Jute products, like these burlap bags, accounted for about 70 percent of Bangladesh's export earnings last year

Bangladesh Wooing Businesses

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DACCA, Bangladesh — After an unsuccessful experiment with socialized industry, Bangladesh has begun courting private enterprise, both foreign and domestic, in an effort to stimulate its economic growth and development.

Offering an almost inexhaustible supply of the world's cheapest labor, abundant supplies of natural gas, virtually untapped seafood resources and a variety of agricultural raw materials, the Government has formulated a host of investment incentives, including quick repatriation of profits.

"In the last 18 months we have given the private sector enormous incentives, and over 100 foreign companies have come in to negotiate with us," said Jamal Uddin Ahmed, Minister of Industries. "Recent elections gave this Government a five-year mandate for continued stability and that should greatly ease private-sector concerns."

The incentives include liberal tax holidays, the ability to bring in management teams and supervisors and a "one-stop" investment coordinating office to cut red tape.

The concerns stem from the nationalization of virtually all industry after Bangladesh's war for independence from Pakistan in 1971. The Government of Sheik Mujibur Rahman, declaring his nation a Socialist state, seized local private holdings as well as some foreign enterprises. Most of them promptly began losing money under Government management.

Foreign Investors Trickling In

President Ziaur Rahman, who assumed power following a military coup in 1975 in which Sheik Mujib was killed, has moved slowly to resurrect private enterprise after four years of stability and with the promise of five more years of calm.

A small core of local businessman has begun limited investments, and foreign investors are trickling in.

Textile companies from South Korea, Hong Kong and Singapore have been especially active in negotations in recent months. The cost of labor for making ready-made garments is less than half the cost in those countries. Besides, import quotas for Bangladesh in Europe are liberal and nonexistent in the United States.

In a joint venture with the Government, one Korean company has already sent several hundred Bangladesh workers to Seoul for training as managers, foremen and skilled workers.

"The South Koreans have shown tremendous interest here not only in textiles, but also electronics assembly, fishing, cement production and shipbuilding," said Mr. Jamal. He said that foreign investors could operate under the rules as domestic businessmen and have the same access to low-interest Government loans.

He asserted that investment policy had been formulated to stress four priorities: use of local raw materials, avoidance of sophisticated technology except in petrochemicals and engineering, labor-intensive investments and export-oriented production.

To facilitate exports, the Government is setting up a free-trade export-processing zone at Chittagong, one of its two deep-water ports. The airport there is being expanded and opened to international traffic, including wide-bodied air freighters. A new airport is also under construction 10 miles west of Dacca, where the Government contemplates establishing a second free-trade zone.

The Government contends it has proven natural-gas reserves of 10 trillion cubic feet onshore and believes thorough exploration will turn up much more, both on and offshore. Because of a soft market and the huge expenditures required, it has attracted little interest in selling liquefied natural gas. Instead, it plans to expand urea fertilizer production for domestic agriculture and establish a petrochemical industry.

American investment had been held up until last October, when the United States Overseas Private Investment Corporation settled a claim on behalf of the Belton Bagging Company, a jute feedbag manufacturer whose assets were seized in 1971. The settlement allowed the investment corporation, a United States Government company, to once again sell war-risk and nationalization insurance.

Industries Denationalized

The Government has denationalized more than 100 industries and turned over to the private sector more than 500 small factories in the last year, Mr. Jamal said. However, an estimated 80 percent of Bangladesh's industrial assets remain under Government ownership. In addition to utilities, the Government has reserved basic jute, textile, and sugar manufacturing and processing as public industries. However, specialized jute and textile-product production has been opened to the private sector.

Jute and jute products amounted to about 70 percent of Bangladesh's export earnings last year. The nation grows nearly half the world's supply, and demand has been strong. However, because of bad management under Government control, the jute industry lost $33 million last year. Although strikes and labor disputes are commonplace in the Government industrial sector, private businessmen say Bangladesh laborers are highly productive, given proper training and reasonable wages.

Although Bangladesh is chronically short of food for its own population, it has started a major program to export high-value food items, mostly seafood and vegetables. Three shrimp and frog-leg processing and freezing plants are currently in operation and nine more are planned in joint ventures with private companies from Thailand, South Korea and Japan. Last year, Bangladesh exported 1,800 tons of frog legs and more than 2,000 tons of shrimp and prawns. United Nations fisheries experts say that Bangladesh, situated in the world's largest river basin on the Bay of Bengal, has barely begun to tap its fresh-water and salt-water food production potential.

Government agriculture officials also envision Bangladesh becoming the truck garden for the Middle East. Last year, it exported about 300 tons of fresh fruits and vegetables. The United Arab Emirates, just six hours away by air freight, was the biggest customer.

Although Mr. Jamal acknowledges that enormous problems remain, such as the lack of adequate road transportation and a reliable power supply, and an overabundance of bureaucratic red tape, he thinks cheap labor, high profits and the promise of continued stability can overcome investors' fears.

"Bangladesh, you see, is a virgin land," he said. "We have lots of resources, a vast reserve of manpower. And our policies have become very flexible.

"We're well situated geographically to reach east and west very quickly. And our rates of return recently have been among the highest in the world. In tobacco and pharmaceuticals, for example, they have been running 20 to 30 percent, after taxes. And profit repatriation is no trouble. Once you've paid your taxes you can repatriate within a week."

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