

## A Case of Hope

# Goldman Sachs for Bangladesh

**Investment bankers count the country on the Ganges Delta among the League of ongoing economic hope. Largely unnoticed by the West, there is an economic revival in the former crisis country. Bangladesh, one of the poorest countries in the world was also not hit by the world economic recession. The boom in the mobile industry is one in particular.**

by Helmut Hauschild



DHAKA. The progress in Bangladesh's capital Dhaka, afflicted to waste and traffic is therefore insignificant. For example, in form of little stickers with cheery yellow sunflowers and the text "Cell Bazaar". They are almost everywhere, on taxis and minibuses in Dhaka, at the counter of kiosks and shops. Cell Bazaar is a child of the mobile revolution, a virtual marketplace. With simple text messages everything is traded here that is negotiable, from sacks of rice, fridges and the car to a complete condo.

Almost unnoticed by the public in Western industrialized countries there is an economic revival in Bangladesh. Young companies such as Cell Bazaar changing habits, the largest mobile operator Grameenphone IPO celebrates a sparkling, new export sectors such as shipbuilding push themselves on the world markets. "Bangladesh, which has always been in the shadow of Asia's tiger economies, is now slowly catching up," observed by Daniel Seidl, director of the German-Bangladeshi Chamber of Commerce in Dhaka.

### **Investment bankers call the place a country of hope.**

The investment bankers of the Goldman Sachs count the country on the Ganges Delta among members of the League of ongoing economic hopefuls such as Egypt, Indonesia, the Philippines and Turkey. Compared to these countries, Bangladesh is admittedly still far behind: The Gross Domestic Product (GDP) in the last fiscal year to end of June, 89.6 billion U.S. dollars - equivalent to just half of the economic performance of the small city state of Singapore. And with a per capita GDP of \$ 621, Bangladesh remains among the poorest countries in the world.

But young entrepreneurs like Kamal Qadir, 37-year-old founder of Cell Bazaar let flash up the country's potential. Within three years, Cell Bazaar has won four million users. Not only in cities but also in the countryside. There, the trade of mobile phones creates more price transparency and reduces the dependence of small farmers from unscrupulous middlemen. Qadir, who studied at the Massachusetts Institute of Technology (MIT), could have hired at one of the major U.S. banks. But he preferred to return to the chaotic metropolis of Dhaka. "The business opportunities here are enormous," he says.

The boom is simply the mobile phone industry. Every third of Bangladesh's 145 million people today owns a cell phone. Eight years ago, it was altogether 200 000. The global economic crisis has slowed the dynamic drive of the country only a little. The economy grew in the fiscal year 2008/09 by 5.9 percent, which was just 0.3 points less than the previous year. For the coming financial year, the government predicts six percent growth, the Asian Development Bank (ADB) forecasts 5.2 percent.

The exports are particularly crisis-proof, which are in other countries currently the largest negative maker. It increased by ten percent during the past fiscal year. Exports to Germany, Bangladesh's second biggest consumer after the United States, even rose by 29 percent.

Textiles still dominate the export for large fashion companies like H & M, Zara, Otto, and C & A. The low wages are Bangladesh's biggest competitive advantage. But in the meantime is also developing a competitive shipbuilding industry. It builds primarily smaller coastal and inland ships, and has recently received orders from Germany, Denmark, Finland and the Netherlands. Even bicycles come from Bangladesh recently. A joint venture of the German manufacturer Panther with a Bengali partner have started to produce this year.

### **Infrastructure is hopelessly out of dated**

In spite of these first successes in Bangladesh, deficits are still huge. The power supply and road infrastructures are in a catastrophic constitution, the government authorities are inefficient and corrupt. Since its independence from Pakistan in 1971 military coups have regularly reverberated the country. Only in January after two years of state of emergency an elected government came to the power, led by Prime Minister Sheikh Hasina Wajed. As one of their top priorities, she calls the modernization of infrastructure.

Hasina's government wants to invest ten billion dollars in new power plants in the next ten years. Also roads and ports need to be rebuilt, Dhaka should even get a modern subway system. Bangladesh could achieve eight to ten percent growth, should it be able to overcome the worst infrastructure deficits, said Zaidi Sattar, chief of the Independent Policy Research Institute of Bangladesh. International investors seem to believe in the economical revival of the country. Direct investments reached record levels in the first half of 2009.