Global Journal of Management and Business Research: B
Economics and Commerce
Volume 18 Issue 6 Version 1.0 Year 2018
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals
Online ISSN: 2249-4588 & Print ISSN: 0975-5853

Chinese Outward Foreign Investment in Developing Countries: A Case Study of Bangladesh

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Abstract- This paper classifies the incentives preferred by the Chinese Outward foreign direct investment (OFDI) in Bangladesh. It is mentionable that incentives choice criterion of FDI mostly depends on the socio-economic condition of the host country, strategies followed by that country with the home country, geographical aspect etc. Elsewhere they try to take advantages from the host country because of them widen market share as well as one of the largest economy in the world. China working with Bangladesh for development FDI is the one initiative. A series of policy incentives, investment sovereignty has been offered to the FDI investors including tax holiday for several years, duty free facility for importing capital machinery, 100% foreign ownership, 100% profit repatriation facility, reinvestment of profit or dividend as FDI, multiple visa, work permit to foreign executives, permanent resident or even citizenship for investing a specific amount, and easy hassle free exit facility. Potential sectors of can attract more FDI are power generation, infrastructure development, private port establishment, joint venture, agro processed product, electrical & electronics, light engineering, and fashion designing etc. After so many incentives offered by the government till now FDI Inflow into Bangladesh is not at a satisfactory level. During last few years fresh FDI investment in not taking place. From the statistics of last few years it is quite clear that, reinvestment of locally earned profit is the major amount of FDI into Bangladesh. Fresh FDI inflow is decreasing day by day. Government has to investigate the issue and undertake necessary measures to increase fresh FDI into Bangladesh.

Keywords: china OFDI, bangladesh FDI, chinese investment in bangladesh.

GJMBR-B Classification: *JEL Code: O24, F21*

CHINESEOUTWARDFOREIGNINVESTMENTINDEVELOPINGCOUNTRIESACASESTUDYOFBANGLADESH

Strictly as per the compliance and regulations of:

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I. Introduction

Outward foreign direct investment (OFDI) is a new phenomenon for developing economy (Niti Bhaasin, 2015). A large number of studies have analyzed how inward foreign direct investment (FDI) contributes to economic development and growth in less industrially advanced countries (Crespo & Fontoura, 2007; De Mello, 1997; Fan, 2003; Ghauri & Yamin, 2009; Görg & Strobl, 2001; JBICI, 2002; Lim, 2001; Moran, Graham, & Blomström, 2005; Ozawa, 1992; Saggi, 2002). Outward foreign direct investment (OFDI), in turn, was thought of first and foremost as a consequence of economic development (Dunning & Narula, 1996). For globalization foreign direct investment (FDI.), a key factor. Job creation, technology transfer advancement, use natural resource FDI is an major stimulator as a result, FDI bust up economic growth. For foreign exchange, tax revenue, development gaps in developing and transition economies FDI playing a vital role (quazi, 2007; smith, 1997). Existing literature on the impact of institutional quality has described different ways in which institutions affect FDI Three important factors have increased the importance of the relationship between FDI And institutions. First, north (1990) highlights the importance of institutions in boosting investment and economic development. Second, with the strong growth in FDI. Inflows during the last two decades, transitioning and developed nations are interested in institutional reforms in order to attract more FDI Third, foreign investors are showing more interest in institutional quality when determining in which country to invest (bevan, estrin, & meyer, 2004).

China is investing billion dollars some specific sector like ports, power station and roads in OBOR countries, Sri Lanka, Bangladesh, Nepal and Pakistan to build trade and transport corridors across Asia and beyond. as well as Bangladesh in South Asia In particular, Bangladesh stands out as the sourcing hotspot in the industry by offering the advantages of both low costs and large capacity. Foreign direct investment is likely to take advantage least development like Bangladesh in number of ways (Fahmida Khatun, 2015). Outflows from China continued to grow, reaching a new record of $84 billion (World Investment Report 2013)[1]. This was the highest FDI receipt in its history (second highest: USD 1.08 billion in 2008) and Bangladesh ranked itself third amongst the South Asian countries in terms of FDI inflow. Bangladesh achieved a significant growth in inflow of foreign direct investment (FDI) in 2012, despite a major decline in global inflow of FDI, said the World Investment Report (WIR), 2012 of the United Nations Conference on Trade and Development (UNCTAD). According to the report, Bangladesh received FDI worth about US $1.292 billion last year (2012), the highest ever investment from overseas. The amount is 13.75 per cent more than that in the previous

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[1] World Investment Report 2013. http://unctad.org/en/Publications Library/wir2013_en.pdf

year. The country received $ 1.136 billion FDI in 2011 and $ 913.32 million in 2010.

II. Objectives of the Study

The main objective of this study is to remark the motives of Chinese firms to invest in Bangladesh.

The specific objectives of this study are:

- FDI status in Bangladesh
- Interest of China invest in Bangladesh.
- To outline the China's recent outward FDI in Bangladesh.
- To evaluate the status of incentives provided by Bangladesh to the Chinese firms.

III. Methodology of the Study

The study is descriptive in nature. In order to identify the motives for investing Chinese firms review the trends of FDI in Bangladesh, sector-wise trend of FDI inflows in Bangladesh by china, data required for the study are taken from different secondary sources i.e. World Investment Bank Report (WIR), Yearly Publications of UNCTAD, UNO, ESCAP, SANEI and Key Development Indicators and Yearly Publications of the Asian Development Bank (ADB). Relevant data are also collected from Annual Reports of Bangladesh Bank, Bangladesh Economic Review, and Published documents from Board of Investment (BOI), The Financial Express, The Daily Star, etc. newspapers, Intern Books are studied. The analysis of the report is supported by some theoretical arguments that enhance the overall findings and guide towards a reasonable recommendation.

IV. Literature Review

Foreign Direct Investment (FDI): China is the strong source of FDI, China has remained a key study for FDI (Frost, 2004). When Chinese SOE's showed outward FDI that TNC (Top12) control over USD 30 billion in foreign assets with over 20000 foreign employees and USD 33 billion in foreign sales UNCTAD (2002). Several of the researchers have highlighted the trend of China from a recipient country to a source country of FDI (Zhang, 2002; Wong and Chan, 2003; Vatikiotes 2004a, 2004b; Waide, 2004). Deng Xiaoping"s reforms and the performing of the China Foreign Joint Ventures Law of 1979 have positively steered towards changing China from a recipient country to a source country (Wu and Chen, 2001). The 1979 Act has helped to sweep old ideas over a decade for this changes and developments that loaded investment in both Inward and Outward FDI (Han, 2000). Wu and Chen (2001) has divided Chinese Outward Foreign Direct Investment into four stages from 1979 to 2001 (the date of enactment of the Law). 1079-83 is the first stage, Wu has recognized USD 50 million76 key projects in 23 countries and the focus of OFDI remained on maritime transport, finance and insurance, contracting and Chinese restaurant chains.

From 1984-85, in 40 countries 113 projects were passed owing to OFDI worth $140 million and the focus were on trade manufacturing, assembly and processing. In the period 1986-92, the main goal was prompt maximization compared to initial goods such as expansion, collaboration, building trade relations and influence. During the period a total of 1360 projects were relevant to OFDI worth $1.591 billion in 120 countries. Without giving the specific details on the number of projects in OFDI, Wu and Chen highlights that during 1993-2001, OFDI was affected by poor operational efficiency and tight control. Zhang (2002) has argued that Chinese outward FDI has been misquoted as the official figures are not appropriate. He argues that investment through private channels is not included in official data. Chinese OFDI in South East Asia is growing and looks set to be an increasingly important political and economic factor (Frost, 2004). Despite the data buzz, China's Outward FDI is relatively small, both flows and stocks, as compared to its own GDP or to the GDP of other developing countries (Morck, Yeung and Zhao, 2008). China's Outward FDI is generally characterized as acquisitions and not green field investments in neighboring Asian countries and resource rich parts of Africa. From economic perspective, China"s Outward FDI is unsurprising owing to economy's high domestic savings (Morck, Yeung and Zhao, 2008). Outward Chinese FDI follows exports as a later stage of China's internal economic development (Zhang and Roelfsema, 2014). Buckley et al (2007) has empirically studied the determinants of China's outward FDI by incorporating Chinese specific factors into the general FDI theory.

However, endogenety issue was ignored thereby having limited power to identify causality.

Chinese multinationals have established foreign subsidiaries to provide Chinese's exporters with local customer services, transportation and logistics, as well as credit and financial support (Zhan, 1995; Wu and Sia, 2002). It was also identified in line with commonality in ethnicity and culture that Chinese multinationals involved in OFDI increasingly accumulate and exploit international network resources (Yin and Choi, 2005). With the help of panel data on 75 countries over 12 years (1994-2005) it was concluded that with respect to China's outward FDI there was increasing market commitment, exploring international networks and seeking resources. These factors are responsible for growth in China's outward FDI (Zhang and Roelfsema, 2014). It was identified that there is still limited empirical research about Chinese outward FDI as it is a new phenomenon which have become a hot topic for less than ten years (Si, 2014). Ge and Ding with respect to Chinese FDI has argued that it is due to Chinese business environment that offers a favorable environment for the internalization (Si, 2014). The "GO

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Global" policy of China in 1999 favored and supervised the outward FDI (Si, 2014). The story of Chinese FDI is divided into four phases. Phase I (1978-1991) has been identified as the phase of standardization of the approval procedure. This was the phase in which China began to establish previously nonexistent regulation regarding outward FDI. Phase II was for the period 1992-1998 and in this period inward FDI remained more important than outward FDI in China and the government was over cautious about the approval of outward FDI. This phase was substantially affected by Asian crises. Phase III (1999-2005) was the advent of the era of "Go Global" policy which motivated outward FDI. This period was a period of boom and was substantially affected by the membership of China in WTO. Phase IV has been identified from 2006 till now and witness supervision and providing service for facilitation of OFDI. The important developments in favor of OFDI in China were namely "Regulation of the People's Republic of China on Foreign Exchange Administration" and certain Foreign control policies. China is developing a 750-acre industrial park in Bangladesh which will largely be used by Chinese manufacturing firms, a Chinese official said on Wednesday, part of its push to expand links with South Asia and beyond.[2]

V. FDI Status in Bangladesh

Bangladesh has attracted USD 2003 million foreign direct investments (FDI) in 2016 calendar year, a leap by +4 per cent. This upgrades the country's position to 114 from 119 out of 141 nations in the world investment report (wir). During this period the telecom sector received USD 2003 million FDI, the manufacturing sector received USD 539.28 million in investment from abroad, USD 396.05 million in the textile and clothing sector, while leather and leather products got USD 23.38 million. (Bangladesh Bank report 2017) the trend of inflow of FDI in Bangladesh has increased over the 1980s as compared to earlier periods and this same momentum continues in 1990s as well. The total inflow of FDI has been increasing over the years. During the period of 2006-2016, total inflows of FDI were USD 11,688.82 million, among which the total inflows of FDI during 2006-2010 was USD 4,214.08 million. In 1977, this inflow was USD 7 million and in 2008, annual FDI reached to USD 1086.31 million. Unfortunately, there was a declination in inflows of FDI in 2010 which was USD 779.04 million (Source: Survey report, statistics department, Bangladesh bank).

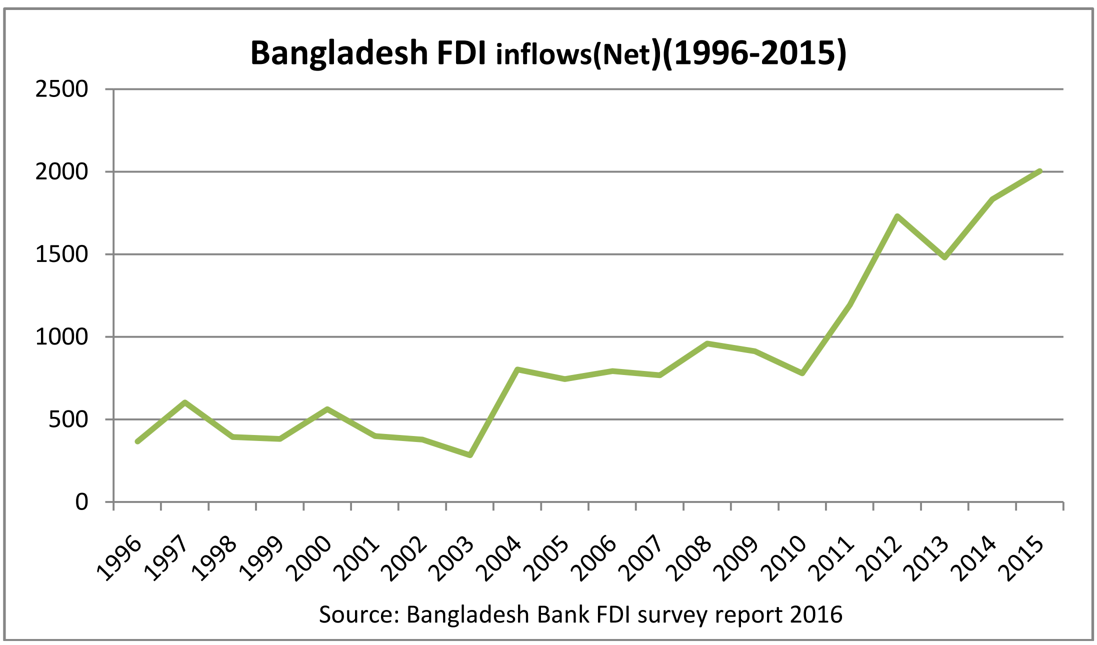
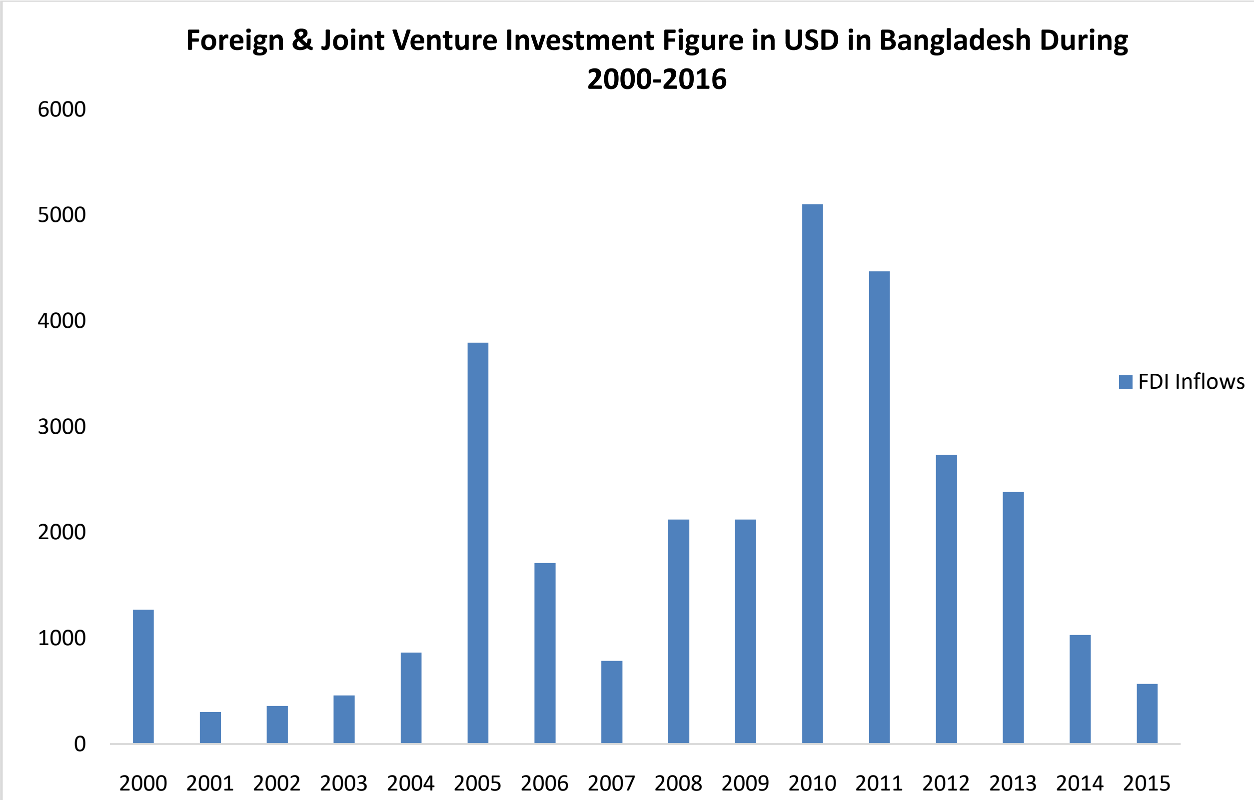


Figure 1

Shows an inconsistent proceeding of Foreign and inflows during the period. In 1998 there was a sudden decline in the and the falling trend continued for many reasons again in 2001, 2002 and 2003. The inflow was on the steady rise from 2004 to 2005. It rose to USD803.78 million in 2008 but slumped to us$ 960.59 in 2011 again increased to $1194.88 and 2015 it was 2003. 53. The above mentioned findings imply that FDI is a very important factor for the economic growth of Bangladesh. Author relates the findings in this paper to show if FDI inflow is rising in Bangladesh which is a positive sign for the foreign investors as well as the country itself.

[2] China to develop Bangladesh industrial zone as part of South Asia push, Hindustan times (2018). https://www.hindustantimes.com/world-news/china-to-develop-bangladesh-industrial-zone-as-part-of-south-asia-push/story-EJstVJcCGBzTSKfdhzWsCI.html



Source: Board of Investment Bangladesh

Figure 2

Inconsistent proceeding of Foreign and join venture investment inflows during the period. In 2000 there was a sudden decline in the FDI and the falling trend continued for many reasons again in 2001, 2002 and 2003. The FDI inflow was on the steady rise from 2003 to 2005. It rose to us$ 4000 million in 2008 but slumped to us$ 2123 in 2010 and again increased to $5104. The above mentioned findings imply that FDI is a very important factor for the economic growth of Bangladesh.

a) Interest of China invest in Bangladesh

Bangladesh has three key attractions for global investors and multinationals: (a) a large base of low-cost labor, (b) a large domestic market of 150 million people, (c) and nearly 3 billion people in the Asian region that it has market access to (AT Capital Research).

Bangladesh has required institutions to pursue foreign direct investments. The country does not make any distinctions between foreign and domestic investors neither in case of incentives on investment nor export and import policies. Bangladesh has the most organized investment regime in South Asia, with a Board of Investment that promotes and facilitates investment effectively. But so far the services sector has attracted the greatest investment followed by IT and engineering and manufacturing goods. (ADB Institute, 2006).

China have hulks in attracting FDI in this region. china being careful as favorite destination of global FDI because of their economic growth, larger market, some unique strength and huge potentiality. Bangladesh has to consider their competency and influence in designing her FDI related policy. Bangladesh has a large trade gap with China and India. Designing a better FDI policy to attract more FDI from those countries may help to reduce that gap. The strongest point is Bangladesh is OBOR country it's easy to attract china. Bangladesh has good world market in readymade garments also have bright opportunity in medicine sector, IT and others sector Bangladesh not only have low labor cost also have export market in USA, Europe and others country's but Bangladesh has to develop her in manifold ways to be a striking destination for FDI. Bangladesh Government has been working in this regard. Meanwhile Bangladesh can pursue for alternate ways to pursue more FDI. Although Bangladesh facing many obstacles in attracting FDI till then the volume of FDI is gradually increasing. Bangladesh government has taken many initiatives to make Bangladesh an attractive investment destination. Government is making investment friendly rules and regulations, beating corruption, mitigating political violence, forming better business forum, increasing campaign activities, and expanding co-operation to attract more FDI (Bodiozzaman, 2008).

b) Government Incentives

Avoidance of double taxation on the basis of bilateral agreements.

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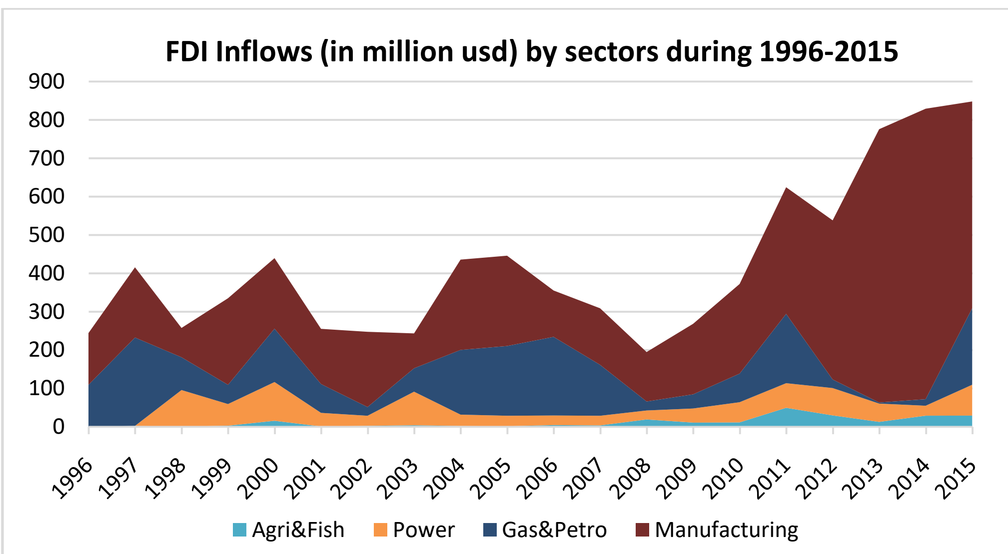
- ➢ Tax at reduced rate of 10% on capital gains from transfer of shares of public companies listed with stock exchange.
- ➢ Tax Holiday for 5/7 years is available to defined sectors of industry set up in defined regions and for 10 years to defined physical infrastructure facility at prescribed rates on fulfilment of certain conditions.
- ➢ Concessionary import of Capital Machinery Concessionary import duty (3% in general) and exemption from VAT and Supplementary Duty are available in case of import of capital machinery subject to certain conditions.
- ➢ Incentives to Private Sector Power Generation Private sector companies that will start commercial production by June 2013, will continue to enjoy tax holiday for 15 years from the date of commercial production. However, such companies that will start commercial production on or after 01 July 2013 will enjoy tax holiday @100% for the first 5 years. For the next 5 years they will enjoy tax holiday at specified lower rates. The income of foreign personnel working in these companies is exempt for 3 years from the date of their arrival.
- ➢ Special incentives to Oil and Gas Sectors in respect of petroleum operation undertaken by a contractor entering into production sharing contract (PSC) with the Government, Government holds and keeps the contractor harmless from all present and future Bangladesh taxes except where specifically provided to the contrary.
- ➢ Additional facilities in the Export Processing Zones. There are several additional benefits for industries set up in the Export Processing Zones. If these are set up on or after 01 January 2012, they would enjoy tax holiday for 5 years, 1st two years 100%, next two years 50% and the last year 25% (However, if these are set up in the three Hill Tract districts, 1st 3 years 100%, next 3 years 50% and the last year 25%), duty-free import of machinery, equipment and raw materials, off-shore banking facilities, freedom from customs formalities, provision of electricity, water, gas and telecommunication connections.

c) FDI Inflows by Sectors

Sector-wise analysis of FDI reveals the fact that a shift has been made by the foreign investors in their investment in bangladesh. The pie chart shows the trend of FDI towards power and energy, manufacturing and banking, whereas the neglected sectors were agricultural, services and trade and commerce.



Source: Bangladesh Bank FDI survey Report

Figure 3

The above data helps to see which sector has the highest foreign investments in Bangladesh. The findings support that FDI in RMG sector is vital regarding foreign investments in Bangladesh and the success in textiles through the ready-made garments (RMG) industry is a vital part of this investment. These findings helps to better know about the importance of foreign investment in the RMG sector in Bangladesh.

d) FDI Inflows by Countries

FDI inflows (net) from major countries for the fiscal year 2016-17 arranged in descending order of magnitude were: Singapore (US$ 701.40 million), United Kingdom (US$ 313.87 million), United States of America (US$ 208.71 million), Norway (US$ 187.41 million), South Korea (US$ 178.50 million), Hong Kong (US$ 111.70 million), India (US$ 95.41 million), Netherlands (US$ 90.04 million), China (US$ 68.58 million) and Thailand (US$ 58.69 million), which were 28.57%, 12.79%, 8.50%, 7.63%, 7.27%, 4.55%, 3.89%, 3.67%, 2.79% and 2.39% respectively towards the contribution of total FDI inflows (net).

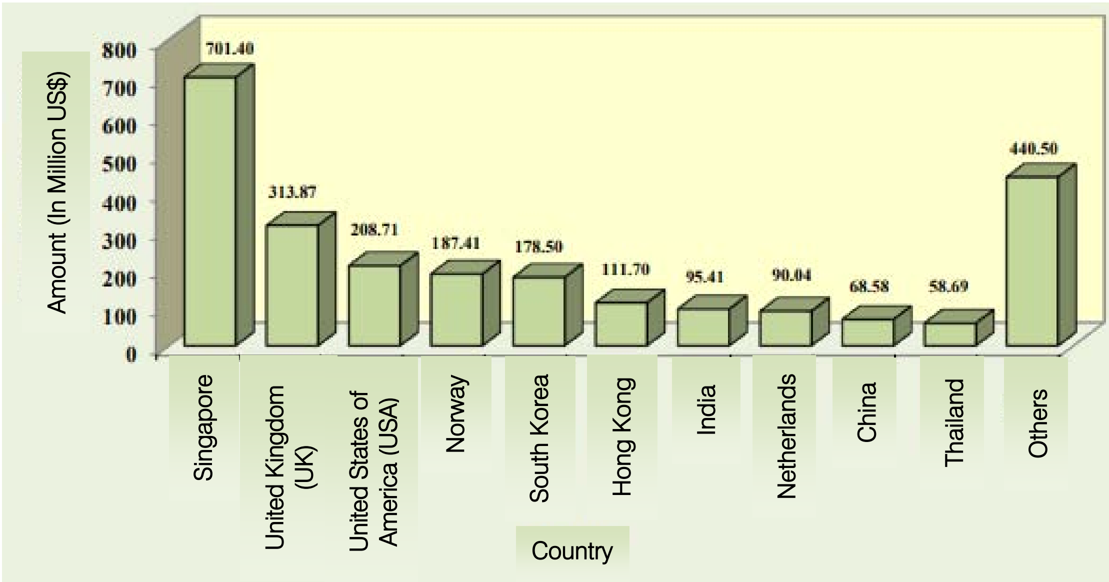


Figure 4: FDI Inflows (Net) by major countries during FY 2016 (in million USD)

e) Discussion for Investing China in Bangladesh

Now a days china is the largest economic countries in the world. In order to keep their regime, they try to boost their FDI all over the world, Bangladesh is geographically important to capture the market share over the India (mohammadrafiqul islam-2013). [3]most of Chinese firms invest different sector in Bangladesh specially to promote incentives offered by host countries. Now explain the attractive incentives offered by the Bangladesh to increase Chinese FDI.

f) Textile and Wearing Sector

The Chinese government to build infrastructure in the neighboring countries for relocating its export-oriented industries so that they can export those basic items to other countries with duty-free privilege. They shifting its industries from producing basic export items to more knowledge-based industries. Besides, the wage of Chinese labor has significantly risen in recent years compelling many Western buyers to procure items from other countries. With China fast losing its textile manufacturing competitiveness, executives are calling for a swift revision of tax rebate regulations before companies flock to other nations like Bangladesh. Textile companies are pressed by a rising renminbi and increased operating costs caused by soaring material prices and labor shortages. They have also been affected by other factors like restrictions to the electricity supply. This is for the first time China has received such a facility from the Bangladesh government where Chinese investors will be able to set up industries, mainly manufacturing firms," Li told Reuters. Bangladesh also has other attractions as its.

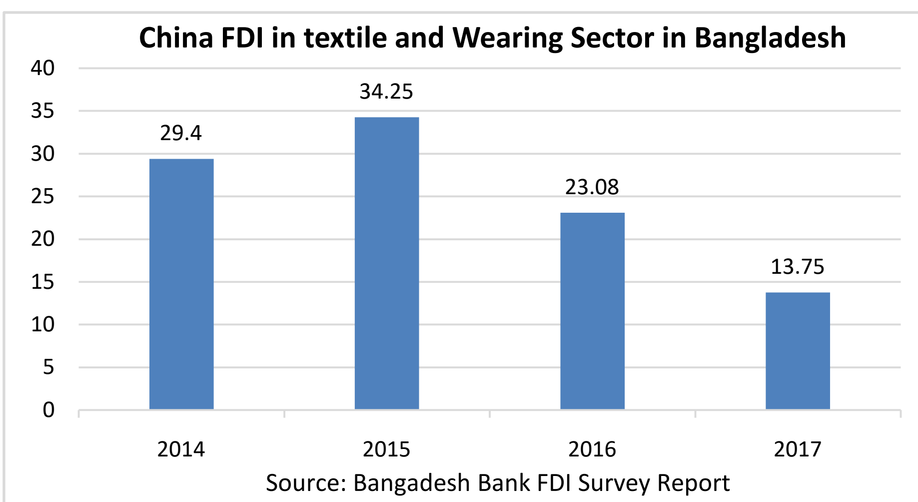


Figure 5

[3] Mohammad RafiqulIslam (2013), Motives for Chinese companies in Bangladesh and their outwards FDI. International Journal of Scientific and Research Publications, Volume 3, Issue 12, 1 ISSN 2250-3153

Government is slashing taxes to lure investors from abroad. Textile companies are exempt from taxes when shipping their products to member countries of the European Union and other areas Chinese the country is rapidly shifting from textile and apparel industries and focusing on third country source to meet the growing demands of apparels for their consumption. China is the leader of the global textile trade and its yearly export from the sector hit at $175 billion. The country (China) is shifting from the textile and clothing industry to high-tech and heavy industries because of rapidly growing cost of production resulted from enormous rise in worker's wage. “As they are shifting from the textile and apparel manufacturing, they have to procure apparels from third country to meet the growing demands of its large number of population the size of Chinese domestic apparel market stands at $350 billion out of $450 billion global market. "Bangladesh is the second largest apparel exporter after China and a mutual cooperation between Bangladesh and China could help grabbing the vast apparel market in China," Historically the Bangladesh RMG industry has depended largely on imported yarns and fabrics and produced only 10% of the export-quality cloth used by the garments industry. China textile OFDI in Bangladesh 2017 it was 13.75 million and 2015 it increased 34.25 but 2016 and 2017 it decreased. Bangladesh need for establishment of backward-linkage industry has become an immediate concern to the government and the exporters and there are enormous opportunities to set up a composite textiles industry combining textile, yarn and garments. Textile and wearing sector provide incentives for joint venture and Greenfield investment in Bangladesh government for china.

Enormous investment opportunities exist in this sector. In the RMG industry demand for fabric significantly exceeds local supply and so is currently being met by imports. Backward linkage is a significant trading opportunity and is supported by a government backed incentive: 15% cash subsidy of the fabric cost to exporters sourcing fabrics locally.

Additionally the government has created a highly favorable policy framework for investment in these sectors offering investors the following choices.

- Establishment of new textile/RMG mill in the private sector.
- Joint ventures with the existing textile/RMG mill.
- Acquisition of public sector textile mills that are being privatized.
- Indirect investment through financial services and/or leasing.
- The most beneficial public policy of introducing back to back LC* and bonded warehouse facilities provide a tremendous impetus to the export scenario in Bangladesh.

Agro-Based Industry: Being an agricultural economy, agriculture has dominated in the economy for years. For setting up successful agro-based industries preconditions of access to input and raw materials. A year-round frost-free environment, alluvial soil, sufficient water supply and abundance of low cost labor are available in Bangladesh. Now Bangladesh can cultivation of vegetables, spices and tropical and could meet up raw materials supply to local agro processing industries also able to fulfill domestic demand and export in international market.

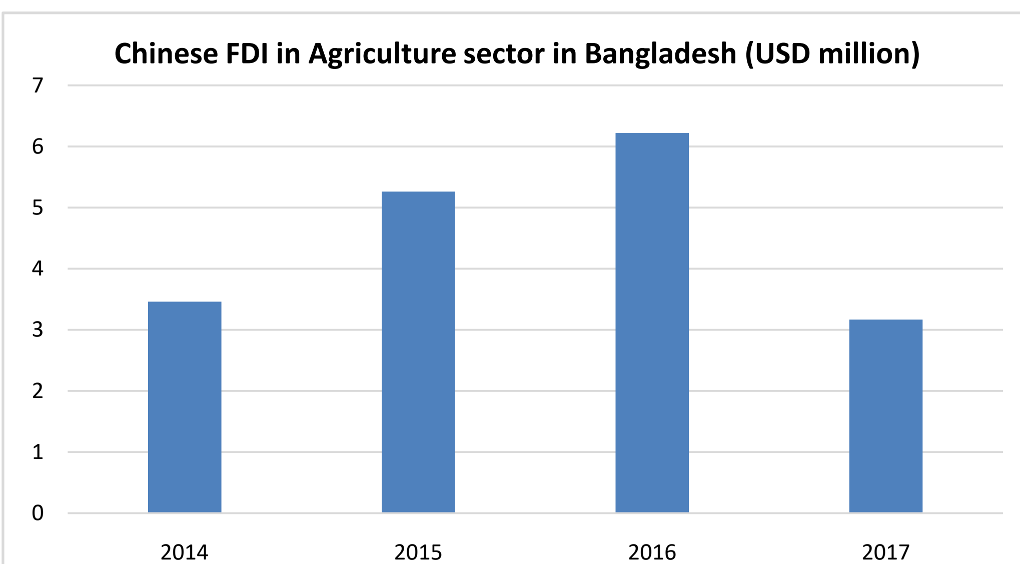


Figure 6

Sylhet shahjalal fertilizer is one of big fertilizer factory in Bangladesh. China would contribute usd 486 million in this fertilizer factory, it’s two-thirds of the total construction cost of a fertilizer factory in sylhet, and which will be to the increase usd659 million. After India this will be second largest foreign invest in Bangladesh.

The shahjalal fertilizer factory, once completed, it will produce about 580,800 tons of urea annually and around 330,000 tons of ammonia. Bangladesh imports 1.6 million tons of urea annually from international market. Bangladesh economy is mainly dependent on agriculture. Around 84% of the total population lives in rural areas and they are directly or indirectly involved in a wide range of agricultural activities. Agriculture contributes about 20.29 to the country's gdp-23%. In agriculture sector about 43.6% labor employed and about 57% being employed in the crop sector.

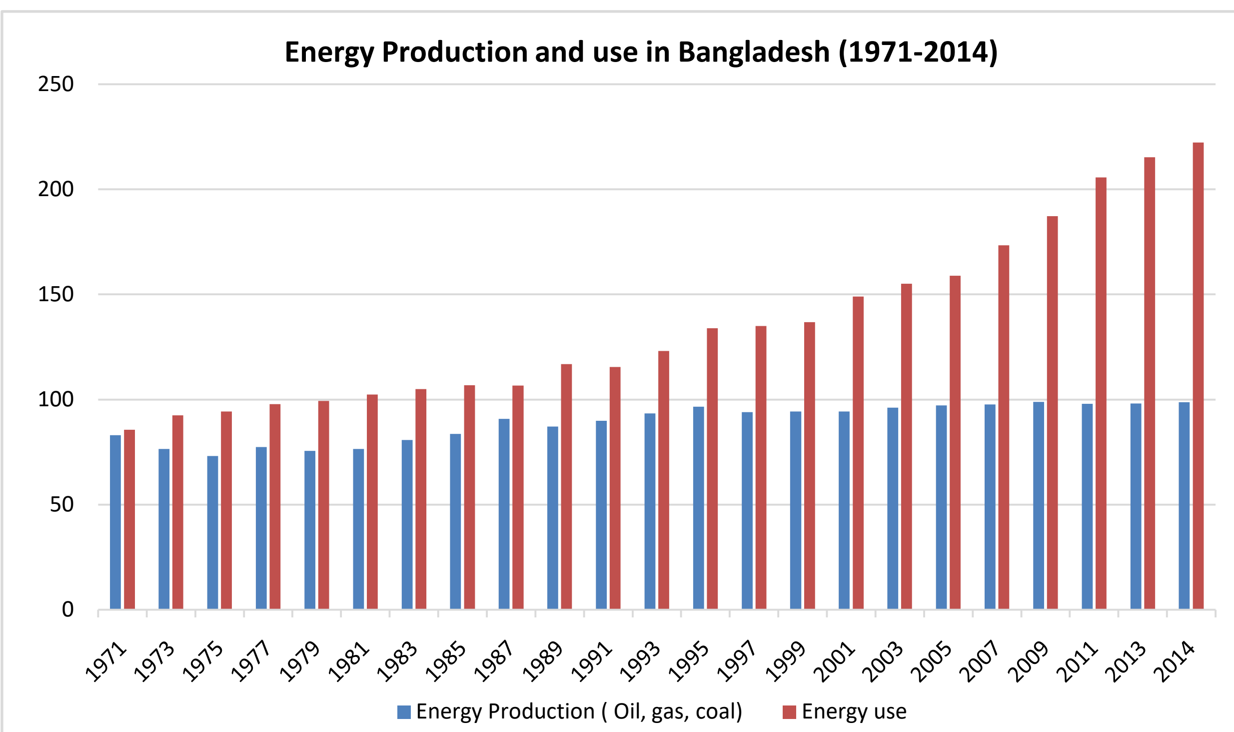
Bangladesh have the abundance of natural resources and supports highly profitable opportunities investment in agribusiness. More than 90 varieties of vegetable are grown in Bangladesh, yet in this fertile land there is underutilization of the country's agricultural capacity. This presents many opportunities for investors seeking to export agricultural products, or to meet the rapidly growing local demand. Thriving in this sector are canned juices, fruits, vegetables, dairy and poultry. The country offers: huge supply of raw materials exist for the agribusiness industry. A tropical climate for all year growing, a lot of fresh water, indeed a land interspersed with numerous rivers, available land with fertile soil. Government and NGOs conduct regular training programs to develop skilled manpower in the industry. Wide range of biodiversity exists for different crops. Agricultural commodities have a comparatively higher value added than non-agricultural commodities.

Agro-based industry provides incentives for joint venture and green field investment in Bangladesh government for china: investments in agribusiness industries in Bangladesh are encouraged with the following support measures:

- The equity entrepreneurship fund for development of agribusiness industry.
- Special loan facilities available to set up an agribusiness.
- Agribusiness industry enjoys tax holidays.
- Any investment in this sector will enjoy similar tax amnesty as available in other sectors.
- Imposition of supplementary duty on mango, orange, grape, apples, dates and others to utilize the high quality and cheaper local resources.
- Cash incentives to the exporter's ranges from 15% to 20% in various sub sectors.

g) Power Sector

Electricity is a key ingredient for the socio-economic development of the country. The government has given top priority to development of the sector considering its importance in the overall development of the country. The government has set the goal of providing electricity to all citizens by 2021. Adequate and reliable supply of electricity is an important pre-requisite for attracting both domestic and foreign investment. From 2001 Bangladesh energy use increases very fast, in 2009 energy production 4,942 and 2017 production was 23,561. In 2009 highest production 4,130 and 2017 it was 9,479. Electricity user in 2009 was 11 million 2017 was 22.5 million.



Source: WDI

Figure 7

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As the power sector is a capital-intensive industry, huge investments are required in order to generate addition to the capacity. Competing demands on the government resources and declining levels of external assistance from multilateral and bilateral donor agencies constrained the potential

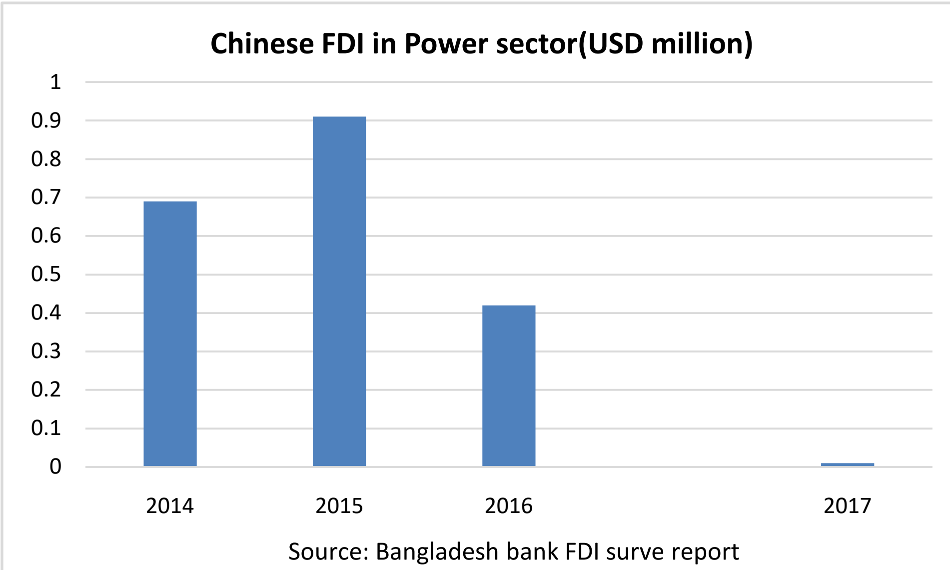

Figure 8

For public investment in the power sector. Recognizing these trends, the government of Bangladesh amended its industrial policies to enable private investment in the power sector.

The Power Cell, created under the Power Division of Ministry of Power, Energy and Mineral Resources, received the mandate to lead private power development. The government is strongly committed to attract private investment for installing new power generation capacity on build-own-operate basis.

China invest power sector in 2014 0.69 million 2015 it was 0.91 million and 2016 0.42 million 2017 it was down 0.01(Figer-8) for development power sector is the main thing.

Table 1

Number of Project	Project Name	Agreement Time	Production Capacity MW	Progress
1	Gurashal 365 MW CPC: CNTIC & CMC	2013	363	71%
2	Sirajganj 225 M:W (Unit-2) EPC: CMC	2013	220	77%
3	Sirajganj 225 M:W (Unit-3) EPC: CMC	2015	220	35%
4	Barapukuria 275 M:W (Unit-3) EPC:HEL-CCCE JV	2013	274	70%
5	Kaptai solar Power plant EPC: ZTE	2017	7	Primary Stage
6	Khulna dual fuel power plant EPC:HEL-ETERN JV	2016	336	Primary Stage
7	Gurashal (Unit-4) EPC: CEEG,GPEC,CHINA	2016	206	31%
8	Gurasgal (Unit-3) EPC: Alstom Switzerland Ltd & CMC, China	2016	206	25%
9	Payra power Plant 1200-1320 EPC: NEPC & CECC	2016	1320	20%
	Total		3152	

Source: Bangladesh system planning corporation 2017

Power sector provide incentives for joint venture and Greenfield investment in Bangladesh government for China, China power company invest in Bangladesh (Table-1) 9 big project in power sector it's total 3152 MW.

There are number of facilities and incentives would be provided to the foreign investors. Some of them as follows:

- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.
- Tax exemption on interest on foreign loans. Tax exemption on capital gains from transfer of shares by the investing company.
- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax for up to three years for the expatriate personnel employed under the approved industry.
- Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- No restrictions on issuance of work permits to project related foreign nationals and employees.
- Facilities for repatriation of invested capital, profits and dividends.

h) Leather Sector

The performance of China's leather and footwear Industries maintained a growth trend in previous year. The sales revenue generated by leather, fur, finished products and footwear companies was RMB1.37 trillion, increasing by 3.08% from the previous year. The imports of leather and footwear industry reached USD9.8 billion, increasing by 10.7% from the previous year, in which footwear contributed 5.49% to the growth of imports, followed by handbags with 4.51%.[4]

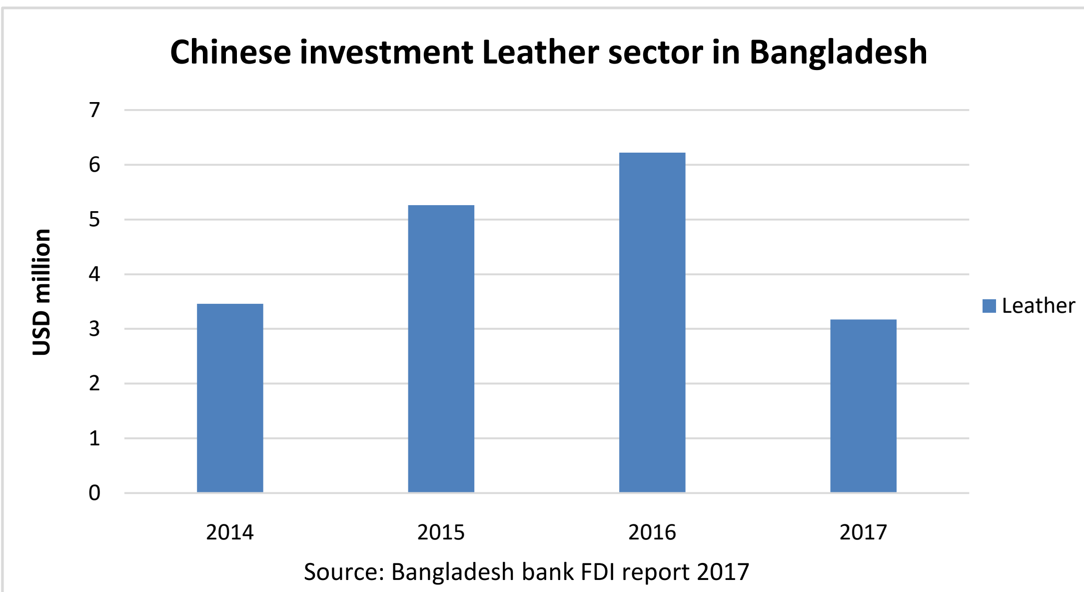

Figure 9

Foreign direct investment in this sector along with the production of tanning chemicals appears to be highly rewarding due to this presence of basic raw materials for leather goods including shoes, a large pool of low cost, trainable labor, and a tariff concession facility to major importing countries under Generalized System of Preferences (GSP) coverage. Thus Bangladesh is an ideal offshore location for leather and leather products manufacturing with low cost but high quality. Exports include some ready-made garments, although that aspect is confined mainly to a small export trade in "Italian-make" garments for the US market. Bangladesh Industry wise export leather 0.9 billion, 3.4 from total export. In 2015-16. Among them USD354.02 million is from exporting footwear, USD286.14 million is from exporting Leather products & USD211.17 million is from exporting Raw Leather Footwear is more important in terms of value addition[5]. This is the fast growing sector for leather products. China also interest invest in Bangladesh market, in 2016 china invest more than 6 million (Figer-9). But in this sector Chinese investment is not strong.

i) Major challenges to attract FDI into Bangladesh

In 2013 FDI in Bangladesh USD 1599.16 and 2014 it was USD 1526.70 million Bangladesh lost 4.78 % FDI in this two years (world investment report 2015). Following challenges comes up to attract FDI into Bangladesh:

[4] Economic status of China's Leather and footwear Industry in 2017. http://www.acle.aplf.com/en-us/Press/Fair-News/Report-on-2017-Chinas-Leather-Footwear-Industry-and-ACLE2018-Forecasts-by-CLIA

[5] Leather Industry of Bangladesh: A new hope for export diversification. http://emergingrating.com/wp-content/uploads/2016/09/Leathe-Industry-in-Bangladesh.pdf

1. Limited capacity to supply adequate electricity and gas to industries.
2. Absence of efficient physical infrastructure.
3. Bureaucratic complexity to get registered or permission.
4. Absence of investment promoting agency.
5. Lack of professionals and sector specific trained man power.
6. Poor imposition of IP (Intellectual Property) law.
7. Lack of project specific proposals in hand to attract international investment.
8. Non-cooperation from relevant government agencies like, the Board of Investment, Police, National Board of Revenue, Environment Authority etc.
9. Political unrest and blockades.
10. Absence of standardization/quality infrastructure in home.
11. Absence of technology infrastructure.
12. Corruption.
13. Differential treatment with the change of government.
14. Lack of administrative coordination among different government bodies.
15. Delay to get services from support organizations.

j) Investment in export processing Zones(EPZs)

EPZs have been created to provide complete infrastructural facilities including communication and utility connection where potential investors would find a congenial investment climate, free from cumbersome procedures. The Bangladesh Private Export Processing Act allows establishment in private EPZs entirely through foreign investment or through joint ventures or local initiative. Followings are the eight EPZs of Bangladesh which are in operation now under BEPZA:

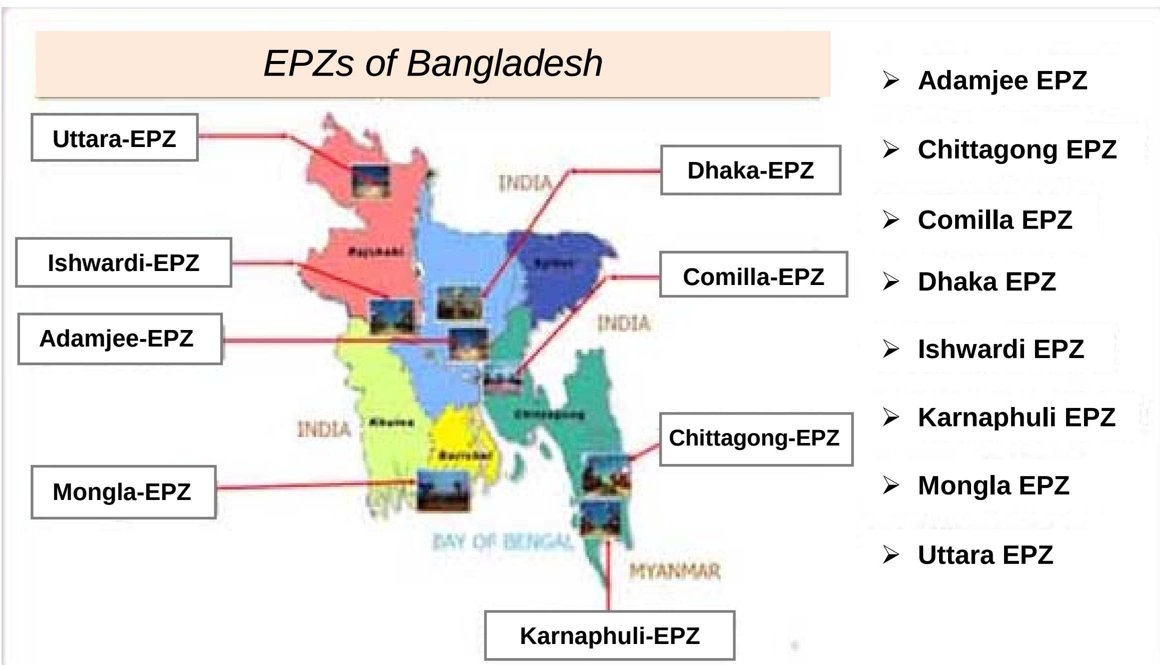

Figure 10

In 2014, these eight EPZ has exported about \$42,930.35 million valued goods to abroad and also employed 405,166 people in these zones. Industries in the EPZs can enjoy financial incentive i.e. tax holiday, Duty free Export & Import, Exemption from Dividend tax, GSP facility, Duty & Quota free access to EU (EBA), Canada, Norway and Australia including non financial incentive like permission for 100% foreign ownership, MFN (Most Favored Nation), No Ceiling on foreign investment, full repatriation of Capital & Dividend, citizenship or resident ship based on the total value of investment and some other facilities which are not enjoyed by industries outside of EPZs.

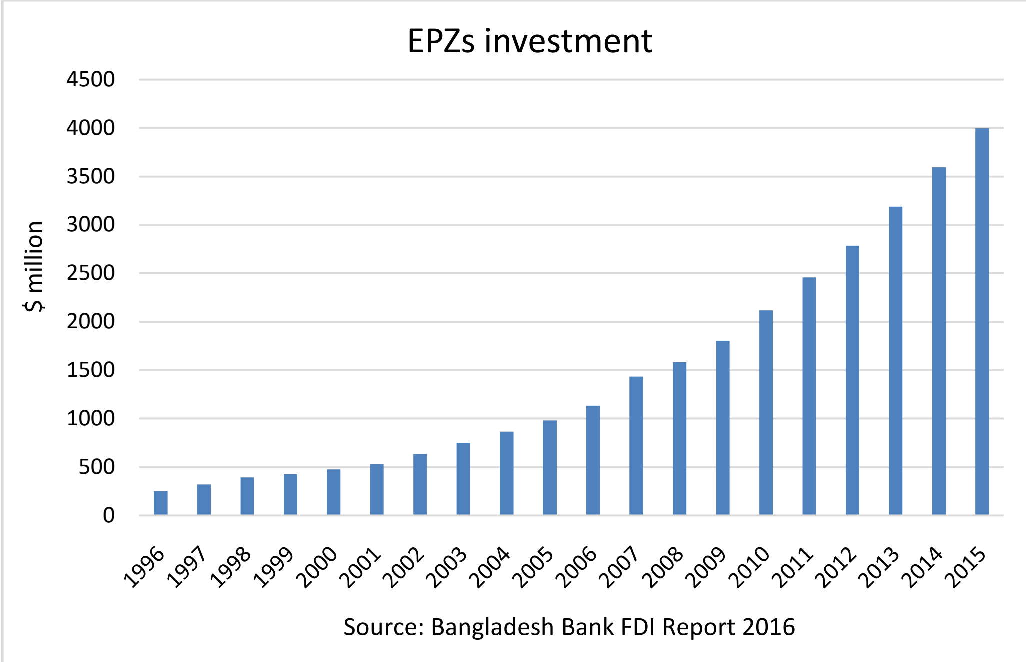

Figure 11

During the past 25 years, the total investment in BEPZA has amounted to US$1611.17m and export US$18,914.74m. During the last 10 years BEPZA's annual average contribution to national export stands at 17.23%. The World Bank has ranked Bangladesh 20th out of 187 Countries for protecting the investors in The South Asian Region. Source: (Doing Business 2010). Export Diversification and Role of Export Processing Zones.

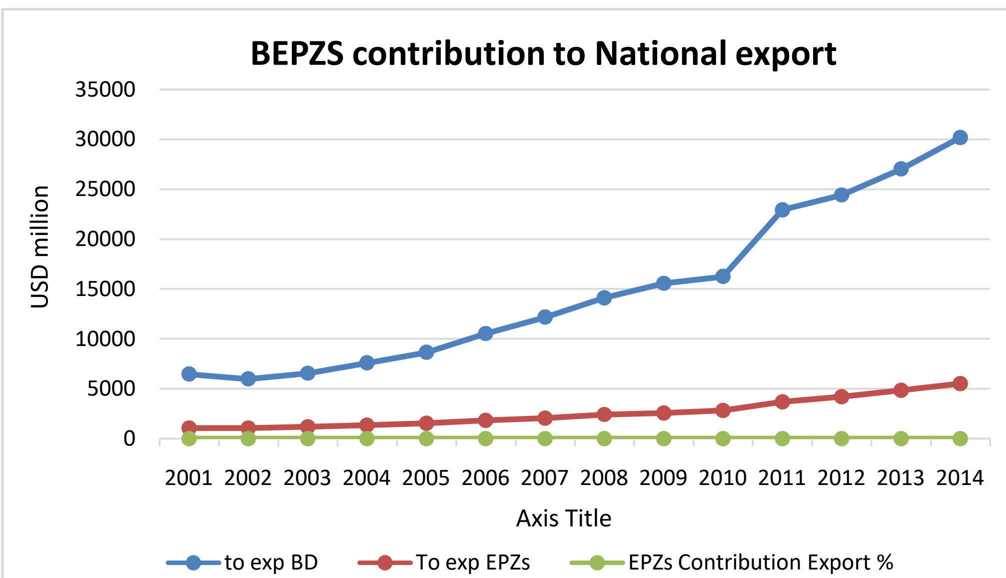

Figure 12

Bangladesh has achieved phenomenal export success through the EPZs. In the total foreign exchange earnings of the country through exports, the share of EPZs increased from a microscopic low of 0.02% in 1983-84 to a spectacular high of 31% in 2010-11. The share of EPZs in the foreign exchange earnings through the exports of manufactured goods also shows the same trend over the corresponding period reflecting fast decline in the relative share of the DTA in both total exports and the exports of manufactured goods and the resulting foreign exchange earnings of the country. Annual trend rate of growth of export earnings of the EPZs has been more than six times higher than that of total national export earnings and more than four times higher than that of total national export earnings from manufactured goods. It means that export performance of the EPZs is much more impressive than that of the country as a whole. The enterprises of EPZs have exported goods worth of US$ 25434.89 million up to June, 2011 and it was US$ 10003.62 million till June 2005. During the last 5 years the export volume increased to about US$ 15431.27 million. This shows an increase of 154.26%. BEPZA reports that EPZ contributes 17.23% of total national export during the last four years.

Table 1: China investment in EPZs (2016)

EPZ	Sector	Investment (USD Million)
Comilla EPZ	Textile and footwear	120,744.61
Uttara EPZ	Garment acces, jute, footwear	19357.62
Mongla EPZ	Jute, footwear	6976.18
Total		**147,078.41**

Source: BEPZA annual report 2016

Chine enterprise 94, investment 147,078.41, Employment 110 thousand are working in 2017[6]. China has proposed a special economic zone (SEZ) for their industries, Bangladesh government now start working for two special economic zone (SEZ) in Chittagong[7].

VI. Conclusion

Government has to be proactive for creating and maintaining an FDI friendly business environment in Bangladesh. To get satisfactory amount of FDI, Bangladesh has to complete its home work like identifying potential sectors, preparing specific project proposal, approaching potential FD Investor companies etc. Dedicated agency is needed to promote investment instead of regulator of investment. Bangladesh has to increase the amount of FDI attraction at any cost. Otherwise, it would be tough to achieve and maintain a double digit GDP growth. Without achieving double digit growth rate we cannot meet vision 2021 in time. Currently the figure of FDI investment is manipulated with reinvestment of locally earned profit. If we drop the locally earned profit amount as FDI then the figure during last few years is very dissatisfactory. So this is the pick time to concentrate upon it and start new drives for increasing FDI inflow into Bangladesh.

Science China doing foreign direct investment in all over the world so, Bangladesh always welcome china for foreign direct investment and play the positive impact in the host economy That's why Bangladesh diversify its export baskets and remove its structural problems in order to get more access to a very diversified and competitive Chinese market. Bangladesh's manufacturing sector is the strongest sector which has no competitors so china can come to invest, also can invest in power sector because Bangladesh needs improve this sector. With the chinese economy evolving and its market moving towards high-end products, China could move out from the labor intensive areas at the lower end of manufacturer sectors and effectively relocate in Bangladesh. Bangladesh is OBOR country this provides chances for Chinese companies to expand their investment in Bangladesh with a hope of enhancing sustainable development between two countries.

In future, the prospect of the Bangladesh economy would be affirmative if initiatives can be taken to consolidate the proposed reforms. Recently Bangladesh has taken steps to simplify 25 various processes to encourage increased FDI. The government, total financial sector and foreign investors must work together to achieve the goal of making Bangladesh a progressive economy by the end of this decade.

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