

JTI is here for long run -- the next 50 years and beyond

Neil Coupland, managing director of Japan Tobacco International (JTI) Bangladesh, 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 talk and anticipation about Japanese businesses moving base to Bangladesh.

In a series of high-profile interviews, The Daily Star (DS) tries to understand the increasing interest of Japanese investment in Bangladesh, its growth prospects, barriers to its growth, ground realities and on how to attract more Japanese investment.

As part of series, today, we are running the interview of Neil Coupland, managing director of Japan Tobacco International (JTI) Bangladesh. He joined JTI Bangladesh in February 2020, bringing with him 27 plus years of experience in various leadership and senior management roles.

DS: How long have you been in Bangladesh and what has been your experience so far?

Coupland: My family and I arrived at the end of February 2020. One month later, the country was in full lockdown due to the Covid-19 pandemic. Our start in Bangladesh was challenging given this was a new country and a new job. That said, my colleagues and everyone we met here

in our first few weeks went out of their way to make us feel very welcome and this greatly helped our settling-in period.

I was last in Bangladesh 25 years ago and I am very impressed to see how the country has progressed in this time. I find Dhaka unrecognisable today compared to then.

DS: How has the pandemic affected your life and business in Bangladesh?

Coupland: The pandemic has been extremely challenging for everyone in Bangladesh. It is a credit to the people and government of Bangladesh to see just how resourcefully everyone has navigated these troubling waters. One year later, we find ourselves in a similar situation, but it is clear that hard lessons have been learned and new approaches have been applied in typically pragmatic Bangladeshi style. My experience of the pandemic is probably no different from anyone else's in our position. We try to stay safe, sane, and sensible.

Our business too has suffered in line with other businesses as far as the pandemic is concerned. We are a consumer goods business and rely on an efficient supply chain, route to market and retail to get our brands to consumers. Given that all of these elements have faced severe disruption over the last year, so too



Neil Coupland

has our business. I am deeply grateful to our employees for their dedication, support and resilience in the face of these challenges. They have gone above and beyond their normal duties to support local communities, their customers and their colleagues.

DS: JTI made headlines with the single largest foreign direct investment (FDI) in Bangladesh. What has happened in the last two years since then?

Coupland: At end of 2018, Japan Tobacco acquired Akij Group's tobacco business for nearly \$1.47 billion (Tk 12,480 crore) making it the single largest private sector FDI in the history of Bangladesh.

Since the acquisition, we have devoted our efforts to the integration of the organisation into the JTI global organisation. Our priority was to bring in global systems, processes, infrastructural improvements and most importantly, the culture of this very global group.

In addition, we recruited local talents for the future of the organisation. We have focused on understanding the need of the consumer and the channel partners.

So, you can say we have been busy.

In this process, we have made further significant investments in our infrastructure, technology and human resource development while contributing to several deserving causes and communities.

JTI Bangladesh soon became one of the top revenue contributors to the national exchequer, having contributed to excise and other duty deposits to the National Board of Revenue (NBR) exceeding Tk 8,500 crore (\$1 billion) in the first two years of operation.

Also, we are very proud of the fact that we have been able to place Bangladeshi talents in our foreign markets in multiple functions within this short period of time.

DS: What challenges are you facing in Bangladesh as a foreign investor?

Coupland: Bangladesh's economic growth story is being recognised all over the world. Any developing economy poses certain structural challenges. However, Bangladesh can address a few key areas to improve the ease of doing business and ultimately increase the flow of FDIs.

We have faced policy inconsistency and an unpredictable tax regime since entering the country. These are barriers to mid and long-term planning for any investor and business.

We also require continued regulatory simplification, policy reforms where needed and evolution of the taxation and governance reflecting with the changing landscape of global trade, commerce, and investment.

Right now, there's a lot of focus on getting investors into the country. I think continued digitalisation of processes and "investor after-care" services can help investors once they set up shop. We may only be two years old in Bangladesh, but we are here for the long run and we want to contribute to the development in these areas.

Since inception, we have continuously made engagements to table thoughts that can ultimately generate higher government revenue and/or lead to better governance. Our objective is to see improvement in innovation and quality for consumers, seek fairness in competition and a level playing field for investors.

DS: In recent years, many foreign investors and leaders of compliant local businesses have voiced their concerns about policy inconsistency and tax policy unpredictability. Can you share your views?

Coupland: When we made the investment at the end of 2018, we assessed the tax model and the trend of movement. Taxation is extremely critical for our business as the total tax burden is the largest value component of our value chain.

Within six months of our entry, during the June 2019 budget, there was a substantial tax hike leading to 40 per cent price increase at the consumer end in one of the market segments. This was going completely against past trends. This is an example of unpredictable taxation. This led to a

crash of that segment and consumers started moving to cheaper alternatives in the market, ultimately leading to lower government revenue per unit sold.

In another recent incident, we were restricted after introducing an innovative product for a certain segment of the market. Even though this type of product has been available in the market in higher price segments for more than 10 years; but only after we launched the product, new regulation was introduced barring us from operating in the segment. This is anti-competitive, anti-innovation and in turn, anti-investment.

We would continue to engage our stakeholders in a fair and transparent way to share global best practices and seek evidence-based, research-based, and objective policymaking.

DS: Do you see potential in the consumer goods industry for Japanese companies in Bangladesh?

Coupland: Yes, I do believe things can be better, provided certain conditions improve fast. As the economy grows, more and more Bangladeshis would demand quality products and Japanese products deliver on that promise. Many Japanese brands are already present through dealer or distributor-based networks and only recently have we seen acquisitions and joint ventures looking at more localised operations.

Organisations need to evaluate different routes to market models to serve the potential market segments. I think only a few Japanese consumer goods companies have just tested the waters here. This market is highly price sensitive and premium segments is a niche with promise to grow. Route to market strategies, portfolio, pricing, and regulatory management are critical to tap this market and cater to the rising demand of high-quality products.

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"We have made further significant investments in our infrastructure, technology and human resource development while contributing to several deserving causes and communities."

DISPUTE OVER GAS PRICE LafargeHolcim to pay Tk 90.25cr to Jalalabad Gas Says arbitration process to continue

STAR BUSINESS REPORT

LafargeHolcim Bangladesh has decided to pay the disputed amount of Tk 90.25 crore to Jalalabad Gas Transmission company as per an order of the court.

However, the arbitration process under the United Nations Commission on International Trade Law (UNCITRAL) will continue. So, if LafargeHolcim gets the verdict in its favour, the state-run company will have to adjust the amount later, the multinational cement maker said.

The disclosure was made on the website of the Dhaka Stock Exchange yesterday.

After the news broke, shares of the cement maker dropped 0.84 per cent to Tk 58.80.

In February, LafargeHolcim decided to go to arbitration to settle a dispute with Jalalabad Gas after the latter charged higher than the agreed price for natural gas.

The sales deal came into effect in 2003 for the cement company's plant located at Chhatak in Sunamganj. The agreement is valid until the end of 2025.

Under the contract signed with Lafarge Surma Cement, the former name used by LafargeHolcim Bangladesh, the natural gas was priced at about Tk 7.80 per cubic metre.

The Bangladesh Energy Regulatory Commission (BERC) set the price of gas for industrial consumers at Tk 10.70 per cubic metre with effective from 2019.

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Investors pay no heed to warnings over insurance stocks

STAR BUSINESS REPORT

Stock investors have continued to chase after insurance stocks despite repeated cautions issued by analysts.

Insurance stocks propelled the capital market index and turnover to eventually soar yesterday.

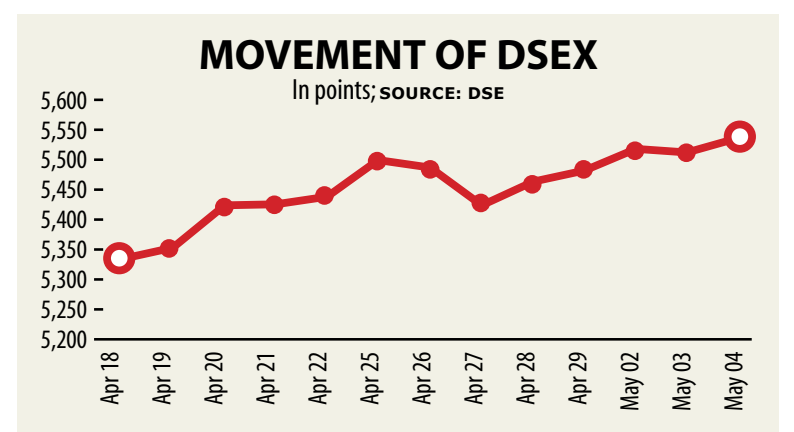
Its impact was the highest on the benchmark index of Dhaka Stock Exchange (DSE), the DSEX, which rose 24 points, or 0.43 per cent, to stand at 5,535.48.

The sector's turnover accounted for 38 per cent of the overall DSE's. It was Tk 515 crore whereas the DSE's Tk 1,356 crore. Yesterday turnover, an important indicator of the stock market, rose 16 per cent.

Despite declaring almost the

TOP FIVE GAINING SECTORS	
Sectors	Rise (in %)
Life insurance	6.75
Non-life insurance	4.32
Mutual fund	3.13
Bank	0.66
Pharmaceuticals	0.56

SOURCE: LANKABANGLA SECURITIES



same dividend in 2020 as they had in 2019, insurance stocks are rising day by day which cannot be fundamentally acceptable, said a

stock market analyst working as an asset management company's portfolio manager.

"We are not buying any insurance

stocks as we are not seeing any reasons for the rise of the insurers' equity," he said.

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GLOBAL BUSINESS

UK, India to start formal FTA talks within months

AFP, London

Britain and India will begin formal free trade deal talks later this year, the UK government said Tuesday, after they agreed an initial package to boost bilateral trade and investment.

With its massive population and growing economy, India has been high on London's list of trade deal targets since Britain left the European Union last year.

Under a post-Brexit "Global Britain" strategy, Prime Minister Boris Johnson's government is pivoting its foreign policy priorities towards the Asia-Pacific region, signing trade deals with countries including Japan and Singapore.

UK International Trade Secretary Liz Truss said India and Britain would start negotiations on an agreement "in the autumn", following the announcement of a preliminary "Enhanced Trade Partnership" deal.

"We want to get these negotiations completed as soon as possible," she told Sky News during a round



British Prime Minister Boris Johnson and his Indian counterpart Narendra Modi will hold virtual talks after the countries announced the start of free trade talks later this year.

of broadcast interviews touting the partnership package worth 1b (\$1.4b, 1.2 b euros).

"Of course, FTAs (Free Trade Agreements) take longer, this is the immediate gains that we can get for both countries, driving jobs here in

Britain and in India," Truss added.

She said both countries were looking for "early wins" reducing barriers to trade from an FTA, noting Britain wants tariffs lowered or removed on various exports to India, from cars to whiskey.

US to see growth boom

But Fed's Williams says inflation not a worry

AFP, Washington

The US economy is likely to see its fastest growth in nearly four decades this year, but the short-term inflation spike that will come with the rebound is not a cause for concern, a top Federal Reserve official said Monday.

The world's largest economy still needs to see several months of strong employment growth to achieve a full recovery, said John Williams, president of the Fed's influential New York branch, stressing that the central bank will be in no hurry to alter its stimulative policies.

US GDP will expand by around seven percent this year as it bounces back from the Covid-19 pandemic, Williams said, calling it "welcome progress after the toughest period for the economy in living memory."

But "While I am optimistic that the economy is now headed in the right direction, we still have a long way to go to achieve a robust and full economic recovery," Williams said in a speech to the Women in Housing and Finance annual conference.

He credited the Fed's stimulative policies, including interest rates near zero, with having "positive effects" on the economy, enabling Americans to purchase homes and big-ticket goods.

"In fact, with accommodative financial conditions, strong fiscal support and widespread vaccinations, I expect that the rate of economic

growth this year will be the fastest that we've experienced since the early 1980s," he said.

But as economic activity and consumer demand picks up after months of shutdowns, rising energy prices and the rebound from the pandemic downturn are pushing prices higher, fueling concerns about an inflationary spiral.



Top Federal Reserve officials have warned against growing overly concerned by price spikes as the US economy bounces back from the pandemic in 2021.