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ENVIRONMENT OF FOREIGN DIRECT INVESTMENT IN BANGLADESH : AN EMPIRICAL ASSESSMENT

Abstract

In the face of the recent onslaught of globalization, attracting foreign direct investment (FDI) has been considered crucial for the development of underdeveloped economies. Governments around the world, especially of developing countries, are offering generous packages to the investors and pursuing vigorous diplomacy as a means to attract and host more FDI. However, from the investors' point of view, the most important input for investment decision is the overall environment of the host economy. The present study focuses on the state of business environment of Bangladesh as a host of foreign capital. The study covers 32 environmental factors grouped into three broader areas like economic, social/physical and political/government factors. Data were collected from 15 foreign firms operating in Chittagong Export Processing Zone. The study reveals that the investors have very positive attitude about the economic forces, while they maintain a bleak attitude about the political ones. The economic factors are tax and other incentives, cost of manager and operative workers, preferential trade arrangement with neighboring and developed countries, availability of qualified managers and unskilled workers, language and culture and labour productivity. The worst factors considered by the foreign investors are strike and demonstrations, corruption, law and order situation, bureaucracy and red tape.

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1.0 Introduction

Now-a-days, the issue of Foreign Direct Investment (FDI) has been receiving phenomenal attention of the firms as well as national governments. In the changed landscape of global economy, blessed with improved information and communication technology and liberal trade framework, foreign investment has been a necessary response of the firms to the market competition. Investment outside the country is no more the prerogative of giant multinational companies with billions of dollar capital. The medium and smaller sized companies with single national focus are now enthusiastically investing outside the country. The purpose is either to obtain economy of operations or to serve more markets.

On the other hand, the national governments, particularly developing countries now consider FDI as a conduit of capital, technology and management know-how. As a result, there is an obvious race among the nations to host investments from abroad. To this end, the governments around the world are found to offer incentive packages to the foreign investors and at the same time, actively trying to promote their countries as location of investment. The underlying reasons and necessary preconditions for FDI to take place have been addressed by a plethora of theory on this subject.

Theory of market imperfection (Hymer 1960), Behavioral theory (Ahanoni, 1966), Product Life Cycle theory (Vernon. 1966), Oligopolistic theory (Knickerbocker, 1973), Internalization theory (Coase, 1937, Alchian and Demstez 1972, Buckley and Casson 1988) and Eclectic theory (Dunning, 1980), all are scholarly attempts to describe and interpret the nature and motives of a firm's investment outside its country of origin. In line with the established theories on FDI, a firm has both push and pull factors that determine the flow and location of its investment. Push factors like, small size of home market, higher cost of production, shortage of resources etc.

lead a firm to go abroad while the pull factors like cheap labour, abundance of raw materials, market prospect etc. of host country attract the firms from other countries.

In this age of "location tournament" among the nations, the major challenge to the host countries is to ensure an attractive and conducive environment for foreign investment in the country. The climate for investment is determined by the interplay of the whole set of factors: economic, social, political and technological, that have a bearing on the operations of a business. The more favorable these factors to a firm's operation are, the more likely that the firm invests in that economy and gradually it will also create a bandwagon effect for others. Opposite are the consequences of unfavourable factors.

Being placed at the lower end of the least developed countries, Bangladesh has long been trying to improve its lot by industrialization. But, unfortunately it has been facing chronic insufficiency of capital, technology and managerial skills to materialize its dream. Therefore, the government of Bangladesh, especially since 1980, has turned to FDI as a vehicle to serve its economic goals. In this connection the government has put in place a generous programme of incentives to the investors. Attracting foreign investors and state promotion have been a part of foreign diplomacy. Consequently, it has been experiencing an upward trend in FDI inflow. (Azim 2000). However, by international standard, so far Bangladesh could attract only an insignificant amount of foreign capital. All these mean that Bangladesh could not prove it to be an attractive location of investment and that investors cannot have confidence in the investment climate of the country. Evidently, all the constituents of the climate are not possibly considered favorable by the investors. The gradual growth of FDI in the country, on one hand, indicates that some constituents of investment climate of the country proves to be favorable to the investors while, on the other hand, the sheer insignificant amount of FDI signals that the overall investment climate is yet to be improved to lure more foreign investors. Therefore, to win the race of hosting FDI, it is essential to know the state of major elements of a business environment and take necessary measures to improve it. The present study is an attempt in this regard. The main objectives of the study are to investigate, to a limited scale, into the state of business environment of Bangladesh as a host of foreign capital, and recommend measures for its improvement.

2.0 Data Source and Methodology

The study is based on primary data. Fifteen foreign firms operating in Chittagong Export Processing Zone (CEPZ) are taken as samples. It covered 32 environmental factors grouped into three broader areas like economic, social/physical and political/ government factors. The samples were served with a closed questionnaire. The questions were designed on a five point Likert scale with the points like very attractive, attractive, prospective, frustrating and very frustrating. The points are defined precisely to facilitate exact response. Very attractive is defined as the situation where no further improvement is needed. Attractive means that the situation is quite satisfactory but improvement is expected. Prospective is for the situation where the signs of prospects for improvement are on the sight. Frustrating indicates a situation where there is enough room for improvement, but it would take much time. Very frustrating is defined as a situation where there is no hope of improvement.

Each point on the scale had individual score from 5 (very attractive) to 1(very frustrating) in a descending fashion. So by multiplying individual score of a point and total number of factors studied, a range of score is calculated for the overall state of the environment. Thus a total of 0-32 (32x1) score indicates very frustrating 33-64 (32×2) frustrating, 65-96 (32×3) prospective, 97-128 (32×4) attractive and 129-160 (32×5) very attractive. The major limitation posed by this study is, that it covers the foreign firms operating only in EPZ, which is a privileged and insulated area for firms to operate. Many factors in the environment have a minimal or even no influence over the firms operating in EPZ. So the study does not altogether represent the true view of the foreign investors about the business environment of Bangladesh.

3.0 Environment for Foreign Investment: A Review of the Literature

"The business environment" is a broad and all-embracing term, which encompasses the totality of external environmental forces, which may influence any aspect of organizational activity. A business environment is said to be conducive, when it ensures firms to operate smoothly to materialize their primary objectives of making profit and safeguard their survival or growth. And this is an outcome of the collective influence of the constituents of the environment on the operation of a business.

The business environment of a country for foreign investment constitutes that part of the environment that, in one way or the other, influence the operation of a foreign firm to materialize its goals. A country having conducive environment for foreign firms, is likely to host more and more foreign investment. On the contrary, the firms were found to shy away from a country with unfavorable business environment. Before investing outside the home country, a firm considers various aspects of business environment of host countries and chooses to locate their investment in a country that promises to be the most conducive one. The theories of FDI have attempted partially to describe the major forces of a business environment that attract foreign firms to locate their investment. But most of these theories paid their attention on developed countries and concentrate primarily on economic forces. The case of developing countries was altogether ignored in those theories.

However, a number of inductive studies have been carried out to identify the forces, which were particularly relevant for developing countries. The environmental forces examined in such studies were very large and include economic as well social, cultural and political aspects. J.P. Agarwal (1980) gave an explanation of such a broader scope of studies when he stated, ".... the relatively slow movement of capital from rich to poor countries than that among the former is to be ascribed to the local non-economic factors, which may not be as hospitable to foreign capital in the third world as in the already developed countries of the western world".

The factors affecting investment decision in a particular location can be grouped into economic, social/physical and political/ governmental factors. In what follows, an outline of the factors under these categories is presented.

3.1 Economic Factors

The overall economic condition and business climate as well as various specific economic factors have a serious bearing as the determinant of FDI. According to Pfeffermann, Director IFC (1987), "Foreign investment follows a country's success, it rarely leads it." The causality, in other words, seems to go from successful domestic performance to foreign private investment. (Herman, 1991). Investment is driven by profit, and foreign investors will always prefer a country with a buoyant business sector (measured in terms of GDP growth rate, level of industrialization etc.) than one, where the outlook is, at best, sluggish. There is an element of hard mentality among the foreign investors that tends to create a band wagon effect in a particular country; Thailand and some other East Asian countries are the most recent examples of this. By contrast, Nepal, Bangladesh and many other slow growth third world economies, so far received very negligible amount of FDI constituting less than 1% of their gross domestic capital formation.

3.2 Social/Physical Factors

There are many socio-cultural and physical forces that have a bearing in attracting or restraining FDI. Such factors like degree of modernization of outlook, rate of literacy, size of the middle class, cultural affinity with the home country, topography, vulnerability to natural calamity etc. are said to have a significant influence on inflow of FDI.

Another crucial factor for attracting FDI is infrastructure. Foreign investors now spend as much time doing their homework on the capacity and efficiency of facilities outsides the factory gate as they do on the project itself. (Pfeffermann 1987). A profitable venture needs roads, bridges, ports, power, water, telecommunications and other facilities, that are reliable and efficient.

3.3 Political/Governmental Factors

Political risk measures the likelihood that political forces will cause drastic changes in a country's business environment that affects the profit and other goals of a particular business enterprise. (Robock, 1971). Investing in foreign countries, especially in politically more unstable developing world is always associated with political uncertainty and risk. Therefore, political factors like change of government, attitude of opposition group, transparency in bureaucracy, degree of nationalism, corruption, terrorism and so on, are seriously considered by the investors in pre-investment decision making.

Another issue related to attracting FDI is state promotion. The increasing competitive environment for foreign investment among developing countries has long been stimulating the idea, that they should compete for foreign investment in the same way that exporters must compete for market share. Consequently, the governments are actively putting in place various incentive packages as well as marketing programme. An incentive is considered as any government measure, designed to influence an investment decision, or having the effect of increasing the profit, accruing to the potential investment or altering the risks attached to it. (OECD 1989). Investment incentives include:

- Fiscal measures such as accelerated depreciation, preferential tax rates, tax exemptions and tax credits etc;
- Financial measures such as grants, preferential loan etc;
- Others, non-financial measures including certain infrastructure related assistance, new approval process-"one stop shop", establishment of exports processing zones etc.

In addition to incentives, governments have set up promotional programmes to market their countries' investment opportunities and incentive packages to prospective foreign investors. Based on objectives, techniques to promote foreign investment can be divided into three groups, such as (a) image-building: technique aimed at building or changing the image of a country, for example, adverting or general investment mission abroad; (b) investment-generating: techniques used to generate investment directly, for example, visits to prospective investors, and (c) servicing technique directed at existing and prospective investors, for example, assisting investment to obtain permits. Usually the governments are found to pursue a mix of all three types of techniques simultaneously.

On the contrary, many governments follow different restrictive measure that have a bearing on the inflow of FDI. While certain measures are clearly taken to limit or exclude investment in particular sector or activity, others are intended to ensure the achievement of particular goals or objectives. Such measures include local content requirements, export requirements, trade balancing requirements, product mandating requirements, technology transfer requirements, exchange and remittance restrictions and so on.

3.4 Previous Findings

In this section, the findings of a few surveys conducted on foreign direct investment in developing countries in different time periods are presented.

A number of companies investing in developing countries surveyed by Reuber *et al* (1973) were asked to identify which incentives were deemed so important that its absence would have caused abandonment of the projects, Nearly half of the respondents named "financial incentives" (tax holidays, duty remission, accelerated depreciation), 22% "protection of markets" and 26% "other incentives" (probably access to the infrastructure and various risk reducing guarantee scheme) with 4% indicating that "incentives are of no importance". Of the projects designed to serve the local market, "protection of market" was notably more relevant (56%), with "other incentives" (15%) and "financial incentives" (9%) relatively unimportant, while 20% of projects considered "incentives of no importance".

Kobrin's (1976) factor analysis of US manufacturing FDI in 48 developing countries concluded that size of a country's GDP and its population, growth of GNP per capita and the recipient county's share of US exports were both positively and significantly related to the investment. He also identified three types of "physical violence". Of these, only "conspiracy" (e.g. assassinations, coups, revolutions and general strike) was significantly negatively related to FDI. Agodo (1978) in an investigation of the investment of 33 US companies in 20 African countries, found that the lower cost of African labour, GDP growth rate, tax concession and protection through trade barriers did not have a significant stimulatory effect on FDI in Africa. However, he recorded that development planning by local government, political stability and size of GDP were positively related to FDI. Root and Ahmad (1979) analyzed 58 developing countries for the period of 1966-70 for determinants of non-extractive FDI, out of 16 economic variables looked at, four were of statistically significant (at 5% level): per capita GDP, GDP growth rate, economic integration and commerce-transport-communication (infrastructure). Out of six social variables only one, e.g., extent of urbanization, was found significant and among 16 political variables only regular (constitutional) executive transfer of government was found negatively correlated with inflow of FDI. However, their study suggests that foreign investors view political stability from a long term perspective and may not be easily impressed by recently established stability.

In a cross-country multivariate study, Lim (1983) tested the relationship between the "generosity of fiscal incentives" and FDI inflows in 27 developing countries between 1965 and 1973. The other variables included in the regression equation were a measure of natural resources strength, the level of economic development, and GDP growth. In the tests, the fiscal incentive variables were discovered as significantly negatively correlated with FDI. In offering an explanation for the unexpected result, the author suggested that "fiscal hyper-generosities was seen by potential foreign investors as a danger signal (a disincentive) and not as a lure (an incentive)," that is, it reflects the country's pessimistic view of its own location advantages.

Hollander (1984) in his study on foreign location decisions by US Transnational firms, did not find any significant positive correlation between factor endowment and tax structure of host countries and location decision of multinational companies.

However, impact of government policy variable was found significant only in the case of tariff. The hypothesis that tariffs encourage foreign location and reduces exports got support from this study.

In an analysis of FDI in 54 countries in the late 1970s, Schneider and Frey (1985) concluded that the most important economic determinants were real per capita GNP and the balance of payments deficit. The less important economic factors were the growth of GNP, inflation and wage costs. They also ascertained that political instability was persistently and significantly related to FDI. Though government ideology was never significantly related to FDI, the proportion of country's foreign aid coming from western sources was found to be significantly positive determinant and that from East European sources significantly negative, while the amount of multilateral aid was also significantly positive. In a cross-country study of UK MNE (Multinational Enterprise) activity, Papanastassiou and Pearce (1990) discovered that the market size and distance from UK (a proxy for transport cost) were positively related to FDI, while they could discern no significant relationship for real wage costs.

David and Mody (1991) looked at the international investment location decision of US firms in 1980s on the basis of Business International Corporation's country assessment factors. They found that the expected payoff from international "location tournaments", where governments compete for foreign investment with tax and other short term incentives depended on the balance, in investor thinking between agglomeration related benefits on the one side and some combination of risk and classical factors on the other. For developing countries, their result suggested the overriding importance of infrastructure development, stable international relations, rapid industrial growth and an expanding domestic market.

They concluded that those developing countries, which were already doing well in these categories, did not need location tournaments. Others were not likely to profit from them.

4.0 Specification of the Model

In line with the inductive studies on FDI in developing countries and the peculiarities of the Bangladesh economy, we identified 32 environmental factors that are more likely to influence operations of foreign firms in Bangladesh. The factors were grouped around three broader classifications: economic, social and physical and government and political.

4.1 Economic Factors

The study includes GDP growth rate, rate of inflation, level of industrialization, convertibility of taka, exchange rate of taka, cost of labor and cost of manager as the economic forces constituting business environment for foreign investors. Bangladesh has been enjoying a moderate rate of growth, on the average 5.6 % for last 5 years. The rate of inflation in the economy is reasonably low and averaged 5.5% annually in 1995-2000 (Bangladesh Economic Review, 2000). Level of industrialization in Bangladesh is yet to make a headway. Manufacturing value added as a whole contributed only 11.5 percent of GDP in 1999/2000. Now it employs around 12 percent of employed labor force only. Taka was made convertible for all current account transactions in March 1994. A policy of flexible exchange rate management following movements of an estimated real effective exchange rate (REER) had been in place, since the early 1980s to maintain external competitiveness. However, the system could not be maintained properly, particularly as aggressive devaluations were also undertaken by some Bangladesh's main trading competitors. Consequently, it was not uncommon to experience a series of small devaluation of taka at times. However, it helped boosting exports. As far as the cost of labor is concerned, Bangladesh offers the most competitive labour cost in the South Asian region.

4.2 Social and Physical Factors

The social and physical factors covered in the study are quality of infrastructure, modern banking facility, quality of local supplies, availability of semi skilled and unskilled workers, availability of qualified managers, level of worker's productivity, image of 'Made in Bangladesh", law and order situation, quality of education and training, quality of health care facilities, extent of natural disaster, general business morality, and language and culture.

The quality of infrastructure in Bangladesh is still less than satisfactory. It is characterized by erratic power supply, inadequate port facility, and unsound transportation and communication network. However, the government of Bangladesh has been putting emphasis on developing an industrialization-friendly infrastructure in the country. Along the public organizations, private firms are now permitted/allowed to operate in service sector, like power, port, telecommunication, health, education etc. So the quality and efficiency of these services are expected to enhance out of a healthy competition among the operators. With years of track records in exporting jute goods, ready made garments, pharmaceuticals, toiletries, leather goods, ceramic products etc. Bangladesh has earned an international reputation as a country of origin. The law and order situation in the country is rather unsatisfactory and simply not conducive to business. Culture of Bangladesh is very congenial and does not conflict with that of others. Being placed at the downstream, Bangladesh is a flood prone country and devastating floods take place almost regularly. Nearness of Bay of Bengal also exposes the country to cyclone. However, the government is gradually initiating measures to control floods and reduce the impact of natural disaster.

The banking sector in Bangladesh has made significant improvement in recent years. A number of private banks are now active in the economy. They have been challenging established banks, particularly public banks, by offering competitive interest rate and better customer service.

4.3 Political and Governmental Forces

The study covered a number of political and government forces, having influence on the operation of foreign firms. They are: frequency of government change, government's attitude of foreign investment, attitude of opposition parties toward foreign investment, strikes and demonstration, bureaucracy and red tape, corruption, tax incentives, other incentives to the foreign investors, relationship with neighbors, preferential trade arrangement with neighboring countries and preferential trade arrangement with developed countries.

Political climate in Bangladesh is always characterized by frequent changes of government, lack of mutual tolerance among political parties, strikes, demonstrations and overwhelming role of pressure groups in politics. However, with the installation of parliamentary democracy since 1991, one can expect of the development of democratic political culture in the country in future. Both the government and opposition parties maintain positive attitude towards foreign investment. The government offers a generous incentive package to the foreign investors. It includes tax holiday up to 10 years, duty free importation of capital machinery and spare parts for 100% export oriented industries, capital, profit and dividend repatriation facility, 100% foreign equity and what not.

The government of Bangladesh so far concluded bilateral trade agreement with 42 countries, bilateral agreement for avoidance of double taxation with 20 countries, and investment treaty with 16 countries (*The Independent*, 27/4/98).

Under the umbrella of SAPTA (South Asian Preferential Trade Arrangement), Bangladesh is trying to liberalize its trade regime with SAARC countries (South Asian Association for Regional Corporation). As a least developed country, it enjoys the GSP status (Generalized System of Preference) which allow duty free access to US, Europe and Japanese Markets. Bangladesh maintains good diplomatic relationship with neighboring countries.

5.0 Analysis of Findings

The study reveals that Bangladesh promises to be a highly prospective environment for foreign investment. The total score received is 91 – which falls at the upper end of the range (64-96) for a prospective location. It means the foreign investors in Bangladesh are not altogether satisfied with the various elements in business environment. However, as the things are moving, they are very much optimistic of improvement of the situation in near future.

The economic factors together scored an average of 3.11, which is slightly more than prospective (Score 3). It indicates that the investors are not worried about the economic aspects of Bangladesh. Among the economic factors, cost of managers (3.5), cost of operative workers (3.3) and rate of inflation (3.3) premise to be more attractive to the investors followed by GDP growth rate, exchange rate and level of industrialization (3.0). However, according to the respondents, the convertibility of taka performs below average (2.7). Nine out of 15 (60%) respondents believed that the cost of managers/executive in Bangladesh is attractive, while about 85% of the respondent maintained that the cost of operative workers is either attractive or prospective in Bangladesh. It is widely believed that Bangladesh offers most competitive labor cost in the South Asian region. Recent plentiful inflow of FDI in Garments and Textiles sector and labour intensive processes of electronics and machinery in the country is induced by cheap labour. [Reza, S. et. al (1987), Svenssor (1992), Chowdhury and Shaha (1993), Ahmed (1993)]. A study on determinants of FDI in Bangladesh also found that cost of labour was a significant determinant of FDI in Bangladesh (Azim, 1999).

Even though the GDP growth rate and level of industrialization of Bangladesh are not satisfactory, they are not very much related to the operations of the firms in EPZs. The firms in EPZs are not concerned about the market size (GDP growth rate is often used as a proxy for market size), or general environment for industrial operations (level of industrialization indicates the environment for industrial activities in a country). Regarding exchange rate of taka, the "prospective" view of the respondents can be attributed to the fact that, the government follows an export led growth policy and consequently, it initiates devaluation from time to time to restore the competitiveness of Bangladeshi products. The social and physical factors together scored an average of 2.98. It implies that the investors have a feeling of frustration about various forces of social and physical environment and they are not optimistic of the improvement in near future. Among the social and physical factors, availability of qualified managers (3.5) availability of semiskilled and unskilled workers (3.5), level of workers productivity (3.3), language and culture (3.3) modern Banking facilities (3.1) and image of made in Bangladesh (3.0) are found to be more promising to the investors. The factors like quality of infrastructure (2.9) availability of technical/ skilled workers, quality of local supplies (2.7), quality of health care facilities (2.7), general business morality (2.7) etc. perform below average. However, the worst factor identified by the respondents is the law and order situation in the country (2.3). 60% of the respondents consider it to be frustrating or very frustrating.

EPZs provide a sound infrastructure to the investors. But still the quality of infrastructure scored below average. Probably it is because of poor port facility in Bangladesh. Frequent strikes in port, lack of modern equipment, corruption, container congestion etc. may cause serious trouble to the foreign investors to handle their imports and exports. Lack of availability of technical skilled workers and less than satisfactory quality of education and training imply that our education system is yet to be a pragmatic one. Below average quality of supplies and general business morality indicate that our business houses are still not professional in true sense of the term.

As a cluster of factors, political and government factors scored an average of 2.72, which is far below the expectation. It implies that the foreign investors are worried and dissatisfied about the political aspects of business environment in Bangladesh.

Among the factors, existing preferential trade arrangement with neighboring countries (3.3), preferential trade arrangement with developed countries (3.3), tax incentives (3.5), other incentives (3.1), government attitude towards foreign investment (3.0) and relationship with neighbors (3.0) seem to be either attractive or prospective to the investors. Frequency of government change (2.8), attitude of the opposition toward foreign investment (2.7) and bureaucracy and red tap (2.1) are found less convincing to the foreign investors. The investors react very frustratingly to strikes and demonstration (1.3), as being worst among all environmental forces followed by corruption (1.8). Strikes and demonstration, and corruption are described as either frustrating or very frustrating by 100% and 80% respondents respectively.

Even though the opposition parties have a positive attitude toward foreign investment, it scored below average. It may be attributed to their moves like strikes, demonstrations etc. that proved to be unfriendly to the investors. Low score for bureaucracy and red tape hints that the simplification of procedure publicized by the government is still a rhetoric. High scores for tax and other incentives indicate that Bangladesh offers a competitive incentive package to the foreign investors.

6.0 Conclusion and Recommendations

Bangladesh, being a least developed country, needs foreign investment to bridge its vacuum of capital, technology and managerial skills. To this end, the government has been trying to attract foreign investment by offering generous incentive packages and active state promotion. The fiscal and monetory incentives however, constitute a slice of the whole environment, where a firm operates. Unless the whole business environment is satisfactory to a firm, it will not risk investing. A firm does substantial homework before making investment decision outside the country. Moreover, there is an obvious race among countries to host foreign capital. So there are many options to the investors to locate their fund and they rationally select their investment locations on the basis of the whole perspective of business environment. The country that promises most suitable business environment is likely to be chosen by the firms. So to market the country, the best option for a government is to improve the overall business environment of its country. And the case of Bangladesh is not an exception in this connection.

The present study highlights the state of various aspects of business environment of Bangladesh like, economic, social and physical and political and government factors and the attitude of the foreign investors in this regard. It reveals that Bangladesh promises to be a highly prospective location of investment. Even though, many elements in the environment are not up to the expectation, the investors are optimistic of the improvement of the situation in near future. The investors have very positive attitude about the economic forces, while they maintain a bleak attitude about the political ones. The factors evaluated positively by the investors are tax and other incentives, cost of manager and operative workers, preferential trade arrangement with neighboring and developed countries, availability of qualified managers and unskilled workers, language and culture and labours productivity. The worst factors considered by the foreign investors are strike and demonstrations, corruption, law and order situation and bureaucracy and red tape. Thus, if the government pays its focus on the overall improvement of the business environment by initiating pragmatic measures, Bangladesh is a likely location to attract plenteous FDI in years ahead. The following recommendations can be of any worthy in this connection:

- A sound business environment calls for whole-hearted commitment of the government as well as opposition parties. However, reasonably, the lion share of responsibility goes to the party in power. To curb corruption, and bureaucratic red tape and to maintain law and order, the ruling party has the significant role to play. On the other hand, the opposition parties that orchestrate strikes and demonstration should avoid such moves that paralyze the economic activities throughout the country.

- To ensure the supply of qualified technicians and skilled workers the education system in our country needs to be realistic and result oriented. In fact, education is not an end in itself, rather it is a means to develop workforce. For an useful work-force, we need the people with "willingness to work" as well as "ability to work". So the education system should focus on both the aspects. In this connection, the government should encourage vocational / technical education rather than general education. It should be based on trade and should not be very ambitious. It should have relevance to the existing indigenous and foreign industrial activities taking place in the country. Moreover, education system should be designed in a way so that the students come out with a work-spirit rather than an evasive attitude to the work. In addition to knowledge in English, an operational knowledge in a third language, like Korean, Japanese, Chinese, Malaysian etc. (the countries from where we are receiving more FDI) at school/college level may be helpful for foreign investors.

- The significance of a seaport in connection to foreign investment can only be overemphasized. At times port facility can be the only determinant of whether to locate or not to locate investment in a particular country. So, we have to overcome the bottlenecks related to our port. Through a master plan the Chittagong Sea Port needs to be modernized to cater to the increased demand of its users. Equally important is, either contracting out the management of the port to private sector or to allow private port services to operate side by side.
- To provide backward or forward linkage to the foreign projects, the local business houses should operate on the basis of professionalism in terms of both morality and competence. In this connection, the Chambers of Commerce and Industry have a significant role to play. They can devise a pragmatic "code of conduct" for their members and ensure a healthy competition among the business firms.

All said, environment constitutes everything conceivable, so it is not possible to ensure a sound environment by one party alone. It needs the all out cooperation of the party in power, opposition parties, government employees, industrialist as well as general public.

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