

Issues and Requests Relating to Foreign Trade and Investment - Bangladesh

Category	No	Issue	Issue Details	Requests	References
5 Regulations on Parts Industrial Policy	(1)	Shortage of Incentive Measures for the Domestic Raw Materials Industries	- <u>GOB's acceptance of preferential tariff on one of the processes of sewn products destined to EU/USA and Japan has displaced the need for local production of raw materials (thread and cloth). Thread and cloth production requires a heavy initial investment for machinery and equipment procured at a high local borrowing rate of nearly 20%, while the cost of raw materials equally spiral at rates higher than other countries due to increased energy cost from shortage of electric power and city gas in Bangladesh.</u> <u>In long term these higher costs will set off relatively lower labour costs, while Bangladesh competitive edge gets debilitated.</u>	- <u>It is requested that GOJ will induce GOB to introduced incentive measures to the domestic raw materials industries by reduced taxes and increased incentives, etc. to assure a long-term growth of the Bangladesh industries.</u>	
8 Investment Recipient Organization	(1)	Delayed, Nebulous Procedures for BOI Licences and Permits	- Actions move but at snail's pace at Bangladesh Ministries and Agencies on licences and permits at trade / BOI (Board of Investment), foreign investment and foreign representative's offices of trading firms. In certain cases, government employees demand payment of speed money. Absence of proper disclosure system at National Board of Revenue (NBR) has been source of various problems in regard to payment of property tax and other taxes for overseas representative offices of trade firms.	- Negligence at BOI is at its extreme. It requires a fundamental reform.	
9 Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Customs Employees' Demand for Exorbitant Commissions	- It appears Customs Officials at times demand payment of exorbitant commission to customs brokers when using Food Transport System. Customs brokers in turn seemingly pass on such commission in the Invoice for customs clearance charge to a firm. As a result the amount of customs clearance charge payable to customs brokers is abnormally high.	- <u>It is requested that GOB exercises severe control in engaging customs brokers, and custom brokerage fees.</u>	
10 Restrictive Measures for Operations in Free Trade Zones ("FTZs") and Special Economic Zones ("SEZs")	(1)	Delays and Poor Service in Development and Overhaul of EPZ, SEZ	- <u>The following issues confront enterprises in Special Economic Zones (SEZ):</u> -- <u>Procurement of adequate land property [location (=distance from Dacca city zones)], area, land purchase cost, soil condition, neighboring environment, etc.).</u> -- <u>Attractive incentive package for tenant enterprises.</u> -- <u>Enhanced capacity of the Bangladesh implementing institutions on the receiving end.</u>		- SEZ Policy - BOI Policy - EPZ Policy

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			<p>(Actions)</p> <ul style="list-style-type: none"> - On 14 October 2009 at the Joint Meeting of the Japan/Bangladesh Economic Committee, GOJ expressed its desire to Prime Minister Ms. Sheikh Hasina that GOB would restore and maintain the incentive measures made available to enterprises upon their entries into EPZ while expanding the EPZ sites, thereby removing the barriers that would block investment into Bangladesh. - Information is available at JETRO website for sale of land in lots in 5-EPZs for which Bangladesh Export Processing Zones Authority (BEPZA) has committed to give priority to Japanese. - Government of Japan (GOJ)/JICA together are taking responsive actions. 			
12	Exchange Controls	(1)	Delays, Defaults and Nebulous Procedures for Negotiating Letters of Credit Payments	<p>There has been a chronic delay in Letters of Credit (L/C) negotiation irrespective of the amount. However, it is getting better, since issuance of Bangladesh Bank (Central Bank of Bangladesh) Notice on penalty levy for delay in negotiation by L/C.</p> <p>(Actions)</p> <ul style="list-style-type: none"> - All imports via banks are subject to the L/C approval in principle, regardless of the source of the fund procurement. - In 2012, the Japanese Ambassador to Bangladesh requested Bangladesh Central Bank to improve the delays in payment by Letters of Credit. 	<p>It is requested that GOB prompts the Ministries and Agencies for Commercial Banks' negotiation of L/C.</p>	<p>The Uniform Customs and Practice for Documentary Credits (UCP)</p> <p><u>Provisions Prompting Improvement in L/C Negotiation Delays</u></p>
16	Employment	(1)	Compulsory Employment of Bangladesh Nationals	<p><u>It is stipulated in BOI (Board of Investment Guidelines), etc., that foreign employers must observe at all times the ratio of 1to5 between the foreign expatriates and the local employees in commercial sector, and 1to 20 in industrial sector. Consequently, for example, a Foreign Investor in Commercial Department with 2-expatriates must employ minimum 10 local employees. This requirement severely impact effective business activities during the start-up phase of doing business in Bangladesh.</u></p>	<p><u>It is requested that GOB deregulates or repeals the local staff employment obligations.</u></p>	<p>BOI Policy</p> <p>Immigration Rules</p> <p><u>Board of Investment Guidelines</u></p>
		(2)	Delayed and Nebulous Issuance of Visas and Work Permits	<p>Upon filing new Visa application or its renewal, applicants face customary monetary demand, which contravenes the corporate governance compliance requirement. Opting the normal application procedures takes an extremely long time for the visa acquisition. It materially impedes business activities. (This issue is under discussion between Bangladesh Authority and Japan Embassy / Japanese Commerce & Industry Association in Dhaka)</p>		<p>BOI Policy</p> <p>Immigration Rules</p>
26	Others	(1)	Absence of Infrastructure for Commodity Distribution	<p><u>Large cargo carriers cannot enter Chittagong port, due to its poor infrastructure development. Enterprises operating in Bangladesh are compelled to transship cargoes from East Asia at Singapore port. It requires additional procurement lead time for raw materials, etc.</u></p>	<p><u>It is requested that GOJ approaches GOB urging streamlining of the requisite infrastructure, as soon as possible.</u></p>	

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			<p>- Enterprises in Bangladesh are compelled to put up with inefficient operation due to the severe traffic congestions, which deter investment into Bangladesh by foreign funded enterprises (FFEs). In addition, due to the extremely poor repair and maintenance of the road connecting to factories in the suburb, much time is lost for moving people, raw materials and products to the factories.</p> <p>(Actions)</p> <p>- Since 1992, GOB has liberalized entry of private enterprises into telecommunication business (by introduction of private capital to fixed-line phone, and acceptance of foreign capital into cellular phone sectors), provided, however, that, the infrastructure development lags behind in the telecommunication sector. The cellular phone subscribers have rapidly increased. As of June 2006, 1.08 million people, representing 7.7% of the total population, subscribe to cellular phones. Recently, GOB has begun installation of seafloor cable.</p> <p>- On 29 November 2010, at the Japan-Bangladesh Economic Committee Business Seminar, Prime Minister Ms. Sheikh Hasina disclosed the policy to promote investment under public private partnership (PPP) as regards development of facilities and equipment at deep sea port, international airport, motor way (expressway), railway, underground (subway), monorail, etc. Minister Ms. Sheikh Hasina further requested support for Padma Road-Rail Multipurpose Bridge. In return, Prime Minister Naoto Kan expressed Japan's support to the tune of U.S.\$400 million.</p>	<p>- It is requested that GOJ approaches GOB urging streamlining of the requisite infrastructure, as soon as possible.</p>	
	(2)	Irrational Policies on Energy/Electric Power Supply	<p>- There is no mid-long term policy on energy and electricity. Due to the lagging behind of the gas field development, chronic power shortage has continued. The power shortage has become a bottleneck in developing textile industries that rely on home generation, as well as fertilizer industries, etc. that use gas as raw materials. The gas prices politically held down fail to motivate foreign investors' entry, deterring the gas field development.</p> <p><u>- A substantial volume of independent power producer (IPP) introduced to complement the electricity shortage now oppresses the national budget due to the underestimation of the rental power project, which has materially raised the electricity fee. While GOB has liberalised combined cycle power plant (CCPP) and coal fired power generation to private sectors under public-private partnership (PPP), the development has come to a standstill, due to the shortage of fund, technology and know-how on the part of private sectors.</u></p> <p>(Actions)</p> <p>- The per capita electric power consumption in Bangladesh is the lowest in the world.</p> <p>- GOB has implemented construction work for a container terminal and to expand its facilities at Chittagong port.</p> <p>- GOB has invited foreign capital investment into electric power generation division to resolve the power shortage.</p> <p>- It is reported that the water shortage occurs during March through May.</p>	<p>- It is requested that GOJ induces GOB to make upward adjustment of gas prices to facilitate entry into gas field development projects by foreign funded enterprises (FFEs).</p> <p>- <u>GOB's mid-long-term policy is indispensable. It is requested that GOJ will induce GOB to set up its development policy in collaboration with the respective donor country(ies).</u></p>	

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				<ul style="list-style-type: none"> - While no prolonged blackout is experienced in EPZs, there are several minor blackouts in each day, according to the report from the local concern. - In the budget of 2008/2009, GOB has cited on the priority list, enlargement of power generation capacity and development of telecommunication network, besides the major objectives of stabilized growth in macro-economy, promotion of economic growth and poverty reduction. - In September 2009, Finance Minister published its Electric Generation Plan to the tune of USD4.4 billion in grand total (of which USD850 million is covered by GOB's capital increase), which breaks down into Urgent (500MW), Short Term (800MW), Mid-Term (1,600M_W) and New Energy Development (450MW). - On 14 October 2009, at the Joint Meeting of Japan-Bangladesh Economic Commission, GOJ requested GOB among others the following three issues: <ul style="list-style-type: none"> (1) Stable supply of electric power, (2) Alleviation of the traffic congestions in Dhaka, and (3) Overhaul of trunk roads connecting the main cities. - According to Power Division, while the maximum power demand is expected to reach 6,765 megawatts during the year 2011, as of May 2011, the maximum supply capacity remains 4,800 megawatts. GOB thus encourages investment in power generation by independent power generation enterprises through simplified business licencing procedures and exemption of various taxes, Investments were made one after another into small-scale power generation sectors during the period of July through December 2010, amounting to U.S.\$500 million in total. (JETRO Tsusho-Koho (World Business News) for the year 2011). - On 29 November 2010, at the Japan-Bangladesh Economic Committee Business Seminar, GOB called for Japanese industry's investment into power generation, infrastructure, shipbuilding, car, and textiles in Bangladesh. - According to JICA power supply in Bangladesh meets 80% of the demand (2013), while power demand will hereafter continue to rise by 10% each in year. Now, 70% of the power generation facility is represented by thermal power that burns the domestic natural gas. However, its new development lags behind. For the sake of assuring a stable supply of fuels for power generation, diversified supply of energy sources has become a pressing necessity. - In June 2014, JICA signed the yen loan to the tune of 120.9 billion yen maximum in total over the 5-Projects, including Matarbari ultra super critical coal-fired power project, natural gas efficiency improvement project, etc. - On 6 September 2014, at his visit to Bangladesh, Premier Abe asserted that Japan will provide financial support of 600 billion yen in the forthcoming 4-5 year period for overhaul of the Bangladesh' Industrial Base, mainly taking the form of YEN LOAN. 		
		(3)	Destabilised Political Situation/ Public Security	<p>In addition to the confrontation between the ruling and the opposing parties, and the religious issue, the current announcement of judgement on the trial of war criminals, industrial disputes over the minimum wage, etc., political situation and public security get destabilized, being triggered by industrial disputes, etc. Especially, at the year end 2014/ beginning 2015, frequent general strikes named "Hartal", and the traffic blockade named "Oborot", called out by opposing parties, the frequent occurrences of vandalism, such as the use of cocktail bomb, and bus arson have been threatening the citizen's daily life. The consequent</p>	<p>It is requested that GOJ coordinates with UN and diplomatic concerns of other nations, urging GOB to take adequate political measures, in lieu of taking a bilateral approach.</p>	

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				<p>stagnant traffic and transportation have caused the direct damage upon manufacturers, distributors, retailers, and small holder agriculture, and the spread of the secondary damage to all kinds of businesses, small-scale farmers, etc. from the increased time in movement of goods, and fuel shortage. Specifically, delays in customs clearance, increased transport time relative to raw materials procurement and product shipment, drop in productivity due to workers shortage, spiraled packing and freight expenses. Uncertainty in collection of accounts receivables compels bearing the additional monetary/time burdens. While Bangladesh attracts public interest as the manufacturing hub of textile products, the foregoing set of circumstances not only materially impair the national image, in practice it has caused exodus of a part of their production outside Bangladesh. It is a matter of great concern to FFEs operating in Bangladesh.</p>		