

A recipe to attract more FDI

FICCI president spots various challenges and opportunities for Bangladesh as the chamber celebrates 50th anniversary today

SUMAN SAHA

THE country can grab at least \$10 billion worth of foreign investment over the next three years provided the infrastructure bottlenecks and political instability are kept in check, a leading chamber said.

"I think the attractiveness of Bangladesh as an investment destination is beyond doubt due to its geographical location and abundance of cheap labour," Syed Ershad Ahmed, president of the Foreign Investors' Chamber of Commerce and Industries, told The Daily Star in an interview.

Despite that, the amount of foreign direct investment in the country is "below par".

In 2012, FDI stood at \$1.29 billion, the highest in the history of Bangladesh, according to the World Investment Report 2013 by United Nations Conference on Trade and Development. The country received \$1.13 billion in 2011 and \$913.32 million in 2010.

"But, the amount of foreign investment would have been much, much higher if there were no difficulties in land access, a lack of continuity in policies, bureaucratic red tape, a dearth of good governance and political instability."

He said the information and communication technology, light engineering, footwear and luggage, infrastructure and agriculture sectors offer plenty of scope for foreign investment.

"We have a lot of investments in the pipeline, especially in the labour-intensive sectors, but they are not taking off due to land shortages or disputes over the acquired land."

He cited the case of the LSI Group, a leading Taiwanese conglomerate which already has factories in the Dhaka EPZ. The company recently bought lands on the Dhaka-Chittagong highway to set up a plastic factory, but due to disputes over land ownership the project is yet to start.

The chamber has already urged the government to digitise the land recording process immediately and expedite the estab-



Syed Ershad Ahmed

lishment of special economic zones to attract more foreign investment, according to Ahmed.

The FICCI president said many foreign companies with operations in Bangladesh may make further investments of around \$2 billion as soon as the political situation stabilises.

Ahmed urged the government to modernise the foreign exchange regulation act and properly implement the intellectual property law to attract more FDI.

The chamber, which serves as the facilitator of FDI in Bangladesh, celebrates 50 years of operation today. But, Ahmed expressed his disappointment over the lack of recognition from the government.

"When prospective foreign investors look

into Bangladesh, FICCI is one of the first ports of call for them -- the role of the chamber is much bigger than that of the Board of Investment."

The chamber, however, hailed the government decision to sign the Trade and Investment Cooperation Forum Agreement (Ticfa) with the US. "It is a positive step, one that will help attract more foreign investment."

Formed in 1963 with the aim to promote an environment where businesses could develop and grow, the body was called Agrabad Chamber of Commerce due to most leading companies then being based in Chittagong.

In 1987, the chamber shifted its headquarters to Dhaka and changed its name to

the current one.

To gain membership of the chamber, a company must conduct an inflow of FDI to Bangladesh.

"This is what sets us apart from the bilateral chambers," said Ahmed, also the managing director of Expeditors (Bangladesh) Ltd, the local arm of a major American logistic company.

The FICCI, now, has 192 members, of which 177 are ordinary members and 15 associate ones. Any foreign company with an investment of 50 percent and above in a Bangladeshi company is eligible to be an ordinary member of the chamber.

The contributions of FICCI to Bangladesh include direct financial contributions to the economy, development of key growth sectors and various welfare contributions.

"From life saving medicines to personal care products, from affordable mobile telephony to global financial services, from powering the nation through power stations and gas exploration to lifestyle products and services, FICCI members touch the lives of the Bangladeshis everyday."

The chamber's members now provide more than 30 percent of the tax revenues to the state coffers, according to Ahmed.

"But most importantly, as a result of the operations of our member companies, the country has tremendously benefited indirectly. For example, all the successfully run local companies of today are being led by managers who were groomed at our member companies."

He said the expertise gained at the FICCI member companies and the global trainings that they have gone through have created exceptional human capital.

The FICCI is also affiliated with the Federation of Bangladesh Chambers of Commerce and Industry as an 'A' class chamber and is a founder member of the Bangladesh chapter of the Paris based International Chamber of Commerce-Bangladesh.

suman.saha@thedailystar.net

Boro harvest falls on low acreage

STAR BUSINESS REPORT

RICE output from the main crop 'boro' slipped last harvest due to reduced acreage for higher fuel costs for irrigation, according to an estimate by the Food and Agriculture Organisation.

The UN agency estimated that boro paddy stood at a near record harvest of 28 million tonnes in the last harvest that ended mid-May.

In milled terms, the amount of rice from the boro season was at 18.64 million tonnes, which is 0.6 percent lower than 18.76 million tonnes last year.

Rice output would be 33.7 million tonnes in milled terms. The amount is slightly below last year's record as production of 'aus' also slipped with farmers diverting to more profitable crops, FAO said.

Rice output was 33.88 million tonnes in fiscal 2011-12, according to Bangladesh Bureau of Statistics.

BBS is yet to finalise its estimate of boro rice but Department of Agricultural Extension earlier said boro acreage declined by nearly 0.2 million hectares from 4.77 million hectares earlier.

FAO however said overall cereal output increased due to higher production of wheat.

The agency also predicts that coming aus output will increase due to expansion of acreage. It said rainfall in April and early May facilitated late planting and early crop development.

Heavy rains for cyclone Mahasen also relieved areas that were experiencing moisture deficits in the preceding months; it supported planting of the 'aman' paddy crop, which began late May and will continue into August, the UN agency added.

Paddy output would touch a record level of 51.2 million tonnes or 34.9 million tonnes in milled terms, according to FAO forecasts.

The UN organisation also estimated Bangladesh's import requirements at 2.4 million tonnes, which is 23 percent higher than last year.

The increase reflects, in part, higher wheat demand, since wheat constitutes a bulk of the imports.

A380s to biz jets, Frenchman shakes up plane interior design



French aircraft interior designer Jacques Pierrejean poses on June 18 in the business class section he designed for a Qatar Airways Boeing 787 Dreamliner at Le Bourget airport, near Paris, during the 50th International Paris Air show.

AFP, Paris

HE wanted to work on film sets. Instead, he became one of the world's leading interior designers... for planes.

Jacques Pierrejean created the now-famous first class mini suites that Emirates uses in its A380 superjumbos, and has refurbished governmental jets belonging to ex-French and Italian leaders Jacques Chirac and Silvio Berlusconi.

"I'm kind of the grandfather in all this (plane interior design)," the 61-year-old told AFP in a luxury Paris restaurant. "My company is seen as a research lab."

Moneyed people flying first class on Emirates' A380s will remember their experience -- not content with plush seats, the airline has given them entire private suites complete with walls, sliding doors, minibars and vanity tables.

A graduate of Paris arts school Ecole Boulle in 1973, he set up his "Pierrejean Design Studio" two years later after travelling in a plane and noting the ugliness of the interior.

"It's a niche profession. In France, there are only two of us," he said, adding that Britain is far better-versed in the trade, with more companies dedicated solely to plane interior design.

Pierrejean, who turns 62 next month, explains that his work on private and governmental jets -- those carrying Chirac and Berlusconi, or the emir and prime minister of Qatar -- helps what he does on commercial aircraft.

-- "Just like in a Falcon" --
When he started working with Emirates in the 1990s, Pierrejean said he had the idea of "allowing first class passengers to travel as if they were in a private jet, just like in a Falcon," referring to the famed private jet manufactured by French firm Dassault.

But back then, when plane interiors were still impersonal, decking out cabins was a radical concept. "All engineers were focused on that. It was a revolution of aviation norms, it was unthinkable."

To enable a complete revamp of first class and business cabins, engineers had to think of ways to get around technical constraints while still respecting safety norms.

For instance, he decided to get rid of overhead luggage racks to allow for more space and light, but that involved creating space for bags in other places, and also thinking of where to put oxygen masks to respect safety rules.

As for his mini suite, Pierrejean is proud of what has become a product of reference "that features in manufacturers' catalogues".

Retirement homes in vogue as Indians prosper

REUTERS, Pune

THE Athashri retirement community offers the over-55 crowd Western-style amenities such as a clubhouse, gym, library and pool but with a distinctly Indian twist: a temple on site where residents worship Ganesh, a god followed by many Hindus in Maharashtra.

The 180-unit development in Pune, which enjoys better weather and less bustle than nearby Mumbai, overlooks open fields and hills and is set in lush gardens - an appealing escape from the crowds and grime of India's mega-cities.

Retirement communities like this one are just beginning to gain traction in India, where the multi-generational "joint family" structure endures despite rampant modernisation. The concept of housing for the elderly still carries a social stigma in the country, which accounts for less than 1 percent of the \$25 billion senior housing industry worldwide.

But rising incomes, longer life expectancy and the rise of nuclear families as more people relocate for jobs are driving demand for retirement homes in Asia's third-largest economy, and attracting developers and investors.

Paranjape Schemes Ltd, which manages Athashri, is among a handful of companies tapping the burgeoning senior living sector including Max India Ltd, backed by Goldman Sachs Group Inc, LIC Housing Finance Ltd, The Covai Group and Ashiana Housing Ltd.

Tata Housing Development Co Ltd, part of India's biggest conglomerate, launched its first senior housing project in May in Bangalore, and plans at least four more, catering to independent retirees looking for better security and services than what is available in ordinary housing.

"A significant section of seniors today are independent, financially stable, well-travelled and socially connected, and as a result have a fairly good idea of how they want to spend time after retirement," said Brotin Banerjee, CEO, Tata Housing, which expects revenues of 950 million rupees from its 700



Aruna Gokhale (L), 81, watches as her husband Vidyadhar Gokhale, 84, plays guitar in their flat in the Athashri retirement village on the outskirts of the Indian city of Pune.

million rupee project investment over three years.

While India is much younger than Japan, China or the United States, the number of people over age 60 is expected to more than double to 173 million by 2025.

Real estate consultant Jones Lang LaSalle estimates current annual demand for senior homes across 135 Indian cities at 312,000, far outstripping supply of 10,000 to 15,000 new homes now in the pipeline.

After spending two decades in Houston looking after their grandchildren, Vidyadhar and Aruna Gokhale returned to India last year and moved into a retirement home.

Developers view such Indians returning from overseas, the vast and often prosperous diaspora known as non-resident Indians or NRIs, as a key target market.

"Nobody needs us there so we thought we should live our lives the way we want to because we are young enough to be able to enjoy it," Aruna Gokhale, 81, said in her apartment at Athashri in Pune,

where she and her husband, now 84, grew up.

Most of India's retirement homes are targeted at urban middle- and upper-income buyers who can afford to pay between 3 million and 6 million rupees for an apartment, which is cheap by Western standards but beyond the reach of the average Indian. Max India is building a project in Dehradun that aims higher, with villas priced above 10 million rupees.

Unlike the United States, where retirement housing is typically rented, providing recurring annual income for investors, in India people prefer to own. That suits developers as well because it means less capital tied up.

Investing in Indian retirement homes generates returns of about 25 percent annually for developers, less than the 35 percent that is typical for comparable ordinary housing in the country, Jones Lang LaSalle said.

That is partly because the retirement communities include more open, communal space. Developers are also keen to keep

prices affordable for middle-class buyers who normally must pay cash as Indian banks rarely offer mortgages to seniors.

Developers expect economies of scale to bring down costs as the industry grows, and they hope eventually to be able to charge more for amenities such as food and facilities.

"There is a margin to be made but today the returns are not as good and we would like to improve that," said Ankur Gupta, joint managing director at Delhi-based Ashiana, which has built three retirement home projects in India.

The biggest challenge for the emerging senior living sector is the social stigma associated with elderly family members living on their own.

"Twenty years ago the social fabric of India was very different as we were still a closed economy," said Abdulla Kagalwalla, chief financial officer at Texas-based Signature Senior Living, which in 2010 tied up with Covai to build and manage retirement homes in India.