

# **Bangladesh Economy by 2030/35: Challenges, Prospects, Partnership**

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# Narrative .....!

- Bangladesh is a **'stable' State**:

- sound political, economic and social fundamentals - governed by a strong and visionary leader i.e. Hon. Prime Minister, Sheikh Hasina
- prudent macro-economic management

- A **pluralistic democracy**

- **unity** amongst **diversity** is her strength: people are inspired to move forward despite many internal and external odds. *[ref. PEW Centre Report, 2015]*

- **People**- **politically conscious, socio-culturally vibrant, resilient**  
- **creative - industrious, with appreciation for wider values and identity.**

- **Civil society - dynamic and responsible, with global appreciation.**

- **Economy**-on a **stable** path, with a **positive outlook** for future

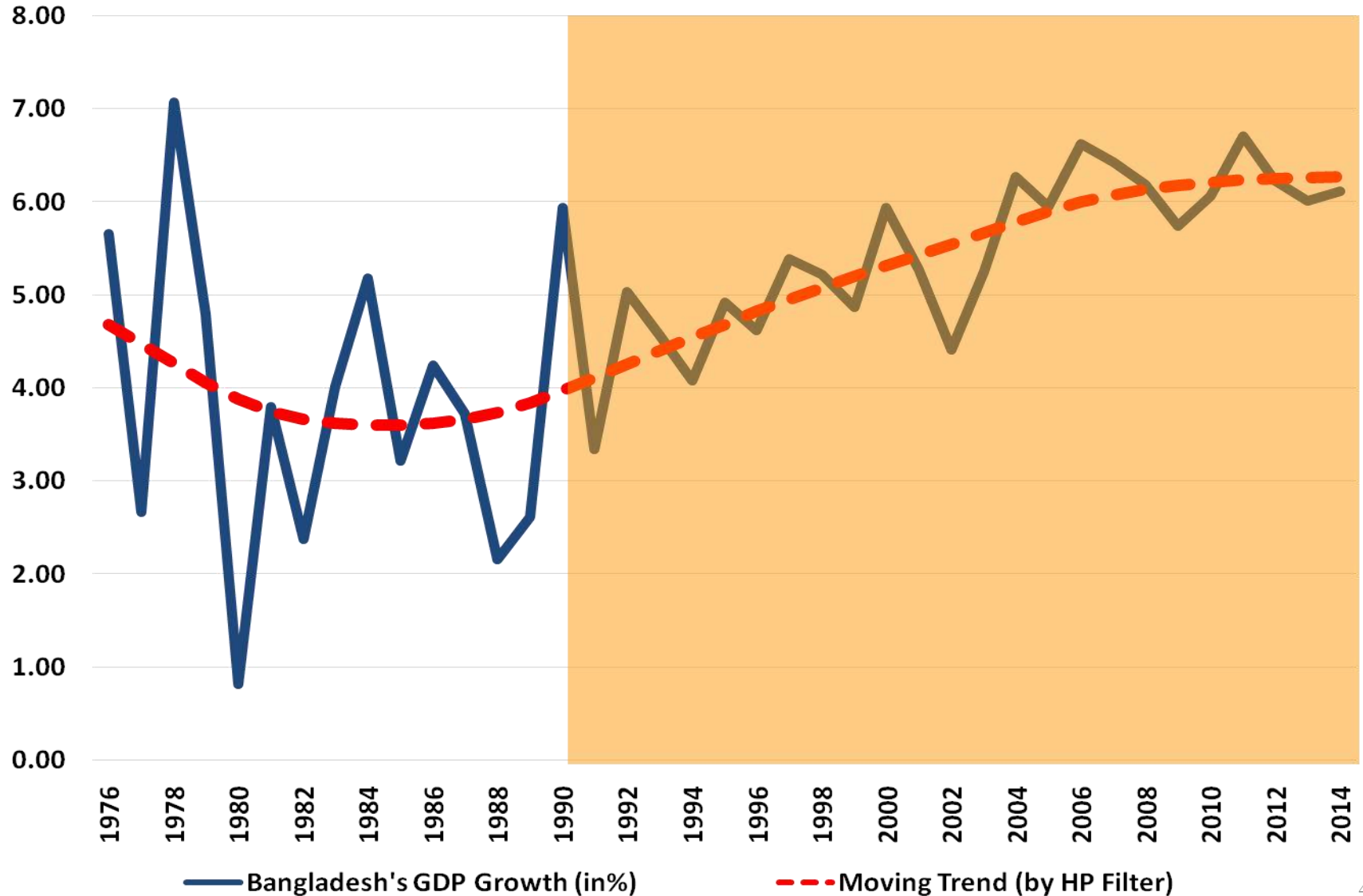
## Narrative (contd.) .....

***“ Prudent macroeconomic policies and structural reforms, with support from the Extended Credit Facility (ECF) arrangement, have helped steer Bangladesh economy through domestic and global challenges in the last three and a half years. Growth has been robust, inflation eased, foreign exchange reserves have risen to a comfortable position and public debt has remained stable as a share of GDP ....”***

***[5th- 6th Review under Extended Credit Facility (ECF) Arrangement, Oct. 2015]***

# Bangladesh : strong socio-economic fundamentals

## *trends of Bangladesh Economy: Sustained Growth*



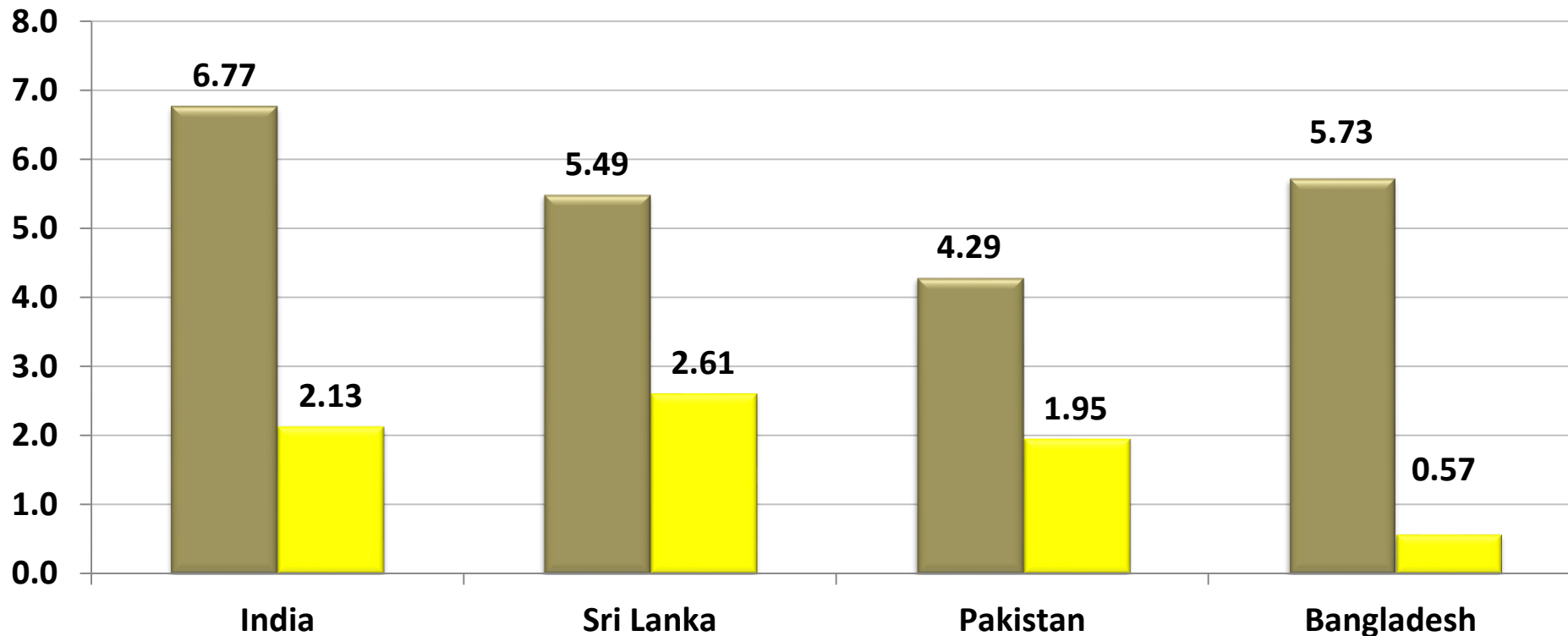
Source: Bangladesh Bank

# Bangladesh : strong socio-economic fundamentals *(Contd.)*

## high and least volatile among regional peers

■ Average Rate of GDP Growth

■ Growth Volatility



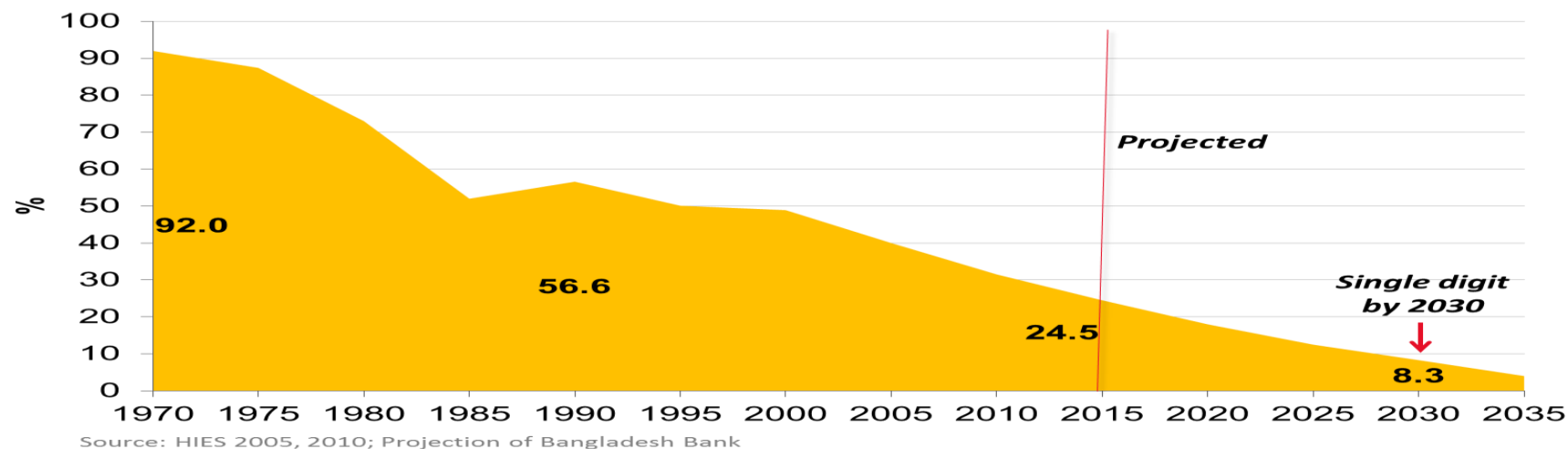
Time period: 1995-2014

- Over the last two decades, average GDP growth is just below 6%. However, in the last decade, average GDP growth crossed the 6% threshold. Economic performance was complemented by inclusive socio-political policies. As a result, volatility in the growth path would be seen as less than other regional countries [Source: Finance Division]

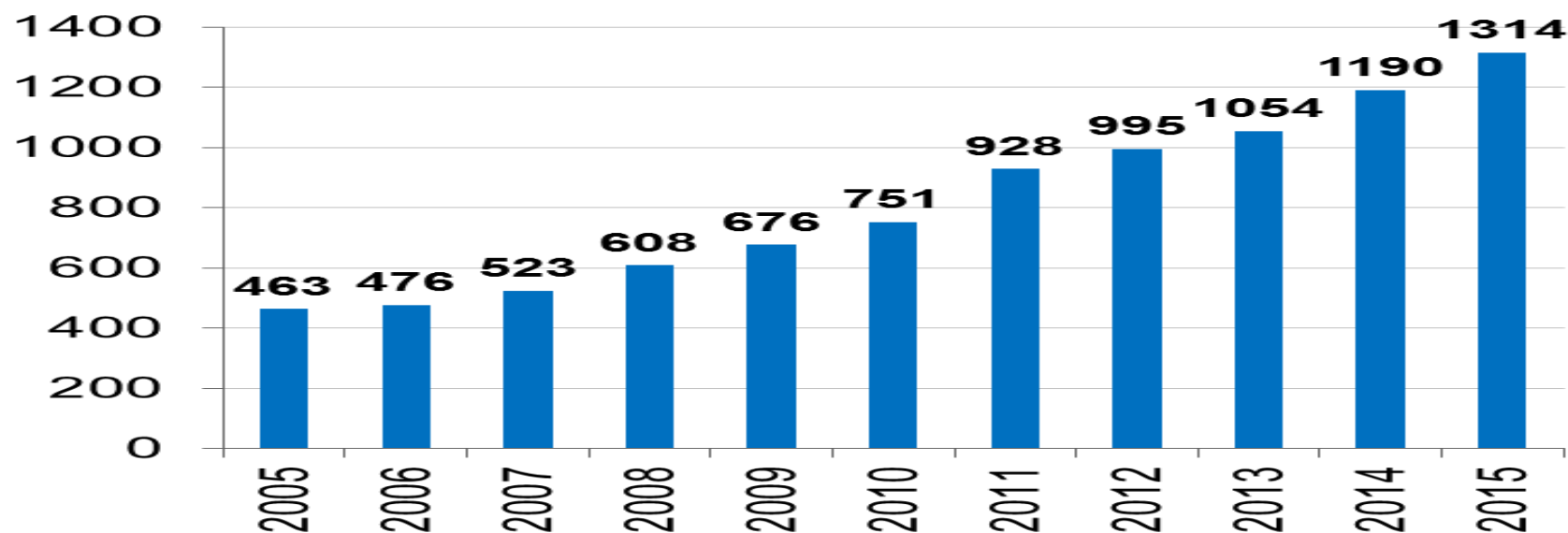
- Bangladesh is one of the top 20 countries in terms of attractiveness based on growth and market size (Agility Index 2014)

# Bangladesh : strong socio-economic fundamentals *(Contd.)*

## Poverty level receding fast



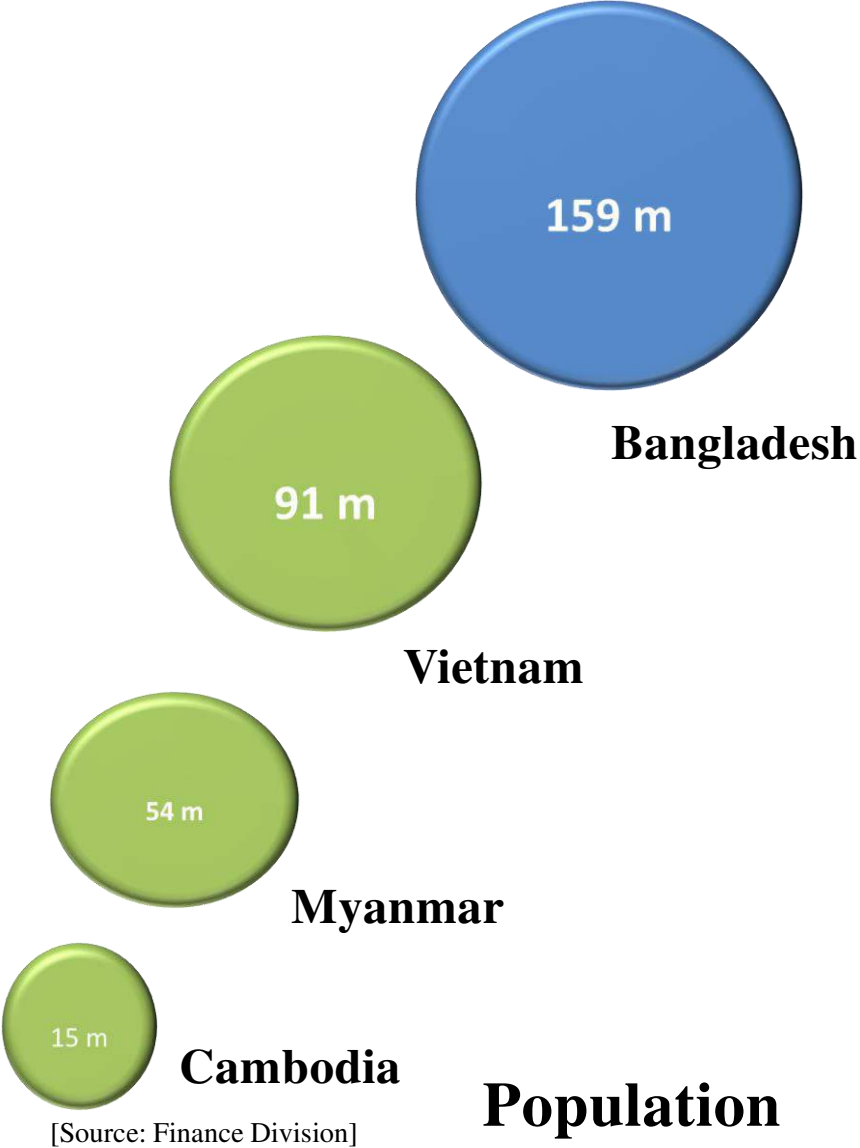
## Per Capita Income (USD) Rising



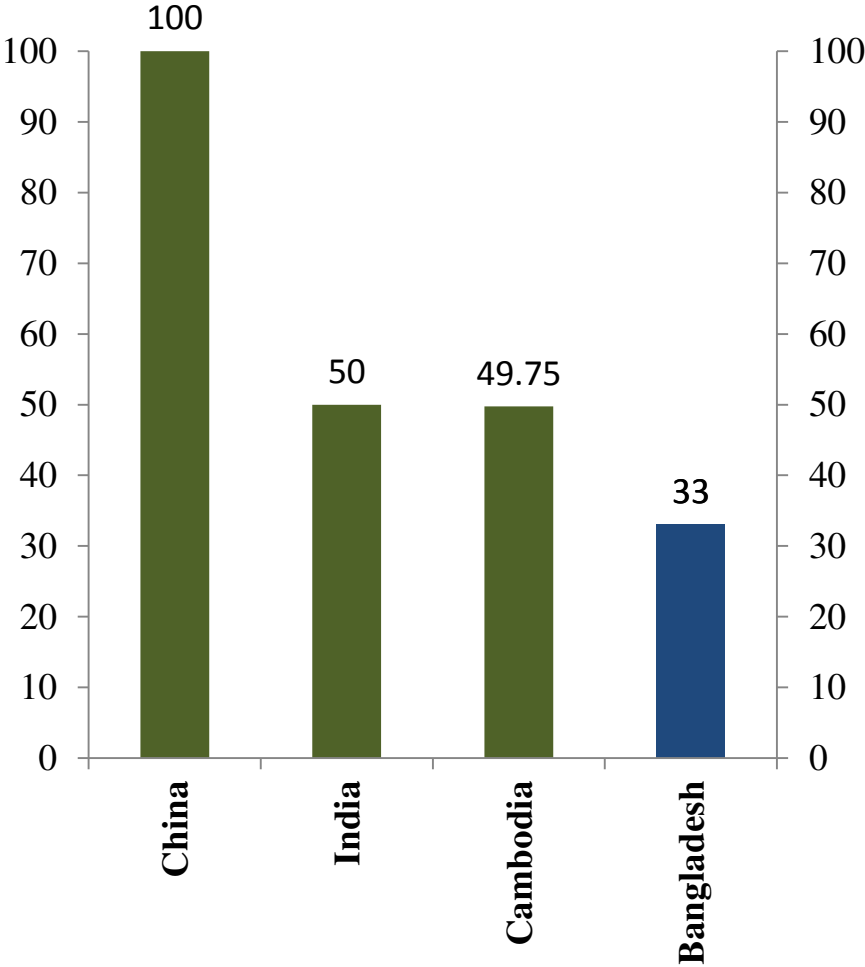
Bangladesh : strong socio-economic fundamentals <i>(Contd.)</i>			
	1991	2013 / Latest	
	Bangladesh	Bangladesh	India
<b>Fertility rate, total</b> (births per woman)	4.37	<b>2.17</b>	<b>2.47</b>
<b>Immunization, DPT</b> (% of children 12-23 mths)	74%	<b>97%</b>	<b>72%</b>
<b>Life expectancy at birth, total</b> (years)	60.5	<b>70.7</b>	<b>66.46</b>
<b>Literacy rate, adult total</b> (% of people ages 15 and above)	35.3%	<b>57.7%</b>	<b>48.2%</b>
<b>Malnutrition prevalence, height for age</b> (% of children under 5)	76.7%	<b>42%</b>	-
<b>Mortality rate, infant</b> (per 1,000 live births)	95.8	<b>33.2</b>	<b>41.4</b>
[Source: Finance Division]			

# Bangladesh : strong socio-economic fundamentals *(Contd.)*

a large domestic market ... competitive and innovative workforce



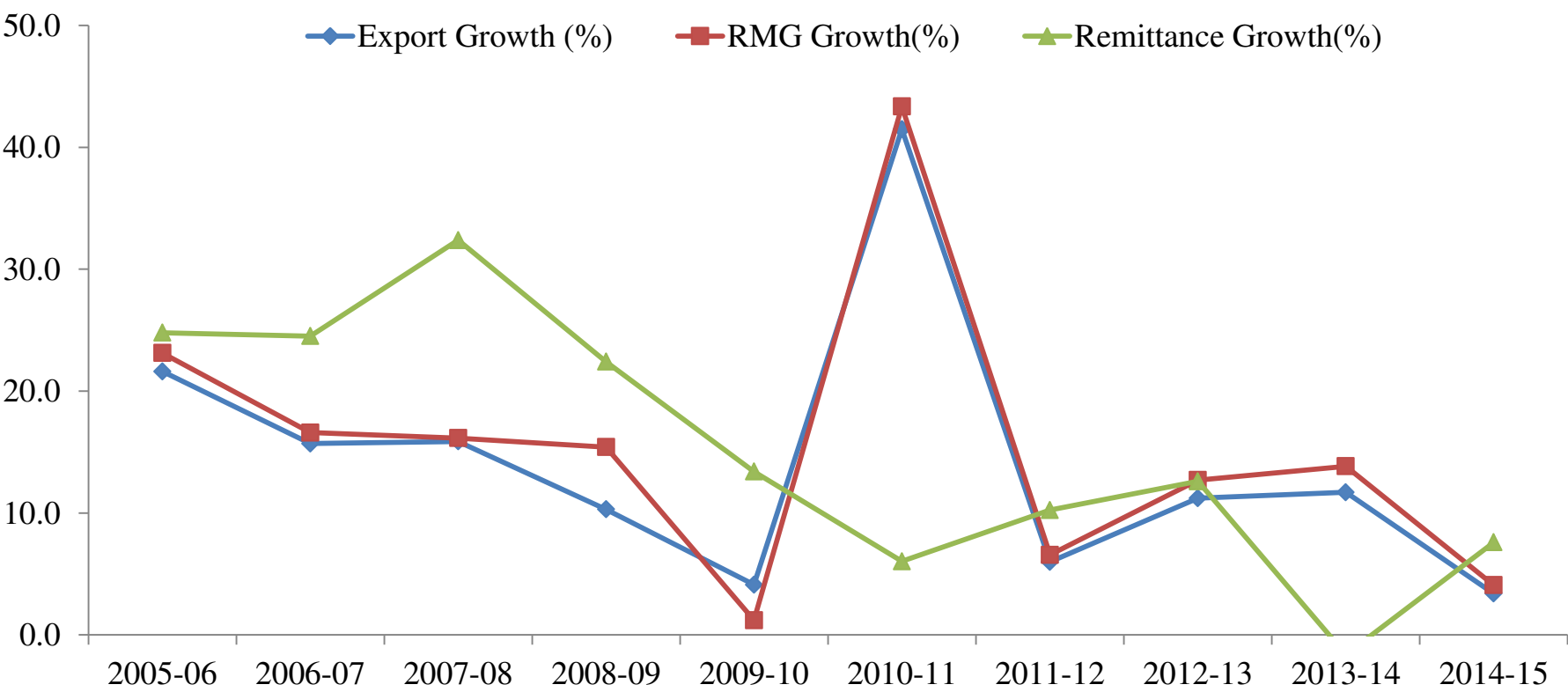
Unit Labor Costs Across Selected Countries  
(Percent of unit labor costs in China)





Financial Remittance ; Exports

“With RMG buyers moving out of China, the sourcing caravan is moving on to the next hotspot: Bangladesh” (McKinsey Inc.)

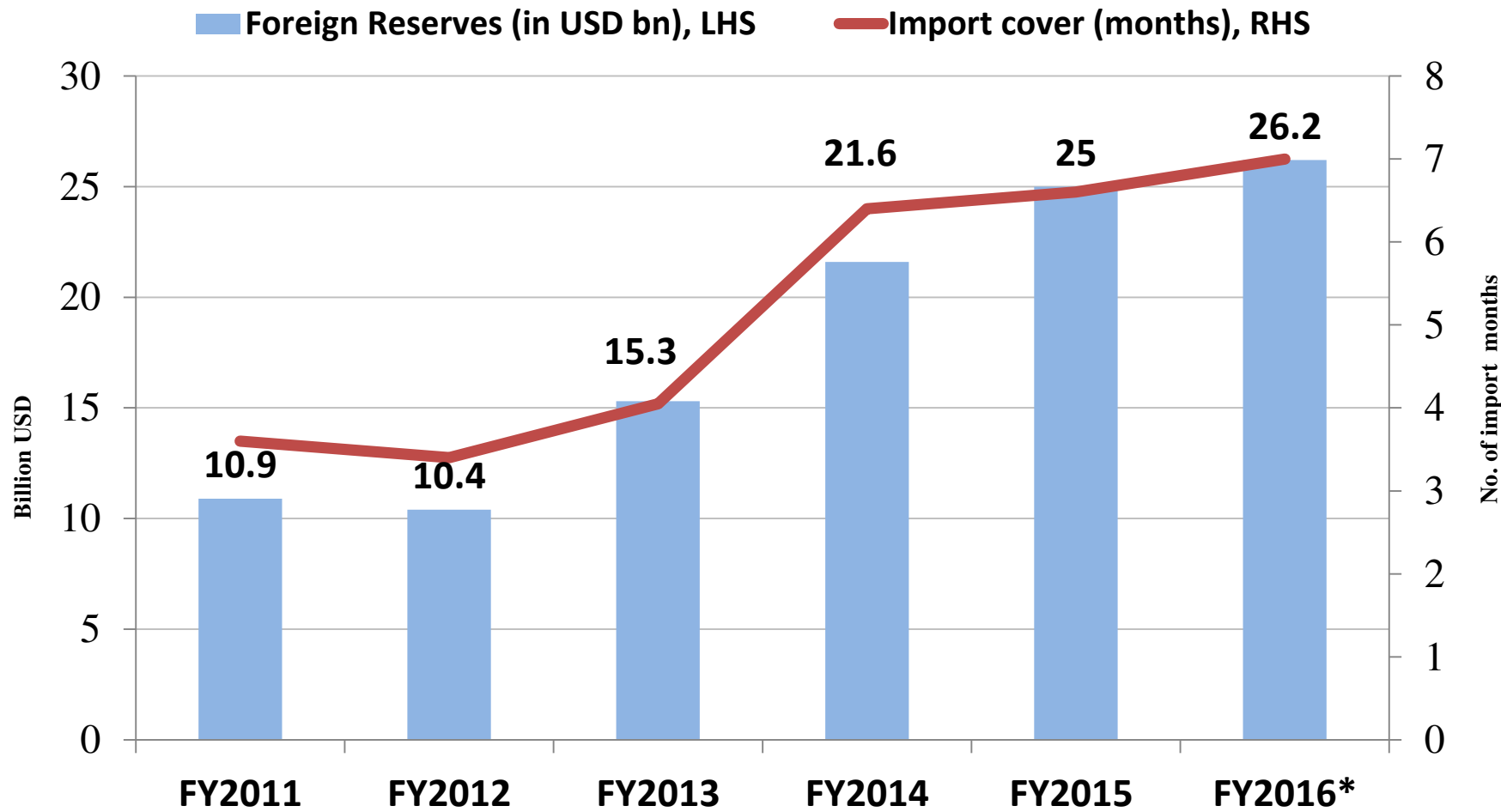


Over the years, exports show robust growth. Remittance growth complements exports in boosting growth [Source: Finance Division]

# Bangladesh : strong Socio-economic fundamentals *(Contd.)*

## Foreign Exchange Reserve

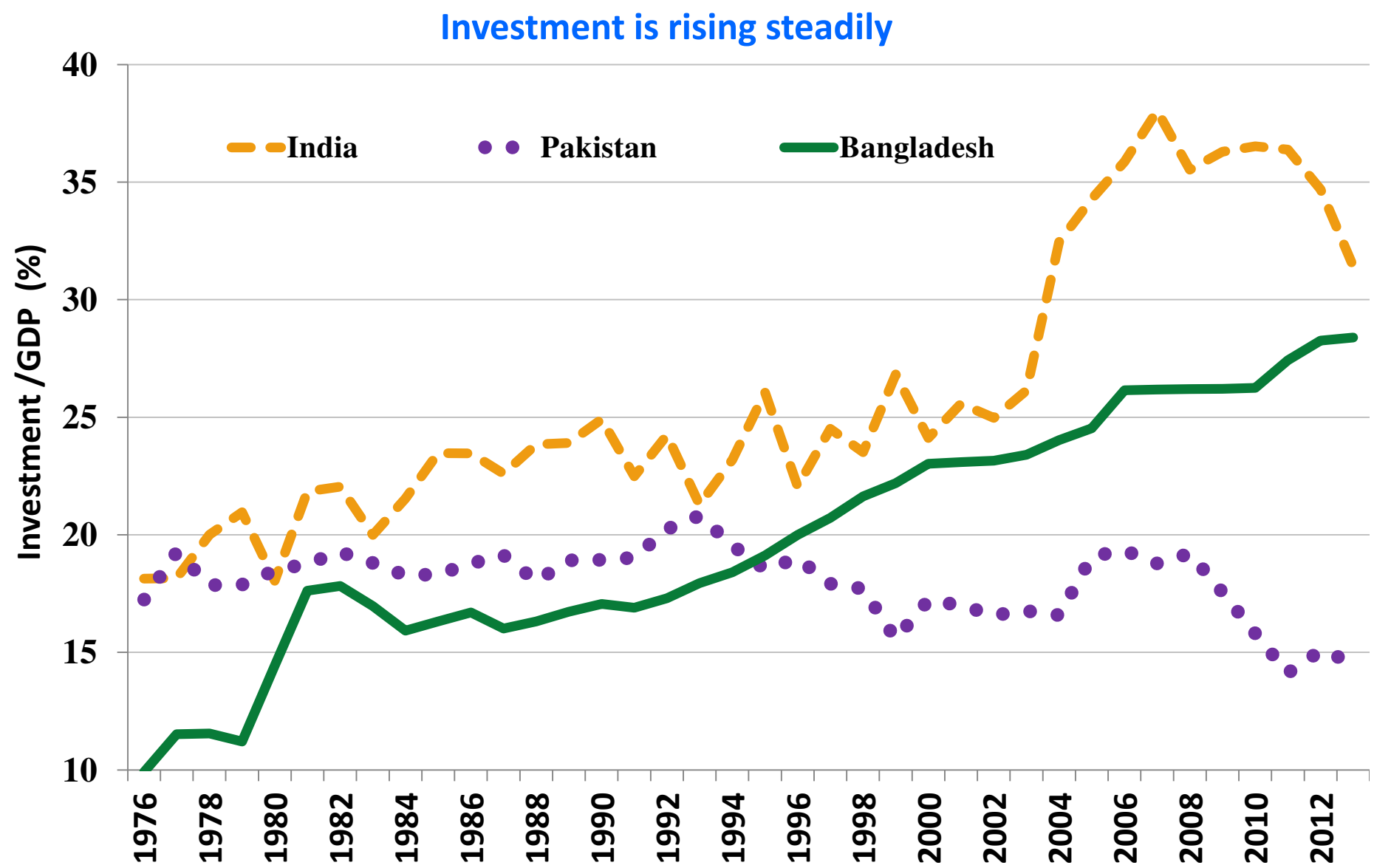
*steadily rising Forex reserves safeguard against external/global shocks/vulnerabilities*



\* As of August 2015

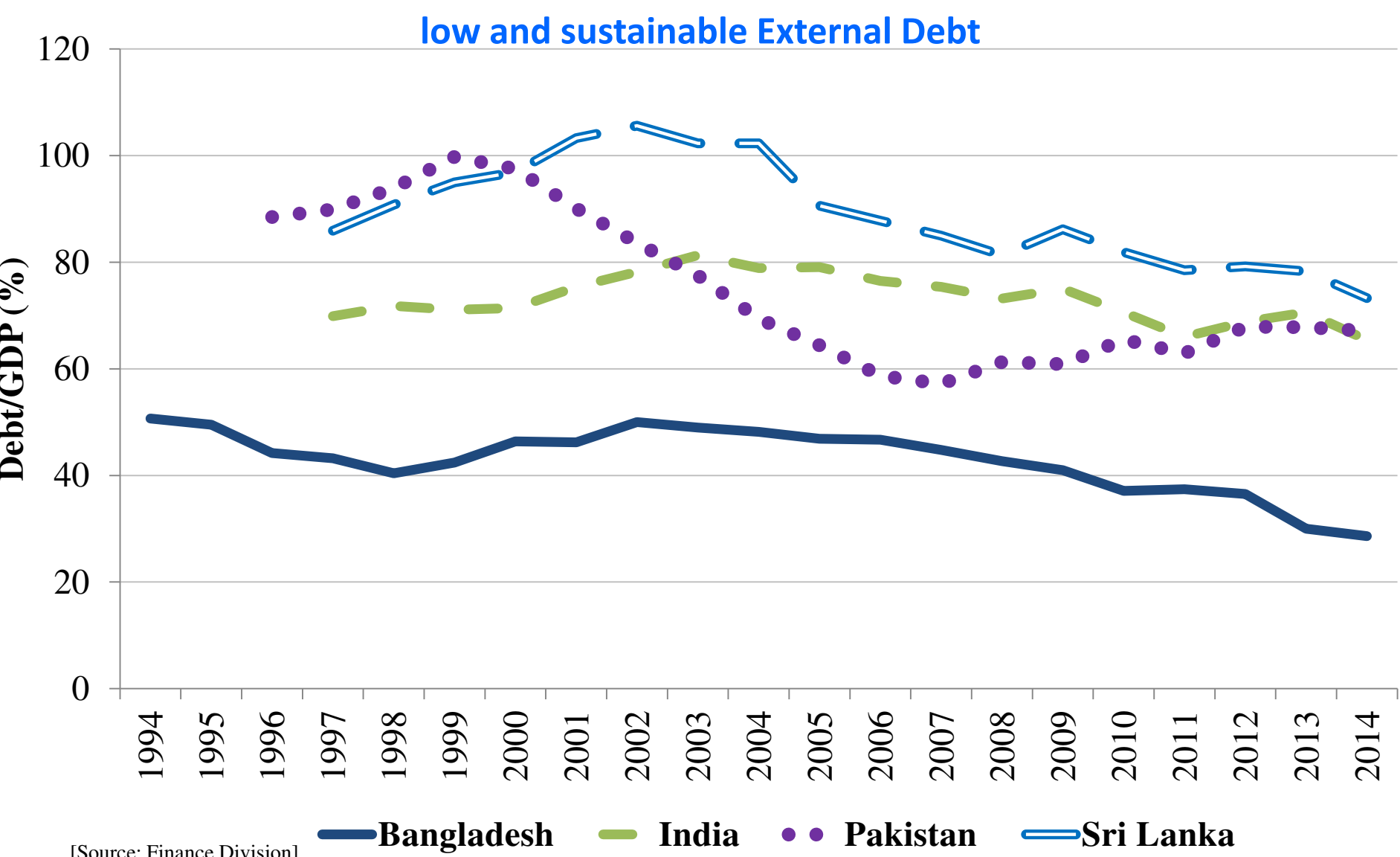
[Source: Finance Division]

# Bangladesh : strong Socio-economic fundamentals *(Contd.)*



[Source: Finance Division]

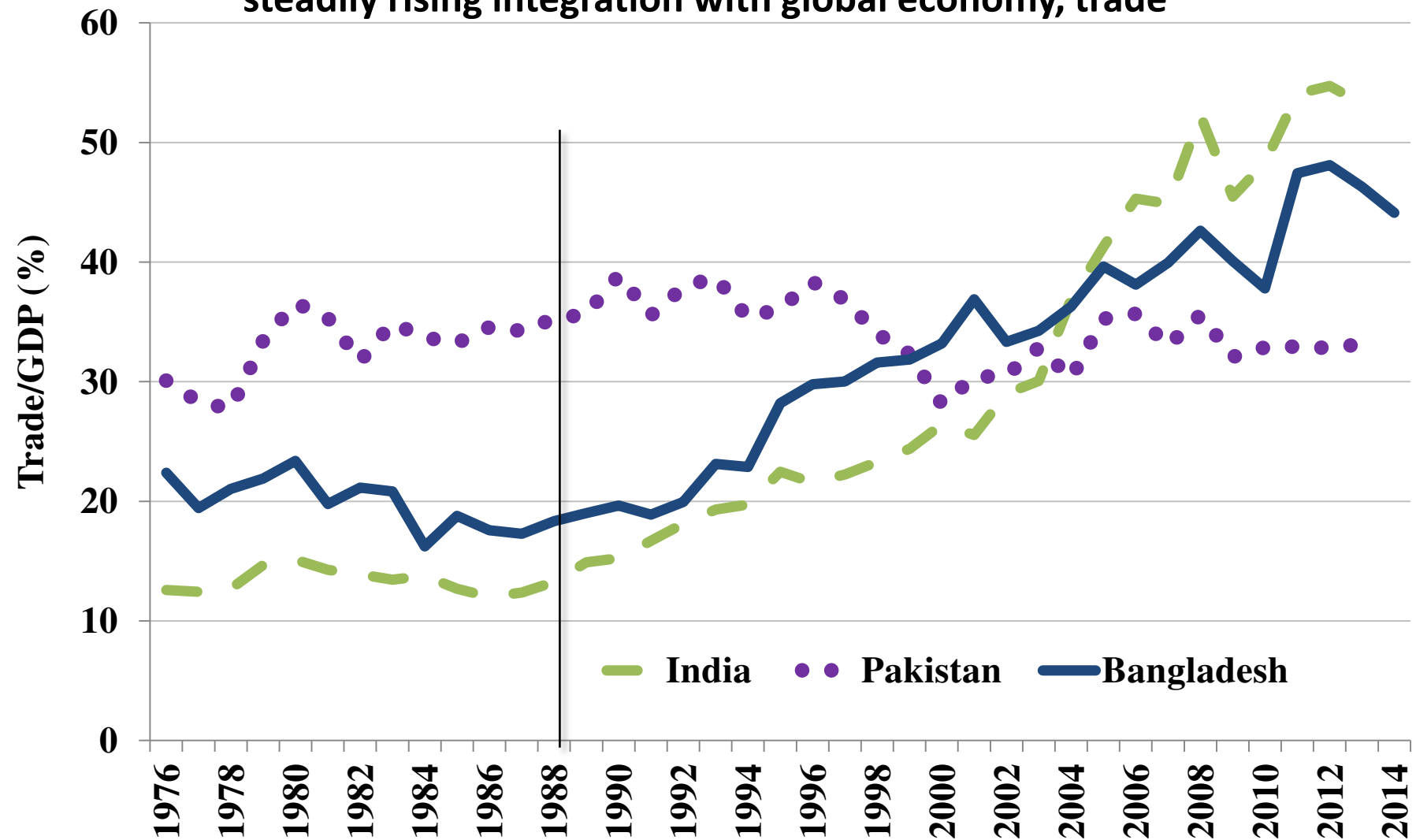
# Bangladesh : strong Socio-economic fundamentals (Contd.)



# Bangladesh: Strong Socio-economic Fundamentals (Contd.)

## Openness of the Economy

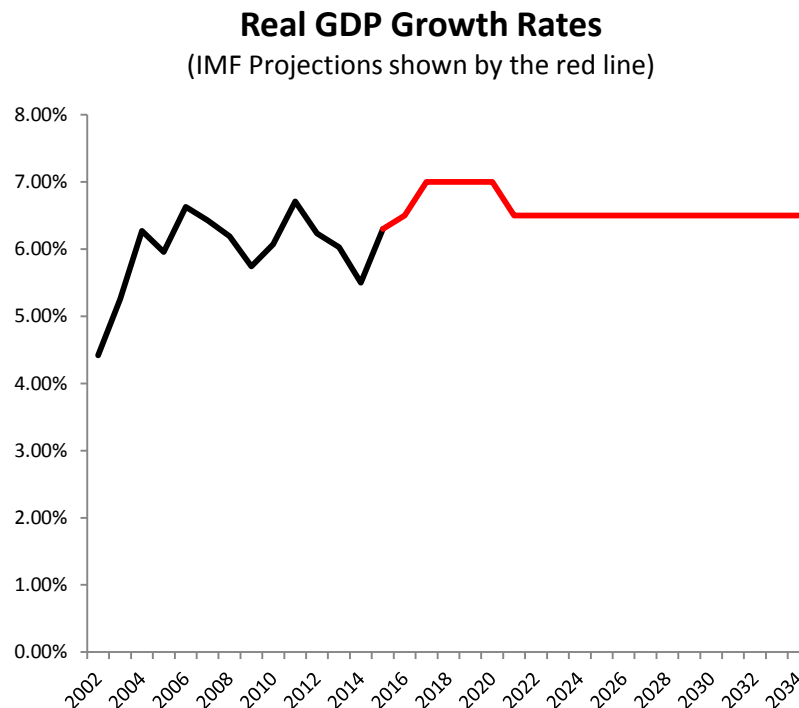
steadily rising integration with global economy, trade



[Source: Finance Division]

# Bangladesh Economy by 2030/35 ?

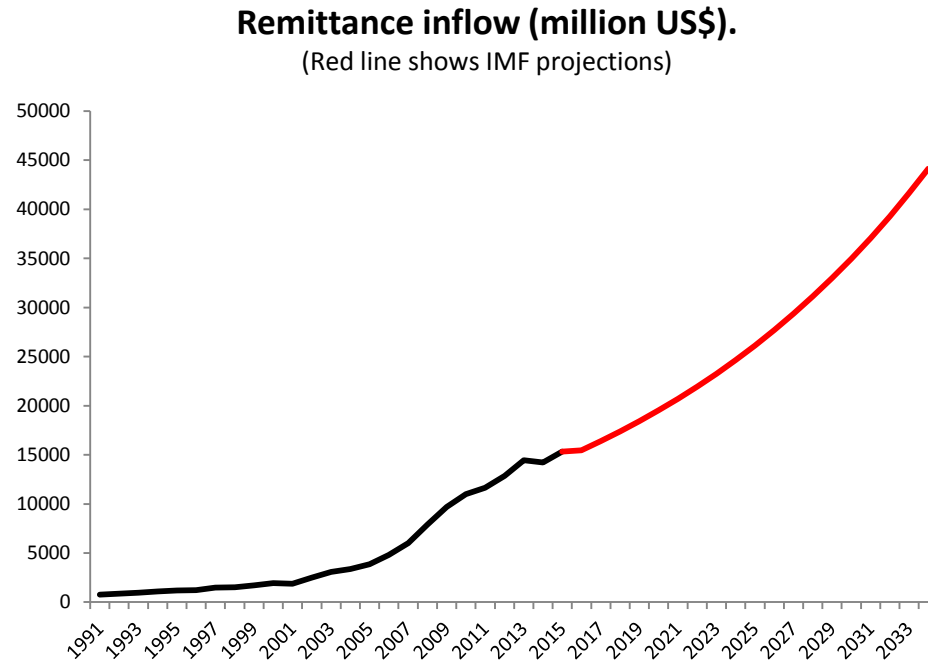
- Bangladesh GDP (nominal) expected to rise: from US\$ 175 billion (2015) => **US\$ 1,044 billion** (by 2034) [Ref. : IMF Country Report]
- Average GDP (real) growth of Bangladesh will be **6.5%** over the next 20 years. Yet, potential is to achieve **7%** real GDP growth until 2020.



- In the long-run, **price level** will be **stable** : *good for investment and business!*
- **Interest rate on foreign currency debt** will be around **3.5%**, by 2034: *fairly low!*

# Bangladesh Economy by 2030/35 ?

- Remittance inflow projected to be around **US\$ 21 billion** (*by 2021*) and **US\$ 44 billion** (*by 2034*) [*ref. : IMF Country Report*]



- By 2034: global export likely to be **US\$ 290 billion** ... global import to be around **US\$ 329 billion**.
- External debt-GDP ratio will be around **13%** by 2034: *little worry over debt distress!*
- In **2034**, FDI inflow to be around **US\$ 26 billion**: *FDI growing @ 25.31% annually*

# Bangladesh Economy by 2030/35 ?

➤ Over the next decade (2015 - '25),

- **Female workforce participation** will reach **82%** - from current 34%.

=> adding **18% to Bangladesh GDP** [*ref. : World Bank President, 2015*]

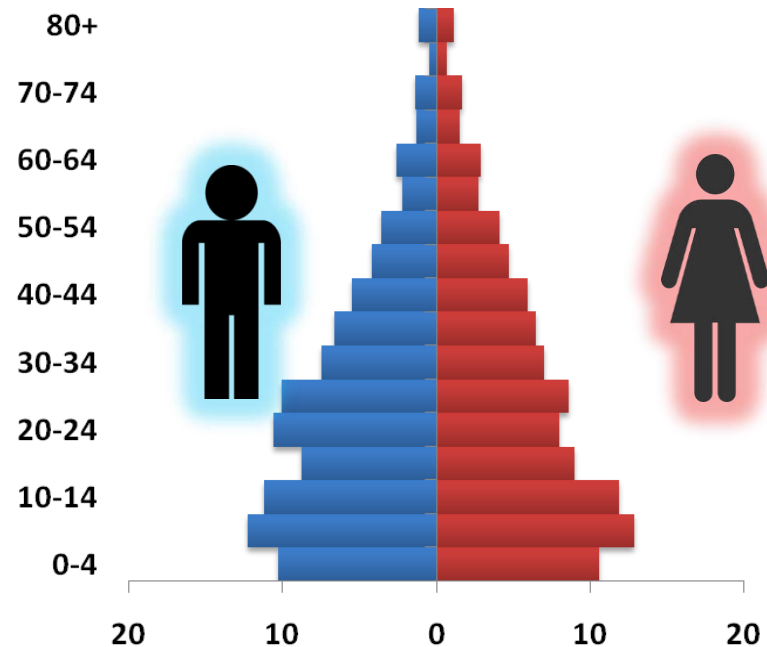
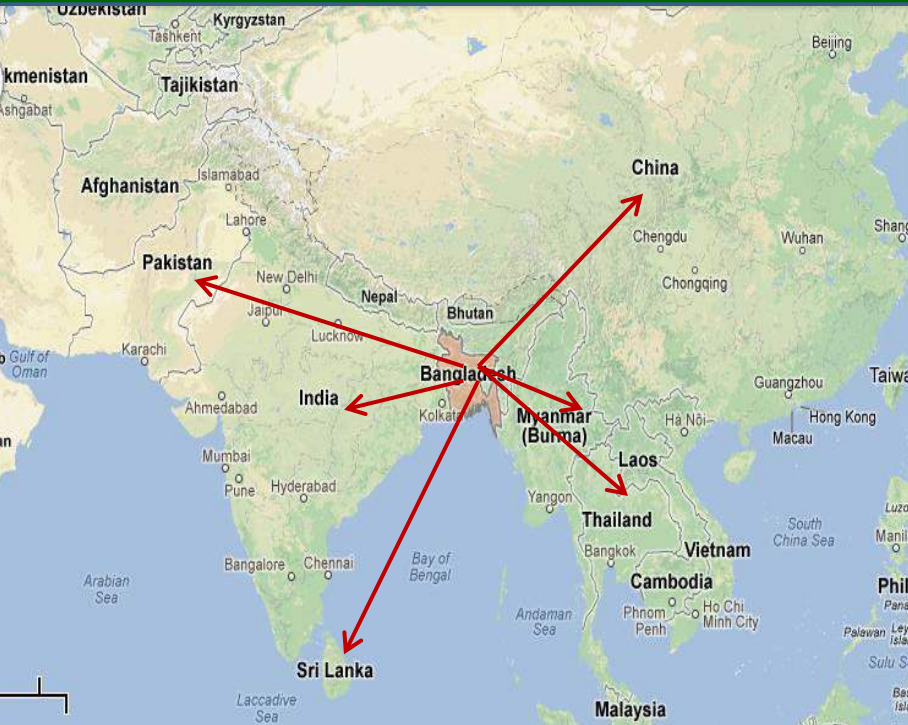
- **Middle and Affluent Class (MAC)** population to increase: from 7% to 17%

By 2030, Bangladesh will be one of the top 30 countries in terms of size of real GDP. By 2050, Bangladesh will overtake countries like Malaysia, Australia and the Netherlands, being the 23<sup>rd</sup> largest economy in the world (now 31<sup>st</sup>)

[Source: Price Waterhouse Coopers, February 2015]



# Bangladesh Economy: Strength(s) ?!



- **Geo-strategic location:** unique location, contiguous, flat border and proximity to South-East Asia.

% of Bangladeshi population will continue to be young over the next 3 decades. Additionally, millions will be lifted out of extreme poverty and join mainstream economy. This educated young population will transform the economy through hard work and expanding domestic market: every year, 2 million people will be added to the Middle Class (Per Capita GNI US\$ 5000+). By 2035, the middle class population could reach 30 to 40 million.

# Bangladesh Economy: Strength(s) ?!

## Demography

continue to enjoy *demographic dividend* (2012 – 2035)

- Bangladesh has an increasingly younger population:
  - **100 million economically-active** by 2017.
- **2/3<sup>rd</sup> population** will remain active till **2031**.
- **Increasingly urbane people:** by 2028/30: **48%+ population** will live in urban or, peri-urban space.

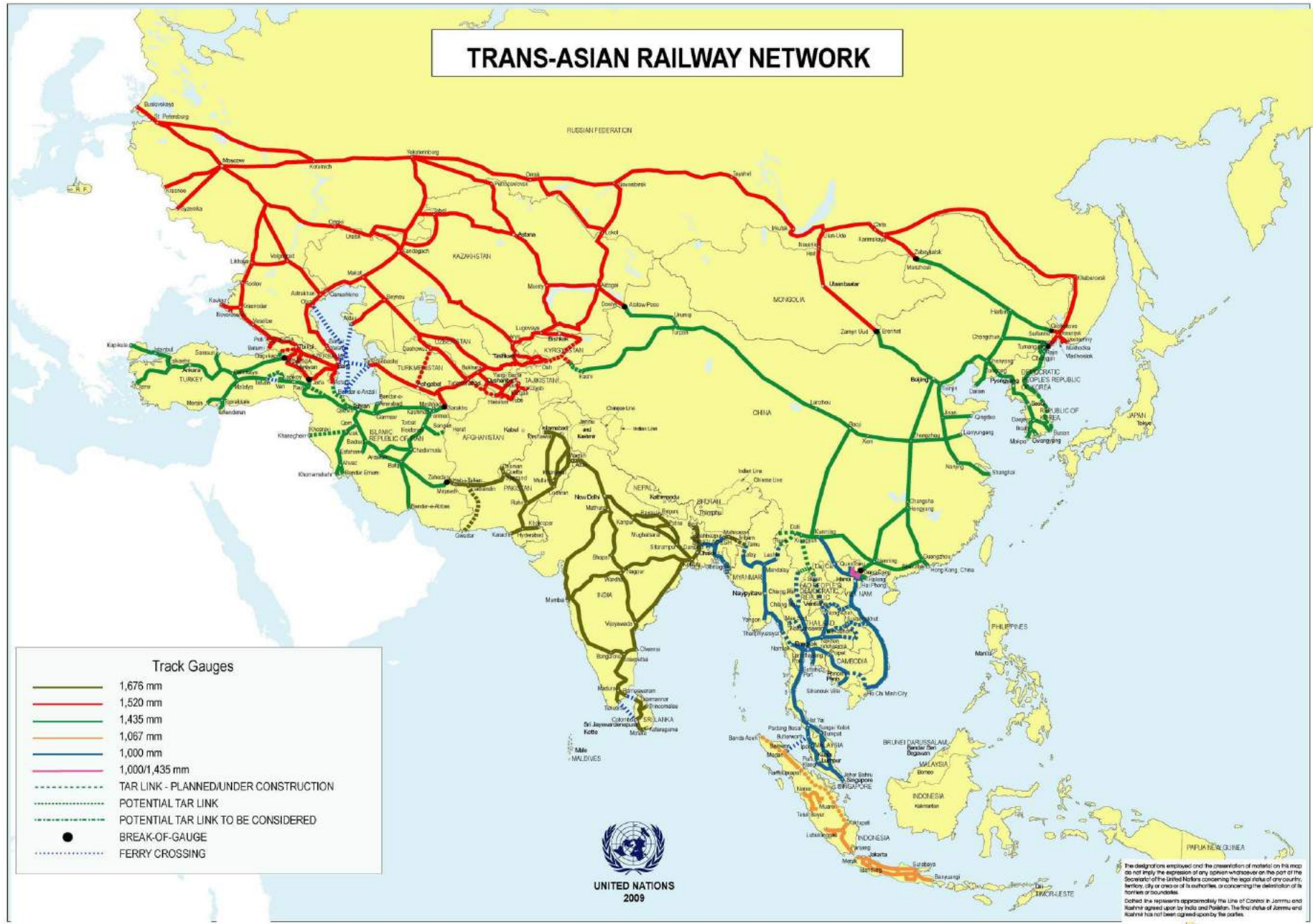
# Strength of Bangladesh Economy

## Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC)





# Asia-Pacific wide Rail connectivity: *re-define economics!?*



# Trans-Asian Railway: zooming into South Asia and around ...

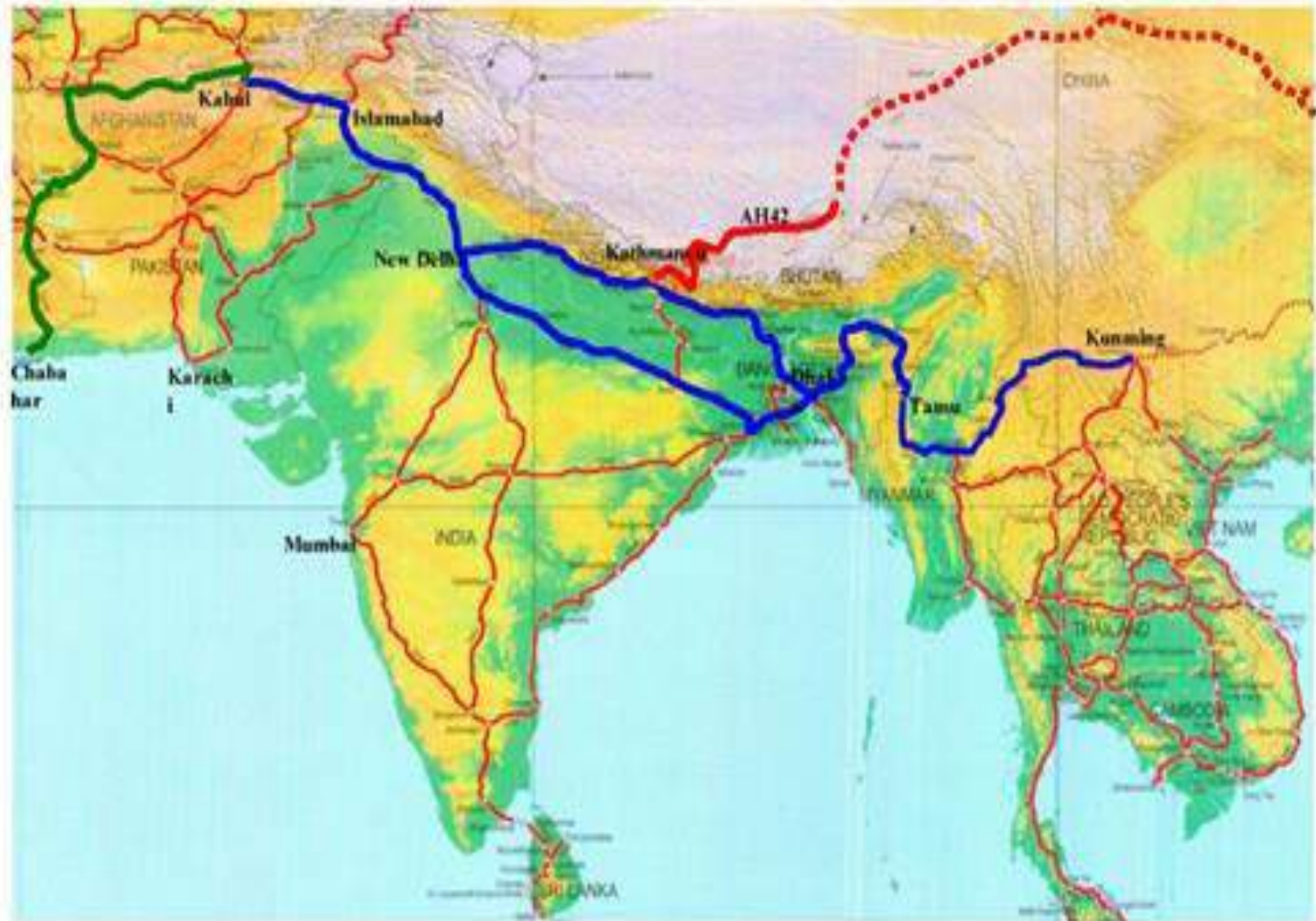
Map-2: Trans-Asian Railway





# Trans-Asian Highway: *Bangladesh in the middle!*

Map-1: Asian Highway Route Map (UN 2004)





Kathmandu

Thimphu

Samdrupjhanke

Kakorvita

Panirtanki

Phuentsholing

Gelaphu

Jaogaon

Chengrabandha

Burimari

Phulbari

Banglabandha

Dawki

Tamabil

Hatikumrul

Agartala

Dhaka

Khulna

Kolkata

Chittagong

Mongla

Teknaf

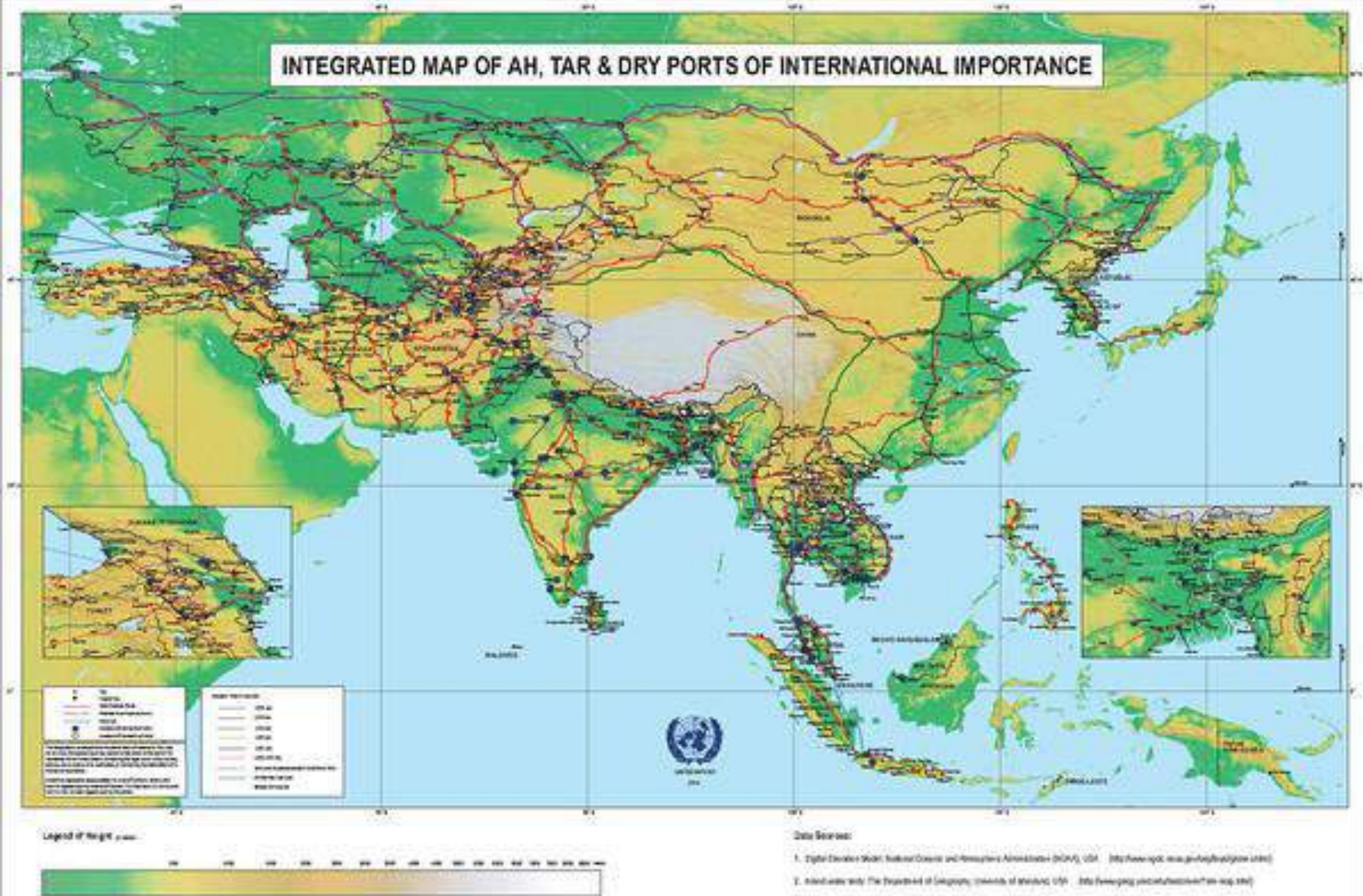


BBIN Passenger  
Vehicles related to  
Bangladesh

Google My Maps



# Trans Asian Highway + Railway + Dry Ports: *an emerging connected world!*

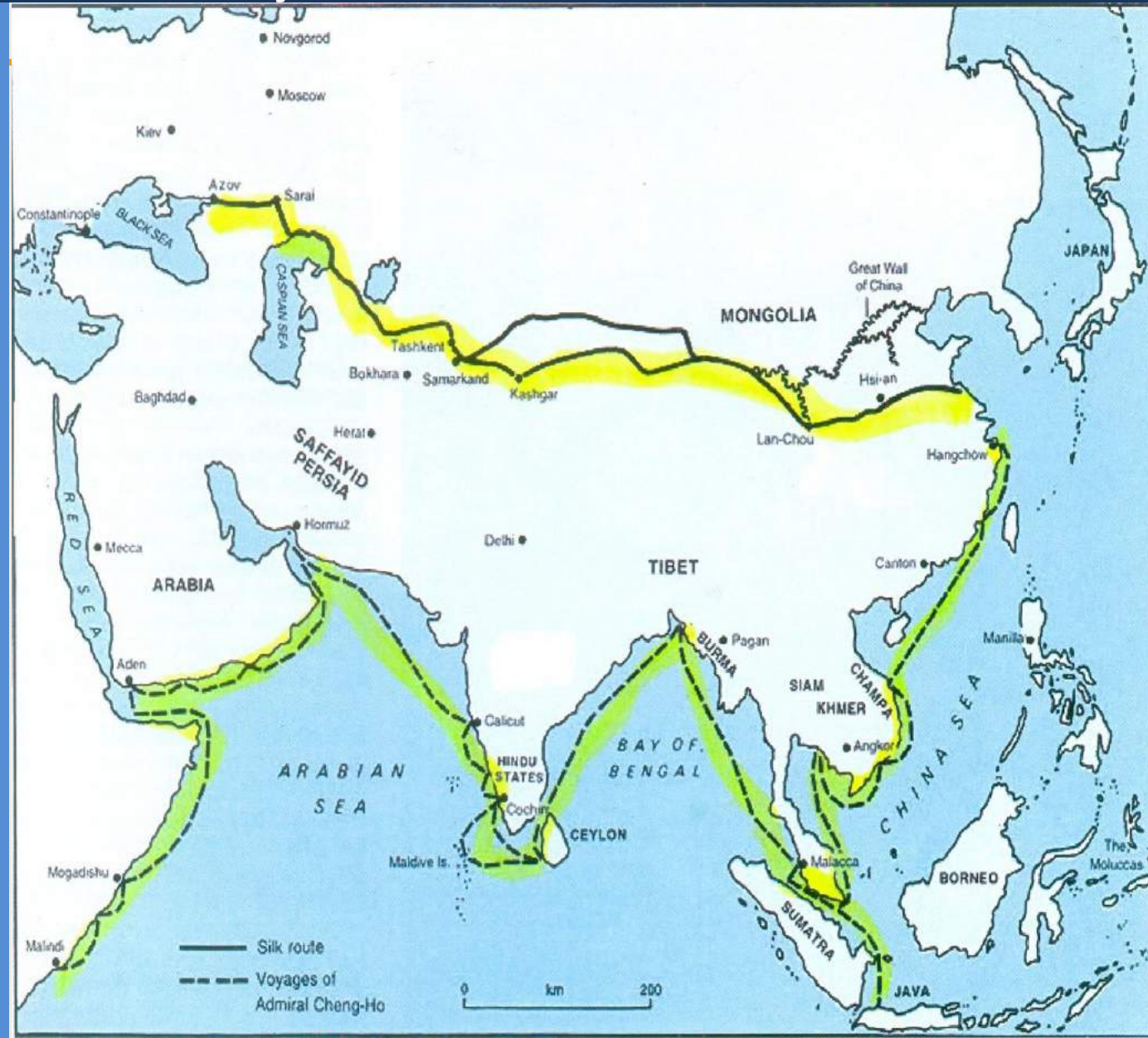




# Strength of Bangladesh Economy

## Connectivity: re-shaping Bangladesh

### China's Initiatives

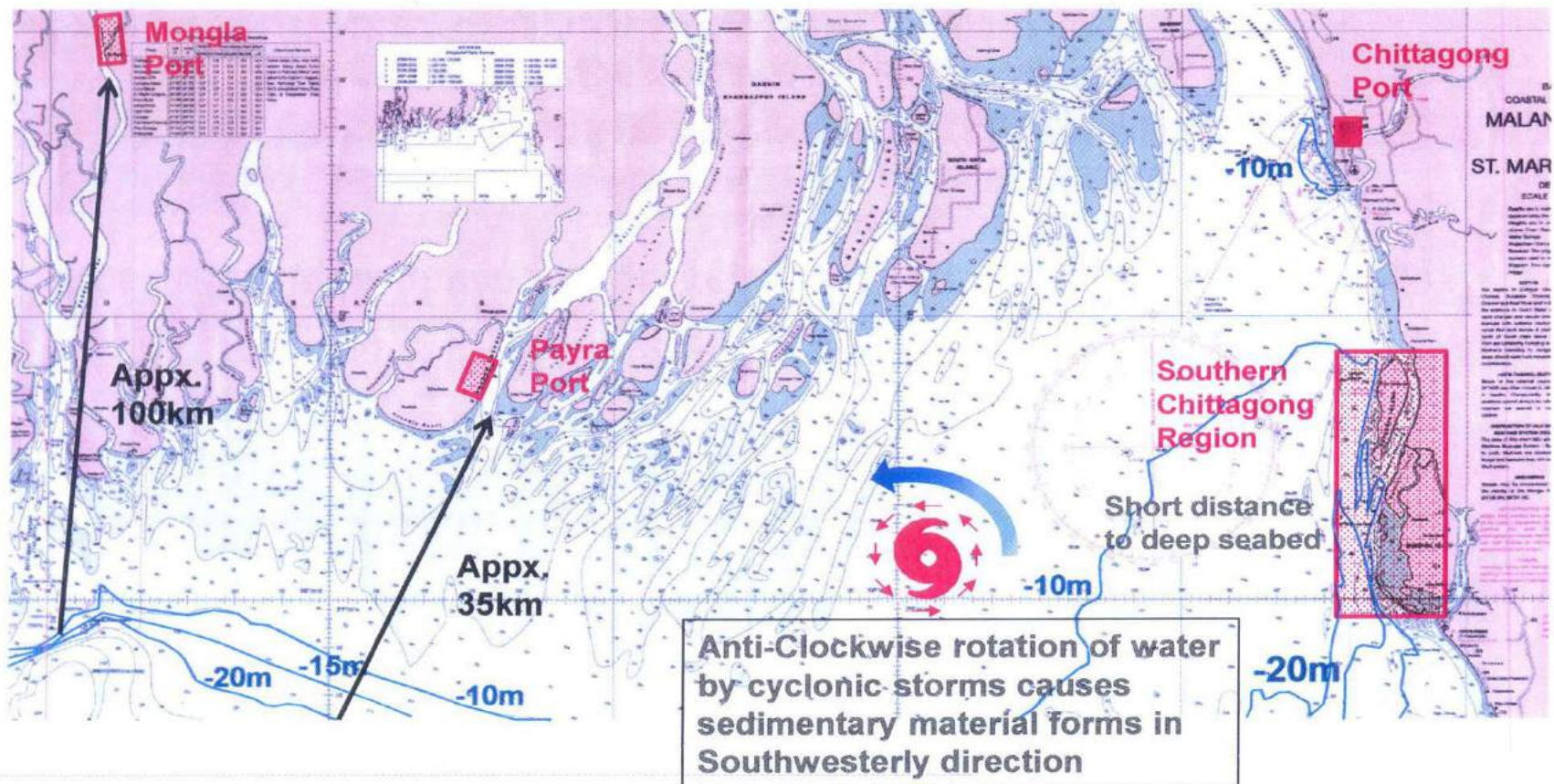




# Connectivity: Japan's Initiative

## Potential Location of Multi-Purpose Port

*In fact, South Chittagong Region is the area with natural deep seabed among the coastal area of Bangladesh*



# Connectivity: Japan's Initiative (contd.)

- Japan proposed to assist Bangladesh in establishing the “Bay of Bengal Industrial Growth Belt (Big-B)” along Dhaka-Chittagong-Cox's Bazar an Engine of Growth. (Matarbari Island)
- Matarbari island, 60 km south of Chittagong city, has the potential to become transformed into an integrated industrial and trading hub as well as a central energy base.

## Big-B has 3 pillars:

### Energy and power development

Matarbari to be developed into a massive supply base of primary energy (such as coal, LNG and oil). Electricity produced can support industry all over Bangladesh.

### Industry and trade

Construct a deep sea port at Matarbari island and turned to be a trade gateway to Asia and beyond.

### Transportation connectivity

Dhaka-Chittagong- Cox's Bazar transport network to be strengthened and could be extended to neighbouring countries to enable greater industry, trade and energy production.

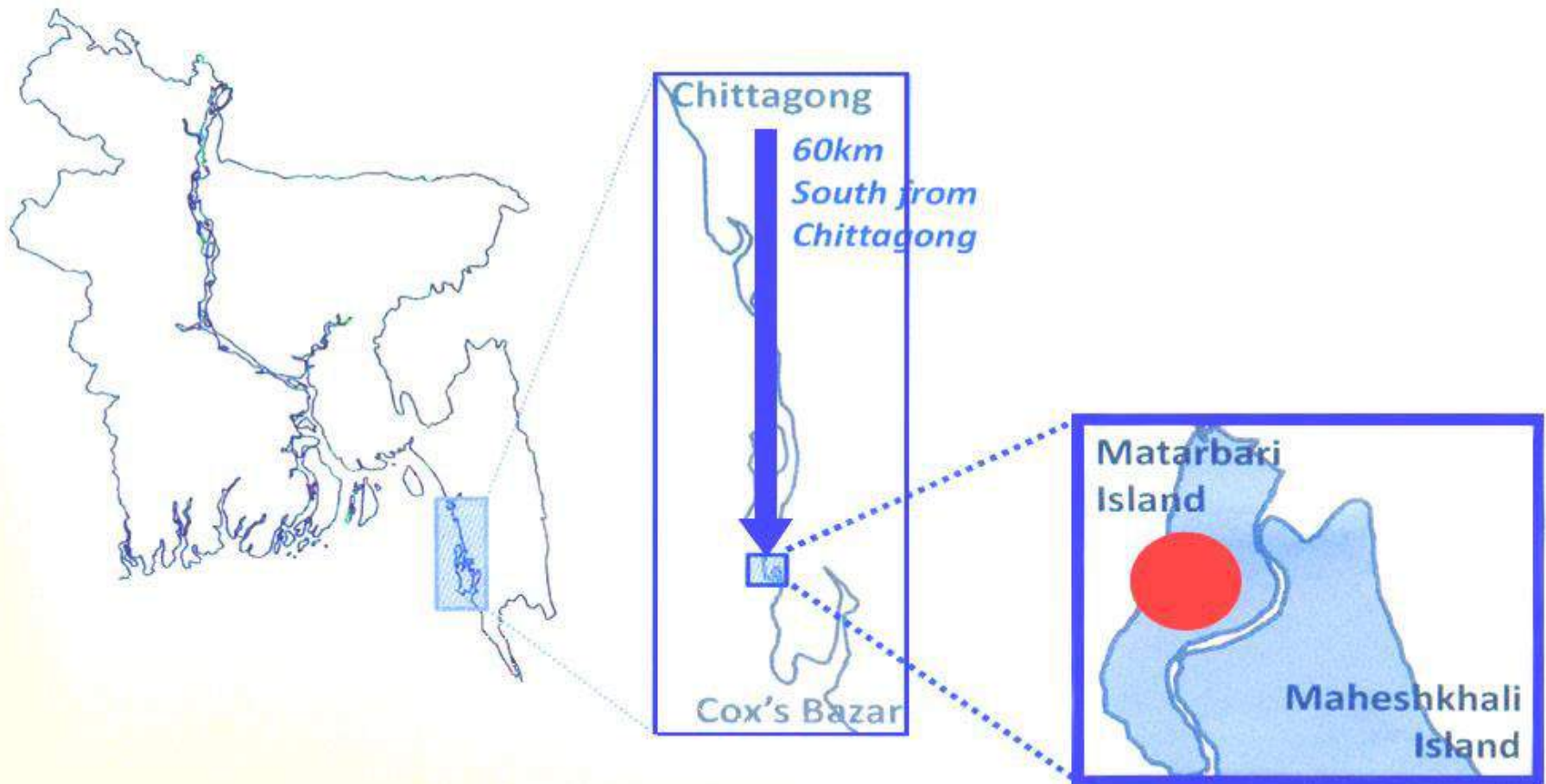
## ➤ Japan's projects:

Matarbari Ultra Super Critical Coal-fired Power Project with 2 components:

- Deep sea port with 18 m draft for importing coal.
- Coal-fired plant with an electricity generation capacity of 1200 MW.

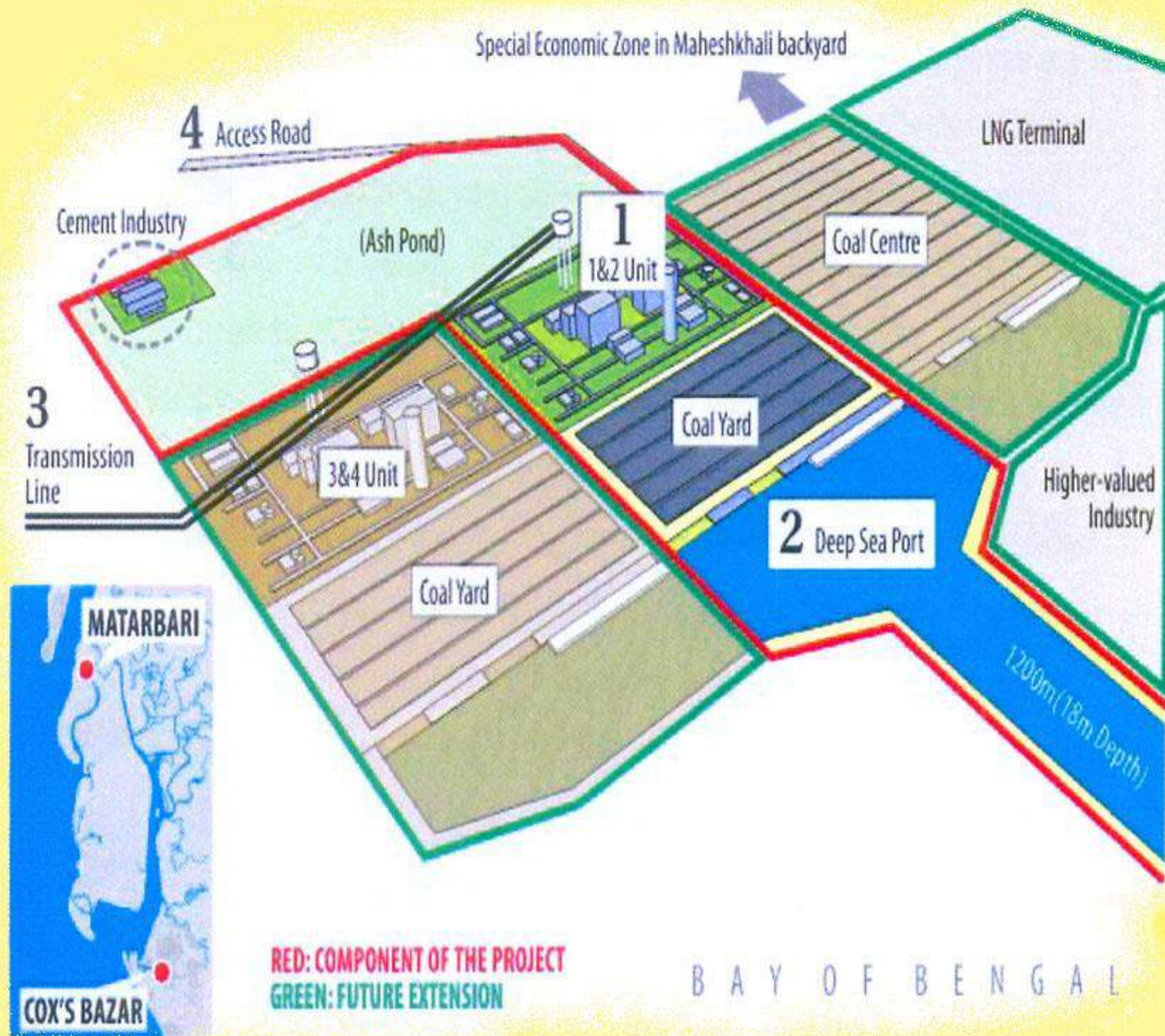
# Connectivity: Japan's Initiative (contd.)

## Matarbari Island Tipping Point of BIG-B Initiative





# Japan's Initiative (contd.)





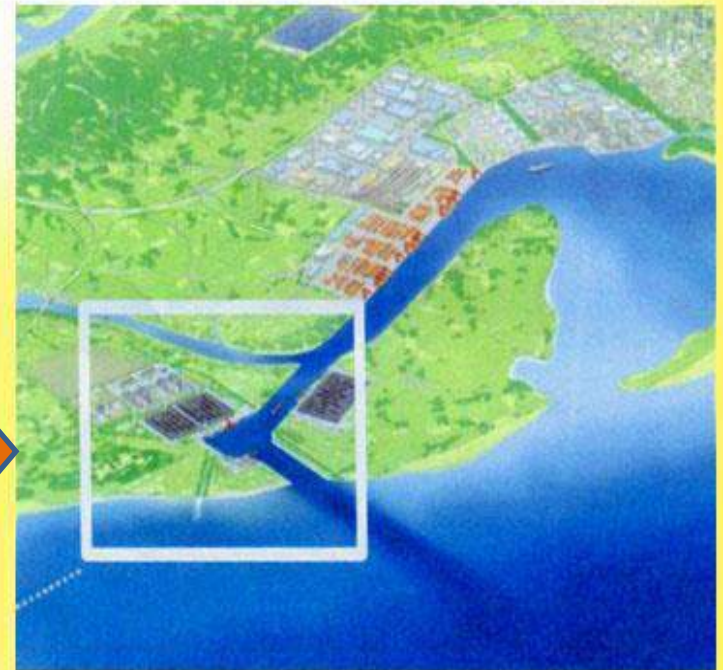
# Matarbari Integrated Development Design of Future Expansion



## Japan's Initiative (contd.)



*Power & Energy Base (Coal, LNG, Oil)*  
*Special Economic & Industrial Zones*  
*Integrated Cox's Bazar Development*



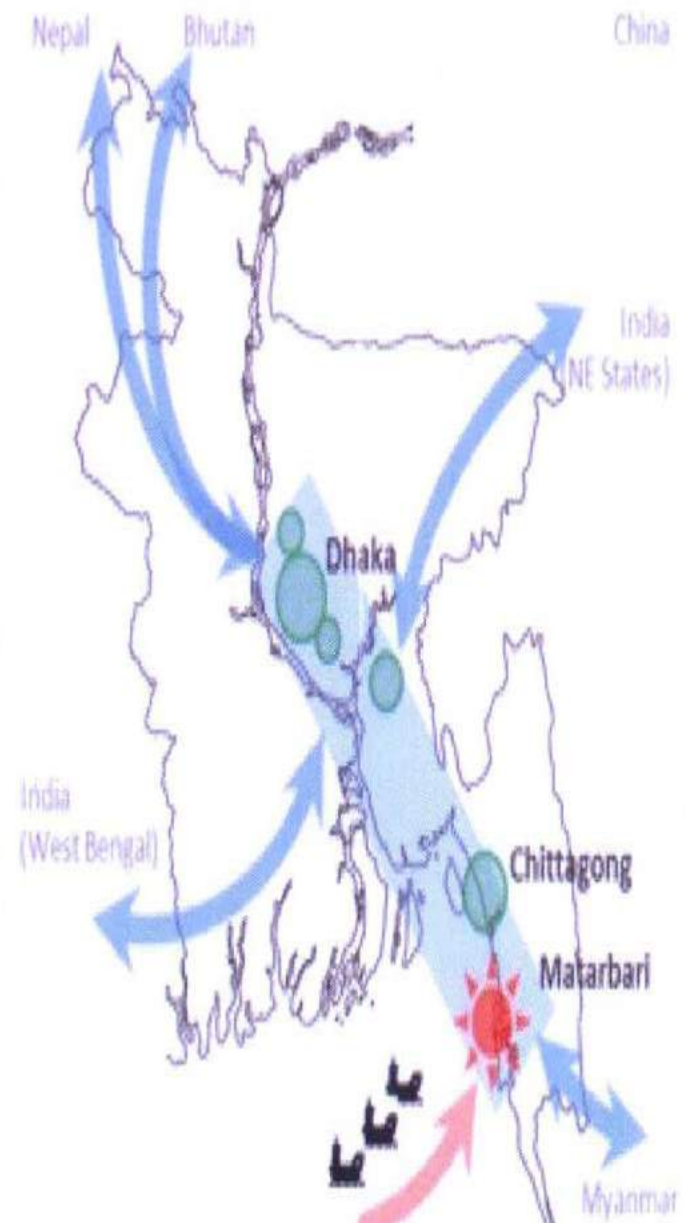
# Japan's Initiative (contd.)

**Energy & Power** Supplying reliable energy & power for industries

**Transport** Fostering connectivity as a regional node and hub

**Investment Climate** Promoting domestic & foreign direct investment

**Others** Enhancing sustainable socioeconomic development



**Accelerate industrial agglomeration in Dhaka-Matarbari belt and beyond to shape a value chain hub for South Asia and Southeast Asia**



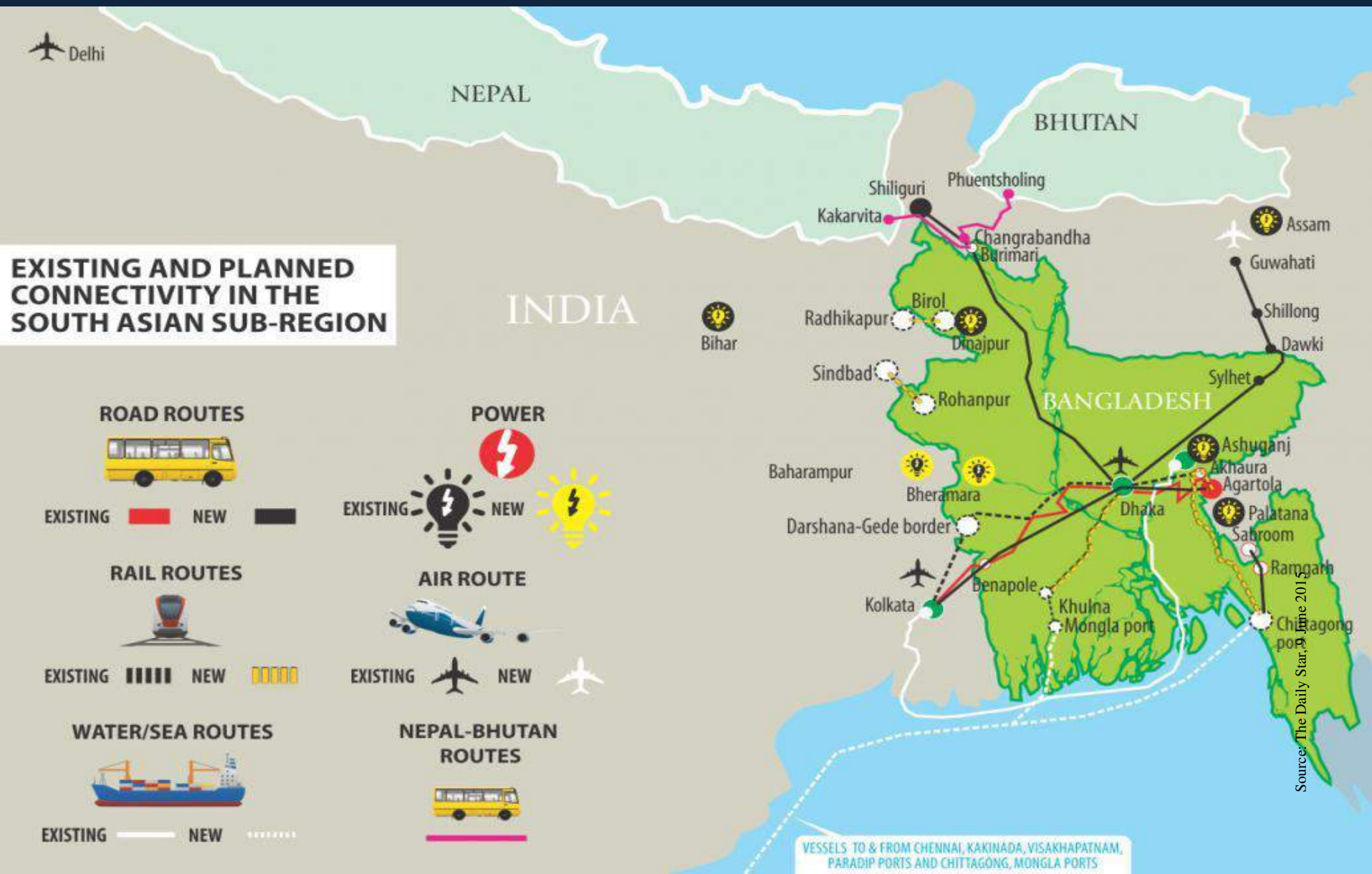
# Connectivity: Bangladesh-Bhutan-India-Nepal (BBIN)



Kathmandu-Dhaka-1152 km ; Thimphu-Dhaka- 630 km ; Kolkata-Agartala- 530 km



# South-Asia Sub-regional Connectivity



# Connectivity: East-West Economic Corridor (South-East Asia)





# Connectivity: India-Myanmar-Thailand Trilateral Highway



# Politics of Connectivity

- Connectivity initiatives are **strategic opportunity** (rather than strategic concern)
- Not to be a party to any “zero-sum” geographical game (containment of any country). Carefully navigate relations with other countries/entities maintaining a **delicate balance of interests and alliances** (greatest diplomatic challenge)

# Risks and Challenges

- Impact of climate change
- Terrorism and violent extremism
- Limitations in adopting to rapid economic changes as well as evolving international norms, ethics and practices

# Conclusion

- Rapid and radical changes are “new normal” making economy and society ever changing
- In future economy, consumers/clients will be more urbane, empowered, and rights-conscious
- ‘Dignity’ and ‘well-being’ of people will get focus - way beyond CSR!
- Cost matrix and pricing equations likely to be altered unlike anytime before e.g.
  - science – technology – innovation will pay, not merely R&D!
  - ideas-design-creativity will count! Concepts as ‘water footprint’ will hold sway.
  - social – environmental accountability will matter e.g. green accounting, green design will be essential, not just sufficient!
  - Global value chain will dominate business.

# Conclusion (contd.)

## ➤ Future of Work and workplace will be different:

- A more **urbane, youthful** population and **women-dominated workplace/force**
- Work attitude will be radically changed – ethical standard will define economics of production-distribution-logistics e.g. decent work, fair wage.
- Traditional labour-intensive production, sourcing of inputs, marketing likely to come under challenge
- ‘Informal economy’ will come under organized structure...
- Business to be more ‘responsible’ e.g. EU GSP+ [Bangladesh Sustainability Compact !!]  
Responsible Business Conduct!



# Conclusion (contd.)

## ➤ Bangladesh businesses:

- Global / Regional Supply Chains + Global Value Chains: *Bangladeshi merchandise exports to conform*
- **Productive resources** / production inputs i.e. raw materials to be sourced worldwide: intense competition!
- Bangladesh as MIC: new role, new responsibility ...
- End of preferential access + protective regimes + support measures



# Way forward

- Get more **connected and integrated** into regional and global space/platforms.
- Appreciate the existing and **emerging norms, practices** impacting business and industry (nationally + globally)
- Manage **industrial relations** in a prudent manner!
- Follow **development of emerging discourse** concerning business and industry, e.g. OECD, G-20, G-8
- Effective and **transparent interface of Business and Politics** in a global context.

**Business not devoid of International Politics**



**Thank You**