



Bangladesh's FDI Blueprint

Where Opportunities Meet Global Capital





Invest Bangladesh is an investment intelligence platform to promote foreign direct investments in Bangladesh through advocacy efforts, access to macro, industry level and regulatory insights, and facilitating end-to-end market entry process in collaboration with ecosystem partners.

Invest Bangladesh works closely with key partners to facilitate the investment journey across major locations and megaprojects. The platform facilitates interested entities in mapping out the macroeconomic, industry, and regulatory landscape for identifying market entry opportunities. It also offers assistance in developing connections with industry players, academia, government stakeholders, and market entry enablers, providing a comprehensive end-to-end market entry solution through ecosystem partners.

The platform is powered by LightCastle Partners, an international management consulting firm, creating systemic and data-driven growth and impact opportunities in emerging markets. For more than a decade, the firm has been collaborating with public, private, and development organizations and institutions to conduct research, formulate intervention strategies, mobilize capital, and implement programs that generate enduring social and economic impact.



Executive Summary

The economic story of Bangladesh over the past decade has been impressive. Yet, it now faces a decisive inflection point. Strong GDP growth has not translated into sufficient employment opportunities for the two million people who join the workforce each year, and the share of jobs in manufacturing has declined despite rapid output gains. At the same time, the country is preparing to graduate from its Least Developed Country (LDC) status in 2026, marking the expected loss of trade privileges. The dual challenge of creating large-scale employment opportunities and transitioning from preferential market access places foreign direct investment (FDI) at the center of Bangladesh's next development chapter.

Mobilizing higher levels of FDI is critical for several reasons, as international capital can finance the scale-up of modern factories, service centers, and infrastructure that domestic savings alone cannot support. The investments also offer strategic transfer of knowledge, technology, and management practices that lift productivity and help local firms meet global quality standards. Additionally, export-oriented foreign ventures generate hard-currency earnings that strengthen external balances, enabling the country to import fuel, machinery, and other strategic inputs without straining its reserves. Currently, FDI accounts for well under 1% of GDP, far below the 4.2% of a rising economy like Vietnam.

Attracting investment is not just about capital flows; it is about unlocking Bangladesh's most abundant resource: its people. At present, over sixty-five percent of the population is of working age (15-64)¹, giving the country a demographic dividend that will be at its peak for more than a decade. Coupled with this advantage, competitive wages, a growing pool of STEM graduates, and an entrepreneurial young population create an ideal environment for labor-absorbing and skill-intensive industries alike. Investors that tap into this talent can operate at globally competitive cost, while contributing to the economy with large-scale employment and skills transfer. Each new plant or service hub becomes a training ground where Bangladeshi workers learn, earn, and eventually innovate, feeding a virtuous cycle of rising productivity and incomes.

Expanding export capacity is equally urgent. Once LDC preferences phase out, Bangladesh will compete head-to-head with established producers that already operate duty-free under free-trade agreements or domestic cost advantages. FDI can broaden the export basket beyond the heavy concentration of ready-made garments into higher-value segments such as consumer electronics, processed food, specialty textiles, and knowledge-based services. This diversification not only protects overall export earnings but also deepens economic complexity, making growth more resilient to sector-specific shocks and global demand swings. The foreign currencies these new industries earn will help stabilize the exchange rate, reduce reliance on external borrowing, and fund future development priorities ranging from climate adaptation to digital infrastructure.

A concerted national effort is therefore required to raise Bangladesh's investment profile. Streamlined regulations, reliable infrastructure, transparent contract enforcement, profit and capital repatriation policies conducive for investors, and consistent tax and tariff regimes will contribute to long-term investors' confidence. Additionally, targeted investment promotion campaigns should highlight the country's large domestic market, its strategic location between South and Southeast Asia, and its network of special economic zones ready for turnkey operations.

The accolades of the Bangladesh Investment Summit 2025 should only be considered the starting point.

Development partners can reinforce these efforts by providing risk-mitigation instruments and blended finance, while policymakers can pursue trade arrangements that lock in improved market access, further strengthening the strategic promotional initiatives. This proactive approach is even more urgent, considering the current upheaval in the trade system brought about by the emerging US tariff policies.

The rewards of getting this right are considerable. A meaningful increase in FDI would create millions of jobs, equip the workforce with globally relevant skills, and position Bangladesh as a diversified manufacturing and services hub. The resultant higher foreign-currency inflows would fortify external stability, enabling the country to weather commodity price swings and finance critical imports without jeopardizing growth.

For investors, Bangladesh offers scale, cost competitiveness, and a government eager to partner for mutual gain. For Bangladeshis, foreign investment promises greater opportunities, higher earnings, and a smoother transition to middle-income prosperity. Seizing this moment will ensure that the nation's demographic dividend is converted into a durable economic dividend, benefiting both domestic stakeholders and the international investors who choose to participate in Bangladesh's next growth phase.

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List of Acronyms

Acronym	Definition
CAGR	Compound Annual Growth Rate
CDC	Commonwealth Development Corporation
CETP	Central Effluent Treatment Plan
CFC	Common Facility Centers
CIT	Corporate Income Tax
CKD	Completely Knocked Down
DCTS	Developing Countries Trading Scheme
EPA	Economic Partnership Agreement
ESDM	Electronic System Manufacturing & Design
ESG	Environmental, Social, and Governance
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GVA	Gross Value Added
HORECA	Hotel, Restaurant, and Catering
IoT	Internet of Things
LDC	Least Developed Country
MAC	Middle and Affluent Class
MFS	Mobile Financial Services

Acronym	Definition
OPEX	Operating Expenditure
PLI	Production-Linked Incentive
PPP	Public-Private Partnership
RMG	Ready-Made Garments
SKD	Semi Knocked Down
UNCTAD	United Nations Conference on Trade and Development



01

Unlocking Job Growth in Bangladesh: FDI as the Key Catalyst

Over the last decade, Bangladesh has consistently achieved impressive GDP growth, positioning itself as one of the world's fastest-growing economies. However, this robust economic performance hasn't translated into proportional job creation. Typically, as economies advance, labor transitions from agriculture to manufacturing and eventually to the services sector. Yet, in Bangladesh, the share of manufacturing employment dropped from 20.4% in 2016-17 to 17.02% in 2022, sparking concerns about the trajectory of economic development².

Between 2016 and 2022, the manufacturing sector experienced an average annual growth of 9.1% but employment in the sector declined by 9.6%. Additionally, graduates now comprise approximately 27.8% of the total unemployed population, highlighting a critical gap in industrial job creation. The economic transformations of Singapore, South Korea, and Taiwan between the 1960s and 1990s highlight the power of harnessing demographic dividends. With 68% of Bangladesh's population currently in the working-age group (15-64 years), the nation has a vibrant and capable workforce. However, this demographic advantage is time-sensitive, presenting an opportunity that must be leveraged in the next decade or two.

Source of Employment:



Source: Bangladesh Labor Force Survey (2016; 2022)

02. Bangladesh Labor Force Survey (2016; 2022)

With nearly **2 million** individuals entering the workforce every year, labor-intensive industries hold immense potential to address Bangladesh's pressing need for job creation³. The examples of Vietnam and India offer a glimpse of what's possible. Vietnam's partnership with major investors like Samsung has propelled it into a global manufacturing powerhouse, creating millions of jobs. Similarly, India has leveraged FDI to expand its IT and automotive sectors, opening up a wealth of opportunities for its workforce. With the right strategies, Bangladesh could chart a similar path to inclusive economic growth.

Furthermore, nearly 75% of Bangladesh's exports are currently directed to countries providing duty-free access⁴. With the impending graduation from LDC status, this preferential market access will no longer be available. To mitigate the impact, Bangladesh must broaden its manufacturing base and encourage FDI to reinforce its economic foundation.

03. Dhaka Tribune (2024)

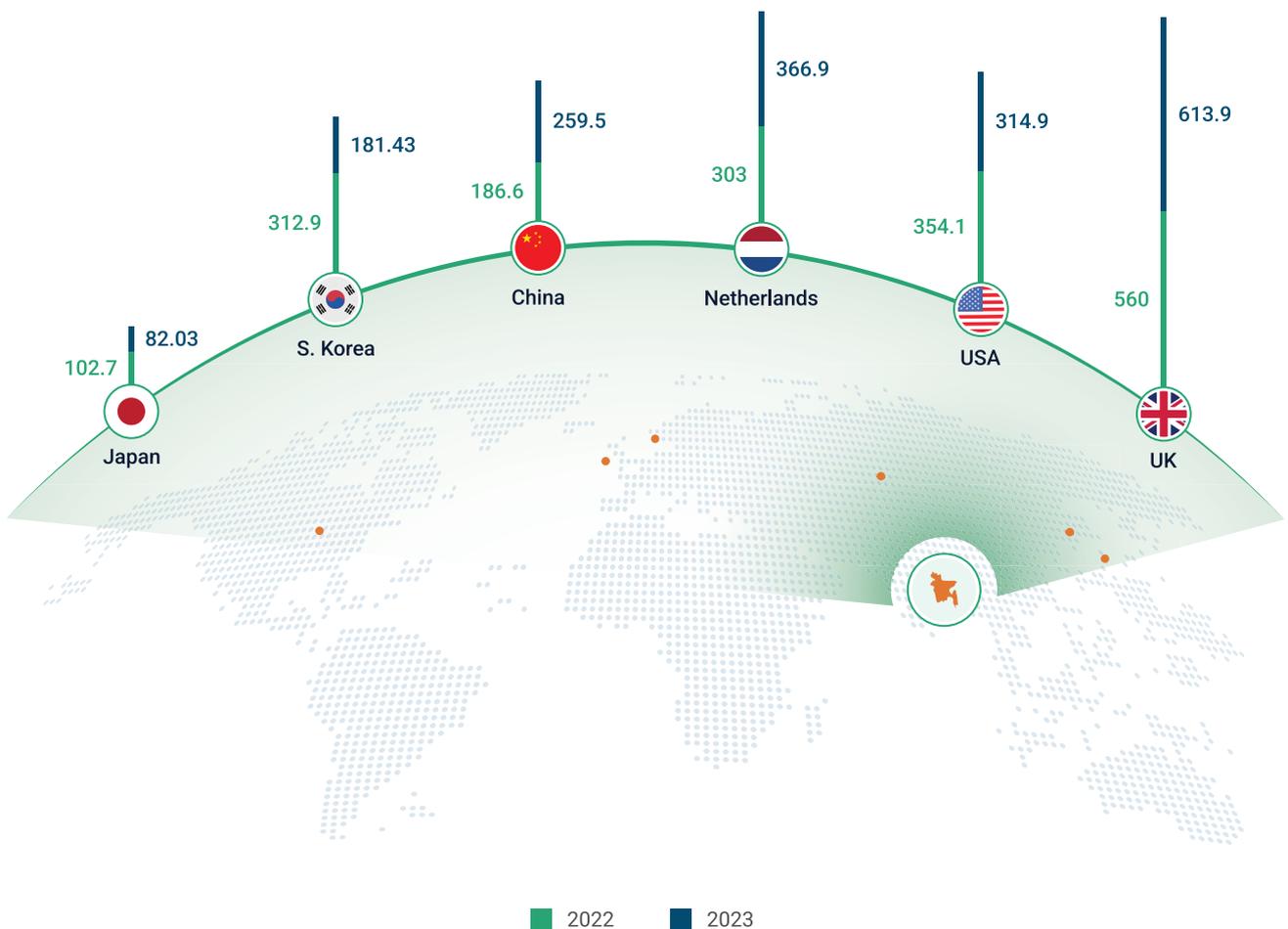
04. BBS, Foreign Trade Statistics

02

Current FDI standing

Over the years, Bangladesh has consistently attracted the largest share of its net FDI from the United Kingdom. As of 2023, the United Kingdom's FDI contributions in Bangladesh accounted for US\$613.93 million (20.4%) of total FDI. The Netherlands and the United States closely followed with contributions of 12.2% and 10.5%, respectively. Notably, China and South Korea also emerged as significant sources of investment, with contributions ranging between 6% and 8%⁵.

Net FDI Inflow from Major Economies (in Mn USD):



05. FIED Management Cell, Statistics Department, Bangladesh Bank (2024)

In terms of sectors, the textile industry accounted for the largest share of FDI in 2023, representing 19.7% of total inflows, followed by the banking sector at 14.4%. The power and food sectors also emerged as significant recipients of foreign investment during this period. As of December 2023, Bangladesh's FDI stock is dominated by investments from the USA (19.2%) and the United Kingdom (14.8%), followed by Singapore and Korea, indicating strong interest from both Western and Asian economies.

FDI Stock Position of Bangladesh at the end of Dec'23:

Country	FDI Stock (Mn USD)	% of Total	Focus Sectors (In order of Value)		
			1st	2nd	3rd
 USA	\$3,935	19.2%	Textile & Weaving	Power	Banking
 UK	\$3,041	14.8%	Banking	Textile & Weaving	Food & Agriculture
 Singapore	\$1,558	7.6%	Food & Agriculture	Power	Textile & Weaving
 South Korea	\$1,493	7.3%	Textile & Weaving	Leather & Leather Products	Banking
 China	\$1,374	6.7%	Power	Textile & Weaving	Construction
 Netherlands	\$1,329	6.5%	Food & Agriculture	Power	Chemicals & Pharmaceuticals
 Hong Kong	\$1,275	6.2%	Textile & Weaving	Power	Banking
 Malaysia	\$856	4.2%	Power	Telecommunications	Construction
 India	\$782	3.8%	Textile & Weaving	Banking	Power

Source: FIED Management Cell, Statistics Department, Bangladesh Bank

03

Building Economic Complexity and Diversification: Peer Country Strategies

The macroeconomic snapshot of peer countries—India, Vietnam, South Korea, and Bangladesh — reveals key insights into their economic status. While India and Bangladesh benefit from large populations, Vietnam and South Korea lead in GDP per capita, reflecting higher productivity and income levels. Vietnam's high FDI as a percentage of GDP (4.3%) underscores its strong investment appeal, driven by export-oriented policies and competitive labor participation. In contrast, Bangladesh's lower FDI share (0.3%) highlights the need for strategic reforms to enhance its investment attractiveness and capitalize on its growing economy. South Korea's advanced economy stands out with its high GDP per capita and robust labor participation rate, offering a benchmark for leveraging skilled labor and innovation-driven growth.

Macroeconomic Snapshot of Peer Countries:

	 India	 Vietnam	 S. Korea	 Bangladesh
Population (in Mn)	1,430	98.8	51.7	173
GDP (in Bn)	\$3,500	\$429.7	\$1,710	\$437
GDP per capita	\$2,485	\$4,347	\$33,060	\$2,526
Labor Participation Rate (%)	55.3	73	74.6	58.2
FDI as % of GDP	0.80%	4.30%	0.90%	0.30%

Economic complexity refers to the ability of an economy to produce a diverse range of sophisticated goods and services. It measures the collective knowledge embedded in a country's productive capabilities, reflected in the complexity of its export basket. The more diverse and technologically advanced a country's exports, the higher its economic complexity⁶. Bangladesh's low economic complexity has kept the country dependent on factor-driven sectors like RMG, which rely on low-cost labor, instead of transitioning to higher value-added industries.

To build economic complexity, countries must diversify their export base by transitioning to higher-value industries, supported by investments in education, skills development, and research and innovation. Attracting foreign direct investments (FDI) and fostering technology transfers are critical for accessing global supply chains and advanced capabilities.

Economic Complexity Ranking of Peer Countries:

	1997	2022	Position Gained/Lost (in 25 Years)
 India	55	43	+12 ▲
 Vietnam	101	53	+48 ▲
 South Korea	19	2	+17 ▲
 Bangladesh	95	100	-5 ▼

Source: World Bank (2023)

When economies like China and Vietnam began their growth trajectories, foreign investment played a pivotal role. It brought in foreign exchange to fund machinery, technology, and expertise essential for developing high-value industries. Additionally, it facilitated technology transfer and best practices, boosting competition and encouraging local players to innovate and adopt global standards, ultimately laying the foundation for sustained economic growth.

Industrial Transformation and FDI Trends in South Korea, Vietnam, and India:

 <p>South Korea</p>	<p>In the 1960s, South Korea began focusing on light manufacturing, particularly textiles, as part of its export-driven strategy. By the 1970s, the country transitioned to more complex, high-value-added sectors like shipbuilding, steel, and consumer durables. The government's support through subsidies, and infrastructure investments was critical in this transformation. By the early 1990s, South Korea had begun focusing on high-tech industries, including semiconductors. This period saw the emergence of Samsung as a global electronics giant, setting the stage for the semiconductor industry's growth. While FDI was not the main catalyst for South Korea's industrialization, it played a complementary role, particularly in terms of technology transfer, capital inflows, and partnerships in sectors like steel and shipbuilding.</p>
 <p>Vietnam</p>	<p>For Vietnam, in the early 1990s, the liberalization of trade policies and the inflow of FDI played a significant role in expanding manufacturing industries, particularly in textiles and footwear. In the 2000s, Samsung and LG established major production hubs in Vietnam, boosting exports of electronic goods. During the 2010s, Vietnam further diversified its exports with an emphasis on high-tech products, such as smartphones, integrated circuits, and electronics.</p>
 <p>India</p>	<p>India has emerged as a top destination for FDI, driven by economic reforms, a vast consumer market, and improved ease of doing business. According to the UNCTAD World Investment Report 2023, India attracted over 78% of regional FDI inflows, with significant investments in technology, manufacturing, and renewable energy. Initiatives like Make in India, PLI schemes and digital facilitation portals have boosted investor confidence. With 1,043 universities and over 42,000 colleges, India's skilled workforce powers its thriving service sector, contributing 54.7% of the Gross Value Added (GVA) in 2023-2024.</p>

The table below highlights the top FDI-receiving sectors in peer countries, showcasing the diverse economic priorities that attract foreign investment.

Top FDI-receiving Sectors in Peer Countries (by stock position)^{7-8-9:}

	 India	 Vietnam	 S. Korea	 Bangladesh
1	Services	Processing & Manufacturing	Financial & Insurance Activities	Textile & Weaving
2	Computer Software & Hardware	Real Estate	Manufacture of petroleum, chemical, pharmaceutical, rubber and plastic products	Gas & Petroleum
3	Trading	Power	Wholesale and Retail Trade	Banking
4	Telecommunications	Accommodation & Food Services	Repair of motor vehicles and motorcycles	Power
5	Automobiles	Wholesale & Retail Trade; Repair of motor vehicles	Manufacture of non-electric Metal and Machinery Products	Telecommunications

Foreign Direct Investment has been a key driver of economic growth and industrial development for countries aiming to integrate into the global economy. South Korea, India, and Vietnam stand as remarkable regional examples for Bangladesh, each showcasing unique strategies tailored to their strengths.

07. Department for Promotion of Industry and Internal Trade, 2024

08. MOFCOM, 2023

09. OECD, 2023

Key Success Factors of Peer Countries:

Country	Factors
 South Korea	<p>Technical Capacity Development: Investment in R&D and innovation has positioned South Korea as a leader in high-value manufacturing sectors like semiconductors, electronics, and automobiles.</p> <p>Skilled Workforce: A strong education system emphasizes STEM fields producing a tech-savvy workforce to drive industrial and service growth.</p> <p>Targeted Infrastructure Development: Development of tech parks, industrial zones, and smart cities has created an investor-friendly environment.</p> <p>Cultural Branding: The global popularity of K-pop, K-dramas, and Korean cuisine has bolstered tourism and related industries.</p>

 Vietnam	<p>Sector-Specific Development: Vietnam focuses on electronics, textiles, and weaving industries, supported by infrastructure and targeted policies.</p> <p>Tourism and Branding: Strong cultural and natural heritage branding attracts global visitors, boosting the hospitality sector.</p> <p>Large Domestic Market for Niche Industries: Domestic demand for motorbikes and related services fuels growth in manufacturing and repair industries.</p> <p>Government Support and Policies: Proactive FDI policies streamline investments and enhance labor productivity.</p> <p>Strategic Location: Proximity to global hubs like China integrates Vietnam into key manufacturing supply chains.</p> <p>Cost-Effective Operations: Competitive labor costs make Vietnam a preferred destination for labor-intensive industries.</p>
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India

Large Domestic Market:

With over 1.4 billion people, India's consumer base attracts FDI across retail, trading, and services.

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Economic Reforms:

Liberalization policies and streamlined regulations have improved the ease of doing business for foreign investors.

Skilled Workforce:

A vast talent pool of English-speaking professionals supports sectors like IT, engineering, and finance.

Digital Infrastructure:

Initiatives like Digital India have accelerated growth in telecommunications, e-commerce, and fintech.

Sectoral Diversity:

A mix of strong IT services, manufacturing, and renewable energy projects ensure widespread investment appeal.

Global Integration:

Strategic trade agreements and export incentives enhance India's role in global supply chains.

04

Overview of Promising Sectors

Labor-intensive industries have been identified as the primary focus for attracting foreign direct investment in Bangladesh. This focus stems from the country's vast labor pool and the potential for manufacturing to drive more inclusive economic growth compared to the service sector. Drawing insights from the development trajectories of Southeast Asian peers such as South Korea and Taiwan, a similar emphasis on manufacturing has been instrumental in fostering rapid industrialization and economic transformation in these nations.



Geostrategic Location:

Bangladesh's position at the crossroads of South and Southeast Asia provides access to key regional and global markets through trade agreements and preferential access.



Economic Growth:

The country's robust economic development drives investor confidence and creates a favorable business environment for sustained long-term growth.



Shifts in International Trade Ecosystem:

Global supply chain diversification and reshoring trends present opportunities for Bangladesh to emerge as an alternative manufacturing destination.



Demographic Dividend:

Bangladesh benefits from a young and abundant workforce, though improving worker efficiency is essential for maximizing this advantage.



Rising MAC Population:

An expanding middle-and-affluent-class population offers a growing domestic market and increased consumer demand.



Export Potential:

Significant opportunities exist across various sectors to expand exports, strengthening Bangladesh's role in global manufacturing.

4.1

Agro & Agro Processing

Bangladesh, covering only **0.11% of the world's surface, contributes 2% of global cereal production and 1% of total primary crops**¹⁰. The agro-processing sector is rapidly evolving due to urbanization, with the urban population projected to reach 100 million by 2040. However, climate change, shrinking agricultural land, and unpredictable weather threaten crop yields, while the demand for nutritious food rises. To address these challenges, stakeholders are investing in mechanization, resilient crop varieties, improved farming practices, and infrastructure development to enhance productivity. As reported by [LightCastle's Business Confidence Index 2024-2025](#), 63 of 140 C-suite members interviewed from the private sector picked this sector as one with the highest growth prospect. The sector has also seen growing female participation, with labor force involvement rising from 36.3% in 2016-17 to 42.68% in 2022, driven by increased off-farm activities like processing and packaging.

Rice remains the primary staple, accounting for 38 million MT and 77% of land use. The country produces over 6 million tons of vegetables annually, 5.3 million tons of fruits, 4 million tons of spices, and 8.4 million tons of jute, with 800,000 tons of jute exported in FY 2021-2022. These diverse outputs reflect Bangladesh's agricultural strength and its growing potential in value-added agro-industries. Initiatives like the [Bangladesh-Netherlands Agribusiness Conclave](#), can create a platform for enabling collaborative opportunities between the international and Bangladeshi private sector players.

The Importance of Attracting FDI to Bangladesh's Agriculture Sector



Strategic Importance for Food Security:

Bangladesh's agriculture sector is not only vital for ensuring food security for its rapidly growing population but also serves as a key source of employment, with 45.33% of the population directly or indirectly engaged in agricultural activities. FDI can introduce advanced technologies, enhance productivity, and improve climate resilience, ensuring stable food supplies and reducing dependency on imports. Strengthening this sector through foreign investment would directly benefit nearly half of the population reliant on agriculture for their livelihoods.



Rising Demand for Protein Intake:

With a growing population and shifting dietary preferences, the demand for protein-rich foods such as meat, fish, and dairy is rising sharply. FDI can drive the development of livestock and aquaculture industries by introducing innovative breeding techniques, feed technologies, and disease control systems. These advancements would help meet domestic protein demands while creating opportunities for export, enhancing Bangladesh's role in global protein markets.

10. [FAO, Statistical Yearbook World Food & Agriculture, 2022](#)



Addressing Post-Harvest Losses:

Significant post-harvest losses due to inadequate storage, inefficient logistics, and a lack of processing facilities remain a critical challenge. FDI can establish modern infrastructure like cold storage units, food packaging plants, and advanced transport systems, reducing waste and ensuring higher productivity. This would lead to lower production costs, more affordable prices for consumers, and better profit margins for farmers. Furthermore, developing robust processing capabilities can make Bangladeshi agriculture export-ready, boosting foreign exchange earnings and driving economic growth.

Current Risks and Structural Constraints

- Limited availability of quality seeds of improved and climate-resilient varieties and a substantial counterfeit market (seed retailers offering expired seeds, fake seeds, etc.).
- Limited access to capital, leading to reduced uptake of mechanization at the individual farmer level.
- Exposure to increasing climate change risks (floods, droughts, salinization).
- High postharvest losses due to poor postharvest treatment and transport, and lack of cold storage.
- Lack of traceability of products, leading to reduced exportability.

Competitive Advantages of the Sector

01. A large and competitive labor force (nearly 45% of population) already employed within the sector.
02. Fertile land and diverse product portfolio, including fruits, vegetables, and livestock.
03. Rising incomes, urbanization, and changing lifestyles boosting demand for higher quality products, processed foods, and edible oils.
04. Large local market of 17 billion people, within a small geographic landscape.
05. Demand for edible oil exceeds local supply, creating opportunities in oil extraction.
06. Expansion of the HORECA industry leading to increased domestic demand.
07. Rapidly expanding local and global market of frozen, ready-to-cook food due to a rising middle class.

Case study: In 2024, Bangladesh-based Fargo and Netherlands-based Saf Invest BV signed a joint venture agreement to invest in the country's food processing industry. The joint venture will accelerate the process of ensuring quality healthy food products for consumers in Bangladesh by improving food production and processing technology, ensuring traceability and compliance.

Potential Investment Opportunities



Mechanization and Precision Agriculture:

Limited access to modern machinery and financing hampers productivity in Bangladesh's agriculture sector. Foreign investors can introduce affordable tractors, drones, and irrigation systems, along with leasing programs and local assembly plants to improve yields, address labor shortages, and mitigate climate risks.



Cold Storage and Post-Harvest Infrastructure:

High post-harvest losses highlight the need for investments in solar-powered cold storage and refrigerated transport systems. These solutions can reduce waste, improve farmers' profits, and ensure fresh produce reaches urban and export markets.



Agro-Processing and Ready-to-Cook Foods:

Growing urban demand for processed and frozen foods creates opportunities for investments in agro-processing facilities for fruits, vegetables, seafood, and spices, catering to both domestic and export markets.



Traceability for Export Markets:

The lack of traceability limits export potential. Investors can implement blockchain platforms and certification systems to meet global standards, unlocking premium markets for high-value products like spices, jute, and frozen goods.



Climate-Resilient and Smart Agriculture:

Smart technologies like IoT monitoring, AI pest management, and weather forecasting can enhance productivity and resilience. Supporting agri-tech startups and subscription-based tools can de-risk farming and boost export competitiveness.



Jute-Based Sustainable Packaging:

As a top jute producer, Bangladesh offers opportunities for eco-friendly packaging solutions to replace plastics. Investments in jute processing and product innovation can cater to rising global demand for sustainable alternatives.

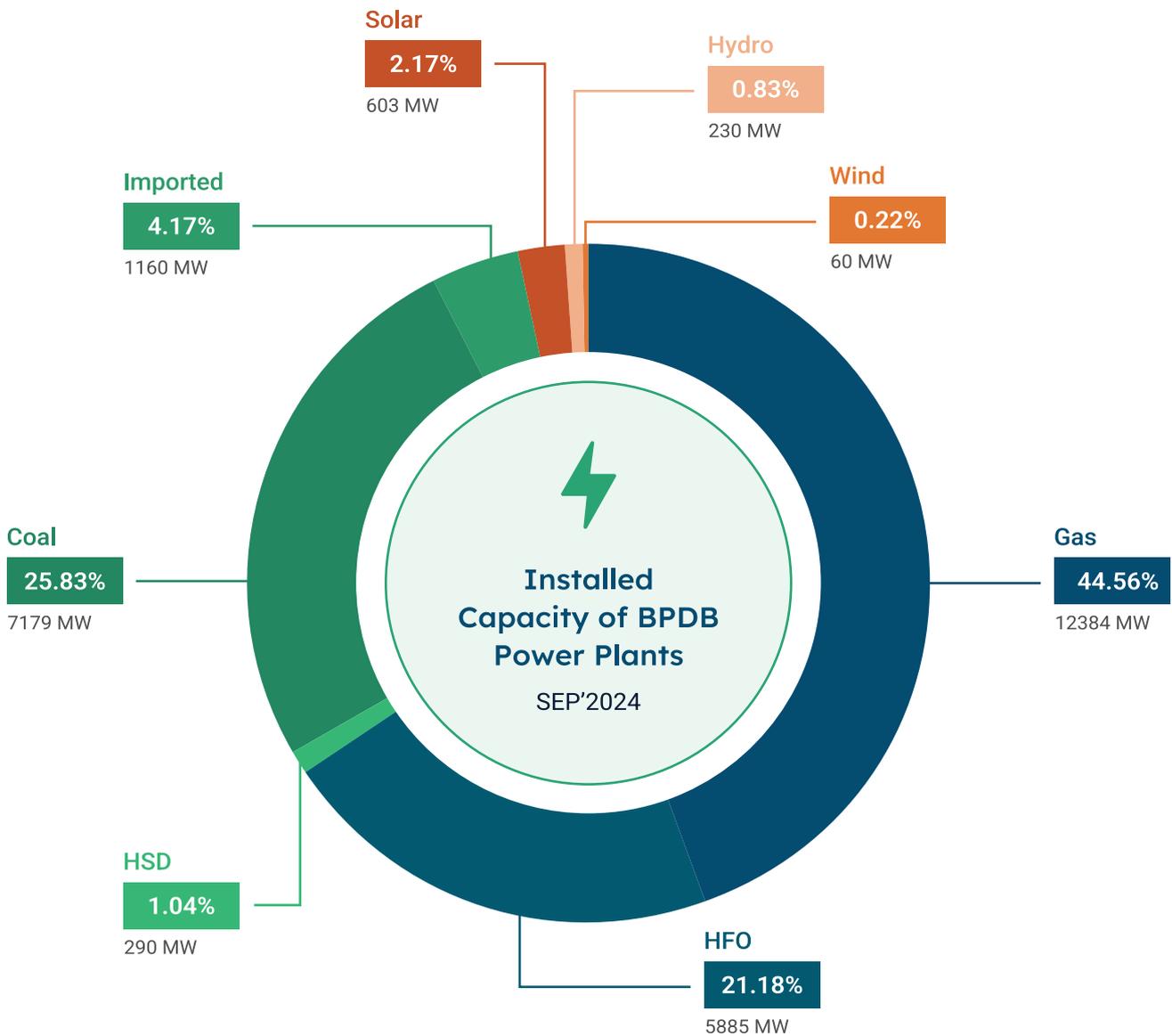
Addressing the ESG Aspects

- 01.** Investment from foreign companies can also help address several environmental, social, and governance issues within the sector.
- 02.** Investment in climate-smart agriculture technologies such as precision irrigation, renewable energy-powered cold storage, and resilient seeds to minimize environmental impact.
- 03.** Promoting sustainable farming techniques like crop rotation, organic farming, and agroforestry to preserve soil health and biodiversity.
- 04.** Integration of solar or biomass energy into processing plants to reduce carbon emissions.
- 05.** Ensuring fair wages and safe working conditions for laborers, aligning with international labor standards.
- 06.** Ensuring facilities meet global energy efficiency standards to align with sustainability targets.
- 07.** Supporting women farmers and entrepreneurs by creating programs that provide access to resources, training, and financial support.
- 08.** Establishing transparent supply chains with traceability systems to ensure ethical sourcing and reduce risks of counterfeit goods.

4.2

Renewables & Renewable Energy

The nation's emerging economy demands energy for development, and the government expressed the desire to achieve 40% of it from clean energy sources by 2041. According to a McKinsey study conducted in 2023, renewables will dominate the global power mix by 2050 and are already the lowest-cost option for new power generation in a lot of regions. Renewable energy is expected to provide 45% -50% of global electricity by 2030, increasing to 65% - 85% by 2050, with solar being the largest contributor, followed by wind¹¹.



Source: BPDB Website. LightCastle Analytics.

11. McKinsey, 2023

The Importance of Attracting FDI to Bangladesh's Renewables & Renewable Energy Sector

Attracting FDI into renewable energy is essential not only for meeting domestic energy needs but also for enabling competitive exports, reducing production costs, and creating a ripple effect of investment across multiple sectors, ensuring sustainable and inclusive economic growth.



Meeting Energy Demand & Reducing Fossil Fuel Dependence

With rising energy needs and overreliance on costly fuel imports, FDI offers a sustainable path to energy security, economic stability, and reduced exposure to global price shocks.



Enhancing Export Competitiveness

Affordable renewable energy lowers production costs, boosting the global competitiveness of key export sectors like textiles, pharmaceuticals, and agro-processing.



Stabilizing Costs Amid Tariff Reforms

As energy subsidies are phased out and tariffs increase, investments in renewables can help stabilize prices and ensure long-term affordability for consumers and industries.



Driving Cross-Sectoral Investment & Growth:

Lower energy costs make Bangladesh more attractive to investors across manufacturing, logistics, and IT—stimulating green jobs and broad-based economic growth.



Advancing Technology & Infrastructure

FDI brings in capital and expertise to develop large-scale solar, wind, and other renewable infrastructure—crucial to achieving Bangladesh's goal of 40% renewable energy by 2041.

Competitive Advantages of the Sector

- 01.** Solar and wind energy have become the lowest-cost options for new power generation globally, enhancing feasibility for Bangladesh.
- 02.** Bangladesh's geographical location and climate patterns ensure ample sunlight throughout the year, making solar energy a highly viable option.
- 03.** Rapid urbanization, industrialization, and a rising population increase energy demand, ensuring a robust market for renewable solutions.
- 04.** The government encourages Public Private Partnerships (PPP) to drive clean energy projects, providing incentives for foreign and local investors.

Companies in Bangladesh can leverage global funds, such as the Green Climate Fund, to finance renewable energy infrastructure and technological advancements.

Current Risks and Structural Constraints

- The existing energy grid is outdated and poorly equipped to integrate intermittent renewable energy sources like solar and wind.
- Limited technical expertise in installing, maintaining, and scaling renewable energy technologies restricts progress.
- Contradictory policy imperatives, including high taxes on import of inputs.
- Solar farms and wind projects demand substantial land, which is scarce in densely populated Bangladesh.

Global Success Stories



China achieved remarkable progress in renewable energy, increasing its share from 7% to 29.4% of total power generation between 2011 and 2021. Bangladesh can learn from China's effective policies, regulatory frameworks, and public-private institution building, which have supported generation, transmission, and financing. China's technological advancements in efficiency, grid integration, and resilience, along with best practices in decommissioning, workforce development, and community engagement, offer valuable insights for Bangladesh to strengthen its renewable energy sector.

Vietnam is a key example of countries that has been successful at attracting substantial FDI into renewable energy. The nation's policy framework ensured a stream of revenues to investors through power purchase agreements or feed-in tariffs, where the government commits to buy the electricity at a fixed rate for some time. These agreements typically came with a subsidy element that helped overcome any initial cost disadvantage.



Potential Investment Opportunities



Utility-Scale Solar Farms

Abundant solar resources offer significant potential for large-scale solar projects. Foreign investors can collaborate with the government through PPPs to develop solar parks, including floating solar farms, addressing land constraints while maximizing energy production.



Rooftop Solar Solutions

Urbanization drives demand for rooftop solar in factories, commercial buildings, and housing. Investments in OPEX financing models, leasing, and innovative technologies can accelerate adoption, reduce reliance on fossil fuels, and offer quick returns aligned with sustainability goals.



Agrovoltaics

Combining solar energy production with farming, agrovoltaics optimizes land use, supports rural incomes, and provides clean energy. This dual-purpose approach is particularly suited for Bangladesh's densely populated and agriculture-dependent economy.



Energy Storage Solutions

Intermittent renewable sources like solar and wind require reliable storage solutions. Investment in battery systems, microgrids, and other technologies can stabilize the grid, enhance energy reliability, and expand off-grid rural electrification.



Waste-to-Energy Projects

Bangladesh's agricultural and industrial waste can be converted into energy. Investments in waste-to-energy plants, biogas systems, and biomass energy technologies can improve waste management while providing affordable, clean power.



Clean Energy Financing Models

OPEX financing and carbon credit systems can lower upfront costs for renewable energy adoption in industries and households. Collaborating with local financial institutions to offer low-interest loans can further boost clean energy adoption.



Sustainable Equipment Manufacturing

Setting up local facilities for manufacturing solar panels, inverters, and battery systems can reduce reliance on imports, lower costs, and create jobs. This also enhances Bangladesh's capacity to support clean energy innovation and production.

4.3

Healthcare

Healthcare is a strategically important sector for any economy. However, Bangladeshi patients often seek treatment abroad due to issues such as inadequate attention from doctors, inaccurate diagnoses, or a complicated service process. As a matter of fact, nearly 2.5 million Bangladeshis travel to India for medical treatment, spending an estimated US\$500 million annually. The rise in outbound patient travel can be attributed to the absence of international standards in local healthcare infrastructure and technology. With the right investments, Bangladesh has the potential to retain this foreign currency and leverage its proximity to countries like Myanmar, Nepal, and other South Asian nations to become a regional medical hub.

Competitive Advantages of the Sector

01. Large Domestic Market:

Bangladesh is rapidly reaching a tipping point, with the middle class projected to constitute 33% of the population by 2030. By delivering quality healthcare, it is possible to capitalize on this emerging market opportunity.

02. Increasing Healthcare Spending:

Per capita healthcare spending (US\$50), in spite of being lower than its peers (India, Vietnam) has been growing at a CAGR of 9% since 2013. As incomes rise, there is potential for rapid growth in healthcare spending.

03. Shifting Demographic Profile:

By 2050, individuals aged 60 and above are projected to comprise 22% of Bangladesh's total population. Over the long term, this proportion is expected to grow further as life expectancy continues to increase. This demographic trend underscores the potential benefits of FDI in the healthcare sector.

03. Changing Disease Profile:

Bangladesh is seeing an exponential increase in mortality (67%) from non-communicable illnesses including diabetes and Alzheimer's.

04. Government Initiatives:

The sector is open to 100% FDI and offers enticing incentives for new entrants, including tax holidays for eligible hospitals.

The government offers tax waivers on equipment imports for healthcare service providers, subject to specific conditions.

Case study: In 2020, an American investment acquired control of Apollo Hospitals, the sole Joint Commission International (JCI) accredited hospital in Bangladesh, representing a substantial investment of around US\$100 million. In 2022, Apollo Hospitals also entered into a partnership with Imperial Hospital Ltd. (IHL), Bangladesh, for operations of a multi-specialty tertiary care hospital in Chittagong. Such initiatives reinforce international investors to be a part of the commitment to elevating healthcare services in Bangladesh.

Current Risks and Structural Challenges

- **Concentration of medical facilities in urban regions:**

Out of total 36 specialized hospitals, 52.78% of specialized hospitals are in the capital while the rest are spread across the country. This geographical disparity exacerbates the difficulties faced by those living in remote areas.

- **Import Dependency:**

Approximately 85% of medical equipment is imported, making the sector vulnerable to supply chain disruptions and currency fluctuations.

- **Infrastructure and Qualified Workforce:**

Ensuring adequate healthcare facilities along with skilled and empathetic professionals, particularly in remote areas, is essential for equitable healthcare access.

Ongoing discussions are focused on granting tax exemptions for the import of medical equipment and drugs for cancer treatment. Additionally, the government is conducting capacity-building workshops for critical diseases such as cancer and kidney transplants, in partnership with developed nations.

Competing FDI destination(s)

India is a major recipient of FDI in the healthcare sector, including diagnostic centers. Countries like India, particularly under its Make in India initiative, have attracted investment due to their vast market, skilled workforce, and government incentives. For instance, India's medical diagnostics sector has seen significant interest, with investments from the United States, Japan, and European countries.

Potential Investment Opportunities



- **Public-private partnerships (PPP)**

In Bangladesh, diagnostic services in government hospitals often stop after noon. India has leveraged PPP models to develop hospitals and diagnostic centers. Bangladesh can replicate such frameworks with foreign investors, particularly in Tier 2 cities or underserved areas.



Specialized healthcare facilities

Bangladeshi patients often travel abroad for cardiac care, cancer treatment, and kidney transplants. To build patient confidence in these specialties and strengthen local healthcare facilities, forming joint ventures with international companies could prove beneficial.



Health-tech partnerships

Health-tech solutions can expand healthcare access in rural Bangladesh. Partnering with tech-savvy investors from abroad could accelerate adoption.

4.4

Leather & Leather Products

The leather sector, supported by a strong supply chain, is the second-largest export contributor in the country. However, its exports account for just 2.4% of the total export earnings. Poor compliance has prevented tanneries from obtaining Leather Working Group (LWG) certification, a key standard in global trade. As a result, local exporters are forced to send 65% of tanned leather to China, where non-tariff barriers are low but the prices paid are 40%-60% lower than international rates.

Foreign direct investment (FDI) could help address these challenges by introducing advanced technologies and supporting compliance with international standards. For example, Vietnam's leather industry has benefited from FDI, leading to improvements in sustainability and efficiency, which helped the sector become one of the largest exporters in Southeast Asia.

By 2040, the global footwear market is projected to reach US\$500 billion. If Bangladesh secures even a 1% share of this market, its footwear exports could amount to US\$5 billion. With its competitive labor costs and expanding manufacturing capabilities, the country is well-positioned to capture a larger share of this market.

Competitive Advantages of the Sector

01. Abundance of raw hide:

Bangladesh produces nearly 350 million square feet of leather annually, positioning it as one of the top leather producers in the world. Apart from meeting domestic demand, rawhide is also exported to international markets.

02. Policy incentives:

To enhance the sector attractiveness, investors need to be informed about the incentives for the sector e.g., reduced Corporate Income Tax (CIT) for a duration of 5 to 10 years, 7.5% export incentive on crust leather and 15% on leather goods etc.

03. Rising local MAC population:

With the expansion of the manufacturing industry coupled with the cheaper hides and increasing middle-class purchasing power, leather products are finding more domestic customers.

04. Preferential market access:

The industry gets preferential market access to the European Union, Japan, South Korea, China, Australia, and India. In contrast, leather products from China, a significant competitor, face additional duties when entering these markets, highlighting the industry's potential for export competitiveness.

05. Highly cost-effective labor force:

Global investors are increasingly moving away from China and Türkiye due to rising labor costs. In addition to the labor shortage, the Chinese government is now focusing on the high-tech industry. Meanwhile, Bangladesh is well-positioned to capitalize on this labor-intensive sector, currently providing employment to around 850,000 people

Current Risks and Corresponding Mitigation Strategies

- **Lack of comprehensive policy framework:**

The absence of a comprehensive policy framework, including a lack of a long-term strategy for Common Facility Centers (CFCs), SME cluster development, and the promotion of Bangladesh leather products poses risks to the sector's competitiveness, limits value addition, hinders compliance with international standards, and reduces the potential for export diversification
- **Weak backward linkage:**

Insufficient development of backward linkage industries for chemicals and accessories, along with issues related to the subpar quality of products.
- **ESG issues:**

The stringent compliance requirements imposed by foreign buyers, coupled with the unpreparedness of the Central Effluent Treatment Plant (CETP) at the Savar Estate, pose significant obstacles to fully harnessing Bangladesh's labor export potential. Additionally, concerns regarding child labor in the sector further complicate the situation.
- **Impact of LDC graduation:**

The country will lose the preferential privileges once it graduates from its status as a Least Developed Country (LDC).

As per a recently drafted policy (BLIMAA 2024), a specialized body will be established for setting up and managing both public and private leather industry zones. At present, the European Union (EU) is the leading destination for Bangladesh's footwear exports, accounting for 60%, followed by Japan with 30%. To counterbalance the loss of preferential treatment after LDC graduation, Bangladesh should focus on negotiations. It is worth noting that discussions for an Economic Partnership Agreement (EPA) with Japan are progressing at a faster pace compared to those with China and India.

Potential Investment Opportunities



Joint Venture:

In China and Vietnam, the growth of the shoe industry has been largely driven by joint ventures, particularly with Taiwanese partners who brought in advanced technology. By partnering with foreign firms, Bangladeshi businesses would gain access to cutting-edge technology and expertise, helping to improve production processes, meet international standards, and boost exports.



Cold Chain Infrastructure:

The lack of modern preservation facilities often leads to rawhide spoilage, reducing its quality and export value. Proper cold chain infrastructure can help maintain hide quality, especially during peak collection periods like Eid-ul-Adha. In Brazil, investments in cold chain logistics have enabled better rawhide preservation, improved quality and positioning the country as a leading supplier of leather.



Enhancing compliance:

FDI can fund the development of advanced waste treatment plants, modern tannery zones, and eco-friendly technologies. Vietnam's government attracted FDI to upgrade industrial zones and establish wastewater treatment facilities, ensuring compliance with international environmental standards.

Competing FDI Destinations

While Bangladesh and Vietnam kicked off their leather journey in 1990s, Vietnam has over 3,000 footwear factories currently, while it is around 300 factories in Bangladesh. With 14 LWG-certified companies, more than 80% of Vietnam's production and exports result from FDI. Adidas and Nike have chosen Vietnam as the main production center for its position in the global supply chain. Nearly 50% of these companies' production takes place in Vietnam. The FTA with the European Union provides preferential access to the European market, reducing tariffs and improving trade conditions for Vietnamese companies, making it a favorable destination for foreign investors looking to expand their operations in the region.

4.5

Consumer Durables

Until 2018, Bangladesh relied heavily on imports for consumer electronics. However, the country is now emerging as a manufacturing hub, driven by the entry of both local and international brands, a competitive wage structure, and expertise in information technology and light engineering. Increasing per capita income and higher disposable earnings are fueling demand for consumer electronics, with rural markets offering significant growth potential due to substantial remittance inflows. This expanding market has drawn several foreign electronics companies, such as Samsung, Xiaomi, and Vivo, to establish assembly facilities in Bangladesh. Many factories are also making motherboards, considering further backward integration and export plans.

Competitive Advantages of the Sector

01. Global trade shifts:

Following the U.S. election, sweeping tariff hikes—including a 54% effective rate on Chinese goods and up to 120% on small e-commerce parcels—are pushing global brands to shift sourcing away from China. This opens up strong investment opportunities for Bangladesh in sectors like electronics, ready-made garments (RMG), and two-wheeler manufacturing, as buyers seek cost-effective alternatives in South Asia.

02. Availability of increasing financial schemes:

Companies like Singer and Walton provide hire purchase plans, enabling consumers to make installment payments and allowing those with lower disposable incomes to access these products. Expanding financial schemes through MFS also extends the opportunity to the unbanked population

03. Sizable domestic market:

The consumer electronics market of Bangladesh will reach US\$10 billion by 2030 and is expected to grow at a rate of 15% per annum. At present, 14 national and multinational licensees are engaged in mobile manufacturing. In addition, domestically produced home appliances like air conditioners (ACs) and refrigerators currently account for 70%-80% of the Bangladesh market sales. As nuclear families continue to rise within the MAC population, the desire for convenience is expected to surge, resulting in greater demand for consumer electronics.

Current Risks and Structural Challenges

- **Macroeconomic challenges:**

Consumers previously purchased phones more frequently, but decade-high inflation has shifted priorities toward essential spending. Rising raw material costs, higher freight charges have further strained bottom-line growth.

- **Limited backward linkage:**

The sector relies heavily on imports for most mobile components, resulting in limited value addition. For display modules, circuits and memory devices, customs duty ranges between 10%-25%, adding to the production cost for the low-value added outputs.

Investing in local component manufacturing could reduce dependency on imports. Additionally, companies can engage with the government to advocate for reduced customs duties on essential mobile components, which would lower costs and improve competitiveness in the local market. Walton already makes circuit boards for computers, mobile phone chargers, and batteries. If other companies buy these parts from local manufacturers, it will help save a lot of foreign currency for the country. In addition, smaller companies that currently favor Semi Knocked Down (SKD) manufacturing due to its lower investment requirements should be incentivized to transition to Completely Knocked Down (CKD) manufacturing.

Case study: In 2024, Singer has set up a new facility at the Bangladesh Special Economic Zone (also known as the Japanese Economic Zone) to reduce import dependence and locally manufacture over 90% of components. The company has been manufacturing refrigerators at its plant in the mentioned economic zone for a while now.

Competing FDI Destinations

The relocation of mobile manufacturing from China to Vietnam and India is driven by factors like rising labor costs in China, U.S.-China trade tensions, and the need for supply chain diversification.

Vietnam: FTA-Driven Manufacturing Hub with Strategic Supply Chain Access	India: Incentive-Led Industrial Growth Backed by Policy and FDI Support
Benefits from multiple Free Trade Agreements and Bilateral Trade Agreements, reducing tariffs for export-driven businesses.	Make in India and PLI (Production Linked Incentive) Scheme encourage electronics manufacturing. The PLI scheme offers 4%-6% cash incentives on incremental sales to manufacturers.
Geographic proximity to China ensures access to raw materials and components.	The government permits 100% FDI in the Electronics System Manufacturing and Design (ESDM) sector via the automatic route.
Investments in industrial parks, ports, and logistics to support electronics manufacturing.	Tariffs on imported parts for smartphones in India are between 7.5%-10%.
Large, cost-effective, and skilled workforce for manufacturing and assembly	

Potential Investment Opportunities



Component manufacturing:

Bangladesh may incentivize production of key components that will improve domestic value addition and deepen local supply chains for a range of electronics. The sector can leverage existing companies' expertise in backward linkage manufacturing to establish partnerships or joint ventures.



Semiconductor and chip designing:

Countries like Vietnam have experienced modest growth in FDI within the semiconductor sector, particularly in chip fabrication and assembly. Similarly, Bangladesh has the potential to attract FDI in areas like chip design for now. Over the next 7–10 years, with advancements in human resource development, the country could progress into chip fabrication.



Recycling & refurbishing unit:

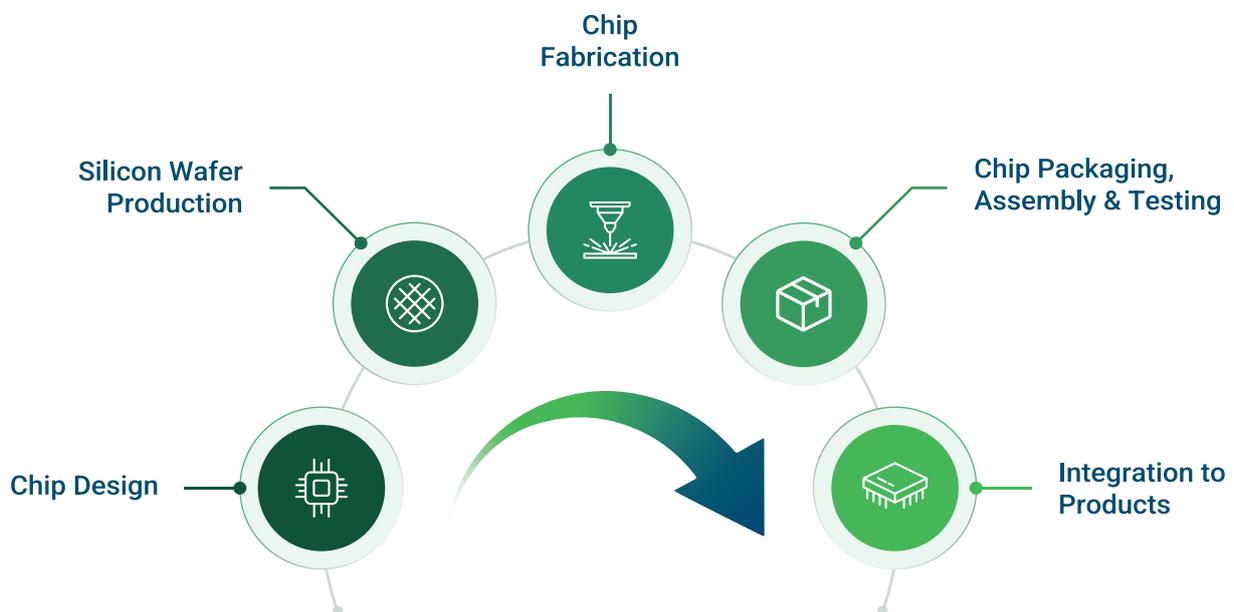
Grey market issues and the prevalence of unofficially imported phones create opportunities in recycling and refurbishing. The sector could attract FDI in eco-friendly recycling plants or refurbishing units, which can integrate local supply chains and reduce e-waste.

4.6

Semiconductor industry

Regarded as the most promising industry of the 21st century, the global semiconductor market is projected to hit a trillion-dollar valuation by 2030¹². In 2021, it reached US\$600 billion, experiencing an impressive growth rate of 20%. A big chunk of this market is currently led by the Asia-Pacific region, with Bangladesh participating in the chip design stage of the value chain. The success stories of Japan, South Korea, and Taiwan suggest that, to achieve a high-income status, Bangladesh needs to enhance its economic complexity and focus on exporting high-value products.

The major steps in semiconductor manufacturing include:



Since 2007, Bangladeshi companies have established a global presence in chip design services, earning US\$6 million annually. However, the downstream stages of packaging, assembly and testing offer immediate opportunities for expansion. In the early 1980s, Integrated Circuit (IC) packaging shifted from Western countries to the Asia-Pacific region due to its lower labor costs. Countries like Malaysia, China, and Taiwan have seen success in this field, but rising wages have created new challenges. This opens up an opportunity for Bangladesh to step in with its cheap and young workforce. The country has the potential to capture 2%-4% of the global US\$1 trillion market by 2030, driven by the rapid growth of both the local and global electronics markets.

12. McKinsey & Company. (n.d.). The semiconductor decade: A trillion-dollar industry

Competitive Advantages of the Sector

01. Growth of global and local electronics market:

The consumer electronics market of Bangladesh will reach US\$10 billion by 2030 and is expected to grow at a rate of 15% per annum. Consequently, the demand for semiconductors will rise, fueling the need for chips in various devices. The global rise of Artificial Intelligence (AI) will drive the growth of the domestic semiconductor industry and boost exports.

02. Growing inexpensive workforce:

In 2024, around 700 chip designers were working in the sector, marking a 75% increase since 2022. Additionally, the cost of hiring an engineer in Bangladesh is lower compared to countries like India and Vietnam, giving Bangladesh a cost advantage in the engineering sector.

03. Geopolitical realignment:

Recent changes in the geopolitical scenario have compelled the global semiconductor manufacturing sector to relocate some of the process steps to countries that pose lower risks. In this regard, Bangladesh may attract a few prominent international players by offering attractive tax and other incentives, and ensuring ease of doing business.

Current risks and corresponding mitigation strategies

● Limited policy support:

In Bangladesh, chip design companies, as members of the Bangladesh Association of Software and Information Services (BASIS), receive a 10% cash incentive on exports of IT-enabled services. In contrast, India currently offers cash incentives of up to 25% of capital expenditure for setting up or expanding chip fabrication facilities (fabs). The scheme also includes reimbursement of taxes and duties on imported machinery and equipment, aiming to boost domestic semiconductor manufacturing under initiatives like the Semicon India Programme. This initiative has been able to garner interest from major manufacturers like Samsung, TSMC, and Intel¹³.

● Low infrastructure readiness:

One of the main objectives of the Hi-Tech Parks is to attract both local and foreign investments to spur technological innovation. However, these parks and business incubation centers often face setbacks due to delays in construction and infrastructure development. In certain instances, bureaucratic hurdles and poor project management have hindered the timely implementation of plans.

13. CEO India Weekly, 2023

- **Limited Depth of the Ecosystem:**

As of now, Bangladesh lacks significant joint ventures or the presence of foreign companies in its semiconductor sector—posing a major barrier to scaling domestic capabilities. In contrast, India has attracted partnerships like Vedanta’s joint venture with Foxconn to establish semiconductor manufacturing plants, supported by strong policy and capital incentives. While Bangladesh has foundational elements—such as VLSI courses offered by around two dozen universities and Bangladesh Semiconductor Industries Association (BSIA)’s plan to train 10,000 engineers in chip design—these efforts remain fragmented. To mitigate this gap, agencies like the Bangladesh High-tech Park Authority (BHTPA) could establish specialized research zones or labs focused on emerging technologies, including semiconductors, to attract investment and deepen industry-academia collaboration.

- **Skill gap:**

Although the sector has experienced growth in the number of engineers, the skill gap remains a challenge. Some universities and technology institutions have started offering courses on chip design and prefabrication, but there is room for improvement in their quality to fully align with the industry’s requirements.

Competing FDI Destinations

The Indian government has introduced the ‘Semicon’ program, which provides fiscal support covering up to 50% of the project cost for companies establishing semiconductor fabrication plants. In addition, substantial investments have been made in developing IT-focused universities to expand the skilled workforce, complemented by the announcement of a US\$10 billion fund in December 2021. Through initiatives such as production-linked incentive (PLI) and design-linked incentive (DLI) schemes, India is currently generating approximately US\$60 billion in revenue from the sector. Companies like Intel, Panasonic, Samsung, and Falcon have been investing heavily in high-tech parks in India.

Potential Investment Opportunities

Bangladesh is likely to find its best opportunity in the semiconductor industry in IC packaging and testing, rather than wafer fabrication. Fabrication needs big investments and advanced technical support, which could deter investors from taking such risks. Instead, Bangladesh could focus on attracting investment for chip design, creating local talent, and developing the packaging and testing sector, also known as the Outsourced Semiconductor Assembly and Test (OSAT) segment. The ongoing nationwide effort on the quality assurance of higher education should help convince investors in this tech-intensive sector about the supply of talent in STEM.

Bangladesh's potential to enter the global semiconductor market could be supported by foreign partnerships in the coming years, as it strengthens its infrastructure, skilled workforce, and policies. The relationship and networking with globally successful companies will be important for market access and technology transfer. As such, Bangladesh must adopt policies that facilitate seamless collaboration with key regions like Taiwan and China, as well as with major Western players.

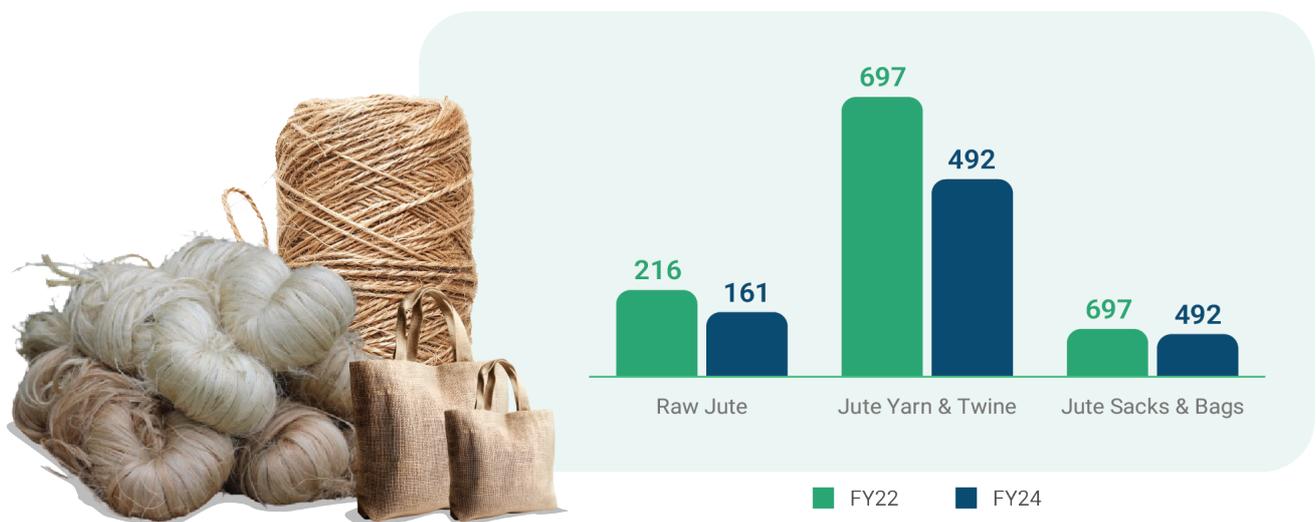
4.7

Jute and Diversified Jute Products

Bangladesh is the 2nd largest producer of Jute in the world, boasting a diverse range of jute products, numbering 285, which are exported to the world market¹⁴. These products include raw jute, jute hessian, bags, sacks, ropes, carpets, caps, mats, carpet backing cloth, chair covers, jute sheets, canvas, pulp and paper, household products and non-woven textiles etc. Jute stick charcoal products are a byproduct of jute sticks.

However, export earnings from jute products showed a significant decline during FY24, as opposed to that of the FY22.

Export of Jute Products (Mn USD):



Exports of raw jute dropped by approximately 25%, while jute yarn exports saw a sharper decline of 29% over the same period. The export of value-added products such as sacks and bags also experienced a downturn. Industry stakeholders partially attribute this decline to the anti-dumping law enforced in India, a key export destination. This situation underscores the need to expand the product portfolio and diversify export markets to mitigate dependency on a few countries.

Importance of Attracting FDI to the Jute Industry of Bangladesh



Inclusive Growth and Rural Development

Jute is integral to Bangladesh's agriculture, providing livelihoods for millions in rural areas. FDI would enhance demand for raw jute, boosting farmer incomes and driving rural industrialization, which fosters equitable economic growth.

14. World Population Review, 2021



Sustainability and Environmental Benefits

Jute is biodegradable and eco-friendly, making it a key material for sustainable industries. FDI can bring advanced technologies to develop innovative jute products, replacing harmful plastics and contributing to global environmental goals.



Reduction of Import Dependency on Plastics

Bangladesh imported US\$3 billion worth of plastics in FY24, reflecting heavy reliance on synthetic materials. FDI can help replace imports with locally-produced jute alternatives, reducing trade deficits and environmental damage.



Support for Export-Oriented Industries

With a global shift away from plastics, the jute industry can supply sustainable packaging for export-driven sectors like agriculture and garments. FDI would enhance production capacity, diversify products, and meet international standards.



Technology Transfer and Capacity Building

FDIs can introduce advanced technologies and expertise, boosting productivity and product quality. It also can develop local skills, fostering long-term sectoral growth and competitiveness.



Global Brand Recognition

Partnering with international investors elevates Bangladesh's global standing in sustainable jute products, increasing exports and enhancing its reputation as a leader in green industries.

Competitive Advantages of the Sector

01. Abundance of Raw Materials:

Bangladesh is the 2nd largest producer of raw jute, ensuring a steady supply of the key raw material at competitive prices.

This natural advantage and its proximity to the Ganges delta reduce production costs and strengthen the industry's global supply prospects.

02. Skilled Workforce and Traditional Expertise:

The jute sector has a long history in Bangladesh, supported by a skilled workforce with expertise in cultivating, processing, and manufacturing jute products.

03. Strategic Geographic Location:

Proximity to key export markets in South Asia, Europe, and the Middle East makes Bangladesh a cost-effective sourcing hub for international buyers. Its port infrastructure supports efficient logistics and exports.

04. Cost Competitiveness:

Lower labor and production costs make Bangladeshi jute products more affordable compared to competitors, attracting buyers looking for cost-effective sustainable solutions.

Competing FDI Destinations

India is one of the largest producers of jute and a significant exporter of jute products. It has a well-established jute processing infrastructure, advanced manufacturing facilities, and government support through policies like the Jute Packaging Materials Act. India offers a diverse range of jute products, competitive production costs, and easy access to large domestic and export markets, particularly in Asia, Europe, and the Americas.

Although not a significant jute grower, China has substantial manufacturing capabilities, advanced technologies, and a strong focus on producing value-added jute products like composites and technical textiles. China's emphasis on innovation, lower production costs for manufacturing, and superior supply chain logistics make it a formidable competitor for FDI in jute-based industries.

Potential Investment Opportunities



Value-Added Jute Products:

The production of high-value jute products, such as geotextiles, composites, technical textiles, and biodegradable packaging, holds significant growth potential. These products serve industries like construction, agriculture, and fashion, which are increasingly seeking sustainable alternatives. With its abundant raw jute supply and skilled labor, Bangladesh offers a favorable environment for manufacturing these goods. Investments in this area could enhance export revenues and allow Bangladesh to strengthen its position in the global market for sustainable products..



Jute-Based Packaging Solutions:

The global shift away from plastics has created opportunities for jute-based packaging materials, catering to industries like agriculture, food, and garments. Domestically, government policies mandating jute use in packaging ensure consistent demand, while international markets are exploring eco-friendly alternatives. Investing in this sector could reduce Bangladesh's reliance on imported plastics and support the development of a more sustainable and self-reliant packaging industry.



Jute-Based Home Furnishings and Décor:

The global market for natural, sustainable home furnishings is growing rapidly, with demand for products like jute rugs, curtains, cushions, and wall hangings. Bangladesh's access to affordable raw jute and skilled artisans creates an opportunity to develop export-oriented businesses in this niche. Investments in this segment could leverage the increasing preference for eco-friendly interiors while creating value for Bangladesh's jute industry.



Jute Fiber Blending for Textiles:

Blending jute with other natural or synthetic fibers offers an opportunity to create innovative textiles for fashion and industrial use. These blended materials can be marketed as eco-friendly alternatives in industries like apparel, upholstery, and technical textiles. Investment in this area would require modern processing technology and R&D to ensure product quality and consistency for global markets.



Jute Handicrafts and Artisanal Products:

Bangladesh has a rich tradition of craftsmanship, and jute offers a natural material for artisanal products such as handbags, baskets, and decorative items. Targeting both local and international markets, investment in jute-based handicrafts could provide sustainable livelihoods while diversifying the product portfolio.

4.8

Active Pharmaceutical Ingredient (API)

With a current market value of approximately US\$3 billion, Bangladesh's pharmaceutical manufacturing industry is advancing swiftly, showcasing immense potential as it fulfills 98% of the nation's medicine demand domestically. Additionally, local manufacturers export to over 151 countries. However, despite near self-sufficiency in finished pharmaceuticals, the country relies heavily on imports for over 85%-90% of both biological and non-biological small-molecule Active Pharmaceutical Ingredients (APIs), amounting to an annual expenditure of about US\$1.3 billion. The remaining demand is met by around 15 local companies, which collectively produce APIs valued at over BDT 2,000 crore each year.

In essence, the reverse engineering of complex formulations and the manufacturing of APIs is still at a nascent stage. Between 2015 and 2018, Bangladesh exported over US\$5 million worth of APIs to Egypt, Pakistan, Nepal, and Vietnam. Given the higher value addition of APIs, the industry is poised to contribute significantly to the diversification of the country's export products while also fulfilling domestic demand.

Competitive Advantages of the Sector

01. Large Domestic Market:

Domestic market for non-biological small molecule APIs is currently worth around BDT 6,500 crore.

02. Cost efficiency:

APIs contribute approximately 30% of the total cost of drugs for small molecules, and this proportion can rise to 55% for generic products. Locally produced APIs would be significantly more cost-effective, being two to three times cheaper than imported alternatives.

03. Opportunity for export:

Global market size of API is US\$200 billion, which is mostly grabbed by China and India. Around US\$251 billion of patented medicines are expected to go off-patent globally by 2024. As the largest global generic hubs like China and India lose their cost advantage, Bangladeshi manufacturers have an opportunity to take advantage of this trend, using what they have learned by manufacturing otherwise patented medicines.

Current risks and corresponding mitigation strategies

Four local manufacturers have set up factories at the BSCIC API Industrial Park in Gazaria, Munshiganj. However, progress has been somewhat hindered due to the following challenges:

- **Incomplete Central Effluent Treatment Plant (ETP):**

Without a fully operational ETP, manufacturing pharmaceutical raw materials poses significant health risks and environmental pollution concerns.

- **Disrupted utility supply:**

API manufacturing requires a consistent electricity supply, which depends on a gas-powered captive power plant. The alternative, diesel-generated electricity, is costly and increases production expenses.

- **Impending expiration of the TRIPS waiver:**

Upon LDC graduation, if Bangladesh has to comply with TRIPS regulations, it may face challenges in accessing affordable APIs from India and China due to patent protections and intellectual property restrictions. This could potentially lead to higher costs and reduced availability of APIs, affecting the ability to produce medicines locally at competitive prices.

Competing FDI Destinations

China and India dominate Asia's pharmaceutical and API markets in terms of market size. Meanwhile, other Asian nations, including Taiwan and South Korea, have experienced substantial growth in both scale and expertise over the past decade, driven by robust government funding and strategic partnerships with foreign corporations.

Potential Investment Opportunities

With increased investment from larger companies in the sector, it is estimated that local production could fulfill at least 50% of the country's API demand. However, the remaining 50% would still require importation, as current capabilities are limited to the local manufacturing of non-biological small-molecule APIs. The firms manufacturing APIs in India have expressed interest in partnering with API manufacturers in Bangladesh through joint ventures. In addition, higher government grants for boosting R&D activities, coupled with subsidies and investments, can also help in attracting foreign players that can subsequently catapult the growth of the API market in Bangladesh.

05

Identifying and Prioritizing Promising Sectors for Economic Growth

In an evolving economic landscape, strategic sector prioritization is essential to drive sustainable growth and global competitiveness. To this end, LightCastle Partners proposes a structured framework to identify and evaluate sectors with the greatest potential for contributing to Bangladesh’s economic transformation.

The framework emphasizes three key dimensions:

01. Economic Potential:

Assessing global and domestic demand, GDP contributions, and opportunities for import substitution.

02. Sectoral Competitiveness:

Analyzing factors like export readiness, labor advantages, and critical resource availability.

03. Strategic Alignment:

Ensuring alignment with national goals, leveraging post-LDC opportunities, and prioritizing sustainability through ESG factors.

Criteria	Key Factors	Evaluation Focus
1 Economic Potential	Global Demand & Market Size	Assess global demand for products/services in the sector and its global market size.
	Domestic Demand	Consider the size of the domestic market and opportunities for import substitution.
	GDP Contribution	Analyze the sector's current and potential contribution to GDP growth.

<p>2</p> <p>Sectoral Competitiveness</p>	Export Readiness	Evaluate potential for exports and alignment with global supply chains.
	Labor Competitiveness	Analyze labor cost, availability, and skills specific to the sector.
	Natural Resources	Evaluate dependency and availability of critical natural resources/raw materials.
<p>3</p> <p>Strategic Alignment</p>	Alignment with National Goals	Check the sector's alignment with Bangladesh's development goals (e.g., Vision 2041, SDG targets).
	Post-LDC Market Access	Assess how the sector can leverage new trade agreements and policies post-LDC graduation.
	Sustainability & ESG Factors	Prioritize sectors that promote green growth, environmental sustainability, and social inclusivity.

	1. Economic Potential			2. Sectoral Competitiveness			3. Strategic Alignment			Total Score
Weightage (%)	15%	10%	10%	8%	12%	10%	15%	10%	10%	100%
	Global Demand & Market Size	Domestic Demand	GDP Contribution	Export Readiness	Labor Competitiveness	Natural Resources	Alignment with National Goals	Post-LDC Market Access	Sustainability & ESG Factors	
Agro & Agro Processing	5	5	5	3	5	5	5	4	3	4.54
Renewables & Renewable Energy	4	2	2	2	3	2	5	3	5	3.27
Healthcare	2	4	2	1	3	3	5	3	4	3.09
Leather & Leather Products	2	3	3	3	4	4	2	2	1	2.62
Consumer Durables	3	4	3	3	2	3	4	4	3	3.23
Semiconductor Designing	4	2	1	2	2	3	2	4	1	2.4
Jute & Diversified Jute Products	2	3	3	3	4	4	4	3	2	3.12

06

Mapping of Potential FDI Sources

Between 2021 and 2023, the United Kingdom, the Netherlands, and the United States were the largest sources of net FDI inflows to Bangladesh. Apart from that, FDI from China has been significant, particularly in sectors like infrastructure, telecommunications, and energy. South Korea has invested mainly in the electronics and manufacturing sectors, contributing to Bangladesh's industrial growth. Japan has been involved in investments related to technology, automotive, and healthcare, contributing to the development of advanced industries in Bangladesh.



United Kingdom



Healthcare



Agro-Processing



Leather

Rationale: More than 240 UK businesses hold key investments in Bangladesh ranging from textiles and leather to agro-processing. Bangladesh will benefit from **DCTS (Developing Countries Trading Scheme)** enhanced preferences with most of its exports continuing to enjoy duty-free market access in UK until 2029. The UK's involvement in global health funds such as Gavi shows a deep engagement in supporting health systems globally, including in Bangladesh. Through these partnerships, Bangladesh could explore opportunities for FDI to improve healthcare delivery.

In 2020, UK's **Commonwealth Development Corporation (CDC)** declared to invest up to US\$2 billion in Asia over the coming years and Bangladesh will be a key beneficiary. The UK has experience in food production and processing, and Bangladesh's agricultural sector has potential for growth. Investment in food processing, packaging, and export markets is a key opportunity.



United States

 Renewable Energy

Rationale: From 2019 to 2021, the USAID **SURE (Scaling Up Renewable Energy)** program helped Bangladesh strengthen its institutional capacity to produce affordable renewable energy. It facilitated competitive procurement processes and supported grid integration for renewable energy and enabling private sector engagement.

USA can collaborate with the government under Public-Private Partnerships (PPPs) to develop solar parks and utility-scale solar farms that can supply clean energy to the national grid.

US companies are still keen on partnering with Bangladeshi companies to provide investment to help Bangladesh become a developed country by 2041.



Netherlands

 Agro-Processing

 Renewable Energy

Rationale: Netherlands has been a strong supporter of food safety, water resources management and agricultural development in Bangladesh for many decades.

Bangladesh and the Netherlands can work together on Plant Variety Protection, **Agricultural Transformation Program (ATP)**, Phytosanitary Certificates, Testing Labs and linking the private sector.

Bangladesh has received **US\$418m** funding from Europe for renewable energy projects. With Bangladesh's potential for both onshore and offshore wind farms, the Dutch can invest in wind and solar energy projects, driving sustainability in Bangladesh's energy sector.



China

 Semiconductor

 Leather

Rationale: Chinese investment in Bangladesh reached nearly US\$1.4 billion, supporting over 700 Chinese companies. The **Asia Pacific Trade Agreement (APTA)**, signed by China in 2001, plays a pivotal role in facilitating bilateral trade. Under this agreement, tariff barriers for 84 Bangladeshi products, including textiles and jute, were removed. Additionally, China, as the most successful country outside the US in chip production, could play a key role in helping to build and grow the industry in our country.

Bangladesh offers favorable conditions for relocating sunset industries due to its cost-effective labor pool and strategic location, complementing the "China Plus One" strategy. This shift can benefit China by providing access to young, affordable workers and diversifying manufacturing bases.

The lack of adequate slaughterhouses significantly contributes to the wastage of large quantities of raw hides in Bangladesh. Establishing joint ventures with Chinese companies skilled in animal skinning and rawhide processing could be a strategic move for Bangladesh to enhance this sector.

Rationale: Currently, almost 300 Japanese companies are operating within Bangladesh. Recognizing the significance of Japanese investment, the Government of Bangladesh has built a 1,000 acres Japanese Economic Zone (JEZ) at Narayanganj.

Currently, four of the eight companies that have invested in the BSEZ/Japanese economic zone, are from Japan. Bangladesh and Japan have agreed to sign the **Economic Partnership Agreement (EPA)** by the end of 2025 to deepen and expand bilateral trade and investment relations between the two nations. Japan is expected to remain a crucial partner for Bangladesh throughout its upcoming developmental journey, particularly during the Fourth Industrial Revolution and beyond LDC graduation.

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