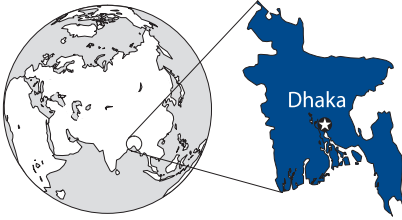


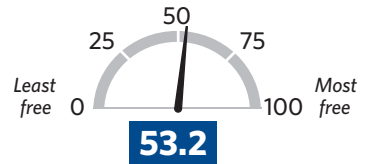
BANGLADESH



World Rank: **130**

Regional Rank: **28**

Economic Freedom Score



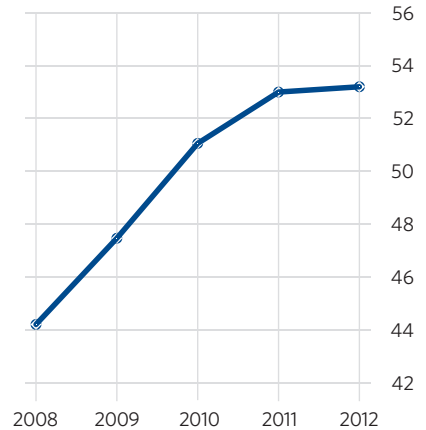
Bangladesh's economic freedom score is 53.2, making its economy the 130th freest in the 2012 *Index*. Its overall score is 0.2 point better than last year, reflecting improvements in business freedom and labor freedom that counterbalance a significant drop in trade freedom. Bangladesh is ranked 28th out of 41 countries in the Asia-Pacific region.

Bangladesh continues the five-year move toward greater economic freedom that has brought it out of the status of "repressed." The advancement in freedom has been accompanied by notable economic growth averaging 6 percent per year over the same period.

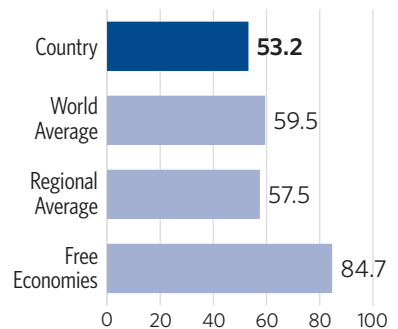
Nonetheless, progress in reform overall has been uneven and deficient. The foundations of economic freedom remain fragile. Corruption and an inefficient judicial system undermine the rule of law. Weak governance and structural problems continue to constrain development. The inefficient regulatory regime is often heavily politicized, and policies needed to liberalize or sustain open markets have been undercut by considerable government interference in the economy. The underdeveloped financial sector impedes investment and the growth of a more dynamic private sector.

BACKGROUND: Islamist extremist groups threaten Bangladesh's democracy and pluralist traditions, but the current government, led by Prime Minister Sheikh Hasina Wajed, has taken steps to curb their activities. The opposition Bangladesh National Party fueled political and economic uncertainty in 2010 with street protests against a constitutional amendment to reverse the 15-year practice of holding national elections under a neutral caretaker administration. Bangladesh is one of the world's poorest nations, and the majority of its people work in agriculture, though service industries now account for over half of GDP. Weak institutions, poverty, and too much government intervention, which leads to corruption, undermine economic development and fuel social and political unrest. Bangladesh receives relatively large inflows of remittances and around \$100 million a year in aid from the United States.

Freedom Trend



Country Comparisons



Quick Facts

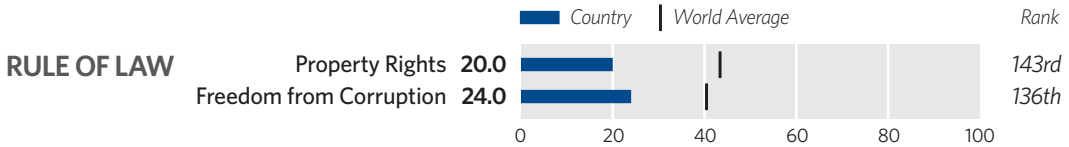
Population: 164.5 million
GDP (PPP): \$258.6 billion
6.0% growth in 2010
5-year compound annual growth 6.1%
\$1,572 per capita
Unemployment: 4.8%
Inflation (CPI): 8.2%
FDI Inflow: \$913.3 million
Public Debt: 43.8% of GDP

2010 data unless otherwise noted.
Data compiled as of September 2011.

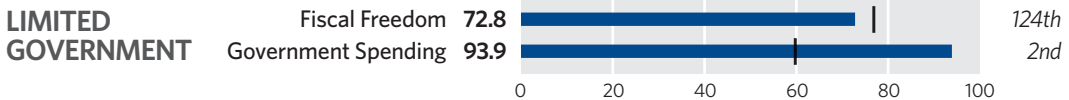
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

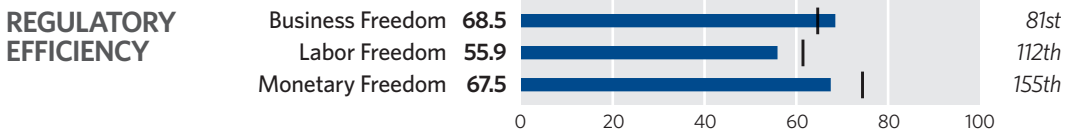
THE TEN ECONOMIC FREEDOMS



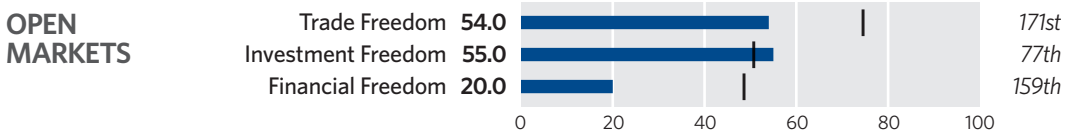
The civil court system is based on the British model, and the constitution provides for an independent judiciary. However, contract enforcement and dispute settlement are inefficient. Corruption remains a serious problem. The effectiveness of Bangladesh’s Anti-Corruption Commission is under threat from proposed amendments to the Anti-Corruption Commission Act, which contain a number of procedural changes.



The top income tax rate is 25 percent, and the top corporate tax rate is 45 percent. Other taxes include a value-added tax (VAT) that is currently being reformed. The overall tax burden amounts to 8.6 percent of total domestic income. Government spending equals 14.3 percent of total domestic output, and public debt has declined to below 50 percent of GDP. The overall effectiveness of government is poor due to heavy bureaucracy.



Recent reforms have improved regulatory efficiency. Business start-up is simpler, with start-up time shortened by 19 days, and the costs of getting necessary permits and establishing a company have been reduced considerably. Although a well-functioning labor market has not been fully developed, labor productivity growth has been slightly higher than wage hikes. Inflationary pressure is high, and price control measures have been in place.



The trade weighted tariff rate is 13 percent, with myriad non-tariff barriers further increasing the cost of trade. Although foreign investment is welcome, potential investors face a host of challenges. In general, government laws and regulations and their implementation create rather than reduce impediments to investment. Government ownership and interference in the financial sector remain considerable, undermining the sector’s efficiency.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	+0.1	+3.5	-4.0
0	+1.5	+1.6	0
		Monetary Freedom	Financial Freedom
		-1.1	0