings
 - c) Lease Agreement for Warehouse
 - d) Project Proposal (preliminary and detailed)
 - e) License/Permit to Operate in CEPZ
- 5.2 In addition, the draft customs documents have been examined and returned, and the proposed Bangladesh Bank procedures on foreign exchange have been studied and discussed; suggestions were made before they were finalized.

REPORTING SYSTEM AND MONITORING OF PROGRESS

- 6.1 Suggestions have been made for developing a simplified but effective project monitoring system whereby all contacts with promoters are documented and filed. The system may be very simple initially, but with an increased volume of work, it will need to become more elaborate and include such features as cross-reference files. Cross referencing will be especially important when the Authority begins to function as a broker so that it can match foreign with local investors.
- 6.2 To achieve efficiency, monthly monitoring of each file on promoters will be necessary, as will be the establishment of categories of the prospects realization; for example, (a) highly interesting and likely to proceed, (b) interesting and needs pushing, (c) likely to go ahead in the medium- or long-term, and (d) not likely to proceed or not to be encouraged. This appraisal has been discussed in outline but will need to be refined later in the course of staff training.

RESEARCH SECTION

- 7.1 The precise components of prime target industries have yet to be determined. It is known, however, that the industries should have a high labor content and be relatively easy to establish. It will eventually be necessary to supply policy makers with additional background information so that the ultimate structure and mix of industry in each of the export processing zones can be defined. This need has been referred to in the "Memorandum on Immediate-, Medium-, and Long-Term Promotion Strategies." There is also a clear need for a small research section to observe overseas market trends and identify suitable growth markets, individual sectors, and companies that might be attracted to the CEPZ. This section could also collect and collate data on such elements as available raw materials, costs, wages, and freight costs, as well as sources for sub-contract work.

REFERENCE LIBRARY

- 8.1 As Messrs. Leckscheidt and O'Sullivan have advised, the setting up of a reference library at an early date is most desirable. The Export Promotion Bureau has an excellent library that might be used initially. Similarly, the Bangladesh Chamber of Commerce is well provided with reference material and is willing to provide assistance.
- 8.2 For specific information on overseas companies that have submitted proposals, or may in the future, the BEPZ Authority should take out subscriptions to the major credit information organizations, such as Dun & Bradstreet and Schimmelfeng, with a view to checking out track records. Bankers' reports, while interesting, usually lack sufficient information to enable accurate assessments to be made.

PUBLICITY

- 9.1 Aspects of promotion, marketing, and publicity have been comprehensively dealt with in the "Memorandum on Immediate-, Medium-, and Long-Term Promotion Strategies." A further suggestion follows.
- 9.2 The promotional activities of BEPZ Authority should not be viewed in isolation from the main-line thrust of industrial development and export promotion of Bangladesh. On the contrary, the Authority should prove a major component in the overall development program, and it has much to give to and gain from the activities of other economy-minded State bodies. Therefore, an inter-departmental coordination committee should be set up to cooperate on publicity campaigns abroad in which the BEPZ Authority would play a very active, and possibly leading, role.
- 9.3 It is not necessary to enlarge on the functions of the committee here, but some specific areas that would benefit the Authority can be envisioned. When the Export Promotion Bureau participates in an overseas trade fair, for instance, there might also be room for a representative of the Authority to have an information desk on investment and share the costs. Similarly, arrangements could be made whereby all visiting journalists are introduced to the Authority as a matter of course. Again, certain promotional material might be jointly funded. The committee would have the further effect of making other bodies more aware of the importance of the BEPZ Authority program.

STAFF TRAINING

- 10.1 The delay in setting up the Authority referred to earlier is unfortunate, and one can only hope that it will not be prolonged. However, the guidelines on promotion and marketing strategies have been laid down in such a manner that staff with training can begin to implement the plan at an early stage if necessary, although it would be better not to try too much in this area too soon.
- 10.2 UNIDO is prepared to arrange two- to three-week seminars on the evaluation of industrial projects for newly recruited staff and would send an expert to Dacca to conduct these seminars. It is recommended that advantage be taken of this offer and that a date be fixed tentatively for February or March of 1983. Full details of the seminar program are attached in Annex 3.

SECTORAL STUDIES

Specific Target Sectors

- 11.1 Because the Government will expect results, the lighter kind of industry requiring limited capital investment appears to be most appropriate, at least in the first two years. Such industries may be considered as stepping stones for future expansion. A feature of this stage can be a higher percentage of failures than would be acceptable later.
- 11.2 The sectors of immediate interest are electronics, light assemblies, telecommunications, leather goods, sporting goods, shoes, certain food products, fruit and fish canning and later, automobile accessories, spurious spares, cable harness for cars, and electrical goods.
- 11.3 It would be well to anticipate inquiries from foreign companies from within these sectors, and a first objective of a new staff might be to research and collect all information relating to sources, costs, existing levels of production, training, potential for expansion, and raw materials and components that may be readily available in Bangladesh or neighboring countries. A spin-off from this research will be that the organization's staff will quickly become acquainted with the mechanics of assembling data as well as familiarized with certain market situations and trends and will prove to be informed discussion partners for potential investors.

11.4 Of the sectors referred to above, the team is inclined to give a certain priority to electronics and garment making. The reasons for this are that (a) in some previously low-cost Asian locations, such as Hong Kong, Singapore, and Malaysia, increased wages or political uncertainty have created less attractive environments and (b) the present wage structure and high degree of dexterity of Bangladeshi workers are substantive incentives in themselves. Support for this view appears in an article on semi-conductor manufacturing in London Financial Times of September 16, 1982 (see Annex 4).

Specific Sectoral Studies

11.5 GTZ, an agency of the Federal German Republic Government, might, under certain conditions, be prepared to fund a short study of specific industrial sectors in Bangladesh. The object would be to gather data on conditions and the potential for development and possibly to arrange a joint venture partnership with a German company. Mr. O'Sullivan has discussed this scheme with the Project Director, and Mr. Leckscheidt is to pursue this possibility prior to his second tour in January 1983. Job specifications are attached in Annex 5.

Shrimps and Froglegs

11.6 The possibility of developing and expanding the processing and export of shrimps and froglegs via the CEPZ had been examined, although not yet in any great depth. Undoubtedly, an awareness abroad has been

established for the country's potential in this sector, and it would appear that there is room for expansion. Some time ago, UNIDO sponsored a study on shrimp catching and processing that has proved effective in correcting earlier mistakes in handling. The example of Pakistan and India exporting these products daily by air to Gulf State destinations and further afield must be cited. Table 2 illustrates recent trends in production in Bangladesh for these products.

Table 2
SHRIMPS AND FROGLEGS 1979-1981

	<u>Quantity in Lac Lbs.</u>		
	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
<u>Public Sector</u>			
Frozen Shrimps	61.98	44.26	30.88
Froglegs	11.85	2.82	0.64
<u>Private Sector</u>			
Frozen Shrimps	43.51	50.15	87.17
Froglegs	25.38	15.28	19.17

- 11.7 Preliminary discussions with people established in the trade indicate that they may not want to move from their present locations on the coast to the zone. Should potential investors from abroad wish to install a modern facility in joint partnership with local

investors, however, they may be interested in the developed infrastructure of the zone.

- 11.8 A factor militating against the Bangladesh product abroad is that it is apparently not achieving the same price levels as that of Pakistan and India because these countries impose rigorous quality controls and Bangladesh does not (see Annex 6).
- 11.9 Shrimps and froglegs have been exported from Bangladesh since the mid-1960s. About 60 crores Taka were earned in the year 1980-81. In all, there are 34 private and public freezing plants processing these products today. Delays in shipping, non-coverage of insurance, and irregular quality standards appear to present obstacles to further development. On balance, the privately owned processors obtain better export prices, but they themselves undertake quality control, if any.
- 11.10 A useful report on this subject has been prepared by the FAO. The report estimates that shrimps and froglegs can earn Bangladesh US \$200 million per year. There is a total available catch in the Bay of Bengal of 4,000 tons of shrimps (although this amount is not caught), and the world market is 3 million tons annually. These figures and the opportunities implied therein should scarcely be ignored. As Chittagong is close to the main sources, it seems logical that these products ought to be represented in the zone.
- 11.11 In 1982, FAO and the Fisheries Development Corporation organized a seminar on marine fisheries development in Bangladesh that identified substantial new catching

grounds and the potential for considerable expansion of the shrimp industry. A report prepared in April 1982 by Mr. Adel Sayed Ahmed (Project BGD/80/48) has been placed on file at the Authority's office for further study.

ECONOMIC AND POLITICAL CLIMATE

- 12.1 Apparently some West German industrialists who attended the February Investors' Forum in Dacca believe that the present economic and political climate in Bangladesh is unfavorable for investment. Their opinion was transmitted in the course of an interview that Messrs. O'Sullivan and Leckscheidt held at the German Embassy in order to discuss possible assistance for sectoral studies.
- 12.2 The industrialists, it was said, adverted to the shortage of foreign exchange and other negative conditions. Bangladesh is not covered by the Hermes export credit insurance arrangements, which militates against German business people conducting business in this country. A copy of a memorandum on this meeting is attached as Annex 7.
- 12.3 These factors could prove to be serious impediments to obtaining investments from European concerns, but they should not be taken as insurmountable obstacles. Policy makers must be made aware of them, if they are not already, so that the Authority's task will be seen in this perspective.
- 12.4 It would be unwise to expect that the country's position will alter in the immediate future; therefore, one must adapt and trim marketing strategies where necessary. In this connection, the use of referrals (existing multi-nationals) becomes increasingly important.

MULTINATIONAL COMPANIES IN BANGLADESH

- 13.1 Partly for reasons referred to previously, Mr. O'Sullivan decided to arrange meetings with the managers of foreign-owned concerns in Dacca. Memoranda on two of these visits are attached as Annex 8.
- 13.2 The main purpose of the meetings was to solicit the support of these managers for the Authority's campaign and to learn something about their experience in Bangladesh. The British and American Tobacco Company (BAT) and British Oxygen were chosen for the first meetings. Although there are major foreign pharmaceutical firms in Bangladesh, it was deemed better to omit them on this occasion because of possible bad feelings following the new Government policy on drugs and medicines. BAT discussed its considerable experience in tobacco growing over 20 years, and it is felt that this example would be useful should a project in the pipeline for a brewery reach maturity.
- 13.3 It is recommended that this exercise of visiting major foreign firms be continued when possible by BEPZ Authority staff at the Director or Member level, as the resulting feedback may prove very valuable and useful contacts for the organization can be cultivated. Such meetings also have the added advantage of not requiring a great deal of time.

ASSISTANCE TO DIRECTOR, CEPZ

14.1 The duration of Mr. O'Sullivan's stay in Bangladesh, from May 9 to October 12, was marked by a very cordial and close cooperation with Mr. Haq, Project Director. Mr. O'Sullivan endeavored to follow the brief given, namely, to render as much practical assistance as possible, and believes this has been done to Mr. Haq's satisfaction. It is not easy to specify all of the areas in which advice has been requested and offered. Annex 9 is therefore submitted to provide some random samples of memoranda in order to give an impression of aspects covered. The main areas covered were the screening and appraisal of the applications from promoters currently with the Authority. Details of projects with tentative approval or permission to operate outside of the Zone temporarily are given in Section 4.

AIR FREIGHT POTENTIAL

- 15.1 Given the advantages of Bangladesh, and bearing in mind sea freight distance/time to markets, an all-out effort should be made to develop the zone as a center for air-freightable products. Furthermore, new ground might be broken in discovering which new products, despite bulk and lower value, could be viable as air freight. For instance, the German market for flowers is said to be DM 8 billion. A considerable quantity is imported, much by air, and sometimes from as far away as South Africa. Bangladesh's all-year growth capability should provide seasonal advantages. Traditionally, Dutch flower growers supply most of the northern European market, but they have also built up sources in Israel using air freight.
- 15.2 Several discussions between the team and Biman Bangladesh Airways have indicated full cooperation from Biman, and a very attractive air freight package deal should be negotiated in advance on specific commodities. A feeder service from Chittagong to Dacca has been mentioned as a possibility. Biman has a through-rate agreement with Pan Am. Nepalese Airways are now flying from Dacca to Hong Kong, so this opens up a new outlet to the East. Memoranda on discussions with Biman are attached in Annex 10. Annex 11 contains air freight rates to the United States and electronics wage rates.

15.3 It could be the task of the organization over the first six months of its existence to develop this dialogue with Biman and perhaps the Export Promotion Bureau and to make low freight rates an integral part of the Authority's package.

OUTLINE OF TASKS FOR COUNTERPART STAFF

- 16.1 An outline of the tasks that should be undertaken by the Authority's staff from November 1982 to March 1983 is attached hereunder. It has been drafted on the assumption that staff will be recruited during October and November; it will naturally be affected by any delay. It is not intended to be an exhaustive list of tasks: certain other activities will suggest themselves in accord with the qualifications and experience of the Board and its staff.

Counterpart Staff Tasks

November 1982-March 1983

The activities and tasks set out below are not necessarily in order of priority. It is left to the Directors and Board to implement them as they think fit.

<u>Task</u>	<u>Time</u>	<u>Remarks</u>
1. Set up DATA Bank	Nov.-Mar.	On-going data on major sectors, investors in Asia, various markets. See <u>Fortune</u> US 500 list.
2. Set Up Reference Library	Nov.-Mar.	Obtain assistance and advice from Export Promotion Bureau Library and foreign embassies.
3. (a) Organize Research Unit	Jan.-Mar.	Report on conditions for prime target sectors, supplies, wages. Meet potential suppliers and sub-contractors.

<u>Task</u>	<u>Time</u>	<u>Remarks</u>
(b) Commence Brokerage Research	Jan.-Mar.	Compile list of potential Bangladeshi partners for joint ventures. Prepare company profiles.
4. Compile list of important chambers of commerce, banks, accounting firms in USA, Japan, UK, France, Germany, Switzerland, Scandinavia	Nov.-Mar.	To be used as mailing list. Assistance of Bangladesh Chamber of Commerce already obtained.
5. Arrange program of repeating engagements for project director as, for instance, arranged with Jetro.	Nov.-Mar.	Initiative to be taken by the Authority to secure invitation.
6. Arrange series of calls on Ambassadors of selected countries in Dacca.	Nov.-Mar.	To brief Ambassadors on BEPZ Authority program.
7. On appointment of Board, arrange two receptions: "Meet the Press" and "Meet the Business Community"	March	Strictly a public relations event; also to given Board members and staff experience, if required, in management of this kind of function.
8. Write 4 to 6 standard scripts for speeches by Members or Director	Jan.-Mar.	Written by Public Relations Manager or journalist specially engaged for the purpose.

<u>Task</u>	<u>Time</u>	<u>Remarks</u>
9. Compile useful information and statistical data for press handouts	Feb.-Mar.	To be supplied regularly to suitable addresses (see mailing list).
10. Conduct individual briefings for economic journalists	Dec.-Mar.	One or two lunches per month on informal meetings at Director's office.
11. Compile list of media personalities and foreign agency directors	Nov.	Establish and maintain contacts with editors, reporters. Public relations work with Agency personnel.
12. Implement UNIDO training seminar	March	This will have to be planned in Dec.-Jan. and assumes staff will be available.
13. Visit Lim Fat	Dec.-Jan.	Training methods and procedures.
14. Visit of J. Leckscheidt.	Jan.	Promotion and marketing (second tour).
15. Air-freight-Biman liaison	Nov.-Mar.	Maintain good contacts already established. Press for initiative on their part.
16. Sea-freight containers: Chittagong	Nov.-Mar.	Keep touch with major suppliers, establish container rates, produce separate leaflets giving rates, destinations, and time.

<u>Task</u>	<u>Time</u>	<u>Remarks</u>
17. Decide on date of move to Chittagong	Dec.	Alternatively, decide on temporary rental of office accommodation in Dacca.
18. Standard factory buildings	Nov.-Mar.	Press forward with completion.
19. Consider new building program for additional buildings	Nov.-Mar.	To make more rapid progress, more lower-cost factories shall be available. Policy and finance decisions required.
20. Complete production of 12-page leaflet	Nov.-Dec.	Layout and text already approved. Can be printed in Dacca.
21. Color Brochure	Jan.-Feb.	Await advice of Mr. B. Bolin or UNIDO-appointed editor. Could be produced March-April.
22. Trade Fair Participation	Dec.	Make plan for participation at Hannover Fair April 1983, in conjunction with Export Promotion Bureau.
23. Pursue sectoral scheme of German Agency (GTZ)	Dec.-Jan.	Mr. Leckscheidt to follow this up prior to his second tour.
24. Complete printing of Authority's notepaper, envelopes, visiting cards, etc., in new style.	Nov.-Dec.	Using new version of logo. Uniform style in all material desirable.

<u>Task</u>	<u>Time</u>	<u>Remarks</u>
25. News clippings: local and foreign	Nov.-Mar.	Continue (as already shown) to clip and file newspaper reports that might have a bearing on BEPZ Authority tasks; e.g. Government policy statements, company reports, and investments, and new markets opened. Also arrange an index of reports.

COMPARATIVE SURVEY OF EXPORT PROCESSING ZONE CONDITIONS

- 17.1 A survey of comparative conditions of competing export processing zones has been made. It is presented in Annex 12. The purpose of this examination was to identify where Bangladesh stands in relation to incentives and conditions obtained elsewhere so that advantages can be maximized in promotional activities. The study will enable the officers of the Authority to be better informed when negotiating with potential foreign investors.
- 17.2 It will be seen that in order of attractiveness, CEPZ might fairly be placed within the upper half of the league table.

ORGANIZATION OF BEPZ AUTHORITY, ORGANIZATION
AND RESPONSIBILITIES OF CHIEF EXECUTIVE AND BOARD MEMBERS

- 18.1 A proposed management structure for the BEPZ Authority was prepared and submitted to the Government for approval with the revised Project Profile of the Authority in June 1982. A copy of the proposal appears in Annex 13. Annex 14 is an outline of the areas of responsibilities delegated to the Chief Executive and Board Members.

STANDARD PROJECT PROPOSAL FORMS

19.1 At present, proposals are assessed on the basis of two standard documents. The first is a shortened version that can be completed by inquiries as a first step. The second document is more detailed and requires that the proposer discuss various aspects of the project, showing such components as profitability and a cash flow. Copies of the forms appear in Annex 15. It is on the basis of data supplied in these forms that projects are generally being evaluated. These forms are sufficient for the present but may have to be revised after further experience. Mr. O'Sullivan has recommended that as a matter of course the information supplied be discussed with the proposer in person at a meeting to which he or she would be invited by officers of the Board. Where appropriate, this should be followed by a visit to the promoter's company in order to make an audit of the operation.

REPORT OF NEW CONTACTS

20.1 Meetings and new contacts with potential investors are to be minuted and filed for easy reference and statistics kept on inquiries. A simplified form such as that attached in Annex 16 is now being used. It should be monitored at least on a monthly basis.

ANNEXES

1. Progress Report, June 2, 1982

PROGRESS REPORT

CHITTAGONG EXPORT PROCESSING ZONE

Submitted to
UNIDO, Vienna

Submitted by
LOUIS BERGER INTERNATIONAL, INC.

Dacca, Bangladesh

AUGUST 1982

INTRODUCTION

The progress of the Chittagong EPZ was analyzed and a draft report was presented at a meeting at the CEPZ office on June 2, 1982, by John J. O'Sullivan, Team Leader of the Louis Berger technical advisor team.

Present at the meeting were:

Mr. Mahmoodul Haq, Project Director	CEPZ
Mr. Mahbubor Rahman, Manager, Investment Promotion	CEPZ
Mr. Rezaul Karim, Manager Personnel	CEPZ
Mr. Zia Hossain, Chief Engineer	CDA
Mr. M.A. Matin, Executive Engineer	CDA
Mr. M.A. Halim, Assistant Engineer	CDA
Mr. S.M. Akhtar, Assistant Engineer	CDA
Mr. Ad De Raad	UNIDO
Mr. John J. O'Sullivan	Team Leader, Louis Berger

Several inspections of the site and works were also carried out with the above officials, and one was conducted with Colonel (Retired) B. Ghani Patwari, Chairman CDA.

The meeting adopted the review. The report and documentation that follow outline progress to date of the project and advert to the schedule of the next steps to be taken.

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1. THE LEGAL FRAMEWORK

The Bangladesh Export Processing Zones Authority Act of 1980 sets up the Export Processing Zones Authority and empowers its board to purchase land, develop sites, and construct factory premises within such zones and to be fully and solely responsible for the promotion and administration of the zones. A copy of the act appears in Appendix 1. This act enables the Authority to function autonomously. A second act, the Foreign Private Investment (Promotion and Protection) Act of 1980, guarantees the right of foreign investors and Bangladeshi investors ordinarily resident abroad to repatriate capital and profits. A copy of this act appears in Appendix 2.

2. ORGANIZATION

A provisional organization and management chart for the Authority has been submitted to the Ministry for Industry for approval. It is recommended that the Authority have a chairman/ chief executive appointed by the Government and two permanent members, one of whom will be responsible for finance. In addition, ten part-time members are envisioned, representing various ministries, the Federation of Bangladesh Chambers of Commerce and Industry, and the industrialists operating in the zone.

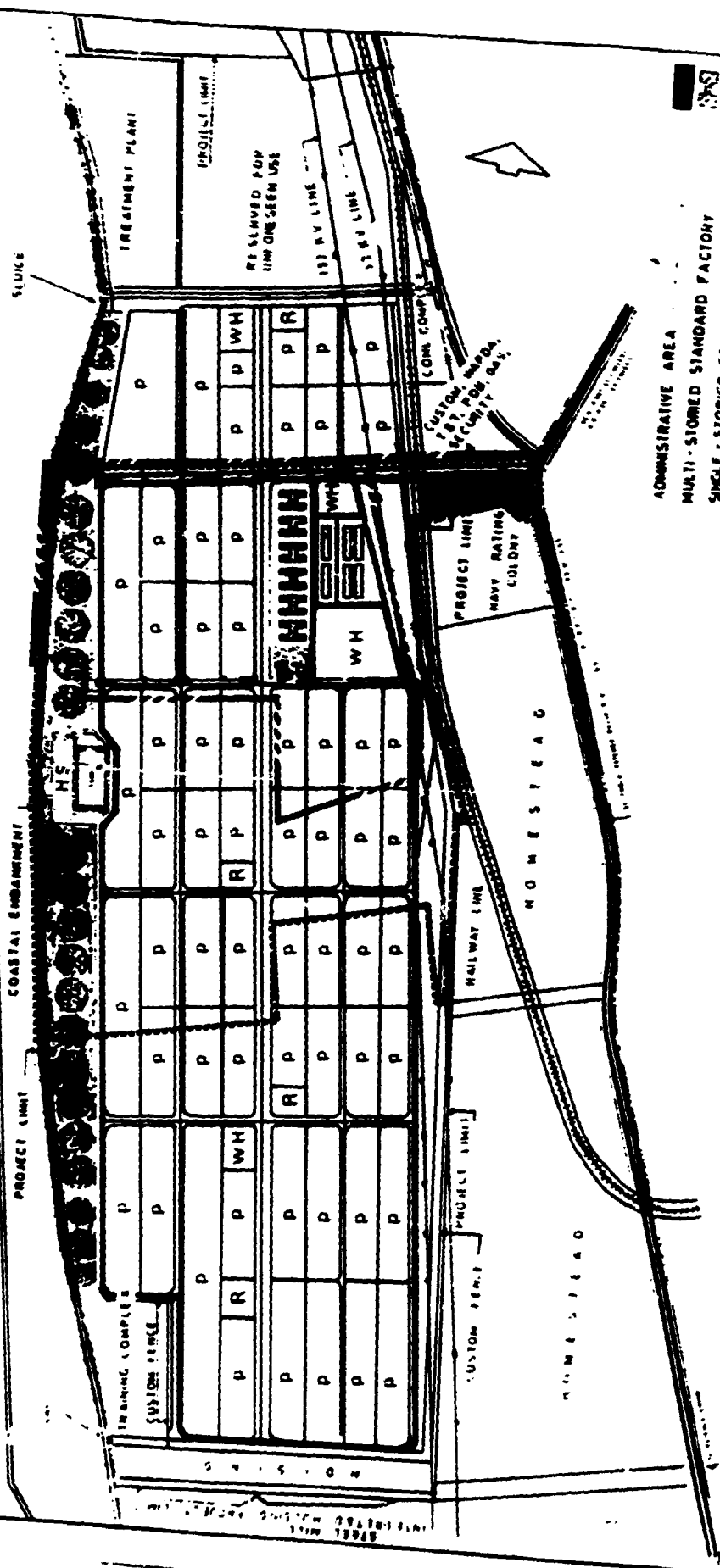
Recruitment of management staff has already begun; a minimum team of about twenty is expected by July 1. Although the process may take longer than anticipated because of a certain degree of control on recruitment within Government agencies, the start-up of the operation should not be unduly delayed.

According to the law creating the Authority, the head office is to be located at Chittagong. While the goal of the Government to decentralize certain semi-state organizations and generate employment outside of the capital may be very desirable, it can be argued that an agency primarily concerned with an international promotion and marketing program is not comparable to state industries. It will be necessary, especially in the initial stages (which may extend beyond twelve months), for the management to interact with personnel from several Government ministries, agencies, chambers of commerce and industry, and so forth. Some assistance will also be required from the Foreign Ministry for the comprehensive marketing and promotion campaign that will be mounted. In addition, industrialists coming to Bangladesh on fact-finding missions will need to be received. Much of this work will have to be carried out in the capital. It is therefore recommended that sufficient staff be retained in Dacca for as long as is necessary to carry out these functions.

- 1. AREA ACQUIRED - - - - -
- 2. AREA RAISED - - - - -

BAY OF BENGAL

ADDITIONAL EMBANKMENT (PROPOSED)
 COASTAL EMBANKMENT



- ADMINISTRATIVE AREA
- MULTI-STORIED STANDARD FACTORY
- SINGLE-STORIED STANDARD FACTORY
- PLOT FOR SELF-BUILT FACTORY
- WAREHOUSE
- RECREATIONAL AREA
- MULTI USE

CHITTAGONG EXPORT PROCESSING ZONE
 MASTER PLAN

P
 WH
 R
 HS

6. INFRASTRUCTURAL FACILITIES

Earth filling in 124 acres of land is completed, and 97 plots of approximately 1/2 acre size have been made ready for construction of self-built factories.

In the 97 plots developed to date, all internal roads of different widths have been completed (totaling 2.75 miles). Surface drains to the plots are also completed (totaling 4.80 miles), as are footpaths--without top (totaling 4.80 miles).

7. STANDARD FACTORY BUILDINGS

Eighty percent of one single-storied standard factory building, having 15,800 ft² production space and 3,200 ft² office space, has been completed. Eighteen percent of one three-storied standard factory building having 17,000 ft² production space and 10,000 ft² office and other utility space in each floor has been completed.

8. WAREHOUSE

Forty percent of one warehouse having 21,000 ft² storage space and 11,000 ft² office and other utility space has been completed.

9. CUSTOMS CHECK-POSTS

Two customs check-posts, each having one room and one toilet, have been completed. These facilities should be adequate to deal with traffic in the first year of operation, although the space for staff and vehicle drivers is limited. At a later date, consideration should be given to providing lay-bys on either side of the road so that trucks and other vehicles can pull in for customs inspections, allowing vehicles that are not carrying merchandise to pass.

10. TEMPORARY OFFICE BUILDING

One temporary office building with toilets and other facilities and a floor space of 4,800 ft² has been completed.

It was necessary to drive 35- to 40-foot concrete piles for the foundation of the multi-story factory; similar piles will be used for the other multi-story buildings to be built in the future. It has not been considered necessary to pile the foundations of the single-story buildings. The photograph sequence attached as Appendix 3 includes a picture of piling operations in progress on June 2 on the site.

on site to a depth of 400 feet, and this will yield approximately 10,000 gallons per year. Water prices are Tk. 28.00 per 1,000 gallons.

On Thursday, June 3, a meeting was held between the consultants and Mr. Mohammad Hossain, Chief Engineer, Chittagong Water Supply Authority. The analyses he provided of both town supply and the well on the zone site appear as Appendix 4.

Mr. Hossain confirmed that the well should be connected before the end of June and that the 18-inch main will be installed and connected by December of 1982. The well is intended as a stand-by arrangement, should there be a disruption in the regular supply. There are presently some interruptions in the supply, usually for two hours in the morning and two hours in the evening, as the present booster station is on a 20-hour cycle. A high pressure (80 psi) supply is expected to be available in 1983.

13. SEWERAGE

A sewerage system with a lagoon-type treatment plant is planned, but it will not be built in the first phase. In the initial stage, sewage disposal will be through individual septic tanks. The Chief Engineer of the Chittagong Development Authority, Mr. Zia Hossain, has remarked that this would be adequate, but the consultants have some reservations on this point.

Rainfall in the district can often be heavy, especially in the monsoon season. There are open drains to absorb heavy rainfall. No sewerage pipes are laid as yet. Pipes will be 20 inch, 18 inch, 15 inch, 10 inch, and 4 inch.

14. FLOODING

The important matter of flooding is receiving special attention by the Louis Berger team. Mr. Roger Patton, an eminent U.S. hydrologist, is already engaged in the necessary research on tidal wave and wind patterns in order to determine the potential danger of flooding in the foreseeable future. He will be arriving in Chittagong shortly to conduct on-site investigations.

It might be noted that there are some similarities in South Haliahar with problems along the North Sea of West Germany. In both locations, severe storms and combinations of certain wind and tidal directions have led to disastrous flooding and losses of lives and land over a considerable time. Along the Fiesian Islands and the coast of Lower Saxony and Schleswig Holstein, dykes remain the sole protection and are constantly

in force at present and power shedding at peak periods but that these are confined to residential areas and that industries are not affected.

He also noted that the Authority is capable of coping with voltage surges, which are very infrequent.

The Power Development Authority is prepared to make special provisions for larger consumers and will supply suitable transformers. A two-tariff scheme to benefit off-peak consumers will be introduced soon.

16. GAS

Natural gas, which has a very low sulphur content, will be provided to the site through a 24-inch diameter underground pipe. It will be distributed underground to plots in the zone through a 24-inch diameter main fill line and a ring pipeline having diameters of 24 inches, 20 inches, and 16 inches at different points. The pressure on the main and distribution ring lines will be 1,000 p.s.i. and 350 p.s.i., respectively. The linkage is expected to be completed by mid-1983. The price quoted at present is Tk. 27.75 per 1,000 ft³.

The source of supply is the Bakharabad Gas Field, Comilla, which is about 110 miles from Chittagong. The city gate station is at Selimpur, Fouzdarhat (about 10 miles from Chittagong City).

Storage is from 2.78 to 3.70 trillion ft³. The gas is 97 percent methyl, and the bulk density is less than 1 percent.

Capacity is presently 350 mm cf./day; 550 mm cf./day is envisioned by year 2000. Gas will be available in Chittagong for both industrial and domestic consumption by the third quarter of 1983.

17. TELEPHONE AND TELEX FACILITIES

Lines have been laid as far as the customs check-posts for 150 telephone lines. Delays of one to two hours can be expected on long distance calls.

Telex facilities will initially be available from the Chittagong Post Office and also at the zone administrative office. Where required, individual telex connections can be made.

18. PERIMETER FENCE

No fence around the zone has been built. There is a plan to divert by sluices a canal that is connected to the sea and that runs north-south in the middle of the zone to a route that

A development project to extend the cargo handling and facilities on a new 50-acre site is being financed by a World Bank loan of Taka 75 crores. It is estimated that the Port Authority will be able to handle about 40,000 containers a year building up to a total yearly throughput of 90,000 containers by 1990; 20-foot containers are already being handled.

A price of US \$2,600 has been quoted for a 20-foot container sent from Chittagong to North Carolina; the same price is used for a 40-foot container, but the Harbour Authority cannot handle a 40-foot box at present. It also appears that containers must be emptied at the port because there is no transport for the boxes and the trunk roads may not be geared for 40-foot boxes on articulated trucks. This problem would seem to defeat the objective of the container system, namely house-to-house delivery.

In view of the importance of containerization in the future, CEPZ must take a keen interest in properly developing and using the system, and early discussions with the Harbour Authority and shippers are called for.

A total of 7,253 people are employed by the Port Authority, 180 of whom are executive staff.

20. CHITTAGONG AIRPORT

Chittagong's airport is sufficiently equipped to handle propeller and jet passenger aircraft. The main runway is 10,500 feet long.

With the establishment of CEPZ, air freight handling facilities will become very significant. In addition to such classically suited manufactures as electronic products, which could be exported by air freight to European and American markets, it is also possible that urgently needed spare parts for machinery and certain raw materials will come in by air.

While freight costs will largely determine how much this business will develop, an additional critical factor will be the speed with which such consignments can be cleared into the country through customs. It is on this point that many will judge the effectiveness of the zone's organization. Very close liaison with airline and forwarding agents will be required to ensure success.

To assess the advantage that air freight rates may have at present, Biman Airways has been asked to provide details of consolidated rates for certain product groups that are likely to be given rate reductions in the zone initially.

Table 2

CARGO RATES FROM DACCA TO SELECTED DESTINATIONS

<u>Destination</u>	<u>Min. Kilos</u>	<u>Taka/ Kilo</u>
Amsterdam	500	46.85
London	45	72.00
Rome	500	42.85
Tokyo	45	64.60
Singapore	45	33.05
Bangkok	45	20.85
New York	500	68.70
Toronto	500	76.35
Frankfurt	500	46.85
Stockholm	45	82.10

By way of comparison, specific rates for fish and vegetables are:

Fish

Dacca - London 250 kilos plus - Tk.31.55/kilo
 500 kilos plus - Tk.26.10/kilo

Dacca - Amsterdam - same rate

Vegetables

Dacca - London 100 kilos - Tk.23.45 kilo
 500 kilos - Tk.19.11 kilo

It seems reasonable to expect that Chittagong Airport, which is virtually on the doorstep of the CEPZ, will grow in significance. This possibility should be examined in detail with the relevant interested parties, such as airlines, forwarding agents, and customs, from whom a conscious contribution ought to be forthcoming.

Trucking goods from Chittagong to Dacca Airport by road is quite unlikely to appeal to potential investors because of the time involved and possible damage to fragile products. Accordingly, it is suggested that an early conference with Biman and possibly other airlines be held with a view to motivating them to become involved, if only in their own interest, in quickly establishing rates, procedures, and customer services comparable to those provided by cargo handlers at major international

23. INDUSTRIAL RELATIONS

It was deemed useful and informative to have a discussion with Mr. R.A. Chowdhury, Labour Advisor to the Ministry of Industries.

In Bangladesh workers enjoy a constitutional right to organize trade unions. A well-developed system of arbitration in industrial disputes exists. The machinery includes a Labour Court and a Labour Tribunal. The Tribunal is empowered to issue findings that are binding on parties to a dispute. The general climate in industrial relations has been good in recent years since the Government introduced minimum wage levels. It is customary to agree on wage rates and conditions over a fixed period, which is usually between one to two years.

It is possible that several unions may be represented within an industry, as the system is a mixture of craft unions. However, in negotiations and collective bargaining, one union will usually represent the group of unions represented in an industry.

Because of large-scale unemployment, it is not envisaged that investors will be confronted with industrial relations problems. Nonetheless, it is recommended that the Authority concern itself in advance with this aspect and possibly set up an advisory unit to introduce foreign managers to the procedures that are followed in Bangladesh.

24. WAGE RATES

The pay scale for the Government sectors is shown below:

Unskilled

Tk 270-+7-340-+8-380 per month
Tk 300- 9-390-10-440 per month

Semiskilled

Tk 355-12-455-13-520 per month
Tk 355-13-485-14-555 per month

Skilled

Tk 370-14-510-15-585 per month
Tk 460-20-660-21-825 per month

+ Annual Increments.

Wages per hour are as follow:

Scale 1 : Total Tk 490 ÷ 200 = Tk 2.45 per hour
Scale 3 : Total Tk 591 ÷ 200 = Tk 2.95 per hour
Scale 5 : Total Tk 611 ÷ 200 = Tk 3.05 per hour

26. MARKETING AND PROMOTION

Marketing can be described as the most important element in the operation. Because of Bangladesh's recent history and the generally accepted fact that it is one of the world's poorest countries, it will have a particularly difficult job projecting a positive image at the corporate planning level in major corporations abroad. It will be an uphill struggle, and there is no magic formula available.

Given this problem, and limited financial resources for promotion, the consultants will analyze very carefully which investment is likely to yield the quickest results. The strategy to be employed in advertising campaigns, presentations, and investment seminars will be designed to make maximum use of support available through existing organizations, such as UNIDO, the EEC, and the country's diplomatic missions abroad.

The preparation of the text of the Authority's main brochure has already begun. It is hoped that the brochure will be ready for printing in the next few months. It will provide a useful primary information document.

Two experts on marketing and promotion, Mr. Richard Bolin and Mr. Leckscheidt, will arrive in June and July, respectively, to analyze the zone's requirements and introduce programs tailored to the zone. Mr. Leckscheidt's visit will be divided into two approximately one-month visits as it is envisaged that the creation of a promotion campaign and the production of marketing and documentation will occupy much of the Authority's time in the coming months.

With the assistance of UNIDO, an International Investors' Forum was held in Dacca in February 1982. The primary aim of this conference was to project Bangladesh's claims to investment by major international concerns and to fully brief corporate planners on the incentive package and other advantages that Bangladesh would offer investment projects.

This initial foray into marketing was acknowledged to have been very successful. Over 120 delegates attended from many countries, and 48 of them later made a visit to the site of the CEPZ in Chittagong. Favorable publicity was also generated in the media.

The yardstick by which such programs must be judged is, of course, the contribution they make to the project pipeline. In the conversion of initial indications of interest and location visits into actual projects, follow-up activity by the marketing staff will be a key input; it must be geared so that time and momentum are not lost once the initial impact is made.

28. DOUBLE TAXATION AGREEMENTS

The only Double Taxation Agreement signed and ratified by Bangladesh and another country is with Great Britain. Agreements have been signed but not yet ratified with the following countries: USA, Singapore, Pakistan, Canada, and Sweden.

Agreements have been initialled with the following countries: Federal Republic of Germany, Italy, Malaysia, South Korea, France, and Sri Lanka. Agreements are being processed with the following countries: India, Yugoslavia, Japan, Belgium, and The Netherlands.

As the process of negotiating this kind of international agreement is lengthy, it may well prove a stumbling block for investors from countries without ratified agreements. This might in turn hold up decisions to invest, especially in the case of major projects where corporate lawyers urge caution (notwithstanding the adequate law on the protection of foreign investment in Bangladesh).

To obviate delays on this account it may be possible to expedite ratification at least on the Bangladesh side. The question should be examined in order to seek a solution.

29. SEA EMBANKMENT

An inspection of the sea embankment along the western side of the zone made on June 3 and 4 gave some cause for concern. At the time, high water was about 10 feet below the top surface of the embankment. The land immediately behind the embankment is lower than the foreshore, which extends with shallow water for at least 500 meters off shore. The top ridge of the bank is about 10 feet wide and has been eroded in places. It is a sandy mound, partly covered in grass and creeper. Behind it are several lines of coconut trees. The embankment appears to be a very tenuous barrier. It is obvious that very early attention will have to be given to making it more secure. A photograph of the embankment appears in Appendix 3.

30. NOTES ON VISITS TO CHITTAGONG INDUSTRIES

On June 4, accompanied by the Chairman of the Chittagong Development Authority, Colonel B. Ghani Patwari, and Mr. Mahmoodul Haq, Mr. O'Sullivan visited two factories on an industrial estate in the outskirts of the city. Lever Bros. (Bangladesh) Ltd. has been in Chittagong for a considerable time and produces soaps and detergents using imported tallow and palm oil. It is a very well laid-out factory set in beautifully maintained gardens. The company's plans for expansion were briefly discussed with the Personnel Director, Mr. Ali Akbar Chowdbury. The visiting team suggested that Lever Bros. consider locating this expansion within the CEPZ.

Appendix 1

Bangladesh Export Processing Zones Authority Act

[Published in the Bangladesh Gazette: Extraordinary, dated the 26th December, 1980.]

BANGLADESH PARLIAMENT

Dacca, the 26th December, 1980

The following Act of Parliament received the assent of the President on 26th December, 1980 and is hereby published for general information:—

ACT NO. XXXVI OF 1980

An Act for the establishment of the Bangladesh Export Processing Zones Authority

WHEREAS it is expedient to make provision for the establishment of the Bangladesh Export Processing Zones Authority for creation, development, operation, management and control of export processing zones and for matters connected therewith;

It is hereby enacted as follows:—

1. Short title and commencement.—(1) This Act may be called the Bangladesh Export Processing Zones Authority Act, 1980.

(2) It shall come into force on such date as the Government may, by notification in the official Gazette, appoint.

2. Definitions.—In this Act, unless there is anything repugnant in the subject or context,—

(a) "Authority" means the Bangladesh Export Processing Zones Authority established under section 3;

(b) "Chairman" means the Chairman of the Authority;

Price : 20 Paise.

- (c) "member" means a member of the Authority;
- (d) "prescribed" means prescribed by rules made under this Act; and
- (e) "zone" means a place or places to be specified by the Government under section 10 as an export processing zone for the purposes of setting up export-oriented industries.

3. **Establishment of the Authority.**—(1) As soon as may be after the commencement of this Act, the Government shall, by notification in the official Gazette, establish an Authority to be called the Bangladesh Export Processing Zones Authority for carrying out the purposes of this Act.

(2) The Authority shall be a body corporate having perpetual succession and a common seal, with power to acquire, hold and dispose of property, both moveable and immovable, and shall by the said name sue and be sued.

4. **Head Office, etc.**—(1) The Head Office of the Authority shall be located at Chittagong.

(2) The Authority may establish its offices and branches at such places as it may deem fit.

5. **Composition of the Authority.**—(1) The Authority shall consist of the following members, namely:—

Full-time members:

- (a) a Chairman to be appointed by the Government;
- (b) two other members, including one Finance Member, to be appointed by the Government;

Part-time members:

- (c) one person each to be nominated by the Government in the Ministries of Commerce, Finance (Internal Resources), Industries and Planning (Planning Commission);
- (d) one person each to be nominated by the four Divisional Development Boards;
- (e) one person to be nominated by the Government from amongst the industrialists of the zone;
- (1) one person to be nominated by the Federation of Bangladesh Chambers of Commerce and Industry.

(2) The Chairman shall be the chief executive of the Authority.

(3) The full-time members shall be appointed on such terms and conditions as the Government may determine.

(4) The members, other than the full-time members, shall hold office for such period as the Government may determine.

(5) A member, other than a full-time member, may at any time, resign his office by notice in writing addressed to the Government:

Provided that no resignation shall take effect until it has been accepted by the Government.

(6) The Chairman and other members shall perform such functions as may be assigned to them, from time to time, by the Government or as may be prescribed.

6. Meeting of the Authority.—(1) The meetings of the Authority shall be held at such times and places and in such manner as may be prescribed:

Provided that until rules are made in this behalf the meetings of the Authority shall be held as and when convened by the Chairman.

(2) To constitute a quorum at a meeting of the Authority not less than five members shall be present.

(3) All meetings of the Authority shall be presided over by the Chairman or, in his absence, by a whole-time member authorized in writing by the Chairman.

(4) All questions at a meeting of the Authority shall be decided by the votes of the majority of the members present and voting, and in the case of equality of votes the person presiding shall have a second or casting vote.

(5) No act or proceeding of the Authority shall be invalid merely on the ground of existence of any vacancy in, or any defect in the constitution of, the Authority.

7. The functions of the Authority.—The functions of the Authority shall be—

- (a) to take possession of land to be acquired or requisitioned by the Government for the purpose of creation and development of a zone;
- (b) to allot land and building spaces in a zone to investors on sale, lease or on rent;
- (c) to provide infrastructure facilities, including buildings, utilities and warehouses;
- (d) to process applications for setting up of industries within a zone either for sanctioning or for obtaining approval of the Government or of such other authority as the Government may specify in this behalf;
- (e) to provide customs bonded facilities in accordance with customs regulations for importation into a zone of building materials for construction purposes and packaging materials, raw materials and intermediate goods for the purpose of processing for exports;
- (f) to allow import of raw-materials or semi-processed or other goods required for use in the zone and export of semi-processed, processed or other goods to be specified by the Government in such manner as may be prescribed;
- (g) to assist in transportation of imported raw-materials and intermediate goods in bonded condition and export of finished products;
- (h) to provide necessary banking facilities within the zone in consultation with the Bangladesh Bank;

- (i) to establish liaison with the port, municipal and other authorities to make arrangements for transportation of imported raw-materials and intermediate goods on bonded condition and for export of finished products;
- (j) to sanction employment of foreign nationals in accordance with the guidelines given by the Government from time to time, to posts for which local expertise is not available for efficient running of the industries in a zone;
- (k) to do such other acts and things as may be necessary to be done in connection with, or conducive to, the performance of the aforesaid functions.

8. Fund.—(1) There shall be a fund of the Authority to which shall be credited—

- (a) grants and loans from the Government;
- (b) Loans from such other sources as the Government may approve;
- (c) proceeds from the land allotted for setting up of industries in the zone;
- (d) rental of buildings leased out to the industries set up in the zone;
- (e) fees and service-charges, if any, received for services rendered;
- (f) any other sums not specified accruing to or due to the Authority from any other source.

(2) The fund of the Authority shall be used to meet expenditure in connection with the functions of the Authority under this Act.

9. Power to borrow.—The Authority may, with the prior approval of the Government, borrow money for carrying out the purposes of this Act.

10. Power to create zones.—The Government may, by notification in the official Gazette, declare any place or places to be specified in the notification to be an Export Processing Zone for the purposes of this Act.

11. Acquisition of land for a zone.—Where any land or any interest in any land is required by the Authority for any of its purposes under this Act, that land or the interest therein may be acquired by the Government under the Land Acquisition Act, 1894 (1 of 1894), for the Authority and the land or interest therein so acquired shall be deemed to be required for a public purpose.

12. Permission for setting up industry in the zone, etc.—(1) A person desiring to set up an industry in a zone shall make an application to the Authority in the prescribed form for permission in that behalf.

(2) The Authority or any persons authorised by it in this behalf shall, on receipt of an application made under sub-section (1), process it in accordance with the principle to be laid down by the Government in this behalf and shall, if it is satisfied that the applicant fulfils the requirements for setting up an industry in the zone, grant him a permission in the prescribed form.

13. Allotment of land etc. in a zone.—The Authority may, subject to such terms and conditions as it may determine, allot, or lease out on rental basis or otherwise, land and building spaces in a zone to a person who has been granted permission under section 12 to set up an industry in that zone.

14. Permission to banks to operate in a zone.—The Authority may, with the approval of Bangladesh Bank, permit banks, foreign and local, to operate within a zone.

15. Bonded facilities, etc.—Notwithstanding anything contrary contained in any other law for the time being in force, there shall not, subject to such rules as may be prescribed, be leviable—

- (a) On any goods, including raw-materials, imported into a zone any customs duty, sales tax, octroi or excise duty or import licence or permit fee or any other charges;
- (b) On any goods exported from a zone any duty or any other charges.

16. Types of industries to be set up in a zone, etc.—The Authority may, with the previous approval in writing of the Government, determine, from time to time, the type or types of industries to be set up in a zone.

17. Budget.—The Authority shall, by such date in each year as may be fixed by the Government, submit to the Government for approval a budget, in such form as the Government may specify, for each financial year, showing the estimated receipts and expenditure during that financial year.

18. Audit and accounts.—(1) The accounts of the Authority shall be maintained in such manner and form as may be prescribed by the Government.

(2) Without prejudice to the provisions of the Comptroller and Auditor-General (Additional Functions) Act, 1974 (XXIV of 1974), the accounts of the Authority shall be audited by and Auditor, being a chartered accountant within the meaning of the Bangladesh Chartered Accountants Order, 1973 (P. O. No. 2 of 1973), who shall be appointed by the Authority, with the prior approval of the Government, on such remuneration to be paid by the Authority as the Government may fix.

(3) The auditor appointed under sub-section (2) shall examine the annual balance sheet of the Authority together with the accounts and vouchers relating thereto and shall have a list delivered to him of all books kept by the Authority; and shall at all reasonable times have access to the books, accounts and other documents of the Authority, and may in relation to such accounts examine any member or officer of the Authority.

(4) The auditor shall report to the Government on the accounts examined by him and in his report state whether, in his opinion, the books of accounts have been properly maintained and they exhibit the true picture of the Authority's affairs, and in case he has called for any explanation or information from the Authority, whether it has been given and whether it is satisfactory.

(5) The Government, may at any time, issue direction to the auditors requiring them to report to it upon the adequacy of measures taken by the Authority for the protection of the interest of the Government and of the creditors of the Authority or upon the sufficiency of the procedure in auditing the accounts of the Authority, and may, at any time, enlarge or extend the scope of the audit or direct that a different procedure in audit be adopted or that any other examination be made by the auditors if in its opinion the public interest so requires.

19. **Submission of reports, etc.**—(1) The Authority shall submit to the Government, in so far as possible after the end of every financial year, a report on the conduct of its affairs for that year.

(2) The Authority shall submit to the Government at such times and at such intervals as the Government may specify—

- (a) such returns, accounts, statements, estimates and statistics as may be required by the Government;
- (b) information and comments asked for by the Government on any specific subject;
- (c) copies of documents required by the Government for examination or for any other purpose.

20. **Appointment of officers, etc.**—The Authority may appoint such officers and other employees and engage such consultants, advisers, auditors and contractors as it may consider necessary for the efficient performance of its functions on such terms and conditions as it may deem fit.

21. **Government directions, etc.**—The Government may issue, in pursuance of its overall policy, directives or instructions to the Authority, which shall be acted upon in the manner specified in such directives or instructions.

22. **Power to make rules.**—The Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Act.

23. **Power to make regulations.**—The Authority may, with the approval of the Government, make regulations, not inconsistent with the provisions of this Act and the rules made thereunder, to provide for all matters not required to be provided for by rules and for which provision is necessary or expedient for carrying out the purposes of this Act.

QAZI JALAL AHMAD,
Secretary.

Appendix 2

Foreign Private Investment Act of 1980



GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH

**FOREIGN PRIVATE INVESTMENT
(PROMOTION AND PROTECTION), ACT, 1980**

**MINISTRY OF INDUSTRIES
DACC:**

ACT NO. XI OF 1980

An Act to provide for the promotion and protection of foreign private investment in Bangladesh

WHEREAS it is expedient to provide for the promotion and protection of foreign private investment in Bangladesh:

It is hereby enacted as follows:—

1. **Short title.**—This Act may be called the Foreign Private Investment (Promotion and Protection) Act, 1980.

2. **Definitions.**—(1) In this Act, unless there is anything repugnant in the subject or context,—

- (a) "foreign capital" means capital invested in Bangladesh in any industrial undertaking by a citizen of any foreign country or by a company incorporated outside Bangladesh, in the form of foreign exchange, imported machinery and equipment, or in such other form as the Government may approve for the purpose of such investment;
- (b) "foreign private investment" means investment of foreign capital by a person who is not a citizen of Bangladesh or by a company incorporated outside Bangladesh, but does not include investment by a foreign Government or an agency of foreign Government;
- (c) "industrial undertaking" means an industry, establishment or other undertaking engaged in the production or processing of any goods, or in the development and extraction of such mineral resources or products, or in the providing of such services, as may be specified in this behalf by the Government.

(2) Words and expressions used but not defined in this Act shall have the same meaning as in the Companies Act, 1913 (VII of 1913).

3. **Foreign private investment.**—(1) The Government may, for the promotion of foreign private investment, sanction establishment with foreign capital of any industrial undertaking—

- (a) which does not exist in Bangladesh and the establishment whereof, in the opinion of the Government, is desirable; or
- (b) which is not being carried on in Bangladesh on a scale adequate to the economic and social needs of the country; or
- (c) which is likely to contribute to—
 - (i) the development of capital, technical and managerial resources of Bangladesh; or
 - (ii) the discovery, mobilisation or better utilization of the natural resources; or
 - (iii) the strengthening of the balance of payment of Bangladesh; or
 - (iv) increasing employment opportunities in Bangladesh; or
 - (v) the economic development of the country in any other manner

(2) Sanction of the establishment with foreign capital of an industrial undertaking under sub-section (1) may be subject to such condition as the Government may deem fit to impose.

4. **Protection and equitable treatment.**—The Government shall accord fair and equitable treatment to foreign private investment which shall enjoy full protection and security in Bangladesh.

5. **Terms of sanction, etc.**—The terms of sanction, permission or licence granted by Government to an industrial undertaking having foreign private investment shall not be unilaterally changed so as to adversely alter the conditions under which the establishment of such undertaking was sanctioned, nor shall foreign private investment be accorded a less favourable treatment than what is accorded to similar private investment by the citizens of Bangladesh in the application of relevant rules and regulations.

6. **Indemnification, etc.**—In the event of losses of foreign investment owing to civil commotion, insurrection, or riot, foreign private investment shall be accorded the same treatment with regard to indemnification, compensation, restitution, or other settlement as is accorded by investments by the citizens of Bangladesh.

7. **Expropriation and nationalisation.**—(1) Foreign private investment shall not be expropriated or nationalised or be subject to any measures having effect of expropriation or nationalisation except for a public purpose against adequate compensation which shall be paid expeditiously and be freely transferable.

(2) Adequate compensation for the purpose of sub-section (1) shall be an amount equivalent to the market value of investment expropriated or nationalised immediately before the expropriation or nationalisation.

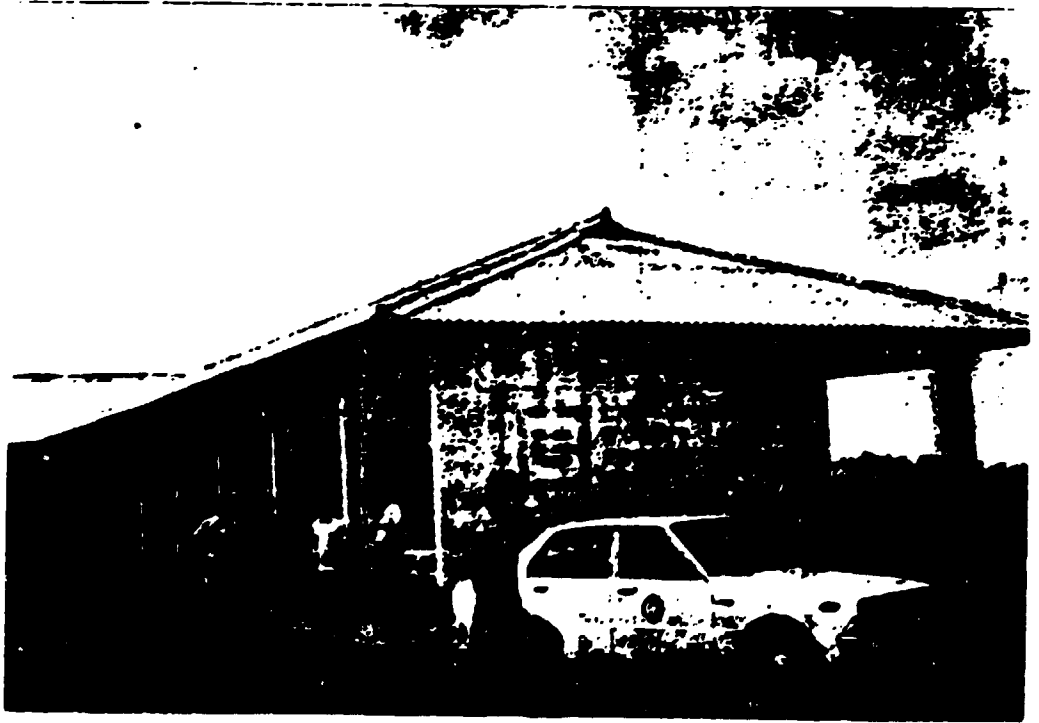
8. **Repatriation of investment.**—(1) In respect of foreign private investment, the transfer of capital and the returns from it and, in the event of liquidation of industrial undertaking having such investment, of the proceeds from such liquidation is guaranteed.

(2) The guarantee under sub-section (1) shall be subject to the right which, in circumstances of exceptional financial and economic difficulties, the Government may exercise in accordance with the applicable laws and regulations in such circumstances.

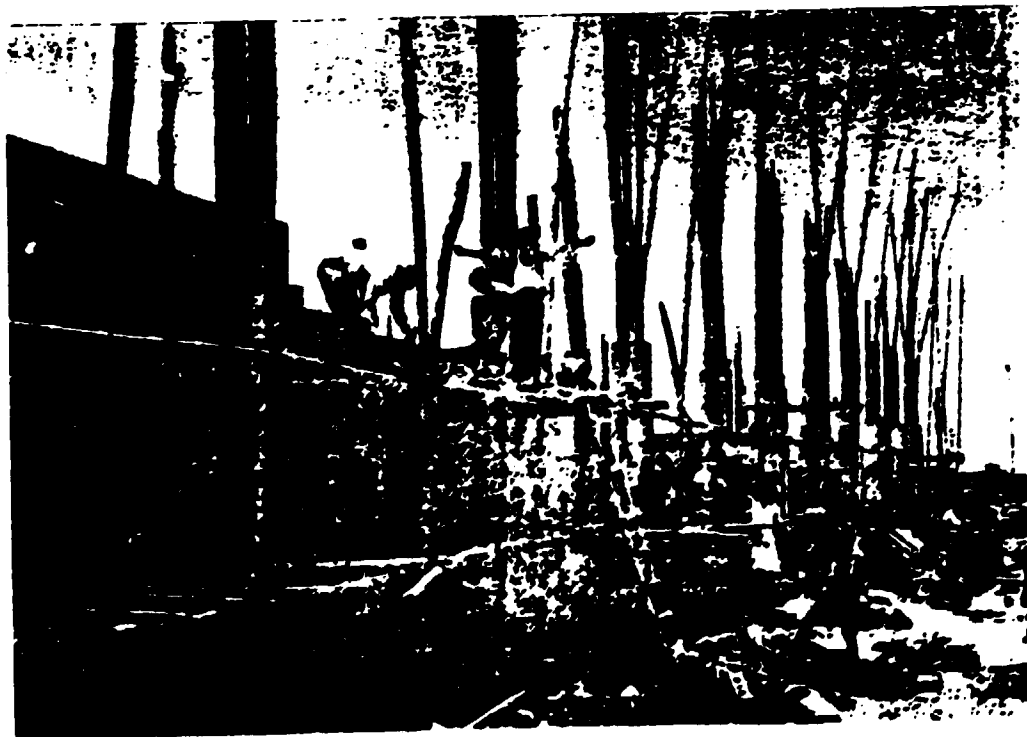
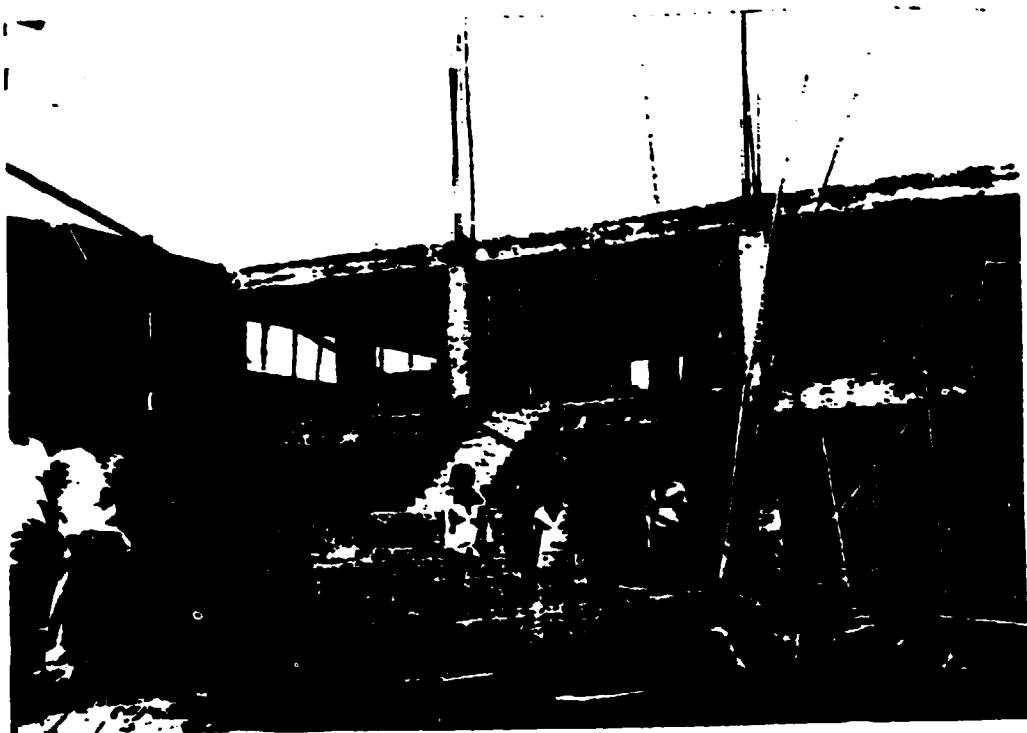
9. **Removal of difficulty.**—If any difficulty arises in giving effect to any provision of this Act, the Government may make such order not inconsistent with the provisions of this Act, as may appear to it to be necessary for the purpose of removing the difficulty.

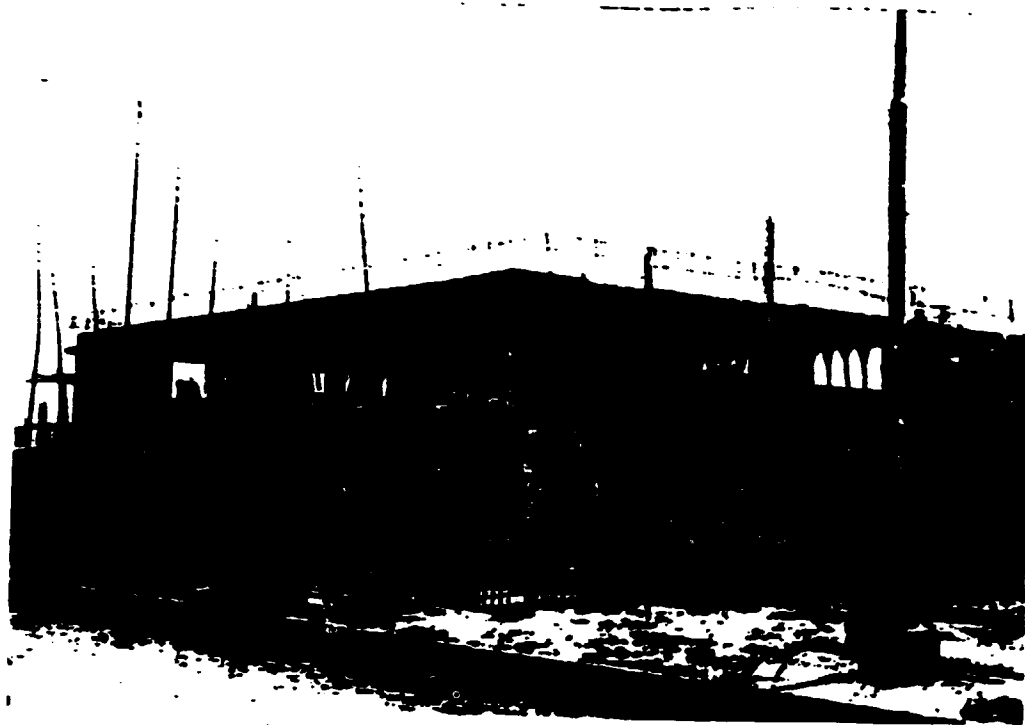
Appendix 3

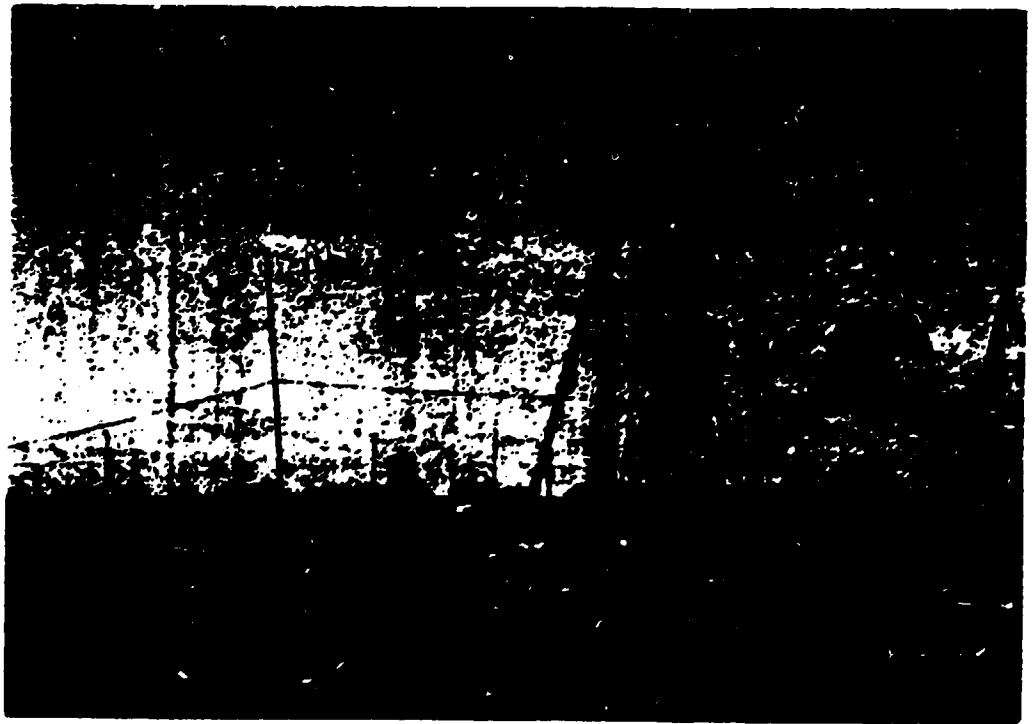
Photographs of CEPZ

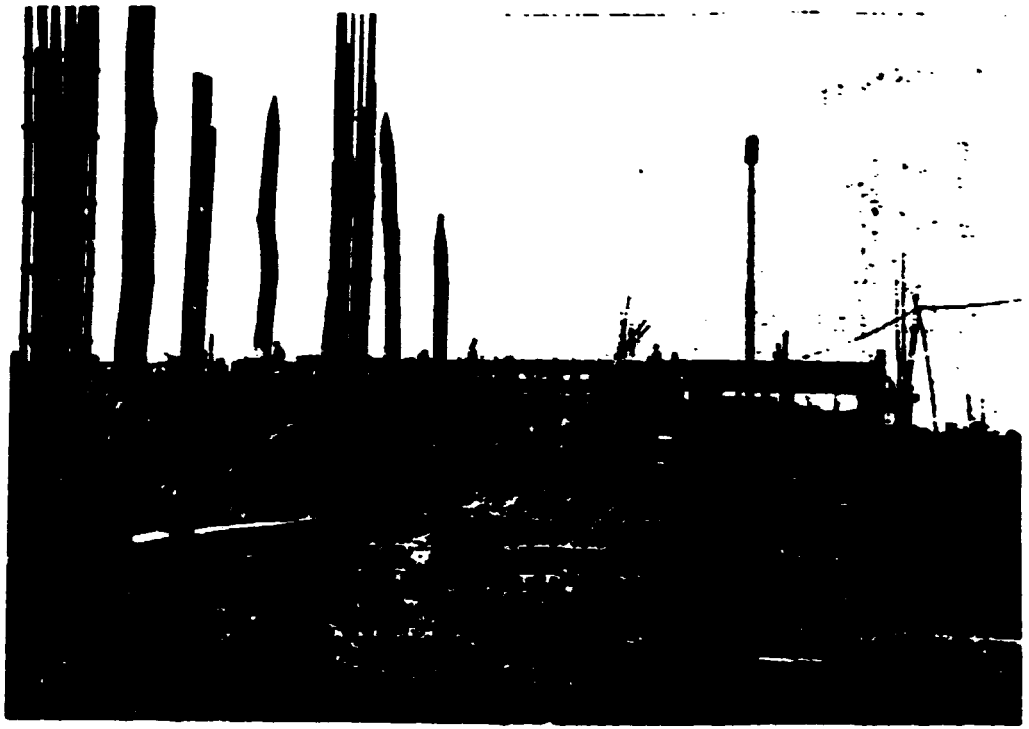


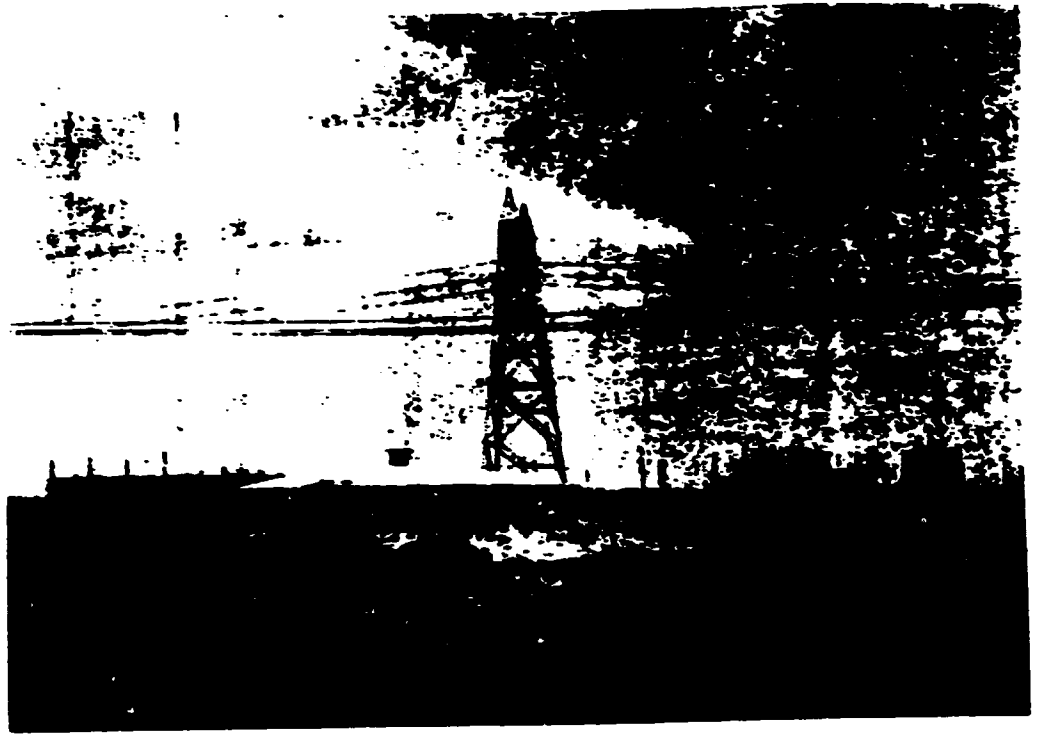


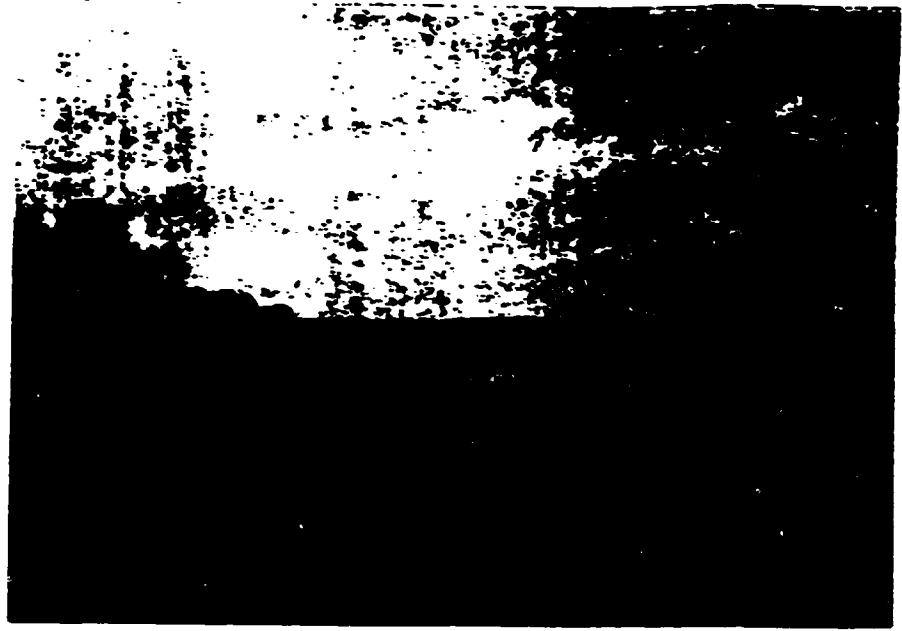














Appendix 4

Water Supply Analyses

Table A4.1

Analysis Sheet of Water Sample of Booster Station, WABA, Chittagong

Date of Collection	Time	Sample Location	Lab Code	pH	Temp °C	E.C. Micro/cm.	P. Alkn. mg/l	Total Alkn. mg/l	Chloride mg/l	Total Iron mg/l	Turbidity JTU	Chlorine Residual at the Time of Collection	
11-5-82	-	Channel before entrance to filter	259	7.9	28	290	0	122	17	2.33	<25	-	
11-5-82	-	Filtered water (Clear well)	260	7.9	28	295	0	124	18	1.65	<25	1.1	Chlorine residual test --- performed by WABA authority at the time of sample
11-5-82	-	After Chlorination (WAPDA)	261	7.8	28	280	0	118	20	1.45	<25	0.7	

Table A4.3

Provisional Cost Per Unit
Floor Area of Different Buildings at 4EPZ

No.	Type of Building	Floor Area		Cost of Construction		Cost of Land Development (Tk.)			Total Cost Per Unit Area Tk.	Total Cost Per Unit Area Rs.	
		ft ²	m ²	Tk.	%	W/Filling	Road Construction	Drain Construction			
1	2	1	4	5	6	7	8	9	10	11	12
1.	Single-story standard factory building	18,000	1,673	70,00,000	88,325	2,50,188	97,933/-	76,637/-	75,13,083/-	417.40	4,490.80
2.	Multi-story standard factory building	328,000	32,603	280,00,000	1,55,844	3,95,568	1,72,798/-	1,35,223/-	2,88,59,433/-	143.60	3,695.70
3.	Warehouse	32,000	2,974	1,25,00,000	1,53,409	3,89,388	1,70,098/-	1,33,110/-	1,33,46,005/-	417.00	4,487.60

Appendix 5

2. Memorandum on Immediate-, Medium-, and Long-Term
Promotion Strategies

See Annex 1 in Main Text

**3. UNIDO Seminar on Industrial Project Preparation, Evaluation,
Financing, and Contracting: Seminar Programme**



Index

UNIDO

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

SEMINAR ON INDUSTRIAL PROJECT
PREPARATION, EVALUATION, FINANCING AND CONTRACTING

SEMINAR PROGRAMME

Feasibility Studies Section

Vienna, Austria

A. OBJECTIVE

The objective of this Seminar is to assist the respective governmental and semi-governmental agencies concerned with industrial project planning to improve their current practices in the identification, preparation, evaluation, financing and contracting of industrial investment projects.

B. BACKGROUND AND JUSTIFICATION

One of the major constraints for industrial development is the shortage of well-studied industrial projects. In the past most of the developing countries received assistance in industrial project formulation and evaluation. This has not been enough, however to achieve self-sufficiency in personnel thoroughly equipped to adequately prepare and assess the feasibility of prepared industrial projects. It is, therefore, necessary that a nucleus of government officials be trained in the techniques of project preparation, evaluation, financing and contracting.

The Expert Group Meeting on the Evaluation and Follow-up of Feasibility Studies held in Vienna in December 1978 observed that the lack of a sufficient flow of economically viable projects stemmed to a large extent from the poor quality of pre-investment studies. The Meeting recommended that UNIDO should disseminate the information and methodology contained in the Manual for the Preparation of Industrial Feasibility Studies (Doc.ID/205) by conducting training workshops at national level in the developing countries.

C. PROJECT OUTPUTS

Approximately 15 - 25 officials of the Government agencies concerned with industrial development will be trained in advanced methods and techniques of project preparation, project evaluation, financing and contracting. The application of these methods and techniques to some industrial projects currently under consideration by the Governments should be envisaged as well as the practical ways of introducing these techniques in the day-to-day operations of the agencies concerned.

D. PROJECT ACTIVITIES

The Seminar will last for a period of three to six weeks as deemed necessary and agreed in advance between UNIDO and the host Government. The following agenda items are tentatively suggested; some of them might even be deleted. A detailed schedule is to be announced at a later stage when the detailed programme will be elaborated jointly with the designated host institution. The workshop will cover the following fields:

I. Project Preparation (UNIDO Manual for the Preparation of Industrial Feasibility Studies, Chapters 1 - 9)

The participants will be introduced to a systematic presentation of all aspects related to pre-investment studies. They will in particular be acquainted with the intricacies of preparing full-fledged techno-economic feasibility studies. All components of such studies will be explained in order to show the importance of careful project planning for the subsequent financial and economic analysis. Particular attention will be paid to funds flow analysis.

- (1) Project Identification
- (2) Stages of Project Preparation (opportunity, pre-feasibility and feasibility studies).
- (3) The Feasibility Study
Executive Summary
Project Background History
Market and Plant Capacity

- demand and sales forecast
- production programme
- plant capacity

Materials and Inputs

- characteristics of materials and inputs
- supply programme

Location and Site

Project Engineering

- project layouts
- scope of project
- selection of alternative technologies
- technology acquisition
- cost of technology
- equipment selection and purchasing
- civil engineering works

Plant Organisation and Overhead Costs

Manpower

Implementation Scheduling

II. Financial Analysis and Planning (UNIDO Manual for the Preparation of Industrial Feasibility Studies, Chapter 10)

A brief review of accounting concepts and principles will be followed by an introduction to funds flow analysis in order to develop an understanding of the movements of funds in a business operation over time and under different conditions. The computation of total investment and manufacturing costs will be shown in detail.

focusing on pre-production capital expenditures, fixed investment and net working capital as well as on factory, overhead, sales and financial costs.

Concepts of financial analysis will be highlighted together with methods of ratio analysis. Aspects of financial planning will be shown.

(1) Introduction to financial analysis

Financial analysis defined
Scope and importance of financial analysis
Objectives

(2) Total investment costs

Fixed investment
Pre-production capital expenditures
Working capital

(3) Total production costs

Factory costs
Overhead costs
Sales costs
Financial costs
Depreciation

(4) Financial planning and financing

Estimating capital requirements
fixed and working capital
Capital structure
Forecasting techniques
Sources and use of funds
Required financial statements
Cash flow table
Net income statement
Balance Sheet

(5) Financial evaluation

Fund flow analysis
Simple methods of financial analysis (pay-back period,
rate of return)
Discounted methods of financial analysis (net present
value, internal rate of return)

Financial analysis under uncertainty

Break-even analysis
Sensitivity analysis
Probability analysis

Ratio analysis

(5) Sources of industrial finance

Domestic

Public and private financial institutions

Preparation of loan requests for industrial projects

External

Foreign private investment

Joint venture agreements

Export credits

Bilateral aid

International financial institutions

III. Industrial negotiations and contracting

A brief review of procedures for contract planning, contract negotiations and contracting will be given. Emphasis will be put on the type of bargaining assistance required by developing countries when negotiating supply contracts with equipment suppliers, (turn-key and product-on-hand contracts), co-operation contracts with foreign producers such as joint ventures, supply of know-how and technology, sub-contracting, pay-back agreements and barter. A good knowledge of the implications of contract negotiations on the investments under consideration is important already at the pre-investment stage to provide the investment planning teams with a better understanding of the financial, economic and legal consequences of unsatisfactory performance of the industrial co-operation partners. Questions related to performance guarantees, conflict avoidance, and dispute settlement may conclude this part of the seminar programme.

IV. National Benefit Cost Analysis

Project evaluation will focus on the conceptual framework of national economic profitability analysis. On the project level particular attention will be given to the measurement of direct and indirect costs and benefits. National economic parameters will be discussed in detail, as well as the choice of projects under conditions of limited investment funds and long-run economic growth objectives.

- (1) Principles of evaluation, difference between commercial calculations and social-economic cost analysis.
- (2) Social benefit-cost analysis and national economic profitability.
- (3) Use of concepts of opportunity cost and future flow of goods for evaluating alternative investments.
- (4) Use of simplified rules of thumb for initial screening of projects.

- (5) Calculation and use of shadow prices which reflect real opportunity costs of foreign exchange, investment funds, unemployed unskilled labour, scarce skilled labour.
- (6) Incorporation of additional political national objectives such as balanced regional development, income distribution, independence from foreign sources of finance and control, etc.
- (7) Sensitivity and risk analysis under condition of uncertainty and ranking of project choice.

V. Case Studies

The participants will be put into small working groups each to undertake a complete financial and economic profitability evaluation of an industrial project submitted by their government. The groups will then come together to discuss the techniques used and the results obtained.

E. PROJECT INPUTS

(i) UNIDO inputs

UNIDO will provide a team of consultants to prepare and carry out the training programme. Generally speaking, the UNIDO team should be composed of one industrial engineer, one financial analyst, one market research specialist, one economist and one industrial contract specialist. UNIDO will also provide course materials and manuals. Participation of 2 - 3 lecturers from the Government's institutions concerned could also be envisaged and their contribution to the programme will be determined jointly by UNIDO and the counterpart institution during the preparatory work.

(ii) Government inputs

The host Government will provide:

All conference facilities;
Salary and related allowances for the fellows during the period of the workshop;
Appropriate administrative and secretarial services during the workshop;
Transport facilities for the UNIDO staff during the course of the Seminar.

The participants will be nominated by the host Government. The candidates will come from senior positions and have an academic background in economic accounting and extensive experience in industrial project planning.

UNIDO will select participants from among the nominations received taking into account professional qualifications and other relevant considerations. Participants attend the Seminar in their individual capacity although they have been officially nominated by their Government. They agree to attend the whole programme of the Seminar according to the schedule prepared by UNIDO and the government and the appointed counterpart authorities and to comply with the rules and regulations laid down for this workshop. They are expected to contribute through active participation in the discussions and case studies.

Nominations should include the names, educational background, present position, date and place of birth, present address as well as confirmation of good working knowledge of English and medical fitness.

F. WORK PLAN

To implement this programme, the Government will submit to UNIDO some of its projects which are ready for evaluation at least three months before the workshop is held. UNIDO will convert project studies into case studies which will serve as training material. UNIDO will also provide the basic training material such as the "Manual for the Preparation of Industrial Feasibility Studies", the "Practical Guide to Project Appraisal" and the "Guidelines for Project Evaluation". These publications focus on the process of rational and effective decision-making with regard to project preparation and selection.

G. REQUEST FOR A SEMINAR

Interested Governments, financial institutions, development corporations and the like are kindly asked to address their request for a Seminar to:

United Nations Industrial Development Organization
Industrial Operations Division
Feasibility Studies Section
P.O. Box 100
Vienna, Austria

Telex: 113512

Telephone: 26 310

4. London Financial Times, September 16, 1982,
Article on Manila Semiconductor Exports

Manila tries to boost semiconductor exports

BY EMILA TAGAZA

EXPORTS of semiconductor products have been one of the strongest props for the Philippines' delicate economy, but the steep decline in the growth rate of these exports is worrying trade officials.

Anxious to sustain the supportive role of semiconductors—the tiny silicon chips used in computers, video games and telecommunications equipment—the Government is dealing out more incentives to semiconductor companies.

Last year, semiconductor microcomponent exports earned \$886m (£353m), accounting for almost 11 per cent of the total value of 1981 exports. The Ministry of Trade and Industry said that the Philippines now accounts for about 20 per cent in volume of the world's output of assembled semiconductor devices.

Semiconductors have surpassed the performance of sugar, coconut oil and copper, traditionally the country's top foreign exchange earners. Raw commodities have taken a back seat since the plunge of world commodity prices, which started about five years ago.

But the industry is also starting to feel the recession. While

semiconductor export volumes have been increasing in absolute terms, their growth rates are declining. Last year's earnings of \$636m are up 22 per cent from 1980's \$522m. But this rate is considerably lower than the average annual 71 per cent increase between 1977 and 1980.

The Philippines also faces stiffening competition as a prime site for international plants. Other Asian countries, especially Sri Lanka, now offer competitive incentives so that foreign semiconductor concerns have a wider choice of sites for new overseas plants.

Last year, Motorola of the U.S. was looking at both the Philippines and Sri Lanka as the base for a new factory. It finally decided in favour of Sri Lanka because of the apparent enticements offered by the government.

President Ferdinand Marcos has recently declared the semiconductor sector a "vital industry," roughly defined by the government as an investment area essential to national interest and where strikes are therefore banned.

The inclusion of semiconductors in the vital industry list was prompted by strikes which

hit the country early this year affecting a number of semiconductor producers. Most of the disputes arose from deadlocked wage negotiations.

Under the Government's protective umbrella, semiconductor concerns have been granted several fiscal and tax incentives. This particularly benefits those doing sub-contracting work for international concerns or importing components for certain kinds of high-technology devices.

The Philippines is also aiming for the integration of semiconductor production through local manufacture of basic parts. A Trade and Industry ministry official said the Government wants to shift away from being a "mere assembler" of imported parts.

"We cannot forever be a country of sweat shops, processing parts for industrialised countries," he said.

Mr Roberto Ongpin, the Trade and Industry Minister, acknowledged the danger in failing to broaden the semiconductor industry's base. He told a group of businessmen recently that over the years the Philippines had benefited greatly from the "migration"

of semiconductor companies from industrialised countries, especially the U.S. and Japan, because of cheap labour.

But Mr Ongpin said that up-and-coming countries like Sri Lanka and Bangladesh are becoming more attractive as sites for assembly plants. "It is now time for the Philippines to move to a more sophisticated level of technology, rather like the stage where Hong Kong's and Singapore's semiconductor industries are," he said.

Many companies have been lukewarm to the new incentives because of what they call the omnipresent "nuisance factors" that impede their dealings with the government.

Companies are unanimous in saying they are encouraged by the government's intention to improve the country's investment climate, but note that implementation gets bogged down in bureaucracy.

Mr Earl Honbostel, general manager of Mark Electronics, cited special problems with the customs bureau.

An official of another foreign company added that there are often rows with customs over tax rates.

"While the official list of

customs duties specify one rate, it is not uncommon that we get charged a different rate by customs men," he said. Most others complain about the perpetual irritant arising from corruption.

Nevertheless, the Government is bullish about the prospects of the semiconductor industry. The Trade and Industry Ministry is projecting that semiconductor exports will rise to \$1bn in 1985, and that about \$150m in fresh investments will be injected in local industry by foreigners. The Ministry said that about 10 U.S. companies are looking at the Philippines as a possible area for future operations.

While the Philippines is doing its utmost to perk up trade and investment, its task is that much more difficult because of the global recession.

This year, the country faces a record-high trade deficit. During the first six months, exports were down 10 per cent to \$2.7bn, from the previous period's \$3bn. The trade deficit hit \$1.3bn during the first semester, almost 50 per cent above the \$880m deficit incurred in the same period last year.

5. **Job Specifications: Electronics; Garments, Accessories,
Sub-materials; Shoe and Leather Articles**

Job SpecificationsGarments, accessories sub-materials

1. Type of study: Pre-feasibility study with special emphasis on export and subcontracting.

2. Aims

- (1) to assess the possibility of setting up export oriented industries on locally available raw materials.
- (2) to assess the quality standard and capacity of the local production of garments; evaluate the possibilities of using local, cloth, sub-materials or packing materials.
- (3) to assess the viability of such projects.
- (4) to identify investors both Bangladeshi and foreign companies.

3. Contents

- the labour market, wages, fringe benefits, working hours, productivity, efficiency, quality.
- training necessary and available training institutions.
- available raw materials.
- energy, water and other inputs, services.
- companies for sub-contracting or joint-venture, their capacity and quality.
- freight situation.
- customs tariffs, quotas to EC, USA, Japan etc.
- financing possibilities.
- provisional cost estimates (a) investment (b) production costs & returns.
- general evaluation of production conditions, whether conducive.
- estimated return on investment.
- recommendations for project.

4. Suggested team of experts

- 1 specialist in shirt and outerwear production, possibly covering knitwear and accessories. Must have intimate knowledge of OMT/subcontracting to developing countries and the necessities for setting up garments production abroad.

1 economist to assess investment conditions and feasibility (also project leader).

1 local counterpart from government's industry or related trade, or from the Ministry of Industry and Commerce, if specialized in garments production and export.

5. Suggested plan of execution :

- | | |
|---|-----------|
| - Preparation and travel to Bangladesh | ½ week |
| - Information | ↓ |
| - Visiting industries, Dacca and Chittagong and up-country, | ↓ |
| - preliminary evaluation and report to Ministry , departure. | ↓ 1½ weks |
| | ↓ |
| - compilation of data, promotion and discussions with overseas industrialists, calculations and report writing. | ↓ 3½ weks |
| | ↓ |

6. Cost estimate

1 man-month economist	US\$ 6,000.00
1.5 man-month garment specialist	US\$ 6,000.00
allowances, visas, vaccination	US\$ 2,300.00
travel	US\$ 5,000.00
printing cost etc.	US\$ 300.00
	<hr/>
	US\$ 19,600.00

7. Personnel

M. W. Macken, Köln , garment specialist part
Indep lan GmbH, Integration GmbH economist part

Job Specification

Shoe and Leather article industries :

1. Type of study: Pre-feasibility study with special emphasis on export and subcontracting.
2. Aims:
 - (1) To assess the possibility of setting up export oriented industries on locally available raw materials.
 - (2) To assess the quality standard of locally available raw materials and the capacity of the tanning industry.
 - (3) To assess the viability of such projects.
 - (4) To identify investor both Bangladeshi and foreign companies.

The study must be designed so as to allow drafting concrete project proposals for investment projects to be set up in the Export Processing Zone (EPZ).

3. Contents :

- the labour market , wages, fringe benefits, working hours, productivity, efficiency, quality.
- training necessary and available training institutions.
- available raw materials.
- energy, water and other inputs, services.
- companies for subcontracting or joint-venture, their capacity and quality.
- freight situation.
- customs tariffs/quotas to EC, USA, Japan etc.
- financing possibilities.
- provisional cost estimates: (a) investment (b) production costs and returns.
- general evaluation of production conditions, whether conducive.
- estimated return on investment.
- recommendation for project.

4. Suggested team of experts:

- 1 Specialist in shoe production (possibly also leather articles) to assess raw materials base and local production capacities
- 1 Economist to assess investment conditions and feasibility (also project leader).
- 1 Local counterpart from shoe or leather industry or trade, from Ministry of Industry and Commerce, if specialized in shoe industry.

5. Suggested Plan of execution.

- preparation and travel to Bangladesh 1 1/2 weeks
- information in Dacca 1 1/2 weeks
- visiting industries, Dacca, Chittagong and up-country, 1 1/2 weeks
- preliminary evaluation and report to Ministry, departure.
- compilation of data, promotion and discussion with overseas industrialists, calculations and report writing. 3 1/2 weeks

6. Costs Estimate:

1.5 man-month economist	US\$ 9,000.00
1.0 " industry specialist	US\$ 6,500.00
Allowances, visas, vaccination, travel	US\$ 2,600.00
	US\$ 5,000.00
Printing cost etc.	US\$ 300.00
	<u>US\$23,400.00</u>

Cost of local counterpart to be met by Bangladesh side.

7. Personnel

F. Framenhofer, Aschaffenberg, West Germany
Dr. H. Buchholz, Pirmasens, West Germany
Indeplan GmbH, Project Consult Integration, GmbH

Job Specification

Consultant: Electronic (industrial, telecommunications, medical and others)

1. Type of Study:

Pre-feasibility with emphasis on sub-contracting, assembling, export and potential for joint ventures.

2. Object:

- (1) To evaluate the potential for the establishment of export oriented industries in the electronics sector within Chittagong EPZ.
- (2) To assess viability of such projects vis-a-vis similar operations in other low labour cost locations such as Sri-Lanka, India, Hongkong, Taiwan, Korea, Pakistan, etc.
- (3) To determine the market for joint ventures between foreign and Bangladeshi manufacturers/ assemblers of components, and assemblies, etc.
- (4) To examine how attractive air freight rates might contribute to successful marketing of electronics produced in Chittagong.

The study should embrace suggestions for possible projects proposals in this sector.

3. Contents:

- (1) Labour market, wages, social costs, working hours.
- (2) Productivity, training, efficiency, adaptability, quality control.
- (3) Locally available raw materials, components, suppliers.
- (4) Energy, costs, climatic conditions and effects on electronic products, humidity, precautions.
- (5) The Bangladeshi electronic industry to-day and prospects for the future.
- (6) Joint venture partners and/or sub-contractors.
- (7) Tariffs into EEC, North America, Japan and other markets.
- (8) Methods of Planning.

7. -Personnel

K. Wolff, Bad Wildbad, West Germany
H. Keck, Dortmund, West Germany
J. Dolan, Shannon, Ireland, Team Leader

6. September 17, 1982 Newspaper Article on
Quality Control Over Bangladesh Shrimp Exports

SHRIMPS: The Swedish authorities have refused to accept nearly 40 tons of imported shrimp, from Bangladesh and Malaysia finding it carrying a lot of bacteria due to ill transportation, reports the Swedish language dailies. The Swedish authorities have accused the exporters for lack of necessary precautions before shipment to Sweden. It seems if the Swedish authorities and importer, stop importing shrimps on the ground of lack of proper precautions before shipment in the exporting countries. Bangladesh amongst other countries would definitely loose a good market and a substantial amount of foreign currency.

**7. Memorandum on Meeting Between
Messrs. Lauber, O'Sullivan, and Lechscheidt**

MEMORANDUM

MEMO of discussion with Mr. LAUBER, economic attache
of the Embassy of the Federal Republic of Germany.

Date: 13.8.1982

Present:

Mr. Lauber
Mr. John J. O'Sullivan
Mr. Leckscheidt

We advised Mr. Lauber of the progress to-day of the
UNIDO sponsored assistance programme for CEPZ.

We ventilated the possibility of acquiring assistance
from the German Authorities for a number of activities
envisaged for the promotional plan for the CEPZ. These
might include :

- a) Financial subvention for participation by
CEPZ staff at selected Trade fairs in
Germany. The Bangladesh Export Promotion
Bureau is already represented (and being
sponsored) at the "Partner for Progress"
and "Grüne Woche" (agricultural and
food fairs), both in Berlin.

Mr. Lauber expressed the view that as Bangladesh
is on the priority list for aid, the assistance
could be extended to include the CEPZ programme
at these fairs and possibly also other
specialist fairs (textile, electronics, shoes).

- b) Financial assistance is also possible for execution of feasibility sector studies (short-term assignments, e.g. 2 weeks Bangladesh + 4 weeks Germany).

He explained to us that it will be necessary that the Director of EPZA apply to ERD with concrete job specification and a nomination of experts/consultants desired. After clearance the contract can be awarded directly to the expert by ERD.

Suggestions for assignments in their line will follow shortly.

A general discussion followed on the economic, political and administrative background and its impact on the task of encouraging investment in the EPZ. Mr. Lauber said they had received a number of very critical reports from some industrialists who had attended the investment forum and who might have been willing to set up projects but were deterred from doing so primarily because of three recent legal enactments, namely (a) The Protection of Foreign Investment Act, which reportedly appears to favour the Bangladeshi side, (b) The Indent Law which would appear to restrict the buying freedom of manufacturers and result in inappropriate technical specifications and cost increases (the indentors are not necessarily engineers but traders!) and (c) The recent Drugs Legislation in which the massive suspension of licenses on 1800 products was felt to be a very radical and one-sided annulment of existing international business arrangements.

Mr. Lauber pointed out that a typical result of the recent Government orders was observed by a major German Garments Manufacturer cancelling a .. \$1,000,000 investment.

While we appreciate that these views may be an accurate reflection of business viewpoints of the present time, and there may be always another side to the story, nevertheless, these questions will undoubtedly be raised during any promotional campaign abroad.

13.8.1982

John J. O'Sullivan

J. Leckscheidt

**8. Memoranda on Meetings with
Bangladesh Tobacco Company and Bangladesh Oxygen**

Memo on visit to:

27.7.1982.

Present: Hag
O'Sullivan
Leckscheidt

G.G. Hardwicke
Managing Director
Tele. 322-883
Bangladesh Tobacco Co. Ltd.
Box 392
Dacca 2

1. 3000 employed, of which in 1500 production in 2 factories, 1 Chittagong, 1 Dacca, 1 expatriate manager only.
2. Operating since 1950/52, first on imported tobacco from Pakistan. Now nearly (except for blends) fully self-sufficient on local 30,000 tobacco growers.
3. Additional stocks need to be kept, because FE allocation is irregular. Red tape in customs excessive (2-3 people to be employed only for processing these) but can be handled.
4. 19 holidays + individual annual leave + absenteeism result in low productivity.
5. Efficiency o.k.: 75% (vs. 90% Europe) compared to Africa, e.g., Zaire where low efficiency on machine but better control on working time, thus better productivity.
6. BTC train their own mechanics - other staff, lose some to Middle East, despite above-average pay.
7. Unions considered militant, although during last years improved relation/understanding.
8. 30% of work force considered superfluous, however rationalization drive limited by 1) FE shortage, 2) limited build-up of re-investment profits, 3) union hindering personnel cuts, 4) 20-25 year-old machines.
9. Problem of middlemen: "If pirates get into tobacco supply trade" situation will be spoiled.
10. If Govt./union attitude towards multinationals continues to favour local (20 firms) competition, BTC might be forced to close operations.

11. Willing to advise openly positive and negative points on production details etc. with the investors visiting.
12. Interested in opening export and would mean new factory for a) drying operation to begin with and b) manufacturing of cigarettes.

28.7.1982

Visits on 28.7.82

(Hag, Wassag, O'Sullivan and Leckscheidt)

(A) Dacca Chamber:

- 1) Discussion of access of EPZ companies to
 - (a) Inland market
 - (b) Inland services/
sub-contractors
- 2) Possible assistance of Chamber in establishing promotional material. Use of their library.

(B) Metropolitan Chamber:

- 1) Emphasis on export industries, e.g., food processing, increased exports of fish products, frozen fish, shrimps, froglegs, vegetables. Fish and vegetables air-freighted to 'OL' countries.

Jute: Chances slim because of world-wide existing over-capacities.
- 2) Willingness for cooperation in:
 - (a) Identifying investors
 - (b) Establishing basic promotional information
- 3) Mr.... is a regular correspondent of the confederation of British Industries, which publishes a confidential report on Bangladesh.

(C) Bangladesh Oxygen

- 1) 300 people in 3 plants - Dacca, Chittagong and Khulna.
- 2) 60% British shareholding as from 19.... when established in Bangladesh.

Operating as from 1952 in Pakistan.

Flexibility of Bangladesh Government on 60% majority of British Oxygen.

- 3) Very good productivity, for some part of production best making among British Oxygen Group.

All depends on good labour relations, good working conditions, respecting individual effort/performance, fair treatment of warehouses, no over-manning.

Results: No absenteeism, low fluctuation, loyalty, good productivity.

- 4) Wages: 3 strata:

- (a) multi-nationals (highest)
- (b) local private industry 30% below (a)
- (c) Public sector. Actual rates lowest but might be higher than (a) with overtime etc.

Bangladesh Oxygen wages in the middle of (b)

- 5) Company works quite profitably, even under European depreciation criteria.

9. Sample Project Memoranda

Annex 9

Dacca

1st September, 1982

Mr. S.H. Al. Hussainy,
Secretary, Ministry of Industries,
Government of the People's Republic of Bangladesh,
Dacca.

Dear Mr. Hussainy,

I should like to thank you for your brief visit to my office last week. You were naturally interested in the progress of the CEPZ project and the advisory input in which the Louis Berger Team, sponsored by UNIDO, is engaged.

I was glad of the opportunity of briefing you on the present status. However time did not permit us to discuss some aspects and I should like to deal with these in retrospect, for the record and in the interests of the project.

You referred to the study carried out by our good mutual friend Mr. Peter Donnelly of SPADCO, Ireland, in 1979. Mr. Donnelly strongly recommended the establishment of an Authority and a strong management board, as an absolute pre-requisite at the onset. Unfortunately, for some reasons, this was not done. Instead the physical works were commenced first. UNIDO officials and I are very impressed with the amount of work on the site which has been done by the Project Director and his minuscule staff also in regard to the substantial and detailed work in preparing procedures, leases, customs arrangements, bank documentation drafts and co-ordination of sub-contract work but we are equally unimpressed at the extraordinary delay in the appointment of a board and chief executive and the recruitment of suitable staff for the Authority. This very much smacks of putting the cart before the horse.

I know that there is much enthusiasm and goodwill at UNIDO for this project and a readiness to do all possible to assist it materially. Unfortunately, because of the absence of counterpart staff I as Team Leader, have had to postpone the visits of some experts on management, methods and marketing until some time next year. This is a great waste of time as we may have difficulty obtaining the experts who had been lined up. And each day the zone facilities are not being used is a waste of the country's considerable investment.

The operation and promotion of an EPZ is a highly specialized activity and priority must be given to training staff as one may not expect to recruit people already experienced in this field. An investment in lead time is involved here prior to the Authority becoming fully functional. I fear that this may not be fully appreciated at government level.

My Colleague, Mr. Leckscheidt, and I have drawn up a comprehensive strategy plan for promotion and marketing over the initial 24 months as well as a manual for the holding of investment seminars abroad. We have warned against implementing this plan without adequate and trained staff to service it and any enquiries generated.

I do not seek to judge the reasons for the current stalemate or hiatus in the project, as this is not my concern, merely to express the view that as so much has been done already by the one-man show it is a pity that so much time is being lost getting the show on the road.

We see substantial potential in the CEPZ, especially in regard to developing air freightable production in Chittagong and other locations such as Hongkong, Taiwan and Singapore, all of which are of some kind. Biman could profit from this and recognize the potential.

Obviously something needs to be done quickly at Government level.

I trust you will not take it amiss if I express these frank views with sincere hope that they may prove helpful.

Yours sincerely

John J. O'Sullivan
Team Leader,
Louis Berger International Inc.

MEMORANDUM

**To: Mr. Mahmoodul Haq, Project Director, BEPZ,
Research Department.**

**Subject: Joint Ventures - Fruit Products - Golf and
other Partners.**

Date: September 9th, 1982

**Please see the attached report which appeared in the
"Bangladesh Times" on September 4th, 1982.**

**Reference is made to export market research which has yielded
outlets in Kuwait and Saudi Arabia for fruit products.**

**The possibility of joint ventures with Golf partners as well
as partners in Singapore, Belgium and India are also
mentioned.**

**There may be merit in making contact with the Export Promotion
Board with a view to encouraging some of these potential
projects to set up in Chittagong as it seems likely that the
exports will be from that port in any case.**

(John J. O'Sullivan)

DRAFT LETTER

to some major international companies - B&BZ

Mr.
Chairman of the Board
Messrs.

Dear Chairman,

I dare say you have heard of Bangladesh in the past in the context of problems, political, social and economic. It is true that destiny has left us with a very large dependence on developed countries for practical material support and we are grateful for this assistance now and in the past.

However, in the future we must help ourselves and part of our plan to do so is the establishment of Bangladesh's first Export Processing Zone at the country's main seaport Chittagong. It is well located to serve markets in South-East Asia, one of the world's fastest growing areas.

Production costs, especially in regard to wage rates, are quite low when compared with similar manufacturing bases in Asia, Europe and North America. The development of air freighted goods is one of our priorities at Chittagong and we shall initially concentrate on assembly, light engineering, electronic and garment-making operations. Long-term plans envisage more capital-intensive projects, where possible using local raw materials. Natural gas will soon be available at the site.

I would like to invite your company, when next considered in this part of Asia, to give careful consideration to our assistance package. To help in your studies I have taken the liberty of enclosing some information material.

Of course I should be happy to deal with any specific queries you may have in relation to local conditions and procedures. Should any one of your executives be in Asia at some time in the near future I would be pleased if a visit to Dacca could be included in the itinerary.

Yours sincerely,

Encls.

Foreign Exchange Requirement - 1982/83

For

Marketing and Investment Promotion.

	<u>US\$</u>
1. Documentation, Trade directories, Literature	3,000.00
2. Printing of brochure (including plates and typesetting).	10,000.00
3. Paper for leaflets	1,000.00
4. Files and office materials	2,000.00
	<u>1,600.00</u>
10% freight	<u>1,600.00</u>
Sub-Total 1-4	<u>17,600.00</u>
5. Provision for travelling cost abroad 1982	1,000.00
6. 2 Seminars (1983), 2 days each	8,400.00
7. 1 promotional trip (1983), 4 weeks, 2 officials	8,000.00
8. Visiting 2-3 fairs, 2 weeks, 2 officials	4,000.00
9. Mailings from USA/Europe/Japan	1,000.00
10. Slide show, overheads, overhead projector, Episcopes, Writing equipment etc.	4,000.00
	<u>26,400.00</u>
Sub-Total 5-10	26,400.00
	<u>44,000.00</u>
Grand Total:	<u>44,000.00</u>

Project : Manufacture of Nautic Drugs (for export)
Proposers: M.A. Hassan and Sons (Dacca) Ltd.
Investment: US\$ 352,000.00
Turnover : US\$ 80,000.00
Net Foreign Exchange Earning : US\$ 10,000.00
Employment: 128 workers (6 foreigners).

Remarks : This is obviously a mixing and packaging operation. Insofar as the products are for export, there should not be any contravention of exiting regulations on importation and sale of certain pharmaceuticals within Bangladesh but this must be ascertained.

The net earnings of US\$ 10,000.00 does appear rather low when compared with the employment figure of 128 persons.

It would be prudent to enquire about the experience of the promoters both in manufacturing and marketing drugs.

A precise flow chart of the manufacturing process involved together with a list of machinery and the role the 6 6 foreign nationals would play in the operation appears to be desirable at this stage.

Further comment might await the supply of this information. Alternatively, a discussion with the promoter would be useful.

John J. O'Sullivan
August 20, 1982

Memorandum

Dacca

August 21, 1982

To: Mr. Mahmoodul Haq,
Project Director,
Export Processing Zone,
Hotijheel C/A,
Dacca

Subject: Factory Plots

with regard to your query regarding the size of the industrial plots on CEPZ (i.e. could some of them be designed for smaller projects) I am inclined to the view that anything less than half an acre (2,000 sq.m.) might be too small. Please remember that a building will not cover the entire $\frac{1}{2}$ acre and space must be left for access of goods, cars etc.

If there is a need for smaller buildings they might be accommodated elsewhere outside the zone if necessary in cluster-type workshops. A collection of very small operations on the zone might not enhance the zone's attractiveness to major foreign investors.

Ideally a half-acre site with the appropriate size building (say 1,500 sq.m.) should employ 200 people at full production or in shifts.

It may start by employing 30 persons and build up to its full workforce in 6-9 months.

Lower employment levels may not make full utilisation of the space available. However, one must remain flexible.

Projects with employment of 20-30 persons and which are not likely to develop beyond this level are not attractive.

John J. O'Sullivan
Team Leader

Memorandum

August 19th, 1982

Project: Magnet Stitching Industry
Proposer: Abdul Matlab Ahmed, ...
Dacca.
Products: Horse Rugs in jute, ...
for horses, tents etc.
Turnover: US\$ 310,000
Markets: western Europe (Germany ...)
Employment: 60 workers
Raw Materials: mainly ex Bangladesh

Comments:

This appears to be ...
because:

- a) the raw materials ...
Bangladesh.
- b) outlets are ...
of the products ...
be very competitive ...
from other ...
labour ...
- c) ...
in price, customers ...
...
... 10.5 & ...

Therefore ...
support ...
... premises ...

the availability of space on the zone ?
It is favourable that they could start
up in 40 days of approval.

The company should be encouraged to
widen their production programme
into harness and possibly saddles.
There is excellent leather here and
saddle-making is very wage intensive.
Saddles are very expensive in Europe.
I would have a good outlet for them
in Switzerland.

John J. O'Sullivan

4. When the final system of operating Foreign Exchange account is agreed a chart might be prepared outlining the steps to be taken by each manager of an EPZ industry.
5. In practice it may be found that all three types of enterprise may need to operate convertible Foreign Exchange accounts. The need is obvious for types A & B. Some C-types may utilise considerable supplies of imported raw materials and they should have access to Foreign Exchange funds which they generate from exports.

Paper Work:

Procedures must be simple if CEPZ is to prove a real incentive. There should be an absolute minimum of form-filling and each document must be vetted to see if it is absolutely necessary. I am not sure why an I.P.M. form needs to be signed by the company's bank.

The Philippines have earned a bad reputation for unnecessary paper work so much so that it has become a disincentive to investors.

CEPZ-Exchange Control and Reports:

The Authority should not become involved in currency documentation control. It is the function of the revenue and banking institutions.

The bank could issue monthly or quarterly statements to the companies showing what reserves in Foreign Exchange are held on behalf of the companies.

FOB and CIF Values:

The question of FOB value vis-a-vis CIF value of exported goods should be examined. Freight and insurance may be a sizable proportion of the value of an export order in some cases and it should be clear on which the customer is paying as it could influence the level of funds required to be remitted to Bangladesh.

Conversion of Foreign Exchange into Taka and vice-versa:

It is not desirable to have immediate conversion of Foreign Exchange into Taka and then require the industrialists to purchase Foreign Exchange when needed. Each transfer currency involves loss and charges unless a Foreign Exchange premium operates which can fluctuate. Obviously some projects will have a greater and more regular need for Foreign Exchange than others and this can only be ascertained over say the first 12 months of operation. A high

degree of flexibility will be necessary on the part of the authorities during this period. It would be very bad publicity for EPZ if that initial period delays in development directly attributable to too stringent control of Foreign Exchange funds were to occur.

This has happened, for instance, in other EPZ's notably in Costa Rica and Jamaica with damaging results to the industrialisation campaign.

L.C.s

The use of LC's for imports of raw materials into the zone does not appear to be necessary. It is after all the most costly way for the importer and the best for the foreign supplier. Each enterprise should be free to negotiate best terms.

Local Raw Material:

The use of local raw materials, where appropriate, in EPZ enterprises should be encouraged. Treating such materials as exports, with sometimes export duties or excise duties imposed, discourages their use and discriminates against them in favour of imported materials (duty free) possibly. This obvious disincentive is an anomaly which might be removed. Furthermore, its absence will be an attraction for a number of end-users (i.e. jute) to increase locally-added value of these products prior to export. The local excise on one hand will undoubtedly be more than offset by the increased foreign earnings involved.

It follows that such materials should be paid for in local currency financed by equivalent Foreign Exchange earnings.

If an excise duty is retained it should be payable only when raw materials are exported as finished goods.

Industrial Sales:

A restriction on sales in the domestic market might be retained to allow (at the discretion of the Authority) for the sale of between 5% and 10% of the production on the home market in certain cases, for the following reasons:

(a) Many factories produce "seconds" especially in the initial phase of start-up. These are normally sold at a discount to the public or to staff. The arrangement allows the company

to dispose of these items due to inferior workmanship or mistakes

and ensures that only quality products, such as garments, are exported.

- (b) One assumes that EPZ products will be available at more competitive price levels than comparable imported goods due to the economy of scale production, and saving in freight costs. This could have a benign effect on the economy through import substitution, and it is the view of the writer that much more attention will have to be given to this aspect generally.

Wages, Supplies etc.,

Wages and local supplies should be paid for in Taka converted from Foreign Exchange not in Foreign Exchange direct.

Plant and Machinery

A document to contain full details of equipment including country of origin (not merely address of supplier), value, description, etc., of each item of major equipment should be prepared by the Authority for the use of investors. BEPZA could otherwise importation, copying customs.

Records:

A monthly record should be maintained by each enterprise (to be examined by BEPZA finance section) which covers all imports of raw materials, spares, machinery both local and foreign, stating costs and origin.

Purchase of Raw Materials:

There should not be any time scale limitation on the import or purchase of raw materials imported by the bank or Authority. It is best left to the discretion of the enterprise. Import documentation could be processed by BEPZA in conjunction with customs.

Recommendation :

To circumvent the possibility of the zone being used as a channel to bring certain goods or materials into HongKong without paying duty the maintaining of accurate records by the companies in the zone is important. I would recommend that similar information to that required in Shannon Free Zone be mandatory. (see attached resume of Shannon regulations).

Customs officers and MPE officers must have access to these records as a matter of course as well as having the right to inspect stocks of goods and materials with each company. Although this may not fall directly under the category of Foreign Exchange procedures the controls will help ensure that there is no leakage of Foreign Exchange funds.

MEMORANDUM

Date on meeting with Mr. Kauf, Sales Director, Biman Airways

Present: Messrs Mahmoodul Haq, J. Leckscheidt, John J. O'Sullivan
and several members / Biman staff.

This meeting was held at my request as a regard to the preliminary discussion with Mr. Kauf (see memo. dated 1/27/62)

The aim was to re-emphasise our desire to concentrate on attracting air-freightable goods to the CLPZ in the beginning. I explained that our studies of the potential to date left little doubt in our minds that the best strategy is to seek light engineering, electronic and chemical projects to create a nucleus of activity in the zone. The success of the marketing effort required would largely depend upon the freight rates ex-Chittagong to various world markets.

Ideally we would like to be able to approach industrialists with quotations of fixed and attractive rates, as it will determine his initial response.

A full discussion took place. Mr. Kauf said that we could be assured of Biman's interest in developing freight service from Chittagong airport. The Government has allowed Biman in the country's interest to go 25% - 30% below normal rates in the hope of creating employment. He would be prepared to put on a cargo service of the F-28 to feed into Biman and after the configuration of their 707's long range aircraft to take more cargo. They also have an agreement with Pan America for through routes to North America.

However, all he could say in concrete terms was that the promoters should indicate what rate they thought was reasonable and he would try to match those levels.

We agreed that the Authority would keep in close touch on development in this regard with Biman, i.e. that in the first letter now being sent

-2-

**air connections and representative air
freight rates to selected destinations.**

A handwritten signature in black ink, appearing to read 'John J. O'Sullivan', with a stylized flourish at the end.

**John J. O'Sullivan
Team Leader**

DRAFT

LEASE AGREEMENT (land)

THIS AGREEMENT is made this day of one thousand nine hundred eighty second year of the Christian era between the Bangladesh Export Processing Zones Authority, a body corporate, established under the Bangladesh Export Processing Zones Authority Act No. XXXVI of 1980 and having its head office at Chittagong (hereinafter referred to as "the Lessor" which expression, where the context so admits, shall include its successors) of the one part

AND

(hereinafter referred to as "the Lessee" which expression, where the context so admits, shall include its/his heirs, personal representatives, successors and assigns of the other part.

WHEREAS the land more particularly described in the Schedule hereto (hereinafter referred to as "the said land") is at present vested in the Lessor and the Lessor has agreed to lease out the said land to the Lessee by issuing the Lease of 30 (Thirty) years under the following terms and conditions set forth hereinafter (hereinafter referred to as "the said terms and conditions").

The lease is renewable for a further period of 30 (thirty) years by mutual agreement.

The annual rental chargeable on the said land is US\$ 1.00 (or equivalent in local currency) per square metre payable monthly in advance. The rental rates may be revised by the Lessor every five years and if considered necessary may be increased by not more than 25% of the previous rent.

AND WHEREAS the Lessor has agreed to lease out and the Lessee has agreed to lease the said land subject to the terms and conditions hereinafter contained.

NOW IT IS HEREBY AGREED as follows:

1. On the date of execution of this Lease Agreement the Lessee should pay to Lessor the sum of _____ being equivalent to six months' rental of the said land which sum shall be held by the Lessor for the duration of the Lease in the form of a guarantee against any possible loss or damage to the property of the Lessor or failure by the Lessee to pay rental and other charges.

On the same date the Lessor shall deliver vacant possession of the said land to the Lessee who shall have the right at his own cost and expense to erect upon the said land a factory or other building which shall be subject to the approval of the Bangladesh Export Processing Zones Authority and shall be used as industrial premises in accordance with such approval and for no other purpose whatsoever.

2. The Lessee undertakes that he will not build on the said land any type of building other than that prescribed by the Lessor and that he will not permit the said land or building to be used for any purpose other than as an industrial premises or for any purpose which is unlawful or which is or may be a nuisance or which may interfere with the peaceful possession of the owners or occupiers of neighbouring lots/plots.

3. The Lessee shall at all times permit the Lessor, its contractors, agents, workmen and others authorised by it to enter upon the said land and premises for the purpose of erecting and of laying drains, sewers, pipes, cables or wires on over or under the ground and supplying gas, water, electricity and telephone services to, and for drains of surface water and sewerage from the said land and/or neighbouring lots/plots.
4. The Lessee shall, on completion of the Lease Agreement, pay any rates or fees which may be levied on the property by the local authority in respect of any services such as domestic garbage disposal, street cleaning, sanitary services etc., to the said local authority.
5. The lease of the said land is subject to and conditional upon the due performance and observance by the Lessee of his obligations under this Agreement and of the said terms and conditions contained in the Second Schedule hereto and should the Lessee fail to perform or observe any condition or stipulation here or under the said terms and conditions on its part to be performed or observed and shall continue to fail to perform or observe such conditions or stipulation after the expiration of twenty-one (21) days after the Lessor shall have served on the Lessee a notice in writing specifying the breach or breaches of Lessee's obligations under this Agreement and or the said terms and conditions contained in the Second Schedule which Lessee is alleged to have committed and requiring the Lessee to remedy the said breach or breaches within the said period of twenty-one (21) days, it shall be lawful for the Lessor to forthwith determine this Agreement and annul the lease of the said land in which event the Lessor shall be entitled to forfeit all monies paid by the Lessee as or to account of

the rental and the Lessor shall be entitled to re-enter upon the said land and to release it to any other party and the Lessee shall have no further or other claims against the Lessor in respect of the said land or this agreement.

Furthermore, in the event that the Lessee fails to setup the manufacturing operation within the specified period of time and is unable or fails to produce and/or export as per the project document submitted by him, the Lessor shall be entitled to terminate the Lease Agreement after the expiration of twenty-one (21) days after the Lessor shall have served on the Lessee a notice in writing specifying the failure to perform his obligations contained in the project document.

6. All costs of and incidental to this Agreement and to the subsequent lease of the said land including all stamp and registration fees and the Lessor's solicitors' costs shall be borne by the Lessee absolutely.

7. Any notice or demand required to be given or made by either party to the other shall be in writing and shall be sufficiently served if the same is sent by registered post addressed to either party at the respective address therein stated or at his last known address in Bangladesh and shall be deemed to have been received by it on the day following the date on which it was so posted.

8. In this agreement where the context so admits:

(a) words importing the masculine gender only include the feminine and neuter genders ;

(b) words importing the singular number only include the plural and vice versa.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands the day and year first above written.

THE FIRST SCHEDULE ABOVE REFERRED TO:

All that piece of land situate in the Police Station _____ District of Chittagong which said piece of land forms part of Holding / Lot No _____ the site whereof is delineated and edged red on the plan annexed hereto and marked plot No _____ and is estimated to contain an area of _____ sq. metres or thereabouts.

THE SECOND SCHEDULE ABOVE REFERRED TO:

Express Conditions

1. The Lessee registered by the Bangladesh Export Processing Zones Authority shall within six months from the date of signing this Agreement erect a factory building or buildings on the land hereby leased in accordance with the plan approved by the authority and shall maintain the building or buildings so erected to the satisfaction of the Authority.
2. The Lessee shall treat and dispose of, or cause to be treated and disposed of, trade and other effluents in a manner which is in accordance with the standards of state bodies and to the satisfaction of the authority.
3. The Lessee shall pay and discharge all taxes, rates, assessments and charges whatsoever which may be payable in respect of the land hereby leased or any part thereof levied by the local authority.

Registration-in-Interest:

1. The land hereby leased shall not be transferred, charged, leased, subleased or otherwise in any manner dealt with or disposed of without written sanction of the authority.
2. The land hereby leased shall not be subdivided.

The common seal of the said
Bangladesh Export Processing
Zones Authority was hereunto
affixed in the presence of:-

The common seal of the said
Authority was hereunto affixed in the
presence of:-

10. Memoranda on Meetings with Biman Bangladesh Airways

Summary of the meeting with Biman Managing Director at Biman office on 29.7.1982.

It was proposed by Mr. O'Sullivan that Biman offer extremely competitive freight rates and arrange to airfreight cargo from Chittagong directly and not have the cargo brought by road upto Dacca. This would serve several purposes - (1) The nominal freight rate would be an aided incentive for any investor. (2) The cargo would move safely. (3) The time/cost ratio would be in favour of the producer.

The Marketing Director Biman agreed in principle to all the proposals and in particular to airfreight cargo from Chittagong. He offered the cargo version of the P-27 in this regard. He also showed a keen interest in co-operating with EPZ in every way. The Marketing Director Biman said he would work out a tariff-rate on an individual commodity basis.

It was agreed upon by Mr. O'Sullivan and Mr. Rouf (Marketing Director Biman) that a committee will be formed to discuss the matter in detail. It was suggested to Mr. O'Sullivan that the Committee should comprise of the Marketing Director Biman and one or two of his associates on behalf of Biman, and Mr. Mahmoodul Haq, Project Director, EPZ. Mr. O'Sullivan ~~agreed to this~~ for EPZ.

J. O'Sullivan

**11. Air Freight Rates to the United States and
Wages in Electronics in Bangladesh**

36-A Indira Road
Dacca-15, BANGLADESH

Annex 11

August 16, 1982

Dear Farukh,

Further to our telephonic discussion on August 14th I am re-writing the following informations for your planning activities along with ART in respect to the proposed American Investment in Bangladesh :-

1. Cost Reference, Labour

Per hour rates for :

- a) Production worker trainee - US \$ 0.16
- b) Production worker - US \$ 0.36
- c) Supervisor - US \$ 0.75
- d) Technician or young engineer - US \$ 1.00 to US \$ 2.00

(These rates are extra as they bundle on yearly wages)
Typical hour worked per day :

One shift - 8 AM to 4 PM : 8 hours a day with one hour lunch/tea break i.e. 7 working hour

Three shifts may be operated : 7AM to 3PM / 3PM to 11PM / 11PM to 7AM
Total 42 hours in a week in six working days : Sunday is Holiday

5. Factory Rental Rates - Factory rent should be between US \$ 0.20 to 0.50 per sq. foot ; Heavy Electricity are to be arranged by the local promoter and for your costing purpose the above mentioned rate to be considered inclusive of power & water, facilities.

6. Air Freight Rate from Dacca to San Francisco are :

Cargo upto 44 Kg	Tk. 138.75 per Kg	i.e. US \$ 6.93 per Kg
45 Kg and above	Tk. 105.70 per Kg	i.e. US \$ 5.29 per Kg
50 Kg " "	Tk. 102.10 per Kg	i.e. US \$ 5.11 per Kg
55 Kg " "	Tk. 87.60 per Kg	i.e. US \$ 4.38 per Kg
60 Kg " "	Tk. 81.60 per Kg	i.e. US \$ 4.08 per Kg

By now you have received all the papers and photographs mailed to you in Florida.

Best regards to you, Pat and Art,

Yours sincerely,

(Signature)
(Enaid Salahuddin Ahmed)

11/11
11/11 Street
11/11

12. Comparative Survey of EPZ Conditions

COMPARATIVE SURVEY OF EPZ CONDITIONS

S1 No.	SINGAPORE	PHILIPPINES - Batang	MALAYSIA - Penang
1. LAND	<p>(A) \$ 90.00/m²/year. or \$ 7.50/m²/month. (B) From site \$ 120.00/m²/year. or \$ 10.00/m²/month. Note: Land cost is subject to revision every 5 years. Maximum increase 50%.</p>	<p>(A) Approx. P1.25/m²/month (for Mactan & Sagui city). (B) P1.50/m²/month (for Mactan & Sagui city) Note: Price increases by 25% every 5 years.</p>	<p>(A) Sale price M\$ 20.00/m²/month. (B) Annual quit rent M\$ 0.70/acre.</p>
2. LAND LEASE PERIOD	<p>(A) 30 years to 90 years depending on extent of investment. (B) Sale of land by Enterprises needs permission from JTC.</p>	<p>Land is leased for 10 to 25 years.</p>	<p>Lease period 90 years.</p>
3. STANDARD FACTORY BUILDINGS (SFB)	<p>(A) Ground floor @ \$ 10.50/m²/month. (B) Flatted factory: average \$ 6.00/m²/month. (C) Service charge @ 05 cents/m²/month payable by tenants in 3-story buildings. Note: Building may be purchased or rented. Rentals are subject to revision without prior notice.</p>	<p>P16.00 (US\$ 1.0)/m²/month). Note: (a) Advance of two months a must. (b) Rent same in all floors of 3-storied factory building. (c) SFB rented for indefinite period. (d) 15% increase every 3 years. (e) Rents are decided in a manner to recover cost in 20 years.</p>	<p align="center">—</p>
4. SFB RENTAL PERIOD	<p>Normally 3 years.</p>	<p align="center">—</p>	<p align="center">—</p>
5. PROPERTY TAX	<p>Included in rental charge.</p>	<p>Real estate (property) taxes are paid. Recommendations made to eliminate this. Exempted from municipal and provincial.</p>	<p align="center">—</p>
6. TAX HOLIDAY	<p>5 years tax exemption with 4% corporate income tax for subsequent years.</p>	<p>No tax holiday but not less of first 10 years can be carried over next 6 years.</p>	<p>(A) Income tax up to 10 years depending on investment levels and other criteria. (B) Investment tax credit up to 25% of fixed capital investment.</p>
7. PERSONAL TAX OF FOREIGNERS	<p>Not known.</p>	<p>Taxed as resident</p>	<p align="center">—</p>
8. ACCUMULATED DEPRECIATION	<p>Not known.</p>	<p>Allowed</p>	<p>Allowed</p>

Annex 12 (CONT.)
COMPARATIVE SURVEY OF EPZ CONDITIONS

S1 No.	SOUTH KOREA - Masan	SRI LANKA	SANTA CRUZ ELECTRONIC EPZ - INDIA
1. LAND	(A) US\$ 0.72/m ² /month.	(A) US\$ 40,000/acre once for all. (B) Annual ground rent Rs. 25,000 or US\$ 1667.00	US\$ 1.25/m ² /month plus municipal taxes at concession rates.
2. LAND LEASE PERIOD	Lease period 10 years; renewable.	Lease period 33 years.	Allowed 30 years.
3. STANDARD FACTORY BUILDING (SFB)	(A) 1st floor US\$ 0.71/m ² /month. (B) 2nd floor US\$ 0.63/m ² /month. (C) 3rd floor US\$ 0.61/m ² /month. Note: Lease charge for SFB @ US\$ 0.913/m ² /month.	(A) Home (SFB) (B) Warehouse (not yet).	US\$ 10.5/m ² /year reduced by 50% for first 3 years.
4. SFB RENTAL PERIOD	Long-term lease contract maximum 10 years renewable only once more.	NA	5 years, renewable.
5. PROPERTY TAX	Not known.	No property tax.	Not known.
6. TAX HOLIDAY	(A) Exempt for 5 years; 50% reduction for following 3 years on foreign-owned rate. (B) Corporate tax exemption as above like income tax.	(A) Tax holiday up to a maximum of 10 years may be allowed on the basis of employment, R & D, earned, introduction of new technology, etc., period may be extended up to 15 years.	(A) 5 years exemption from income tax on profits up to 8% of capital employed. (B) 20% deduction from profits for 10 years allowed against tax.
7. PERSONAL TAX OF FOREIGNERS	Exemption for 5 years.	No tax on remuneration of foreign personnel during tax holiday.	2 years tax reduction for foreign employees
8. ACCELERATED DEPRECIATION	Not known.	Not known.	Not known.

COMPARATIVE SURVEY OF EPZ CONDITIONS

S1 No.	INDIA - Kandala	MAURITIUS	BANGLADESH	Remarks
1. LAND	Developed plots with all services and facilities ● US\$ 6,000/m ² /year.	(A) US\$ 1.62/m ² /year. US\$ 2.42/m ² /year. US\$ 3.42/m ² /year. Note: Increases 25% every 5 years.	(A) Rent US\$ 1.00/m ² /year (US\$ 4047. per acre). Note: Rental rates reviewed every 5 years and increased up to 25%.	Approved.
2. LAND LEASE PERIOD	Not known	20 years; renewable up to 60 years.	Initial lease of land 30 years, renewable.	Approved.
3. STANDARD FACTORY BUILDING (SFB)	(A) US\$ 4.22/m ² /year (B) Ready-built unit 18x18 m. with an equal area of open space. (C) Provisional rent Rs. 6000/year = US\$ 731/year, or US\$ 2.14/m ² /year.	(A) Ground floor Rs. 113.00/m ² /year, or Rs. 9.41/m ² /month. (B) 1st floor Rs. 107.50/m ² /year, or Rs. 8.96/m ² /month. (C) 2nd floor Rs. 102.30/m ² /year, or Rs. 8.53/m ² /month. Note: Rent may be revised every 3 years; minimum is 25% of the previous rate.	(A) Single started SFB US\$ 1.50/m ² /month. (B) Multi-storied SFB: (1) Ground floor US\$ 1.25/m ² /month; (2) 1st & 2nd floor US\$ 1.50/m ² /month. Note: Rental rates will be reviewed every 3 years and increased, if necessary, but not exceeding 15%. (C) Warehouse US\$1.50/m ² /month. Note: Rates will be reviewed periodically and are fixed as may be considered necessary.	Proposed.
4. SFB RENTAL PERIOD	Not known	Buildings are leased initially for 3 years, renewable for further 3 years at the option of the lessee.	(A) Lease period for SFB is 3 years, renewable. (B) Lease period for warehouse minimum 2 months.	Proposed.
5. PROPERTY TAX	Not known.	Not known.	Not yet decided. Recommendation for exemption being submitted.	Proposed.
6. TAX HOLIDAY	Same as Santa Cruz.	10 to 20 years tax freedom.	Tax holiday 5 years on expiry rebate of 50% of income tax on export sales.	Proposed.
7. PERSONAL TAX OF FOREIGNERS	Not known.	Not known.	Exemption for 3 years provided. Such criteria are exempt from income tax in the country of domicile of the individual.	Approved.
8. ACCELERATED DEPRECIATION	Not known.	Not known.	Yes.	Approved.

13. Temporary Organigram of EPZ Authority

14. Responsibilities of BEPZ Chairman and Board Members

MAIN FUNCTIONS

Chairman

- Establishment of a well functioning Authority
- Formulation of policies, programmes and procedures
- Supervision of the observance of all policies, rules and regulations
- Approval of agenda and minutes of Board meetings
- Preside over Board meetings
- Recommendations concerning appointment/renewal of Members
- Approval of investment proposals
- Co-ordination between departments of the Authority
- Co-ordination between EPZ Authority and the government and its agencies.

Member (Finance)

- Preparation of an overall financial plan
- Elaboration of financial guidelines
- Preparation of annual budget, balance sheet and annual reports
- Control and supervision of revenue earnings and expenditures
- Elaboration of investment guidelines, investment calculations and evaluation
- Examine proposals for investment in EPZ
- Monitoring of projects in EPZ
- Bookkeeping, audit, tax and insurance matters
- Liaise with Govt. agencies for allocation and release of funds.

Member (Investment Promotion)

Identification of potential markets abroad and preparation of market profiles

Elaboration of a marketing plan and development of a marketing strategy

Implementation of measures to attract and win investors

Negotiation with prospective investors

Preparation of contracts for enterprise registration/licencing

Advertising and public relations

Information service for potential investors

Enterprise support services.

Secretary

Secretarial and other services to the Board

Custody of common seal, statutory books, important documents and records

Acquisition of land and estate affairs

General administration including common services

Legal matters

Security services

Personnel and industrial relations

Staff welfare

Purchases

Supervision of the physical project implementation

Engg./technical advisory services to the zone enterprises

Provision of utility services

Co-ordination with offsite services.

15. Standard Project Proposal Forms

REGISTRATION AND PERMIT

Registration and Permit

..0_____

In exercise of the powers conferred upon it by the Bangladesh Export Processing Zones Authority Act, 1980, the Bangladesh Export Processing Zones Authority, having considered an application to establish a manufacturing unit within the Chittagong Export Processing Zone from

(Promoters)

represented by

(title)

having an address at

and being a company registered in Bangladesh under the Company's Act near [blank] grants a permit to the above applicant company to carry on business of manufacturers of

within the territory known as the Chittagong Export Processing Zone, South Malishahar, Chittagong, on the condition that the manufactured goods will be entirely for export.

This permit is limited to the specific manufacturing of the goods stated in [blank]. This permit is not transferable to another company or person. It is void if the licensee fails to comply with the rules and regulations [blank] by the government and the Authority or if the licensee fails to observe the conditions and terms of the land/ [blank] agreement entered between the applicant company and the Authority.

Given at [blank] this [blank] day of [blank] 1982

[blank] Secretary of the Bangladesh Export Processing Zones Authority

[blank] and [blank] Executive.



No. :	
Date :	

Bangladesh Export Processing Zones Authority

C.D.A. BUILDING, COURT ROAD, CHITTAGONG, BANGLADESH.

Telephones : 201554, 201555, Cable : EPZA, Chittagong.

Proposal for Investment in Chittagong Export Processing Zone (CEPZ)

(To be submitted in triplicate)

1. Applicant

- (a) Name : _____
- (b) Address : _____
: _____
: _____
- (c) Phone No. : Cable _____ Telex No. _____
- (d) Nationality : _____

2. Applicant's Representative (s) to be Contacted

- (a) Name : _____
- (b) Address : _____
: _____
: _____
- (c) Phone No. : Cable _____ Telex No. _____

3. Type of Organisation—whether Public Ltd., Private Ltd., Partnership or Sole Proprietorship

: _____

4. Type of Industry to be Set Up

: _____

5. Brief Description of the Project (including manufacturing process, products/services, marketing information, facilities needed etc.)

(Please use a separate sheet)

6. Total Cost of Project

Amount in U.S. \$

- (i) Fixed Assets
- (a) Factory Buildings
- (b) Machinery & Equipment
- (c) Others
- (ii) Current Assets—Working Capital

	Foreign	Local	Total
Total			

7. Proposed Financing

(i) Equity Investment

(a) Foreign Currency

(b) Local Currency

Total (i)

(ii) Loan Investment

(a) Foreign Currency

(b) Local Currency

Total (ii)

Total of 7 (i) & (ii)

	Amount (U.S.\$)	Percentage of Capital Cost
(a) Foreign Currency		
(b) Local Currency		
Total (i)		
(a) Foreign Currency		
(b) Local Currency		
Total (ii)		
Total of 7 (i) & (ii)		100%

8. Time for Commencement of Commercial Production from the Date of Allocation of Land or Space in Standard Factory Building : _____

9. Annual Requirement of Raw and Packing Materials

(a) Foreign Currency

(b) Local Currency

Total

	Amount U.S. \$	Percentage
(a) Foreign Currency		
(b) Local Currency		
Total		100%

10. Proposed Annual Production & Export

(Please attach an estimated cost break-up for each product in the Proforma-A)

Items of production	Unit	Production				Export		
		Qty.	Value (US \$)			Qty.	Rate per unit	Value (US \$)
			Foreign	Local	Total			
1.								
2.								
3.								
4. and so on								
Total								

11. Probable Countries Where the Products are Expected to be Exported : _____

12. Break-up of Cost of Sales :

	1st year	2nd year	3rd year
	U.S. \$	U.S. \$	U.S. \$
(a) Annual Cost of Sales			
(b) Total Cost of Imported Materials/ Parts, Services etc. from Outside Bangladesh Per Annum			
(c) Total Cost of Local Inputs (materials, wages, transportation, rentals & other services) Per Annum—(a-b)			

13. Annual Net Foreign Exchange Earnings

(a) Total Export Value (FOB) : U.S. \$ _____

(b) Total Foreign Exchange Cost : U.S. \$ _____

(c) Net Foreign Exchange Earnings (a-b) : U.S. \$ _____

14. Are You Prepared to Construct Your Own Factory Building ? If so, Please Indicate the Requirement of Land :

(a) Total Land Required : _____ Sq. Meters

(b) For Immediate Use : _____ Sq. Meters

(c) For Future Expansion : _____ Sq. Meters

OR

(d) Indicate Requirement of Space in Standard Factory Building to be Provided by the EPZ Authority : _____ Sq. Meters

15. Manpower Requirements : Bangladeshi Non-Bangladeshi Total

(a) Managerial

(b) Technical

(c) Clerical

(d) Skilled

(e) Unskilled

Total

16. Any Other Points You Wish to Submit in Favour of the Project.

Date :

Signature with Designation.

Note : 1. Detailed information on the investment proposal will have to be furnished once the project is approved in principle on the basis of information supplied in this proposal.

2. Please use additional sheet wherever necessary.

Estimated Cost Break-up Per Unit.

Name of the Product : _____

Sl.No.	Particulars	Foreign U.S. \$	Local U.S. \$	Total U.S. \$
1.	Direct Materials (Raw & Packing).			
2.	Indirect Materials/Stores and Spares			
3.	Power, Gas, Water & other Utilities.			
4.	Factory Wages & Salaries			
5.	Depreciation			
6.	Other Factory Expenses			
7.	Factory Cost (1 to 6)			
8.	Administrative & Selling Expenses			
9.	Interest Expenses			
10.	Others (specify)			
11.	Total Cost			

N. B. The particulars may be re-titled or re-arranged to suit the accounting practices of the applicant.

PROJECT PROGRESS REPORT

Promoters :

Serial No : _____
Date of receipt: _____
Provisional : _____
sanction
Final sanction : _____
Lease agreement: _____

Type of investment:
Capital :
Discussion with promoters:

Product:
Employment:

Request for further information:

Site visit to CEPZ

Degree of BEPCA interest in project: high/medium/low/none:

Input required by BEPCA :

Constraints in this project (if any):

Estimated start-up:

Remarks:

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INTRODUCTION

- 21.1 In line with the UNIDO terms of reference, the objective of the two months consulting assignment at BEPZA from mid-June to mid-August 1984 was "to provide advice, guidance, and practical support" in the planning and development of export processing zones in Bangladesh.
- 21.2 As a result of one of the conclusions of the LBII Interim Report of September 25, 1982, to the effect that "promotion will play a critical role in the zones' success", Dr. Paul Huygelen was attached to the office of the BEPZA board member in charge of investment promotion, while retaining ready access to other board members as well as BEPZA's Chairman.
- 21.3 Consequently Dr Huygelen was exposed to the daily workings of the organisation. His comments are therefore of a practical nature, particularly in terms of operational aspects that should be implemented in the near term.
- 21.4 There is no need at this stage repeating recommendations of a longer term nature, already contained in the LBII report submitted two years ago, and many of which remain unimplemented.

METHODOLOGY

- 22.1 This report covers a two months stay in Bangladesh and daily presence at the head office of the Bangladesh Export Processing Zones Authority, Dhaka, apart from visits to the EPZ at Chittagong.
- 22.2 The report is based on:
- Reference to old and current files of investors' applications and related data;
 - Presence during most of the repetitive visits of foreign and Bangladeshi potential investors to the offices of BEPZA's Chairman or the Board Member in charge of investment promotion whose office I shared during the whole period;
 - "Ad hoc" meetings with other BEPZA Members and their staff;
 - Separate conversations with a number of potential investors and their attorneys;
 - Conversations with Economic Counselors, Commercial Attaches, or Trade Commissioners at the embassies in Dhaka of most OECD countries;
 - Meetings with representatives of two leading East Asia trade organizations;
 - Conversations with the General Managers of several foreign banks and with the Managing Directors of a selection of foreign companies established in Bangladesh (outside EPZ) for many years;
 - Visits to CEPZ factories and to a number of Bangladeshi manufacturing establishments outside CEPZ.
- 22.3 The annexes of this report form an integral part of the report and should be read as such.

EXECUTIVE SUMMARY

- 23.1 Though the EPZ concept dates back to the mid-1970's in Bangladesh and its formal enactment took place in December 1980, the Bangladesh Export Processing Zones Authority (BEPZA) did not take form until the appointment of its Chairman on March 6, 1983 and of three board members, the third one of which was appointed as recently as February 5, 1984.
- 23.2 The three years time gap was caused by a series of factors evolving from an apparent lack of commitment by the government to the EPZ concept; this climate seems to persist.
- 23.3 There is no doubt that there is drive and enthusiasm as well as true commitment by BEPZA' Chairman and by the Board Member in charge of investment promotion.
- 23.4 However, either because of a lack of understanding of the EPZ concept by other government departments and/or because of bureaucratic resistance at several levels in and outside BEPZA, the efficiency of operations leaves a lot to be desired.
What has to change is the attitude of officialdom; it has to be convinced of the desirability of EPZ's "off-shore" status, of the usefulness to Bangladesh as a nation of foreign investments in export processing ventures under BEPZA's umbrella. Professional motivation has to be instilled, as the lack of it is setting BEPZA off on an unproductive course.
- 23.5 Close to forty investors' applications have been "sanctioned"; yet this figure is very misleading in

terms of actual achievement as most of the companies lost interest in the meantime.

At present there are three small companies working in EPZ, a fourth one is breaking ground, and two others will probably start doing so in the near future.

23.6 The conclusions.

repose on three planes: policy, substance, practical aspects. They are offered as a realistic road to follow at this juncture.

BEPZA: MID-1984

- 24.1 BEPZA in mid-1984 is still a fledgeling organization despite its existence on the statute book since late December 1980. As a result it is going through normal growing pains, many of which unfortunately are transferred to the potential foreign investor. Viewed from a positive angle, a young organization can still be moulded if there is a sufficient amount of flexibility in its outlook.
- 24.2 BEPZA consists in essence of:
- (a) a chairman, three board members, and a very small staff, adequate in numbers for the present work, not altogether adequate in terms of commercial or businesslike attitudes to attract the foreign investor;
 - (b) a zone of some 124 acres in Chittagong with basic infrastructure for 97 plots;
 - (c) three industrial undertakings producing a variety of garments in temporary facilities at CEPZ;
 - (d) a series of brochures which represent a serious promotional effort; some updating will soon be called for.
- 24.3 All the present CEPZ investors came to Bangladesh to bypass the U.S. and E.E.C. quotas on garment imports. The Japanese company which is breaking ground at CEPZ came because its steel chain manufacturing factory in Singapore was running into problems; the company's foreign workers there reportedly were unable to obtain the renewal of their work permits; some taxation aspects were also of concern.
- 24.4 No progress has been made regarding the implementation of earlier decisions to establish an EPZ within easy

- reach of Dhaka International Airport. (See Annex 6).
- 24.5 Enquiries in Dhaka at Commercial Attachés' offices of the world's two leading electronics producers' countries indicate that businessmen from Japan and the U.S.A. might consider making a feasibility study for processing some of their products at a Dhaka EPZ if such a zone existed. In the meantime they do not wish to waste any time.
- 24.6 Obviously opportunity for progress lies in the hands of the Bangladesh Government.
- 24.7 The Government of Bangladesh should explore with the Japanese authorities through diplomatic channels in Dhaka the possibility of Japan granting funds to finance infrastructure and buildings (prefabricated in Japan with their usual electrical appurtenances, etc.) for the Dhaka EPZ. If such approach is successful, the likelihood of Japanese electronic firms establishing themselves in DEPZ would be much easier.
- 24.8 BEPZA in mid-1984 is not just an organization with real estate for rent to foreign investors. It is a concept, new to Bangladesh, which as this report's sections on incentives and disincentives outlines is running into problems of comprehension and implementation. None of these problems are insuperable. The priorities are listed in the conclusions at the end of the report.
- 24.9 A cooperative step forward was made towards the end of July 1984. On July 25, 1984 Ordinance No. XLIX of 1984 was promulgated by the President of the Republic; it contains a series of amendments and additions to

the Bangladesh Processing Zones Authority Act of 1980. A Consultative Committee is provided for under article 5 of the Ordinance to assist and advise BEPZA at the discretion of BEPZA's chairman. The committee is to be composed of 21 members to be selected from a broad spectrum of industry, commerce, and ministries, defined in the Ordinance, "plus such other members as may be nominated by the Government". (See Annex 18.)

The Consultative Committee is therefore an advisory panel which will be called to debate specific aspects of BEPZA policy and operations. Establishing the agenda for the first meeting of the Consultative Committee will be a landmark occasion.

EPZ AND BANGLADESH INVESTORS

25.1 The possibility of an EPZ creating "leakage of foreign exchange" within the framework of the government's stringent foreign exchange controls is one of the theoretical concerns expressed in UNIDO's terms of reference.

25.2 Such leakage, if any, would apply specifically to Type "C" investors.

There are no such investors in the EPZ at present and the likelihood of a Type "C" influx is unlikely in the foreseeable future.

The reason for their absence is the variety of export incentives available outside EPZ to Bangladeshi entrepreneurs.

In addition, possibly as a result of these special favours, BEPZA's policy is to promote and attract principally Type "A" and Type "B" investors, while nevertheless welcoming Type "C" ones if they see any benefit in EPZ operations. (BEPZA's objectives spelled out in Ordinance No. XLIX of 1984 stress the Type "A" investment.)

25.3 A confluence of circumstances seems to have worked towards creating "export processing favours" outside of EPZ.

These favours, i.e. investment incentives available to local Bangladeshi entrepreneurs outside EPZ who are committed to exports, can be summarized as follows:

A 2.5% ad valorem customs duty instead of 20% on machinery, equipment, and spare parts; complete exemption of sales tax; payment of customs duties in instalments over a period of 5 years; an income tax holiday of 5 to 9 years (depending on location in the country) and a

20% to 25% investment allowance during the first year of commercial production; when income tax is due, a 30% to 50% rebate on profits attributable to export sales; concessional interest rates; loans of up to 90% of the value of confirmed letters of credit; export performance licences (XPL) for extra foreign exchange allowances, etc..

- 25.4 The EPZ concept and its advantages were first broached in the 1970's; BEPZA's legal existence and its incentives date back to December 1980; yet its implementation is but 18 months old (March 6, 1983) and the first investor started commercial production as recently as March 1984. As yet only one factory building has been constructed at the Chittagong EPZ. The creation of a Dhaka EPZ remains uncertain.
- 25.5 During the intervening period, economic factors and social constraints in OECD countries tightened the import quota system on several textile and garment products manufactured in Hong Kong, Taiwan, South Korea, India, Sri Lanka, etc.; this led buyers to explore non-quota countries, including Bangladesh, where in addition labour cost is inferior to that prevailing in Hong Kong, etc..
- 25.6 Tardy EPZ implementation coupled with aggressive action by foreign buyers led to local entrepreneurs pouncing on processing certain easily sewn garment items and doing so profitably thanks to the non-EPZ favours. Having established a fairly successful operation outside of EPZ, they see no need to move into EPZ.
- 25.7 This is the case for garments. Its origin is the foreign buyers' interest. Few, if any, Bangladeshi entrepreneurs have export know-how; even fewer have been exposed to overseas practices.
- As there has been no influx of buyers for non-garment items (except for Bangladesh's traditional exports such as jute, shrimps and frogslegs), it is not surprising that interest has not arisen amongst Bangladeshi entre-

preneurs to set up EPZ industries in other lines of products exportable to OECD countries. Hence this interest has to be created.

- 25.8 Due to historical circumstances, Bangladesh is not a very outward looking country; its geographical location does not make it a typical crossroads, such as Hong Kong, Singapore, etc.. What little investment in CEPZ has been made up to now by outsiders who, in the case of Type "B" industries, had a hard time getting the necessary financial and moral collaboration or participation by local entrepreneurs. Reason the more for doubting widespread use of EPZs in Bangladesh by Type "C" investors at this stage of the country's economic development.

INCENTIVES

- 26.1 The incentives offered by the Government of Bangladesh to foreign companies contemplating investments in BEPZA operated zones are contained on pages 15 and 16 of BEPZA's booklet entitled "Information for Investors"; these pages are reproduced in Annex 1 to this report.
- 26.2 The advantages are in fact concessions in relation to strict legislation governing the control of transactions in or transfers of foreign exchange, the payment of customs duties, income tax matters, and suchlike. However generous these concessions may appear to the Bangladeshi legislator or government official, it is the impact made on the potential investor that matters. In many instances the disincentives outweigh the incentives.
- 26.3 Bangladesh got into the act of creating an EPZ rather late or, stated more correctly, the government implemented with considerable delay Act of Parliament XXXVI of 1980 for the establishment of BEPZA. What could have been in incentive in 1980 is not necessarily still so in 1984 or 1985.
- 26.4 Questions are often asked in Dhaka with caution, if not reluctance, regarding precedents (in other Asian export processing zones) of suggestions or incentives being proposed by CEPZ applicants or investors on a variety of aspects. This is an understandable attitude in a fledgeling organisation such as BEPZA in a country wary of making exceptions to known bureaucratic rules, especially if they benefit foreigners. What must be under-

lined, nevertheless, is that Bangladesh being an EPZ late-comer and close to the lower rungs of the EPZ ladder in terms of attractions, must indeed offer more advantageous conditions than its competitors to attract foreign investors. It is not enough for BEPZA to just superficially copy Sri Lanka, for instance; BEPZA has to offer more favourable conditions. (Suggestions have been made to extend the tax holiday from five years to an indefinite period for all Type "A" and Type "B" investors irrespective as to their date of commencement of production.) In addition BEPZA must provide more efficient handling of investors' requirements to successfully compete and thereby survive and expand its operations. BEPZA must get buildings ready for prospective investors; buildings are a serious incentive.

- 26.5 Foreign investors from the industrialised countries have a whole range of EPZs to choose from. And the target of all EPZs, worldwide, is the foreign investor.
- 26.6 It is an acknowledged fact, and Singapore is one of its outstanding examples, that "industries where foreign investors have not played a sizable role are also generally industries that have not expanded rapidly in the last two decades"; the author of this statement in a recent I.L.O. report on export processing and industrialisation in Singapore added that "the manufacturing sector is extremely dependent on foreign investments for good export performance".
- 26.7 For the foreign investor, almost the only true incentive at present in BEPZ is low-cost labour, low-cost because human bodies are plentiful in poverty-stricken Bangladesh, But, however important that incentive, it is rarely enough by itself to launch into an operation in

Bangladesh.

- 26.8 According to the Bangladesh Statistical Yearbook, average daily wages in the country in 1983 were as follows for skilled workers: agriculture Tk. 20.62 (\$0.82), cotton textiles Tk 25.14 (\$1.01), engineering Tk 32.55 (\$1.30). Figures for 1984 provided by CEPZ regarding average daily wages in the Chittagong area range from Tk.24.00 (\$0.96) for semi-skilled workers to Tk. 240.00 (\$9.60) for mechanical and electrical engineers.
- Another way of stating Bangladesh's low labor cost, as illustrated to BEPZA by a potential foreign investor, is to compare its \$50.00/month to Hong Kong's \$ 185.00, South Korea's \$ 215.00, Taiwan's \$ 250.00 for the particular industry in question. In the garment industry, Bangladesh's wage cost per shirt is 6% of the U.S. cost, whereas South Korea's is 30% of the U.S. cost.
- 26.9 Within the limited framework of the garment industry, the present absence of quotas in the U.S.A and E.E.C. for imports from Bangladesh provides an artificial impulse. It cannot be labeled an incentive as such.
- 26.10 EPZ success stories worldwide are based on "outward-looking policies, strong emphasis on export promotion, and reliance on direct foreign investment" in the words of another I.L.O. report. If there is government commitment in Bangladesh to these attitudes and incentives, means should be found to exteriorize them fully to potential and actual investors. As of now, investors feel they are running into more disincentives than advantages.

DISINCENTIVESLack of Commitment

27.1 For the foreign investor, the foremost disincentive is what is interpreted by the investor as the Bangladesh Government's halfheartedness regarding EPZ.

The lack of commitment by governmental authorities and departments at all levels, with but very few exceptions, surfaces at every operational juncture. Maybe it derives from a lack of understanding of the EPZ concept, namely that a successful EPZ is a type of "offshore" body.

The impression prevails therefore amongst foreign investors that the Bangladesh Export Processing Zones Authority itself lacks authority.

Examples of lack of governmental commitment at cabinet level which surfaced recently were:

a) The ban issued in June 1984 by the Minister of Commerce (without consultation with BEPZA) against all foreign investments or joint ventures involving foreign participants in Bangladesh, including EPZ, in industrial undertakings manufacturing or processing garments for export. (Note garments were originally listed as a No. 1 priority product line for CEPZ. The first three CEPZ units are foreign garment manufacturers.)

b) The protracted stalemate about the creation of an EPZ near Dhaka's international airport.

27.2 If there is a stumbling block impeding an investor's progress at BEPZA, it should be ascertained first whether it is an imaginary one or a real one; if it

is a real one, one should decide whether it is an artificial one or a true and serious one. This decision-making process should be prompt. Unfortunately, examples of lack of promptness abound by the dozens. A foreign investor does not wish to wait for months for a ruling on matters of importance.

BEPZA's chairman's suggestion to set up a "one-stop" service is commendable; the question is whether it can be implemented promptly. Political reasons as well as proactical aspects may delay acceptance of the sweeping changes proposed.

- 27.3 It should not be necessary for foreign investors to appeal in person to the President of the People's Republic of Bangladesh to get action on some problematic matters within the realm of solution by other officials. Yet delays, within and outside BEPZA, have obliged some of them to do just that, in fact with BEPZA's chairman's blessing. It is a last-ditch approach, maybe a practical and imaginative one, but one which also illustrates at the same time the frustrations and disincentives facing the foreign investor.

Uncertainties

- 27.4 On the part of the foreign investor a further disincentive is what some term the country's lack of continuity, others the absence of consistency in industrial policy. Consistency of policy would increase the credibility of the government amongst foreign investors who would therefore be able, as in the case of Singapore for instance, to plan over a longer time horizon. Before taking future profits into consideration, the

first thing an investor wants is to make sure his capital is secure; as regards Bangladesh and its EPZ most of them are adopting a wait-and-see attitude. The negative effects of the Drug Ordinance of 1982 have echoed well beyond the Bangladesh factories and overseas board rooms of the multinational pharmaceutical firms that were hit in Chittagong and Dhaka.

Serious foreign investors look at the overall picture and governmental commitment, not just at BEPZA's promises.

Foreign Investment Protection

- 27.5 The provisions of the Foreign Private Investment (Promotion & Protection) Act No. XI of 1980 concerning equitable treatment and repatriation of investments have not made much of a favourable impact on potential foreign investors, either inside or outside of EPZ in Bangladesh. As implementation of guarantees is subject to the right which the Government may exercise in "circumstances of exceptional financial and economic difficulties" and as such difficulties (even with the current annual injection of almost U.S.\$ 2 billion of bilateral and multilateral foreign aid) can be endemic in this poverty-stricken country, it is not surprising that major foreign investors are exhibiting extreme caution.
- 27.6 Though in the cases of the Federal Republic of Germany, France, U.K., U.S.A., and some other countries, negotiations have taken place with the Bangladesh Government on proposed bilateral investment treaties (B.I.T.), only in three instances have they resulted in signing the international instrument, namely U.K. (June 19, 1980), Belgium (May 1981), Germany (April 10, 1984). In July 1984 renewed negotiation took place for a B.I.T between

the U.S.A. and Bangladesh; it did not result in an agreement. Even as regards the U.K. treaty, attempts have not been given up to update its application. Consequently there is a reluctance by non-B.I.T. covered potential investors of importance to look into EPZ opportunities in Bangladesh when greener pastures are available elsewhere.

Coverage of commercial risks is available, up to strictly limited ceilings in each case, through OPIC (since 1975), ECGD, and HERMES respectively in U.S.A., U.K., and West Germany. France's COFACE, ITALY's SACE do not provide coverage for Bangladesh, neither does Japan's Foreign Trade Organization.

- 27.7 Whereas investment coverage would naturally be helpful, confidence-building measures by the Bangladesh authorities would by themselves have a beneficial effect on foreign investors. Such measures require a change of attitude which may be some time coming; the prevailing feeling of alleged former exploitation of East Bengal by non-indigenous interests seems rather ingrained.
- 27.8 The following observation in an I.L.O. report, published in October 1982, bears repetition in this context: "It was not until Singapore embarked on an aggressive export-oriented industrialisation programme accompanied by measures to improve the investment climate that foreign investment inflows were forthcoming in the required volumes".

Technical Discincentives

- 27.9 Specifically as regards operations by BEPZA, it is necessary to drive home to the country's leaders the inevitability of the "offshore" concept. While steps are under consideration in that respect concerning EPZ banking regulations and those governing the organisation

of labour unions, it is in the day-to-day affairs of BEPZA and of its EPZ investors that government departments must be educated about the meaning and applicability of that concept.

27.10 Specific disincentives of a more technical nature are summarized below:

- Temporary retention by the Bangladesh Bank of 5% of the F.O.B. value of exports by Type "A" investors. (See item 2(d) of Principles and Procedures in Annex 2 to this report). This is a lack of trust, discrimination, especially in the light of Bangladesh Bank Circular No. F.E. 37 of May 10, 1983, the relevant paragraph of which reads as follows:

"The Type "A" exporting unit shall submit a declaration to the effect that no part of the cost of production of the goods exported has been paid in local currency other than through the sale of foreign exchange to an Authorized Dealer. Bangladesh Bank may, if necessary, ask for such other particulars or documents as it may consider necessary to satisfy itself that no element of such costs has been paid for in local currency other than through conversion of foreign exchange. Bangladesh Bank, on being satisfied with the particulars furnished by the exporting unit, shall make a deduction of 5% from the C&F/FOB value realised and will allow remittance or retention in a foreign exchange account of the balance of the amount. Remittance of the 5% so deducted from the export proceeds will be allowed at the end of each financial year after deduction of taxes or any cost of production that may have been incurred in local currency".

Investors have asked for a cancellation of this clause and, in the meantime, payment of interest by the bank on the sums withheld; no action has been forthcoming for months.

Retention of this 5% bond could lead to unsavoury practices.

- For Type "B" investors, the Bangladesh Bank allows remittance abroad or retention in a foreign currency account in Bangladesh "of that portion of the F.O.B. value of the goods exported that represents the cost of

the raw materials and other imported items". In other words, the investor cannot make a profit expressed in foreign exchange and use it to buy extra equipment, etc..

- If profits of foreign enterprises in EPZ are exempt from Bangladesh income tax and can be freely transferred abroad, clearly dividends payable to foreign shareholders resulting from these profits should equally be exempt from Bangladesh income tax. Yet, since early 1984, when a Type "A" investor and his attorney challenged an administrative ruling to the contrary, no headway has been made to resolve the matter.
- An investor who submitted an equipment appraisal in Italian with a English translation had the appraisal refused by BEPZA officials. It took days to convince them that all that was required was the official legalisation of the English translation rather than a new appraisal at Chittagong Port.
- Pervasiveness of bureaucratic haggling leads to substantive inaction. Investors, whether from East or West, are achievement-oriented. They have no quarrel with procedures, but they want them to be implemented promptly. Right now they are getting bogged down in them.
- EPZ industries are still subject to the local regulation requiring orders for over Tk 1 million (\$40,000) to be placed via local indenters, despite the fact that EPZ's investors' suppliers are generally their own head offices abroad. This is completely counterproductive. Nevertheless Bangladesh Bank allows shipment of any value on consignment terms to the EPZ processor who then invoices added value only.
- EPZ enterprises are prohibited from taking out marine insurance abroad on their imports and exports. Yet, when these foreign investors take out insurance with the State's Sadharan Bima Corporation, the premium has to be paid in convertible U.S. dollars, whereas claims will be settled in non-convertible local taka.

- A similar prohibition covers general insurance of assets against fire, burglary, etc.. Again it is a lack of understanding of the implications of operating an "offshore" EPZ, antipathy for the "privileged" investor, a fear of being blamed for favouring foreigners, that cloud the straightforward way out.

The Bangladesh Government should permit Type "A" industries to take out marine and general insurance policies from underwriters abroad, subject to the premium in each instance being paid out of the industry's own foreign exchange funds.

Lack of Promptness

27.11 Within BEPZA, the most important activity, critical for its development and future success, is the approval of potential investors' applications. If there ever is a disincentive for the foreign investor, it is the un-businesslike treatment of these applications, receipt of which goes unacknowledged sometimes for months. When decisions are taken, some unanimously, they may even go unimplemented. Board Members work at cross-purposes sometimes; so do their staff. As the BEPZA chairman explained "bureaucracy is synonymous with hypocrisy". When it affects foreign potential investors, it is completely counter-productive unless, not inconceivably, that is what the hypocrisy is all about. The memo in Annex 4 to this report may read simplistic to investment specialists in the U.S.A., F.E.C., Japan. What it tries to point out is that approval criteria and evaluation procedures have to be straightforward

and prompt. The first question that should be asked by the BEPZA evaluators is "what is right with this proposal?".

And, if there are omissions or other problems. " how can we help the investor overcome them ?"

The current attitude is diametrically contrary to this.

And, as a result, expressed colloquially, BEPZA has missed the boat on several occasions. One of the outstanding cases is that of a Dutch garment manufacturer with plants in Western Europe, Tunisia, and Sri Lanka who, during the first quarter of 1984, was unable to break through the uncooperative wall that was erected around his investment proposal.

News about negative treatment to an investor travels quickly abroad as would, indeed, a report about a successful investment; unfortunately the latter is still to be hoped for.

Miscellaneous disincentives

- 27.12 Last, but not least amongst the disincentives are such factors as: Bangladesh's geographical location outside the mainstream of international commerce, the country's meteorological conditions, its floods or cyclone risks necessitating special engineering precautions at CEPZ, (See LBII's Roger Patton's Report of April 29, 1983.), and the comparative advantages of other export processing zones in South-East Asia.
- Even from a labour-cost viewpoint, investors from OECD countries may be satisfied to obtain a price, say, of \$ 0.45 per unit of production elsewhere versus Bangladesh's \$ 0.10 when their own unit cost at home runs into \$ 1.75 or more.
- 27.13 No single one of these disincentives, except the apparent lack of governmental commitment to the EPZ concept, will keep investors away. It is the unfortunate accumulation of them that must be dissolved.

27.14 The five companies actively involved in CEPZ are in fact pioneers, who discovered several of the disincentives and hardships as they went along.

None of them represent major corporations from the industrial world, either East or West of Bangladesh; these are much more cautious; and it would appear rightly so under the circumstances.

The Bangladesh Government and BEPZA must create new motivation for foreigners to use the export processing zones, present and to come.

MARKETINGFree Trade Zones

28.1 Free Trade Zones generally consist of:

- (a) an entrepot operation for re-export of imports and/or
- (b) a manufacturing operation, including processing or assembling imported items for re-export in product form;
- (c) operations similar to item (b) where part of the exports from the "offshore" EPZ is into the domestic tariff area.

28.2 In the case of Bangladesh, implementation of item (a) has not been seriously contemplated as entrepot trade is not labour-intensive. Moreover the country's geographical location is such that the only beneficiary probably would be Nepal. It is hardly worth the trouble for the overseas manufacturers to set up such a distribution centre in Bangladesh.

The only known feasibility study regarding the use of CEPZ for entrepot trade related to chemical raw materials used in the pharmaceutical industries in the wide range of countries of the hinterland of the Indian Ocean; it came to naught as a result of Bangladesh's drastic discrimination against multinational pharmaceutical firms in 1982.

Moreover Singapore is considered a more practical and natural location for an international distribution centre. Lately high interest rates are a further disincentive to a warehousing operation for high cost products. One should recall also that successful entrepot trade,

particularly in Beirut and Singapore, took place in countries without foreign exchange restrictions; that is manifestly not the case in Bangladesh. In other words, the climate is not propitious to offset the geographical hindrances.

- 28.3 Item (b) is what BEPZA is all about.
- 28.4 Item (c) should be envisaged more positively for certain products than has been the case hitherto. (See Annex 7).

BEPZA's Industrial Profile

- 28.5 The industrial profile under item (b), as initially contemplated by BEPZA, defined two principal product processing sectors, namely garments and electronics. Both of them have run into serious stumbling blocks of a policy or political nature.
- The choice of these two sectors was based on successful experience in similar spheres at other EPZs in South East Asia. It was a convenient, almost effortless approach, obviating the necessity of expensive market studies abroad at an early stage of BEPZA's existence in a country with insuperable foreign exchange problems. (Note: Such market studies cannot be efficiently performed in Dhaka; they need the foreign research component from the start.)
- 28.6 One choice, garments, partially misfired due to the slowness of setting up BEPZA's physical (infrastructure and personnel) facilities. As explained in Section 6 of this report, garment processing (in a very limited range of U.S. and E.E.C. categories) is flourishing outside EPZ and flourishing to the extent that the Minister of Commerce, in his 1984-1985 import policy announcement in June 1984, saw fit to ban the manufacture of garments by foreign investors and joint ventures with foreign participation, inside and outside EPZ. This decision was reached, without consultation on the subject with the Chairman or any of his assistants at BEPZA. As a result, for the past few weeks,

confusion and discouragement are rife pending a positive reversal to solve this policy problem.

- 28.7 As regards electronics, potential foreign investors in this field who visited Bangladesh in 1983 and expressed interest, insist that their processing plant be located near a full-fledged international airport, i.e. the one at Dhaka. (Electronics as used here is a broad term covering anything from circuit fittings to office machine parts, computer components, radio spares, etc., etc.). As the only EPZ is at Chittagong and the creation of a Dhaka EPZ is being viewed askance by pro-Chittagong lobbies, a high-level policy decision is required to unblock the stalemate in favour of a Dhaka EPZ before one can aggressively promote the idea of electronics assembly in an EPZ in Bangladesh. There are no plans to expand Chittagong airport soon to international standards.
- 28.8 Pharmaceuticals, a further typical EPZ sector elsewhere, including veterinary products, are particularly suited to zones situated near international airports. However, pharmaceuticals have run into a further problematic situation in Bangladesh as a result of the Drug Ordinance of 1982 which has totally discouraged foreign pharmaceutical manufacturers from expanding their operations in Bangladesh. Though EPZ is theoretically "offshore", the practical implications of the Drug Ordinance are such that one cannot foresee this product line in EPZ any time in the future.
- 28.9 Much valuable time has passed in the meantime during which thought and action regarding other product sectors, involving the use of labour-intensive operations, has been stymied. The recommendation made in the LBII Report to define an industrial profile, on which all investment promotion hinges, has not yet been implemented.

- 28.10) In addition, whenever marketing EPZ facilities abroad was considered, stress seems to have been laid on countries rather than product lines.
- 28.11- The creation of dozens of export processing zones around the world, all competing for the same markets in industrialised or oil-rich countries (some of them with diminishing populations) makes BEPZA today a bit of a late-comer. Import quotas on several product lines in most OECD countries and additionally labour unrest or unemployment there make exports from existing, flourishing, well-situated EPZs already more difficult. Consumer resistance is building up at some points of sale. Protectionism is a factor to be reckoned with. BEPZA's timing of its industrial profile has thus become an urgent and most critical, indeed a delicate, matter.
- 28.12 The prospective creation of an EPZ near Kathmandu international airport, Nepal, is an additional consideration. A pre-feasability study is underway in Kathmandu.
- 28.13 Having eliminated, for the time being, garments, electronics, and pharmaceuticals from consideration, what other labour-intensive product lines remain in OECD countries ? Or, alternatively, what robotised product lines in these industrialised countries can be successfully supplanted more economically by very low-cost intensive labour in a Bangladesh EPZ ?

28.14 Low-cost labour in the Chittagong area falls at present in the following ranges:

<u>Labour</u>	<u>Gross salary including fringe benefits</u>	
	<u>Taka/month</u>	<u>U.S. \$/day</u>
Unskilled (male)	Tk. 500 - 700	\$ 0.80 - 1.12
Unskilled (female)	Tk. 450 - 600	\$ 0.72 - 0.96
Semi-skilled (male)	Tk. 800 -1000	\$ 1.28 - 1.60
Semi-skilled (female)	Tk. 600 - 800	\$ 0.96 - 1.28
Skilled (male)	Tk.1000 -1200	\$ 1.60 - 1.92
Skilled (female)	Tk. 800 -1000	\$ 1.28 - 1.60
Skilled & English Speaking	Tk.1200-1500	\$ 1.92 - 2.40
Mechanical engineer	Tk.2000 -3000	\$ 3.20 - 4.80
Electrical engineer	Tk.4000 -6000	\$ 6.40 - 9.60

28.15 Labour-intensive operations are a relative matter and vary from country to country, from period to period; the steel industry used to be very labour-intensive, as recently as 30 years ago even in U.S.A. mills; now most of them are computerised. However, assembly of electrical products (e.e. hair dryers), toys, footwear, and cosmetics are potential avenues to explore.

29.16 The potential for export growth for fruits and vegetables from Bangladesh is mentioned in a recent World Bank report. The E.E.C. is looking into opportunities for diversifying vegetable growth in Bangladesh.

Setting up an internationally acknowledged canning factory in CEPZ for export of juices and other products should be examined. Consistency of quality must be assured, lest negative publicity develop abroad at a later stage as it did at one time regarding frozen shrimp exports from Bangladesh.

As in the case of garments, one's export eyes should not be limited to the U.S.A. or E.E.C.; in fact, the Arabian

Gulf countries would be the most likely markets for sweet fruits such as mango and pineapple juices.

- 28.17 CEPZ' industrial profile should take into consideration what is usually referred to as "backward integration". This is feasible already at this stage for garments, for which all the cloth is currently imported for processing. If a textile mill were set up in CEPZ, it would be a step in the right direction. While such mill, at the start, might be importing yarn, going further back, by importing cotton and artificial fibers, it would itself become part of the integration process. Further down the line, inter-firm deliveries within CEPZ could take place; in Sri Lanka's EPZ such deliveries represent already over 7.3 percent of sales.
- 29.18, As a reversal of the Bangladesh government ban on garment manufacture by foreign investors in CEPZ is desirable and, at least a compromise must be achieved, the CEPZ industrial profile should include a diversification of garments into pyjamas, dressing gowns, dozens of other exportable items, military uniforms etc., away from just blouses and shirts. Consequently this diversification should be considered during the research phase of BEPZA's overseas marketing programme. (See also Annex 5.)
- 28.19 The observations made in the memo of June 26, 1984 (See Annex 3.) remain valid. Access of foreign garment manufacturers to CEPZ should be guaranteed. Whereas the government's ban on foreign participation in the garment industry outside of CEPZ is of no prime concern in this report, within EPZ approval for foreign investment in garment manufacture should be at the discretion of BEPZA. This discretion should be exercised in terms of inter-

national considerations, even if some so-called sensitive items are involved.

By way of example:

- (a) if a foreign investor planning to make skirts at CEPZ gets orders for "coordinates" (i.e. skirts with matching blouses), he should not be prevented from making the blouses. If he is prohibited from making the blouses, his investment may no longer be justified. Similarly if a foreign investor's factory's viability depends on making men's shirts in addition to non-sensitive items such as pyjamas, BEPZA's discretionary authority should be able to rule forthwith in favour of the shirts.
- (b) military uniforms consists of jackets and pants, so-called sensitive items. Yet the main market may be in the Near and Middle East. BEPZA should not to have await the pleasure of an outside authority to sanction such manufacture, though naturally a cooperative stance should be adopted by frequent and friendly relations with other Bangladesh government departments.

Whatever the case, in and out of EPZ, promotion should favour diversification of garment product lines and diversification of geographical markets.

- 28.20 As no buildings are ready at CEPZ, early major expansion of foreign garment manufacture there is unlikely.
- 28.21 The short-cut to success in Singapore and elsewhere was to encourage multinational corporations with established marketing networks. Even the present CEPZ investors are letting their parent companies handle their export sales; however, they are small companies. The impact is still negligible.
- 28.22 Other aspects concerning the industrial profile's research are contained in Annex 5 to this report.

Publicity and public relations, an aspect of marketing

28.23 In Annex 5 a distinction is drawn between EPZ marketing and EPZ publicity; the former aims at specifics, the latter at general areas.

A promotional publicity campaign abroad is justified only after (1) a cooperative investment climate for the foreign investor prevails at BEPZA and in Bangladesh government circles and (2) an industrial profile has been developed. Investment promotion implies consistency which itself engenders reliability.

28.24 An excellent trial opportunity for BEPZA will present itself in U.K. early in 1985; in other words, there is time to prepare for it. The British South Asia Trade Association (BSATA), London, will be holding a conference on investment in Bangladesh. BEPZA should take part in it, provided the major recommendations of this report are being implemented in the meantime.

28.25 Reference has been made to the setting up of BEPZA promotional liaison offices in Hong Kong, U.K., Japan, U.S.A.; such move would be premature at present. Nevertheless investigations could be started.

In terms of efficiency, such offices should be staffed by nationals of these countries or by Bangladeshis long time resident there with adequate commercial experience; in either case they should be paid competitive salaries commensurate with those of public relations firms in the city in question. The prospect is rather bleak in terms of BEPZA's budget.

Alternatively, BEPZA could investigate opportunities of contracting with a major trading company's public relations

department in each country to represent its interest. However, this alternative may be somewhat far-fetched. Whatever the case, one must meet the potential investor on his own ground in terms he can understand and appreciate.

Facilities

28.26 The absence of a reference library in terms of market and marketing information is a practical handicap at BEPZ at present.

Possibly the least onerous way to amend this situation is for BEPZA to request Bangladesh Missions abroad to provide it with basic directories and other suitable information on a regular basis.

"OFFSHORE" BANKING AT CEPZ

- 29.1 The existence of foreign banks in an export processing zone can be a trail blazer for the EPZ's development. The very fact that an international bank has seen fit to establish a branch in a zone implies it has studied the opportunities and is satisfied, in terms of its strict, multinational, standards, that the EPZ promises to be a viable proposition. Banks create confidence amongst investors.
- The fact that no bank is established yet in CEPZ is a sign of the times.
- 29.2 Secondly, the presence of an international bank in an EPZ provides a public relations channel into hundreds of its branches throughout the industrialised world. In addition, a foreign bank established in CEPZ might in due course be interested in collaborating to organize an investment promotion conference or seminar in its country of origin.
- 29.3 Last, but not least, international banks provide a standard of banking know-how and foreign relations from which EPZ investors can do nothing but benefit in terms of efficiency and commercial success.
- 29.4 Whereas the foreign banks (of which there are seven in Bangladesh) are still cautious in their approach to setting up "offshore" branches at CEPZ, progress is being made.
- 29.5 The banks' major considerations are:
- (a) controlling overhead expenses, which are bound to increase when setting up a branch in CEPZ which has only three small factories operating at present.
 - (b) obtaining an assurance that profits made by the CEPZ branch will be non-taxable in Bangladesh, i.e. truly "offshore".

(c) requiring all CEPZ enterprises to handle all their financial transactions through banks established in the zone.

The idea is not to follow into the footsteps of Bahrain (financial O.B.U.), but to develop a practical, commercial O.B.U. set-up.

29.6 The Bangladesh Bank, the country's Central Bank, is considering the O.B.U. issue. Its preliminary views were conveyed to BEPZA on July 4, 1984 in the following

terms; "The off-shore banking unit will be a part of a bank whether incorporated in Bangladesh or outside Bangladesh, but it shall maintain its own separate accounting relating to off-shore business. The operations of the unit shall be subjected to the laws of Bangladesh. There will be no statutory reserve or liquidity requirement for the off-shore banking unit. It will, however, be required to furnish to the Bangladesh Bank an undertaking from its head office that it will maintain a sound liquidity position at all times and that the head office will on demand provide adequate fund to make up for any liquidity or other shortfall. The unit will be allowed to carry on transaction in specified foreign currencies only. No transactions with residents will be allowed. There will also not be any transaction in Taka whether with residents or non-residents. There will be a ceiling to be determined by the Bangladesh Bank on total assets and liabilities of an off-shore unit. Any bank willing to operate an off-shore banking unit in Bangladesh will have to obtain licence from the Bangladesh Bank. The licence may be issued at the discretion of the Bangladesh Bank. In the event the licence is issued the permissible functions as well as requirements to be fulfilled will be incorporated in it. The bank applying for licence for off-shore banking business in Bangladesh must have well-established links with important international finance centres.

As regards taxation policy relating to off-shore banking business, we are of the view that such business should be tax exempt as in some other off-shore banking centres in the world. However, the issue on taxation policy may be referred to the NBR for their views.

A meeting will be called shortly by our Governor in consultation with the Chairman of EPZ to discuss the matter further."

- 29.7 A meeting held at BEPZA Member (F)'s office on July 15, 1984, attended by representatives (below General Manager level) of three foreign banks, established in Dhaka, resulted in the following comments as contained in the meeting's minutes:

"The officials representing various banks initiated discussion point by point on the proposed guidelines of Bangladesh Bank. The representatives of foreign banks accepted the guidelines given by the Bangladesh Bank in this respect except a minor point regarding currency restriction and ceiling limit thereon for the operation of off-shore banks. They opined that for the healthy growth of off-shore banking, there should not be any restriction on the type of currency to be dealt in and any ceiling limit thereon. In this connection they also made a request that like other off-shore banking centres in the world the off-shore banks in Bangladesh should be exempted from all taxes whatsoever. They further opined that without tax exemption the "off-shore banking business" may not be able to create the desired momentum at this stage."

- 29.8 A proposed draft amendment to Act No. XXXVI of 1980, submitted by BEPZA's chairman to the President's Secretariat, aims at instituting strict banking secrecy regulations in the prospective O.B.U. in CEPZ and other eventual zones.
- 29.9 In short, there is "movement" towards encouraging banks to set up offices in CEPZ.

Other "Offshore Aspects"

- 29.10 It is assumed that, while abiding by I.L.O. conventions on working conditions, regulations governing the organization of labour unions in CEPZ will be drafted soon in order to keep strict labour peace in the zone. CEPZ lies on the outskirts of a heavy industry area which is not immune from instigators of unrest.
- 29.11 In due course, a number of questions will need clarific-

ation, such as "Can a Type "A" investor be sued in a Bangladesh Court for dismissing an EPZ worker?", or "do the balance sheets of EPZ establishments have to be audited by a local firms as is the case in Bangladesh or can they be audited by foreign auditors?"

- 29.12 BEPZA should organize a working session of interested parties to bring questions to the foreground, in particular as related to "offshore" aspects, at an early opportunity so that uncertainty does not develop into an unnecessary stumbling block. (See also Annex 10.)
- 29.13 On August 6, 1984 BEPZA was advised of the promulgation of Ordinance No. XLIX in late July which sets up the framework for the membership of a "Consultative Committee". The working session referred to in the previous paragraph could profitably fall within the realm of that panel's activities.

ASSISTANCE TO INVESTORS

- 30.1 Whereas BEPZA is promoting the idea of "one stop service" and hopes, in accordance with its organization chart, to appoint "Enterprise Service Officers", i.e. to establish a foreign investors courtesy service, the present situation is still nebulous in this regard.
- 30.2 Implementation should preferably be twofold, namely at BEPZA and at the government departments whose efficiency or lack thereof plays a major part in potential investors' final decisions.

In other words, the Bangladesh Bank, the National Revenue Board, the Customs Department, etc. should, with the collaboration of BEPZA, each establish a "BEPZ desk" with a senior internationally minded official occupying the desk figuratively and materially. This official should have direct line contact with the powers-that-be in his organization to promptly handle and settle EPZ related matters.

The "BEPZ desk officer" in each organization is the one whom the BEPZA Enterprise Service Officer should contact and visit with prospective investors on matters of mutual interest or concern. There should be less dependence on interdepartmental correspondence, except to confirm joint decisions taken; contacts should be in person, by telephone, not via dusty files.

BEPZA should organize a quarterly meeting, or more frequently if desirable, for all "BEPZ desk officers" from these several entities to keep them abreast of developments; such coordination would be in the interest of all concerned. In fact, there may be occasions when such meetings could benefit from the presence of the desk officers superiors too.

30.3 In addition potential EPZ investors should be provided, at an early stage, all information, brochures, etc, and free of charge. Charging US \$10.00, as is the case now, for BEPZA's promotional brochures is singularly unbusiness-like, and probably counterproductive in most instances.

30.4 But, over and above brochures, foreign investors need advice on a variety of topics; for instance, a list of reliable attorneys (who know the EPZ legislation, its regulations, its interpretations and practices), a list of reliable consulting engineers/architects and contractors. While every foreign investor is bound to approach his embassy too in this regard, time can be saved by this gesture; often it is useful to obtain a second opinion, irrespective as to who produced the first one.

- 30.5 Further assistance should be given to investors by updating information in memo form for them before it can be incorporated in a revised edition of brochures; this should cover all matters of practical importance, ranging from further incentives, legal interpretations, soil bearing capacities at CEPZ, flood control measures, etc.
- 30.6 Once a major decision of broad application has been conveyed to a particular investor, possibly at his request or prodding, and which is obviously of interest to other investors, it behooves BEPZA to circularize others, whether potential, prospective, or actual ones. Several examples could be cited. By way of illustration it should be noted that, on November 20, 1983 at a BEPZA meeting, the Bangladesh Deputy Controller of Foreign Exchange stated that "in principle there should not be any objection to mortgage or hypothecation of the assets of Type "A" industries in EPZ to the foreign financing banks (abroad) as these assets are owned 100% by the foreign companies". This statement was confirmed in a Bangladesh Bank Circular (No.9 of January 23, 1984); it has not been brought to the notice of prospective Type "A" investors.
- 30.7 Thoughtful assistance to investors, foreseeing their problems and solving them before they become stumbling blocks or actual disincentives, will be more beneficial than any amount of expensive publicity or formal investment promotion.

In fact, publicity and promotion activity themselves should be conceived in such a way as to actually benefit the potential investor. (This comment applies, inter alia, to the 1985 London conference of the British South Asia Trade Association, mentioned elsewhere in this report.)

ADMINISTRATION AND MANAGEMENT

- 31.1 Early in 1984, a revised organization chart for BEPZA was approved by Brigadier Anamul Haq Khan, Chairman, Martial Law Committee on Organizational Set-up of Public Statutory Corporations. It provides for fifty-two "Class I", i.e professional, officers, and some 250 lower grade employees such as junior officers, clerks, typists, drivers, etc.. (See chart in Annex 14.) Of the 52 "Class I" officers, eight have been recruited, the principal ones being, apart from Chairman, Secretary, and the three Members (whose complement was completed in February 1984), as follows: marketing manager, assistant marketing manager, project financial analyst, three accountants, two engineers. Interviews are taking place to screen further applicants.
- 31.2 By Notification No. 7002/1/Civ-1 of February 5, 1984, the job descriptions of the major BEPZA officers were approved by the Chief Martial Law Administrator and circulated by Major General M. Atiqur Rahman, Principal Staff Officer. This "revised charter of duties" is to be found in Annex 15 to the original copy of this report.
- 31.3 Most of these job descriptions are extremely long by modern management standards, many of them list overlapping duties, most of them omit accountability objectives; many are diffuse and cumbersome. To ensure efficient management, the job descriptions of the present nucleus of personnel should be revised by each superior soon. (Maybe an overseas management consultant with business experience could oversee the final drafting.)

By way of example, Annex 16 contains the text of the present job description of the General Manager (Marketing), a position which has not yet been filled, and Annex 17 is the text of the draft of the suggested revision.

Revisions should be made also for other posts prior to recruiting new personnel.

- 31.4 Job descriptions are not to get stuck in a manual. They should be viewed by incumbent and superior alike as a daily guideline to effective management.

At year's end each superior should make a verbal and written appraisal of each person reporting to him, appraisal in terms of the accountability objective of the job description.

- 31.5 Three additional improvements should be made immediately.

- (a) as the positions of Economist and Evaluator have not been filled, their function is being performed by the Financial Analyst. This situation may create interdepartmental friction and should be modified promptly. Miscast officials should be transferred elsewhere before they have a serious negative impact on the smooth running of the organization.
- (b) an early appointment of a senior Enterprise Service Officer is called for, keeping in mind that his experience and attitude to foreign investors should be a priority consideration.
- (c) the presence of the three BEPZA Members and their staffs under three different roofs in two different cities cannot but cause inefficiency within BEPZA, but specifically in the handling of investors' applications and related matters. BEPZA headquarters staff should be brought under one roof and with office space commensurate with their number and suitable to the international visitor. (See also Annex 11 regarding BEPZA headquarters' location.)

The present overcrowded and substandard office space, the antiquated typewriters, and files, etc. are not conducive to efficiency. They leave potential foreign investors with an unfavourable impression, a further disincentive.

- 31.6 In line with comments in the previous paragraph, much valuable management time (and visitors' time) is taken up with drafting and redrafting, typing and re-typing of memos and correspondence. Provision should be made to acquire two word processors. The creation of a typing pool should be considered.
- 31.7 BEPZA "Members" are board members. One would hope that, in as small an establishment as is BEPZA, they would also be a team. If there is a lack of harmony, the first one to suffer from it is the potential foreign investor who, naturally is affected by internal contradictions which lead to inefficiency, delays, etc.. Board members should have considerable overseas commercial or industrial experience to fill their posts adequately.
- This lack of experience filters into the recruitment of staff; it becomes a vicious circle.
- 31.8 Delegation is an essential management procedure; but the tool one delegates has to be passed into the hands of a qualified person. This is one of BEPZA's personnel problems. There is a need for judicious selection of junior officers with the right outlook and attitude to welcome the foreign investor.

PROCEDURES

General

- 32.1 In the case of BEPZA, at this stage of its development, operational efficiency is not a matter of just adopting American or Japanese management methods. It will derive from dropping petty and irrelevant measures.
- 32.2 Streamlining procedures will come automatically when the need for prompt action is realised and implemented.
- The essential weakness of the investors' applications' reviews is the lack of prompt action, even when it comes to simple acknowledgements of receipt.
- A procedure to speed up these reviews is suggested in the memoranda under Annexes 4 and 13. Final evaluation should be possible within four days. If BEPZA wishes to countercheck references, the procedure outlined in paragraph 32.7 of this report should suffice.
- 32.3 If the first question one asks is "what is wrong with this application?", the ensuing procedure is completely vitiated, for the evaluator then fails to pursue the steps that may lead him to a more balanced conclusion.
- 32.4 A simple follow-up system is suggested in Annex 12.
- 32.5 An essential procedure to be inaugurated is the "monthly assessment meeting" of the Board Members and their essential staff. "What have we achieved this month (apart from creating havoc in investors' minds)?" should be the central question at such

meeting.

Management by objectives is a valid procedure to be tried and tested in all BEPZA spheres.

- 32.6 During BEPZA's formative months, several developments are bound to be of interest to a broad range of potential investors, their lawyers, bankers, etc.. A simple system should be implemented whereby such new information is compiled, consolidated, and reproduced. Each official should maintain a cross-reference file of such matters which should be reviewed by BEPZA management monthly and again updated on a quarterly basis.

Specific Comments

- 32.7 To avoid having to check and countercheck the validity of overseas references, applicants should be asked, prior to submission of the application forms and annexes, to have their submission certified by a notary public or similar nationally acceptable official in the country of origin. These certified applications should then be "legalised" at the Embassy of Bangladesh in that country or at the embassy of a State with which Bangladesh has diplomatic relations if there is no Bangladesh Embassy there.
- Whenever an essential document is submitted in a foreign language (except English) as a required part of an investment proposal, that text should be accompanied by a translation legalised in the country of origin of the investor (or, in the case of an appraisal of reconditioned equipment, for instance, in the country where the equipment was purchased and surveyed), or in special cases at the investor's appropriate embassy's chancery in Dhaka.

There should be no question of doubting the validity of an overseas appraiser's report or of a duly legalised translation as suggested above.

TRANSFER OF KNOW-HOW

- 33.1 Transfer of management know-how and technological advance are bound to take place in export processing zones.

Such transfers are a relative matter, in terms of the knowledge and practices to be transferred and indeed the level of expertise that can be absorbed.

- 33.2 Some people in Bangladesh tend to criticize the apparent lack of transfer: "what know-how is there in sewing shirts or blouses?" is a typical criticism. Yet the young women in the garment plants will confirm that they have learnt something: operating machines and abiding by factory procedures and discipline, two activities previously unknown to them and which should stand them in good stead when more sophisticated equipment will be used in due course for different garment product lines or for the production of items in other industries, in or out of CEPZ.

- 33.3 Whereas upgrading may take a generation, there is no doubt that there is transfer of know-how and basic technology at this stage. The slowness of the transfer is not so much a factor of being located in or out of EPZ as of social and cultural considerations in Bangladesh. Family and cultural considerations reduce female work outside of the home to a limited period.

If the female/male mix were the reverse of the current 85% to 15% in processing plants, there would be more permanence of workers and permanence of know-how within industry.

It is the nature of the processing which determines the sex preference. The prospective manufacture of heavy

steel chains in CEPZ will be predominantly a male activity. Assembly of components in light industry is likely to remain within the female domain.

- 33.4 In due course, when wage levels start rising and labour-intensive assembly becomes less competitive in the market place, more sophisticated technology will make its appearance automatically. This may not suit the Bangladesh framework made up of overpopulation and its poverty-stricken members. The cultural patterns of the Orient's Hong Kong, Singapore, Japan, etc. are not transferable into Bangladesh.
- 33.5 For the moment we should be pleased that there is forward movement in processing and manufacturing. Improvements will continue to be dominated in the foreseeable future by Bangladesh's priority on labour intensive activities throughout the country.

TRAINING

- 34.1 EPZ training can be viewed along two separate scenarios: (1) training of BEPZA staff and (2) providing centralised training facilities at CEPZ for workers in the various plants.
- 34.2 Training of BEPZA professional staff can be minimal, provided right from the start recruitment is at a high level; this should be possible in a brand-new organization; it is an essential component of subsequent success. Temptations of nepotism should be firmly discarded; BEPZA's international success is at stake.
- Thus training can be aimed at developing amongst a technically qualified staff of engineers, accountants, etc. attitudes conducive to congenial relations with potential foreign investors in EPZ. Current somewhat negative attitudes, also of bureaucratic nature, should not be allowed to take root.
- Training means changing attitudes from having officials assume that foreign investors are exploiters of cheap labour into having them accept that investors are users of plentiful labour.
- If success along these lines can be achieved in the hotel business in Dhaka, as it has to a remarkable extent, it should be within reach of BEPZA to develop an efficient, prompt and welcoming attitude to Type "A" and Type "B" investors.
- 34.3 BEPZA management should reserve and implement the right to dismiss (or transfer to another government department) personnel who after recruitment and a trial employment period do not live up to the qualifications and attitudes required to attract major foreign investors.
- 34.4 Motivating the staff is management's prime responsibility;

and what greater motivation and accomplishment than creating and developing the interest of major overseas investors in a poverty-stricken land, still on one of lower rungs of the world's economic ladder. Any suspicion of a remnant of colonialism is totally misplaced in the Bangladesh concept.

- 34.5 Much benefit can result from briefings on this topic by the Manager: Personnel Counseling and Training at the Training Department of the Sonargaon Hotel, Dhaka, a member of the Pan Pacific Hotels chain. His approach to his Bangladeshi compatriots has resulted in the hotel's high international standard of service and reputation.

An early deadline for such training should be set by BEPZA.

- 34.6 As regards centralised training facilities at CEPZ, vocational courses within the zone have been suggested by some investors. The suggestions related more particularly to the garment industry's seamstresses and allied personnel.

It may be a worthwhile project, thereby guaranteeing an early start to new investors. However, the absence of classrooms for training hundreds of workers does not permit early implementation. Also, in view of the absence of a firm industrial profile for CEPZ, vocational training presents a problem of a technical nature.

- 34.7 What can be accomplished probably, subject to adequate planning, is centralised vocational training for a limited number of machine maintenance technicians, the training costs to be invoiced by BEPZA to the prospective employers.

Some courses of a general nature (hygiene, etc.) could be made available to others, space and facilities permitting.

34.8 Early BEPZA consultation on this topic should take place with investors, both those already producing within CEPZ and those to whom plots have been allotted there.

Overseas Training

34.9 Overseas training of junior officials and, as suggested in the past, study tours for administrators to other EPZ "in teams of five senior officials" is premature in the case of BEPZA. If five officials are absent from BEPZA, there would be nobody left to run the operation. What could conceivably produce positive results would be such tour composed of those agencies' operational heads, such as Customs, foreign exchange, Bangladesh Bank, etc., whose lack of understanding of EPZ operations creates frustrating stumbling blocks for foreign investors. Such tour would naturally comprise a senior BEPZA board member. But before embarking on such venture, more personal communication should be established right in Bangladesh between these officials and their assistants. Much real training can be done on the job, by calling on officials, by telephone communications, rather than by switching dusty files back and forth. As suggested in Annex 10, a group seminar should be held for these officials, in fact before the meetings suggested in paragraph 10.12 of this report.

34.10 On July 28, 1984 the Secretariat of the President of the Republic advised BEPZA that BEPZA's proposal for "familiarisation trips to export processing zones of other countries was taken up with the President who does not agree with the proposal for the present".

PHYSICAL PLANNING AND ENGINEERING

- 35.1 Most visitors from abroad are favourably impressed by the general lay-out of the Chittagong Export Processing Zone.
- 35.2 By June 30, 1985, BEPZA expects to have at CEPZ the existing bonded warehouse (which is being usurped temporarily by two garment manufacturers pending construction of their own factories in CEPZ), the existing one story (i.e. hangar type) building plus two similar ones, plus a three story building. (For the unfinished construction a budget of some Tk. 9.5 crore (about \$ 2.5 million) is foreseen.
- 35.3 It would appear that the LBII team's recommendations of September 1982 to concentrate on single story buildings rather than multiple story ones was not followed at first. The reason for that decision are not clear except that possibly it was thought in Dhaka that a multiple story one would be more suitable for light industries, such as garments, as most garment manufacturers outside of EPZ are located in the city in multiple story buildings.
- That decision has now been reversed, except for the three story one, the foundations of which are already in situ. The reversal is based on the costliness of piling, which is indispensable in Chittagong terrain. It makes even more sense in terms of practical con-

venience to the EPZ industrial investors.

- 35.4 The absence of ready made buildings remains a disincentive for potential investors in CEPZ.
- 35.5 Two engineering planning aspects are under consideration, one of them broached by IPDC in July 1984 in association with the Commonwealth Development Corporation of U.K., the other one a modest suggestion reviewed with some local consulting engineers.

- 35.6 Slow construction progress is caused by several factors: bureaucratic delays, primitive methods, meteorological conditions.

Bureaucratic complications are pervasive throughout the system and need no highlighting here.

Primitive construction methods by local contractors are a function of the absence of equipment, itself a function of financial problems or the Bangladesh taxation system. The least one should expect to be available are concrete mixers, pumps, mobile cranes, as well as suitable transport equipment.

The monsoons and heavy seasonal rains in an area where the ground water table is high create serious construction problems and delays compounded by the absence of pumps, etc., even more so for EPZ investors whose construction timing coincides with the rainy period; the pouring of foundations and the factory's concrete floor are likely to be slow.

- 35.7 By designing foundations and floors for light processing industries in terms of the subsequent installation of prefabricated buildings by the foreign investors, by pouring these foundations and floors during the dry season at a predetermined number of plots, much time can be saved for all concerned.

This idea was reviewed with a leading firm of Bangladesh consulting engineers who agreed to its feasibility. Possibly some of the funds foreseen or budgeted by BEPZA

for actual buildings could be allocated to implement the idea.

- 35.8 A more comprehensive concept was investigated in July 1984 by CDC, namely the setting up of a factory development company in Bangladesh. Such company could lease land within CEPZ at BEPZA's normal rate of U.S.\$ 1.00 per square meter per year, construct standard or pre-engineered steel buildings and rent or sell them with mortgage facilities, at a profit, to CEPZ investors. At the time of writing this report, it looked as if CDC's interest in this potential scheme at CEPZ was waning.
- 35.9 The concept may nevertheless be investigated by local entrepreneurs in association with local banks and local consulting engineers.
- 35.10 The ready availability of buildings in CEPZ is a priority consideration for several potential investors. In fact, several sanctioned applications were not implemented by the beneficiaries because of the lack of factory space for immediate use.
- 35.11 One should point out that, in view of the low quality of construction and the weather conditions at CEPZ, preventive maintenance (civil, electrical, mechanical) should be high on the list of priorities of BEPZA's engineers and investors alike.
- 35.12 Some serious problems at CEPZ are still looking for an early solution:
- (a) there is no disposal system for solid or liquid waste;
 - (b) the water supply system is defective; though pipelines exist between the CEPZ tank and the industrial plots, water has to be trucked in. The pumping facilities have to be checked, possibly modified.
 - (c) there are no mobile cranes nor lift trucks available within CEPZ to assist in deliveries in or out of the zone.

- (d) whereas security may be more of a management aspect of CEPZ, certain problems that have arisen should be reviewed with the parties concerned in case infrastructural aspects need improvement in this regard.
- (e) on August 25, 1982 UNIDO's Industrial Development office advised CEPZ that "containers should be delivered sealed to the EPZ and sealed on return within EPZ. This will not only save time, but also reduce pilferage and reduce the amount of Customs supervision required". The LBII report of September 1982 contained a similar recommendation. No action has yet been taken.
- The unavailability of container facilities is most discouraging to potential investors as well as to those already in CEPZ. Maybe when foreign banks see fit to enter CEPZ (See Section 10 of this report.), a leasing company can be set up within the zone to solve the problems explained in this paragraph and in paragraph (c) above.
- Whatever the case, BEPZA should not postpone early assistance. Incentives mentioned in glossy brochures, including references to container park etc. have meaning only when they are implemented in practice.
- (f) whereas each factory in CEPZ should have basic fire extinguishing equipment and first aid kits commensurate with the operation's risks, BEPZA must make provision for rapid assistance from a fire brigade and other emergency services. Though factories may not be operating at night, BEPZA's fire brigade, emergency services, security guards should be on the alert 24 hours a day all year round.

CONCLUSIONS

36.1 **What is required can be summarized as follows:**

(a) **from the policy viewpoint:**

- governmental commitment to BEPZA's success by changing bureaucratic attitudes into commercial objectives;
- implementation and development of the "off-shore" concept;
- removal of disincentives;
- a revised decision regarding the creation of an EPZ near Dhaka international airport.

(b) **from the substantive viewpoint:**

- identification of an initial industrial profile, i.e. selection of primary product line sectors for Chittagong (and Dhaka) EPZ;
- research of these product lines abroad for subsequent marketing of the Bangladesh EPZs.

(c) **from the practical viewpoint:**

- early expansion of the construction of proposed BEPZA factory buildings at CEPZ;
- modernisation of building construction methods at CEPZ;
- throughout, prompt action on foreign investors' enquiries and proposals.

36.2 **These various points will lead to greater credibility in BEPZA on the part of potential foreign investors.**

36.3 **Servicing foreign loans is becoming an increasing burden as Bangladesh draws no closer to balancing its trade account. For the fiscal year 1984-1985, which started on July 1, 1984, the imbalance will run close to \$ 834 million. Exports are one of the country's lifelines that will help reduce this burden. BEPZA should have a role to play.**

ANNEXES

ANNEX REFERENCE NO.

DESCRIPTION

1	BEPZA Incentives.
2	BEPZA Principles and Procedures
3	Memo: Access of garment manufacturers to the Bangladesh Export Processing Zones.
4	Memo: Approval criteria and evaluation procedures.
5	Memo: Marketing of BEPZ.
6	Memo: Dhaka Export Processing Zone.
7	Memo: EPZ exports into the domestic tariff area.
8	Memo: Investors Application Form.
9	Memo: Revision of brochure "Investment Opportunity in Bangladesh".
10	Memo: Information Briefings.
11	Memo: BEPZA headquarters.
12	Memo: Follow-up system.
13	Memo: Investors Applications.
14	BEPZA organization chart.
15	BEPZA current job descriptions.
16	Current job description of BEPZA General Manager (Marketing).
17	Draft revised job description for BEPZA General Manager (Marketing).
18	Composition of BEPZA Consultative Committee.

INCENTIVES

The advantages and concession offered by BEPZA are substantial and unique.

(a) Tax Freedom

Zone enterprises will be allowed a 5 year period free of tax irrespective of the size of the investment and number of people employed. Thereafter a relief of 50% of income tax on export sales will be allowed.

(b) Duty-free imports

Complete exemption from duties and taxes on machineries spares, construction equipments and materials, semifinished products on import into the zone has been guaranteed by law.

(c) Duty-free exports

Complete exemption from excise and export duties has been declared on goods produced in the zone.

(d) Repatriation of profits & Capital

The Government of Bangladesh guarantees full repatriation of profits and capital.

(e) Banking facilities

Foreign and Bangladesh Banks will be allowed to open branches in CEPZ. Transaction will be in convertible foreign currencies. Foreign exchange funds of Zone enterprises may be maintained with the banks in any currency. Zone enterprises will also have the services of a number of Bangladesh banks with branches abroad as well as those of foreign banks operating in Bangladesh.

(f) Procedures simplified

Procedures and regulations have been drawn up to simplify the EPZ system and minimise formalities. Normally, industrialists entrepreneurs will have to deal with only one agency for all their requirements. Changes for power, water and rent are integrated into a Simplified accounts system.

(g) Attractive concessions

1. Remittance of approved royalties and technical fees.
2. Permission to employ foreign technicians whenever necessary.
3. Exemption from income tax on salaries of foreign technicians for 3 years, subject to certain conditions.
4. Relief from double taxation where Bangladesh and other countries have double Taxation Agreements.
5. Relief is also allowed in other cases under certain conditions

ADDITIONAL INCENTIVES

- i) Remittance of all post-tax profits and dividend on foreign capital.
- ii) Repatriation of capital investment including capital gains, if any.
- iii) Remittance of approved Royalties and Technical Fees.
- iv) Relief from double taxation in case of foreign investors of the countries with whom Bangladesh has agreement to that effect. Relief is also admissible in other cases under certain conditions.
- v) Income tax exemption on salaries received by foreign technician for a period of 3 years provided that the same is also exempted from tax outside Bangladesh.
- vi) Remittance of savings from earnings, retirement benefits, personal assets of individuals on retirement/termination of service.
- vii) Dividend income received by an assessee other than a company is exempted upto Tk. 5,000.00 in a year irrespective of whether it is distributed by a public or a private company.
- viii) Exemption from payment of tax on Royalty and Technical Known-how fee.

A new horizon for investors

ANNEX 2

BANGLADESH EXPORT PROCESSING ZONES AUTHORITY
Shilpa Bhaban, Motijheel C/A.
Dhaka, Bangladesh.

PRINCIPLES AND PROCEDURES

GOVERNING SETTING UP OF INDUSTRIES IN EPZ

Industries for which permission is sought under Section 10(2) of the Export Processing Zones Authority Act of 1980 may be:

- (a) Type 'A': 100% foreign owned including investment by Bangladeshi nationals ordinarily resident abroad;
- (b) Type 'B' Joint venture projects between foreign and Bangladeshi entrepreneurs resident in Bangladesh;
- (c) Type 'C' 100% Bangladeshi entrepreneurs resident in Bangladesh.

2. The following conditions shall be applicable to Type 'A' Industries:

(a) Total investment cost of the project including cost of construction shall have to be financed by the entrepreneurs' own foreign exchange resources;

(b) The raw materials and the entire working capital requirement including payment of rental, rates and taxes, wages and salaries, transportation and local materials, repairs and maintenance shall have to be financed out of imported funds in convertible foreign currencies or export proceeds of the enterprise.

(c) The entire product of the enterprise shall have to be exported outside Bangladesh. However, Government may allow under exceptional circumstances sales into Bangladesh of any product manufactured in a zone. Such sales will be paid for in foreign exchange and subject to observance of other formalities including payment of duties and taxes, if any as applicable to imports.

(d) The industries shall declare to Bangladesh Bank the FOB (free on board) value of the goods exported out of Bangladesh immediately after the actual shipment of the goods has been effected; and the export proceeds, when realised, will, subject to deduction of 5% of the total FOB value, be allowed to be retained in convertible foreign currency accounts or remitted abroad. The Bangladesh Bank shall scrutinize the accounts and other records of the industry concerned and shall, at end of the relevant financial year, allow this 5% of the FOB value, after making deductions, if any, made in respect of any tax liability or cost of production paid in local currency acquired by means other than conversion of foreign exchange, to be remitted abroad or retained in foreign currency accounts.

(e) No import duty, sales tax, octroi or other taxes shall be leviable on the import of capital machinery, instruments and equipment including replacements thereof, spare parts, raw materials, packaging materials, construction equipment and materials for use in EPZ.

(f) Bangladeshi goods or raw materials sold against foreign exchange for use or processing in EPZ will be treated as exports from Bangladesh and will be subject to usual export formalities including payment of export duty, if any, such exports will be eligible for export incentives as may be allowed from time to time.

(g) There shall be no excise duty on goods produced in EPZ and no export duty shall be leviable on the exports of such goods;

(h) The income, profits and gains of any industrial undertaking set up in a zone shall be exempted from the income tax payable under the Income Tax Act for a period of 5 years beginning with the month in which the commercial production of the undertaking is commenced without any condition of reinvestment. Rebate of 50% of the income tax attributable to export sales of the undertaking shall be allowed after the expiry of 5 years.

(i) The company's office of the undertaking shall be registered as a foreign company under the companies Act;

(j) A foreign technician employed in a zone who is neither a citizen of taxable territories nor was resident in taxable territories in any of the 4 years immediately preceding the year in which he arrived in taxable territories shall be exempt from the payment of income tax on salaries for a period not exceeding 3 years from the date of his arrival in the taxable territories provided that such salary is exempt from income-tax in the country of domicile of the technician. Provided that this exemption shall be available only if all the conditions and requirements laid down under clause (xiii) of sub-section (3) of section 4 of the Income-Tax Act are fulfilled and that the said law is in force at the relevant time;

(k) The enterprise shall submit its audited and certified annual statement of accounts to Bangladesh Bank and the Registrar of Joint-Stock Companies.

3. The following conditions shall be applicable to Type 'B' Industries.

(a) The cost of capital machinery and spare parts imported from abroad shall have to be paid for by the foreign partners from their own resources;

(b) The entire raw-materials used for manufacturing or processing whether imported from abroad or locally procured shall have to be provided by the foreign partners from funds to be brought from abroad;

(c) Local currency cost of the investment including working capital not provided for by the foreign partners except those mentioned in (a) and (b) above, may be contributed by the local partners;

(d) Local currency borrowing by Bangladesh entrepreneurs may be allowed subject to such restriction as may be imposed by the Bangladesh Bank;

(e) Export proceeds of the undertaking shall have to be surrendered in the first instance to the Bangladesh Bank in accordance with the exchange control regulations;

(f) Bangladesh Bank shall, on application allow remittance or retention in a foreign currency account of that portion of the FOB value of the goods exported that represents the cost of the raw-materials and other imported items subject to such verifications as may be considered necessary;

(g) While dividend payable to the foreign partners will be remitable in foreign exchange, the payment of dividend to the local partners will be made in local currency;

(h) The provisions of section 2 (c), (e), (f), (g), (h) and (j) shall apply in this case also.

(i) The undertaking shall be registered in Bangladesh as a Bangladeshi company under the Companies Act.

4. The following conditions shall be applicable to Type 'C' Industries:

(a) The machinery, spare parts, raw-materials and other imported capital goods have to be financed under non-repatriable foreign exchange, Wage Earner's Scheme/XPL or such other arrangements as the Government may permit. Salaries and emoluments of foreign experts, if employed shall have to be financed under any of these arrangements.

(b) Such industries will be eligible for cash foreign exchange for subsequent import of raw-materials and spares etc. to the extent of the net foreign exchange earned and surrendered to Bangladesh Bank;

(c) The cost of any construction & working capital and goods not covered in (a) & (b) above may be financed out of the local resources of the entrepreneurs;

(d) The entire export proceeds shall have to be surrendered to the Bangladesh Bank.

(e) These enterprises shall be subject to usual foreign exchange regulations of the country;

(f) The provisions of 2(c), (e), (f), (g), (h), (j) and 3(d) & (i) above shall apply.

5. Incentives and facilities admissible under any rules or orders to export oriented industries shall not be automatically admissible to an enterprise in a zone unless otherwise specifically made admissible to it by the government

MEMO

For: Dr. K. Habbib Hossain, Chairman, BEZA
and Mr. Mahmoodul Haq, Member (Investment Promotion), BEZA
From: Dr. Paul Baygolen, UNIDO Consultant, Export Processing Zones

Subject: Access of garment manufacturers to the Bangladesh Export Processing Zones.

Dear Sir,
Investments in Bangladesh EPZ, in terms of current policy, may be 100 percent foreign owned (type A), joint ventures between foreign and local companies (type B), or 100 percent resident Bangladeshi entrepreneurs (type C).

Opposition to type A and type B investments in the garment sector in EPZ is being expressed by the Bangladesh Garment Manufacturers & Exporters Association (BGMETA) to the extent that, per letter dated May 19, 1984, BGMETA is requested to ban such investments for 16 "sensitive" garment categories. It is alleged that the existing garment industry in Bangladesh will be "seriously reduced" by such EPZ investments as the increased exports would trigger the imposition of American import quotas on Bangladeshi garments exported to the USA.

Irrespective of the future range of industries that may be attracted to EPZ in Bangladesh, successful development of an EPZ presupposes simplicity, consistency, reliability. Particularly speaking, one does not roll out the red carpet to them pull it out from under one's guests' feet. The confidence of future investors in BHPZ is a most valuable commodity to be cherished from the outset of one's operations. Hence, any decision made in connection with the BGMETA request should keep in mind long-term EPZ objectives.

As regards the specifics of the BGMETA representation the following points need consideration:

- amongst the sixteen allegedly sensitive garment categories, Bangladesh's exports to the U. S. A. were, in 1983, but 1.43% of imports of men's CVC jackets (category 334), 1.29% of women's CVC woven shirts (category 341) and 0.59% of men's CVC woven shirts (category 340); they were all or negligible in all other categories.

- At present there are no import restrictions on any specifically Bangladeshi garment exports to the U. S. A., to the E. E. C., and to other potential markets, including the Arabian Gulf countries.

- import quotas are not nerveless, bloodless governmental mechanisms exhibited in statistical tables; they are expressions of foreign policy objectives as well as of popular outcries, unemployment, or other stresses to the social fabric of most OECD countries. Setting imaginary Bangladesh percentages in terms of Hongkong, India, Taiwan etc. quotas is counter-productive.
- Bangladesh is dependent more on the foreign importers' expertise and market knowledge at present than on local exporting know-how. If indeed quotas are to be imposed at one point or another, these would be applicable to garments made inside and outside EPZ. Hence potential new type A & B investors will take this eventuality into account; if there is no likely market, they will not invest. If they do invest, it will assist the Bangladesh economy.
- There is inadequate product line diversification in the Bangladesh garment industry. This is partly due to a lack of local expertise, e.g. for "structured" garments. Diversification should be encouraged, with the assistance of market experts in the endusers' countries. Backward integration (dyeing & finishing) needs to be given attention. Quality control is another aspect where foreign expertise comes in useful.
- too much stress is placed on the U. S. A. market in DGMEA's objectives; sales promotion should be internationalised. Expenditure on clothing as a percentage of total private consumption is higher than in the U. S. A. in most other OECD countries. (While it is 7% in the U. S. A., it reaches 13.7% in Norway, 13.5% in the Netherlands and so forth. In terms of the latest available figures, total average OECD is 9.8%, i.e. higher than the U. S. A.'s.) Diversification of EPZ international investors and their markets should be encouraged.
- Competition between "old" and "new" LDC producers of clothing is likely to continue. International trade is not a sinecure nor a bed of roses. Competition from type A Bangladesh EPZ producers will be felt more in other countries' Export Processing Zones than by local producers.

: (3) :

In summary, to provide for the long-term success of BEPZA operations and industrial development in general, promotional policy should be simple and its implementation straightforward. At this stage one has to think positively. The ECNEA's attitude seems unnecessarily alarmist. I would recommend the widest possible international participation irrespective of product line. Even, if for reasons of their own, type B or C investors in garment manufacture do not use BEPZA facilities, such lack of interest should not be because of BEPZA policies. Foreign investors and providers of technological transfer opportunities should be aware of BEPZA's open-mindedness towards them. As stated in a recent ILO report, the success stories of other EPZ, especially in S. E. Asia, are "based on outward looking policies, strong emphasis on export promotion, and reliance on direct foreign investment".

W. Hayashi
June 26, 1984

Dated July 1, 1984

To : Mr. Mahmoodul Haq, Member (IP), BEPZA, Dhaka

From : Dr. Paul Huygelen, UNIDO Consultant, BEPZA

Dear Sir,

You have asked me to suggest approval criteria and evaluation procedures for EPZ investment applications.

I would suggest the following criteria

1. market penetration
2. labour intensive operations
3. a modicum of know-how to be acquired.

Evaluation procedures would depend on the product line in question.

Whatever the case, they should be simple and straightforward. In all cases, they should be prompt.

The following comments illustrate these suggestions.

In view of the very nature of zones specializing in processing items for export, i.e. EPZs, as distinct from local manufacturing industry which is but partially dependent on foreign markets, it is the overseas market aspects which govern the initial interest of ^a potential investor.

It is primarily to take advantage of wage rates or energy (fuel) costs lower than those enjoyed by his competitors that will induce a manufacturer to expatriate some of his processing facilities to foreign lands or enter alternatively into joint ventures abroad.

Therefore, it is these overseas aspects, the expectations and reliability of the foreign markets, which should be thoroughly reviewed. (In a different context, it is also these aspects that should be analysed for investment promotion).

Contd.....P/2

An investor's genuine interest in a BEPE would be manifested by a well-prepared presentation covering an up-to-date market survey, import/export contacts, and overall market knowledge for the product lines under consideration.

More statements to the effect that "we expect to export to the U. S. A., E. L. C., and other countries" should become somewhat more detailed in terms of depth and width of market penetration and its medium and long term expectations and planning.

In overcrowded Bangladesh, a further criterion is bound to be the degree of labour intensity of the investment proposal.

There is little doubt that garment manufacture is a labour intensive activity. In view of the local wage rates, it is also a successful activity. Capital intensive carpet manufacture is, on the other hand, almost a losing proposition. Worldwide, the footwear, toiletries and electronics industries are further examples of labour intensive production. If an occasion were to arise where a choice had to be made between garments and electronics, for instance, when allocating available manufacturing space, the latter may be entitled to priority treatment. Actually I would hope there would be space for both. (Speeded-up construction of more single story buildings should be fostered). However, a new industry, such as assembly of electronic or computer components, would bring about also a type of factory discipline and a work cycle for thousands of workers that is not yet known in the country.

Such acquisition of relatively modern know-how is the first step towards subsequently obtaining transfer of technology which itself is an intellectual rather than ^a manual exercise that can only be engendered ⁱⁿ a research ^{and} development atmosphere.

:(3):

Considerations regarding " added value " or " foreign exchange gains " are, to my mind, of secondary or third class importance at this stage of EPZ operations; they should not be major " sine qua non " criteria.

If an investment proposal concerned a manufacturing plant to be set up outside of EPZ, namely in Bangladesh proper, financial analysis and viability considerations would deserve much more attention. In the case of an EPZ plant, overseas market considerations are of prime importance. The very fact that the Bank of Bangladesh allows EPZ enterprises to merely invoice labour content (e.g. C. M. P.) proves the point.

Viability of an overseas plant in an EPZ means different things to different investors depending on their current sense of value; for instance, to some it may imply a means of accumulating convertible foreign exchange, to others a quick profit, to again others it may mean a continuity of competitive supplies, and so forth. For Bangladesh it means an economic upturn.

In summary, at this stage of BIZTA's development, the application approval criteria should be based, as stated earlier, on:

1. market penetration
2. labour intensive operations
3. a modicum of know-how to be acquired

As to how to evaluate each application in terms of these criteria depends largely on the product line in question.

The easiest and most foolproof evaluation of an EPZ investor's market appraisal would be based on the proposed investor submitting for the first couple of years of his prospective operation, copies of purchasing contracts with overseas buyers, be they his own headquarters or third parties (trading houses, end-users, etc.) as the case may be.

Contd.....P/4

Whereas such contracts may be pre-forms ones, subject to the IZP's plant's production being available by a certain date for instance, their bona fide aspect should not be questioned except in the rarest of circumstances, It should be understood that no investor vitally wishes to burn his fingers. Evaluation of proposals is as much an attitude of mind as a scientific exercise. Only by our making the avenue into IZP investment as wide and straightforward as possible, without artificial stumbling blocks, will the worthwhile investor be ready to explore and use the opportunities offered here.

The absence of such contracts, the market study should be as clear as possible as to the opportunities and risks involved in the overseas markets contemplated. Whenever appropriate, suggestions should be conveyed to the prospective investors to diversify their market potential, both in terms of product lines and in terms of geographical destinations of the exports.

The IZPA application form as drawn up at present is similar to the forms of other IZP organizations I have seen. Possibly there was at one time an agreement to keep forms in a uniform format internationally. Consequently, I do not wish to make suggestions to change it, beyond making sure that the three criteria listed earlier are fully covered in the investment application and/or appropriate annexes. Information currently requested from applicants may turn out to be useful for statistical purposes at a later date; much of it is irrelevant in the evaluation process proper.

A variety of circumstances (including climatic conditions, geographical location, bureaucratic practices, etc.) are hardly conducive to attract major investors to Bangladesh. Consequently, the least one can do, apart from reducing the incidence of these hindrances, is to act very promptly on the applications of those firms expressing interest in IZPA. They are truly to be viewed as pioneers.

The BEPZA Chairman's directive No.1 of March 6, 1984 concerning routing investors' applications is a useful step in that direction. The time span required to examine applications can still be considerably reduced, unless there is suddenly a plethora of applications reaching BEPZA. It does not take seven days to read and study an application. Moreover I have noted, with regret, that some comments and summaries of applications sent by one officer to another are less clear to understand than the application itself. I see little benefit in shuffling repetitive papers from one desk to another.

Whereas admittedly Members and staff have other responsibilities also, it is of the essence of efficiency to be prompt; therefore copies of a new application should be distributed to and reviewed separately and simultaneously by the appointed officials who, by the third or fourth day, should convene as an "ad hoc" committee to review the matter and finalize their recommendations. By so doing (especially in the cases of Type 'A' and Type 'B' investors whose foreign representative may still be in the country), the investor's representative can be called over to the BEPZA office for any desirable clarifications.

Actual acknowledgement of receipt of an application should be made in writing and despatched within 24 hours of its receipt. A standard form could be devised for the purpose to speed up this simple process. Subsequently telephone and telex facilities should be used for prompt action and responses; face-to-face meetings with the investor or his representative should be held to quickly solve serious problems, if any.

I do not wish to expand here on "Serious" problems. Just one example: for instance, there is a current requirement for applicant investors to submit three quotations for equipment to be imported and installed in the prospective EPZ plant. If only one quotation is submitted, is that a "Serious problem" ?

I see little practical value in raising the question to that level. It is born from a lack of confidence in the investor within the framework of a very regulated national economy. What must be kept in mind is that an EEE is, by its very nature, meant to be a type of " offshore " operation.

On the basis of past delays in processing applications, one gains the impression sometimes as if granting approval for investing in EEE is a favour done to investors when, indeed, it is wholly in BEPZA's interest to quickly attract investors. Prompt action will improve the investment climate and provide the " locomotive " that will set the " train " in motion. It is the " train " which will subsequently distribute economic advantages to the country through eventual backward integration and other technical fringe benefits.

Amongst the files I have reviewed, the most distressing one is the case of Sematren Ltd.; others can be singled out, such as Vilence B.V., Holland, Ital Bangla Leather Complex (no apparent BEPZA action from 11/11/83 to June 11, 1984, not even an acknowledgement of receipt), Sadhwani Garments Ltd., etc.. However, the delays are all pervasive and can only have a counter-productive effect.

Also, when I see a list of thirteen (13) people to whom copy of " approval to invest in EEE " is sent, I shudder. That could mean 13 potential stumbling blocks to contend with.

As stated on other occasions, simplicity and promptness are not only virtues, but absolute necessities to be implemented if we wish BEPZA to succeed soon.

One gains the impression that, often, the evaluation process is aimed at justifying an official's position rather than BEPZA's success; if one does not see the need for the trees, that is inevitable. In other words, the outlook should change.



Dated July 12, 1984

To : Mr. Mahmoodul Haq, Member (IP), BEZTA,
C.C. Bldg. H, Bahapur, Dhaka
From: Dr. Paul Baygelen, UNIDO Consultant.

Subject: Marketing of BEZAs - the choice of consultants.

INTRODUCTION

Marketing Bangladesh's Export Processing Zones abroad, in other words promoting the use of these zones by foreign investors involved in processing industries, is a two-fold operation:

1. publicizing the concept;
2. marketing the advantages.

PUBLICIZING

As a result of the existence and successful operation of many EPZs in every continent around the world prior to the inception of BEZTA's activities, such pioneering has already been done, indirectly, on the road to publicizing the function of the Bangladesh zones. Consequently one can focus already on a specific theme when publicizing the BEZ concept abroad. This could be "the World's Low-cost Production Base" as has been suggested once, or any other suitable wording.

Publicizing the EPZ concept and its availability in Bangladesh can be done on a wide geographical scale. By definition such publicity is geared to "generalists", e.g. banks, trade chambers of commerce, certain overseas government departments (directly, and via the foreign embassies in Dhaka), existing firms of major corporations. The existing BEZTA brochures (and prospective early versions) are basically adequate for this purpose. A select list of addressees can be drawn up for prompt use and frequent re-use; publicity, advertising, public relations, if should be noted, are a continuous process.

MARKETING

Considering the amount of "junk mail" reaching decision makers in industry and their assistants, marketer BEZ abroad has to be carefully targeted. The question for marketing to whom?
The first step is to identify potential markets.

For an EPZ, a market is primarily not a country the market is a product or product line. EPZs have to sell a processing advantage. In the case of

Bangladesh, this advantage is plentiful low-cost labour.
BEPZA's slogan "The World's Low-Cost Production Base" (or a similar theme)
has to be translated into specific applications, specific product lines.

Marketing product lines.

Two product lines with excellent prospects of requiring a large number of workers, namely garments and electronic components, have run into "Policy" difficulties in Bangladesh.

In the case of garments, local processors (outside EPZ) are pressuring the Government to ban foreign investments, even joint ventures with foreign partners, from establishing themselves in the Chittagong EPZ or, indeed, anywhere in the country. (I have commented on this inopportune pressure in my memo of June 26, 1984 on this subject.)

In the case of electronic/computer components, interested overseas investors require processing facilities to be located in the proximity of a truly international airport, i.e. Dhaka. No headway has been made in setting up a Dhaka EPZ near the airport nor are there tangible plans to alternatively extend Chittagong airport's facilities for regular use by Boeing 707 or 747 or DC-10 international cargo services.

Until these policy difficulties are overcome, BEPZA's credibility and authority will continue to be questioned by potential overseas investors, irrespective of their product lines.

In the meantime, therefore, and regrettably still as a first step, it is necessary to determine what other product lines, less interesting maybe than garments and components assembly, conform to BEPZA's "low-cost production" theme. It could be electrical goods, it could be footwear, maybe toiletries, possibly several others. In a world where every country wants to export and fever have the ability to import during the past decade, selecting suitable product sectors is critical.

As soon as that ^{sector or} sectors have been positively identified, it will become clear that the next step will be to focus on them with sector specialists. A product line is a specialty; stated very simply, computer parts are not toiletries, home appliances require different marketing know-how from that used to sell motorcycles, toys are not garments and within the garments sector bras have a different function from that of raincoats. The marketing specialist is therefore a product oriented person.

The third step is to outline how this sector specialist (or sector specialist) will proceed planning the marketing of the Chittagong EPZ's (and more generally "EPZ's") advantages to potential investors. Much will depend on the export consultant's sector, as already indicated a moment ago, but there is no doubt that he will have to :

- I(a) Identify the major manufacturers in his specific sector in high-labor cost countries, as well as their major sub-contractors there; in fact, in certain sectors, the latter may be more important than the former.
- (b) Identify which one of these manufacturers and sub-contractors already have processing facilities in other EPZs around the world. (Their location in another EPZ need not be a marketing deterrent; in fact, it may lead them to moving to an even cheaper base, or it can be an incentive for a competitor to use EPZ's facilities)
- (c) Identify in countries " x, y, z " the major competitors of manufacturers and sub-contractors in countries " o, p, q " listed under paragraph (a) above.
- (d) draw up a short list of primary target companies.

The economic situation in most OECD countries is quite different from what it was five years ago when BIPZA was first noted. Unemployment in several of them is now a serious economic, sometimes social, always political problem. Identifying " suitable " companies in "problematic" countries may be a necessary exercise within the overall identification process; but criteria here should be taken when establishing the short list, not the selection give counter-productive.

II. Develop a sector-oriented procedural approach, including a basic processing-cost analysis for specific products.
We know, in the case of garments, that the labour content to make a shirt in the U.S.A. is 1.76, in South Korea \$ 0.53, in Hong Kong \$ 0.46, in Sri Lanka \$ 0.14 and in Bangladesh \$ 0.10. Similar and more detailed comparisons are necessary for product lines in the selected processing sectors.

III(a) ~~Agreement to~~ ^{Make approach to} a planned select number of companies on the short list prepared in terms of I(d) above.

(b) contact, possibly, these companies' banks and auditing firms. (this should not be attempted in countries where such contact might be considered discourteous).

IV. Concurrently with action under item I, it may be worthwhile to identify and subsequently contact leading trading companies in the OECD countries as well as in Hong Kong.

Trading companies can induce some of their clients to establish processing units abroad; they can handle the commercial or counter-trade operations of small or medium sized companies lacking overseas expertise; they can help purchasing processing machinery for their clients.

In the U. S. A., the Federal Reserve Board sanctioned during the past year the creation of some twenty-odd trading companies by leading banks. This direct link with the world of finance gives added strength to these companies. As they are all new, they are all looking for worthwhile business opportunities.

Note: To "identify", as used in paragraphs I to IV above, includes identifying the company, indicating its name, address, telephone & telex numbers, listing its CEO, V.P. International, and the names of other decision makers instrumental in assessing overseas assembly, processing, or manufacturing opportunities. It is not enough to just refer to and copy names from a Dun & Bradstreet, Thomas Register, or other directory. A brief assessment of the company's operations, at home and abroad, forms part of the identification process.

Implementation of Product line Marketing:

Maybe a word of caution is required. Do not let BKPZA offer something to which one cannot live up in practice. The current building programme at CFPZ will not be completed till July 1985 if all goes according to plan; consequently implementing item III above should not take place till maybe March/April 1985. However, implementation of items I and II is very important and could be time-consuming; it should proceed at an early opportunity.

Export Consultants should be able to handle these items between now and March/April 1985. The question arises as to how to best approach this implementation:

Contd...8/5

1. One consultant to handle the task over a period of several months ?
2. Several short-term sector-oriented consultants to handle the assignment in major OMS areas (e.g. UKA/Canada, E.E.C., Japan, S.E. Asia, Australia, Switzerland/Sweden/elsewhere) ?
3. A consultant to get the assignment started and then to coordinate and supervise an international task force as described in the previous paragraph ?

CONCLUSION

I would recommend following the third avenue.

If funds are limited, a priority choice would have to be made as regards which OMS area or areas should be researched first and subsequently " developed " for the chosen product sector ((s)). Naturally, if only one sector is chosen and to be researched in one country or single area, only one consultant would be required; amongst his qualifications one should find experience as an international procurement (purchasing) Manager and/or production engineer or manager in the product line sector in question; a person with extensive sales experience internationally in the product line sector would also be suitable. In each case, he/she should be given clear terms of reference, including the requirements listed under item I and II above.

I shall be glad to review these thoughts further with you.



Dated July 16, 1974

To : Mr. Mahmoodul Haq, Member (IP), BEPZA
From : Dr. Paul Huygelen, UNIDO Consultant
Subject : Dhaka Export Processing Zone

Dear Sir,

There is but very little I can add to the various arguments that have been used over the past five years in favour of establishing an export processing zone near Dhaka International Airport.

What seems to escape attention is that timing is of the essence of success in international ventures. The success of international trade lies, to a large extent, in outwitting one's competitors by offering products, or processes, or terms and deliveries more advantageous than theirs and at the right time.

In addition, export processing lies within the area of international affairs. If anyone ever imagined a Dhaka EPZ would be a serious competitor for the Chittagong EPZ he was and is mistaken. A Bangladesh EPZ has to compete with EPZs abroad; these are located along a bow stretching from Sri Lanka all the way to the countries of the Caribbean. I cannot think of one of them which is not situated fairly close to a full-fledged international airport. In the case of Syria, one EPZ is at Latakia port, another at Damascus airport several hundred miles away. In many cases the airport EPZ happens to be simultaneously near a sea port. This would have been the case in Bangladesh if Chittagong were a true international airport, it is not. I assume it will not be in the near future. Hence Dhaka is the obvious location for those specialised items which elsewhere are processed in EPZs for airshipment to foreign destinations; these include, amongst others, pharmaceuticals, veterinary products, cosmetics, perfumes, jewelry, electronic products, computer components etc.

Contd ..

Not only is weight a factor; it may also be the cost/volume ratio which militates in favour of air shipment. More importantly, for a large range of products it is speed, reliability, safety, fragility, overall cost-efficiency, As the importers are located mostly in OECD countries, it is their standards and commercial requirements that rule.

An interesting recent development, of which you are aware, is the proposed creation of an EPZ in Nepal. Though details are not available here, one aspect of this EPZ is inevitable; it will be within easy reach of Kathmandu international airport. Nepal, being a landlocked country, is unlikely to wish its EPZ's exports to rely mainly on Calcutta's or Chittagong's port facilities. Hence an airport EPZ will soon be located almost on Bangladesh's borders. And such airport-EPZ will wish to specialize in processing special products for export thereby providing foreign investors an opportunity they do not find in Bangladesh.

There is no need to provide you with a historical background of the attempts made to establish a Dhaka EPZ. However, a few salient facts are summarized below for the benefit of possibly other readers of the previous paragraphs who may be unaware of past action.

- On June 4, 1980 a "Committee for selecting a suitable site for EPZ in Kurmitola" met in Dhaka.
- The outcome of that meeting coupled with subsequent opinions expressed by the Civil Aviation Department led to choosing a Dhaka EPZ site in the Zorshah area.
- Due to delays that intervened in the meantime, one ~~base-~~^{learn} by letter of April 7, 1984 that D.I.T. converted Zorshah into a residential area.
- The report of the LBII Technical Assistance Team sponsored by UNIDO, stated on August 4, 1982 that for BPIZA "relying on sea transport alone puts Bangladesh at a serious disadvantage vis-a-vis her competitors" (Vide para 1.6 of report).

- Following BEPZA advertisements in the Dhaka press on September 23, 1983 about a Dhaka EPZ, 156 enquiries were received covering processing of garments (106), hi-tech/electronic (20), leather products (10), specialized textiles (5), food (7), miscellaneous products (8).
- Whereas the validity of these 156 enquiries has not been assessed, a major proposal by a California, U.S.A., company to assemble computer components was withdrawn as BEPZA was unable to offer space near Dhaka airport. This proposal was of great importance at that time. It led to the U.S. Embassy's Charge d' Affaires writing on May 31, 1983 to the Minister of Industries and Commerce "We would expect that once the first new investment of this type is made from the United States, other investors will be stimulated to look at similar opportunities in Bangladesh." Unfortunately, Bangladesh missed the boat. Expressed differently, one has to hit the iron when it is hot.
- On June 17, 1984, responding to a question from the Chairman of BEPZA the Chairman of the Civil Aviation Authority wrote he would favour a Dhaka EPZ; he further recommended that the BEPZA's products should be exhibited and sold (for hard currency) in an "Export Centre in the Transit area of Zia International Airport".



(DR. PAUL HUYGLIN)
UNIDO Consultant.

July 18, 1984

To : Mr. Mahmoodul Haq, Member (IP), BEPZA
From : Dr. Paul Huygelen, UNIDO Consultant
Subject : EPZ exports into the domestic tariff area

Whereas I may have the opportunity to elaborate on this topic, possibly, in my final report, I wish to draw your attention at this stage to one specific marketability aspect of Export Processing Zones, i.e. the sale of EPZ products into Bangladesh, in other words into the domestic tariff area. It is a matter that was brought to my attention during recent conversations with Commercial Attaches/Counselors at a number of foreign embassies in Dhaka.

The principles and procedures governing the establishment of industries in BEPZ by Type "A" industries require the entire product of the enterprise to be exported outside Bangladesh. However, the "government may allow under exceptional circumstances sales into Bangladesh of any product manufactured in a zone. Such sales will be paid for in foreign exchange and subject to observance of other formalities including payment of duties and taxes if any, as applicable to imports". It is assumed that "observance of formalities" applies to the importer.

Whereas the terminology "exceptional circumstances" is legalistically correct, it does not provide much of a guideline to the Type "A" (100% foreign) investor. Several cases were brought to my attention (for instance the production of fibre glass well tubes and metal telegraph/telephone/electric lighting poles) where the prospective foreign investor's main EPZ market was abroad, e.g. Nepal, yet where that foreign market was not adequate to justify the investment.

Hence, regular exports of such poles and fibre glass tubes from EPZ into Bangladesh would have been an incentive to proceed.

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How can one overcome this problem ? Probably by a double pronged approach:

- 1) Draw the attention of prospective foreign investors and their advisers (banks, embassies, attorneys etc.) to the possibility of implementing "exceptions".
- 2) Provide, right from the start, a percentage figure as a guideline to the investor. Agreement on this figure with the Ministries of Industries and Commerce may be indispensable, but it should be obtained promptly.

Bangladesh obtains close to US\$ 2 billion in foreign aid every year from a variety of countries. Potential EPZ investors from these countries should obtain most favourable treatment whenever exports into the domestic tariff area could assist the viability and profitability of their EPZ investment.

Several foreign EPZ authorities provide similar opportunities. One of them, which comes to mind, is Syria's EPZ where, by Decision No.380 of September 13, 1971 issued by the Minister of Economy and Foreign Trade, an EPZ manufacturer can obtain approval to "sell into Syria upto twenty percent of the value of his foreign exports of products otherwise banned from entering the Syrian market place".

Whereas a favourable and prompt decision on this topic will by itself not make CEPZ suddenly bloom, it would remove one of the several hindrances inhibiting potential Type "A" investors.



(Dr. Paul Huygelen)
UNIDO Consultant

July 19, 1984

To: Mr. Mahmoodul Haq, Member (IF), BEPZA
From Dr. Paul Haggelen, UNIDO Consultant.
Subject: Investors Application Form.

Dear Sir,

As you will note, I have indicated in ink on the draft revised application form which you gave me a number of corrections, mainly of a linguistic nature, to be incorporated in the revised form.

As stated in a previous memo, let us keep matters simple. This comment also applies to the form and accompanying guidelines. Consequently, I would suggest eliminating a few items; if it is felt some of these items should be maintained nevertheless for Type "C" investors, I have no objection to such action; for Type "A" and Type "B" they are superfluous and, possibly, offensive.

A: Covering letter

1. Eliminate "(with techno-economic options)". In this context, this phrase is just verbiage.
2. Change "accept, reject or modify" into "accept, reject, or request modifications".
3. I doubt the wisdom of demanding a \$ 25.00 examination fee with each application. I can see the pros; I doubt whether they outweigh the cons.
4. Please make sure that with each letter a full set of BEPZA brochures is enclosed free of charge; Other select information should be provided, e.g. to enable the applicant to submit a statement as suggested under paragraph C 5 and C 9 below.

B: Guidelines

1. In paragraph, 8, the applicant's "official seal" is required on each page. In some countries this is a very laborious matter, as a company's official "seal imprint" is reserved for major legal documents and is not necessarily available to commercial departments. Even rubber stamping is rare in North America and Europe compared to the Middle East and Asia; and a rubber stamp can be faked anyway, if that is the "policing reason" of the requirement.

Contd.....P/2

2. Item 9 (VIII) is irrelevant. In the case of Types "A" and "B" applicants, it is an unjustifiable invasion of privacy. Moreover, there is no legal way of checking on the accuracy of the statement anyway.

3. Under item 2, I would suggest adding: " Unless otherwise requested, all prices should be expressed in U. S. dollars, in thousands or millions as the case may be; dollars should not be expressed in lakh or crores".

4. Item 11 is completely counter-productive. It should be eliminated. The sentence in the covering letter, with the modification suggested earlier ("accept, reject, or request modifications") is quite enough. BEPZA is not a police court. In fact, if BEPZA believes there is an error in an application, it is duty bound to promptly request a clarification for the benefit of applicant and BEPZA alike.

C. Application Form.

1. Item 2 is ridiculous for Types "A" and "B" applications.
2. Item 3 is irrelevant for Type "A" and "B" applications.
3. Item 6: I see no great harm in this, but neither do I see any great benefit in it.
4. A description of the marketability of the product (a) should be included. (See a previous memo on this topic). It can be requested as a sub-item, 7(a) for instance, instead of later as item 19.
5. Under item 10, the applicant should state that in his estimated construction cost, he has taken into account wind load factors and flood prevention of his buildings at the EPZ.
6. The last sentence in item 17 is a repetition of item 6.
7. Item 18 (D iii) : I see no need to include "electricity" in this sub-item.
8. Item 19: see comment No. 4 above, I do not see the usefulness of requesting "producers' names". Medium and long term marketability documents should be requested.

July 24, 1984.

To: Mr. Mahmoodul Haq, Member (IP), BEPZA.

From: Dr. Paul Huygelen, UNIDO Consultant.

Subject: Revision of Brochure "Investment Opportunity in Bangladesh".

With reference to BEPZA's intention to issue a revised edition of "Investment Opportunity in Bangladesh", you will find annexed the current edition with a variety of inked-in corrections, erasures, comments, etc. which I shall be glad to review with you.

The notations cover typing errors, linguistic or grammatical improvements, and lay-out suggestions. Suggested erasures cover duplications, sometimes irrelevant paragraphs, and on a couple of occasions references of a semi-political nature which are not necessarily conducive to attract foreign investors. Some comments also refer to the quality of photographs and/or printing.



(3)

9. An item should be included along the following lines :-

"Did you read ?

(a) The Bangladesh Export Processing Zones Authority Act, 1980.	Yes	No
(b) The Foreign Private Investment (Promotion & Protection) Act, 1980	Yes	No
(c) Principles and procedures governing setting up industries in EPZ	Yes	No
(d) Customs clearance procedures and exchange control regulations for EPZ enterprises.	Yes	No
(e) Summary of report on physical planning at CEPZ.	Yes	No

10. The items mentioned in the previous paragraph should be updated as time goes on.

July 26, 1954

To: Brig. N. Habibullah, Chairman, BEFA.

CC: Mr. Mahomed Haq, Member (IF), B.F.A.

From: Dr. Paul Hrygiel, UNIDO Consultant.

Subject: Information Briefings.

Dear Sir,

In Dhaka there are three groups of advisers to potential foreign investors who would benefit from a through briefing on the legal and practical aspects of investing in EPZ; they are the Commercial Counselors at a number of embassies in Dhaka, General Managers of foreign banks in Dhaka, and those Bangladeshi lawyers called upon most frequently by overseas companies.

Such briefing, under the auspices of BEFA, should be informational, not promotional or propagandistic. It should go beyond repeating facts and figures already contained in B.F.A. brochures. It should in fact address BEFA's problem areas, especially as seen by the potential foreign investor. Consequently a good deal of time should be reserved to answering their specific queries. As many of these questions are bound to relate to matters within the purview of the Governor of the Bank of Bangladesh, the Minister of Commerce, the Controller of Insurance, the heads of other departments such as income tax, customs, etc., these top officials themselves should be members of the B.F.A. panel to help foreign parties better evaluate the pros and cons of investing in EPZ industries.

This briefing should not be viewed as a possible publicity stunt; it should be a working party. A great variety of questions is bound to come up, provided the parties asking them are guaranteed to be given authoritative answers. Such questions might range from "can Type 'A' investors be sued in Bangladesh courts, for instance by an employee who feels he/she was wrongly dismissed?" to "do the balance sheets of Type 'A' industries have to be audited and, if so, by Bangladesh auditing firms?" ; "if the Government were to decide to cancel Act No. XLVI of 1950, what guarantees are there to existing Type 'A' or Type 'B' investors regarding industries already established in EPZ?"

As you know, a variety of other thorny questions has already been submitted to you by present C.F. investors concerning investors, insurance coverage,

payment of dividends, etc.) there are bound to be more of them, especially during the pioneering months ahead. Therefore the cruder one begins to try and solve them, the better in the long run for all concerned. In fact, present 2% plot ~~.....~~, foreign companies established in Dhaka and potential new foreign investors, who might be in Dhaka on the day of the briefing, should also be invited to attend; it is their practices that need solutions. The substantive answers to questions at the briefings should be summarized in memo or booklet form for the guidance of foreign investors. Rental of one of the Somurrayon Hotel's Business Centre's conference rooms (seating 30-40 people) is Tk. 1500/ day plus 55/ person for tea & biscuits served during the briefing; a budget of Tk. 5750 or U.S. \$ 150.00 would cover such a briefing session.

Such briefing would need careful preparation, especially to make sure that panelists and prospective attendees do show up on the day and hour in question. Perhaps a preliminary briefing of all the above mentioned government officials by yourself should be contemplated.

Subsequently, international briefings as suggested in this memo should be scheduled every 2-6 months.

I recommend the matter to your attention.

July 28, 1984

To: Brig. M. Habibur Rahman, Chairman, BEPZA.

CC: Mr. Mahmudul Haq, Member (IP), BEPZA.

From: Dr. Paul Knygeles, UNIDO Consultant.

Subject: BEPZA headquarters.

Dear Sir,

I understand that a rumour is circulating to the effect that BEPZA headquarters may be moved from Dhaka to Chittagong.

As UNIDO Consultant assigned to help streamline BEPZA's operations into an efficient vehicle for technology transfer through industrial investment, I was surprised to learn this news.

For policy reasons as well as for practical reasons such a move would be most unfortunate. It would indeed be contrary to the interests of Type "A" and Type "B" investors and potential investors in export processing zones in Bangladesh. Consequently it is contrary to BEPZA's primary interests.

BEPZA is the Authority governing such zones in Bangladesh. While at present there is only one EPZ in the country, others are contemplated. Each EPZ, in Chittagong, Dhaka and elsewhere, should have its own Operations Manager who should report to BEPZA's Chief Executive Officer and his senior staff members in terms of the various functional responsibilities. BEPZA's Chief Executive Officer is not the Operations Manager; while, in the initial phases of BEPZA's organization, the two functions have coincided, this is an error of circumstances that should be easy to remedy.

BEPZA is a central authority whose staff should have daily access to other high government officials in Dhaka as a matter of principle as well as in the interests of EPZ investors. The Ministry of Industries is in Dhaka and not next to the heavy industrial complexes in Chittagong; the Ministry of Commerce is not at the Port of Chittagong through which most of the country's foreign commerce passes. BEPZA's function is similarly a central one.

As regards the practical aspects, prompt access to other government departments, foreign banks, foreign embassies and missions, local council of international caliber

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is essential for any foreign company looking into the pros and cons, the incentives and disincentives of Bangladesh's brand of export processing zones. Whereas in some other EIZs abroad the authority's head office is in or near the zone, this is the case because the zone itself is near the nation's capital and international airport. Many International Investors, particularly the electronics industry, wish a Bangladesh EIZ to be near Dhaka. In those countries with several EIZ zones (Cyprus, for instance, has seven of them), the EIZ's head office is in the country's capital to provide easy access to a variety of facilities on which the foreign investor relies during his visits. As even now, while BIFZA's headquarters are in Dhaka, representatives of foreign companies submitting EIZ applications for approval expect such more prompt action and answers to their questions than they are obtaining, their life will be intolerable if they have to commute on a daily basis between Dhaka and Chittagong. In this respect attention should be drawn to the fact that the more interesting the investment, the easier the foreign representative. If Presidents and Vice Presidents of major foreign corporations are given the run-around, the outcome of the negotiations is bound to be negative.

As regards the welcome given to potential foreign investors, perhaps it needs to underlining that DCPA's current office facilities are substandard. Also the existence of a so-called liaison office in the Chamber Building is of no value to foreign visitors. Indeed all BIFZA Members should be available under the same roof in Dhaka for efficient and expeditious handling of investor-related matters.



July 30, 1984

To: Mr. Mahmoodul Haq, Member (IP), BZFA.

CC: Member (IRI).

CC: Member (F).

From: Dr. Paul Haggelen, UNIDO Consultant.

Procedures to monitor operations: the Follow-Up System.

The following suggestions are made in the hope they will prove useful.

Each decision should lead to follow-up action. Action should be timely; it should be prompt.

An aid to timeliness is the use of the follow-up card. The follow-up card, of standard size to fit into a standard filing box (the size of a regular small envelope), is used for all follow-ups, administrative, technical, etc.. Its colour can be designed in terms of classifications. In BZFA's case the choice could be between product sectors or countries/continents/areas. I would suggest the former. Therefore, red could denote garments; blue, leather products; green, electronics; grey, yellow, pink, white, etc. as the case may be. Colours in fact are but a cross-reference; the basic reference is the date of the follow-up.

For instance, on July 14 a prospective overseas investor is contacted by airmail to which a reply is desired by August 15. The follow-up card is dated August 15 and inserted accordingly in the box for pull-out at that date.

The follow-up date varies per case, per decision etc.; it could be 2 days, 2 months, a whole year.

The faithful use of this system will permit proper monitoring of the implementation of decisions. It is the decision-maker, the writer/signer of a telex or letter who sets the follow-up date. His P.A. fills out the card and appropriate file on the relevant date.

Thus one monitors enquiries, applications, approvals, implementation (building construction, first production, first exports) and a host of actions which, without system, depend on memory and interest or the failings thereof.

FOLLOW - UP CARD		
FOLLOW-UP DATE	FILE NO	FILE'S TITLE

NOTE

August 1, 1984

To: Mr. Mahmoodul Haq, Member (IP), BEPZA.

From: Dr. Paul Huygelen, UNIDO Consultant.

Subject: Investors Applications: Alcon Ltd.

It is over a month since I suggested during several meetings and, in fact, in writing that investors' applications should be handled promptly and expeditiously. I suggested a simple practical procedure to accomplish this.

It looks as if the procedure is still something for the future; in the meantime investors' applications are kept pending, often for the wrong reasons. A case in point is that of Alcon Ltd. who propose to manufacture industrial gloves at CEPZ, partly on the basis of imported fabric, largely by using local leather and other local raw materials valued at some \$ 3 million.

The proposal was submitted on April 26, 1984. On May 13, 1984 BEPZA asked Alcon Ltd. for certain documents (bank references etc.), which were supplied on May 13 and 21 except for quotations for machinery which were awaited from Japan.

On July 18, 1984 the quotation was submitted which resulted also in revised, not favourable, figures being supplied regarding the project.

A meeting was held in your office on July 19; see the minutes of that meeting.

Prior to the meeting two matters were outstanding:

1. The question of one versus three quotations.
2. The reported "added value".

It was unanimously agreed at that meeting that one quotation from Fuji Machinery Export Ltd., Japan and allied suppliers there would be adequate in this case. Both suppliers and Alcon Ltd. are reportedly reliable companies. The reasons for submitting one instead of three quotations were explained by the Alcon Ltd. directors and accepted by all BEPZA officials at the meeting. I fail to understand the obstreperousness that is being manifested following a unanimous decision.

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REVISED CHARTER OF DUTIES

FUNCTION OF THE BOARD

Formation of detailed policy for the organisation (within the parameters set by Government) to ensure the most effective attract on the objective and to motivate, guide and control executive action and responsibility with accountability for the actions of the organisation :

CHAIRMAN :

- a. Effective implementation through executive action of policies set by the Board in collaboration with the Govt. to implement towards decision in the evaluation of future policy.
- b. Set domestic policies and see that they are carried out in accordance with overall Govt. Policy commensurate to the autonomy and freedom granted by the Govt. with minimum intervention by Govt. agencies.
- c. Selection of right man to right job in order to create a dynamic Authority capable of matching the best of private enterprise Organisation so that it fulfills the modern requirement of a promotional institutions.
- d. Formulate rules and regulations through the Board for the purpose of giving effect to the provision of the BEPZA Act in order to speed up the process of setting up a foreign investment without any delay.
- e. Accord final approval of applications for setting industries in the zone.
- f. Exercise strict financial control in the development of infrastructure or any growth in the Zone through the Member Finance and Member Infrastructure and Technical Services.
- g. Maintain public relations and co-ordination with the Govt. and other organisations at home and abroad.

MEMBER (Investment Promotion)

- a. Development of sales strategy, implementation and individual measures to attract and secure positive investment proposals, evaluate and negotiate investment terms and preparation of final contracts. Arrange suitable investment in commission service.

On May 20, 1984 BEPZA granted permission to worldwide Glove Ltd. to set up a glove manufacturing unit at CEPZ. Annexed to the company's application were two quotations for a DM-10 model sewing machine (of Japanese origin) priced respectively at US \$ 690.00 and at US \$ 725.00 CIF Chittagong. This is the same model listed more recently in Alcon Ltd's application at 126,000 Japanese yen CIF Chittagong which corresponds to US\$ 325.00. Obviously BEPZA can have no quarrel with that price which is considerably lower than prices for the earlier project. There would be ^{no} Alcon Ltd. trying to get quotations from World-wide Glove Ltd's suppliers; simple logic tells that.

I doubt whether anybody at BEPZA took the trouble to compare these machinery prices.

Also nobody seems to have taken the trouble to study the revised figures of July 18, 1984 and to draw the necessary conclusions regarding added value which is much higher than it was in Alcon's original proposal. (See my pencilled notes on one of the presentations).

But even if the added value was the same or lower than before, it should have no bearing on the delay that has arisen since July 19. Added value has meaning in Bangladesh as the profits resulting therefrom are taxable. Profits in CEPZ are not taxable; added value is very a secondary consideration for BEPZA. Also as long as labour cost is minimal, added value can hardly be astronomical.

I would suggest BEPZA's evaluators of this application approve it for prompt final action at an early opportunity.

One final suggestion: the very first question an evaluator should ask is "what is right with an investor's proposal?", not what is or seems wrong with it. In Alcon Ltd's case the very use of local leather for processing into industrial gloves is a more positive aspect than any amount of applications to make gloves or shirts or pants from imported raw materials. That positive aspect seems to have escaped the evaluators.

- b. To carry out such duties of the Authority with such powers as may be allotted and delegated to him by the Chairman from time to time.
- c. To keep himself in constant contact with the related functions with other Members and to keep the Chairman informed about the current progress, problems and programmes of activities of his Division.
- d. To assist and advise the Chairman in making policy decisions and its implementations towards overall progress of the Authority.
- e. To ensure performance and to initiate proposals for improvement of activities relating to his Division.
- f. To control the activities of the Head of Departments under his control and allocate, re-allocate the functions, duties amongst them.
- g. To accord administrative and financial approval as Functional Member as per delegation of power.

MEMBER (FINANCE)

- a. Preparation of cost analysis and evaluate the economic & financial probabilities of the investments with suggestions.
- b. Ascertain financial contributions both direct and indirect to BEPZA in particular and country in general.
- c. Introduce standard accounting system acceptable internationally for the proper maintenance of accounts & records of all transactions by exercising financial control through that system.
- d. Offer expertise and consultancy of matters of company law, mercantile law, income tax & by laws & examine the terms of offer of the interested investors both at home & abroad.
- e. Interpret foreign exchange act & regulations. Evolve simple accounting system regarding discounting cash flow of money while examining the terms of probable investors particularly on the point of repatriation of investment after certain times.
- f. Organise Internal Audit to face Government Audit observations and Public Accounts Committee.
- g. To carry out such duties of the Authority with such powers as may be allotted and delegated to him by the Chairman from time to time.
- h. To keep himself in constant contact with the related functions with other Member and to keep the Chairman informed about the current progress,

problems and programmes of activities of his Division.

- i. To assist and advise the Chairman in making policy decision and its implementations, towards overall progress of the Authority.
- j. To ensure performance and to initiate proposals for improvement of activities relating to his division.
- k. To control the activities of the Heads of Departments under his Division and allocate, re-allocate the functions, duties amongst them.
- l. To accord administrative and financial approval as functional Member as per delegation of power.
- m. To prepare Annual Budget including Capital Budget of the Authority for approval of the Board and the Govt.
- n. To develop, design and introduce appropriate Advanced Accounting System including costing and Store Accounting and to design various Standard forms for using in Head Office and by zones. To ensure that the systems are properly introduced and followed by the Authority and the zones.
- o. To examine and approve the proposal of zone(s) and Head office for reappropriation of approved Capital fund from ADP.
- p. To prepare ADP Budget and foreign Exchange Budget both for Development and Non-Development in consultation with other functional members for submission to the Govt. for approval.
- q. To keep liaison with the Govt. for allocation and release of local fund and foreign Exchange, Cash Credit, Barter, Loan, Grant, Aid etc. To submit Returns to the Govt. on utilization of fund-local and foreign.
- r. To submit proposal for appointment of External Auditors for Zones and Head office for approval of Board of members of the Authority.
- s. To prepare cases for Capital Structure, Subsidy, Compensation, Tariff concession, Export incentive for the investors etc. for submission to Govt.
- t. To remain responsible for efficient functioning of Accounts Department, Finance Department, internal Audit Department and Financial Analysis Department of the Authority.
- u. To act as Ex-officio Chairman of the Head Office Provident Fund Trust in terms of Provident Fund Trust deed rules.

MEMBER (INFRASTRUCTURES & TECHNICAL SERVICES)

- a. To carry out such duties of the Authority with such powers as may be allotted and delegated to him by the Chairman from time to time.

- b. To keep himself in constant contact with the related functions with other Members and to keep the Chairman informed about the current progress, problems and programmes of his department.
- c. To assist and advice the Chairman in making policy decisions and its implementation towards overall progress of the Authority.
- d. To ensure performance and to initiate proposals for improvement of activities relating to his Division & Zones.
- e. To control the activities of the Heads of Departments under his jurisdiction and allocate, re-allocate the functions duties amongst them.
- f. To accord administrative and financial approval as Functional Member as per delegation of power.
- g. Acquisition of land for the purpose of setting up of Zones all over the country wherever required.
- h. Prepare layout-plan and design all infrastructures and technical services suitable for a Particular Zone.
- i. To Plan, design and undertake all civil, Electrical and Mechanical Engineering works in respect of Zones.
- j. To remain responsible for efficient functioning of construction Department and Technical Service Department of his Division
- k. To guide and assist the Departmental head to ensure the following duties :
 - (1) Exercise technical control on all developmental works both from economic & quality point of view.
 - (2) Prepare estimates for all projects to be undertake in the promotion of infrastructure of a zone.
 - (3) Scrutinise all contract documents in consultation with Member Finance following normal rules practised in the country.
 - (4) Prepare project proforma based on users requirement & get the approval of the Board before submission to the Govt.
 - (5) Provide technical advice to entrepreneurs interested to construct their own factories & other allied services
 - (6) Exercise effective control on the maintenance and up keep of the Zones infrastructure & other administrative infrastructure by providing sufficient allocation from out of the revenue income in consultation with Member Finance.
 - (7) Develop safety measures of all kinds for the safety of enterprises in the Zone.
 - (8) Advise the Secretary all matters related to Estate operations.

SECRETARY :

- a. To provide the Secretarial Co-ordination services to the Authority Board.
- b. To draft and issue of Board Meetings and prepare the agenda in consultation with the Authority's Chairman.
- c. To note down the proceedings and decisions of the Board Meeting, prepare and record the minutes and ensure that they are finally approved and signed by the Chairman.
- d. To ensure that any directives for action agreed at the Board Meeting are sent to the parties concerned and followed up and to submit implementation report thereof to the Board.
- e. To secure custody of the Common Seal of statutory books, valuable documents and secret records.
- f. To ensure that all contract entered into on behalf of the Authority are correctly drafted and legally valid.
- g. To deal with all internal and external legal matters of the Authority.
- h. To execute all agreements internal and external after being processed as per rules and regulations.
- i. To get the Organogram of the Authority Head Office approved by the Government.
- j. To initiate proposals for review of the said Organogram periodically with a view to improve efficiency.
- k. To initiate proposals for the Organogram of Project/Enterprises and its review and to get the same approved by the Chairman.
- l. To streamline office procedures and introduce modern techniques through O & M Studies.
- m. To ensure that all statutory and Govt. returns are dealt with accurately and quickly.
- n. To ensure that the protocol services are rendered efficiently.
- o. To ensure that an adequate telephone services are available to the Authority.

- p. To ensure that passport visa, health certificates etc. are correctly processed for officers and staff going abroad and that all bookings of tickets etc. are correctly made.
- q. To ensure that adequate stocks of stationery etc. are maintained.
- r. To ensure that all motor vehicles at the Authority Head Office are taxed and licensed, and all statutory requirements are met and that the vehicles are properly maintained.
- s. To ensure that accomodation and transport is available for visitors.
- t. To ensure that the necessary security measures at the Head Office and in Projects are correctly operated.
- u. To ensure that welfare services are rendered to Officers and Employees of the Authority.
- v. To ensure proper maintenance and safeguard of the interest of the buildings and other moveable and immoveable properties of the Authority and that rents/ taxes are timely paid.
- w. To ensure accomodation and residential facilities to the Authority Officers/ employees.
- x. To organise all functions, conference, important meetings etc. of the Authority appropriately.
- y. To ensure proper maintenance of Rest House of the Authority & office premises of the Authority.
- z. To maintain internal and external co-ordination on behalf of the Authority.
- aa. To arrange investigation as and enquiry on any complaint or report or initiate such investigation as and when considered necessary.
- bb. To perform any other function(s) as may be assigned and re-assigned by Chariman.

GENERAL MANAGER (Marketing)

- a. To carry out such duties of the Authority with such powers as may be allotted and delegated to him by the Member from time to time.
- b. To familiarise the prospective and potential investor both local & foregin with the rules, regulation and facilities to be offered to them by the Authority.
- c. To picturise the objectives of the Authority in the outside world in oder to attract the foreign investors.

- c. To maintain the liaison between the entrepreneurs the Member.
- d. To provide overall guidance to the entrepreneurs by rendering adequate counsel regarding establishing the enterprise most efficiently on commercial consideration.
- e. To keep good liaison with the investors and extend all co-operation to the investors inside the zone in respect of electricity, water, Telephone, Telex, Transportation of their goods etc.

MANAGER (Mktg) Home

- a. To carry out such duties of the authority with such powers as may be allotted and delegated to him by the General Manager from time to time.
- b. To maintain the liaison between the entrepreneur and the General Manager.
- c. To provide overall guidance to the entrepreneurs with most convenient manner regarding the policies, objectives, rules and regulations of the Authority and the Govt.
- d. To assist General Manager in all respect concerned their Division.

MANAGER (Mktg) Abroad

- a. To carry out such duties and powers as may be delegated to him by the General Manager from time to time.
- b. To call on the foreign investors and motivate them to invest in the zones by explaining the policies, facilities and objectives of the authority.
- c. To maintain liaison with Bangladesh Mission abroad, chambers of commerce & industry and provide them with necessary papers, reports, brochures etc in support of the prospects of the investment in the zones.
- d. To maintain liaison with the Head Office intimating the progress of his mission.

GENERAL MANAGER (PUBLIC RILATION & ADVERTISEMENT)

- a. Project various prospects investment in Bangladesh by providing adequate data information guides for industrial venture in particular and commercial venture in general.
- b. Develop design and prepare information for brochures, leaflets and promotional materials.
- c. Have an access to all public media both home and abroad to project EPZ activities.

- d. Prepare articles, business news letters in consultation with the chamber and other business organisations for publication in the leading dailies, weeklies & yearly reviews of international standard.
- e. Prepare films, photographs & features for presentation to different forum of leading industrialist.
- f. To determine the advertisement policy for advertisement of Zones both home and abroad.
- g. To prepare advertisement plan in discussion with Member (IP) and arrange publication of these matters in the news paper of other Communication media.
- h. To set up an appropriate organisation for implementation of the advertisement plan and to maintain public relation
- i. To determine the pattern of advertisement and assist the concerned officers project in selecting appropriate channels of advertisement.
- j. To maintain liaison with the Govt. and other divisions of BEPZA, officials of different advertisement media like Radio, Televisions etc. and to outside Agencies for smooth functioning of the division.
- k. To prepare budget for operation of the Division in consultation with Member (IP) and to impose proper financial control thereon.
- l. To carry out any function and responsibility as may be entrusted by Member Board of BEPZA.

MANAGER (PUBLIC RELATION & ADVERTISEMENT)

- a. To carry out such duties as may be allowed and delegated to him by the General Manager (PR & ADV) from time to time.
- b. To assist General Manager (PR & ADV), in formulation of policies and their implementations.
- c. To prepare annual advertisement programme in T.V, News paper, Radio, both home and abroad in consultation with General Manager (PR & ADV),
- d. To supervise the works of the officer & related to the PR and advertisement for the Head office.
- e. To ensure that visitors or potential investors are given proper care.
- f. To keep liaison with T.V, Radio, Advertising firms etc. for smooth release of the advertisement etc.

ASSISTANT PUBLIC RELATION OFFICER

(PRESS & CO-ORDINATION)

- a. To carry out such duties as may be allowed and delegated to him by his superior Authority from time to time.
- b. To keep close liaison with the Chairman's and Member's office for taking necessary snaps of the valued occasion as per directive of the higher authority.

ASSISTANT PUBLIC RELATION OFFICER (Press & Publication)

- a. To carry out such duties as may be allowed and delegated to him by his superior Authority from time to time.
- b. To prepare all the matters required to be published in the news paper both home and abroad and the subject matter to be broadcast through Radio, Television etc.
- c. To check the bill submitted by different advertisement media for advertisements issued by the Authority.

MANAGER (Enterprise Service)

- a. To keep good liaison with the investors and extend all co operation to the investors inside the zone in respect of Electricity, water, Telephone, Telex, Transportation of their goods etc.
- b. To raise the bills to individual investor in respect of any service for which reasonable charge is to be realised as per rule of Authority.
- e. To assist the General Manager in all respect concerned to their Department.

CHIEF ECONOMIST

- a. The Chief Economist will work directly under the Chairman with the status of a Member, and will be responsible for the following charter of duties.
- b. Co-ordination of activities in the Industrial sectors of the country by keeping liaison with Export promotion Bureau, CCI & Ministry of Industries & Commerce.
- c. Evaluate economic benefits of own projects and projects submitted by the foreign entrepreneur through a joint venture.
- d. Project economic and financial ability of projects based on diversification of traditional and non-traditional exportable items.
- e. Should be able to act as a consultant for an investor in any decisions of investment in any industrial field in Bangladesh.

- f. Work out direct and indirect benefits of an industry established within the Zone working in close co-operation with Member Finance.
- g. He will be responsible for any other job given to him by the Chairman.

STATISTICAL OFFICER

- a. To be responsible to the Dy. Chief Economist in providing statistical information contributory to the Industrial growth of the country.
- b. He should maintain close liaison with the Planning Cells of all the enterprising organisation of the Govt. Semi-Govt. Autonomus & Semi-Autonomus organisation.
- c. Will be responsible for collection up-dating & maintenance of all economic Commercial & Industrial data's from abroad in keeping close liaison with the foreign missions within the country and own mission abroad through continuous contacts through correspondence.

DY. CHIEF ECONOMIST

The Dy. Chief Economist will be directly responsible to the Chief Economist and will assist him in the planning of own project and the project of the foreign investor within and outside the Zone. Besides, he should also be responsible for close monitoring of the project through any of the relevant Depts, by co-ordination and keeping close study & co-operation with the foreign investors.

EVALUATION OFFICER

The Evaluation Officer will be directly responsible to the Dy. Chief Economist. He will be responsible for the evaluation of Projects undertaken by the Authority and the Projects submitted by the investors particularly from the economic point of view.

FUNCTIONS OF EXECUTIVE ENGINEER (ROAD & BUILDING)

- a. To carry out such duties of the Authority with such powers as may be allotted and delegated to him by the Member (IP) from time to time.
- b. To keep himself in constant contract with the related functions with other Division and to keep the Member (IP) informed about the current progress, problems and programmes of activities of his Division.

- c. To ensure performance and to initiate proposals for improvement of activities relating to his Division.
- d. To remain overall incharge of his Division, control the activities of officers and staff of his Division and allocate, re-allocate the functions duties amongst them.
- e. To supervise all Civil construction, maintenance, land development, soil & water testing, land acquisition and allied works.
- f. To assist & guide the Project to plan, design and undertake all Civil Engineering work.
- g. To plan, design and undertake all Civil Engineering works in respect of new Projects.
- h. To prepare and scrutinize Drawing, Design, Estimates of all Civil construction works and accord technical approval for such works as per delegation of Power and arrange for obtaining Administrative approval from competent Authority.
- i. To periodically inspect all the Enterprises, Assist and advice the enterprises in respect of all civil engineering works.
- j. To prepare tender Documents, arrange opening of Tenders and subsequent evaluation & scrutinization, award of work, preparation and signing the Contract Documents in respect of major construction works.
- k. To prepare, scrutinize and accord approval to the running and final bills of Contractors in respect of major work as per delegation of Power.
- l. To prepare the specifications and monitoring the inventory control of all construction materials.
- m. To develop standard plan for residential housing and other ancillary facilities for the enterprises.
- n. To define the scope of work and determine the terms and conditions for inviting offers in respect of preparation of master plan, Drawing, Design & lay-out etc. of Civil Engineering works as per operational requirement of the factory.
- o. To publish Reference Books on various types of construction of factory building Piling, Foundation, Jetties etc. containing all relevant data/information.
- p. To assist and advice in selecting site for new project, expansion/modification of existing factory buildings with particular consideration of sub-soil condition Topography etc.
- q. To initiate proposal with regard to development of existing lands and building of the Authority & Zones for better and fruitful utilization of the same.

- r. All other functions as & when assigned/reassigned by the Member (IP) from time to time.

ASSISTANT PROJECT ENGINEER (Civil)

- a. He is responsible for quick and efficient execution of Civil Engineering works of Head Office/Zone.
- b. He is responsible to check the design, Estimates and drawing of Civil Engineering works received from different Projects and submit the same to the Executive Engineer.
- c. He is responsible for taking measurement of works done, preparation of bills etc. for works executed at Head Office/Zones.
- d. He is responsible for preparation of tender documents/Scope of work/work orders and time schedule or Construction work.
- e. He is responsible for preparation of tender documents/Scope of works for appointing the consultant for the Civil Engineering work for the BEPZA/Zones.
- f. He is responsible for preparation of Drawing, Design and Estimates of Civil Engineering works executed at Head Office and submit the executive Engineer.
- g. All other works as and when assigned by the project Engineer (Civil).

ASSISTANT ENGINEER (Electrical)

- a. To carry out such duties as may be allotted and delegated to him by the Executive Engineer from time to time.
- b. To undertake tours to the Zone in connection with trouble shooting and inspection of different electrical equipment as and when instructed.
- c. To assist the enterprises in electrical installation works, preparing and checking work schedule, work items and to accord technical approval for the work up to the financial limit as laid down in delegation of power book.
- d. To assist the Executive Engineer in preparation checking of technical specifications plant, machinery equipment and auxiliaries for the enterprises.
- e. To explore possibilities of out side facilities within the country or the manufacture of electrical spare parts locally with a view to minimize import

- f. To assist the Division in technical evaluation of offers for purchase of capital machinery plants equipment and ancillary for the various project of the Authority in respect to electrical items mainly
- g. To assist the Division in rendering technical assistance and expertise repair/services to the enterprises as and when required
- h. To assist the Division in checking/repair electrical installations, lift and other ancillary facilities of Head office and evaluate repair estimates for the same.
- i. To initiate proposals for developing and effective maintenance control system in the enterprises and to follow up actions for implementation of the same.
- j. To assist the Division in maintaining liaison with leading and internationally reputed manufacturer/repairers of electrical equipment.

ASSISTANT ENGINEER (Mechanical)

- a. To carry out such duties as may be allotted and delegated to him by the Chief Engineer from time to time
- b. To undertake tours to the enterprises in connection with trouble shooting and inspection of different mechanical equipment as and when instructed.
- c. To assist the enterprises in Mechanical installation works, preparing and Checking work schedule, work items and to accord technical approval for the work to the financial limit as laid down in Delegation of Power Book.
- d. To explore possibilities of out side facilities within the country for the manufacture of spare parts locally with a view to minimize import
- e. To assist the Chief Engineer in preparation/checking of technical specification international tender document for plant, machinery equipment and ancillaries for the enterprises,
- f. To assist the Division in technical evaluation of offers for the purchase of capital machinery, plants, equipment and ancillaries for the various enterprise.
- g. To assist the Division in rendering technical assistance and expertise repairs service particularly in rehabilitation/overhauling of various plants, machinery and equipments of all the project and enterprises under BEPZA which require skill & knowledge not general available in the enterprise.
- h. To assist the Division in checking of transport and other ancillary facilities of Head Office and evaluate repair estimates for same.
- i. To assist the enterprise in introducing both long terms and short terms maintenance management programme for thier plants, machinery equipments as well as to suggest ways and means for improvement of the existing system prevailing in the factories.

- J. To assist in annual overhuling work, technical man power Planning, spare parts programming and provide engineering services covering functions like method study work, measurement etc. aimed at improvement in productivity.
- K. To assist the Division in maintaining liaison with leading and internationally reputed manufacturers, repairers of Mechanical equipments.

DEPUTY SECRETARY (Administration and Personnel)

- a. To provide the Secretarial and other services to the Authority.
- b. To draft and issue notices of Board Meetings and prepare the agenda in consultation with the Authority Secretary/Chairman.
- c. To note down the proceedings and decisions of the Board Meetings, prepare and record the minutes and ensure that they are finally approved and signed.
- d. To ensure that any directives for agreed at the Board Meeting are sent to the parties concerned and followed up, and to submit implementation report thereof to the Board.
- e. To secure custody of the Common Seal, statutory book, valuable documents and secret records.
- f. To execute all agreements internal and external after being processed as per rules or regulations.
- g. To get the Organogram of Authority Board/Head Office approved by the Authority Board.
- h. To process cases for constitution and dissolution of Management Boards of Complex Enterprises Groups of Enterprises and individual Enterprise and process cases for nomination of Chairman, Member or other officers in the above Management Board or in the Authority Board where the Authority has shareholding interest under joint venture participation or in Authority Boards where Government wants nomination(s) from the Authority to represent its shareholding interests.
- i. To communicate Govt instructions on various matters to parties concerned and follow up for implementation thereof.
- j. To process cases for cash reward awards commendation certificates etc. to the officers, employees and workers of the Authority Head Office and the enterprises under it.
- K. To deal with cases for donations subscriptions to outside agencies.
- l. To ensure maintenance and observance of safety and security matters in Group, Complex Enterprises as per KPI rules.

- n. To maintain liaison with Govt. on different matters.
- o. To deal with cases of the enterprises the approval of the Board.
- p. To run the Deptt. most efficiently.
- q. To perform any other duties as may be assigned from time to time by Secretary/ Chairman.

ASSTT. SECRETARY (Administration and Board)

- a. To prepare agenda and notice for the Board Meeting.
- b. To prepare working papers on various issues for placement before the Board of Members for consideration.
- c. To endorse of the meeting of Board of Members to the concerned Division Deptts. under Authority Head Office and Heads of the Zone/ projects under BEPZA.
- d. To pursue implementation of the Board decisions and/prepare the reports accordingly for perusal of the Board of Members.
- e. To process all type of Bank operation cases of the Zone including Authority Head Office
- f. To supervise the work of Board side of Board & Co-ordination Deptt. with utmost care and efficiency.
- g. To maintain and preserve Minute Books on the Board Meeting for future record and reference.
- h. To maintain and preserve Resolution Books on all Bank operation case of the Authority.
- i. To process cases of power of Attorney relating to signing of the excise documents of the enterprises under BEPZA.
- j. To perform any other duties as may be assigned by the Secretary or any other designated Officer from time to time.

DEPUTY SECRETARY (Common Service)

- a. To ensure that the protocol services are rendered efficiently.
- b. To initiate purchase cases of furniture, fixture etc for the Authority Head Office.
- c. To ensure that an adequate telephone service is available to the Authority.
- d. To ensure that passport, vissa health certificates etc are correctly processed for

- officers and staff going abroad and that all booking of tickets are correctly made
- e. To ensure that adequate stocks of stationary etc are maintained.
 - f. To ensure that all motor vehicles at the Authority Head Office are taxed and licensed, and all statutory obligations are met and that the vehicles are properly maintained.
 - g. To ensure that accommodation and transport is available for visitors
 - h. To ensure that security measures at the Authority Head Office are correctly operated.
 - i. To run the Deptt. efficiently
 - j. To perform any other duties as may be assigned from time to time by the Secretary/Chairman

ASSTT. SECRETARY

- a. To arrange Passport, Visa, for BEPZA Officials and foreign Consultant/Experts
- b. To arrange official parties, Dinner, Lunch, etc. as and when required.
- c. To receive and see-off of VIPs/foreign guests at the Airport.
- d. To arrange clearance from concerned Ministry and PTA for consultant and Foreign Experts and also arrange for Air-Tickets to BEPZA Officials and foreign experts
- e. To perform any other duties as may be assigned from time to time by Deputy Secretary.

SECURITY OFFICER

- a. Proper distribution of Security Guard for duty in different building in BEPZA Head Office, Dhaka, Chittagong and overall control of the security matters.
- b. To ensure safety and security of all immovable/moveable properties of the Authority

MEDICAL OFFICER

- a. To attend all types of patients at the Medical Centre including family members and dependents of the Medical during office hours.
- b. To counsel the employees about preventive measures and hygiene and about the family planning.
- c. To refer deserving patients to different specialists and hospitals as and when necessary.

- d. To visit residence of the employees for attending emergency and ambulatory patients.
- e. To manage emergency patients in the Medical Centre and also at their residence.
- f. To supervise the activities of the nurses performing dressing of wounds, giving enema, oxygen, stomach wash, physio-therapy, intravenous fluid therapy etc.
- g. To supervise the functions of the Medical Store. Also to maintain steady supply of medicines at the store by indenting required medicines wherever necessary.
- h. To help the Controlling Officer in Medical Centre's administration.
- i. To perform any other duties as may be assigned from time to time by Secretary.

PRIVATE SECRETARY (Co-ordination)

- a. To check attendance of all officers and staff under Board of Members.
- b. To attend VIPS CIPS Delegations and arrange for their meeting with Chairman and concerned Members. Also arranges for their visits to enterprise.
- c. To arrange co-ordination between Chairman and Members and Divisional Heads in Head Office and between Chairman and Enterprise Heads.
- d. To maintain BEPZA Board meeting files and minutes and other board meeting files and minutes of which Chairman is the Chairman of the Board of Members.
- e. To make correspondences with Enterprise Heads and the Organization as and when required in accordance with instructions of the Chairman.
- f. To place file and Daks before Chairman after proper checking and put up according to priority and arrange to send them to the officers/Division concerned after clearance by Chairman.
- g. To arrange meeting and also supervise if the meetings are held in the Conference Room.
- h. To preserve secret papers and ACRS of the Members.
- i. To collect information and keep constant touch with Enterprise Heads in case of any problem being faced by them leading to stoppage of production and feed the Chairman and other concerned Members about the development till the problems are over.
- j. To accompany Chairman in his tour to Enterprise, circulate decisions/recommendations to concerned Member and Divisional Heads for action.

- k. To supervise the work of subordinate Officers and staff of his Section.
- l. To check security measure of Board of Members Sections.
- m. To initiate case for donation/subscriptions in Cash or kind to the needy and destitute and voluntary organizations.
- n. To perform any other duties as and when assigned by Chairman.

ASSISTANT SECRETARY (Personnel)

- a. To deal with all personnel matters in respect of all Members and Authority officers and staff of all cadres :
 - i) Technical cadre.
 - ii) Generalist cadre.
 - iii) Accounts & Finance cadre.
 - iv) Miscellaneous cadre.

Function to be performed in connection with these are as follows :

- a) Custody of the Personal files of Members and officers concerned.
 - b) Issuance of offer of appointment/Formal Appointment Letter/Medical Fitness Certificate/Confirmation of service/Verification of Character and Antecedents/issuance of Contract/Regular appointment letters etc.
 - c) Processing of CPF Membership.
 - d) Processing and recording of E. L /Extra Ordinary leave etc.
 - e) Fixation of pay/allowance/Special pay/charge allowance/Entertainment Allowance/Honorarium as per existing rules and procedures.
 - f) Processing of Transfer, posting & Deputation.
 - g) Processing of resignation/retirement/termination.
 - h) Processing of re-employment of officers after retirement.
- b. Delegation of power to Enterprise Head.
 - c. Correspondence with Govt. relating to Personnel Division.
 - d. Any other matters/responsibilities/duties that may be assigned by the Secretary and the Deputy Secretary (personnel) from time to time.

CHIEF ACCOUNTS AND FINANCE OFFICER

- a. To act as the Head of Accounts Division and work directly under the Member Finance and shall carry out such duties of Authority with such powers as may be allocated to him by the member.
- b. To develop, design and introduce advance accounting system including mechanised accounting system and internal check in BEPZA and its zones.
- c. To deal with cash and money received on account and belonging to the Authority and its Zones.
- d. To disburse salary and emoluments to the employees of the BEPZA and its Zones/Projects.
- e. To manage fund including disposal of outflow and purchasing inflow and submit usage, cash flow statement, sources and application of fund.
- f. To keep adequate accounts and records covering all aspects of the BEPZA'S transaction, to exercise control on Authority's expenditures keeping with budgetary provision.
- g. To prepare Annual Accounts, reports comprising of income statements, Balance Sheet, Liquidity position, Capital Structure, Development activities and review the performance of enterprises.
- h. To remain responsible for maintaining accounts of provident fund, House building loan, welfare fund account and any other fund account.
- i. To prepare manual, Code Books and Financial rules related to allocated functions and design procedures from time to time on Balance Sheet.
- j. To attend all other matters that are not covered specifically in the foregoing paragraphs but are ancillary thereto.

DEPUTY CHIEF ACCOUNTS AND FINANCE OFFICER

- a. To carry out such duties, powers and responsibilities as may be delegated to him by the Chief Accounts and Finance Officer from time to time.
- b. To prepare the annual accounts, reports comprising of Income statements, Balance sheet, liquidity position, capital structure, Development activities etc.
- c. To keep adequate account and records covering all aspects of BEPZA'S transaction, to exercise control on Authority's expenditures keeping with budgetary provisions.
- d. To obtain monthly accounts from the Zones/Projects.

- e. To prepare cash flow statement for cash position of the BEPZA and Zones.
- f. To maintain ADP Register with G. O wise record and prepare a quarterly journal for incorporating the same in the Book of Accounts.
- g. To submit returns of various types when Govt. requires from time to time.
- h. To prepare consolidated Balance Sheet of the BEPZA for publication of the Annual reports of the Authority.

SR. ACCOUNTS OFFICER

HEAD OFFICE & ZONE ACCOUNTS, EXTERNAL AUDIT, CASH & BANK

Senior Accounts officer is responsible to the Chief Accounts & finance officer for smooth and efficient functioning of the Accounts Section under Accounts Division. Duties and functions are as follows :

- a. To obtain monthly Accounts from Zones.
- b. To prepare monthly Accounts on the basis of Project & Head Office Accounts.
- c. To prepare Annual Balance Sheet.
- d. To prepare the cash flow statement for cash position of the Authority.
- e. To maintain the ADP (Dev) register with G.O wise record and prepare a quarterly Journal for incorporating the same in the books of Accounts.
- f. To improve the Accounts Proforma from time to time.
- g. To submit the proposal for Capital Re-structure and when desired by the Govt. for conversion of ADP loan into equity.
- h. To submit returns of various type when Govt. requires from time to time.
- i. To follow up the cases lying pending with Ministry of Industry & Commerce and Ministry of Finance & Planning regarding financial matters and other factors.
- j. To attend different meeting within the Authority and Govt. as per direction of Chief Accounts & Finance officer.
- k. To send Accounts Guidelines to all Zones for closing of Annual Accounts as per instruction of Chief Accounts & Finance officer.
- l. To sent fortnightly Debt position of the Ministry of Industries & commerce as per instructions of the Controlling Officers.
- m. To submit the proposal for appointment of Firm of Chartered Accountants for conducting the Audit of annual accounts of the Zones to the Board & obtain approval thereof.

- n. To arrange appointment of Firms of Chartered Accountants as external Auditors or Annual Audit of the Zones & H. O. and to supervise their programme and early completion of the Audit of Accounts of the Project
- o. To follow up & collect the draft Audit Reports and Accounts of the Project from the External Auditors and fix-up the date for joint discussion of the reports.
- p. To discuss and finalise the Audit Report with the External Auditors and Head of the Project and collect the final Audit Report
- q. To endorse the copies of the Final Audited Accounts to the enterprises and other Government Agencies.
- r. To collect replies of Audit Reports from the Zones with justification to satisfy the Board of Members against the objections raised by the Auditors in the Report.
- s. To arrange for adoption and approval of Board of Annual Audited Accounts of Enterprises and communicate the approval to the enterprises.
- t. To sign cheques, documents, instruments of Bank Transfer and any other documents relating to Bank transaction as may be assigned to by the Board of Member, BEPZA from time to time.
- u. To check the debit and credit advices for the amount spent on behalf of the enterprises & projects by Head Office.
- v. To send the monthly current account statement to the projects.
- w. To reconcile the Head Office Current Account balance with projects and arrange settlement of disputes thereof.
- x. To arrange adjustment of inter-project dues through Head Office Current Accounts with confirmation from the enterprises.
- y. To maintain & deposit Fund received from the Govt. against ADP loan and disburse the same to the projects.
- z. To maintain and deposit the fund received from Projects against repayment of Head Office loans and payment against retirement of documents, L/C margin etc.
- aa. To receive sales proceeds of Tender documents and security/earnest money from the party and maintain and deposit thereof.
- bb. To arrange cash payment of various loans & advances, and expenses bills to officers and staff of Head Office.

- cc. To arrange issue of cheques for various bill pertaining to Head Office and zones and ensure sending the same to the payees.
- dd. To prepare all vouchers for documents retirement, L/C opening charges, L/C margin-made by the Bank on behalf of the Authority.
- ee. To supervise the writing of petty cash, main cash for fund received & Paid from BEPZA Head Office
- ff. To collect Bank statements & supporting payment vouchers made by the Bank & reconcile the monthly Bank Accounts operated by the Head Office.
- gg. To check the cash scroll Book daily and physically count the cash in hand at the closing of the business hours
- hh. To arrange transfer of Fund as and when required by the organisation.
- ii. To prepare the weekly cash flow statement and submit to the higher authority.
- jj. To summarise the cash receipts and payments of the month and for consolidated posting in the control ledger.
- kk. To maintain the following Registers :
 - a) L C Margin.
 - b) Security deposit & its custodian.
 - c) Bank Guarantee encashment Register.
 - d) ADP Fund disbursement Register.
- ll. To carry out any other responsibilities which may be entrusted to him by the Chief Accounts & Finance officer/ Dy Chief Accounts & Finance officer.

ACCOUNTS OFFICER (PAY BILL, STORES, P. F. & C. A. Cash and Bank)

- a. To check the contractors and suppliers bills for goods, services rendered for Head Office/Zones.
- b. To check the commission bills, insurance premium bills in respect of the organisation.
- c. To check the publicity and advertisement bills of the Zones and Head Office.
- d. To check the TA DA bills, medical bills, telephone bills, electricity bills, water bills, entertainment & guest house expenses, transport running cost & maintenance etc. of the Authority
- e. To check the Head Office House Rent Ceiling bill of Head Office officers and Staff.

- f. To scrutinise the advances against expenses/conveyance TA/DA and arrange its adjustment from the bills.
- g. To prepare and check monthly salary bills of officers and staff of Head Office/Zones.
- h. To prepare & check the supplementary salary bills, earned leave salary bills, earned leave encashment bills of Officers & Staff of Head Office.
- i. To check the overtime bills of the Head Office staff.
- j. To provide monthly leave salary, gratuity & P F contribution of Officer and Staff of Head Office/Zones.
- k. To arrange monthly remittance of P F of Head Office Officer and employees to the P. F. Trust and arrange remittance of welfare Fund Contribution & Loan recovery.
- l. To arrange deduction of loans and advance and adjustment of the same in the books of Accounts.
- m. To arrange final settlement of officers and employees of BEPZA on Resignation, Termination of Service from the Authority.
- n. To compute the income Tax of Officer and Staff of BEPZ on Head Office and arrange remittances.
- o. To make arrangement for payments regarding arrear bill on fixation/refixation of pay of Officers & Staff of BEPZA Head Office Zones.
- p. To arrange fund from Govt AG

ACCOUNTS OFFICER (Ledger and Budget)

- a. To keep and maintain adequate accounts and records covering all aspects of Authority transactions.
- b. To prepare monthly accounts of Head Office and prepare monthly schedules of enterprise current accounts and to reconcile the individual advance account with respective control accounts.
- c. To prepare annual accounts comprising of Income & Expenditure Statement on the basis of no profit no loss by charging the excess expenditure over income of Head Office to the enterprises. To draw the Annual Balance sheet of Head Office Accounts and prepare all relevant schedules like fixed assets, stock and stores, all advances & creditors.
- d. To conduct the external audit and discuss on draft audited accounts and finalise with the Auditors meeting the relevant queries raised by the External Auditors.

and shall also arrange for adoption and approval of the Board on the Annual Audited Accounts of Head Office.

- e. To conduct the internal and Govt. Commercial Audit pertaining to the Head Office Accounts and collect the replies of Audit queries and submit the consolidated replies to the concerned Authorities.
- f. To prepare the Head Office Budget and complete the budget Variance analysis of Incom & Expenditure of Head Office.
- g. To maintain House Building Loan Account and calculate interest, fix-up the instalment amounts.
- h. To arrange realisation of instalment both principal and interest and record thereof.
- i. To maintain Motor Cycle, Cycle and Car Advance account and calculate interest and fix-up the instalment and arrange their realisation.
- j. To maintain Pass Book of individual loan accounts and reconcile with the respective accounts.
- k. To prepare loan advance vouchers on the basis of sanctioned order and collect the remittances of instalments both Head Office and enterprises & record thereof.
- l. To maintain the individual ledger of the loan accounts and to prepare annual schedule.
- m. Making of correspondence with the zones where the loanees are attached.
- n. To arrange to give clearance in respect of final settlement case.
- o. To carry out any other duties and responsibilities as may be assigned to him by the Chief Accounts & Finance officer from time to time

ASST. PURCHASE OFFICER

- a. To purchase the Stationeries and other consumable items on cash or spot quotations basis.
- b. To float press tender for bulk purchase.
- c. To take quotations from the suppliers.
- d. To issue purchase orders.
- e. To follow up the Purchase
- f. Any other job entrusted to him by the Chief Accounts & Finance officer/Dy. Chief Accounts & Finance officer.

PROJECT FINANCIAL ANALYST

- a. To carry such duties of the Authority with such powers as may be allotted and delegated to him by the Member (Finance)
- b. To analyse application for establishing a project under BEPZA and ensure its viability.
- c. To maintain liaison between the entrepreneur and the Authority.

DY. CHIEF AUDITOR

- a. Scrutinise half yearly internal audit programme prepare by Audit officer working directly under him and submission of the same for approval of the Chairman.
- b. Circulation of approved audit programme to all concerned.
- c. Editing audit reports of Authority and Zones and issue the same to the respective Audit unit
- d. Follow up the audit replies.
- e. Supervision of work of the Audit Officer.
- f. To perform any other functions as may be entrusted upon him by the Chairman.

AUDIT OFFICER

- a. To conduct internal audit of different audit units of Head Office and Zones, in the light guidelines.
- b. To allocate work amongst the team members,
- c. To guide, supervise the work of the members of his team.
- d. To issue query on primary audit observation and to examine replies received on such queries.
- e. To prepare draft audit report
- f. To submit the draft audit report to the Chairman in due time.

SENIOR MANAGER (Liaison Office & Rest House)

- a. To receive the foreign delegation/industrialists/investors at the airport.
- b. To ensure that the delegation/investors are given proper care at Dhaka.
- c. To arrange their passage to the Zones.
- d. To maintain the liaison between the Members, Chairman and the potential investors,
- e. To carry out such other duties, powers and responsibilities as may be delegated to him from time to time by the Authority.

LIAISON OFFICER

- a. To carry out such duties as may be allowed and delegated to him by the senior Manager (Liaison Officer).
- b. To maintain the rest house that provide accommodation facilities to the potential investors, Authority's officials
- c. To assist Senior Manager in all respect concerned their Division.

ASSTT. SECRETARY (INVESTIGATION)

- a. To carry out such duties as may be allotted and delegated to him by the Chairman from time to time
- b. To process the cases for disputes, burglary, theft, misuse of fund and other mishappenings in the BEPZA and the Zones.
- c. To carry out investigation work as per guidance and directives of the Chairman.
- d. To chalkout detailed Observation on each and every cases and prepare report of the above.
- e. To submit comprehensive report to the Chairman for taking necessary actions thereon

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GENERAL MANAGER (Marketing)

- a) To carry out such duties of the Authority with such powers as may be allotted and delegated to him by the Member from time to time.
- b) To familiarise the prospective and potential investor both local & foreign with the rules, regulation and facilities to be offered to, them by the Authority.
- c) To picturise the objectives of the Authority in the outside world in order to attract the foreign investors.
- d) To maintain the liaison between the entrepreneurs the Member.
- e) To provide overall guidance to the entrepreneurs by rendering adequate counsel regarding establishing the enterprise most efficiently on commercial consideration.
- f) To keep good liaison with the investors and extend all co-operation to the investors inside the zone in respect of electricity, water, Telex, Transportation of their goods etc.

General Manager (Marketing)

Description: The General Manager (Marketing), a senior post requiring widespread commercial experience abroad, prepares and implements the marketing programme of the Bangladesh Export Processing Zones Authority.

Accountability Objective

- Increasing the number of industrial investors in export processing zones in Bangladesh.
- Advising the Member (IP) regarding potential investors' problems requiring high level urgent policy decisions.

Duties

- To analyse on a continuous basis foreign markets in terms of industries with labour-intensive operations.
- To determine priority industrial sectors suitable for a BEPZA marketing campaign.
- To prepare, with the assistance of sectoral specialists, a marketing strategy to reach specific potential investors.
- To keep abreast of industrial investment developments in EPZ zones abroad.
- To familiarize potential investors through visits and written communications with the opportunities for EPZ investment in Bangladesh.
- To advise potential investors (and whenever appropriate existing EPZ investors) with the rules and regulations governing EPZ investments, including modifications and interpretations thereof.
- To supervise Enterprise Service Officers' contacts with EPZ investors.
- To draw up a quarterly assessment of achievements of the Marketing Section.
- To submit an annual action programme and budget for the Marketing Section.

Relationships

- The General Manager (Marketing) reports to the Member (Investment Promotion).
- He maintains contacts with all relevant government departments to keep abreast of matters affecting EPZ investors, more particularly Type "A" and Type "B" ones.
- Subject to coordination with the Member (IP), he contacts Bangladesh Missions abroad on matters within the framework of his duties.

Composition of the BEPZA Consultative Committee

in terms of article 5 of Ordinance No. XLIX

of 1984 promulgated on July 25, 1984

- (a) One member to be nominated by the Internal Resources Division from among its officers;
- (b) One member to be nominated by the Ministry of Industries from among its officers;
- (c) One member to be nominated by the Ministry of Commerce from among its officers;
- (d) One member to be nominated by the Export Promotion Bureau from among its officers;
- (e) One member to be nominated by the Finance Division from among senior bankers;
- (f) One member to be nominated by the Ministry of Industries from among prominent industrialists;
- (g) One member to be nominated by the Government from among industrialists of each Zone;
- (h) Director General, Department of Industries, or his nominee;
- (i) Division Chief (Industries), Planning Commission;
- (j) Commissioner of the Division in which a Zone is situated or his nominee;
- (k) Chairman of the Water Supply Sewerage Authority within the area of which a Zone is situated;
- (l) Chairman of Chittagong Port Authority or Port of Chalna Authority to be nominated by the Government;
- (m) Chairman of the body, by whatever named called, responsible for the development or improvement of the urban area within which a Zone is situated;
- (n) Chairman, Bangladesh Small and Cottage Industries Corporation;
- (o) One member to be nominated by the Federation of Bangladesh Chamber of Commerce and Industries;
- (p) Four members to be nominated by the Federation of Bangladesh Chamber of Commerce and Industries, one from among Presidents of Chamber of Commerce and Industry of each Division;
- (q) One member to be nominated by the Authority from among the owners or shareholders of the enterprises set up in a Zone;
- (r) One officer of the Authority to be nominated by it who shall also be the Secretary of the Consultative Committee; and
- (s) Such other members as may be nominated by the Government.