



Japan Society for Tobacco Control

日本禁煙学会

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Mr. Toshimitsu Motegi, Foreign Minister

3 July 2021

Manabu Sakuta, Chairperson,
Japan Society for Tobacco Control, General incorporated

The Japanese Ambassador to Bangladesh, Naoki Ito, has asked the Finance Minister of Bangladesh, Mustafa Kamal, to reduce taxes on the Japanese tobacco industry.

However, this action violates Article 5.3 of the WHO Framework Convention on Tobacco Control (FCTC) and its guidelines. The Campaign for Tobacco-Free Kids in the US notified us of this problem.

The tobacco industry interference index has been issued since 2015, and has also been published in the Tobacco Control magazine. If you look at this index, Japan maintains among the worst scores each year, partly due to actions like those of the Japanese Ambassador.

In sum, the Japanese ambassador is violating the WHO Framework Convention on Tobacco Control, and it is legally impossible for him to work with or to otherwise act in the interest of the tobacco industry.

We kindly thank you for your cooperation in dealing with this matter.

We remit this letter with the documentary evidence.

Document 1) A copy of the letter from Ambassador Naoki Ito to Finance Minister Mustafa Kamal
Document 2) 2019 tobacco industry interference index, Japan



Ambassador of Japan

ES/GL/21

19 January, 2021

A H M Mustafa Kamal, FCA, MP
Honorable Finance Minister
Ministry of Finance
Building # 7, Bangladesh Secretariat, Dhaka.

Re: Japan Tobacco International's (JTI) Landmark Investment in Bangladesh and Repeated Challenges Posed due to Policy Shifts and Anti-Competitive Activities

Your Excellency,

I would like to take this opportunity to draw your Excellency's kind attention to the Government's decision towards Japan Tobacco International's (JTI) Landmark Investment in Bangladesh. I have been informed from JTI with regard to new product launching processes they have faced so many troubles as following:

"JTI made the largest private sector investment in the history of Bangladesh in 2018 which shows confidence of Japanese business in the growing economy of Bangladesh and the ongoing development infrastructure of the Country where we are proudly partnering your Government. Stakeholders and investors in Tokyo is encouraged and carefully watching this move with interest. In a short period, JTI Bangladesh became the second largest contributor of revenue to the Bangladesh National Exchequer. However, the business faces policy jolts one after another. Below are some examples:

1. **Taxation Change in June 2019:** the tax rise was a diversion from the 'usual pattern' adopted for years and significantly hit JTI due to their reliance on Medium segment of the market. The policy led to a halt in the growth of tobacco sector revenue collection and any data analysis would show how the market has been polarized to Lower priced and lower taxed part of the market, ultimately leading to loss of Government revenue. This is a clear example of 'policy inconsistency'. The largest impact has been on JTI Bangladesh.
2. **Exceptional SRO to Stop Introduction of JTI Products:** JTI has been marketing couple of brands in the market in the Low segment namely, LD and More. In November 2020, the brands launched line extension products in the market in the form of flavored capsule inserted cigarettes. Immediately afterwards there has been a move in the NBR to 'restrict' those launches and NBR made exceptional amendments in the National Budget SROs to 'stop' marketing of flavored capsule products below the Medium segment, effectively barring JTI's new launches, whilst protecting competitors. (Attachment: NBR Notification Letter on 24 December 2020)

These types of products are available in the Bangladesh market for the last ten years in two segments of the market. The segment is very small, below 2% of the total market and there is no evidence that there has been 'market downtrading' for a product like this in Bangladesh or anywhere else. The regulation was hastily brought in without the basic tenets of 'objective regulation'. The move depicted a harsh or unreasonable stance towards JTI, forcing them overnight to stop manufacturing their line extensions when they have done nothing wrong.

3. **Anti-Competitive Activities:** Bangladesh tobacco market is dominated by a single player garnering about 78% share of market and leadership in all segments. Since entering Bangladesh market, JTI has

been facing 'dominant' and 'anti-competitive' behavior and activities taken at the market levels through different 'restrictive' moves adopted. These kinds of practices are not common in the international tobacco markets. Evidences have been gathered by JTI. Even their respected management staff have been harassed with criminal legal charges by this specific competition business on flimsy notions.

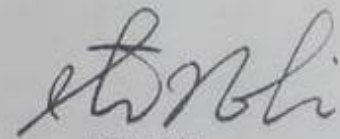
4. **Finished Goods (FG) Import Policy:** To bring in innovative products and to manage large capital expenditures, JTI had requested to Ministry of Commerce for necessary authorizations as per the clearly laid out HS Codes and Duty structure for FG imports paying all necessary taxes equivalent to local SD and VAT. After repeated engagements, mysteriously JTI's request was turned down. This is a 'policy dichotomy' as the import tax structure is very much existent in Bangladesh for tobacco products.
5. **Local Government Licensing Issues:** The Company was faced with 'undue' demands by one of the local Government bodies for their Trade License. After a long episode dragged over a year, when respected Cabinet Secretary became aware of the issue, he stepped in and solved the issue in rapid speed. The licensing issue has been solved for the current year. However, they anticipate facing same problem in next year and similar help may require again."

I think taking care of the existing investors is the best route to bring in new investment in the country from the view of fairness of competitiveness. I believe that Japanese investors are carefully watching the action of the government as JTI Bangladesh is a single largest flagship investment from Japan. Success of JTI is an important factor for decision making of potential investors in Japan.

Therefore, I would request your Excellency to look into this issue and to take necessary action to solve this issue. Some of the challenges faced by them may not reflect well on the 'ease of doing business' in Bangladesh. I kindly seek your overall guidance and directive to all relevant authorities to ensure that the largest investor into Bangladesh private sector gets treated fairly and in a predictable manner to thrive business environment for two countries.

Please accept, Excellency, the assurance of my highest consideration.

Sincerely yours



ITO Naoki
Ambassador of Japan
of Bangladesh

CC:

1. **Salman Fazlur Rahman, MP**
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2. **Tipu Munshi, MP**
Honorable Minister of Commerce
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