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Motives for Investing Chinese Companies in Bangladesh and their Outwards FDI

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Abstract- This paper identifies the incentives preferred by the Chinese firms to invest in Bangladesh. It is mentionable that incentives choice criterion of FDI mostly depends on the socio-economic condition of the host country, strategies followed by that country with the home country, geographical aspect etc. But historically we find most Chinese firm prefers wholly own subsidiaries for investing Bangladesh , faces severe host industry competition, and emphasizes assets seeking purposes in its FDI by using survey data of a sample of 145 Chinese firms. In few cases a joint venture is preferred when the firm is investing in mount in host market. Elsewhere they try to take advantages from the host country because of their widen market share as well as one of the largest economy in the world.

Index Terms- China, outward FDI, incentives, motives.

I. Introduction

China sees them as an important destination for outward FDI projects in Bangladesh. The main reason for choosing Bangladesh is the incentives offered by the host country along with the geographical advantages. Besides those aspects, rising production costs in China have led to the relocation of manufacturing activities by foreign as well as Chinese TNCs also. The resulting relocation of productive capacities took place primarily in labor-intensive industries, such as garments and footwear, Agro based industry. By tradition important target countries for such relocation are Indonesia and Viet Name in South-East Asia, as well as Bangladesh in South Asia In particular, Bangladesh stands out as the sourcing hotspot in the industry by offering the advantages of both low costs and large capacity. Outflows from China continued to grow, reaching a new record of $84 billion (World Investment Report 2013). This was the highest FDI receipt in its history (second highest: USD 1.08 billion in 2008) and Bangladesh ranked itself third amongst the South Asian countries in terms of FDI inflow. Bangladesh achieved a significant growth in inflow of foreign direct investment (FDI) in 2012, despite a major decline in global inflow of FDI, said the World Investment Report (WIR), 2012 of the United Nations Conference on Trade and Development (UNCTAD). According to the report, Bangladesh received FDI worth about US $1.292 billion last year (2012), the highest ever investment from overseas. The amount is 13.75 per cent more than that in the previous year. The country received $ 1.136 billion FDI in 2011 and $ 913.32 million in 2010.

The major FDI recipient sectors were textile (USD 272.04 million), banking (USD 249.37 million), power, gas and petroleum (USD 238.21 million), telecommunications (USD 180.99 million) and cement industry (USD 51.65 million). Top investors in Bangladesh, during this South Korea (USD 113.06 million), Hong Kong (USD 104.84 million), Pakistan (USD 70.54 million) and J n (USD 46.55 million). Other main investors were Sri Lanka, India and Norway, China also.period, were Egypt (USD 152.30 million), USA (USD 117.74 million), Netherlands (USD 116.75 million), UK (USD 116.32 million), Comparative analysis of statement of sector wise distribution of FDI in Bangladesh and sources of FDI has been presented. Bangladesh must be a potential business hub for the Chinese investors because many of them have visited the country for that purpose in last four years. Chinese businessmen have showed keen interest to invest especially in textiles, agro-processing, energy and power, pharmaceuticals, communications and infrastructure development. So the aim of this report is to identify the motivations for China’s investment in Bangladesh

II. Objectives of the Study

The main objective of this study is to remark the motives of Chinese firms to invest in Bangladesh.

The specific objectives of this study are:

- To give an insight into the theoretical issues relating to FDI.
- To evaluate the status of incentives provided by Bangladesh to the Chinese firms.
- To outline the China’s recent outward FDI in Bangladesh.

III. Literature Review

According to The International Monetary Fund's Balance of Payments Manual defines FDI as `an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise'. The United Nations 1999 World Investment Report (UNCTAD, 1999) defines FDI as `an investment involving a long- term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise, affiliate enterprise or foreign affiliate)'.

We distinguish between horizontal and vertical FDI. Horizontal FDI occurs when the MNE enters a foreign country to produce the same product(s) produced at home (or offer the same service that it sells at home). It represents, therefore, a geographical diversification of the MNE's domestic product line. Vertical FDI occurs when the MNE enters a foreign country to produce intermediate goods that are intended for use as inputs in its home country (or in other subsidiaries') production process (this is called "backward vertical FDI"), to market its homemade products overseas, or to produce final outputs in a host country using its home-supplied intermediate goods or materials (this is called "forward vertical FDI").

A business strategy where a domestic firm expands its operations to a foreign country either via a Green field investment, merger/acquisition and/or expansion of an existing foreign facility. Employing outward direct investment is a natural progression for firms as better business opportunities will be available in foreign countries when domestic markets become too saturated.

China's outward foreign direct investment (OFDI) is still small relative to its massive inward FDI, China's overseas companies have been gaining momentum in moving international capital, investing across a broad spectrum of sectors ranging from natural resources to manufacturing to telecommunications and many others. Since China was a developing economy which was generally short of capital and foreign exchange, its outward FDI requires some explanations.

Cai (1999) identified four motives for Chinese FDI: (a) market; (b) natural resources; (c) technology and managerial skills; and (d) financial capital. These motives were later augmented by other researchers. For instance, Deng (2004) identified two additional motives: (e) strategic assets (e.g., brands, marketing networks), and (f) diversification. Clearly, because China was itself a low-cost production base, cost minimization was not a major motivation of Chinese FDI overseas. For instance, Deng (2004) identified two additional motives: (e) strategic assets (e.g., brands, marketing networks), and (f) diversification. Clearly, because China was itself a low-cost production base, cost minimization was not a major motivation of Chinese FDI overseas. Alternative routes taken by China and its national firms to acquire the above assets and resources have received attention in fields of international business and politics. For example, Child and Rodrigues (2005), on the basis of case studies, examine the pros and cons of three alternative routes taken by Chinese firms in seeking technological and brand assets: (a) Original Equipment Manufacturing (OEM) and joint ventures; (b) mergers and acquisitions; (c) organic international expansion. As a world factory, China will become increasingly more dependent on the global supply of raw materials and energy. Thus, China's FDI in natural resources seems to have captured the world's imagination, given many reports of billion dollar deals in 2006 and 2007 involving oil producing African countries (e.g., Taylor), central Asian countries (e.g., International Herald Tribune, October 27, 2006), and elsewhere.4 As a reflection of Chinese effort to secure the supply of raw materials and energy for its national economy, there is a literature on "resource diplomacy," which was according to Zweig (2006) defined as "diplomatic activity designed to enhance a nation's access to resources and its energy security." While the first and foremost resource for China is oil, the country is also in great demand for other minerals such as copper, bauxite, uranium, aluminum, manganese, and iron ore, etc. (see, e.g., Taylor (2007)). As pointed out by Taylor, "the strategy chosen is basically to acquire foreign energy resources via long-term contracts as well as purchasing overseas assets in the energy industry." These strategic choices also apply to other key natural resources.

The manner in which a firm chooses to enter a foreign market through FDI is referred to as entry mode. Entry mode examples include international franchising, branches, contractual alliances, equity joint ventures, and wholly foreign owned subsidiaries. While Damon's restaurants, for example, used franchising to enter the Panama market, Lucent Technologies (now merged with the French firm Alcatel) preferred a contractual alliance (i.e., coproduction) to minimize investment risks when it entered this market. While U.S.-based General Electric and French company Snecma formed a joint venture to produce civilian jet engines, German-based DaimlerChrysler chose to establish a wholly owned subsidiary in Alabama to manufacture sport-utility vehicles.

IV. METHODOLOGY OF THE STUDY

The study is descriptive in nature. In order to identify the motives for investing Chinese firms review the trends of FDI in Bangladesh, sector-wise trend of FDI inflows in Bangladesh by china, data required for the study are taken from different secondary sources i.e. World Investment Bank Report (WIR), Yearly Publications of UNCTAD, UNO, ESCAP, SANEI and Key Development Indicators and Yearly Publications of the Asian Development Bank (ADB). Relevant data are also collected from Annual Reports of Bangladesh Bank, Bangladesh Economic Review, and Published documents from Board of Investment (BOI), The Financial Express, The Daily Star, etc. newspapers, Intern Books are studied. The analysis of the report is supported by some theoretical arguments that enhance the overall findings and guide towards a reasonable recommendation.

V. DISCUSSION ON THE MOTIVES FOR INVESTING CHINA IN BANGLADESH

China is one of the largest economic countries in the world. In order to retain their regime they try to enhance their FDI all over the world and geographically Bangladesh is important area to do business here to capture the market share over the India. A number of motives encourage Chinese firms to invest in Bangladesh, especially in promotional incentives offered by the host country in different sector. Now we clarify the attractive incentives offered by the Bangladesh to augment Chinese FDI.

❖ **Agro-based Industry:**

Being an agrarian economy, agriculture has dominated in the economy for years. It has fulfilled the preconditions of access to input and raw materials in setting up successful agro-based industries. Alluvial soil, a year-round frost-free environment, adequate water supply and abundance of cheap labor are available in Bangladesh. Increased cultivation of vegetables, spices and tropical fruits now grown in Bangladesh could supply raw materials to local agro processing industries for both domestic and export markets.

China would contribute USD 486 million, two-thirds of the total construction cost of a fertilizer factory in Sylhet, which will be to the tune of USD659 million. This will be the second biggest investment in a single project by a foreign country after India. The Shahjalal Fertilizer Factory, once completed, will produce about 580,800 tons of urea annually and around 330,000 tons of ammonia. Bangladesh imports 1.6 million tonnes of urea annually. he economy of Bangladesh is primarily dependent on agriculture. About 84% of the total population lives in rural areas and are directly or indirectly engaged in a wide range of agricultural activities. Agriculture contributes about 20.29% (Source: Bangladesh Economic Review - 2011 Bangla Version) to the country's GDP- 23%. About 43.6% (Source: Bangladesh Economic Review - 2011 Bangla Version) of the labor force is employed in agriculture with about 57% being employed in the crop sector.

The abundance of natural resources available in Bangladesh supports a range of highly profitable investment opportunities in agribusiness. Over 90 varieties of vegetable are grown in Bangladesh, yet in this fertile land there is under utilization of the country's agricultural capacity. This presents many opportunities for investors seeking to export agricultural products, or to meet the rapidly growing local demand. Thriving in this sector are canned juices, fruits, vegetables, dairy and poultry. The country offers: Huge supply of raw materials exist for the agribusiness industry. A tropical climate for all year growing, a lot of fresh water, indeed a land interspersed with numerous rivers, available land with fertile soil. Government and NGOs conduct regular training programs to develop skilled manpower in the industry. Wide range of biodiversity exists for different crops. Agricultural commodities have a comparatively higher value added than non-agricultural commodities.

Agro-based Industry provides incentives for joint venture and Greenfield investment in Bangladesh government for China:
Investments in agribusiness industries in Bangladesh are encouraged with the following support measures:

- The Equity Entrepreneurship Fund for development of agribusiness industry.
- Special loan facilities available to set up an agribusiness.
- Agribusiness industry enjoys tax holidays.
- Any investment in this sector will enjoy similar tax amnesty as available in other sectors.
- Imposition of supplementary duty on mango, orange, grape, apples, dates and others to utilize the high quality and cheaper local resources.
- Cash incentives to the exporter's ranges from 15% to 20% in various sub sectors.

❖ **Textile and wearing sector:**

The Chinese government to build infrastructure in the neighbouring countries for relocating its export-oriented industries so that they can export those basic items to other countries with duty-free privilege. They shifting its industries from producing basic export items to more knowledge-based industries. Besides, the wage of Chinese labour has significantly risen in recent years compelling many Western buyers to procure items from other countries. With China fast losing its textile manufacturing competitiveness, executives are calling for a swift revision of tax rebate regulations before companies flock to other nations like Bangladesh. Textile companies are pressed by a rising renminbi and increased operating costs caused by soaring material prices and labor shortages. They have also been affected by other factors like restrictions to the electricity supply. Bangladesh also has other attractions as its government is slashing taxes to lure investors from abroad. Textile companies are exempt from taxes when shipping their products to member countries of the European Union and other areas Chinese the country is rapidly shifting from textile and apparel industries and focusing on third country source to meet the growing demands of apparels for their consumption. China is the leader of the global textile trade and its yearly export from the sector hit at $175 billion. The country (China) is shifting from the textile and clothing industry to high-tech and heavy industries because of rapidly growing cost of production resulted from enormous rise in worker's wage."As they are shifting from the textile and apparel manufacturing, they have to procure apparels from third country to meet the growing demands of its large number of population the size of Chinese domestic apparel market stands at $350 billion out of $450 billion global market. "Bangladesh is the second largest apparel exporter after China and a mutual cooperation between Bangladesh and China could help grabbing the vast apparel market in China," Historically the Bangladesh RMG industry has depended largely on imported yarns and fabrics and produced only 10% of the export-quality cloth used by the garments industry. The need for establishment of backward-linkage industry has become an immediate concern to the government and the exporters and there are enormous opportunities to set up a composite textiles industry combining textile, yarn and garments.

Textile and wearing sector provide incentives for joint venture and Greenfield investment in Bangladesh government for china:

Enormous investment opportunities exist in this sector. In the RMG industry demand for fabric significantly exceeds local supply and so is currently being met by imports. Backward linkage is a significant trading opportunity and is supported by a government backed incentive: 15% cash subsidy of the fabric cost to exporters sourcing fabrics locally.
Additionally the government has created a highly favorable policy framework for investment in these sectors offering investors the following choices.

- Establishment of new textile/RMG mill in the private sector.
- Joint ventures with the existing textile/RMG mill.
- Acquisition of public sector textile mills that are being privatized.
- Indirect investment through financial services and/or leasing.
- The most beneficial public policy of introducing back to back LC* and bonded warehouse facilities provide a tremendous impetus to the export scenario in Bangladesh.

❖ **Power sector:**

Electricity is a key ingredient for the socio-economic development of the country. The government has given top priority to development of the sector considering its importance in the overall development of the country. The government has set the goal of providing electricity to all citizens by 2021. Adequate and reliable supply of electricity is an important pre-requisite for attracting both domestic and foreign investment.

As the power sector is a capital-intensive industry, huge investments are required in order to generate addition to the capacity. Competing demands on the government resources and declining levels of external assistance from multilateral and bilateral donor agencies constrained the potential for public investment in the power sector. Recognizing these trends, the government of Bangladesh amended its industrial policies to enable private investment in the power sector.

The Power Cell, created under the Power Division of Ministry of Power, Energy and Mineral Resources, received the mandate to lead private power development. The government is strongly committed to attract private investment for installing new power generation capacity on build-own-operate basis.

Power sector provide incentives for joint venture and Greenfield investment in Bangladesh government for China:
There are number of facilities and incentives would be provided to the foreign investors. Some of them as follows:

- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation.
- Tax exemption on interest on foreign loans.
- Tax exemption on capital gains from transfer of shares by the investing company.
- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements.
- Exemption of income tax for upto three years for the expatriate personnel employed under the approved industry.
- Remittance of up to 50% of salary of the foreigners employed in Bangladesh and facilities for repatriation of their savings and retirement benefits at the time of their return.
- No restrictions on issuance of work permits to project related foreign nationals and employees.
- Facilities for repatriation of invested capital, profits and dividends.

- **Engineering sector:**

The engineering industry in Bangladesh continues to grow each year. This labor-intensive sector produces a diverse range of items, including import substitute machinery spares, plant machineries, small tools, toys, consumer items and paper products for the domestic market. Most of these enterprises are located in and around Dhaka metropolis.

Skilled, easily trainable and low-cost human resources are the main cost advantage of setting up electronic industry in Bangladesh. Growing domestic demand and international market access are some key attractive issues to the investors. China are encouraging electronic industry to shift from low-end assembly operations with high import content of inputs to upstream higher value-added activities.

Leather Sector :

Foreign direct investment in this sector along with the production of tanning chemicals appears to be highly rewarding due to this presence of basic raw materials for leather goods including shoes, a large pool of low cost, trainable labor, and a tariff concession facility to major importing countries under Generalized System of Preferences (GSP) coverage. Thus Bangladesh is an ideal offshore location for leather and leather products manufacturing with low cost but high quality.
Exports include some ready-made garments, although that aspect is confined mainly to a small export trade in "Italian-make" garments for the US market. Footwear is more important in terms of value addition. This is the fast growing sector for leather products.

- **Service sector :**

Service sector is one of the fastest growing sectors in most of the countries in recent times. This is why it has importance in the national economics of any countries. The importance of service sector of many economies can firstly be measured by the proportion of the total workforce that is directly engaged in the service industries. ICT and business services in Bangladesh is a vibrant sector supported by an enthusiastic culture and a government committed to providing a pro-business climate for China investors.

Facilities for foreign investors as well as China investor (As of 01 July, 2012):

Government of Bangladesh provides lot many incentives for foreign investors. These are, in brief, as follows:

1. Protection of foreign investment and its repatriation
2. Protection of foreign investment from expropriation by the state is fully ensured. Moreover, full repatriation of capital invested from foreign sources is allowed. Similarly, post-tax profits and dividend accruing to foreign investors are allowed to be transferred in full. Remittance of approved post-tax royalties, technical know-how and technical assistance fees is also allowed in full. Foreigners employed in Bangladesh are entitled to remit 50 per cent of their salary and full repatriation of their savings and retirement benefits

- Fiscal incentives:
    - Avoidance of double taxation on the basis of bilateral agreements.
    - Tax at reduced rate of 10% on capital gains from transfer of shares of public companies listed with stock exchange.
    - Tax Holiday for 5/7 years is available to defined sectors of industry set up in defined regions and for 10 years to defined physical infrastructure facility at prescribed rates on fulfilment of certain conditions.
    - Concessionary import of Capital Machinery Concessionary import duty (3% in general) and exemption from VAT and Supplementary Duty are available in case of import of capital machinery subject to certain conditions.
    - Incentives to Private Sector Power Generation Private sector companies that will start commercial production by June 2013, will continue to enjoy tax holiday for 15 years from the date of commercial production.

However, such companies that will start commercial production on or after 01 July 2013 will enjoy tax holiday @100% for the first 5 years. For the next 5 years they will enjoy tax holiday at specified lower rates. The income of foreign personnel working in these companies is exempt for 3 years from the date of their arrival.

- Special incentives to Oil and Gas sectors In respect of petroleum operation undertaken by a contractor entering into production sharing contract (PSC) with the Government, Government holds and keeps the contractor harmless from all present and future Bangladesh taxes except where specifically provided to the contrary.
- Additional facilities in the Export Processing Zones. There are several additional benefits for industries set up in the Export Processing Zones. If these are set up on or after 01 January 2012, they would enjoy tax holiday for 5 years, 1st two years 100%, next two years 50% and the last year 25% (However, if these are set up in the three Hill Tract districts, 1st 3 years 100%, next 3 years 50% and the last year 25%), duty-free import of machinery, equipment and raw materials, off-shore banking facilities, freedom from customs formalities, provision of electricity, water, gas and telecommunication connections

Easy of Doing Business in Bangladesh

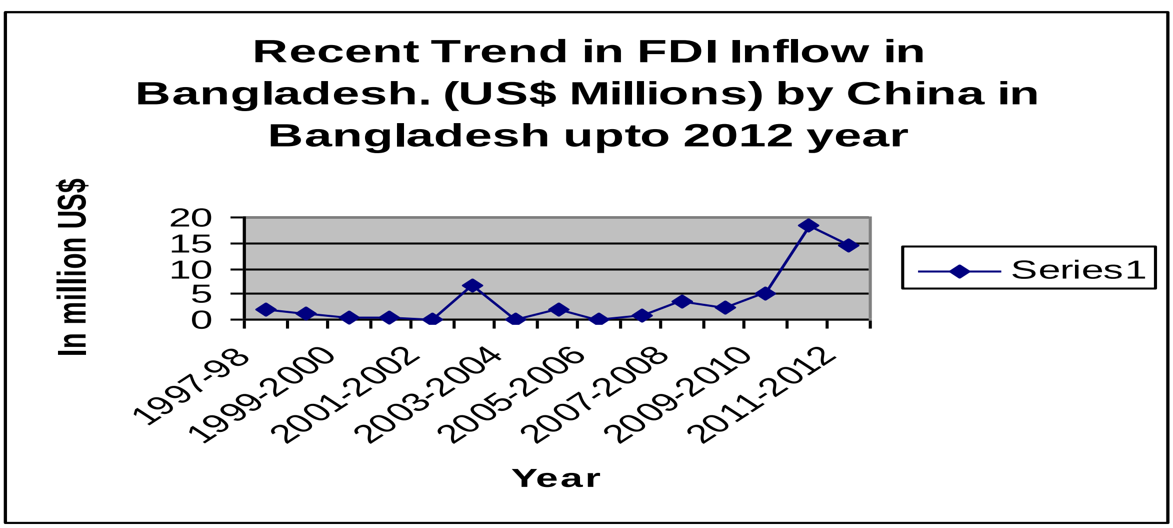
According to Doing Business-2012, Bangladesh has gone down four steps than that of the previous Doing Business Report -2011. Bangladesh ranked 122 among 183 economies, where Singapore ranked first position and Pakistan secured the position of 105 (Doing Business-2012). In getting electricity and registering property, Bangladesh secured lower position at 182 and 173 respectively. In 2005, foreigners needed 185 days to get the permission of construction in Bangladesh while it reached at 201 days in 2011. Required days for getting electricity connection in industries in 2011 was more than a year (372 days). In Bangladesh, to implement a contract, it takes 1442 days in and almost 63 percent of the demanded property which is the highest time and cost considering the 183 economies. In trading across borders (export and import), Bangladesh needs 25 and 31 days respectively, that is very high in comparison with the rest of the world. The cost of doing business in Bangladesh is highly competitive in comparison to other economics not only in the region but also in the world.

Patterns of China's Recent Outward FDI in Bangladesh:

In this section, we first present the amount of China's aggregate annual FDI outflow from 1997 to 2012. Table 1: Recent Trend in FDI Inflow in Bangladesh. (US$ Millions) by China in Banglades

Year	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
In million US$	2.11	1.32	0.43	0.3	0.06	6.58	0.07	1.81	0.18	0.92	3.47	2.54	5.17	18.57	14.35

Source: Statistics Department of Bangladesh Bank



Source: Statistics Department of Bangladesh Bank.

The graph also shows inconsistent proceeding of the FDI in Bangladesh since 1997 and portfolio investment flows. Its extreme dip, a net outflow by China of more than $2.11 million in 1997-98, followed the crash of the capital market.. Since then, foreign investment has stabilized at a low level. Following the drop from the peak in FY 2002-2003, the decline was reversed in FY 04, and indications are that a further rise in FY 2007 is likely. It is a matter of great concern that in spite of Bangladesh's comparative advantages in labor incentive manufacturing, adoption of investment friendly policies and regulations, establishment of EPZs in different suitable locations and other privileges,. FDI flows have failed to be accelerated. However, the year 2010 and 2011 show a substantial improvement in FDI achievement.

FDI Inflows classified by China and Major Sectors:

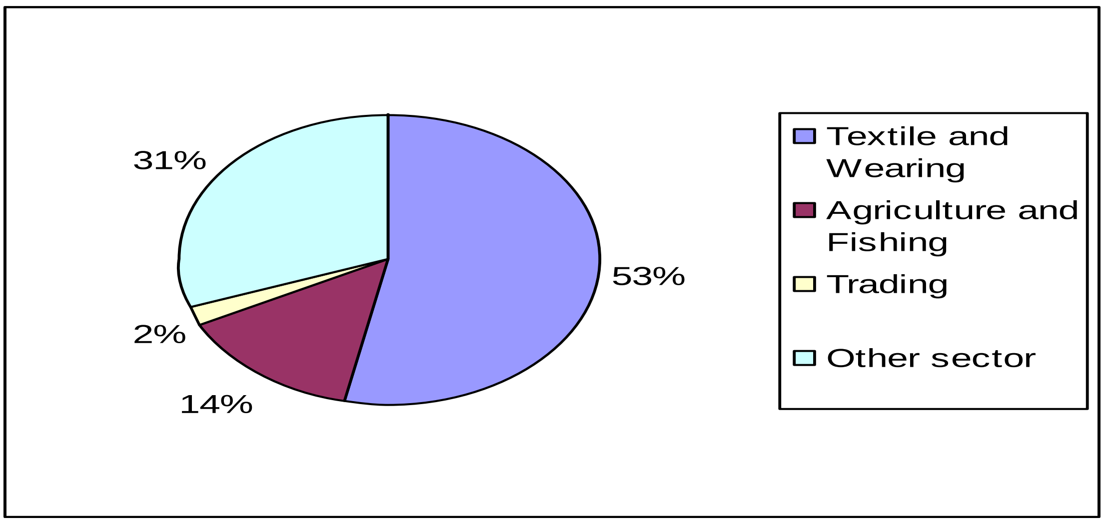
The increasing trend of FDI in recent years is a good sign for Bangladesh. But a sector-wise analysis of FDI reveals that the China investors have so far made a major shift in their investments in Bangladesh Textile sector to other sector. Table 2 (Sector-wise analysis of FDI inflow) shows a shift of FDI that has been made towards power and energy, manufacturing (especially in RMG) and agricultural industrial and trade and commerce whereas, telecommunications, Food, Cement, Computer Software and IT Chemicals and Pharmaceuticals ,NBFI sectors have been neglected from some year . Outflows from China continued to grow, reaching $80 million in 2012 (a record level) in Bangladesh.

FDI Inflows classified by China and Major Sectors for the period of year 2009-2012

	Year 2012	Year 2011	Year 2010	Year 2009
Textile and Wearing	4.87	3.67	5.16	2.06
Banking	000	000		
Gas & Petroleum	000	000		
Agriculture and Fishing	1.33	000		
Power	.10	.16		
Telecomm unication	000	000		
Food	000	000		
Cement	000	000		
Computer Software and IT	000	000		
Chemicals and Pharmaceuticals	000	000		
NBFI	000	000		
Trading	.19			
Other sector	2.81	1.94	0.54	0.15

Source: Statistics Department of Bangladesh Bank.

I.2 Sector-wise allocation of China's Outward FDI in Bangladesh



Source statistics: Department of Bangladesh Bank.

Graph 3 presents the sector-wise FDI inflows into Bangladesh by China investor. It is seen in 2012, 53% of China's FDI flow went Textile and Wearing; 31% went into manufacturing 14%Agriculture and Fishing and 2 % other sector. The lowest investment inflows are seen in Printing, Publishing and Packaging Sector. In case of employment opportunities, Textile Sector shows the highest number of employees, followed by agro-based Sector and the lowest number of employees is seen in Printing, Publishing and Packaging Sector. There is no consistency between investment and number of employments. This might be happened because of capital intensive and labor intensive projects.

VI. Recommendations

1. Tax amnesty and cash incentives may increase by the host country government to boost up FDI in Bangladesh.
2. They should introduce greenfield investment to encourage more Chinese companies to invest in Bangladesh in textile sector.
3. Exemption of income tax should be increase at least 4 years and also apply attractive fringe benefit facilities especially for power sector and service. And maintain

minimum label monitoring system for project related foreign nationals and employs. .

4. To relocation, outward investment and joint venture with Bangladeshi companies could be gainful strategies. To capitalize on the comparative advantages, substantial foreign investment from China is highly encouraged.
5. The government is in the process of setting up a separate Leather Zone, relocating the existing industry sites to a well-organized environment.
6. Facilities for export-oriented industries Import of capital machineries and parts thereof is allowed on nominal duty of 1% besides the facilities of Bonded Warehouse, Back to Back Letter of Credit and Duty Draw Back in case of export-oriented industries.

VII. Conclusion

Science China is the giant in FDI in the all over the world so, Bangladesh always welcome china for FDI and contribute in the host economy That's why Bangladesh diversify its export baskets and remove its structural problems in order to get more access to a very diversified and competitive Chinese market.. Historical trends in foreign direct investment (FDI) in Bangladesh last year rose by 13.75 per cent to US$ 1.29 billion, the highest in its history, according to UNCTAD's (United Nations Conference on Trade and Development) World Investment Report-2013.The country received $ 1.13 billion FDI in 2011, the second highest, and $ 1.08 billion as its third highest FDI in 2008. China could come to invest in Bangladesh's manufacturing sector in which Bangladesh was not its competitors. With the Chinese economy evolving and its market moving towards high -end products, China could move out from the labor intensive areas at the lower end of manufacturer sectors and effectively relocate in Bangladesh.

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