



12:00 AM, March 10, 2021 / LAST MODIFIED: 05:15 AM, March 10, 2021

# Time to invest in Bangladesh as economy is set to grow faster

*Says Enamul Huque, StanChart's country head for corporate, commercial and institutional banking, in an interview*



Enamul Huque

## **Md Fazlur Rahman**

Bangladesh has a golden opportunity to strengthen its economic ties with neighbouring countries and forge greater integration with regional and sub-regional blocs to boost exports and accelerate economic growth, according to a top banker.

"While Bangladesh's achievements so far are no doubt commendable, there always remains potential to do more," said Enamul Huque, country head of corporate, commercial and institutional banking at Standard Chartered Bangladesh.

Analysis suggests that Bangladesh can leverage only around 40 per cent of its trade potential with its South Asian neighbours, the banker said.

"Building sustainable and mutually-beneficial bridges with our neighbouring countries is essential if we are to achieve our aspirations," he told The Daily Star in an interview recently.

Greater integration with regional and sub-regional blocs such as the South Asian Association for Regional Cooperation, the Association of Southeast Asian Nations, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) will help accelerate the access of Bangladeshi products into their markets and facilitate regional cooperation on a new level, he said.

In order to realise the full potential of regional trade and investment, Bangladesh has been prioritising infrastructure development since the fiscal year of 2011-2012 and has increased infrastructure investment significantly. A number of mega projects have been undertaken to aid trade and investment.

"The government has done superbly in terms of addressing the country's infrastructural deficit with an aim to continually improve Bangladesh's competitiveness at the global level scale on a sustainable basis."

The completion of the Padma Bridge will create a host of new investment opportunities, said Huque.

Standard Chartered Bangladesh is facilitating trade and investment across key trade corridors. Its dedicated desks are serving China, Japan, and Korea corridors, respectively.

The bank organised a Japan Road Show for investors in Tokyo in 2018 and 2019 and a similar event aimed at Korean investors in 2019.

It arranged the China-Bangladesh Investment Summit in association with the Bangladesh Investment Development Authority (BIDA), the embassy of China in Dhaka, and Bangladesh's embassy in China in January. The virtual event showcased the potential of partnership opportunities between Bangladesh and China and highlighted emerging strategic imperatives in a shifting global landscape.

"The response to the event was great, with more than 400 delegates representing Chinese public and private sectors, policymakers, investors, along with prominent leaders from Bangladesh's private and public sector in attendance," Huque said.

Huque has been with the London-headquartered multinational lender since 2001. He served the bank mostly in Dhaka and had short stints in the UK and India.

He said Bangladesh and China have always enjoyed warm bilateral relations.

China is not only the largest trading partner but also one of the key infrastructure development partners of Bangladesh. Chinese FDI is steadily flowing into Bangladesh, with investments going into critical sectors such as power, infrastructure, textiles, and electronics.

There is heavy dependence on imports from China. However, exports are also growing.

Bangladesh's exports are concentrated largely in two markets: Europe and the US. But China could be a major export destination for Bangladesh.

As per China's National Bureau of Statistics, per capita expenditure on clothes is around 1,300 Chinese renminbi, which translates to aggregate consumption of about \$280 billion worth of apparel items.

Despite being the largest apparel exporter, China still relies on imports to meet almost 12 per cent of clothing demand.

"Hence, we can tap into the market through international buyers with a presence in China as we have duty-free access, and it could be a significant market for us," said Huque.

As Chinese firms seek new ports-of-calls to expand integration with global value chains, Bangladesh-China partnerships hold a unique promise. In order to fully leverage these opportunities, a close partnership between banks, investors and governments will be critical.

"The summit was our first step to establish the platform for this collaboration," said Huque, adding that StanChart is going to organise similar events for other target markets.

According to the banker, the economy has shown much resilience during the pandemic.

"Bangladesh has managed the pandemic extremely well. Our battle against Covid-19 once again showed the true mettle of the character of Bangladeshi people, businesses and the economy."

The government has ensured a faster rollout plan in terms of key protocols for managing Covid-19 issues. Despite the pandemic, agricultural production has been resilient, ensuring food security for a nation of 170 million.

Remittances have soared in recent months. The foreign exchange reserve has reached the highest level ever. Exports picked up towards the end of the year. Macro-economic fundamentals remained stable.

Huque pointed out the lack of diversification of the export basket, citing that the garment industry continues to remain as the key driver of export earnings.

The government is trying to diversify exports in areas such as pharmaceuticals. But none of the products has crossed the billion-dollar mark. "This is an important area for us to look at."

Deeper engagement of the private sector is needed to fund \$300 billion by 2030 for infrastructure development, said Huque, who studied marketing at the University of Dhaka and holds an MBA from Mt. Eliza Business School in Australia.

In addition to financing from multilateral and developmental financial institutions, other sources of funding need to be explored. Bonds could be a source of financing.

"In a sustained low-yield environment, infrastructure projects are an asset class with attractive long-term returns. Well-structured infrastructure assets can prove to be attractive for foreign investors and continue to drive Bangladesh's progress," Huque said.

As with all economies around the world, FDI has been fairly muted for Bangladesh.

But the banker thinks with companies looking to invest in diverse markets to build resilience and leverage available resources and prospects, Bangladesh has a unique window of opportunity to expand the FDI pool.

Standard Chartered recently interviewed more than 300 chief financial officers and senior finance executives at internationally active companies based in Europe and the Americas.

The survey found that global expansion remains a major driver of revenue growth, with companies looking to gain market share, optimise costs, increase access to untapped sources of skill and talent, and manage risks.

"Bangladesh has all this to offer and more," Huque said.

He said the BIDA had achieved laudable progress in the One-Stop Service, driving collaboration and automation across all relevant government bodies. Coordinated policy reforms are underway to attract more FDI.

"We are making our way steadily up the Ease of Doing Business Index and can expect to see further progress in the future."

BIDA is also taking the story of a rising Bangladesh to investors around the world. Bangladesh, as a destination, needs to be continually showcased to international investors, according to Huque.

StanChart is working with the BIDA to collaborate on accelerating the efforts to promote Bangladesh.

Policy consistency and tax clarity are important to attract foreign investors, according to Huque. The connectivity and land issues have to be sorted out as they pose challenges to investors.

The banker also touched upon the economic recovery from the pandemic, digitalisation in the financial industry and challenges facing the banking industry.

Economic activities have gone up significantly in recent months.

"Initially, we were concerned about the impact of the pandemic on our economy. I was in Sylhet on holiday recently. I saw the resilience of the economy buzzing with activity. The people were moving around and actively participating in moving the wheels of the economy. I think this is the story across the country."

The pandemic has pushed banks and their customers towards digitalisation in a faster way. The central bank has also come up with regulations to drive the digitalisation agenda forward in the last several months.

StanChart's internet banking platform has grown four times in terms of transactions.

"People's acceptability of digitalisation has gone up significantly as well. Clients understand how digitalisation can help them," Huque said.

"Going forward, the bank would be more focused on digitalisation and providing faster service to clients. Digitalisation will be the key enabler to support clients in the future."