

# Business interests in Bangladesh

## Priyantha Gamage

SRI LANKAN ENTREPRENEURIAL SPIRIT AND HIGH REPUTED professionalism coupled with the liberalization of economic policies in Bangladesh and opening up of foreign investment into the country has taken economic recent times bringing the two nations even closer. Some Bangladeshis strongly believe that king Vijaya who landed on the Island in 544 BC, boarded his ship from 'Vijaya Nagar' an Island port located some miles away from Dhaka, the capital of Bangladesh. And the two countries who have been long standing trading partners are soon to do more business together once SAPTA and SAFTA agreements become operational.

Relations between the two have always been cordial with very frequent visits by the heads of state to each other. Bangladesh, located bordering the Bay of Bengal between Burma and India in Southern Asia has a huge population of 128 million people, scattered over comparatively smaller area of 144,000 square kilometers.

Although Bangladesh is only 2.5 times of Sri Lanka geographically, the population there is six times larger than ours.

This severe over population makes Bangladesh one of the most densely populated countries in the world and many are landless as a result. Of this population, around 40% earn less than 2500 takars (TK) a month whilst around 20% earn between TK 2500 3500 making the country one of cheapest labour markets in the Asian region.

A majority of 98% of the people are 'Bengali' and there are about 250,000 'Biharis' and less than 1 million Tribals too. Islam is the prevalent religion; about 83% of the population are Muslims whilst Hindus amount to 16%.

The official language in the country is 'Bangla' with English used as a second language but the literacy rate remains a very low 36.6%. For administrative convenience, the country is divided into four major administrative divisions VIZ: Chittagong. Dhaka, Kulna and Rajshai. The Gross Domestic Product (GDP) of Bangladesh which was US\$28.7 billion for the year 1995 has maintained an average growth rate of 4.9% from 1990 onwards which is quite healthy given the country's short democratic span and frequent change of governments. The governments

since erage of 5.2% and the average devaluation during 1990-96 is only 4% as at today the TK/US\$ exchange rate stands around 46.

Although the Bangladesh per capita GDP of US\$245 is pretty low compared to ours at US\$760 (which was highest in the South Asian region in 1996) one has to be mindful of the bigger population there and the fact that only 501 million people have really worked for a share in it.

The economy is overwhelmingly agricultural with rice ranking No. 1 accounting for more than 10,178,000 hectares of the total irrigated land of 13,844,000 hectares. Agriculture has a dominant share of 29.7% in the GDP accounting for more than 65% of the total labor force of 50.1 million in the country.

It is also responsible for 1/5 the of the country's exports making Bangladesh the world's largest jute exporter. Bangla- desh which was a part of India at, first and known as East Paki- stan' on 16th December 1971 to become the People Republic of Bangladesh as it is known today. After close to 19 years of political turmoil under General Ershad democracy was restored in 1991, at last. But the political conditions are still volatile, though as not as bad as India and Pakistan successively. Governments since 1990's have keenly persuaded liberalised economic policies offering attractive incentives in the promotion. of foreign investment into the country with a view to a better growth: Industrial Policy of 1991 has paved the way to unprecedented Foreign capital into Bangladesh allowing foreign equity holdings in local companies upto 100% and unrestricted investment alternatives with the exception of manufacture of arms, production of nuclear energy, forest plantation, railways.

Tax holidays, accelerated depreciation, concessionary duty imported capital machinery, tariff rationalization, incentives to

nonresident Bangladeshis, rationalization of import duty and other incentives like tax exemptions on interest of foreign loans and royalty etc. have been formulated to lure foreign investors.

Abundantly available incredibly cheap labor is the icing on the cake that makes Bangladesh lucrative despite the country's political uncertainty, specially for low-skilled labor intensive industries such as garments. This is evident from the fact that there are well over 2600 garment factories operational in the country. Ready made garments accounting for 60% of the country's exports and textile and clothing

accounting for 38% of the value added is fast catching up with the agricultural sector. Economists predict that even at double the rate of growth Bangladesh is experiencing now, in 15 years it will still have an abundance of labor.

Even though low-skill-labour like machine operators at US\$50-25 which is more than US\$75 in Sri Lanka, is freely available, there is a dearth middle level management of business concerns in Bangladesh opening gates of opportunity for Sri Lankans to make an entry.

There are over 500 Sri Lankans living in Bangladesh representing more than 100 families of whom 99% are attached to the garment industry.

Sri Lankan professionalism much respected there with them securing posts in middle level management in local enterprises whilst quite a number of Sri Lankans have proven the Sri Lankan entrepreneurial skill and spirit in this new found land of opportunity bringing mother Lanka pride and honour Harsha Caldera is the pioneer in this business crusade who setup his business in Bangladesh way back in 1980s. Inspired by a Bangladeshi when he was working in Hongkong he opened his first garment factory in 1987. Harsha is the managing director of the four factories running under the names of 'Pfeiffer Apparels' and 'Honorway Textile Apparels, with four manufacturing plants to his credit, two in the Free Trade Zone (FTZ) and two outside the FTZ. In fact he was the first foreigner to open up a factory outside FTZ.

He has ten Sri Lankans running the management of his companies under him and his workforce comprises 3000 personnel all of whom are Bangladeshis with the exception of two Phillipinos. Harsha was awarded the title CIP (Commercially Important Person) in 1994 in recognition of his contribution to the national economy and the volume of business as a non-national. His chain of garment factories is the biggest quota-holder to USA exporting 1.8 million dozens of underwear under category 352 and sleepwear under category 35% Pfeiffer's pride is ladies lingerie. Not forgetting the Motherland, Harsha opened-up his first Sri Lankan factory here in the Free Trade Zone and he has factory in Nepal too.

It is with gratitude that Harsha speaks of the SB Atugoda, the high commissioner of Sri Lanka in Bangladesh, 'He is doing an excellent job here.'

## **Haychem**

Haychem Ltd., a subsidiary of the local giant Hayleys Ltd. Incorporated its

Bangladesh branch in August last year as Haychem (Bangladesh) Ltd.

Haychem (Bangladesh), a 100% subsidiary of Hayleys, is in agreement with the global giant Bayer AG of Germany to mar-

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ket Bayer crop protection. chemicals in Bangladesh. Rizvi Zaheed, managing director, Haychem Ltd, says, "Haychem (Bangladesh) will act as the springboard for development of new business in Bangladesh'. The crop protection market Haychem has ventured in Bangladesh is a huge US\$-42 million one and the insecticide market alone totals to US\$36 million. Heychem with a lot of ground work done before establishing itself there, has got 15 products registered to be marketed and 5 are already in the market. The company is currently doing trials on improving yield and productivity of local crops concentrations of vegetable and potato mainly. It hopes to introduce the balance 10 products into the market within the year, 1998. Haychem confident of grabbing 10% slice of action by year 2000, plans to open its own office by February this year and to start its own distribution network plus the formulation of agro chemicals in Bangladesh itself within the coming year. Right vember last year. now Haychem is operating from its distributor's office. Haychem (Bangladesh), is quite optimistic about achieving its market plans with Bayer's

brand image and quality coming in very handy. Vanik The latest Sri Lankan giant to tread on the Bangladeshi soil is Vanik Incorporation Ltd., the Merchant Bank that is too good to be true. Vanik was fortunate enough to familiarise itself with the Bangladeshi economic environment being chosen to act as consultants for three huge foreign investment projects even before commencing operations there officially. The three projects include Interkiln' a ceramic factory with a US\$25 million investment, 'Appolo', 9300 bed Hospital from world-renowned Indian hospital chain a US\$30 million project and Accor a 250 room hotel from the international group whose network comprises 2400 hotels worldwide. Hence, Vanik was already a success by the time it launched its operations in No- Thousands of inquiries have followed since then and a number of projects are in the pipeline to be finalised in the new year. The new year would be a very busy one indeed for Vanik with leasing operations to commence in January and plans already drawn to introduce its own credit card "Vanik" soon. Vanik Bangladesh is a joint venture where Vanik holds a 40% equity stake and the balance by a group of investors, operational under a management and technology transfer agreement with Vanik. Vanik Bangladesh repertoire of business include; capital market operations, corporate finance, deposit mobilisation, fixed income securities, legal and company secretarial services, medium short-term financing and last but not least stock broking. The entrepreneurial spirit among these people is enormous says Ivor Pratap vice-president, Vanik Bangladesh, who is running operations there on behalf of Vanik. Pratap does not believe that the political uncertainty prevalent there as a hindrance to business. 'Because the business community is very well adjusted to the situation. One good example is the meeting BGMEA (Bangladeshi Manufacturers Export Association) had with both the Government and the opposition to stay out of hartals which is a frequent occurrence there. The BGMEA was successful in getting both parties agreeable and the export industry is no longer affected by." Pratap goes on to say that some companies even have started working on Fridays when there is a hartal during the week (Friday and Saturday are holidays in Bangladesh but Sunday is a working day.)

Vanik Bangladesh Securities, a fully owned subsidiary of Vanik Bangladesh Ltd. which has obtained the membership in the Chittagong Stock Exchange was also launched in November last year.

## **Q&E Advertising**

Q&E Advertising claiming themselves to be the biggest Sri Lankan advertising agency in the order of billings had its break in Bangladesh when Vanik handed over

its media campaign to Q&E.

With Q&E's vision 2001' to be the most sought after communication service organization in South Asia by year 2001, Mr. Vijith Kannangara, chairman, Q&E Advertising was visiting every country in the region when he bumped into Vanik looking for an agency to boost their image in Bangladesh. Both Vanik and Q&E have benefited themselves as a result of a job well-done and both are equally known businesses in Bangladesh today.

Q&E had already made its mark when they ran the Vanik campaign doing the Annual report 1994-95 of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), a number designing work for various clients.

SAPTA and SAFTA trade agreements inspired us to look out into the region and our nonaligned foreign policy is quite helpful to Sri Lankans in Bangladesh Operating from their local partners office right now Q&E wishes to move into their own place very soon with a permanent person, Christopher Prins to handle operations there, 'Because business sure seems to be good Kannangara said. Openarc Systems Management Openarc Systems Management, is another company to set their feet in the land of opportunity as a result of Vanik's entrance into Bangladesh. In Bangladesh' Openare is venturing into their pet-field of systems and software management an area in which they have more than 5 years of business expertise. According to Daya Hettiarachchi, chairman/CEO of the company, Openarc is the leader in stock broking software industry in Sri Lanka with 11 out of 14 leading stock broking companies using 'Openarc stockpro' their first commercial software package. Its debut with Vanik Bangladesh, successfully completed, Openare hopes to remain there to promote its products in Bangladesh where there will be a lot of opportunity coming its way with the advent of new business and expansion of existing ones. Openarc is keen to introduce Openarc winstock' their latest software solution for stock broking operations, 'Openarc Lessor for leasing activities and of course their local winner, 'Openare stockpro', to Bangladesh. 'A number of negotiations are going on at the moment which are too early to comment on still says, Hettiarachchi quite hopeful of the new destination. These are only a few of the innovative entrepreneurs flying the Sri Lankan flag high in Bangladesh. The already well-established there, include names like Rohan Ranasinghe of Wings Classic Tours who is into travel and tour operations, Andy Anderson, of Forwardair, Haniff Yusuff of Expolanka, Charles Wijesundara of DART express, Riyaz Farook of Heckny are all into freight forwarding and Prem of Univogue garments, who has three factories in the Chittagong FTZ, Janak and Anil Hidramani of Hidramani who own three factories

based in Chittagong again, and Bob Kundanmal of Kundanmals are all engaged in the Garments business. The list is not exhaustive. Bernie Anderson and Harsha Caldera are looking at possibilities of opening up a Montessori school in Bangladesh. We are not just after money. We want to do something as a service for the country what is doing so much for us' says Caldera gratefully. Maliban Biscuit Manufactories Ltd., and Edna Group are two of the number of local business folks who have already visited Bangladesh with a view to setting-up business there. Sri Lanka Association of Bangladesh formed by Sri Lankans there is playing an active role in uniting the brethren there and helping the needy back home. With a lot of trade inquiries by Sri Lankan folks each day and more market liberalization to be effected in Bangladesh by the new government appointed, future looks very bright for those who dare. П