

Japanese investors sanguine about business potential in Bangladesh

ITO Naoki, Japanese ambassador to Bangladesh, says in an interview

REFAYET ULLAH MIRDHA

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 how to attract more Japanese investment. As part of the series, today, we are running the interview of ITO Naoki, Japanese ambassador to Bangladesh.

DS: What lessons can Bangladesh learn from Japan's growth trajectory?

Naoki: Bangladesh at present and Japan in 1971 share almost the same level of GDP per capita (About \$2,000). Japan achieved rapid economic growth after the Second World War, particularly in the 1960s and the 1970s. That was based on the improvement of infrastructures, namely, highway and railway networks, airports, and coastal industrial zones, and industrialisation policy focusing on prime sectors, including automobile, steel, electronics, textile, and SMEs.

Bangladesh has been implementing several mega infrastructure projects to accelerate the growth, targeting to graduate from the grouping of the least developed countries (LDC) by 2026 and realise an advanced economy by 2041.

In addition to industrialisation and infrastructure development, Japan focused on human resources development, education, health, and SMEs. I am pleased to note that Bangladesh is now putting its priority on these areas.

DS: As we celebrate the 50th anniversary of Bangladesh, how significant has the contribution of Japanese companies been in the country's journey towards a developing nation? How do you assess Japan's role in

developing our economy?

Naoki: Since the independence, Bangladesh has become the largest recipient of Japan's official development assistance (ODA). The construction of the Kanchpur, Meghna, and Gumti second bridges and the existing bridges rehabilitation project are excellent examples of the Japanese ODA. Those bridges have significantly reduced the travel time between Dhaka and Chattogram.

Japanese companies transferred their know-how and skills to the Bangladeshi engineers and workers for future maintenance work and infrastructure construction by themselves.

As a potential hub of the regional economy, Matarbari Port would connect South Asia and South-East Asia. In other words, it could re-shape Bangladesh as a trading nation deeply incorporated in the inter-regional and global value chains.

In parallel to the support for building infrastructures, the investment from the Japanese private sector has also played a significant role. As of September 2020, cumulative direct investment from Japan reached \$390.18 million.

Furthermore, as of April 2021, some 321 companies are operating in Bangladesh. The number quadrupled from 83 in 2010. The amount of investment in FY2019-20, even under the Covid-19 pandemic, was \$60 million, about three times higher than in FY2009-2010, when it was \$22 million.

Currently, Mitsubishi Motors Corporation is exploring the possibility of making a new



ITO Naoki

investment to establish a completely knocked down (CKD) assembly plant for National Brand Cars. This project would be immensely impactful for Bangladesh's industrialisation and the diversification of its economy through technology transfer and the creation of significant employment opportunities.

DS: What are some of the main achievements of the bilateral value-chain of Japan and Bangladesh? What is the bilateral trade scenario? What steps should be taken to strengthen trade relations?

Naoki: Japan is the largest export market for Bangladesh in Asia. Over the last 10 years, the export figures have doubled and reached \$1.2 billion. The main export items are textile, ready-

made garments, and leather products. I expect these sectors will continue to secure a significant position, and the key is to establish the brand image by increasing productivity and assuring better quality. I firmly believe that is possible.

Pharmaceuticals, agricultural and fishery products, and the food industry have high potential. Your marvellous mangoes are yet to enter the Japanese market. Once exported, Bangladesh's mangoes and lychees will undoubtedly be popular among our consumers.

I reiterate the importance of concrete and early solutions to tax, customs, and foreign exchange (remittance) issues, which have already been raised by Japanese companies operating in Bangladesh. The existing companies will play a critical role in enhancing foreign direct investment, and those steps are necessary to make Bangladesh an attractive destination for future investment. Bangladesh needs to reduce cost and bring ease of doing business.

Following a series of dialogues with the Bangladesh government, areas such as parent companies' loans for working capital, royalty remittance, container round-use for companies at

the export processing zones (EPZs), and registration fee of two-wheelers have made considerable advance.

Nevertheless, several remaining business risk factors impede newcomers into a market, such as delay of letters of credit payment, tight regulation on telegraphic transfer for import transaction, cash incentive for RMG exports, and difficulties in customs clearance.

Let me emphasise that a business environment needs to improve from the eyes of existing companies, and to attract further investment to Bangladesh, we must find solutions to their challenges.

I also would like to look at our economic partnership from a different angle. When Bangladesh graduates from LDC status by 2026, it needs to keep or even further expedite the flow of trade in goods and services with other countries. I believe it is vital for Bangladesh to proactively conduct studies and then advance negotiations on bilateral free trade agreements (FTAs) with countries, including Japan.

DS: Japan's contributions have been fundamental in various areas of infrastructure development. What are the other sectors where Japan has made notable contributions?

Naoki: In the Japanese FY2020, the government of Japan provided 373.2 billion Japanese yen (\$3.423 billion) to Bangladesh as project loans and financial assistance for Covid-19 countermeasures. This amount means that Bangladesh has become the largest recipient, overtaking India, on a single Japanese fiscal year basis for the first time in the history of the yen loan.

The government of Japan and the Japan International Cooperation Agency (Jica) have contributed to the development of Bangladesh through loans, grant aid, and dispatch of the Japan Overseas Cooperation Volunteers (JOCV) in various fields, including education, health, water/sanitation, and agriculture.

In the past, support in the agricultural sector included the establishment of agricultural research

institutes and universities. Notable examples are the establishment of the Citrus and Vegetable Seed Research Centre under Bangladesh Agricultural Research Institute in the late 1970s and the Institute of Postgraduate Studies in Agriculture, which became the first graduate school of agriculture in Bangladesh in 1998.

Japan extended technical cooperation and support for skills transfer through the JOCV. The radishes that were grown on a trial basis were later called Tasaki radish, after a JOCV who popularised them.

In the future, Japan will broaden its contributions to include the IT sector, food value-chains, and human resource and skills development. These are essential for the sustainable and inclusive growth of the economy and society.

DS: Will Japan continue the GSP facility for Bangladesh even after the graduation of the country from the LDC?

Naoki: Japan is now providing the government of Bangladesh with special preferential treatment (SPT), which is applied only to LDCs. Although subject items and applied tariff rates differ from the SPT, Japan will continue to provide the generalised system of preferences (GSP) after Bangladesh's graduation from the LDC group in 2026.

On the other hand, from a long-term perspective, just receiving GSP will neither increase export nor contribute to strengthening Bangladesh's competitiveness in the global market. By concluding FTA or economic partnership agreement, Japan and Bangladesh will be able to form a new partnership of trade and investment. Then, more new investments from Japanese companies could be expected. That would lead the country to expand trade and promote economic diversification.

As a first step, I would urge both Japanese and Bangladesh's companies to share that FTA or PTA (preferential trade agreement) is beneficial in expanding their business between the two countries.

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Khulna, Barishal traders pleased by customer turnout



As Eid draws nearer, the number of customers has increased significantly in most shops of Khulna and Barishal. The photo was taken from KDA Avenue of Khulna city recently.

PHOTO: DIPANKAR ROY

DISTRICTS IN FOCUS

DIPANKAR ROY and SUSHANTA GHOSH

Like other parts of the country, shops in the Khulna and Barishal divisions have become inundated with customers ahead of Eid-ul-Fitr, the biggest religious festival in Bangladesh.

"Our sales began in earnest after the fifteenth day of Ramadan," said Akash Mahmud, a salesman at the Rang Bangladesh outlet in Khulna.

As Eid draws nearer, the number of daily customers has increased significantly.

"Many youths are coming to buy panjabis of different colours and range," he added.

Other than branded retail outlets or showrooms, roadside stalls and hawkers have also seen a steady uptick in business.

Currently, there are more than 500 hawkers and other small retailers operating in Khulna city with about 200 of them being seasonal occupations that depend on Eid sales.

Thanks to competitive prices and convenient locations, many of these roadside sellers are often busier than their large-scale counterparts.

"My store has been packed for the last few days and I am very pleased with sales so far," said Muhammad Mamun Hossain, the owner of Mamun Cloth Store.

On KDA Avenue of Khulna city, affluent locals were seen checking consumer electronics stores for big ticket items such as refrigerators, air conditioners, televisions and so on.

Masharof Hossain Babu, an agent of the regional Walton office, told The Daily Star that the demand for these products rises sharply ahead of Eid every year.

However, this year's sales are not up to previous levels.

"Our air conditioner sales are not good at the moment," he added.

Liakat Hossain Liton, president of Bagerhat Chamber of Commerce and Industry, said that sales have not reached the expected level as customers have become strict with their spending due to the economic uncertainty caused by Covid-19.

"We are still trying to recover from our losses

of last year," Liton added.

Similarly, traders say that sales are at least 30 to 40 per cent lower than their pre-pandemic levels. According to them, this is because the restrictions on public movement and gatherings are preventing customers from turning up in higher numbers.

In Barishal town, Mrinalkanti Saha, vice president of the South Chawkbazar Businessmen's Association, said that there were about 50 wholesale shops in the region that sold products worth up to Tk 20 lakh just for Eid.

However, sales have almost halved amid the ongoing coronavirus crisis.

"It costs over Tk 1 crore a year to keep my 65 employees and much of that would come from Eid sales but that is not happening this year," he added.

Apparel items are always a hot item ahead of the religious festival with more than Tk 3-5 crore worth being sold in Chawkbazar each year.

Half of this amount would come from wholesale shipments to other districts but since there were no transportation facilities this time, sales have taken a serious hit, Saha said.

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Payments industry must continue evolving and innovating



SYED MOHAMMAD KAMAL

Since the beginning of 2021, the world has been experiencing another deadly wave of the Covid-19 pandemic. In South Asia, infection rates have increased, and death rates are higher than in the first wave in 2020. Even as the drive to vaccinate has accelerated, several countries have been forced to opt for lockdowns and announce strict containment measures.

Bangladesh is the third most affected country in South Asia, after India and Pakistan. According to ReliefWeb, the largest humanitarian information portal, Bangladesh is recording almost 50 per cent more deaths per day than its previous peak in June 2020. As the situation worsened, the country went into a strict lockdown for the second time since March 2020.

The pandemic has changed many things in our day-to-day life, the way we live, shop or commute, and has brought about changes in the behaviour that was earlier unthinkable. These changes in our work and personal lives will not roll back even when the severity of the pandemic subsides, or treatments render it less dangerous.

The disruption will have a lasting impact, particularly on marginalised sectors and communities - micro, small and medium enterprises and those employed in informal sectors like construction and agriculture.

One of the key positive changes during the pandemic was the acceleration in technology adoption across the country. The pandemic alerted citizens to the vulnerability of cash and the resilience of digital payments. Even with all the restrictions during the lockdown, commerce needed to keep flowing to fulfil basic needs.

Digital technologies enabled essential commerce and consumers swiftly switched to digital modes of payments. Today it is a strategic and operational priority for businesses across categories ranging from grocery stores to lifestyle shopping, food

deliveries and pharmacies.

Though the shift to digital payments is not new, it has accelerated rapidly over the last year. Today, people realise how the "touch-free" aspect of contactless and digital payments can deliver personal safety benefits amidst social distancing and heightened concern for health protection.

Last year, the World Health Organisation also advised consumers to switch to contactless payments and avoid handling cash to prevent the spread of Covid-19.

As per a Mastercard study, 79 per cent of people globally and 91 per cent in the Asia Pacific are saying that they will opt for tap-and-go payments as they enable transactions without the need to touch a point of sale (POS) terminal or pass the card to another person. Alternative payments methods such as mobile payments have grown, while cards retained their strong incumbent position supporting e-commerce and POS transactions.

Digital payments for e-commerce and contactless transactions are truly essential to building a resilient business and earning customer loyalty, now and in the future.

OPINION

The payments industry is relentlessly focussed on innovation to introduce improved products and services for consumers, providing them with a simple, safe and seamless shopping experience, with the security of transactions being of utmost importance. The growth of digital commerce in the last year led to a greater risk of cyber-attacks and payments frauds, and this must be addressed.

Newcomers, who are not digital natives, are more at risk. To ensure a safe and secured payments system, all the players in the ecosystem must come forward to exchange knowledge and intelligence. Some modern technologies such as biometric authentication and artificial intelligence can effectively help us detect threats like payments fraud.

Due to the rapid migration to digitalisation, specialised and authentic business data is now available and can be applied to get business and consumer insights critical to recovery and growth.

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