

Political economy of the concept of Export Processing Zones and its contribution to the national economy

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After liberation the newly independent Bangladesh aspired to boost up its economy through industrialization. In view of the growing need of attracting foreign and local investment, the concept of Export Processing Zones (EPZs) established to enhance investment, employment, export, to transfer technology and earn foreign exchanges. By this way in 08 (eight) EPZs now there have total 555 industrial enterprises where only 430 are in operation. The cumulative investment in these is US\$ 3,188.07 million and almost 3,89,017 Bangladeshi people are employed in the EPZ enterprises. The cumulative export from the EPZs is US\$ 40,027.67 million.

Centering an EPZ, the economy sets up backward and forward linkages and supportive service industries which create employment opportunity especially for women and overall industrial localization. In this way it contributes to alleviate poverty and inequality creating an economy for the mass people.

Bangladesh has 08 (eight) EPZs under the regulation of Bangladesh Export Processing Zones Authority (BEPZA) as mentioned in the below table:

No.	Name of EPZ	Year of establishment	Where it is
1	Chittagong EPZ	1983	Halishohor, Chittagong
2	Dhaka EPZ	1993	Ashulia, Dhaka
3	Comilla EPZ	2000	Comilla Town
4	Ishwardi EPZ	2001	Pabna
5	Uttara EPZ	2001	Nilphamari
6	Mongla EPZ	1999	Mongla, Bagerhat
7	Adamjee EPZ	2006	Siddirgonj, Narayangonj
8	Kamaphuli EPZ	2006	Potenga, Chittagong

Out of these the four i.e. Comilla EPZ, Ishwardi EPZ, Uttara EPZ and Mongla EPZ are established during the regime of 1997 to 2001.

The new zone named as 'Economic Zone' is conceptualized in recent times which are in pipeline.

The Cost Benefit analysis in this sector during the last five financial years

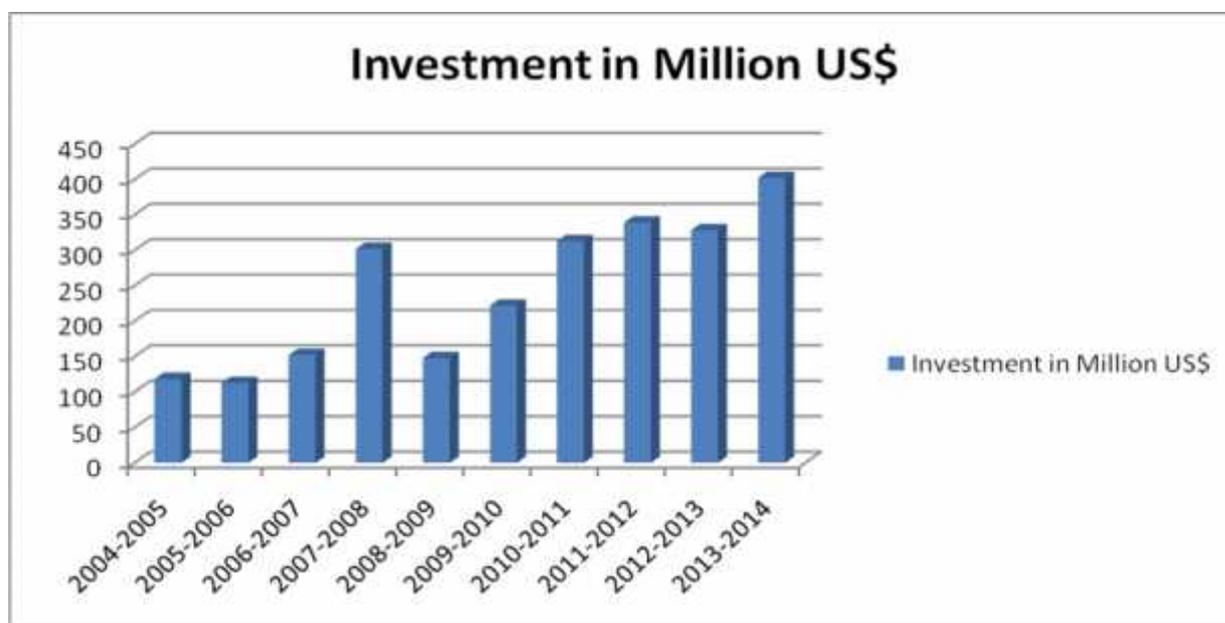
During the financial years from 2009-2010 to 2013-2014 the economic prudence of the government helped to achieve a remarkable growth in Investment, Export and Employment compared to the period of previous regimes at the cost of providing some incentives.

Investment

In July, 2014 the total amount of actual investment in BEPZA stands at US\$ 3,244.34 million. A total of 37 countries including S. Korea, Japan, China, Malaysia, Taiwan, U.S.A, U.K, Italy, Canada, Netherlands, Germany, British Virgin Island, India, Sweden, Singapore, Pakistan, Panama, Switzerland, Belgium, Denmark, France, Thailand, Sri Lanka, Indonesia, Australia, Nepal, Mauritius, Ireland, U.A.E., Turkey, Ukraine, Marshal Island, Kuwait, Rumania, Malta, Spain and Bangladesh have already invested in the EPZ's of Bangladesh.

During the last five financial years the net investment (foreign and local) in EPZs has been increased about US\$ 1,605.59 million.

Financial Year	Actual investment (MUS\$)	Financial Year	Actual investment (MUS\$)
2009-2010	221.99	2004-2005	118.52
2010-2011	313.23	2005-2006	112.89
2011-2012	339.26	2006-2007	152.37
2012-2013	328.53	2007-2008	302.19
2013-2014	402.58	2008-2009	148.03
Total	1,605.59		834.00

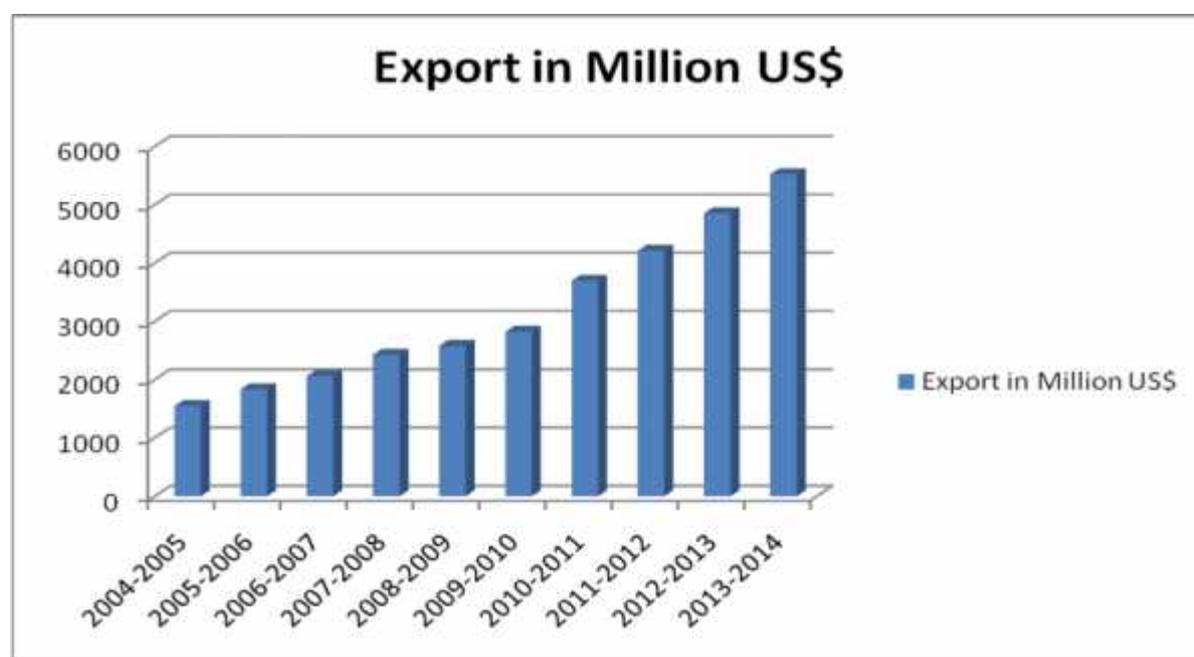


During last five years the investment flow in the EPZs was on an upward trend then the same in previous five years. The political stability, investment friendly atmosphere and the good service provided by the EPZ authority attracted the investors to invest in EPZs. The growth rate of the investment in this time was also positive.

Export

The export earnings were worth US\$ 21,112.64 million in the last five years and it was increasing per year. But in previous five years this figure was only US\$ 10,459.82.

Financial Year	Export (M US\$)	Financial Year	Export (M US\$)
2009-2010	2,822.54	2004-2005	1548.68
2010-2011	3,697.62	2005-2006	1836.18
2011-2012	4,210.80	2006-2007	2063.67
2012-2013	4856.68	2007-2008	2429.58
2013-2014	5525.00	2008-2009	2581.71
Total	21,112.64		10,459.82

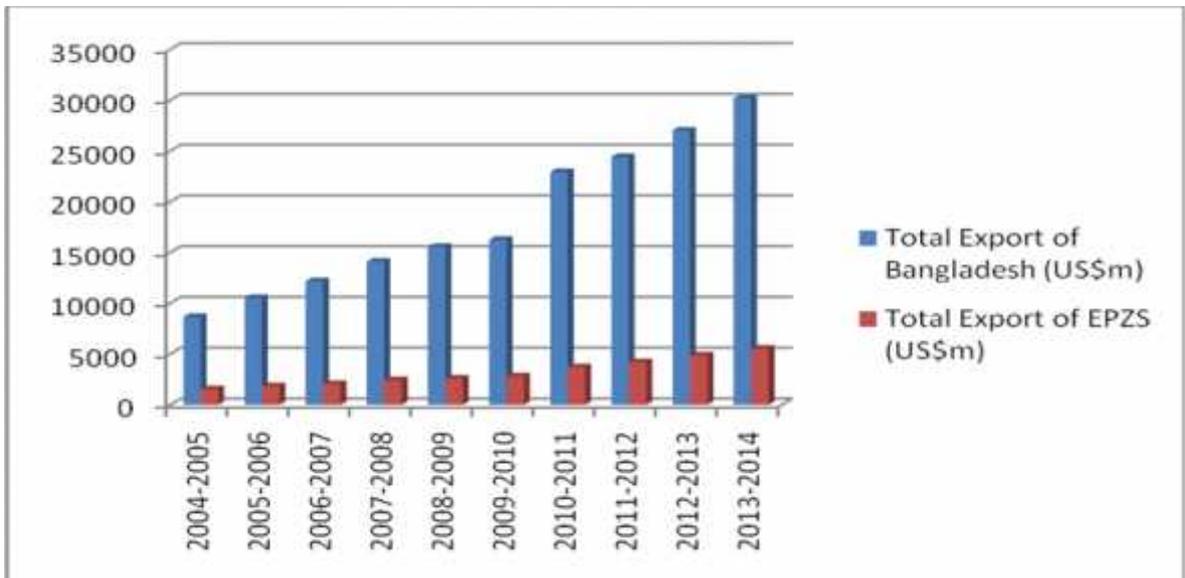


The export growth between the two regimes was 101.8% that means it has jumped almost more than double.

Contribution of EPZ in National Export

The contribution of EPZs to the national export volume is increasing every year with the increase of export. The national export in 2009-2010 financial year was US\$ 16,250 Million where the contribution from only eight EPZ in that year was 2,822 . In subsequent years the national export was increasing and alongwith this the export from EPZ enterprises was also increasing.

Year	Total Export of Bangladesh (US\$m)	Total Export of EPZS (US\$m)	BEPZA's Contribution (%)
2004-2005	8655	1549	17.90
2005-2006	10526	1836	17.44
2006-2007	12178	2064	17.00
2007-2008	14111	2429	17.22
2008-2009	15560	2582	16.60
2009-2010	16250	2822	17.36
2010-2011	22924	3698	16.13
2011-2012	24410	4210	17.24
2012-2013	27018	4856	17.97
2013-2014	30176	5525	18.30

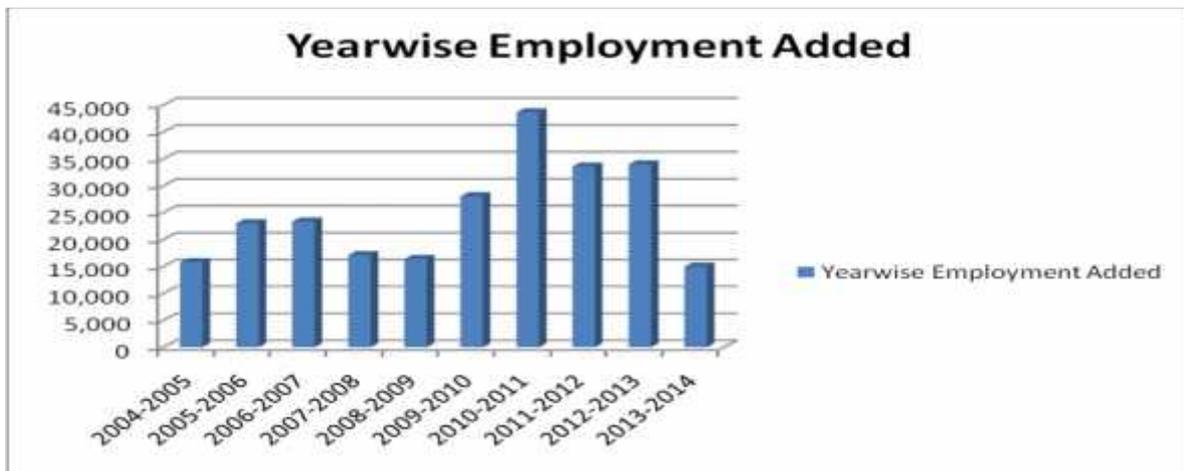


During the whole period it was contributing about 17% to 18% in the national export volume.

Employment

There 132 new industrial enterprises have got permission to set up in the EPZs during FY 2009-2010 to FY 2013-2014. About 154,324 Bangladeshi nationals have directly employed in this period which is 61.24 % higher than that in previous five years.

Financial Year	Employment (Person)	Financial Year	Employment (person)
2009-2010	28,064	2004-2005	15,802
2010-2011	43,666	2005-2006	23,021
2011-2012	33,598	2006-2007	23,360
2012-2013	33,987	2007-2008	17,130
2013-2014	15,009	2008-2009	16,394
Total	154,324		95,707



During 2004 to 2009 the employment was quite stagnant around 15 to 16 thousand. But during immediate past five years this figure has been jumped from 28 to 43 thousand people.

Role of EPZs in Women Empowerment

A large number of female workers are working in the EPZs- the percentage of female workers stands at about 64% of the total number of employees. The employment patterns in BEPZA show that the EPZs have been making a significant contribution to the gradual empowerment of women. Every year an increasing number of young girls and woman are joining in the productive workforce of EPZs. BEPZA is going to implement a project titled “Northern Area Reduction of Poverty Initiative (NARI)” with a plan to create dormitories and training institutes in three EPZs viz; Dhaka, Kamaphuli and Ishwardi. Under this project female workers will be given accommodation, training and provided employment in RMG industries operating inside EPZs. About 64% of the total workforce in EPZ enterprises is women. Due to remarkable contribution in women empowerment the authority i.e. BEPZA achieved second runner up position in IFC CEO Gender Award.

Role of EPZs in digitalization

With a view to digitalization, the regular Export Permissions and Import Permissions are now operated through automation. To become the active partner of “Digital Bangladesh”, BEPZA has streamlined its activities by reducing reliance on paper documentation. BEPZA is now working to automate three priority processes: the acceptance, screening and approval of applications for import permits, export permits & sub-contract permits. In October 2009, Chittagong became the first EPZ to become automated, with Dhaka following suit in June, 2010 and Kamaphuli in July, 2013. To ensure overall automation BEPZA has set up Video Conferencing between the zones, LAN and WAN connectivity, and also an updated website.

Role of EPZs in per capita income

About 4 lakh people are working directly in EPZ enterprises. With their family members (suppose 4 in a family) the beneficiary is almost 16 lakhs. Creating informal business sector around the EPZ area it generates more employment and more income. In this way by creating industrial localization, the per capita income of poor people increases and indirectly helps in poverty alleviation.

Role of EPZs in poverty alleviation

From the very beginning EPZs are such a concept which helps in industrialization, creating employment opportunity. Centering an EPZ a business cluster established in nearby area. Some formal and many informal entrepreneurs have grown up depending on EPZs in Bangladesh. The people in Nilphamari, a backward northern area in Bangladesh is now working at enterprises in Uttara EPZ. A transport business alongwith petrol pump station has grown up there to carry the workers. Many grocery shops, hotel and restaurant business rises in nearby area of EPZ. Some luxurious hotel established for foreign investors there. In this way many poor people, especially women are now solvent. They send their children to school now. They eat better, put on better and dream better.

There is a poverty reduction project in Uttara EPZ named Northern Area Poverty Reduction Initiatives (NARI) funded by World Bank. This project is being implemented to train up the raw workers for EPZ enterprises and improves their lifestyle.

Diversification of products

The EPZ enterprises have contributed significantly in terms of export diversification of the country. From the EPZs, every year various types of products are exported to many countries of the world. The list of diversified export items from EPZs includes:- Garments Accessories, Textile, Tent, Tent Accessories, Electrical equipment and components, LED lamp and Selection Button, Furniture , Bi-cycle, Cosmetic and Hollywood mask, Optical goods, Automobile Parts, Engineering products, Leather products and Footwear, Battery, Camera & camera lens, Mobile Parts, Gold and diamond jewelery, Bag, Luggage, Thermal bag, Sleeping Bag, Camping Furniture, Electronic products, Golf shaft, Wig and fashion hair, Jute products, Cosmetics and Hollywood mask, Energy saving bulbs, Metal products, Toys, Eye -glass and Frame, Carpet, Chopsticks, Bamboo made Coffin, etc.

Power Plants

BEPZA has executed the Power Supply Agreements with 06(six) private companies for producing and supplying of 290 (Two hundred and ninety) Megawatts electricity to the enterprises in 06 EPZs. As per the

agreements, the companies are allowed to supply and sale their extra power to the national power grid after meeting the demand of the EPZ enterprises. Thus, the power plants in the EPZs are contributing to the national economy by meeting up the demand of electricity outside the EPZ areas. A 100% Bangladeshi company named M/s. United Power Generation & Distribution Company Ltd. has already started to provide electricity to the enterprises of Chittagong EPZ and Dhaka EPZ. BEPZA has taken initiatives for setting up of 02 Coal based power plants in Uttara EPZ (Nilphamari) and Mongla EPZ.

Central Effluent Treatment Plant (CETP)

At the same time in this period 30 environmental counselors are employed to monitor the effluent management of the EPZ enterprises. BEPZA is aware about the environmental issues related to manufacturing industries. The CETP projects in Chittagong EPZ, Dhaka EPZ and Comilla EPZ is running well where other EPZs are under implementation stage.

Water Treatment Plant (WTP)

Due to environmental safety the projects to establish Water Treatment Plants in EPZs is ongoing. M/s. D-water Tech Limited has set up a WTP in Chittagong EPZ to supply fresh water to the enterprises.

Labour Issues in EPZs:

EPZ Labour law Based on the ILO conventions no 87 and 98 a separate act named as ‘The EPZ Workers Welfare Association and Industrial Relations Act, 2010’ has been passed in the parliament to ensure the freedom of association and right to bargain collectively for the EPZ workers. To examine and prepare a separate and complete Labour Law for EPZ workers, a high-level committee headed by Senior Secretary of Prime Minister’s Office was formed in September 2013. Accordingly, the Committee has submitted a draft law entitled the ‘‘Bangladesh EPZ Labour Act, 2014’’. This draft law has been approved by the cabinet in principles. It will be presented before the Parliament after the completion of vetting by Legislative and Parliamentary Affairs Division under Ministry of Law.

Minimum wage structure for the EPZ workers has been increased in different level from 34% to 93% in 2010 after 20 years of its earlier fixation. Then again it has been increased upto 46% in 2013. In terms of social compliances, the EPZ enterprises become almost 93% compliant during the last five years.

Freedom of Association and Collective Bargaining Agents: Formation of Workers Welfare Associations (WWA) in EPZ factories is an ongoing process. As on September 30, 2014 BEPZA has arranged

referendums in 291 enterprises, which is 74.05% of the 393 eligible enterprises for WVA. Present statistics of VWAs are as follows:

Enterprises in Operation	Eligible for WVA	Referendum held	WVA (Yes)	WVA (No)	No. of WVA / CBA	%ge of Referendums with Eligible enterprises
430	393	291	217	74	209	74.05%

All the referendums till to date were held through secret ballots according to section 7(4) of the EWWAIR Act 2010 with spontaneous participation of the workers.

Total 209 elected executive committees of WVA i.e. CBA are actively performing their activities as CBA in the EPZs with full freedom.

Collective Bargaining Agreements: During the period between January, 2010 and December, 2013 the Workers' Welfare Associations (WVA) within the EPZs had submitted 250 Charter of demands, all of which have been negotiated successfully and signed collective bargaining agreements.

Office space for WVA: So far 155 enterprises have been provided office space for the WVA activities.

The Counselors, Conciliators and Arbitrators: 60 Social Counselor Cum Inspectors are monitoring the compliance issues regularly. 03 Conciliators and a panel of Arbitrators are functioning to resolve the disputes alternatively.

EPZ Labor Tribunals and EPZ Labor Appellate Tribunal: The government has designated 08 Labour Courts as EPZ Labour Tribunals for eight EPZs and 01 (One) Labour Appellate Tribunal as EPZ Labour Appellate Tribunal for settling labour-related disputes in EPZs through SROs.

As of April 2014, **114 labour cases** have been filed in these courts and among these 42 have been settled by the Courts and the others are awaiting settlement.

Workers Welfare Fund: BEPZA has created a fund namely '*Constitution and Operation Procedure of EPZ Workers' Welfare Fund-2012*'. The fund under this policy will be utilized for providing educational, social, environment awareness training program, skill development alongwith other welfare measures for the workers.

Inspections and Compliance Progress in EPZs: Inspection is conducted in terms of 62 parameters in line with international labour standard including Social Protection i.e. wages & compensation, working hours, leave & holiday, gender issues, Social Dialogue and Employment Relationships, Health & Safety at Workplace etc. **135 officials** are efficiently engaged for the inspections of labor rights & compliance issues for the 430 enterprises.

Building Safety: The enterprises operating within EPZs have to provide Building Safety Certificate issued by different engineering and technological universities of Bangladesh like BUET, DUET, CUET, KUET,

RUET, MIST and any other National & International recognized institute etc. Accordingly, Engineering Department of the concerned Zones verifying the said documents.

Fire Safety: All the enterprises operating within EPZs have to obtain Fire License. BEPZA has strong Fire Fighting Team led by a **Fire Consultant (Retired Director, Operation, Maintenance & Training, Fire service and Civil Defense Department)** who arranges regular fire-fighting drill as well as training to the workers and staffs in the EPZ enterprises to build awareness.

Recent Achievements of BEPZA

- As per the research report of UK based FDI magazine of financial times, London, in 2012-2013 Chittagong Export Processing Zone has been ranked **9th position for FDI Global Free Zone of the future in overall category**. (FDI Magazine of The Financial Times, London, June-July, 2012 issue).
- Also it has ranked the Chittagong Export Processing Zone (CEPZ) as the **3rd best cost competitive zone** in the world;
- In 2010-2011 Chittagong Export Processing Zone becomes the **fourth Best Economic Potential zone** in the world (FDI Magazine of The Financial Times, London, June-July, 2010 issue).

Incentives offered in EPZs of Bangladesh:

To achieve the above benefits the government has to bear some costs offering some fiscal and non-fiscal incentives to attract the investors in the EPZs. The EPZ authority has a marketing policy based on these incentives. During the last five years the incentives are being shrunked such as –

- Tax holiday facility has been shrunked from flat 10 years to 05 years in three segments as full holiday for first 02 years followed by 50% for the 3rd and 4th years and 25% for the 5th year (For the industries set up after January 01, 2012).
- Duty free importation of vehicles for A & B type industries subject to certain conditions, Duty free commissariat facility has been stopped for the newcomers after 2009.
- BEPZA is committed to its investors to serve them within one window in every aspect. But actually investors have to move several door to door. Day by day Customs procedures are being harder. To obtain visa, work permit, security clearance from the ministry of home affairs, fire license, building safety certificate, environment certificate the foreign investors have to knock so many doors.

New concept for investment:

Getting inspired from the success story of EPZ concept, the government made a new Act for Economic Zone which will be a more liberal concept for investment. An Economic Zone will consist several divisions such as:

- Export Process Area: Specified for export oriented industries;
- Domestic Processing area: Specified for industries to meet the demand of the domestic market;
- Commercial Area: Specified for business organizations, banks, warehouses, offices or others;
- Non-Processing Area: Specified for residence, health, education, amusements, etc;

Theoretically it is a very appreciable and nice project. When it will be in light the country will be benefited in economic and social perspective. But, it is a matter of regret that, with a dream of success from Economic Zone, our decision makers have taken away their good eye from the Export Processing Zone.

Connotation:

Several concepts like Economic Zone, Foreign Trade Zone, Export Processing Zone, Free Trade Zone, Special Economic Zone, Free port Area, etc are running to attract investment in all over the world. A country practices several concepts at a time differentiating the policy. China is doing well in this sector having Export Processing Zones, Free Trade Zone, Special Economic Zone, etc at a time offering different policy for different concept. India also practices more than one project. China price day by day increases due to their life standard and the investors demand moving to the south east Asian countries like Bangladesh for low cost production base.

Investors come Bangladesh, try to invest, but they face no physical establishment of Economic Zone yet, go to board of investment, they face no prepared industrial plot. Then they come to BEPZA, be attracted seeing the well established industrial plots alongwith a dedicated team of employees to serve them in every aspects, but face scarcity of plots. Investors then go back and set up their industry in Cambodia, Myanmar and other countries rather than in Bangladesh. As a result Bangladesh is losing Foreign Direct Investment in different sectors.

To become matured Economic Zone will take time. Bangladesh can practice it well keeping the EPZ running more effectively. Even experience of EPZ can be a milestone for the EZ as EPZ has a strong success story. The above said successes might accelerate more and more if more EPZ would have been established to accommodate more prospective investors and the country would better perform to eradicate poverty and inequality.
