

Consistent tax policies, right incentives can draw large FDI

Tareq Rafi Bhuiyan Jun, secretary-general of Japan-Bangladesh Chamber of Commerce and Industry, says in an interview

The relationship between Japan and Bangladesh is a trusted and time-tested one. Bangladesh became Japan's biggest recipient of official development assistance in 2020. Since the Covid-19 pandemic started more than a year ago, there has been a lot of talks and anticipation about Japanese businesses moving base to Bangladesh. In a series of high-profile interviews, The Daily Star tries to understand the increasing interest of Japanese investors in Bangladesh, its growth prospects, barriers to growth, ground realities, and on how to attract more Japanese investment. As part of the series, today, we are running the interview of Tareq Rafi Bhuiyan Jun, secretary-general of the Japan-Bangladesh Chamber of Commerce and Industry.

DS: Japan is one of the largest and most developed economies in the world. Has Bangladesh learnt from its economic growth?

Jun: After World War II, war-torn Japan's economic miracle was possible due to the business-friendly policies of the Ikeda administration and contributions of local businessmen such as Konosuke Matsushita of Panasonic, Kiichiro Toyoda of Toyota Motors, and Masaru Ibuka and Akio Morita of Sony. These businessmen set the principles and philosophy of the highest quality, continuous improvement, innovation, high ethical standard, and the essence of dedicated workmanship among their companies, and others followed in their footsteps.

Toyota came up with the Toyota Production System, which was the essence of the Kaizen system. It is still studied and practised across the world. Matsushita, the founder of Panasonic, was a humanist and dedicated industrialist. He instilled his philosophy of 'Peace and Happiness through Prosperity' into his company culture, which helped bring the humane side to the business and made his company wildly successful.

Through the Association of

Overseas Technical Scholarship, supported by the Ministry of Economy, Trade and Industry, a large number of Bangladeshi entrepreneurs and management level people had the opportunity to go to Japan and learn the unique Japanese business and technical skills.

Local business groups such as AK Khan, RANGS, Uttara Motors, and ACI have been doing business with Japan successfully for a long time. More local entrepreneurs should learn about the Japanese business philosophies and systems and implement them in their companies to support the sustainable development of Bangladesh.

DS: How many Japanese companies are in operation in Bangladesh? What are the areas Japanese investors are interested in?

Jun: Currently, there are about 320 Japanese companies that have a presence in Bangladesh. Japanese investors are showing keenness in fast-moving consumer goods, food-processing, information technology, readymade garment, the health sector, motorcycle, light engineering, and infrastructure projects.

DS: What is the future outlook of Japanese investment in Bangladesh?

Jun: Bangladesh is a market of 16.5 crore of population, and the middle and affluent class (MAC) population is increasing very fast. Bangladesh is no longer considered a cheap labour destination for the manufacturing-based export market. Rather, it is seen as a large domestic market with a fast-growing MAC population who are hungry for quality goods.

There are many mega infrastructure projects underway with funding from the Japan International Cooperation Agency (Jica). Thus, a lot of Japanese construction-related companies are also showing interest to come to Bangladesh.

An exciting development is the 1,000-acre Japanese Economic Zone, which is getting developed by one of the largest Japanese conglomerates,



Tareq Rafi Bhuiyan Jun

Sumitomo Group, and the Bangladesh Economic Zones Authority (Beza) in Araihaaz, Narayanganj. We are hopeful that more than 100 Japanese companies will invest as much as \$1 billion in the zone.

The Jica and the Beza have recently signed up for a preparatory survey for an oceanfront economic zone at the Bangabandhu Sheikh Mujib Shilpa Nagar in Mirsarai, Chattogram.

Japan is also supporting to set up Matarbai power plants and deep-sea port as part of the Moheshkhali-Matarbari Integrated Infrastructure Initiative. Private companies such as Jera, Mitsui, Mitsubishi, and Marubeni are planning to invest in the energy sector.

Flagship investments from Honda for motorcycle manufacturing plant and the largest-ever foreign direct investment of \$1.5 billion in the history of Bangladesh from Japan Tobacco indicate that other large investments will also come to Bangladesh soon. Major Japanese corporations want to implement large-scale projects under the public-

private partnership scheme.

DS: What are the major barriers that need to be removed to attract more Japanese investment?

Jun: Japan has considerable investments in Asean countries, and in all those countries, telegraphic transfer (TT) is the standard way of transaction for import purpose. In Bangladesh, trade transactions are limited to letters of credit (LC) settlement in general due to foreign exchange policy. The terms and condition to open LCs are quite complicated compared to other competing countries. Lifting the restriction on TT will help increase Japanese investment.

Consistency in tax policies, transparency in tax administration and providing the right incentives to manufacturers can attract large FDI.

DS: How would you assess Japan's role in developing our economy?

Jun: Japan was one of the earliest countries to recognise Bangladesh after Independence officially. And Japan has been the biggest bilateral development partner in the history of Bangladesh. Since 1974, the total

amount of Japan's committed official development assistance has reached \$22 billion.

Jamuna Railway Bridge, Kanchpur, Meghna and Gumti second bridges, metro rail project, the third terminal of Hazrat Shahjalal International Airport, Matarbari power plant and Matarbari deep-sea port are examples of the mega-projects that have either been implemented or are currently being built with the support of the Japanese government. These are all significant mega projects that will help Bangladesh become a developing nation at a faster pace.

DS: What further steps should be taken to strengthen trade and investment relations between Bangladesh and Japan?

Jun: Finding out the issues the current Japanese investors face and quickly resolving them are the most important steps to improve the investment climate that will give positive signals to future investors.

Japan is one of the important export destinations for Bangladesh,

with more than \$1.3 billion in shipment in 2020.

Bangladesh's graduation from the group of the least-developed countries will have an impact on this relationship. So, we believe that a free trade agreement or economic partnership agreement with Japan will help Bangladesh in the post-LDC era and strengthen the economic relationship.

DS: What are the steps the JBCCI is taking to bring more Japanese companies and investment?

Jun: The JBCCI, with 238 companies as its members, has been very active in promoting the Japan-Bangladesh business ties and improving the business climate to bring more Japanese investments. The chamber has submitted policy papers to the government of Bangladesh on how to support small and medium enterprises and pull more FDI.

In November last year, the JBCCI, along with the United Nations Industrial Development Organisation and Haison International, organised a virtual "Investor B2B Japan 2020", which was attended by more than 300 Japanese companies. The JBCCI, along with the same organisers, will arrange another virtual B2B [business-to-business] match-making sessions in May this year. In November, we are planning to organise a physical visit to Japan for the B2B match-making event.

As February 10, 2022 marks the 50th anniversary of the diplomatic relationship between Japan and Bangladesh, the chamber plans to arrange programmes in both countries. The association, along with the Chattogram Chamber of Commerce and the Japan External Trade Organisation, are planning to hold the "Bay of Bengal Growth Summit 2022". The purpose is to establish Bangladesh's strategic position as a thriving destination for trade and investment for Asia's future economic growth.

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GLOBAL BUSINESS

Indian industry body urges curbs to economic activity to save lives

REUTERS, New Delhi

A leading Indian industry body urged authorities to take the "strongest national steps" and to curtail economic activity to save lives on Sunday as the country battles surging coronavirus cases that have overwhelmed the healthcare system.

The rate of new infections dipped marginally but deaths kept climbing. Authorities reported 392,488 new cases in the previous 24 hours, pushing total cases to 19.56m. Deaths jumped by a record 3,689, taking the overall toll to 215,542.

Billionaire Uday Kotak, managing director of Kotak Mahindra Bank, said a "maximal response measure at the highest level is called for to cut the transmission links", as building healthcare infrastructure will take time.



People walk at a crowded market amidst the spread of the coronavirus disease, in the old quarters of Delhi.

He was speaking on behalf of the Confederation of Indian Industry (CII), where he is the president. "At this critical juncture when toll of lives is rising, CII urges the strongest national steps including curtailing economic activity to reduce suffering. Kotak said in a statement. Hospitals have filled to capacity,

medical oxygen supplies have run short and morgues and crematoriums have been swamped as the country deals with the surge in cases: more than 300,000 daily cases for more than 10 days straight.

Concerned about the economic impact of shutting down the economy, Prime Minister Narendra Modi's government is reluctant to impose a national lockdown. At least 11 states and union territories have imposed some form of restrictions.

The Indian Express newspaper reported on Sunday that the country's Covid-19 taskforce has advised the federal government to impose a national lockdown.

The eastern state of Odisha and northern industrial state Haryana became the latest to announce new lockdowns on Sunday, joining Delhi, Maharashtra, Karnataka and West Bengal.

Warren Buffett's Berkshire Hathaway faces headwinds

REUTERS, New York

Some Berkshire Hathaway shareholders are grappling with how Warren Buffett's conglomerate will handle a thicket of post-pandemic challenges, including looming inflation, a dearth of acquisitions and demands for more environmental and social disclosures.

Making money at Berkshire used to be like "shooting fish in a barrel, but that's gotten harder," Buffett's long-time business partner Charlie Munger said at the conglomerate's annual meeting on Saturday.

Investors have long been happy to bet on Buffett outperforming markets, and many remain confident Berkshire's growth will pick up if the US economy continues roaring back from its pandemic-induced slump.

Still, some worry the last year may have exacerbated Berkshire's difficulties delivering faster growth.

"We have been reducing our position in Berkshire for a number of years because it appears that we can make more money than he can," said Bill Smead, whose firm, Seattle-based Smead Capital Management has reduced its Berkshire holdings to about 2.2 per cent of its \$2.5b portfolio, from 5 per cent a decade ago.

With unprecedented government stimulus and rock bottom interest rates threatening to lift inflation, Berkshire may be too big to pivot heavily to companies that could benefit from rising consumer

prices, Smead said. Several Berkshire shareholders expressed frustration that Buffett did not snap up more shares of companies at the beginning of the pandemic, a missed opportunity given the S&P 500's nearly 90 per cent surge from last year's low.



Warren Buffett

Steve Haberstroh, a partner at Berkshire shareholder CastleKeep Investment Advisors, said it was "frustrating" Berkshire didn't swoop in to buy distressed companies sooner.

Yet, he was gratified when the company announced share buybacks and new stakes in Verizon Communications Inc and Chevron Corp.

Another issue hampering Berkshire's ability to generate money is historically low interest rates, which the Federal Reserve has pledged to leave at near-zero for years.

US Treasury's Yellen tamps down inflation fears over Biden spending plan

REUTERS, Washington

US Treasury Secretary Janet Yellen on Sunday tamped down concerns that President Joe Biden's plans for infrastructure, jobs and families will cause inflation, saying the spending will be phased in over a decade.

"It's spread out quite evenly over eight to 10 years," Yellen, former Federal Reserve chair, said in an interview with NBC's "Meet the Press."

She said the Federal Reserve will monitor inflation carefully and has the tools to address it if necessary.

"I don't believe that inflation will be an issue but if it becomes an issue, we have tools to address it. These are historic investments that we need to make our economy productive and fair."

Biden's pandemic stimulus and



US President Joe Biden meets with Treasury Secretary Janet Yellen in the Oval Office at the White House in Washington, US.

recovery plans total around \$6t and will be paid for in part by a series of tax increases on the wealthiest Americans, less than 1 per cent of the population, and on raising corporate taxes.

Cecilia Rouse, chair of the White House National Economic Council, said there is no evidence that portends runaway inflation.

"So when we get to the other side of this pandemic, I fully expect that our labor market will come back and be flourishing," Rouse said on "Fox News Sunday."

"But for the time being, we expect at most transitory inflation, that is what we expect coming out of a big recession."

Some Democratic lawmakers have expressed concerns that the tax increases would slow economic growth.

Digital Dollar Project to launch five US central bank digital currency pilots

REUTERS

The US nonprofit Digital Dollar Project said on Monday it will launch five pilot programs over the next 12 months to test the potential uses of a US central bank digital currency, the first effort of its kind in the United States.

The private-sector pilots initially will be funded by Accenture Plc and involve financial firms, retailers and NGOs, among others. The aim is to generate data that could help US policymakers develop a digital dollar.

A partnership between Accenture and

the Digital Dollar Foundation, the Digital Dollar Project was created last year to promote research into a US central bank digital currency (CBDC).

"There are conferences and papers coming out every week around the world on CBDCs based on data from other countries," said Christopher Giancarlo, former chair of the Commodity Futures Trading Commission and co-founder of the Digital Dollar Foundation.

"What there is not, is any real data and testing from the United States to inform that debate. We're seeking to generate that real-world data," Giancarlo added.