

EE 459: Case Analysis I

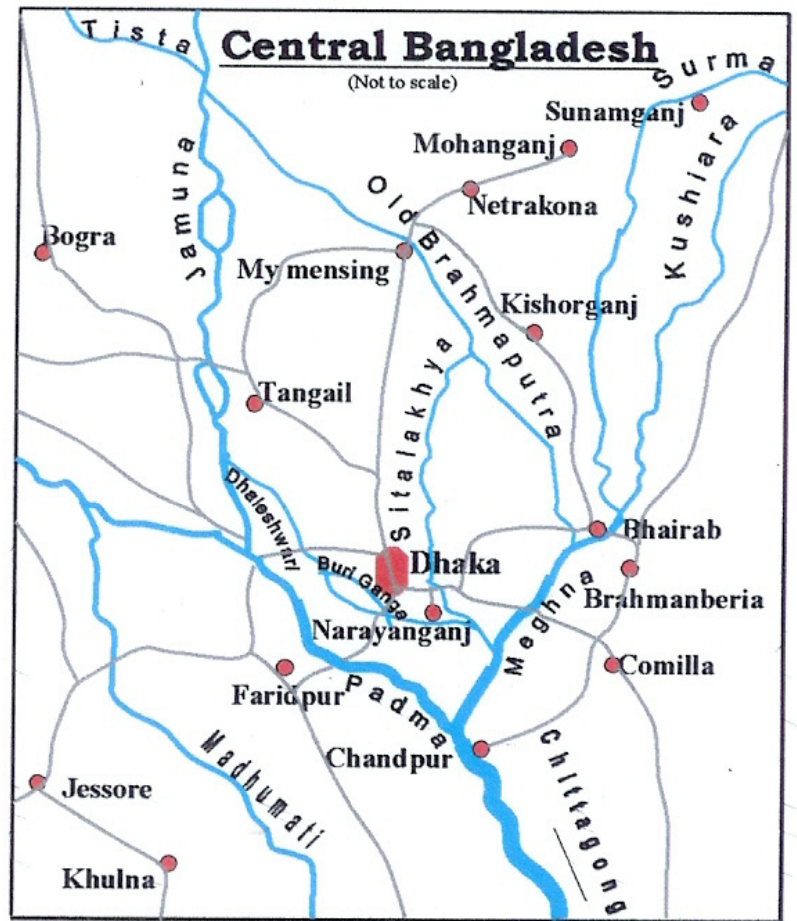
Strategic Planning for
the Industrial Park in
Dhaka, Bangladesh

Export Processing Zones



Background

- In the past three decades, Bangladesh has made wide use of Export Processing Zones (EPZs) as a tool for economic growth and job creation.
- Industrial estates have also been established in most of the 64 districts of Bangladesh, and the Government of Bangladesh (GoB) is also contemplating paving the way for a variety of other kinds of economic zones in the country.
- The zones have proven to be effective tools in setting aside and allocating land for industrial use and in creating jobs.
- With a view to reaping the benefits of an economic zone, the Board of Investment (BOI), which was assigned responsibility for the study of [new EPZ in Dhaka](#), is convinced that the feasibility study could be enriched by [bringing in international experts](#) to develop the study [exploring targeted industries](#).



Source: <http://en.wikipedia.org/wiki/Dhaka>

Dhaka

- Dhaka is **the capital of Bangladesh**. Located on the east banks of the Buriganga River in the heart of the Bengal delta, Dhaka has an estimated population of **more than 15 million people**, making it the largest city in Bangladesh and the **8th largest city in the world**.
- It is known as the City of Mosques, and with 400,000 cycle-rickshaws running on its streets every day, the city is described as the Rickshaw Capital of the World.
- Dhaka is also one of the **world's most densely populated cities**
- Half the workforce is employed in household and unorganised labour, while about 800,000 work in the textile industry. **Even so, under-employment remains high.**
- The annual per capita income of Dhaka is estimated at \$1,350(USD), with **34% of households living below the poverty line**, most **surviving on less than \$5 a day**.

Economy: Overview

Economy - overview:

In real terms Bangladesh's economy has grown 5.8% per year since 1996 despite political instability, poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms. Bangladesh remains a poor, overpopulated, and inefficiently-governed nation. Although more than half of GDP is generated through the service sector, 45% of Bangladeshis are employed in the agriculture sector with rice as the single-most-important product. Bangladesh's growth was resilient during the 2008-09 global financial crisis and recession. Garment exports, totaling \$12.3 billion in FY09 and remittances from overseas Bangladeshis, totaling \$11 billion in FY10, accounted for almost 12% of GDP.

GDP - real growth rate:

- 6.1% (2012 est.)

GDP - per capita (PPP):

- \$2,000 (2012 est.)

Gross national saving:

- 27% of GDP (2012 est.)

GDP - composition, by end use: (2012 est.)

- **household consumption:** 75%
- **government consumption:** 5.7%
- **investment in fixed capital:** 25.4%
- **investment in inventories:** 4.3%
- **exports of goods and services:** 25%
- **imports of goods and services:** -35.3%

Economy: Overview

GDP - composition, by sector of origin:

- **agriculture:** 17.7%
- **industry:** 28.5%
- **services:** 53.9% (2012 est.)

Agriculture - products:

- rice, jute, tea, wheat, sugarcane, potatoes, tobacco, pulses, oilseeds, spices, fruit; beef, milk, poultry

Industries:

- jute, cotton, garments, paper, leather, fertilizer, iron and steel, cement, petroleum products, tobacco, drugs and pharmaceuticals, ceramics, tea, salt, sugar, edible oils, soap and detergent, fabricated metal products, electricity and natural gas

Industrial production growth rate:

- 8.9% (2012 est.)
- **note:** extensive export of labor to Saudi Arabia, Kuwait, UAE, Oman, Qatar, and Malaysia; workers' remittances were \$10.9 billion in FY09/10 (2012 est.)

Labor force - by occupation:

- **agriculture:** 45%
- **industry:** 30%
- **services:** 25% (2008)

Unemployment rate:

- 5% (2012 est.)
- **note:** about 40% of the population is underemployed; many participants in the labor force work only a few hours a week, at low wages

Population below poverty line:

- 31.5% (2010 est.)

Household income or consumption by percentage share:

- **lowest 10%:** 4%
- **highest 10%:** 27% (2010 est.)

Distribution of family income - Gini index:

- 33.2 (2005)

The Site of EPZ

The Site

- The Economic Zone site is situated 5 kilometers south of Dhaka
- The total area of the site is 389 hectares (961 acres) and these lands are comprised of lowlands, wetlands, and gently rolling hills, as well as a lake and four rivers.

The **advantages of the site's location:**

- It is located near an existing urban area, on the outskirts of Dhaka
- It has direct highway access to roads leading to India and Chittagong;
- It is in close proximity to a railroad corridor that leads to Chittagong, which could be connected to the economic zone through a spur;
- The land is occupied by approximately 30 families, which means that there are few resettlement issues;
- It is adjacent a new residential/commercial community, which will provide an international level of living to potential investors and their senior staff.

The **disadvantages of the location:**

- The government will have to acquire 90 percent of the land, which may mean delays in beginning the project;
- The land contains 4 rivers and a lake, which may present major master planning, infrastructure and environmental challenges as well as increase the cost of development significantly;
- The mix of lowlands and wetlands on the site will mean that the land will have to be filled (15-20 feet)—possibly using sand dredged from the adjacent river—and may take up to two years to settle;
- The proximity to the urban area of Dhaka may be a liability as the city grows and encroaches on the site;
- Most of the farm workers are women, which may mean an unbalanced impact of the project on women.

Research Questions

- Q1.** What are the categories of exported products of Bangladesh for its US, EU and Asian markets?
- Q2.** What would be the targeted industries to be located in the Dhaka's EPZ and their priorities? (formulating your planning recommendations based on Global IO Table and ITC's trade map)