

BANGLADESH MARKET ENTRY GUIDE

2025

What **52%** of foreign investors
wish they knew before entering

Insider Insights • Hidden Challenges • Success Strategies

The Reality Check

Let's be honest: Bangladesh is not the easiest market to enter. But for those who understand its nuances, it offers remarkable opportunities. This guide cuts through the promotional rhetoric to give you the unvarnished truth about doing business in one of Asia's fastest-growing economies.

By the Numbers: The Investment Landscape

Metric	2024 Reality
Net FDI Inflow	\$1.27 billion (5-year low)
FDI as % of GDP	0.33% (vs Vietnam's 4.2%)
B-READY Index Rank	29th of 50 countries
Corruption Perception Index	149th of 180 (Score: 24/100)
Credit Rating (Moody's)	B2 (Negative Outlook)
Inflation Rate (Nov 2024)	11.38%

Part 1: The 7 Things They Don't Tell You

Based on interviews with foreign investors and analysis of U.S. State Department investment climate reports, here are the critical insights that separate successful entrants from those who struggle.

1. The "One-Stop Service" Isn't Really One-Stop

The Promise: BIDA's One-Stop Service (OSS) offers streamlined approvals in 48 hours to 10 days.

The Reality: While OSS has improved, investors report that the service often requires visits to multiple agencies anyway. The OSS functions as a coordination point rather than a true single-window service. New investors, lacking established connections and utility access, find the process significantly slower than advertised.

What to do: Budget 2-3x the officially quoted timelines. Engage a local consultant with BIDA relationships before arriving.

2. Profit Repatriation Can Be... Complicated

The Promise: Full repatriation of profits and dividends is guaranteed under the Foreign Private Investment Act 1980.

The Reality: Since 2022, foreign exchange reserve pressures have led to government measures that slow or block foreign companies from repatriating profits. While legally permitted, the process now requires Bangladesh Bank approval and can face significant delays. Foreign reserves dropped from \$48 billion (2021) to around \$20 billion (2024).

What to do: Structure your investment with realistic expectations about capital mobility. Consider reinvestment strategies. Maintain strong banking relationships with authorized dealers.

3. Energy Supply Is Unreliable

The Promise: Economic zones offer guaranteed utilities and infrastructure.

The Reality: Bangladesh faces chronic energy shortages. Gas and electricity availability remains unpredictable, affecting production schedules. Even companies in economic zones report intermittent supply issues. The country spends approximately \$2.5 billion annually on imported fuels for power generation.

What to do: Factor backup power generation into your capital costs. Visit potential sites during peak demand periods. Verify utility connections are operational, not just promised.

4. The Legal System Favors Local Players

The Promise: Foreign investors receive equal treatment under the law.

The Reality: The legal system is slow, under-resourced, and—according to the U.S. State Department—widely perceived as corrupt. There is no dedicated commercial court. Local enterprises, especially state-owned entities, tend to be favored. Courts have limited ability to enforce decisions. Contract enforcement can take years.

What to do: Include international arbitration clauses in all contracts (Singapore or London are common choices). Build relationships before disputes arise. Prevention is far easier than enforcement.

5. Relationships Trump Contracts

The Promise: Standard commercial practices apply.

The Reality: Bangladesh operates on relationship-based business culture. A well-drafted contract means little if you haven't invested in the relationship. Decisions take time because trust must be established first. Business partners will spend significant time on personal discussions before any business talk begins.

What to do: Plan multiple trips before expecting any deals. Accept invitations to meals and social events. Be patient—rushing signals disrespect.

6. Policy Consistency Is Not Guaranteed

The Promise: Investor-friendly policies and tax holidays.

The Reality: Frequent policy changes create uncertainty. Tax regulations, investment incentives, and sector rules can change with limited notice. The July 2024 political transition added another layer of uncertainty, though the interim government is working on reforms. Bangladesh has experienced significant political instability that directly impacts business operations.

What to do: Don't base your entire business case on incentives that could change. Monitor policy developments actively. Engage with industry associations that can provide early warning of changes.

7. The 20:1 Expat Ratio Is Real

The Promise: Work permits available for foreign employees.

The Reality: For every expatriate employee, you must hire 20 local staff. Work permits cost USD 500 each, take 1-2 months to process, and require renewal. The ratio is strictly enforced. Violations can result in permit cancellations.

What to do: Plan your staffing structure carefully from the start. Invest heavily in local talent development. Consider promoting Bangladeshis into senior roles faster than you might elsewhere.

Part 2: Cultural Intelligence That Closes Deals

Understanding Bangladeshi business culture isn't a "nice to have"—it's the difference between success and expensive failure. Here's what seasoned investors have learned.

The Concept of "Face" (Ijjat)

"Face" encompasses honor, reputation, and social standing. It is perhaps the single most important concept to understand. Causing someone to lose face—even unintentionally—can permanently damage a business relationship.

Critical Rules:

- ⚠ **Never criticize anyone publicly**, especially in front of their subordinates
- ⚠ **Avoid direct "no" responses**—use softer phrases like "that may be difficult"
- ⚠ **Don't contradict senior executives** in meetings
- ⚠ **Give praise to groups, not individuals** (singling someone out can embarrass them)

Communication Styles

What They Say	What They Mean	Your Response
"We will consider it"	Likely reluctance or "no"	Ask what concerns remain
"That may be difficult"	Almost certainly "no"	Explore alternative options
Silence after your proposal	Processing/internal discussion needed	Wait patiently; don't fill silence
"We need to discuss internally"	Hierarchy requires senior approval	Ask for timeline; follow up gently
"Yes" (with hesitation)	"I heard you" (not agreement)	Confirm specific commitments

Meeting Etiquette Essentials

Before the Meeting

- ✓ Get introduced through a mutual connection (cold approaches rarely work)
- ✓ Match seniority levels—send directors to meet directors
- ✓ Confirm appointments 24 hours in advance
- ✓ Avoid scheduling during Eid, Ramadan prayer times, or Friday afternoons

During the Meeting

- ✓ Arrive on time but expect your counterpart to be late (traffic is notorious)
- ✓ Use titles: "Mr. Rahman," "Dr. Ahmed"—first names come later
- ✓ Accept tea/coffee when offered—refusing hospitality is rude
- ✓ Expect 15-30 minutes of personal conversation before business
- ✓ Keep your jacket on unless the senior person removes theirs
- ✓ Meetings are for relationship-building, not final decisions

Negotiation Tips

- ✓ Expect multiple meetings before any deal closes
- ✓ Avoid hard-sell tactics—they destroy trust
- ✓ Decisions flow top-down; ensure you're talking to decision-makers
- ✓ Small gifts after signing (not before) are appreciated
- ✓ Cricket is the universal bonding topic—know the basics

Part 3: The Due Diligence Checklist

Whether you're selecting a local partner, evaluating a site, or vetting suppliers, thorough due diligence is non-negotiable. Here's what experienced investors check.

Partner Due Diligence

1. **Reputation Research:** Check online presence, industry recognition, media coverage, customer reviews
2. **Financial Review:** Request audited financial statements, tax returns, bank references
3. **Legal Verification:** Confirm licenses, permits, certifications are current and valid
4. **Reference Checks:** Speak with their existing partners and clients (international preferred)
5. **Litigation Search:** Check for pending lawsuits or regulatory actions
6. **Political Connections:** Understand their relationships (beneficial for access, but risky during transitions)

Site/Location Due Diligence

1. **Utility Verification:** Visit during peak hours; verify actual (not promised) electricity/gas supply
2. **Transportation Assessment:** Drive the route to Chittagong port; factor traffic into logistics planning
3. **Labor Market:** Assess local workforce availability and skill levels
4. **Flood Risk:** Bangladesh is highly flood-prone; check historical flood data for your site
5. **Land Title:** Land disputes are common; engage a local lawyer to verify clear title
6. **Security Environment:** Assess local security conditions; political unrest can affect operations

Regulatory Due Diligence

1. **Sector-Specific Licenses:** Each industry has different requirements—food, garments, pharma, IT all differ
2. **Environmental Clearances:** Required for manufacturing; can take 10+ days through BIDA
3. **Import/Export Permissions:** IRC and ERC require separate applications
4. **Tax Incentive Eligibility:** Verify you qualify before building your financial model around them
5. **Foreign Ownership Limits:** Confirm your sector allows 100% foreign ownership

Part 4: Risk Mitigation Strategies

The Top 5 Risks and How to Manage Them

Risk 1: Political Instability

Impact: Business disruptions, policy reversals, labor unrest, hartals (strikes)

Mitigation: Build relationships across political spectrum. Maintain flexible operations that can scale down during unrest. Include force majeure clauses. Consider political risk insurance.

Risk 2: Currency and Forex Volatility

Impact: Taka depreciation (86→110 per USD since 2022), repatriation delays

Mitigation: Invoice in USD where possible. Maintain offshore accounts. Work with multiple authorized dealer banks. Plan for 6-12 month repatriation delays in your cash flow.

Risk 3: Infrastructure Failures

Impact: Production stoppages, delivery delays, increased costs

Mitigation: Invest in backup power generation. Build buffer time into delivery commitments. Locate in established economic zones with proven infrastructure.

Risk 4: Corruption and Informal Payments

Impact: Legal liability, reputational damage, unpredictable costs

Mitigation: Implement robust compliance programs. Use reputable local partners who understand your ethical requirements. Document everything. Be prepared to walk away from deals requiring improper payments.

Risk 5: Contract Enforcement Failures

Impact: Inability to enforce agreements, prolonged disputes

Mitigation: Include international arbitration clauses (SIAC, LCIA). Build strong relationships to prevent disputes. Structure deals to minimize exposure. Get significant payments upfront.

Part 5: Why Enter Despite the Challenges?

If you've read this far, you might wonder why anyone invests in Bangladesh. Here's what successful investors know.

The Upside Is Real

Advantage	What It Means For You
170 Million People	Massive domestic market, growing middle class, strong consumer demand
Low Labor Costs	Among the lowest manufacturing wages in Asia; competitive with Vietnam
Garment Expertise	50 years of experience; world's 2nd largest garment exporter; established supply chains
Tax Incentives	5-10 year tax holidays in EPZs/SEZs; duty-free machinery imports
100% Ownership	No local partner required in most sectors; full control of your operations
Strategic Location	Between India and Southeast Asia; access to 1.5 billion consumer market
LDC Graduation 2026	Moving to developing country status; improved global image and trade relationships

High-Potential Sectors for 2025

- **Garments & Textiles:** \$60B+ export potential; sustainable/eco-friendly garments undersupplied
- **Pharmaceuticals:** Exports to 150+ countries; API production park opening; 100% ownership allowed
- **IT & Software:** 10-year tax exemption; growing talent pool; lower costs than India
- **Renewable Energy:** Government target: 40GW by 2041; IPP opportunities; strong demand
- **Agribusiness:** Cold chain gaps; processing opportunities; growing export market

Your 90-Day Market Entry Action Plan

Days 1-30: Research & Planning

- ✓ Define clear objectives: Why Bangladesh? What success looks like?
- ✓ Identify target sectors and confirm foreign ownership is permitted
- ✓ Engage a reputable local law firm with foreign client experience
- ✓ Connect with your country's trade office in Dhaka
- ✓ Research potential local partners or consultants

Days 31-60: On-the-Ground Assessment

- ✓ First visit: Dhaka (BIDA, potential partners, legal counsel)
- ✓ Site visits: Economic zones, potential locations
- ✓ Infrastructure verification: Utilities, transportation, labor
- ✓ Meet 3-5 potential partners/service providers
- ✓ Begin relationship-building (expect multiple trips)

Days 61-90: Decision & Initial Steps

- ✓ Complete due diligence on selected partners
- ✓ Finalize business structure decision
- ✓ Begin name clearance process with RJSC
- ✓ Prepare incorporation documents
- ✓ Establish banking relationships

The Bottom Line

Bangladesh rewards patience, relationships, and realistic expectations.

Go in with eyes wide open, and the opportunities are genuine.

Quick Reference: Key Contacts

Government Agencies

BIDA: www.bida.gov.bd | oss.bida.gov.bd (One-Stop Service)

RJSC: www.roc.gov.bd (Company Registration)

NBR: www.nbr.gov.bd (Tax & VAT)

Bangladesh Bank: www.bb.org.bd (Central Bank)

BEZA: www.beza.gov.bd (Economic Zones)

Useful Bengali Phrases

Assalamu Alaikum — Peace be upon you (greeting)

Dhonnobad — Thank you

Ji — Yes (respectful)

Accha — Okay/I understand

Disclaimer: *This guide is for informational purposes only and should not be considered legal, tax, or investment advice. Market conditions, regulations, and political circumstances change rapidly. Always consult qualified local professionals before making investment decisions. Information reflects publicly available data as of December 2025.*