

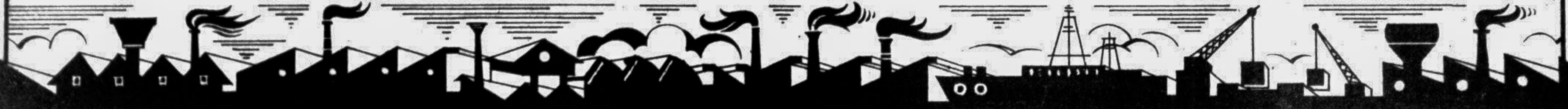
BANGLADESH

A NEW HORIZON FOR INVESTMENT

A special supplement
on the occasion of
Japanese KEIDANREN Mission Visit
to Bangladesh (11-14 June, '94)

WELCOME TO KEIDANREN MISSION FROM JAPAN

Organised by :
The Board of Investment
Prime Minister's Office
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ENABLING ENVIRONMENT FOR PRIVATE INVESTMENT IN BANGLADESH

M. MOKAMMEL HAQUE
Executive Chairman Board of Investment

The challenge ahead GOB is to attain a poverty reducing sustainable higher growth path. This demands raising the investment level, enhancing its quality and productivity and creating an environment in which resources flow to more efficient employment generating labour intensive economic activities. The private sector is envisaged to play an increasingly active role in various spheres of the economy with the public sector development programmes concentrating on basic infrastructure and human resource development. The present government has been giving high priority to activating the private sector.

In recognition of the private sector's ability to contribute towards achievement of the goals of socio-economic improvement to its people and self-reliance for the nation, the government has recently implemented a number of policy reforms. These are designed to create a more open and competitive climate for foreign investment. Foreign investors now enjoy the same treatment as provided to domestic investors. Foreign investors are eligible to take advantage of a wide range of generous tax incentives other fiscal incentives and facilities. The Foreign Private Investment (Promotion and Protection) Act, 1980 ensures legal protection to foreign investment in Bangladesh against nationalization and expropriation and guarantee repatriation of capital and returns from it and equitable treatment with local investors with regard to indemnification, compensation etc. in the event of loss due to civil commotion etc.

Private investment from foreign sources is welcome in all areas except five reserved for public sector investments. There

is no restriction on the amount of investment of equity shares. 100% percent foreign investment and joint ventures with local private partners or with the public sector are freely allowed. Guarantees through Multilateral Agencies are available since Bangladesh is a signatory of Multilateral Investment Guarantee Agency (MIGA) of the World Bank group, Overseas Private Investment Corporation (OPIC) of America and International Centre for Settlement of Investment Disputes (ICSID). Bangladesh Govt. has already concluded a bilateral Agreement with Japan for avoidance of double taxation. Investment treaty with Japan and Agreement to provide investment insurance to Japanese investors are under proposal. Bangladesh offers a substantial manpower reserve- skilled, semi-skilled, unskilled, educated and professionals. The availability of youthful, inexpensive, trained and easily trainable labour force permits production at a comparatively low cost. The labour force in Bangladesh is estimated at present to be around 50.7 million including 21 million female. The labour market in Bangladesh is free and competitive. A number of institutional arrangements are available with adequate facilities for training in industrial skills beside academic institutions and universities. Labour wages may be fixed through collective bargaining process. Labour rates varies between 175 to 250 Yen per day. There are the Employment of Labour (standing orders) Act, Payment of Wages Act, The Factories Act, The Maternity Benefit Act and there is the Industrial Relations Ordinance concerning formation of trade unions and relation between employers and workers.

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PRESIDENT
PEOPLE'S REPUBLIC OF BANGLADESH
DHAKA



Message

I am happy to learn that the Board of Investment will bring out a special supplement on the visit of KEIDANREN Mission from Japan to Bangladesh as a follow-up to the invitation extended by Prime Minister Begum Khaleda Zia to the business community during her recent successful visit to Japan.

I am also glad to learn that the purpose of the visit by the leaders of the Japanese business community representing major corporations is to assess the prospects for investment in Bangladesh by Japanese companies in different industrial sectors. During their meetings with Government leaders and leaders of the business and the industrial concerns in Dhaka and Chittagong, I hope that they will explore the immense opportunities we have to offer and share with us the benefit of industrial growth of Bangladesh.

Ever since independence of Bangladesh, the two countries have nurtured friendly and close bilateral relations especially in the field of economic and technical co-operation. I am confident that the Mission's visit will further strengthen the bilateral relations through greater investment for mutual benefit of both the countries.

I wish the Mission's visit a success.

Abdur Rahman Biswas
(Abdur Rahman Biswas)

A Brief on KEIDANREN MISSION VISIT

BACKGROUND TO THE VISIT

The visit is a follow up to the invitation given by Prime Minister Begum Khaleda Zia to business community in Japan during her successful visit to Japan in March/April this year. She invited the leaders of the Japanese companies to visit Bangladesh to see for themselves the prospects for investment in Bangladesh. This visit by such a high powered and large business delegation from Japan is a direct response to her invitation.

PURPOSE OF THE VISIT

The purpose of the visit is for the leaders of Japanese business community representing all the major corporations to examine the prospects for investment in Bangladesh by Japanese companies in different industrial sectors. They will have meetings with Ministers, senior government officials, leaders of the Bangladeshi business community and visit Chittagong and Savar EPZ to see the available infrastructures.

WHAT IS KEIDANREN (Japan Federation of Economic Organisations)

Keidanren is a private, non-profit economic organisation representing virtually all branches of economic activity in Japan. It was established in 1946 by the merger of several economic and industrial organisations. Since then it has grown into a nation-wide body with 125 associations and 973 corporate members in 1993. It is headed by internationally acknowledged leaders of the Japanese business community, its present Chairman is Mr. Gaishi Hirawa from the Tokyo Electric Power Co Inc and the Board consists of heads of major Japanese companies.

THE DELEGATION

The delegation will be headed by Mr. Kazuo Haruna, Vice Chairman of Keidanren and Chairman Marubeni Corporation who will be assisted by Mr. Kazuo Nukazawa, Managing Director, Keidanren. There will be a total of 40 members in the delegation representing different companies. The list of members of the delegation is appended below.

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BANGLADESH : A NATURAL INVESTMENT LOCATION FOR JAPAN

By
Mahbubur Rahman
President, FBCCI

Bangladesh has a stronger case now than before to look optimistically forward to more foreign direct investments (FDIs). Its economic policy framework has undergone a fundamental change that favours FDIs as a catalyst for boosting investments and promoting steady growth.

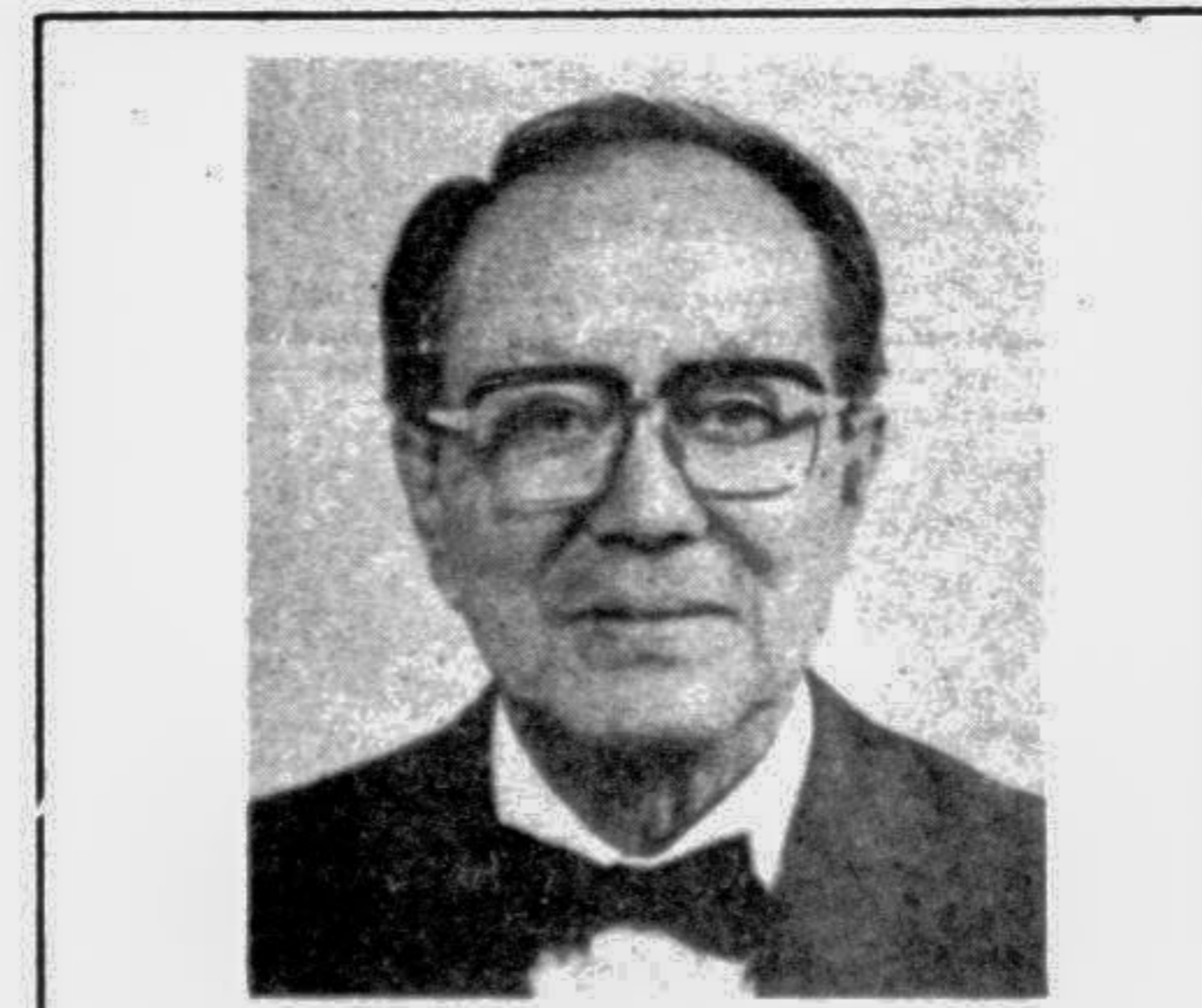
Viewed in this context, the latest developments in Asia with regard to FDI flows are quite encouraging. This is more so because the companies in Japan, a country with whom Bangladesh has excellent bilateral relations are now planning to boost further low-cost production in other Asian countries. Capital spending of such companies are expected to rise next year, according to the latest Japanese government survey released last week. Such investments declined last two years because of recession in Japan.

It is a fact that one of the factors for Bangladesh remaining a least developed country lies in past imperfections in policy formulation and implementation. It is equally true that an enabling environment of attracting much foreign investment, was not adequate.

The recent shift in policy brought about is an outward-looking export oriented industrialization, increasingly reliant on private enterprises. Privatization, encouragement to Foreign Direct Investment (FDI), easier industrial raw material import by exporters, lower levels of protection and financial sector reforms are the current focus. Simplification of administrative and legal procedures for a favourable business environment is an ongoing process. Accelerated private sector investments and rapid exported growth from the major policy plans. Bangladesh is committed to continue active de-regulation of the economy and foster an environment in which all industrial enterprises can operate smoothly and perform optimally. The government has stated one of its policy objectives is to change its role from "regulatory" to a "promotional" one, insofar as industrial expansion is concerned. It is now actively considering delegation of some related functions to private sector institutions for development of trade and industry. The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) is always co-operating with the government in all its initiatives. We, in the private sector, have several rounds of exchanges in recent years with our Japanese counterparts, with the object of strengthening our bilateral trade on a more balance way and attracting investments into Bangladesh. During the recent official visit of Prime Minister Begum Khaleda Zia to Japan, we had also extensive discussions with the leaders of trade and industry in Tokyo and Osaka.

Our Japanese counterparts may kindly notice that Bangladesh is an area of communal harmony and free of ethnic strife as against the senseless violence of the rest of South Asia. This image should be a strong point in favour of Bangladesh to attract investments. It is imperative that exchanges between the representatives of the private sector in Bangladesh and Japan should reflect the positive developments so that trade and investment grow to our mutual advantage. Bangladesh is a willing and open host, at the same time it is competent, with a large pool of skilled and adaptable workforce. The rewarding experience of some Japanese investors in Bangladesh who will take part in our joint deliberation bears this out.

The investors from Japan, who are our longtime friends, may note here that we, in Bangladesh, are paying foremost national attention to private sector investment both local and foreign. A national ethic towards industrialization and export has caught on. The emergence of Bangladesh in the international marketplace as a source of manufactured exports is taking place. Bangladesh invites their participation and co-operation, while offering its



Message

Mr. Kazuo Haruna
Leader of the Delegation
and Vice-Chairman of
the Board of Councilors of
Keidanren and Chairman
of Marubeni Corporation.

The Chain of economic development in Asia is widening and is now about to reach Indochina and the south western part of the region. To ensure sustainable expansion of the world economy, it is essential that economic growth in that part of Asia is attained and serves to promote the development of the whole Asia-Pacific region.

To this end Keidanren, which has been actively pursuing international cooperation particularly with countries in East Asia and Southeast Asia, will step up efforts to invigorate economic interchange with Indochina and Southwest Asia, highly potential economics in the next century.

In spite of many difficulties, Bangladesh has achieved successful economic performance in recent years. To expedite the trend, both the government and the private sector are making all-out efforts to introduce foreign investment.

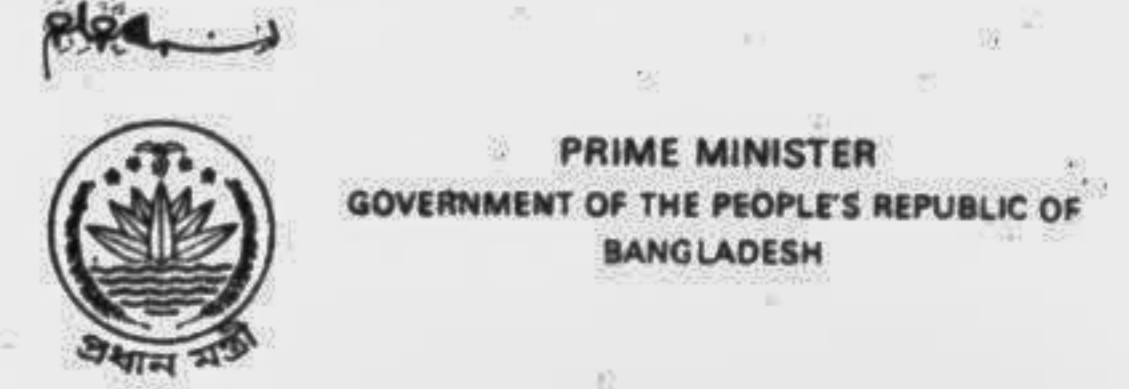
In her visit to Japan, in the late March this year Her Excellency Begum Khaleda Zia, Prime Minister of Bangladesh called for more direct investment from Japan. Taking time out of her busy schedule, she attended meetings with business leaders to stress the favorable investment environments of the country and to request further direct investment from Japan.

The prime minister's Special Envoy, Mr. M. Morshed Khan who visited Japan in January this year, ahead of the Prime Ministers visit in March, urged keidanren to take greater initiative in expanding economic exchanges between the two countries and enhancing economic development in Bangladesh.

With a favorable response from the business community in Japan, Keidanren has decided to send an Economic Study Mission to Dhaka and Chittagong to obtain information about the Bangladesh economy and explore the possibilities for promoting cooperation between the two countries.

incentives specially in EPZs and in large scale enterprises in power sector and telecommunications also private investments are now welcome. Bangladesh is furthermore ready to establish an Industrial Park along with lines of EPZ, exclusively for Japanese investors and such a Japanese Village will be immune from outside influences, should there be any. While the Government of Japan is Bangladesh's single largest development partner, we would hope Japanese industry would also come forward so that trade may finally overtake aid. It may be recalled here that the Commercial and Economic Co-operation representing the apex Chamber bodies of the two countries met in Tokyo in April last during the official visit of it has

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PRIME MINISTER
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF
BANGLADESH



Message

I am pleased to learn that the Board of Investment is bringing out a special supplement to welcome the visit of Japanese Economic Mission from KEIDANREN for exploring investment opportunities in Bangladesh.

Bangladesh now welcomes foreign private investment in almost all sectors of the economy in order to accelerate the pace of her industrial growth as well as to acquire modern technology. Indeed, the 21st century approaches, Bangladesh, with her large work force and diverse economic potentials, is poised to become one of Asia's key emerging industrial locations.

The close links between Bangladesh and Japan, I believe, will be further strengthened through increased investment from Japan. Bangladesh offers great opportunities to Japanese industries looking for both skilled and unskilled labour. The same is true of Japanese sunset industries which could now be relocated in Bangladesh to our mutual advantage. I am sure the Japanese entrepreneurs will find the investment climate in Bangladesh congenial with cheap and easily trainable labour. The incentives that Bangladesh government now offers for direct foreign investment are also substantial. I believe that as a result of the Mission's visit, Japanese investment in Bangladesh would rapidly increase, bringing benefit to our two friendly countries.

Begum Khaleda Zia
(Khaleda Zia)

PROSPECTS OF INVESTMENT IN THE EXPORT SECTOR OF BANGLADESH

REDWAN AHMED M.P.,
President, Exporters Association of Bangladesh

INTRODUCTION :

Bangladesh has made phenomenal progress in the export of readymade garments, terry towels, frozen foods, leather goods and jute goods contributing about 80% of the total National exports during 1992-93 which are predominantly a private sector contribution. Certain favourable factors have contributed to this tremendous growth in the above sectors. The story of this phenomenal success of the private sector has been the advent of a new generation Private Sector Entrepreneurs occasioned by the liberation of the country. This growth of private sector entrepreneurship has also given birth to the reasonable growth in managerial ability. For sustained growth in the face of the implementation of the GATT/WTO Bangladesh needs inflow of technology and capital in export oriented sectors of the country.

A brief outline is given below on the opportunities available for investors in Bangladesh, specially in the export oriented sectors.

THE TEXTILE SECTOR :

The total export of readymade garments from Bangladesh during 1993 was USD 1.5 billion. Due to almost non-existence of quality fabric to meet the demand of the export oriented readymade garment (RMG) industry, Bangladesh had to import a total of 1630 million linear yards of fabric (based on a width of 43"-44") during 1993 from countries like Korea, Taiwan, China, Hong Kong, India, Indonesia and Pakistan. The projected fabric demand for the readymade garment industry (RMG) for 1994-95 is around 1800 million linear yards. The category wise break-up of which are as below :

-Light woven fabrics	690.00 million linear yards
-Heavy woven fabrics	410.00 million linear yards
-Mixed woven fabrics	406.00 million linear yards
-Knit fabrics	294.00 million yards

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