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NEWS LETTER

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Bangladesh - On The Path To "South Asian Economic Stardom"

Bangladesh has maintained a macroeconomic stability since 2009, through prudent fiscal and debt management, along with expansion of its social security net and investment in infrastructure projects. Economic growth has been consistent over the past 40 years and gross domestic product growth has been outstripping South Asia's – with the region contracting by 6.58% as a whole and Bangladesh growing by 3.5% in 2020.

Agriculture used to contribute a third of Bangladesh's GDP but fell to less than 15% between 2010 and 2018, while the industry's contribution rose from less than a fifth to more than a third. Manufacturing's contribution to GDP has doubled since 1980, and exports have grown 20-fold since the 1990s to more than US$40 billion. High remittances of US$16.4 billion in 2019, from low-wage labour has also supported the economy.

Bangladesh is expected to maintain its per capita GDP lead over India until 2026, owing to strong remittances, exports and agricultural growth. In 2020, India's per capita GDP fell to US$1,929 from US$2,098, and economic output dropped to US$2.66 trillion from US$2.87 trillion. That same year, Bangladesh, a US$355 billion economy, overtook India with a per capita GDP of US$1,961 after attaining 6% growth over the past 15 years.

Since 2004, Bangladesh's GDP growth has been picking up but it was only in 2017, when India's growth started falling, that it managed to outpace its bigger neighbour. Bangladesh's per capita GDP stood at half of India's before the 2008 debt crisis, but by 2014 that figure had grown to 70%. Covid-19 caused India's economy to contract by 7.3% in 2020, while Bangladesh's grew 3.5%.

Today, Bangladesh outperforms India in fiscal deficit, merchandise trade balance, employment, public debt and investment-to-GDP ratios. Its human development programmes, particularly in girls' education, have brought fertility rates and early marriages down. Bangladesh has also done better than India on various human development indicators such as life expectancy, fertility and child nutrition. The benefits of its economic rise reach a wider base, compared with India's skewed distribution. This inclusive growth has raised living standards, which in turn has led to better education and healthcare. India, on the other hand, has performed poorly on human development indicators, especially in economically backward states. For instance, its female work participation rate was 19% last year, according to the World Bank. In Bangladesh, the figure is 35%.

Thanks to its macroeconomic stability, Bangladesh's economy has grown around 270-fold in the past 50 years in local currency terms, and its budget deficit has remained at 5% of GDP or less. It has become the world's second-largest garment exporter, owing to its development strategy of export-oriented industrialization.

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Indeed, textiles, garments and footwear industries, which are labour-intensive and employ unskilled and semi-skilled labour, account for most of Bangladesh's exports. With its beneficial position in free trade agreements, its innovation and lower salaries, many Indian buyers have relocated there to remain competitive in the global market.

Bangladesh is India's sixth-largest trading partner with bilateral trade worth US$10.8 billion in 2020-21, up from US$9.5 billion in 2019-20. The Comprehensive Economic Partnership Agreement between India and Bangladesh will boost trade but its full potential will only be realized with better transport connectivity.

Recent initiatives to strengthen bilateral cooperation include boosting trade in commodities, services and energy, infrastructure development, and encouraging cross-border investment. Even as the smaller neighbor continues to surge ahead, untapped economic gains remain to be explored. For now, Bangladesh is enjoying the ride to economic stardom in South Asia.

In Other News

Monthly Mobile Data Usage Doubles since Covid Pandemic

The monthly internet usage of mobile subscribers has more than doubled ever since the coronavirus pandemic began as more people are being pushed online for work and entertainment purposes. For example, the average monthly data usage of a single mobile customer was 2 gigabytes (GB) in March 2020 while it now stands at around 4.5 GB, according to Bangladesh Telecommunication Regulatory Commission (BTRC).

According to Senior Officials of BTRC, the average monthly data usage surged 23 times from 2008 to 2022. The country has seen a tremendous growth in data usage in the last decade as the average monthly usage of mobile internet was just 208 megabytes (MB) per customer in 2008.

International internet bandwidth usage in Bangladesh was 7.5 gigabytes per second (Gbps) in 2008 while it now stands at 3,850 Gbps. In 2008, the price of internet bandwidth per Mbps was Tk 27,000, which dropped to only Tk 285 as of June 2021.

Only 0.1% of telecom subscribers had a smartphone in 2008 where it was 48% as of April 2022. In 2008, the country's tele-density was 34.5% while it now stands at 105.85% as of April 2022. 100% of the people of the country are covered under the 2G network while 98% of the people are getting the benefit of the 4G network.

Smartphone penetration in Bangladesh is also fast approaching 50% as the coronavirus pandemic has accelerated the adoption of digital technologies to work, study and find entertainment using smart devices.
Pre-virus, 38% of mobile phone customers in the country had a smart device, which currently stands at 48%.

CASE LAW UPDATE

Belayet Hosen vs. Anti-Corruption Commission and Others (Writ Petition No. 1539 of 2021)

Facts:

The Petitioner owned 9.41 decimals of land in Cox's Bazar which was acquisitioned/acquired by the State following due process of law. Accordingly, the Petitioner received compensation amounting BDT 1,08,50,514.08 (One crore eight lac fifty thousand five hundred fourteen taka and eight paisa) duly. The Petitioner spent a part of the said money for purchasing a land, and deposited amounting BDT 50,00,000 (Fifty Lac) in the Social Islami Bank Ltd. (SIBL), Cox's Bazar as fixed deposit.

At one point, a Deputy Assistant Director and Investigating Officer of Anti-Corruption Commission (ACC/Commission) namely Sharif Uddin through a letter instructed the SIBL to "no debit" the said account of the Petitioner. The Petitioner enquired about the reasons for doing so and demanded a copy of the said letter in writing, but was of no avail and served a legal notice upon the Bank Manager and further made a written complaint before the Chairman of the ACC. The Petitioner also made a written request to the Deputy Director, Integrated District Office of the ACC, Chattogram-2. However, the Petitioner didn't get any response from any corner which leads him filing the instant writ petition.

The Rule Nisi was issued directing the Respondents to show cause under what authority such letter was written directing the SIBL to 'no debit' of the Petitioner's account. The Respondent i.e. relevant Deputy Assistant Director appeared before the Court and furnished a written explanation stating that in course of inquiry of a case, he found that the petitioner had obtained the said money by illegal means and hence he requested the Bank for "no debit" so that the petitioner could not transfer the money. At the same time, ACC filed an affidavit in opposition but did not state whether it had given any instruction to the Respondent for taking such action.

Issues:

The key issue before the court was whether the Deputy Assistant Director of ACC's letter directing the SIBL to "no debit" the Petitioner's account without obtaining prior approval of the Court of competent jurisdiction as required under rule 18 of the Anti-Corruption Commission Rules, 2007 is lawful or not.

Reasoning of the Court:

The Anti-Corruption Commission Rules, 2007 in its rule 18 laid down the specific requirements to comply with if the Commission wishes to attach and/or freeze any "crime acquired property". Rule 18 states, if at any stage taken by the Commission, it appears to the Commission that a person has committed any offense scheduled under the law, the Commission may empower its responsible officer to appeal to the Senior Special Judge Court of competent jurisdiction to order the seizure of property inconsistent with that person's known source of income.

This means, firstly, the Commission should have reasonable materials to believe that the alleged property has been acquired by illegal means, and then the Commission itself should authorize its officer to apply for approval before the senior special judge or the trial judge, as the case may be. And thereafter, the authorized officer should file an application before the relevant court stating the reasons for attachment or freezing of the property, as the case may be with sufficient supporting evidence. Thus, the Court concerned may pass an order of freezing the property after being satisfied that the property has been acquired by illegal means.

The Rule, 2007 does not give any power to an investigating officer or any other officer of the ACC for freezing of "crime acquired property" or otherwise imposing any restriction to enjoy the same at his whim.

Decision:

No one including the Commission has any power to pass a freezing order or attachment order or to impose any restrictions with regard to a property of a citizen of the country allegedly to have been acquired by illegal means i.e. "crime acquired property" unless the prior permission of the concerned Court is obtained as required under rule 18 of the Anti-Corruption Commission Rules, 2007.

LEGISLATIVE UPDATES

Overview on The Latest Import & Export Policies

A. Import Policy Order 2021-2024

The new Import Policy Order 2021-2024 was published by the Ministry of Commerce vide S.R.O No. 92-Law/2022 dated 20th April 2022 under the powers conferred upon it by the Import and Exports (control) Act, 1950. The policy is more elaborative than the previous import policy. It allows local manufacturers or industries for duty free bonded warehouse facility. This will expediate and encourage more people to set up industries to meet local demand. The policy is covered under seven (7) chapters.

The policy exempted public sector agencies from obtaining Right of Refusal based NOCs from any authority for the import of any permitted import items. The policy highlights on the pre-shipment inspection, imported at competitive rates, imported through the use of incoterms, Country of Origin imports as mentioned, name, address, and ETIN, BIN registration of the importer, source of money etc.

Some special provisions have also been provisioned under the new policy including collective import, imported by actual user, imported by expatriate professionals, imports of samples, advertising materials and gift items. The new policy among other things also covers import provisions in the industrial sector, and in the commercial sector. The government through the policy has shown its intention to regulate all kinds of products or machineries etc. under the purview of the import regime.

The policy also aims to cover importation of commercial imports by foreign companies, import of capital machinery on commercial basis, prime mover, dump truck etc. for carrying out activities in infrastructural development, import of human food items, import of fish feed, poultry feed and animal feed, explosives, radioactive, civil aviation, helicopters, acids, chemical fertilizers, ground rock phosphate, pesticides. In case of importation of secondhand cloth, used cloths may be imported only on the basis of prior permission given by the selected importers in their favor and subject to certain condition laid down in the policy.

However, in the case of import of cigarette, medicine etc., prior permission of relevant authority shall be needed. Additionally, for import of computer, gold, silver, gas cylinder, gas in cylinder, petroleum oil and all oils collected from bituminous mineral crude, ethylene oxide gas, petroleum products, all kinds of toy products, potato seeds, rice seed, MS Billet etc. detailed discussions and rules have been imposed on more commercial imports. Nevertheless, the new policy has simplified the trading process to ease import procedures because the importation of goods is also connected to the overall export of the country.

B. Export Policy Order 2021-2024

The Government of Bangladesh through Ministry of Commerce also published the new Export Policy Order 2021-2024 on 03rd March 2022 with the aim to encourage more export in the country whereas the government shall earn more foreign remittance as it is one of the major sectors where the government receives its income.

Considering backlash of covid 19 and future prospects of the sectors have inspired government initiative to participate in the fourth industrial revolution through information communication technology, artificial intelligence, robotics, internet of thinks (IoT), big data, 3D printing, genetic engineering, quantum computing etc.

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LEGISLATIVE UPDATES

Additionally, the government in the policy has prioritized on various potential products namely- denim, manmade fiber, garment accessories, pharmaceuticals, plastic products, shoes, (both leather and synthetic), jute, and agro-products, light engineering, shipbuilding and ocean-going trawler building, furniture, home textiles and home decor, luggage.

In furtherance of the pharmaceutical industry, the government has taken various steps to minimize import of Active Pharmaceutical Ingredients (APIs) and focus more on locally manufactured APIs and by 2024 aims to export APIs abroad after fulfilling the domestic need. Also, in the policy it has been stated that, exporters can now borrow up to 90% (ninety percent) of the amount stated in the irrevocable letter of credit or confirmed contract. To encourage exports, the National Board of Revenue (NBR) is likely to offer bonded warehouse facilities to the partial exporting sector on fast-track basis as regulated under the Customs Act, 1969.

The new policy has indicated the expansion of labor-intensive and high-productivity industries through providing incentives and benefits revolving around taxation. Additional attentions are also given in the enhancement of production capacity of the export-oriented industries, improving the quality of the products, and exploring potential markets. The new policy further provides and gives priority and importance by emphasizing economic diplomacy- to capitalize the role of the missions in abroad, negotiate for market access, exploit the existing Free Trade Agreements, and to enter new trade zones.

As stated above, the government through the policy also tries to facilitate the sustainable growth of the Information and Communication Technology related services including freelancing and encouraging involvement of women entrepreneurs more in export. Also, emphasis shall be given to ease of doing business and investment, application of compliances, standards, priorities on production of intermediate and recycles products, promotion of food export etc.

All in all, the government further aims to reach the annual export target of USD 80 Billion from the existing target USD 60 Billion which the government is hopeful to achieve subject to the fulfillment of the desired and intended initiatives.

Looking Back at The Insurance Sector of Bangladesh

For a transitional economy like Bangladesh, a balanced contribution of different sector to economic growth is vital. While widespread vaccination and easing of pandemic-related restrictions were important catalysts to rebuild confidence among people and businesses, perhaps a level of uncertainty will likely persist, indefinitely.

Yet, Deloitte's latest study observes that insurers in general expect more rapid growth next year. However, non-pandemic challenges around regulation, evolving consumer preferences and consumer's outlook may present speed bumps to the insurance sector. This article examines the interplay of these rudiments in Bangladeshi insurance sector.

The concept of insurance emerged as humans are inevitably prone to various types of risk ranging from financial to non-financial arenas. Insurance is one of the important ingredients of financial sector. It can significantly contribute for economic growth by managing risk of individuals and ventures. However, in comparison to other South Asian countries, the insurance penetration rate is not so favorable in Bangladesh.

A major reason for this is that most consumers in Bangladesh are unaware and uneducated about how insurance works, due to a lack of information dissemination. Vague and complicated terms and conditions further discourage them from taking insurance. To protect consumers, regulations need to impede the sale of unfair or exploitative contracts, which is often caused by complicated policy language and unjust pricing. Regulation to limit insolvency risks will also ensure that customers get paid when they need to collect claims, which is often considered a major challenge for consumers.

Another challenge that Bangladeshi insurance sector faces is absence of diversification. Insurance is not just a tool of risk coverage. It is also an attractive instrument of savings. The mixture of risk coverage with savings gives the opportunity for innovative product designing resulting in service diversification.

There are several products that could be introduced to target the local market that are especially curated to the conditions of Bangladesh. Selling assets to cover treatment costs, frequent loans for education etc. are very common in today's scenario. Curated products and incentives along with standard policy rates and conditions can tap this group to rely more on insurance for risk management.

Foreign Direct Investment (FDI) FDI has had significant role to play in many nascent industries in Bangladesh. The case is same for insurance sector as well. In 2021, India increased the FDI limit in the insurance sector to 74% from 49% to attract more investment in the sector. Currently, Indian regulators are thinking of allowing 100% FDI in new lines of insurance business like brokerage houses to expand the scope of the sector.

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Looking Back at The Insurance Sector of Bangladesh

Thus, a planned and strategic policy on maximum and minimum investment threshold for foreign investors is vital to making this sector an attractive business hub.

Vietnam, which has one of the lowest insurance penetration rates in the world, at less than 1% of GDP is working to grow direct distribution channels of insurance products, through mediums such as online or telesales. Insurers around the world are increasingly dependent on emerging technologies and data sources to drive efficiency, enhance cybersecurity, and expand capabilities across the organization working in the sector. Thus, a technological diversification and use of digitized citizenry is also a potential means of tapping the insurance industry in Bangladesh.

Recently, a large number of insurance mergers have occurred particularly in the USA and Europe. These mergers have become increasingly international and, in some cases, merge firms across the financial sector. Responsibility for regulatory approvals of mergers and agreements amongst insurers is usually shared between the competition authority (Bangladesh Competition Commission-BCC) and a sector-specific regulator (Insurance Development & Regulatory Authority-IDRA).

While Bangladesh should be moving towards a more competitive insurance sector to boost satisfactory consumer experience, it shall also focus on clear policies that define the regulatory ambit of such contracts and transactions.

Either IDRA or BCC should exclusively regulate the sector or like many countries, there should be clear strategies and policies among the two agencies, on how far each of them control the conducts in the sector.

The insurance industry is a major component of many developed economy by virtue of the amount of premiums it collects, the scale of its investment and, more fundamentally, the essential social and economic role it plays by covering personal and business risks. As Bangladesh will be graduating soon, insurance will play a crucial role for securing individuals as well as ventures and businesses. As such, authorities need to revamp the insurance sector starting from effective marketing tool to adaptation of technology in order to re-build consumers' trust in the sector and make it lucrative and effective way of damage control.

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