

Core Competence, Editor's Pick

# Economic Value Out of Ideas

moving forward in implementing Bangladesh's Vision 2041

Rokon Zaman | Created: October 29, 2021 | Last updated: November 2, 2022



*IT possibilities offer the window of creating economic value out of ideas*

*Creating a flow of ideas out of IT possibilities and integrating them into products and processes opens the window of improving the quality and reducing the cost simultaneously. But it demands a well-planned transition in creating the market of ideas and improving rational decision-making.*

**B**angladesh has set a vision for being a high-income country by 2041. How a country having 165 million people on a tiny piece of land, just 148000 square kilometers, be an advanced economy is intriguing indeed. To be specific, despite consistent growth over the last two decades, Bangladesh's per capita income has just reached over \$2,000. To achieve the aspiration, this number should grow to above \$12,000. Without having many untapped natural resources, how it is feasible for Bangladesh to achieve this target appears to be impossible. Furthermore, scaling up labor-based manufacturing for export, like export-oriented ready-made garments, does not offer

much room for increasing per capita income, as labor-based value addition is shallow. Hence, economic [value creation out of ideas is highly imperative](#).

## **Leveraging Graduates**

The argument could be the potential of a 50 million student population. With the given growing graduate unemployment, how will Bangladesh create economic value out of the graduates? The suggestion could replicate India's success of turning knowledge into economic value through information technology (IT) service export. But due to the high amenability of automation of service, this scope has been shrinking. Hence, in setting Vision 2041, Bangladesh has targeted to create economic value out of ideas by leveraging information technology possibilities.

## **Avoiding middle-income trap—by creating economic value out of ideas**

Economic value out of technology possibilities takes place through multiple channels. Often such value creation, notably in less developed countries, begins with the imported technology products. So far, Bangladesh has been, predominantly, a consumer of imported information technology. Bangladesh has been using the proceeds from labor and natural resource trade to import various IT products, starting from smartphones and medical equipment. The economic value creation potential through such a means is minimal. The next one is to design, construct and deploy customized IT solutions out of imported modules. Bangladesh's IT industry has grown for leveraging this window. Despite the success, the overall contribution to economic growth is relatively low.

The following window is to replicate IT products by adding value out of labor. Bangladesh's recent success of Made in Bangladesh label in mobile phone handset assembling, value creation per person through this approach is relatively low. In fact, through labor-based value addition, creating a vast export revenue reach over \$100 billion, Malaysia has remained caught in the middle-income trap. On the other hand, one poorer than Malaysia, Taiwan, and South Korea have reached high-income status.

## **Creating and Leveraging Ideas for creating economic value**

The next option is to create add value by ideas. One of the notable examples has been Taiwan. Semiconductor companies, like Taiwan Semiconductor Manufacturing Company (TSMC) or fabless firms like MediaTek, have been focusing on leveraging ideas instead of labor or capital. For example, in the recently released corporate social responsibility report released in 2019, since its birth, TSMC

filed 55,000+ patents worldwide and received 39,000+ patents worldwide. However, TSMC is known for offering semiconductor processing services out of capital-intensive plants; but as high as 40 percent of staff members are in research and development (R&D). They have been systematically researching for gathering knowledge and generating ideas for producing higher quality silicon chips at less cost. In addition to operating plants, they have been focusing on integrating those ideas into processing equipment and developing intellectual properties for chips.

The shifting of the focus of conventional manufacturing from labor and capital to idea generation has been behind Taiwan's success of generating above 25 percent profit in the high-volume semiconductor business. It has been a tremendous success of creating economic value from ideas by linking R&D into higher quality and lower cost of producing silicon chips.

## **India's struggle in leveraging smartphone ideas**

In recent times, India has made tremendous progress in producing mobile phone handsets locally. Even in 2018, India reached the success of producing almost 94 percent of the handsets in the country. But the local value addition is below 20 percent—mainly due to local labor and capital used for importing machinery. Furthermore, the market share of local companies kept falling; top positions belong to foreign makers like Samsung, Oppo, Vivo, Xiaomi, and Realme. Interestingly, although these foreign companies are active in R&D and filing patents in India, they perform research mainly outside of India.

Furthermore, studies also indicate that Indian domestic companies are not active in R&D; they are not active in developing, patenting, and integrating ideas in releasing successive better versions. Ironically, despite having staggering success in IT service export, India could not open the window of creating economic value in mobile handset making out of local production of ideas. Like India, many other less developed countries like Bangladesh, yet to reach the state of creating wealth out of production and trading of ideas, as product and process features, out of IT possibilities.

## **Ideas out of IT possibilities for improving national competitiveness**

It happens to be that IT offers the options of creating ideas for improving the quality and cost issues facing all economic sectors. For example, the possibility of precision farming out of the unmanned aerial vehicle could be finetuned and leveraged by locally produced ideas. Similarly, ideas could be developed and exploited for lowering wastage in diverse sectors by taking advantage of precision operation. The possibility of the low-cost camera and high-performing computing devices could be leveraged through ideas of fabric inspection for lowering wastage, which is now above 10 percent of

total fabric consumed. Making this number half, which appears to be attainable, could significantly boost the competitiveness of Bangladesh's export lifeline—ready-made garments.

## Transition for meeting Bangladesh's vision

In the perspective plan 2041, moving from a factor-driven stage to an innovation-based economy is the cornerstone of reaching a high-income state. It has been stated that changing production priorities from replication and imitation of simple products to innovation, driving process and product sophistication, and increasing total factor productivity (TFP) contribution to economic growth should be prioritized.

To make this transition, there should be technology possibilities. It happens that IT offers options for creating economic value out of ideas through innovation and reinvention of IT products and processes to produce them. Furthermore, ideas could be developed out of IT possibilities; and they could be integrated into the process of producing whatever the products Bangladesh has been producing now, from shirts to sugar. For moving with this mission, Bangladesh should meticulously spell out the transition by creating a market of ideas—by strengthening both supply and demand sides. The focus should be on making the transition from labor and also knowledge to create economic value out of ideas—by leveraging IT possibilities. And creating the endless flow, the focus should be on [the passion for perfection and knowledge](#).

Enlighten others



### Subscribe

Subscribe now to our newsletter

**Subscribe**

☐ *By checking this box, you confirm that you have read and are agreeing to our terms of use regarding the storage of the data submitted through this form.*