

# FDI holds the promise for a brighter future

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**I**NCREASING global integration and trade internationalisation are economic trends certain to characterise the world economy to an even greater degree in the future. Bangladesh is well-positioned to take advantage of these trends, including in attracting foreign direct investment (FDI).

FDI involves capital provided by a foreign investor, either directly or through a related enterprise, where the investor is directly involved in the management of the established enterprise.

For a developing economy in transition from an agricultural to a more modern base, such as the Bangladeshi economy, FDI offers considerable scope to strengthen domestic economic conditions to the benefit of the country and betterment of its people.

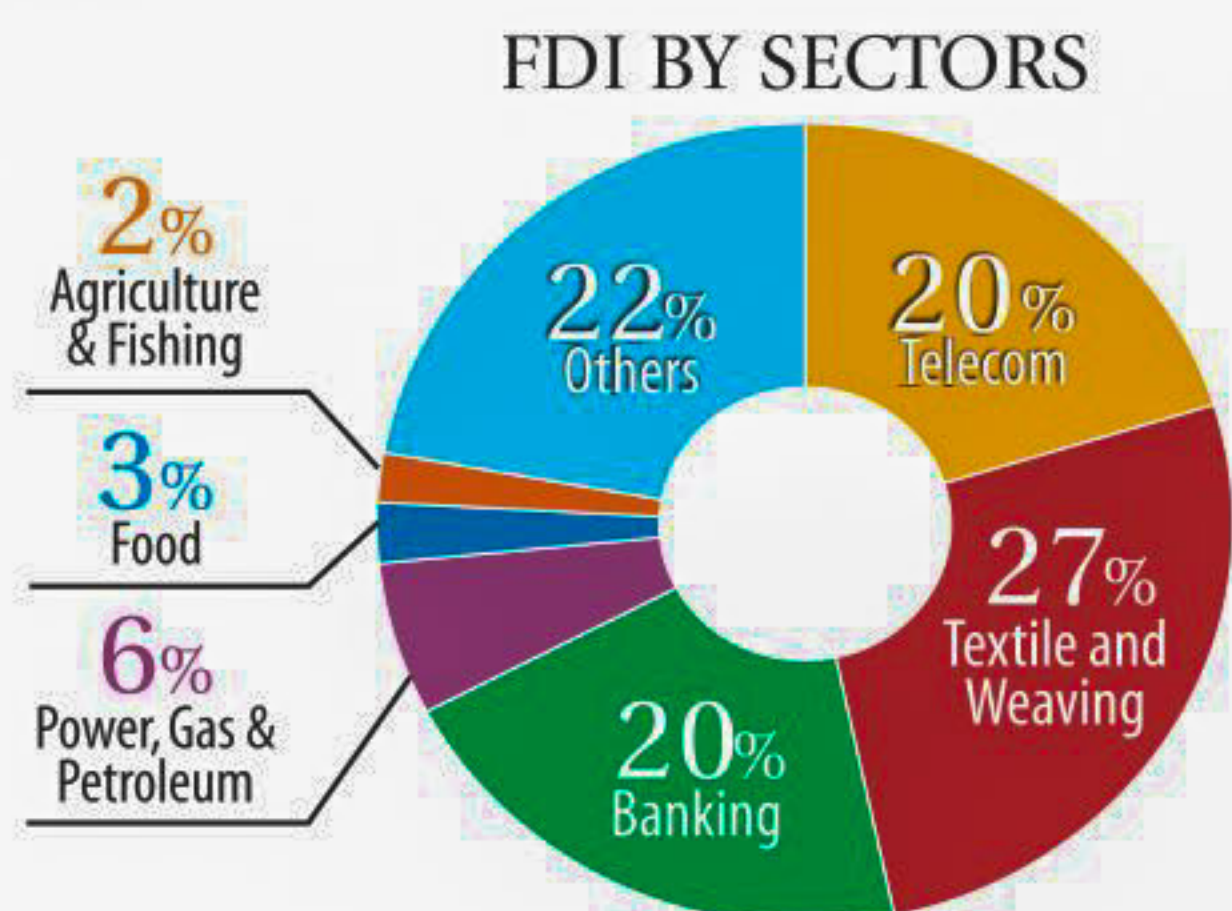
Recognising its benefits, many countries offer FDI incentives including tax concessions, tax holidays, accelerated depreciation on plants and machinery, export subsidies and import entitlements. Such strategies, including the establishment of special economic zones and lucrative incentive packages, are likewise important for Bangladesh.

FDI can have a positive impact in several ways. It enables the building up of physical capital, creates employment opportunities and develops production capacity. FDI enhances local labour skills through technology transfer and management knowhow. In turn, the domestic economy becomes better able to integrate globally to take advantage of emerging economic opportunities at the international level.

In addition, as unemployed people gain employment due to FDI, the standard of living increases along with purchasing power, providing impetus for the business cycle to move faster. This gain is compounded by the development of local support industries and institutions.

Simultaneously, transport facilities and infrastructure, communications systems and education stand to benefit. Increased competition in the local market meanwhile can reduce the price of commodities, as gross domestic product rises.

In recent years Bangladesh has experienced a surge in FDI. Foreign investors were attracted by abundant resources, skilled and cheap labour, effective monetary and fiscal policy, infrastructure improvements and long-term strategic planning. From an FDI inflow of \$0.7 billion in 2009, effective government policy has encour-



aged FDI inflow to rise to \$1.6 billion in 2013.

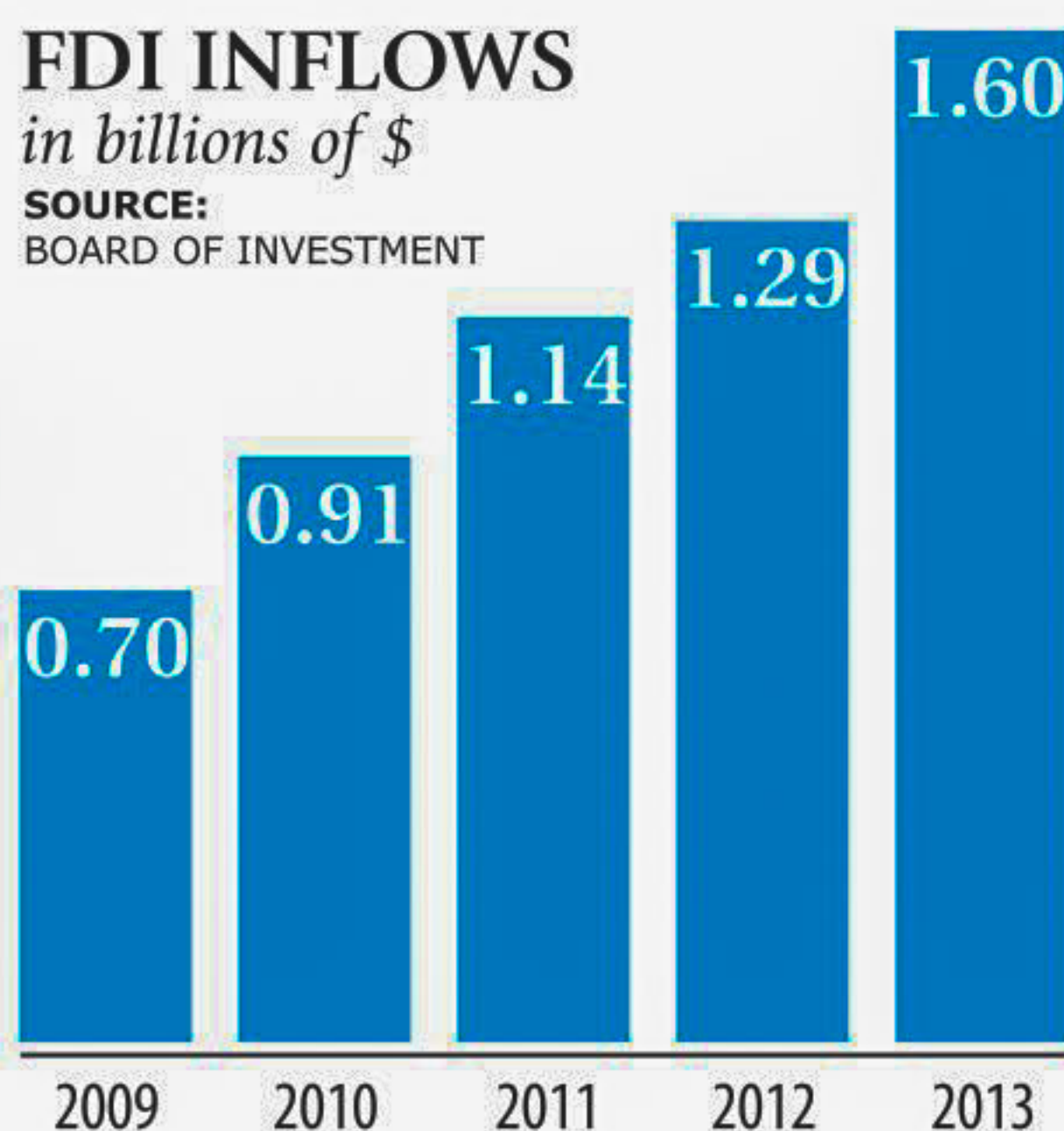
The key areas of activity in attracting FDI have included trade and exchange rate liberalisation, current account convertibility and an emphasis on private sector-led development. The infrastructure and services sectors have been opened to private investment, domestic and foreign alike.

It is foreseeable that with the more open trade policy associated with the presence of foreign firms, the Bangladeshi economy stands to experience broad technological and productivity gains.

It is envisaged that the private sector will play an increasingly active role in infrastructure and human resource development programmes. With this goal in mind, government policy reforms in recent years have endeavoured to create a more open and competitive climate for both foreign and domestic investors.

The Board of Investment (BoI) has an important role in creating a favourable investment climate. Established in 1989 with a mandate to encourage investment in the private sector, identify hindrances to investment and provide necessary facility and assistance in the establishment of industrial units, the BoI offers investors a wide range of services including promotion, support, advice and aftercare.

Coupled with the activities of the BoI, generous private investment opportunities under the government's liberalised industrial policy and export-oriented, private-sector-led economic growth strategy have strengthened ties with developed countries. It can yield cost advantages in the form of the positive externalities resulting from technology transfer.



Recent growth experience, meanwhile, has validated the decision to pursue higher national education expenditure in order to make the domestic labour force more competitive. This strategy has in turn substantially increased the number of potential investors and source of investments in key sectors, including manufacturing, telecommunication, energy and gas.

FDI is fast becoming a significant source of financing for domestic investment in Bangladesh. To maintain competitive strength in attracting FDI, it is important to continue to promote the country's natural economic assets including its strategic geographic location with respect to global trade, its convenient access to international sea and air routes and its low-cost workforce. In addition, domestic purchasing power for FDI products in a country of 160 million people is not negligible.

Under continued careful management and encouragement, Bangladesh stands to gain substantially from FDI in the years to come. With the benchmark strategies in place, there is little reason to doubt that FDI performance in contributing to national development will be very satisfactory.

The writer is a director at the Board of Investment.

# Stimulus swells as China eases, India spends

REUTERS, Sydney

**T**HE tide of global stimulus is swelling as China cut interest rates and India launched an expansionary budget over the weekend, even as a mixed bag of manufacturing surveys underlined the challenges facing the region.

The Reserve Bank of Australia (RBA) holds its March policy meeting on Tuesday and there is a real chance it will cut rates for a second time in as many months.

Investors seemed encouraged enough by all this policy action to nudge most share markets higher while giving a fillip to commodities such as copper.

Cuts to benchmark lending and deposit rates announced by the People's Bank of China (PBOC) on Saturday evening pre-empted official data showing a second consecutive month of shrinking manufacturing activity (PMI).

There was better news from the private HSBC/Markit version of the PMI on Monday, which climbed to a seven-month top of 50.7 in February, from 49.7 in January, as new orders picked up.

But it also showed China's manufacturers were struggling to cope with erratic export demand and deflationary pressures. Thus, analysts suspect the PBOC's easing, its third major policy move since late November, will not be the last. "The priority has been shifted to safeguard growth," wrote analysts at OCBC Bank. "We still expect one more interest rate cut in the second quarter and the next possible move is likely to be a reserve requirement ratio cut."

They also saw scope for fiscal policy to play a part with government spending likely to pick up after the National People's Congress meeting this week.

Over the weekend, India's reform-minded prime minister, Narendra Modi, released a budget that pleased economists and investors with pledges to spend more on modernising ageing roads and railways while keeping borrowing in check.

Ratings agency Moody's judged that the budget prioritised growth over deficit reduction.

"Recent policy announcements, including the budget, support Moody's expectation that India's growth will remain stronger than the global average, and more robust than the median for similarly rated sovereigns," the agency concluded. The February HSBC PMI for India dipped to a five-month low in but at 52.9 still pointed to solid growth in the sector.

Japan's Markit/JMMA PMI faded a little to a final 51.6 in February, from January's 52.2 in January, but new export orders rose for the eighth straight month in a promising sign.

# Mobile industry tiptoes towards 5G

REUTERS, Barcelona

**R**UNNING short of dramatically new phone designs, leaders of the world's wireless industry agree their next big idea is 5G, shorthand for the fifth generation of networks they expect to have up and running by 2020.

But first they'll have to decide what 5G needs to do that the current, fourth generation of wireless networks will never offer.

"It is unclear what the opportunity or weakness that 5G should address is," researchers at GSMA, the global trade group of mobile network operators, said in a report issued in December that punctured some of the more visionary claims for 5G.

There is simply no need for the industry to spend heavily on new network gear or force consumers to upgrade phones unless the new generation of wireless radio standards actually delivers radical improvement in speed or functions, mobile operators say.

With discussions on setting 5G technical standards yet to begin, a final standard is expected in 2019, experts say.

That will not stop network equipment makers such as China's Huawei and France's Alcatel-Lucent and dozens of newer players from touting projects as ready for 5G. Most industry experts expect the first commercial deployments of 5G in the run-up to the Tokyo Olympics in 2020.

"What happens before that is a lot of marketing," Lauri Oksanen, vice president of research and technology at Nokia's Networks business.

In that vein, Sweden's Ericsson and Finland's Nokia, will join a parade of equipment makers expected to unveil their latest 5G demonstration projects with telecom operators at Mobile World Congress, the largest annual trade show for the global wireless industry.

Of course, 5G promises to do a lot more of everything users are just coming to expect from 4G in terms of watching video, faster download times and denser network coverage. Major vendors predict a 100 to 1,000 fold increase in network capacity.

But the technology will also have to grapple with a new challenge: the fact that much of the world's spectrum in lower frequency bands is used up. What remains is higher frequency spectrum that can only carry traffic over shorter distances.

The biggest thing that works in this spectrum is small things, lots and lots of connected things operating in close proximity. This spectrum will fuel the so-called "Internet of Things", the biggest big idea

justifying the upgrade to 5G.

Think networked cars with collision detection, real-time navigation and automatic braking systems. Think factory machinery that can be monitored remotely to learn when it is running low on crucial supplies or is out of service. Think the growing proliferation of connected objects inside many homes.

"In the future we see a world where everything that can be connected, will be connected. And that is virtually everything," says Sara Mazur, Ericsson's head of research.

Ericsson, the world's leading maker of mobile network equipment, has forecast 50 billion connected objects by 2020.

That's the vision, but then the mobile industry has a history of over-promising what it actually delivers with each G.

In a nutshell, 1G gave the world phone calling on the go. 2G added text messaging and digital voice, and the first tentative steps into email and Web connections. 3G promised a mobile Internet of pictures and video that did not happen until 4G.

The GSMA estimates operators will spend \$1.7 trillion on equipment upgrades between now and 2020. Most of that is simply to add 4G network capacity and improve coverage in densely trafficked areas.

"Vendors quite like to have a Big Bang approach because they sell more equipment," said Ian Miller, an executive with Spanish operator Telefonica. "With 5G, we see more of a gradual evolution occurring ... 4G has a lot of life left in it."

It's fair to say that 5G promises features that pull in opposite directions - both ultrafast speeds, higher data capacity, fewer delays, and geographic coverage both broader and more dense. It's a grab bag of requirements that only make sense in specific circumstances, but none of them are needed in any one device.

Further complicating the picture for 5G is the variety of proven communications technologies that already handle short distances, but over which the mobile industry doesn't exercise control: Wi-Fi, Bluetooth, and NFC, or Near-Field Communication, all of which have backing from major semiconductor and gadget makers instead.

Apple's latest iPhones offer built-in Wi-Fi calling, which shifts traffic off of cellular networks, wherever available, for example.

"Vendors and operators talking of 5G believe that anything wireless should be connected over their networks," said Bengt Nordstrom, a veteran industry executive in Europe and Asia who now heads Northstream, a strategy consulting firm.



Left, Richard Yu, chief executive of Huawei, presents the Huawei Talkband B2 during a news conference while Andrew Coughlin, head of mobile division at LG Electronics, presents the LG Watch Urbane LTE during the Mobile World Congress in Barcelona on Sunday.



# Wrist action: phone firms bet on 'year of smartwatch'

AFP, Barcelona

**D**EFYING scepticism and geek-stigma, mobile phone firms are determined this year to sell you a wristwatch wirelessly connected to your mobile phone. Numerous models have hit the market over the past year but 2015 will see an explosion, analysts say, with manufacturers making their watches and other wearable connected devices more elegant and useful.

US giant Apple's release of its first "smartwatch" -- expected by April -- is set to make 2015 a "tipping point for wearables", research group CCS Insight said in a report.

In anticipation of that launch, Apple's Asian rivals scrambled to unveil their own connected wrist gadgets in Barcelona on Sunday on the eve of the World Mobile Congress trade show in Barcelona.

South Korean manufacturer LG released the Urbane LTE, its first fully connected luxury wristwatch which can make and receive calls -- either with a wireless headset, or by speaking into your wrist like the comic book detective Dick Tracy.

Unlike most smartwatch models, the chunky Urbane LTE version has its own network SIM card with a mobile connection and so can be used for calls, without needing to be linked to a smartphone.

Chinese telecom giant Huawei also unveiled a deluxe smartwatch: a round stainless steel creation that it says can receive text messages, email and call notifications as well monitoring your heart rate and calories burned.

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"In the end-user research that we've done, we asked people what a smartwatch is for and they had no idea," said Ben Wood, head of research at CCS Insight.

With the big phone companies piling in alongside smaller smartwatch specialists such as Pebble, fashion brands are doing their bit to try and design a more desirable product.

Several Swiss watchmakers and fashion brands such as Guess have unveiled designs, while jeweller Swarovski has encrusted smartwatches with its crystals for a deluxe look.

"The vast majority of smartwatches on the market are bulky and look more like a piece of technology than a fashion item," however, said Kevin Curran, a telecom specialist at the University of Ulster.

"That's going to change as companies focus more on design and making devices that are more discreet."

With their new circular watches, LG and Huawei positioned themselves at the luxury end of the market, differentiating themselves

from the square-faced design revealed in previews by Apple.

"We set out to create smartwatches that could contend for a spot on your wrist with a luxury mechanical watch," said LG's head for Britain and Ireland, Andrew Coughlin.

The launches in Barcelona risk being overshadowed by Apple's release, however.

The Californian company is reportedly planning to ship five million of its Apple Watch in the first batch.

"Everyone is watching to see what happens with that. Apple is the massive elephant in the room. We are estimating they could sell 20 million watches this year," said Wood.

That would dwarf the hundreds of thousands of other types of smartwatches that experts estimate have been sold so far.

Watches are just one of a variety of "wearables" which mobile companies are trying to sell to customers to use with their phones.

Designers have come up with all manner of bands, pendants -- and even connected sex toys such as the remote-controlled vibrators produced by US-based company OhMiBod.

So far, the most successful wearables have been fitness trackers: bands that measure heart rate, calories, sleep quality and other data and send it to an application on the wearer's telephone.

Huawei and another big Chinese firm, HTC, on Sunday unveiled new "fitness bands".

Curran said that about 90 million wearables were sold in 2014. He forecast that figure could soar to 200 million this year.

The companies refused to cite consumer prices for the new products. Top-end smartphones and smartwatches typically cost several hundred dollars (euros).