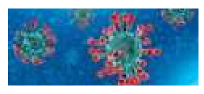

TAMING CORONAVIRUS RAMPAGE

NTT DoCoMo poured $350m in Bangladesh. But it is now leaving empty-handed.

Japanese telecom giant pointed fingers at regulatory regime

Muhammad Zahidul Islam *and* Jagaran Chakma

Japan's largest mobile firm NTT DoCoMo is leaving Bangladesh after 12 years completely empty-handed despite injecting $350 million in the country.

The departure, which will bring DoCoMo's 12-year presence in Bangladesh to an end, has raised questions about the regulatory regime in the telecommunication sector.

This may also impact the 5G roadmap of Bangladesh as NTT DoCoMo is ranked the world's leading operator in terms of applications for candidate standard-essential patents and the number one in terms of 5G technical proposals in 2019, experts say.

On Friday Robi, the second-largest carrier of the country where DoCoMo was a part for the last 12 years, got the approval from the Bangladesh Telecommunication Regulatory Commission (BTRC) to hand over its 6.33 per cent share in Robi to Indian multinational company Bharti Airtel.

The Japanese mobile phone operator has not disclosed how much it is getting from the Indian firm for selling the shares.

This compelled the BTRC to reach an amount by fixing the value of the stake at Tk 10 per share in line with the face value of each security in the stock markets in Bangladesh.

The carrier has paid all of the Tk 4 crore it has got from Bharti International to the BTRC in share transfer fees, which would leave the Japanese company with no money or very insignificant amount to take home.

Now, it has to complete some formalities at the Registrar of Joint Stock Companies and Firms before leaving.

In 2008, when DoCoMo came to Bangladesh, the BTRC had charged Tk 139 crore as share transfer fees, which were 5.5 per cent of the total value of the shares.

At the time, AK Khan Group sold its 30 per cent stake in the erstwhile Aktel and a case has still been pending with the High Court on the issue of the huge transfer fees.

Since the foray, the Japanese telecom investors were very unhappy with the telecom policies and regulatory regime of Bangladesh and as a result, they even did not consider any further investment in the country save some requisite technological support.

DoCoMo raised questions about the policies on fibre optical cable, interconnections and telecommunication transmission.

Mobile operators are allowed to lay fibre optic in other countries. But in Bangladesh, they have to take the service from other companies.

Similarly, the carriers have to go through interconnection exchange operators and international gateway operators before connecting subscribers at home and abroad.

NTT DOCOMO'S TIME IN BANGLADESH

- AKTEL awarded licence in 1997 with the partnership of Telecom Malaysia
- In 2008, NTT DoCoMo acquired **30**pc shares of local firm AK Khan Group for $**350**m and renamed it as Robi
- In 2012, DoCoMo diluted its sharehold-ing to **8**pc
- DoCoMo's shares were further diluted in 2016 to **6.33**pc when Robi merged with Airtel
- From the onset DoCoMo was unhappy with regulatory regime

High tax is another reason, say industry people. At 54 per cent, Bangladesh's mobile industry has one of the world's highest taxation rates.

In 2013, the predominant mobile operator of Japan decided to squeeze its stake to 8 per cent from 30 per cent.

When Robi and Airtel merged in November 2016, DoCoMo's share was diluted and came down to 6.33 per cent.

When DoCoMo contracted its shareholding to 8 per cent in 2013, the Bangladesh government should have taken it as a wakeup call as the Japanese behemoth had squarely blamed regulatory uncertainty for downsizing its stake, but the situation kept worsening, experts said.

In the last one year, DoCoMo did not sit in the board of Robi Axiata and withdrew all of its employees at Robi more than a year ago.

In February, Robi announced that it wanted to get listed on the stock market and has accordingly applied to the Bangladesh Securities and Exchange Commission -- in a testament of the commitment of the foreign owners of the operator to the market.

Once the issue becomes mature, the stakes of both Axiata and Bharti will be diluted and the shareholding structure will change again.

In a meeting in March, the commission decided to allow DoCoMo to leave the country. There had been no mention of imposing charges on the share transfer in the meeting minutes.

The meeting also decided to recommend the government approve the departure. But in the letter of the telecom ministry where it gave the consent, the issue of charge was mentioned.

On Saturday, Md Jahurul Haque, chairman of the BTRC, said the commission did everything as per the Telecom Act.

"Maybe they (DoCoMo) have other plans and that's why they are leaving Bangladesh," he said.

With the departure, DoCoMo will join a list of telecom players such as Orascom Telecom Holding, SingTel and Dhabi Group (Warid Telecom) that wounded up operations in Bangladesh in the past.

Robi has 4.99 crore active users as of March, trailing behind market leader Grameenphone.

"We are sad to see NTT Docomo exiting from Bangladesh's telecom market," said Shahed Alam, chief corporate and regulatory officer of Robi Axiata.

In 2016, Citycell, the country's first mobile operator, quit the market. Later, Airtel merged with Robi since its operation in Bangladesh as a separate company had become unviable, he said.

"Therefore, there is no doubt about the dire business prospect for telecom business in Bangladesh unless economies of scale are created by an operator," said Alam.

Md Sirazul Islam, executive chairman of the Bangladesh Investment Development Authority (BIDA), does not think that the departure would give a wrong signal to

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Ctg port faces another setback as fear grips employees

Mohammad Suman, *Ctg*

Export and import activities through Chattogram port may face a fresh round of setback as the fear of contracting the novel coronavirus is spreading like wildfire among the employees of the premier seaport and the customs house.

Three port employees have died while 35 staffers, including 14 from the customs, have tested positive for COVID-19 until Saturday.

Port and customs officials said it was not possible to maintain social distancing as about 12,000 people, including importers, clearing and forwarding agents, shipping agents, port workers, and truck drivers and helpers, come to the port area every day.

"The customs house was open round-the-clock during the general holidays. Though we have taken several measures to fight the novel coronavirus, maintaining social distancing is quite impossible due to the huge number of service recipients coming every day," said Fakhrul Alam, commissioner of the Chattogram customs house.

About 3,000-4,000 trucks and covered vans from different parts of the country enter the port area a day with more than 6,000-8,000 drivers and assistants, according to Omar Farooq, secretary of the Chittagong Port Authority.

Besides, more than 4,000-5,000 C&F agents, port workers and shipping agents remain busy at the port jetties, he said.

"We are trying our best but still it's a gigantic task to ensure social distancing among all these people."

Farooq said they collect samples from 15 employees every day through the Chattogram port hospital and send those to the laboratory for coronavirus test.

"We know it's not enough. So we have requested the health department to set up a separate coronavirus testing booth for us. I hope it will be possible in two or three days."

A customs official, who has been struck by COVID-19, said each floor of the three-storey building of the customs house remains crowded every moment.

"Thousands of people enter the building and they have to move through a narrow staircase. The employees are at risk as they do not have proper personal protective equipment."

Altaf Hossain, general secretary of the C&F Agents' Association, said the customs and port authorities were working with half the manpower than required.

"As a result, it takes more time to get our work done," he said, adding that they had directed their employees to wear masks and follow other safety guidelines.

Calls for anti-dumping duty on Indian yarn grow louder

Refayet Ullah Mirdha

The country's primary textile millers have once again called upon the government to impose anti-dumping duty on cheap Indian yarn to save the $8 billion domestic textile industry.

Thanks to the global coronavirus pandemic, hundreds of mills in India are sitting on unsold yarn, which they are diverting to Bangladesh on the cheap and many local garment makers are lapping them up.

For instance, the local millers are selling the widely-consumed 30-carded yarn is selling at $2.80 to $2.90 a kilogram, whereas the same quality yarn can be managed at $2.60 to $2.70 per kg from India, according to the Bangladesh Textile Mills Association (BTMA).

Besides, the Indian yarn is highly subsidised as the government provides incentives for cotton purchase and production of yarn at the mill level, according to BTMA Secretary Monsoor Ahmed

As a result, yarn worth $1.4 billion have remained unsold at the factory level in Bangladesh over the last two months, he told The Daily Star yesterday.

Subsequently, the BTMA recently wrote to Finance Minister AHM Mustafa Kamal, Commerce Minister Tipu Munshi and Textiles and Jute Minister Golam Dastagir Gazi requesting measures to stop the invasion of cheap Indian yarn.

In the letter, the association also called for increasing the cash incentive for garment exporters by 6 percentage points to 10 per cent if local yarn and fabrics are used.

The local millers churn out $12 billion worth of yarn a year and can meet 85 per cent of the demand for raw materials by the knitwear sector and 35 per cent by the woven sector.

In fiscal 2018-19, Bangladesh exported garment items worth $35 billion, and 63 per cent of the garment items were made from local raw materials. As a result, the retention value was also high at $15 billion, according to BTMA President Mohammad Ali Khokon.

On the other hand, the retention value from the imported raw materials was only $3.25 billion, he said in the letter.

The BTMA also demanded the import prices of yarn be scrutinised at the land ports along the Bangladesh and Indian bordering areas.

Meanwhile, the Indian clothing manufacturers have already taken steps to save their domestic industry.

On May 22, Rakesh Biyani, president of the Clothing Manufacturers Association of India (CMAI), sent a letter to Indian Textile Minister Smriti Zubin Irani to request an additional duty on import of apparels from Bangladesh.

The CMAI said the domestic clothing industry is under threat because of duty-free import from different countries, including Bangladesh.

Thanks to the duty-free trade benefit, Bangladesh's garment export to India has increased a lot in recent time despite having a 12.50 per cent countervailing and provincial duty.

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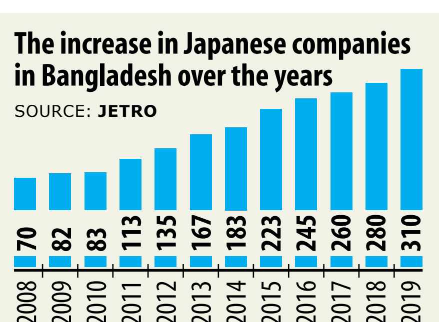
Japanese firms eye expansion, not relocation

Refayet Ullah Mirdha

Following the advent of the coronavirus pandemic in Wuhan, China last December, it was assumed that a number of Japanese companies based in the East Asian nation would shift their factories to less affected countries like Bangladesh and Vietnam.

However, Bangladesh might not benefit greatly after all as a very few of the Japanese companies want to relocate from China, said a senior official of the Japan External Trade Organisation (JETRO) last week.

Bangladesh, however, could still enjoy the fruits of Japanese investment as majority of the existing Japanese companies want to expand their operations in Bangladesh, the JETRO official added.



JETRO is a government organisation that works to promote mutual trade and investment between Japan and the rest of the world. As such, the organisation oversees all of Japan's foreign investment.

According to the annual JETRO survey, 99 per cent of the Japanese companies operating in China will remain where they are.

Only 0.9 per cent will even consider diversifying their business to a third country or region in the next one or two years, said Yuji Ando, Bangladesh country representative of Jetro.

"We cannot say for certain that Japanese companies have started relocating to other counties," Ando said in reply to a query from The Daily Star last week.

"However, the Japanese government plans to support its companies to diversify their production base," he added.

As of 2019, the number of Japanese companies operating in China is 33,050.

As per the statistics from JETRO Dhaka, the number of Japanese companies operating in Bangladesh has quadrupled over the past 10 years and as of April 2020, stands at 310, Ando said.

The cumulative value for foreign direct investment (FDI) from Japan is about $370 million.

Japanese investment may favour labour-intensive sectors like the apparel and IT, which have the possibility to diversify Japan's procurement of such products from China to Bangladesh.

In the past, rather than the COVID-19 pandemic, it was other issues such as increased labour costs in China that pushed companies to expand their markets to emerging countries like Bangladesh.

Considering the huge potential for growth in countries like Bangladesh, the JETRO survey also found that about 70.3 per cent of all Japanese companies would consider expanding their businesses in the next one or two years.

This rate is the highest among 19 countries and regions in Asia and Oceania.

But due to the ongoing pandemic, companies will have to recoup their losses before making any plans for expansion. This means that government support for those companies will play a key role in their decision to reach other markets.

At times, Japanese investors complain about different challenges they face in Bangladesh, the official said.

"We can say that we have two major issues. First, tax and foreign exchange. Second, the improvement of investment climate."

The regulation of telegraphic transfer of remittance for import trade is one of the more symbolic issues as companies have to bear high transaction costs and spend considerable amounts of time on import trade, Ando said.

The government temporarily relaxed regulations on working capital loans from parent companies as such but the limitation for eligibility and term should be relaxed further, he said.

"I understand that the budget for financial support is limited so I strongly believe that it is high time for the Bangladesh government to go for regulatory reforms (deregulation) to improve the bottlenecks and promote FDIs, especially in the tax and foreign exchange policy and investment climate."

This would support local companies and directly contribute to improving the country's position in the 'Ease of Doing Business' index of the World Bank. Investors are always closely watching the government's efforts to improve investment climates, he added.

Managing stimulus packages and banking sector liquidity

Prashanta Kumar Banerjee

Like the rest of the world, the Bangladesh economy is reeling from the shocks of the coronavirus pandemic.

Apart from the health and safety issues relating to COVID-19, a discussion on possible measures for both the economy and financial sector liquidity has become essential.

As per the prediction of many economists, Bangladesh's gross domestic product may shrink by 2 per cent to 3 per cent, although the extent of severity and recovery mainly depends on how long the pandemic will drag on.

It is also important to note that the country's trade to GDP ratio was 38.24 per cent in 2018, which signifies that the recovery of our economy will also depend on how the world economy, particularly the US and European economies, behave in the post-pandemic period.

The government and the Bangladesh Bank have initiated several praiseworthy measures for the sake of the general people, real economy, and most importantly, the financial system.

Their decisive actions have already created confidence among stakeholders and will possibly help avert panic.

The government has so far announced 19 stimulus packages worth Tk 103,117 crore, which is 3.7 per cent of the country's GDP.

Crucially, a certain portion of the interest rates of all stimulus packages will be borne by the government.

Besides, organisations like Palli Karma-Sahayak Foundation (PKSF), Palli Sanchay Bank and a few non-governmental organisations have announced their own packages.

The government is expected to innovate new tools and sources of finance in place of traditional means of borrowing from banks, as leaving enough funds in the hands of the institutions to lend to the private sector is also crucial.

Apart from strengthening the tax machinery on a priority basis, a host of other measures has become the demand of the time.

They include bringing black money to the market; maintaining steady remittance inflow through giving incentives; requesting the diaspora community to send money for their motherland in profitable long-term investment opportunities; requesting international funding agencies to provide more financial support; prioritising the implementation of development projects; stopping the misuse of resources at the maximum level, and so on.

We know that every challenge comes with opportunities. We need to locate these opportunities well ahead of others and use them perfectly for the interest of reviving our economy.

In this global crisis, our solace is that the government is in a comfortable position with the food supply as farmers have successfully stored boro paddy and aus is going to be cultivated in due time.

On the external front, a low oil price is expected to continue, and that is good news.

If the government can implement its stimulus packages by not depending much on lenders, hopefully, banks and financial institutions will not face major problems in providing liquidity support to the real economy.

To maintain liquidity support for banks and financial institutions, the BB has taken several appreciable measures.

It has reduced the cash reserve requirement (CRR) and repo rates by 100 and 75 basis points, respectively, for injecting sufficient funds into the market.

The BB has also announced its intent to purchase treasury bills and bonds currently held by banks in excess of their statutory liquidity ratio (SLR) requirement.

This quantitative easing technique can be very helpful in supporting the financial market liquidity in the crisis period.

It is expected that banks and financial institutions can add Tk 105,646 crore in the market by selling excess holding over SLR to the central bank if they need money.

On the contrary, the BB has created scope for banks to lend more money to the economy by increasing the loan-deposit ratio from 85 per cent to 87 per cent for conventional banks and investment-deposit ratio from 90 per cent to 92 per cent for Islamic banks.

To deal with the liquidity problem, the BB can take more conventional and unconventional measures like decreasing the reverse repo rate and even permitting borrowing against the SLR holding among others in case of the need for more money.

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Reconditioned vehicle sellers seek Tk 500cr loan from stimulus package

Star Business Report

Reconditioned vehicles traders are demanding Tk 500 crore from the government's stimulus package for industries and service sectors to cope with the economic fallout from the ongoing pandemic.

Announced in April, the Tk 72,750 crore allocation includes low-interest loans that would be provided by banks.

The vehicle importers and dealers say they had continued paying staff salaries and showroom rent amidst poor sales during the last two months of shutdowns, which led to losses of about Tk 300 crore.

"Automobiles are not daily essentials and we fear that the current scenario will continue for several months before sales regain their momentum," said Abdul Haque, president of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), in a virtual press conference yesterday.

About 6,000 vehicles have been sold this fiscal year, whereas last fiscal year the figure had reached some 14,000.

Showrooms have been shut since March 26 and some Barvida members opened theirs on a limited scale from May 10, all to no avail as there is little to no customers, Haque said.

Barvida is a big source of revenue for the government and they pay thousands of crores of taka a year to the government exchequer in the form of tax, the association said in a statement yesterday.

About two-thirds of the value paid by a customer for a vehicle is essentially duties and taxes payable at the import stage. This revenue amounted to Tk 1,456 crore last fiscal year, he said.

The trade also contributes to the economy by generating value-added tax, road tax and registration fees, the Barvida president said.

Besides, each of Barvida's over 870 members pays their income tax and they have already invested around Tk 20,000 crore in the past 30 years.

By providing the sector Tk 500 crore in low-interest loan, the government exchequer would eventually be Tk 1,500 crore richer.

"We assure the government that the loan for reconditioned motor vehicle sector is 100 per cent safe. The money will be deposited in the bank against the vehicle document, and Barvida will provide a guarantee," he said.

According to Barvida, over 4,000 cars are on display in around 200 showrooms in Dhaka and Chattogram at present.

Besides, about 7,000 imported vehicles have been kept in the Mongla and Chattogram yards.

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