

**ENABLING ENVIRONMENT FOR PRIVATE INVESTMENT IN BANGLADESH**

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The present govt. has clear and well defined economic policies, the basic premise of which is to bring about socio-economic emancipation of the masses and self-reliance through involvement of the people in productive activities. The current industrial policy has been formulated in conformity with this basic philosophy and its main aim is to solve the existing problems of industrial growth paving the way for rapid expansion of the private sector and transforming into a more competitive market economy. Regulatory complications and controls have been reduced to a minimum. The govt. has steadily liberalized its trade regime & significant progress has been achieved in reducing non-tariff restrictions on trade, rationalizing tariff rates & improving export incentives. In order to augment the meager resource base of domestic industries low duty rates on import of primary raw materials, moderate rates on intermediate products and high rate on luxury products are being imposed. The introduction of VAT in the country has gone a long way in rationalizing the import tariff and domestic tax structure. The present structure of tariffs and the Import Policy are being regularly reviewed by the govt. to identify areas where further actions are called for. The promotional (also called 'Sponsor') agencies responsible for the development of the private sector investment are, the Bangladesh Export Processing Zones Authority (BEPZA), for industries located in the export processing zones, the Bangladesh Small & Cottage Industries Corporation (BSCIC), for small & cottage industries and the Board of Investment (BOI) for all other industries. The Board of Investment and the Bangladesh Export Processing Zones Authority are headed by the Prime Minister and the Bangladesh Small & Cottage Industries Corporation is under the administrative control of the Ministry of Industries. Three major city development Authorities namely 'RAJUK' at Dhaka, Chittagong Development Authority (CDA) at Chittagong and Khulna Development Authority (KDA) at Khulna under the Ministry of Works have a number of Industrial Estates in their respective Divisional Headquarters. BSCIC has thirty industrial estates at various parts of the country and 52 more of its estates are in different stages of implementation. The Bangladesh Export Processing Zones Authority has two zones,

one sea-port based in the port-city of Chittagong and the other Airport based in Savar near the capital city of Dhaka. All these Estates & Zones are supported by adequate necessary infra-structural facilities.

Bangladesh, traditionally known for Jute and tea exports, has recently attracted world wide attention for readymade garments and leather products exports. Bangladesh foresees an expansion of her agricultural sector, as well as, increased diversity in non-traditional industries and business. Few potential investment areas are, (a) Agriculture and Agro-based industries, (b) Fisheries, (c) Chemicals, (d) Electronics, (e) Leather & Leather products, (f) Light industries, (g) Minerals, Natural gases & Oil exploration, (h) Textiles, (i) Tourism, (j) Power generation, and (k) Tele-communications. Investment in power generation and telecommunication sectors is expected to be a highly rewarding venture and have recently been opened for Private Sector Investment. Bangladesh offers great opportunities specially to the Japanese industries facing shortage of skilled and unskilled labour and also for their sunset industries.

Bangladesh is an exciting and affordable place to live and visit. Historical and archaeological sites dot the country sides, some dating as far back as the third century B.C. Bangladesh is home to some of the major religions of the world, namely, Islam, Hinduism, Buddhism & Christianity. Owing to long tradition of tolerance complete communal harmony exists in the country. The constitutions of the country also guarantees full freedom of religion and there is no discrimination based on race, religion, caste, sex, or place of birth. Bangladesh endowed with enchanting scenic beauty, mighty rivers, sunny beaches, historical relics and colorful tribal life. Modern Hotels, Motels with recreational and other facilities, Rest-houses, Youth Inn, Restaurant are available at well known places of interest. For recreation, expatriates have access to three Private Clubs in Dhaka to play Tennis, Squash, Golf, and Billiards, and to swim or dine. Similar sports and recreational facilities are also available in Chittagong and Khulna.

**Investments registered with the Board of Investment during March '91 to May '94**

Period	Local investment		Foreign Investment (100% & Joint Venture)		Total Investment	
	No. of units registered	Proposed investment (in million Taka)	No. of units registered	Proposed investment (in million Taka)	No. of units registered	Proposed investment (in million Taka)
March '91 - June '91	77	2899	11	216	88	3115
91-92	233	3653	24	1017	257	4670
92-93	353	3603	28	2109	381	5712
93-94 upto May	739	15383	81	29475	820	44858
TOTAL	1402	25538	144	32817	1546	58355

**A Brief on KEIDANREN MISSION VISIT**

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- (Leader)
- 1) Kazuo HARUNA Vice Chairman of the Board of Councilors Keidanren  
Chairman of the Board Marubeni Corporation
- (Deputy Leaders)
- 2) Jiro ROKUKAWA President Tokyo Maruichi Shoji Co., Ltd.  
3) Kazuo NUKAZAWA Managing Director Keidanren
- (Members)
- 4) Yasuo KUME Managing Director Kinsho-Mataichi Corporation  
5) Saruro SAKAKIBARA Director, General Manager for Asia & Oceania Nissho Iwai Corporation  
6) Kaichi TANIMOTO Director Sumitomo Corporation  
7) Tetsuo NISHIZAKA Director General Manager, Plant Div. Marubeni Corporation  
8) Yasuaki MIZUSHIMA General Manager, KAFCO Chiyoda Corporation  
9) Masami KIDO General Manager, Projects Div. Kanematsu Corporation  
10) Tadashi TAKAHASHI Senior General Manager, Plant & Project Div. Nichimen Corporation  
11) Takefumi AOI General Manager, Plant Div. Tomen Corporation  
12) Eiji FUJII General Manager Project Promotion Div. Japan International Development Organization Ltd. (JAIDO)  
13) Masao TAKEMOTO General Manager International Cooperation Dept. Mitsubishi Corporation  
14) Minoru OKA General Manager International Div. The Fuji Bank, Ltd.  
15) Eisuke MUTO General Manager Asia & Oceania Div. The Nikko Research Center, Ltd.  
16) Koji OKA General Manager Overseas Business Planning Dept. Hitachi Zosen Corporation  
17) Akhori SEKI Strategist & Coordination Dept. Marubeni Corporation  
18) Kiyoshi TAJIMA Acting General Manager International Operations Presidential Administration Office Mitsubishi Heavy Industries, Ltd.  
19) Hironori ITAZU Deputy General Manager Overseas Operations Promotion Office, Hitachi, Ltd.  
20) Katsuki NAGAIKE Senior Manager Planning & Coordination Asia & Oceania Office Toshiba Corporation  
21) Yasunori NAGATOMO Deputy General Manager International Transport Div. Yamatane Corporation

- 22) Yasunori TAKAGI Deputy General Manager Energy & Chemical Project Dept. 1 Nissho Iwai Corporation  
23) Tatsuya NONAKA Manager, Asia-Pacific Dept. Overseas Market Office Kawasaki Heavy Industries, Ltd. Assistant Section Manager Machinery Div. Kinsho-Mataichi Corporation  
24) Akihiro HASHIBA  
(Local Participants)
- 25) Naohiko SUDO General Manager, Dhaka Office Itochu Corporation  
26) Jun KIKUZAWA General Manager, Dhaka Office Nichimen Corporation  
27) Kanzo NAGANO General Manager, Dhaka Office Marubeni Corporation  
28) Akihiko MISHIMA General Manager, Dhaka Office Toyo Engineering Corporation  
29) Tatsumasa ARITA General Manager, Dhaka Office Mitsui & Co., Ltd.  
30) Mikiya SAHARA General Manager Dhaka Liaison Representative Kinsho-Mataichi Corporation  
31) Takeshi SUGIURA General Manager, Dhaka Office Tomen Corporation  
32) Teiji IKEMURA General Manager, Dhaka Office Sumitomo Corporation

**TRADE BETWEEN JAPAN AND BANGLADESH**

Year	Export from Bangladesh (In million US \$)	Import into Bangladesh (In million US \$)
1987-88	70.53	459.39
1988-89	67.26	447.34
1989-90	64.19	258.64
1990-91	57.27	171.05
1991-92	39.90	157.92
1992-93	55.65	181.26

Source: Ministry of Commerce

From Page 7 PROSPECTS OF INVESTMENT

Based on the fabric utilization projection of 1994-95, if atleast 50% of this quantity were to be met locally as per the current Textile Policy then atleast 30 units of composite mills, based on upto date technology would have been needed, as neither the current meagre domestic capacity (15 million yards), nor the local quality is equipped to meet the requirement of the RMG.

In view of the lucrative scope of investment in the Textile sector of Bangladesh we invite the Japanese Private Sector investors to take full advantage of the opportunities by either relocating their "sunset" industries or setting up new units to meet the demand of the captive market.

**THE FROZEN FOOD SECTOR:**  
The frozen food sector is dominated by the Integrated Shrimp Farming industry, the entire output of which is exported. During 1992-93, export of frozen foods from Bangladesh accounted for about USD 160 million out of which shrimp exports accounted for about USD 151 million. There are 107 land based factories, and 48 trawler based factories having total annual rated capacity of 186.5 thousand metric tons. Our Government has identified integrated Shrimp Farming industry as a very potential sector and has allowed a 9 year Tax Holiday Period and is encouraging

**INCENTIVES AND FACILITIES FOR PRIVATE INVESTMENT**

General Incentives for both Foreign and Local Investors

**Tax Holiday:** Tax holiday is allowed to industries subject to the relevant rules and procedures set by the National Board of Revenue (NBR). Presently, it is allowed for five, seven, nine and twelve years for industries set up in the developed, less developed, least developed and special economic zones respectively. The period of such tax holiday is calculated from the month of commencement of commercial production. The eligibility of tax holiday is to be determined by the NBR and the commencement of production is certified by the respective sponsoring agencies.

**Accelerated Depreciation:** Accelerated depreciation in lieu of tax holiday is allowed at the rate of 80 percent of actual cost of machinery or plant from the year the unit starts commercial production and 20 percent for the following year, if the industry is located in the developed area. If the unit is set up in a less developed area, the rate of depreciation is 100 percent.

**Concessionary Duty on Imported Capital Machinery:** Import duty at the rate of 7.5 percent ad valorem is payable on capital machinery and spares imported for initial installation or for BMR/BMRE of existing industries. The value of spare parts should not, however, exceed 10 percent of the total value of the machinery. Out of this 7.5 percent rate of duty payable, export-oriented industries and industries located in the under-developed areas, may enjoy a further concession of the import duty. For 100 percent export-oriented industries no import duty is payable.

Value Added Tax (VAT) is not payable for imported capital machinery and spares.

**Tariff Rationalisation:** Products of local industries are protected through tariff rationalisation, keeping in view the interest of entrepreneurs and consumers.

**Rationalisation of Import Duty:** Duties and taxes on import of goods which are produced locally will be higher than those applicable to import of raw materials for producing such goods.

**Other incentives**

- exemption of tax on interest of foreign loans;
- exemption of tax on royalty, technical know-how and technical assistance fees, etc.
- liberal investment allowance for tax assessment;
- import of machinery under supplier's credit or pay-as-you-earn (PAYE) scheme on approved terms;
- availability of long term credit facilities on liberal debt-equity ratio from industrial financing institutions (development finance institutions, nationalised commercial banks and private commercial banks);
- income tax exemption of foreign technicians employed in approved industries for a period of 3 years;
- remittance of 50 percent of the salary of foreign nationals employed in approved industries;
- remittance of savings from earnings, retirement benefits and personal assets of individuals on retirement/ termination of services; and
- remittance of approved royalties, technical know-how and technical assistance fees.

**Facilities and Incentives for Foreign Investors**

In addition to incentives stated earlier, foreign investors are also entitled to the following:-

- tax exemption on capital gains from the transfer of shares by the investing company;
- avoidance of double taxation in case of foreign investors on the basis of bilateral agreements;
- no restriction in issuing work permits to foreign nationals in Bangladesh;
- facilities for repatriation of invested capital, profits and dividends;
- provision for transfer of shares held by foreign shareholders to the local shareholders/investors with the permission of the BOI and the Exchange Control Department of the Bangladesh Bank;
- treatment of repatriable dividends as new foreign investment if reinvested;
- allowing long term loan working capital loan to foreign investors from local commercial banks; and
- permanent residency to a foreign citizen investing a minimum of US\$ 75,000 or equivalent amount (non-repatriable); similarly citizenship to any foreign citizen investing US\$ 500,000 or transferring US\$ 10,00,000 to any recognised Bangladeshi financing institution (non-repatriable).

**Additional Facilities for Only EPZ Industries**

In addition to the incentives and facilities available to industries in general, the industries in the Export Processing Zones (EPZ) are allowed to enjoy the following facilities:-

- freedom from National Import Policy restrictions;
- off-shore banking facilities;
- relocation of existing industries from abroad;
- back to back letter of credit facility for certain types of industries for import of raw materials;
- equal treatment to foreigners investing in EPZs;
- availability of food stuff and beverage on payment of nominal tax for foreigners working in EPZs;
- exemption of customs duties and sales tax on imported motor vehicles for executives of enterprises;
- one stop service to investors; and
- all customs formalities within EPZs.

**COMPARATIVE ADVANTAGES FOR INVESTMENT IN BANGLADESH**

Bangladesh has the following comparative advantages for foreign investment over other Asian countries:

- \* The cheapest and easily trainable labour is abundantly available in Bangladesh. Out of the total population of 110 million, the labour force comprises 50.7 million.
- \* Bangladesh is one of the three Asian countries (the other two being Sri Lanka and China) who offers unconditional 100 percent foreign equity or ownership in industrial investments.
- \* Inflation rate is the lowest (1.3 percent) among the Asian countries.
- \* There is no restriction on issuing work permit to a foreign national.
- \* Bangladesh is most liberal in granting permanent residency and citizenship to foreigners. Non-repatriable investment of only U.S.\$ 75,000/- in an industrial project is the only condition of granting permanent residency and a minimum investment of U.S.\$ 50,000/- or transferring U.S.\$ 10,00,000/- to any recognised financing institution which should be non-repatriable, is the condition for granting Bangladeshi citizenship.
- \* Tax holiday allowed for new investment in Bangladesh is the maximum, 5 to 9 years in most of the areas on some conditions, and 12 years in special economic zones (in the Chittagong Hill Tracts).
- \* Bangladesh enjoys Most Favoured Nation (MFN) treatment from a number of countries including the U.S.A., with whom bilateral

PROSPECTS OF INVESTMENT

technology based foreign investments in HATCHERIES, GROWOUTS and FEED MEALS. In addition to these peripheral and supportive trades and industries in post larvae transportation post-harvest handling and even power generation in the shrimp aquaculture regions in the coastal belt appear viable areas of Inv.

**THE JUTE GOODS SECTOR:**

Bangladesh is one of the leading producers of jute in the world. At present the annual production is 850,000 tons of which 300,000 tons are exported in raw form and balance are exported as finished goods like sacking, hessian, carpet and carpet backing cloth, jute yarn/twine. Through extensive research, Bangladesh has found the chemical application of green raw jute in the production of paper pulp which is used in the manufacture of high quality industrial grade paper and newsprint offering good potential export market. Possibilities of setting up Joint venture projects in this field is very promising between the private sectors of the two countries with Japanese investors providing the technical know-how. It may be mentioned that the use of green jute in paper production is cheaper than the traditional raw materials like wood, bamboos etc. without disturbing the environmental balance.

**THE LEATHER GOODS SECTOR:**

The average annual output of quality hides and skin is 150 million square feet comprising mainly of cowhides and goat-skins which, until recently, were exported in the form of the total output, about 10% are processed and finished for local consumption and the balance 135 million square feet are available for export in crust form. Due to favourable Government Policy there has been development in leather processing and finishing industry and as a result about 15% of the total raw hides and skins are being finished in Bangladesh where about 114 million sq ft of hides and skins, now being exported in crust form, are available for finishing locally. Moreover, the duty-free import of raw or crust leather is also allowed by finishing units.

In view of the afore mentioned brief outline of investment opportunities in the export sectors of Bangladesh, cordial invitation is extended to the Japanese Investors, the world's best and most successful private sector entrepreneurs, to come forward and work hand in hand with their counterparts in Bangladesh for mutual benefit.

From Page 7 NATURAL INVESTMENT LOCATION

Special significance for us our Hon'ble Prime Minister Begum Khaleda Zia to Japan. At that meeting, we, in the private sector, made it clear to our Japanese counterparts that Bangladesh has gone through the process of consolidating its policy of liberalization, improving the environment for foreign direct investment inflow, further strengthening the democracy and enhancing administrative efficiency. We highlighted the needs for establishing a durable and effective process for comprehensive facilitation of industrial relocation. It is worth mentioning here that the Japanese overseas production is projected to double in the coming years and the Asian continent will remain the host to such relocation.

The infrastructure development has been foremost in national planning in Bangladesh. The strategy of export-led growth has brought about rapid investments in ports development, road network and telecommunication. The Japanese Government has contributed substantially towards infrastructure development. With the completion of the Meghna-Guruti bridge on the Dhaka-Chittagong highway which is being constructed under Japanese assistance, there will be substantial economy in the transportation. Similarly, the Japanese contribution to the construction of the Jamuna Bridge, will provide a major fillip to our economy.

There are several other major infrastructure projects in power, telecommunication, water supply etc., in Bangladesh which may be of interest to Japanese industry. The moot point here is that since Japanese assistance in infrastructure is consistently being made, we feel that Japanese investment should follow.

Meanwhile, Bangladesh government has demonstrated wisdom and commitment to human resource development by making the highest budgetary allocation to education. The enrollment for technical education has been rapidly expanding. Consequently, management personnel are coming out in larger number from the universities, colleges and professional institutes. The growth rate of overseas recruitment of Bangladesh manpower is increasing. The domestic manpower wages are \$40 for unskilled to \$70 for skilled worker per month. All these would amply show the merits of Bangladesh as an investment location for Japanese overseas investors.

Insofar as a market is concerned, the large population, given an economic stimulus, will be a large market. In addition with the regional market developing and with Bangladesh offering a much more open, flexible and dependable environment, it offers to be a natural base for production for the regional market. On the other hand it enjoys MFN status and enjoys GSP facilities.

Meanwhile, at this stage of Bangladesh, capital market is emerging to play its rightful role in the industrialization of the nation. Dhaka Stock Exchange has already grown considerably in the past two years with the participation of overseas funds as well as considerable rise in domestic investments. This clearly shows that the economy enjoys both local and overseas investor confidence. The economic policies of the government has inspired this confidence. The rules and procedures, which were set by the government, are most favourable compared to those prevailing in the neighboring countries.

The private sector in Bangladesh is today more organized than before. The FBCCI, being the apex body of the private sector, is in a position to entertain any enquiries that the overseas investors may have. It would like to reiterate its role as a match-maker to provide all supporting services for expansion of trade and investments.

treaty of trade and investment has been signed. The countries with whom Bangladesh has so far signed bilateral investment treaties are U.S.A., U.K., Germany, Romania, Belgium, Republic of Korea, Thailand, Turkey, France and Italy.

- \* As one of the least developed countries, Bangladesh enjoys Generalised System of Preference (G.S.P.) facilities for favourable export to the U.S.A.
- \* Avoidance of double taxation agreements have been signed with Japan, U.K., Italy, Canada, Sweden, Malaysia, Singapore and the Republic of Korea.
- \* Legal protection to all foreign investments in Bangladesh is provided by an Act of Parliament passed in 1980 against nationalisation and expropriation. Non-commercial risks of investment in Bangladesh are also insured by the Multilateral Investment Guarantee Agency (MIGA).
- \* Foreign Exchange regulations have been relaxed to the maximum limit by the recent introduction of free convertibility of Taka, the Bangladesh currency. This has accelerated the free flow of international business transactions.
- \* Repatriation of foreign capital investment along with profits/dividends has been made easy and simplified. Now no prior permission of any authority is required for their repatriation.
- \* Cost of land and energy prices are one of the lowest in the region. There is a huge proven and recoverable deposit (about 11 trillion cubic feet) of natural gas in Bangladesh.
- \* Bangladesh has two seaports with all modern facilities and internal transport and communication system has vastly improved over the years.
- \* Most important, Bangladesh people are hospitable, friendly and resilient and greatly value the role of foreign investment in their country.