



সেন্টার ফর পলিসি ডায়ালগ (সিপিডি)
Centre for Policy Dialogue (CPD)

BANGLADESH-JAPAN

Partnership for the Next Development Journey

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16 March 2022

Acknowledgements

• This study has been carried out by

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The Team gratefully acknowledges the valuable support received from the Dialogue and Communication Division and the Administration and Finance Division in conducting this study.

Concerned officials belonging to a number of institutions have extended valuable support to the Research Team members, for which the Team would like to register its sincere thanks.

Outline

1. Introduction
2. Bangladesh's trading relationship with Japan
3. Japanese development assistance to Bangladesh
4. Japanese foreign investment in Bangladesh
5. Bangladesh-Japan cooperation for leveraging the Fourth Industrial Revolution
6. The way forward
7. Conclusions and recommendations

1. Introduction

1.1 History of Bangladesh-Japan ties

- Bangladesh and Japan formally established diplomatic ties on 10 February 1972, although friendly relations between the countries existed even prior to Bangladesh's independence.
- Japan played an important role during the independence of Bangladesh in several ways.
- The Japanese mass media provided wide coverage of the atrocities which were taking place in Bangladesh in 1971.
- The Government of Japan co-sponsored a number of resolutions on the Bangladesh issue in the United Nations Security Council and General Assembly in December 1971.
- Japanese government ministers, parliament members, intellectuals, and distinguished persons actively supported Bangladesh's independence movement, and even Japanese school children donated their tiffin money for the war-affected people of Bangladesh.



1.2 Aims of the study

- Bangladesh is presently undergoing a dual graduation: graduation from LIC to lower middle-income country (LMIC) and graduation from least-developed country (LDC) to a developing country.
- In the midst of its dual graduation, Bangladesh must also prepare to deal with the disruptions caused due to the Fourth Industrial Revolution (4IR) .
- As Bangladesh's largest bilateral development partner, Japan has worked hand-in-hand with Bangladesh for building infrastructure, supporting industrialisation, increasing access to health and education, and reducing vulnerabilities.
- On the occasion of the 50-year anniversary of the establishment of diplomatic ties between Bangladesh and Japan, the Centre for Policy Dialogue (CPD) is undertaking a research study titled ***“Bangladesh-Japan Partnership for The Next Development Journey”***.
- The aim of the proposed research is to discuss how Japan may support Bangladesh in its next phase of growth during the 4IR and beyond the LDC status of Bangladesh.

1.3 Research objectives

The proposed study will have the following objectives:

To review the trade relationship between Bangladesh and Japan in the past five decades

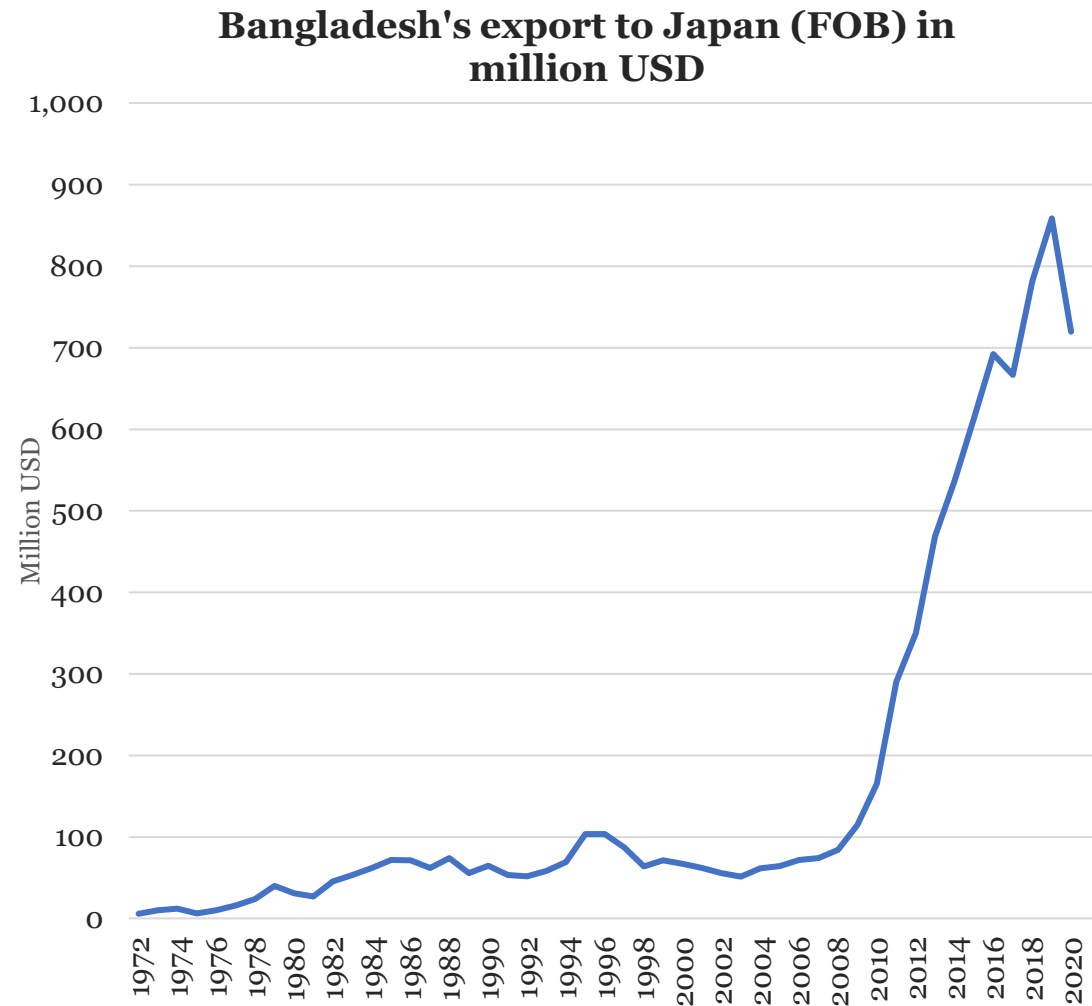
To evaluate the Japanese ODA to Bangladesh and Japanese FDI in Bangladesh

To understand how Japan may support Bangladesh in its next development journey during the 4IR and beyond dual graduation

2. Bangladesh's trading relationship with Japan

2.1 Bangladesh export to Japan

- Japan is one of Bangladesh's the top trading partners, besides US and the EU.
- Bangladesh's RMG and textile exports started entering the Japanese market since 1972.
- From 1972 till 1986, Bangladesh exported a relatively large percentage of its total export to Japan.

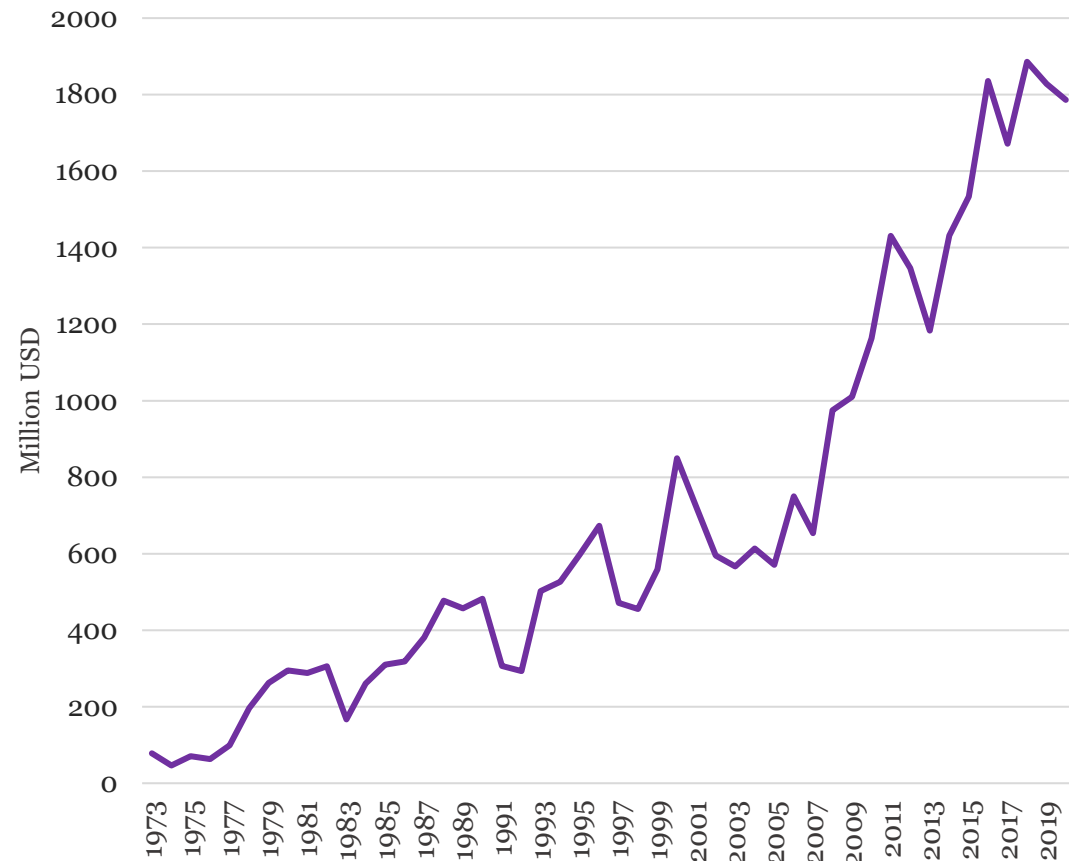


Source Authors' illustration based on dataset from International Monetary Fund.

2.2 Bangladesh import from Japan

- Bangladesh's imports from Japan as a percentage of Bangladesh's total imports decreased from 1973 till 2019.
- Bangladesh's import from Japan was highest during 1987, when about 16% of Bangladesh's total imports came from Japan
- Bangladesh's imports from Japan have increased over the years.

Bangladesh's import from Japan (CIF) in million USD



Source Authors' illustration based on dataset from International Monetary Fund.

2.3 Bangladesh's top 5 exports of goods to Japan in 2020



Articles of apparel and clothing accessories, not knitted or crocheted

USD 521 million



Articles of apparel and clothing accessories, knitted or crocheted

USD 514 million



Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles

USD 56 million



Other made-up textile articles; sets; worn clothing and worn textile articles; rags

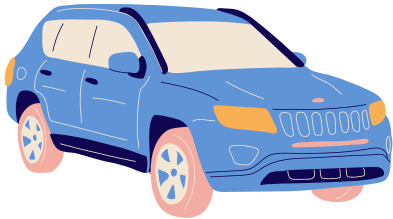
USD 52 million



Footwear, gaiters and the like; parts of such articles

USD 34 million

2.4 Bangladesh's top 5 import of goods from Japan in 2020



Vehicles other than railway or tramway rolling stock, parts and accessories
USD 643 million



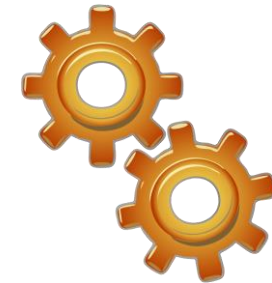
Machinery, mechanical appliances, nuclear reactors, boilers; parts
USD 249 million



Iron and steel
USD 1503 million



Commodities not elsewhere specified
USD 173 million



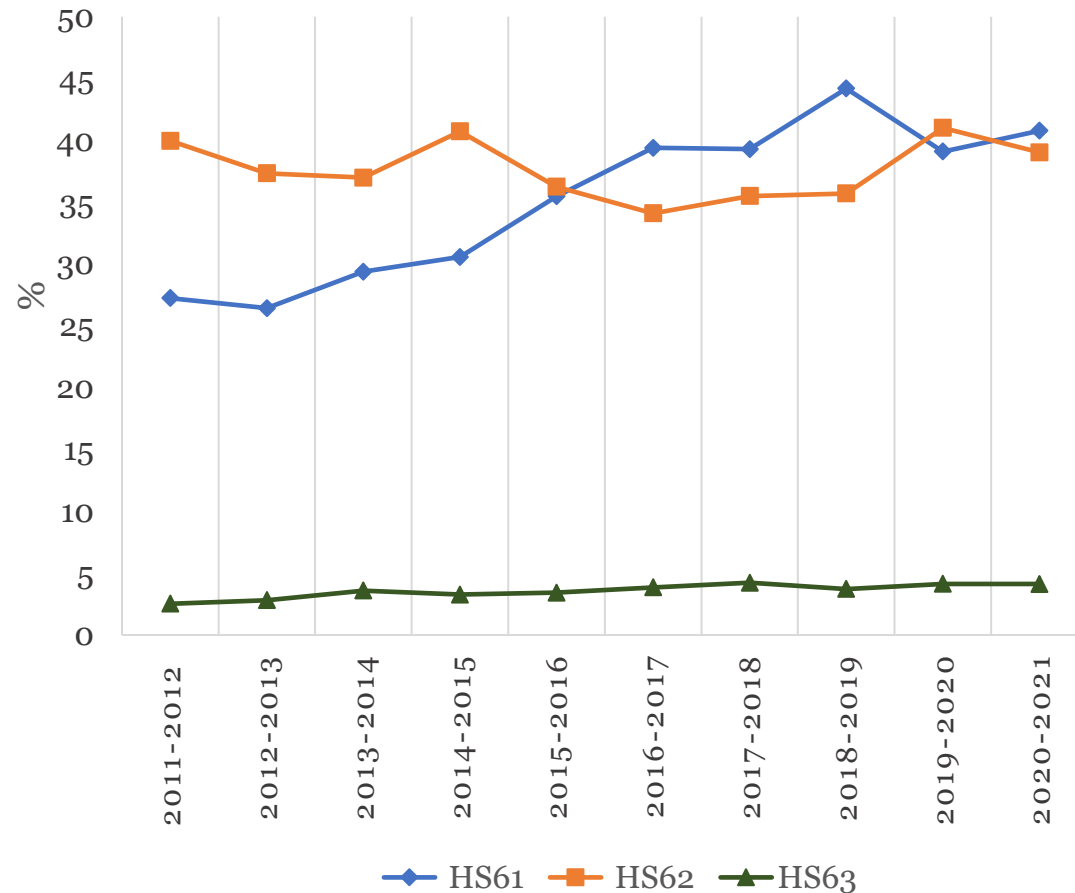
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television
USD 47 million

2.5 Bangladesh's export of apparels and RMG products to Japan

- Over the years, large volumes of apparel and RMG goods have been exported to Japan, which account for **about 83%** of Bangladesh's total exports to Japan.
- The articles of apparel with HS code 61 and 62 have the highest share of total export, compared to HS 63 which has a relatively lower share



Export of apparels and RMG products as a share of total export of goods to Japan



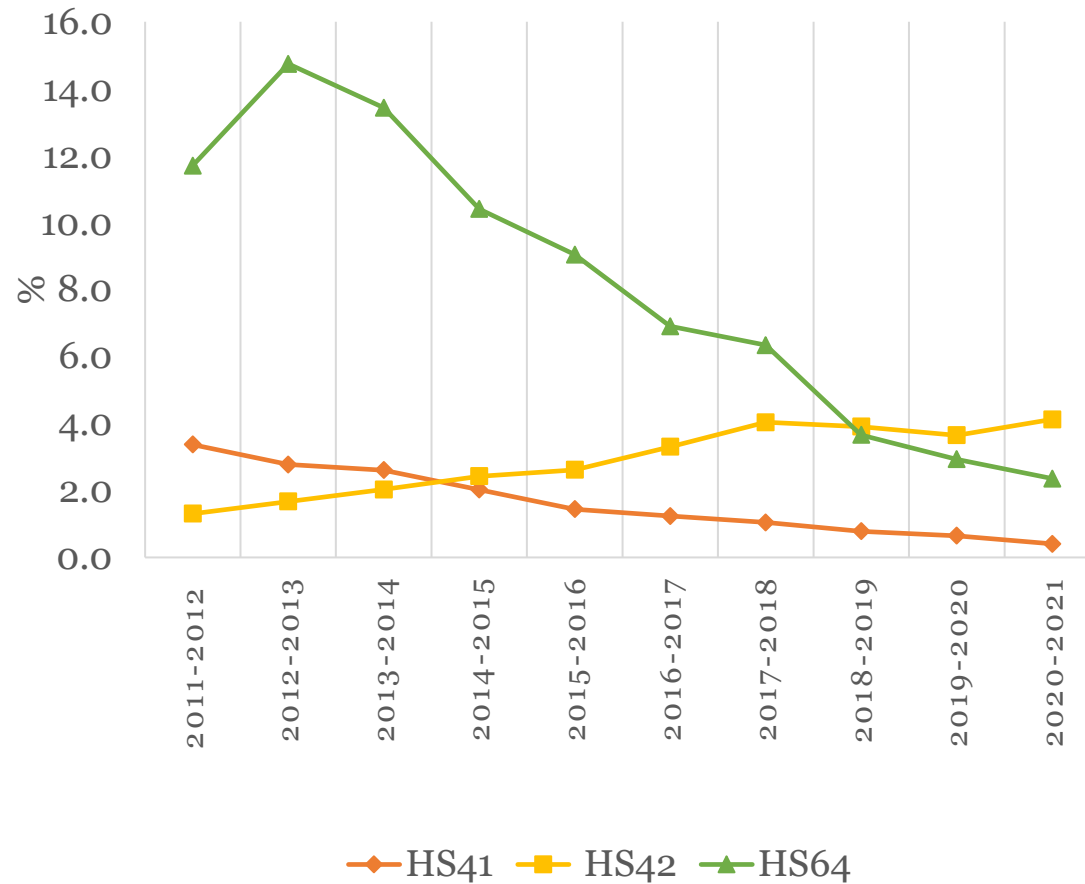
Source Authors' illustration based on data from Export Promotion Bureau

2.6 Bangladesh's export of footwear and leather products to Japan

- Articles of leather and footwear items, having HS codes 41, 42 and 64 respectively, have been commonly exported to Japan from Bangladesh.
- Footwear had around **14.7%** share of export of in **FY 2012-2013**, but it fell to around **2.4%** in **FY 2020-2021**.
- Export of articles of leather and other leather materials increased over the years, with the highest share of **4.1%** in **FY 2020-2021**.



Export of footwear and leather goods as a share of total export of goods to Japan



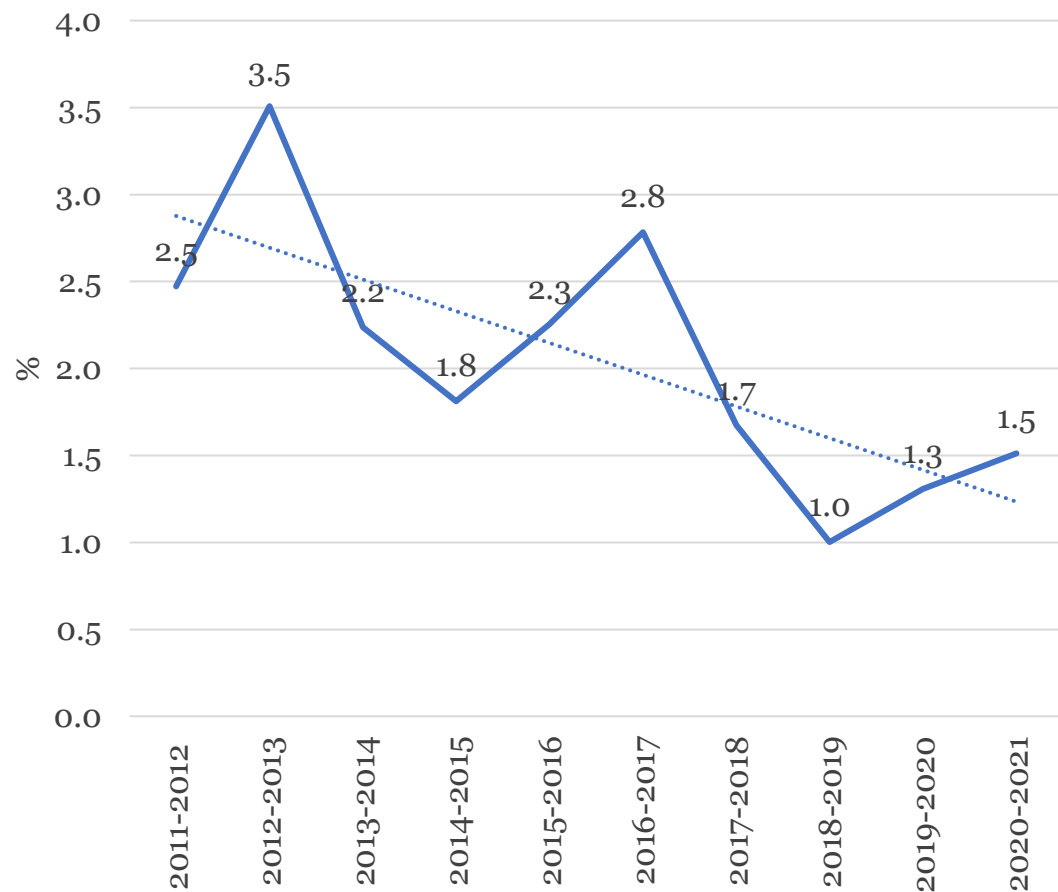
Source Authors' illustration based on data from Export Promotion Bureau

2.7 Bangladesh's export of fisheries to Japan

- Bangladesh exports fish, crustaceans, molluscs, and other aquatic invertebrates to Japan.
- According to EPB, the total value of export of fisheries from Bangladesh to Japan was around **USD 14.9 million in the FY 2011-12**, which rose to **USD 17.9 million in FY 2020-21**.
- The overall export of fisheries to Japan as a share of Bangladesh's total export fell over the period of 10 years.



Export of fisheries as a share of total export of goods to Japan

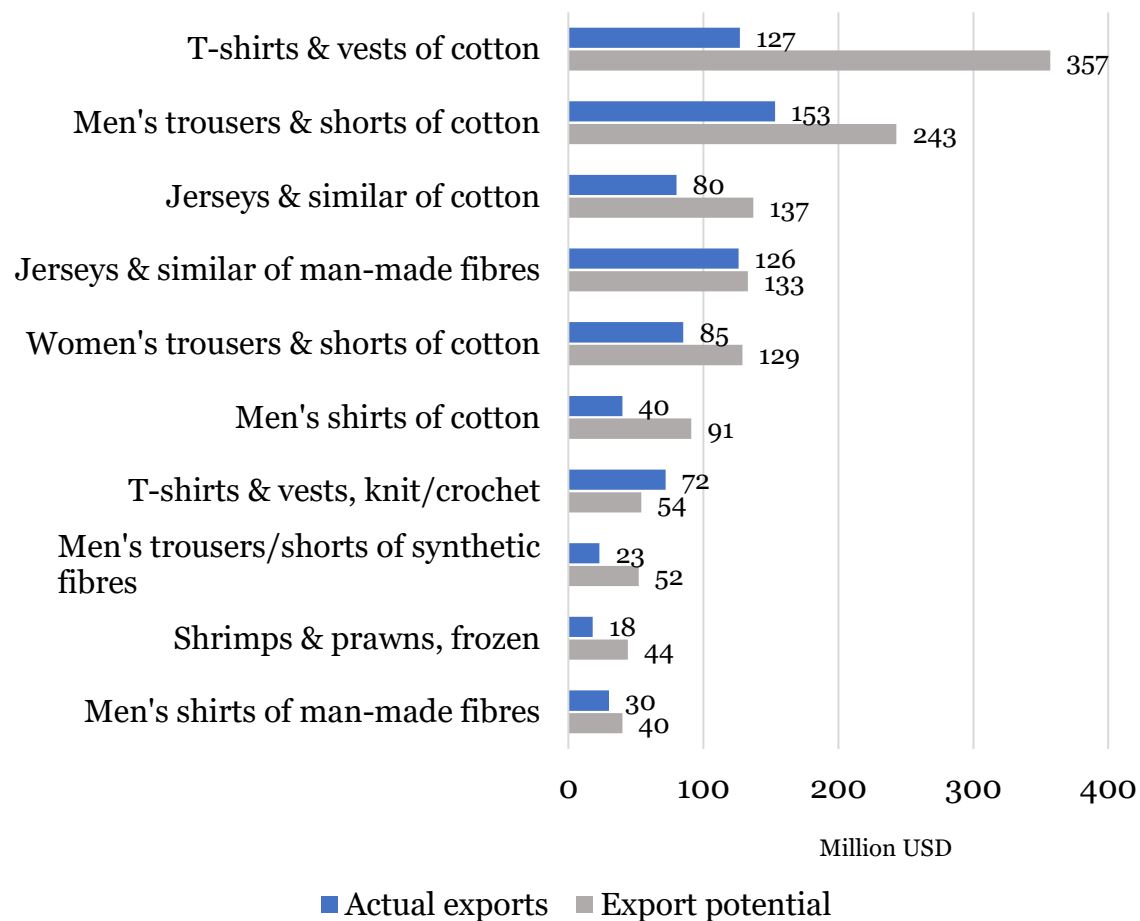


Source Authors' illustration based on data from Export Promotion Bureau

2.8 Bangladesh's actual exports versus potential exports to Japan

- According to International Trade Centre (ITC), there is a significant level of untapped potential for export of knit-wear RMG and textile items, shrimps, and frozen items from Bangladesh to Japan.
- Bangladesh can reap the benefits of additional export of **worth USD 229 million** for t-shirts and vests of cotton items, as well as **USD 90 million** for men's trousers and shorts of cotton

Bangladesh's exports to Japan, actual versus potential

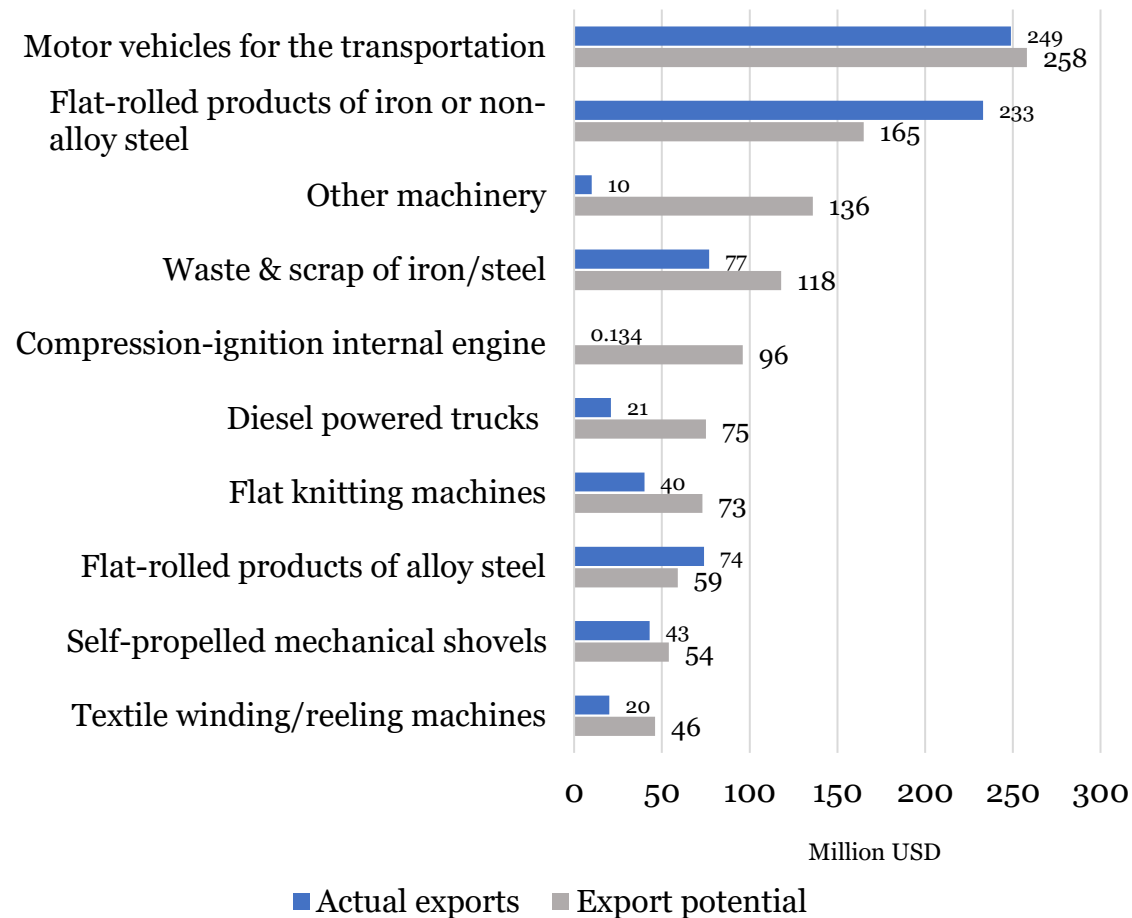


Source: Authors' illustration based on data from ITC Export Potential Map

2.9 Japan's actual exports versus potential exports to Bangladesh

- According to International Trade Centre (ITC), Japan has untapped potential for export of diesel-powered trucks, compression-ignition internal engine, waste and scrape of iron and steel, and other machinery items to Bangladesh
- Bangladesh could import more machineries from Japan as there is a significant untapped potential for Japan to export **USD 126 million** worth of machineries to Bangladesh.

Japan's exports to Bangladesh, actual versus potential



Source: Authors' illustration based on data from ITC Export Potential Map

2.10 Revealed comparative advantage of top 10 exports of Bangladesh and Japan

Bangladesh's RCA with Japan

1	Textiles and Clothing	13.33
2	Footwear	9.59
3	Hides and Skins	5.26
4	Consumer goods	2.46
5	Animal	0.53
6	Miscellaneous	0.35
7	Raw materials	0.16
8	Intermediate goods	0.16
9	Metals	0.15
10	Capital goods	0.12

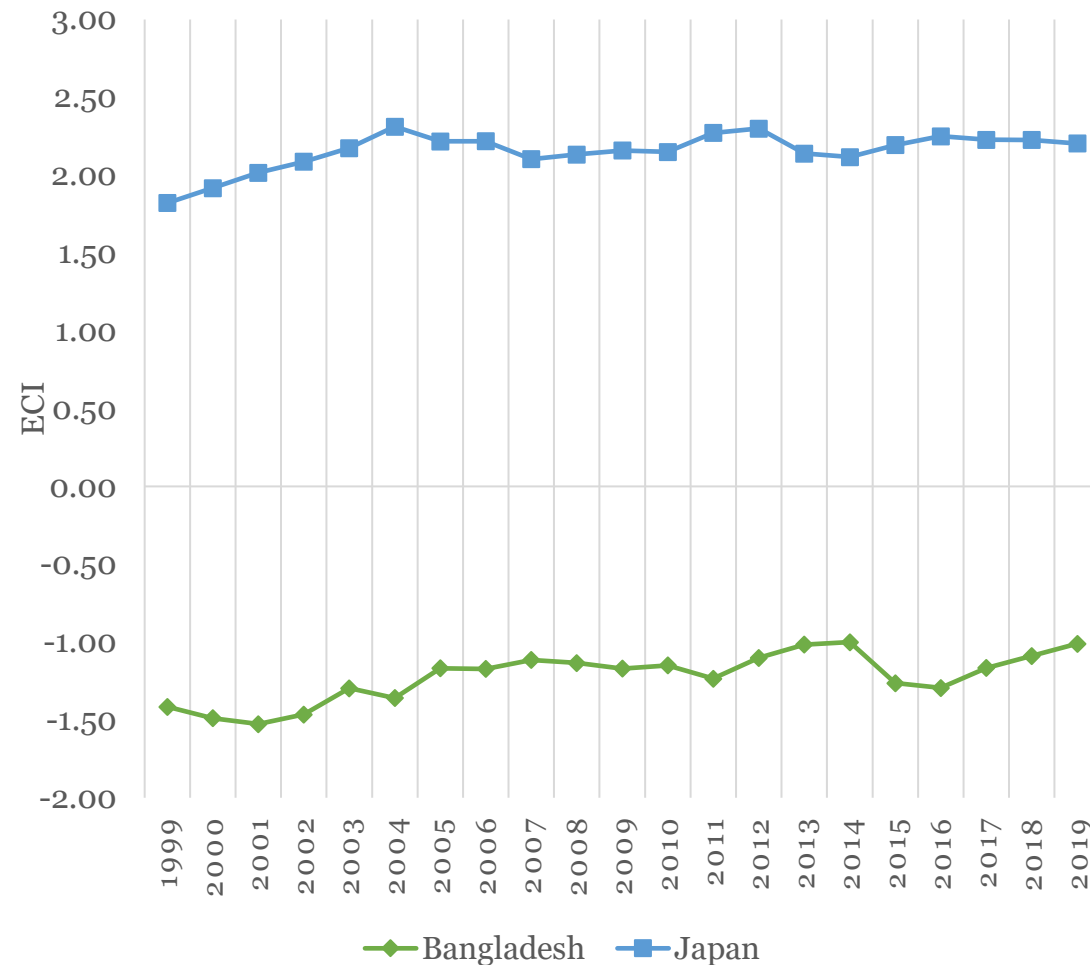
Japan's RCA with Bangladesh

1	Transportation	6.72
2	Metals	4.35
3	Capital goods	1.42
4	Stone and Glass	1.34
5	Machinery and Electrical items	1.19
6	Miscellaneous	1.12
7	Intermediate goods	1.11
8	Minerals	1.03
9	Consumer goods	0.89
10	Plastic or Rubber	0.36

2.11 Economic Complexity of Bangladesh and Japan

- Economic complexity index shows a country's productive capabilities from their export basket.
- Japan has the world's highest ECI and ranked the top for 2 decades.
- Bangladesh ranks 105 among the 133 other countries in 2019.
- Bangladesh's low score on the ECI has been due to the high share of RMG, which are labour intensive goods with low complexity, in its export basket

Bangladesh and Japan's Economic Complexity Index (ECI)



Source: Authors' illustration based on data from The Observatory of Economic Complexity (OEC)

2.12 Overview of trade policies

- In 2014 Bangladesh and Japan adopted the Comprehensive Economic Partnership Agreement (CEPA) initiative which emerged as a significant tool for bilateral trade and economic cooperation.
- Japan has been providing Bangladesh with General System of Preference (GSP) which allows lower tariffs than the general tariffs.
- As an LDC, Bangladesh has also been enjoying special preferential tariff, which allows it DFQF trade with Japan in 97.9% of its exported products, excluding fishery products, rice, sugar, and articles of leather.
- Bangladesh currently does not have any Free Trade Agreement (FTA) with Japan.
- An FTA should be signed between Bangladesh and Japan, as it would open up investment opportunities in Bangladesh for Japanese companies and provide a greater market access for both the countries.
- After LDC graduation, Bangladesh will be faced with high MFN tariffs in the Japanese market, if no FTA or PTA is signed between the two countries before that time.

2.13 Preferential tariffs now versus MFN tariffs after LDC graduation

MFN tariff on some common Bangladeshi goods exported to Japan after Bangladesh's LDC graduation

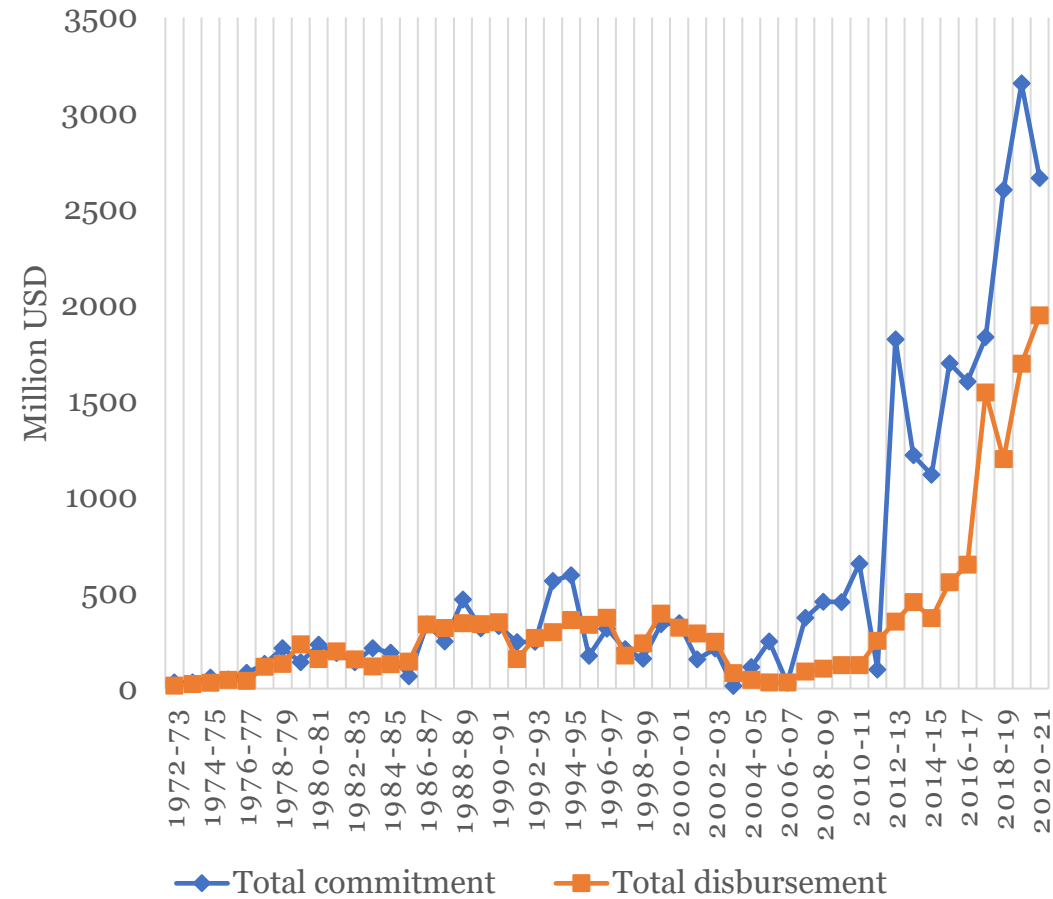
	0.14% to 9.04% Articles of apparel and clothing accessories, not knitted or crocheted		0.02% to 9.51% Articles of apparel and clothing accessories, knitted or crocheted
	1.57% to 10.70% Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut		2.96% to 38.43% Footwear, gaiters and the like; parts of such articles
	2.02% to 5.59% Other made-up textile articles; sets; worn clothing and worn textile articles; rags		1.52% to 4.38% Fish and crustaceans, molluscs and other aquatic invertebrates

3. Japanese development assistance to Bangladesh

3.1 Japanese ODA to Bangladesh

- The foreign aid provided by Japan to Bangladesh has been increasing since 1972.
- In 2021 Japan disbursed USD 1.95 billion as aid to Bangladesh, which was the highest in the past 50 years.
- Japan has been a significant participant in the development journey of Bangladesh through consistent provision ODA to the country over several years.
- Japan supports Bangladesh's aspirations to build a just, egalitarian, and affluent society that is less reliant on foreign aid through economic, technological, or altruistic assistance.

Figure: Foreign aid from Japan to Bangladesh, in million USD (1972-2021)

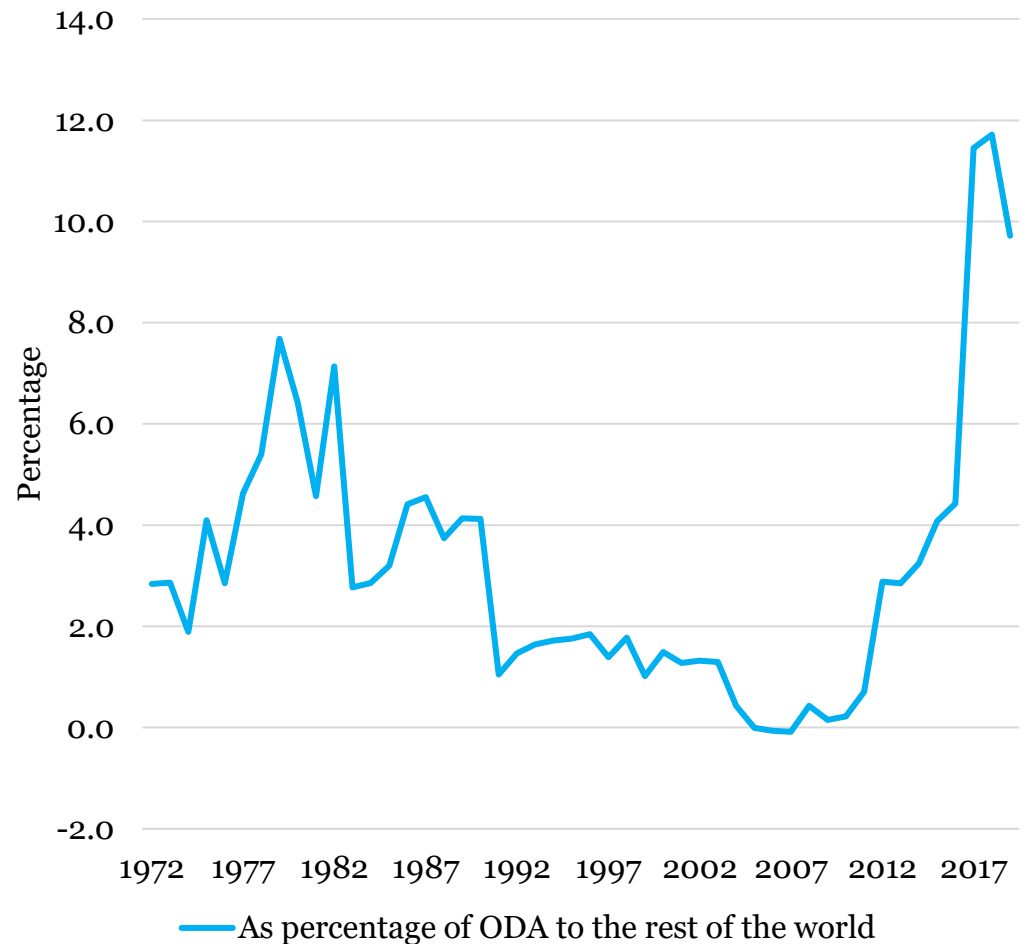


Source: Author's illustration based on data from Flow of External Resources into Bangladesh.

3.2 Japan's ODA to Bangladesh as a share of Japan's ODA to the rest of the world

- Japan's ODA to Bangladesh mostly concentrates around development of transportation, communication, energy and power-plants, and disaster relief.
- The aid provided by Japan to Bangladesh as a share of aid granted by Japan to other countries has increased over the years.
- Financial assistance from Japan proliferated after the establishment of the Comprehensive Partnership between Bangladesh and Japan in 2014.

Figure: Japan's ODA to Bangladesh as a share of Japan's ODA to the rest of the world



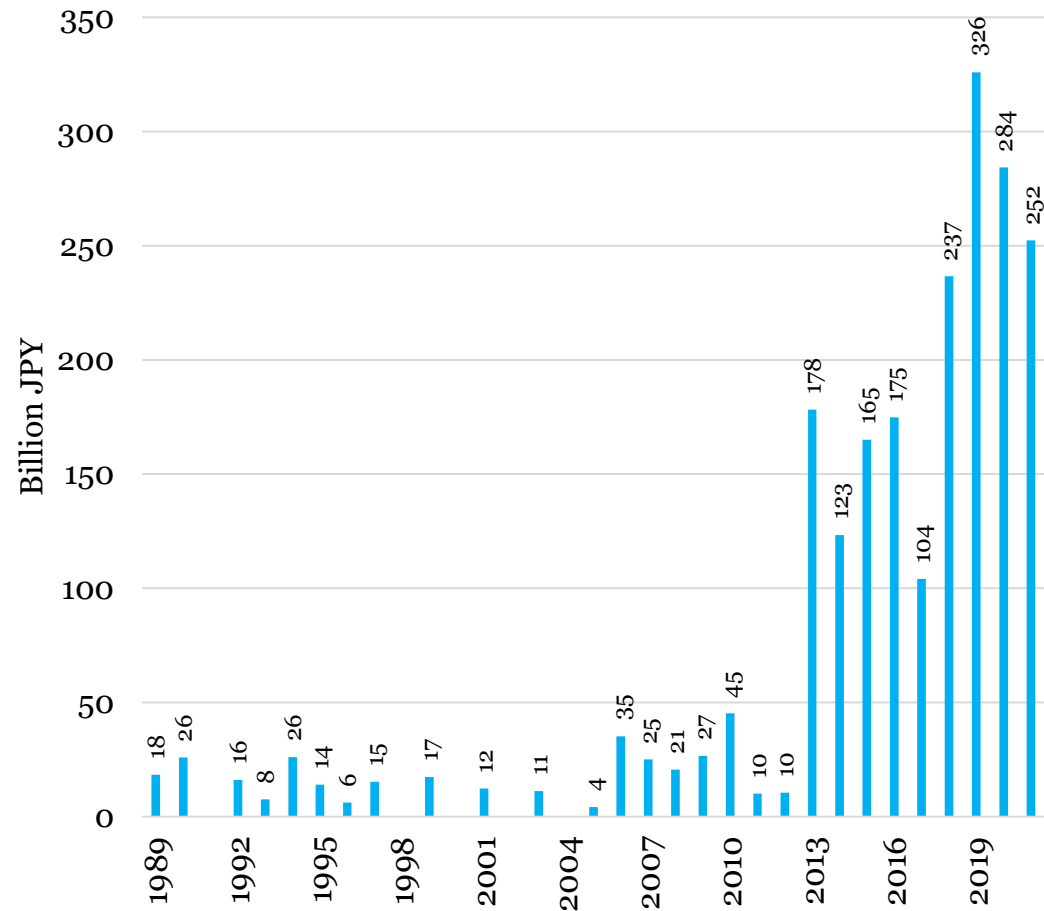
Source: Author's illustration based on data from Organisation for Economic Co-operation and Development (OECD)

Bangladesh-Japan Partnership for the
Next Development Journey

3.3 Active loans of Bangladesh from Japan

- The total amount of active loans disbursed by Japan to Bangladesh began to increase after 2013.
- In 2019 Japan provided the highest active loan to Bangladesh, amassing around JPY 326 billion.
- Loans granted in this year mostly contributed towards development and construction projects such as the Matarbari sea port, Dhaka Mass Rapid Transit, and Matarbari Ultra Super Critical Coal-Fired Power Project.
- However, after 2019 the amount of active loans provided by Japan to Bangladesh has been gradually decreasing collecting to JPY 252 billion in 2021. This loan was also provided for the development of Metro Rail and Coal Fired Power Project in Matarbari.
- JICA will provide \$1.1 billion in loans for the MRT Line 1, and about \$1.2 billion for the Coal-Fired Power Project in Matarbari, according to ERD officials stated in a recent news

Figure : Total amount of active loans of Bangladesh from Japan in billion JPY (1989-2021)



Source: Author's illustration based on data from Flow of External Resources into Bangladesh

3.4 Top 5 active loans of Bangladesh from Japan

Energy

Matarbari Ultra Super Critical Coal Fired Power Project

Signing Date:
30-06-19

JPY 143127 million

Energy

Matarbari Ultra Super Critical Coal Fired Power Project

Signing Date:
16-10-21

JPY 137252 million

Transport and Storage (Rail Transport)

Dhaka Mass Rapid Transit Development Project

Signing Date:
16-10-21

JPY 115027 million

Transport and Storage (Road Transport)

Jamuna Railway Bridge Construction Project

Signing Date:
12-08-20

JPY 89016 million

Transport and Storage (Air Transport)

Hazrat Shahjalal International Airport Expansion Project

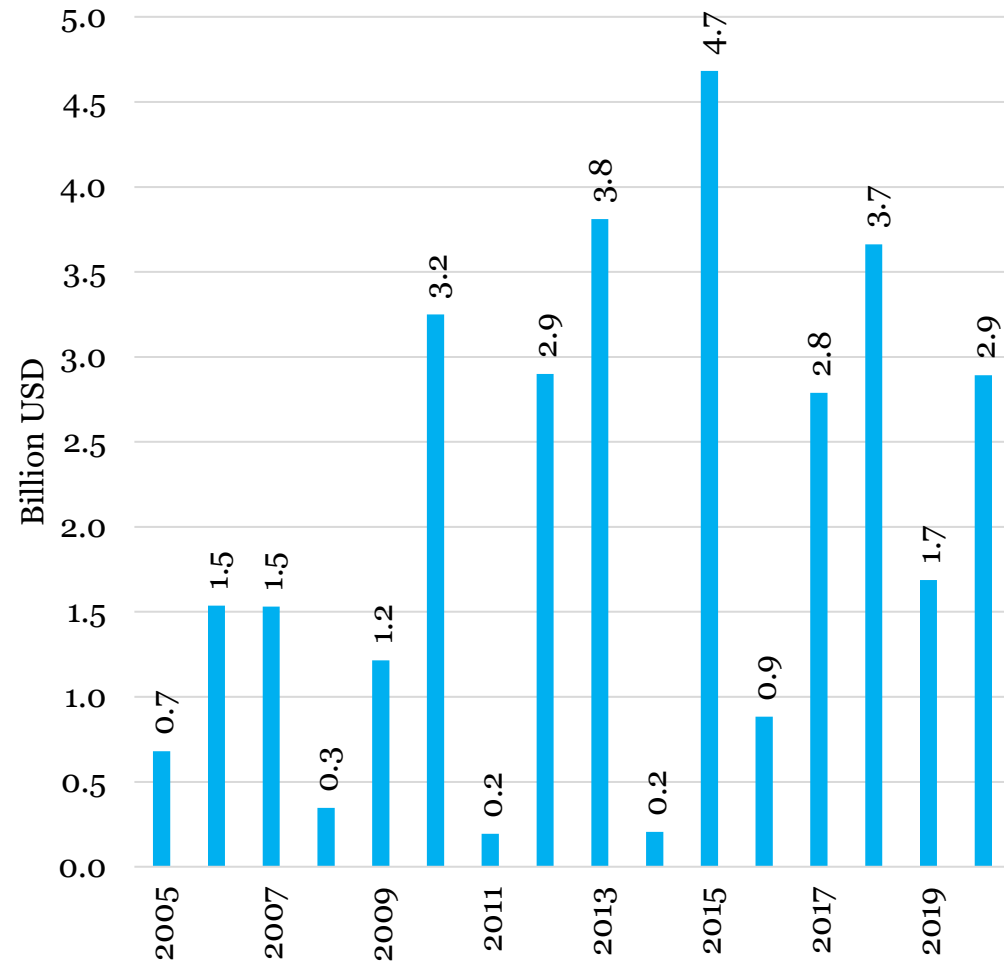
Signing Date:
12-08-20

JPY 80000 million

3.5 Active grants to Bangladesh by Japan

- Japanese grant provision to Bangladesh has been fluctuating between 2005 and 2020.
- In 2015 Japan awarded USD 4.7 billion which was the highest grant to Bangladesh for human resource development, environmental protection, and natural disaster management.
- In 2020, most of the active grants to Bangladesh from Japan were provided in order to develop the capability of human resources.
- Additionally, Japan provided grants to Bangladesh for economic and social development programs in order to support Bangladesh during the pandemic of Covid-19.
- According to recent news, Japan will provide \$365 million as loan under Phase 2 of the COVID-19 Crisis Response Emergency Support which has to be repaid by Bangladesh within 30 years.

Figure: Total amount of active grants to Bangladesh by Japan in billion USD (2005-2020)



Source: Author's illustration based on data from Flow of External Resources into Bangladesh.

3.6 Top 5 active grants in terms of allocation to Bangladesh by Japan

Natural Disaster Management

The Project for Improvement of Meteorological Radar System in Dhaka and Rangpur

Signing Date:
24-06-15

USD 2881 million

Search and Rescue

The Project for Improvement of Rescue Capacities in the Coastal and Inland Waters

Signing Date:
27-08-18

USD 2729 million

Safety and Security

Improvement of Airport Safety and Security Systems

Signing Date:
03-12-13

USD 2402 million

Food Security

Improvement of the capacity of People's Food Storage in Bangladesh

Signing Date:
17-06-12

USD 2198 million

Natural Disaster Management

Programme for the Improvement of Capabilities to cope with Natural Disasters caused by Climate Change

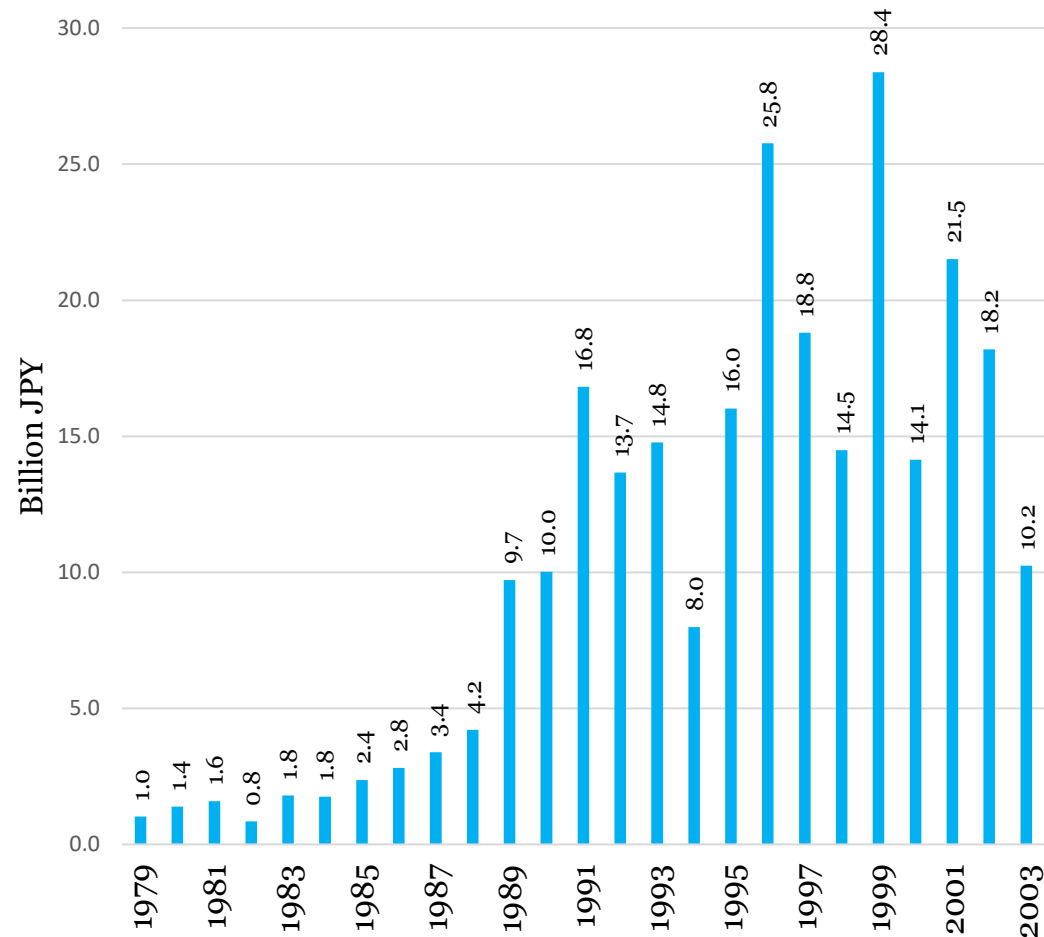
Signing Date:
25-04-10

USD 1500 million

3.7 Debt relief grant assistance (DRGA) by Japan to Bangladesh

- Debt relief by Japan fluctuated from 1991 till around 1998.
- In 1999, the relief on debt was the highest, after which there was a subsequent fall in the amount of relief provided by Japan except for 2001.
- This trend of debt relief by Japan provides an insight regarding Bangladesh's progressing ability to repay loans from Japan.

Figure: Total amount of debt relief grant assistance (DRGA) by Japan to Bangladesh in billion JPY (1979-2003)



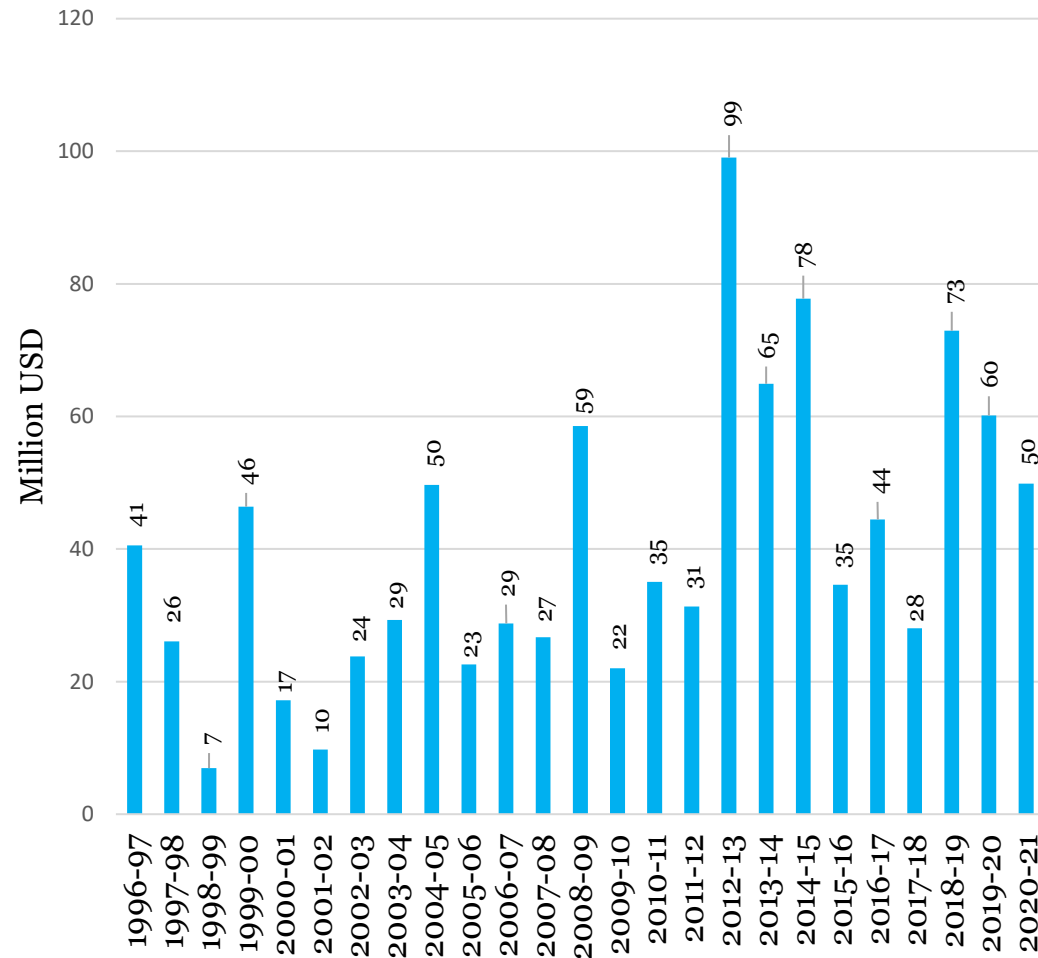
Source: Author's illustration based on data from Flow of External Resources into Bangladesh.

4. Japanese foreign investment in Bangladesh

4.1 FDI inflows from Japan to Bangladesh

- Japanese FDI in Bangladesh began in 1977, which accelerated in the early 1990s when the country's liberalisation policies were implemented.
- Despite Bangladesh receiving a substantial amount of ODA from Japan, the share of investments has not been as remarkable.
- Since 2013, the flow of FDI from Japan to Bangladesh has mostly been falling especially after 2019, when the decline was more pronounced.

Figure: FDI inflows from Japan to Bangladesh in million USD (1997-2021)



Source: Author's illustration based on data from Foreign Direct Investment and External Debt

4.2 FDI stock in Bangladesh from Japan

FDI stock in Bangladesh from Japan in order of major sectors at end of June 2021, in million USD



Textile and Clothing

USD 51 million



Power

USD 26 million



Gas and Petroleum

USD 23 million



Trading

USD 15 million



Construction

USD 43 million

4.3 Time and Cost of Doing Business in Dhaka and Chittagong

Dhaka

19.5 days
BDT 12,660

Starting a
business

19.5 days
BDT 12,660

Chittagong

350 days
BDT 118,150

Dealing with
construction
permits

317 days
BDT 112,150

145 days
BDT 2,600,498

Getting
electricity

173 days
BDT 2,366,678

384 hours
USD 1308

Trading
across
borders

173 hours
USD 236,667,8

4.4 Japanese Economic Zone (JEZ)

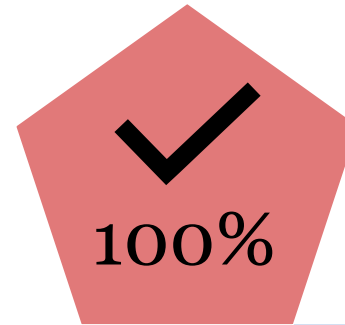
- Bangladesh is building an Economic Zone exclusively for Japan in Araihasar, Naryanganj.
- The Japanese Economic Zone is expected to be completed by 2030, with operations initiating in the same year.
- The project is being developed by Sumitomo Corporation and is funded jointly by the Government of Bangladesh and JICA.
- It is supposed to stretch over a land of 1000 acres with potential for expansion lying more towards the North and Southeast of Bangladesh.
- Japan is investing around USD 300 million for the development of the Economic Zone.
- Companies located in the EZ are subjected to tax exemptions, income tax immunity on 50% of earnings from export, duty-free exports, cash incentives, facilities for bonded warehousing and duty drawback.
- Companies will also have basic healthcare facilities available in Naryanganj.

4.5 Challenges for the Japanese Economic Zone (JEZ)

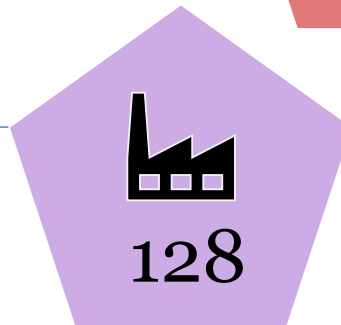
- The EZ is located near a river which is not conducive to foreign investors in terms of transportation and network as there is no explicit access to the highway.
- Due to lack of direct road connection, it may be difficult to attract Japanese investors to the EZ.
- Moreover, the Chittagong seaport, being so far away, is the biggest challenge for foreign investors as it increases the supply chain cost for imports.
- Most SMEs prefer operating near their area of residence and might hesitate to allocate to a new place for production.
- Several investors are unsure about the exact date of the completion of the EZ and so are unable to make investment plans.
- There is no facility to manage wastewater or solid waste which could be an environmental hazard due to the EZ.
- Additionally, there is a lack of educational accessibility on par with international standards in Narayanganj.

4.6 Projections for the Japanese Economic Zone (JEZ)

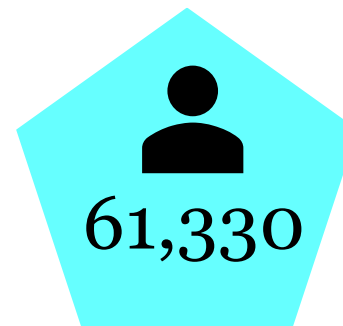
Projection for the Japanese Economic Zone (JEZ) in the most optimistic economic scenario according to the Final Report- Pre-Feasibility Study for Proposed Economic Zone at Araihasar, Bangladesh.



Complete occupancy of industrial space by 2034



Maximum establishment of industrial units by 2034



Estimated job creation by 2034

5. Technical cooperation between Bangladesh and Japan

5.1 Japan's road to technological progress

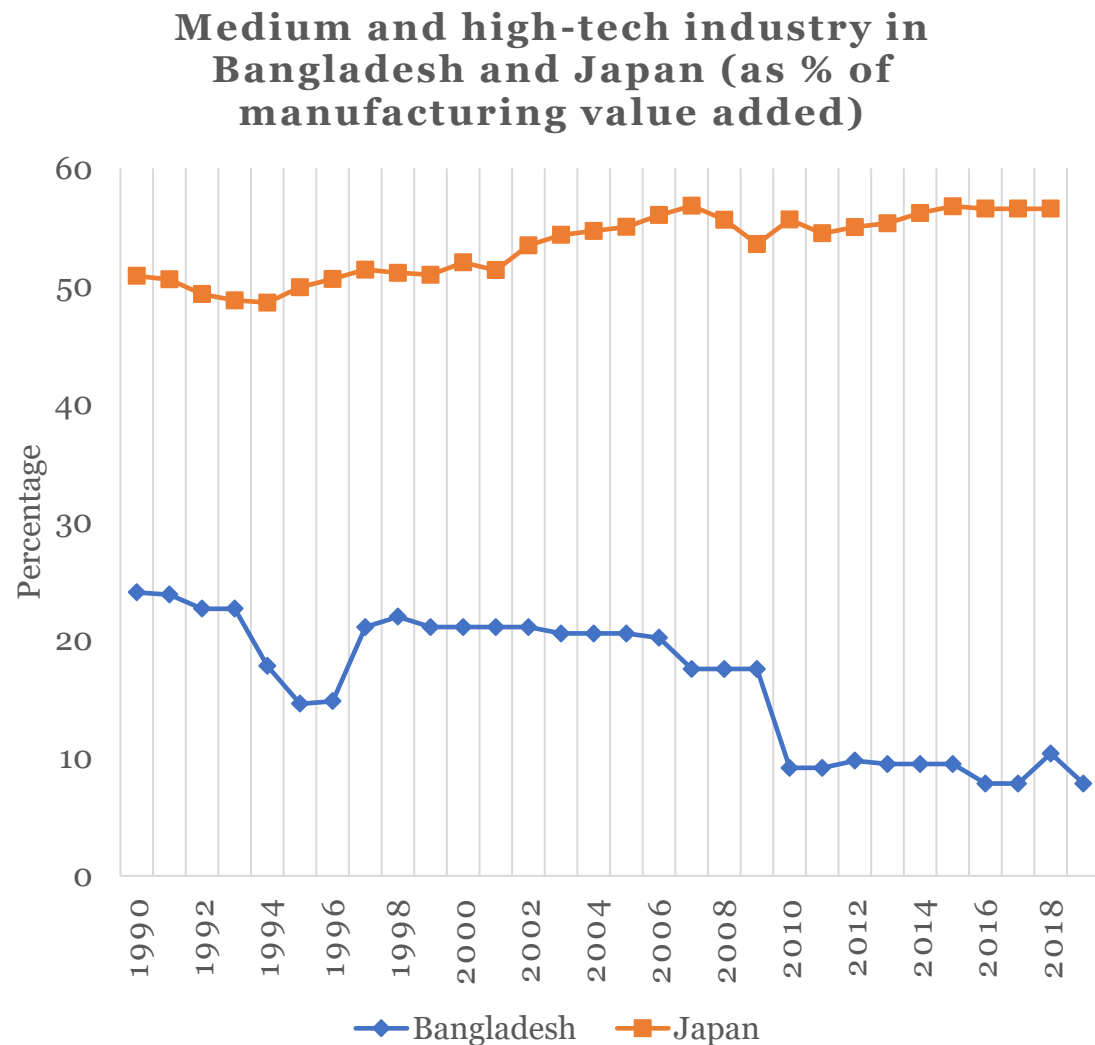
- Reform of civil institutions.
- Diversification of agriculture by exporting tea and silk.
- Establishing the foundation for a conventional banking system.
- Investing in infrastructure like transportation and communication
- Compulsory education
- Fostering the culture of scientific investigation and research in the education system.
- Recruitment of international expertise, while Japanese intellectuals studied Western sciences and languages.
- Import of foreign technologies.
- Adapting foreign technologies into practical use.
- Using the transfer of knowledge from other nations to develop other productive ideas.
- Having high savings rate and income during the Ikeda administration which contributed to greater investments by the government.
- Shifting investment plans from military to developing social infrastructure and state projects.
- Providing incentives to industries like ship building, steel, chemicals, and machineries, which were expected to expand rapidly.

Meiji
Restoration
(1868)

Japanese
Economic
Miracle
(1950s)

5.2 Medium and high-tech industry in Bangladesh and Japan

- In Japan, the share of medium and high-tech industry as a percentage of manufacturing value added has increased from 50% in 1990 to 57% in 2018.
- In Bangladesh, the share of medium and high-tech industry as a percentage of manufacturing value added has decreased from 24% in 1990 to 8% in 2018.
- While these trends are consistent with each country's comparative advantage, the low share of medium and high-tech industry may be a challenge for Bangladesh during 4IR.

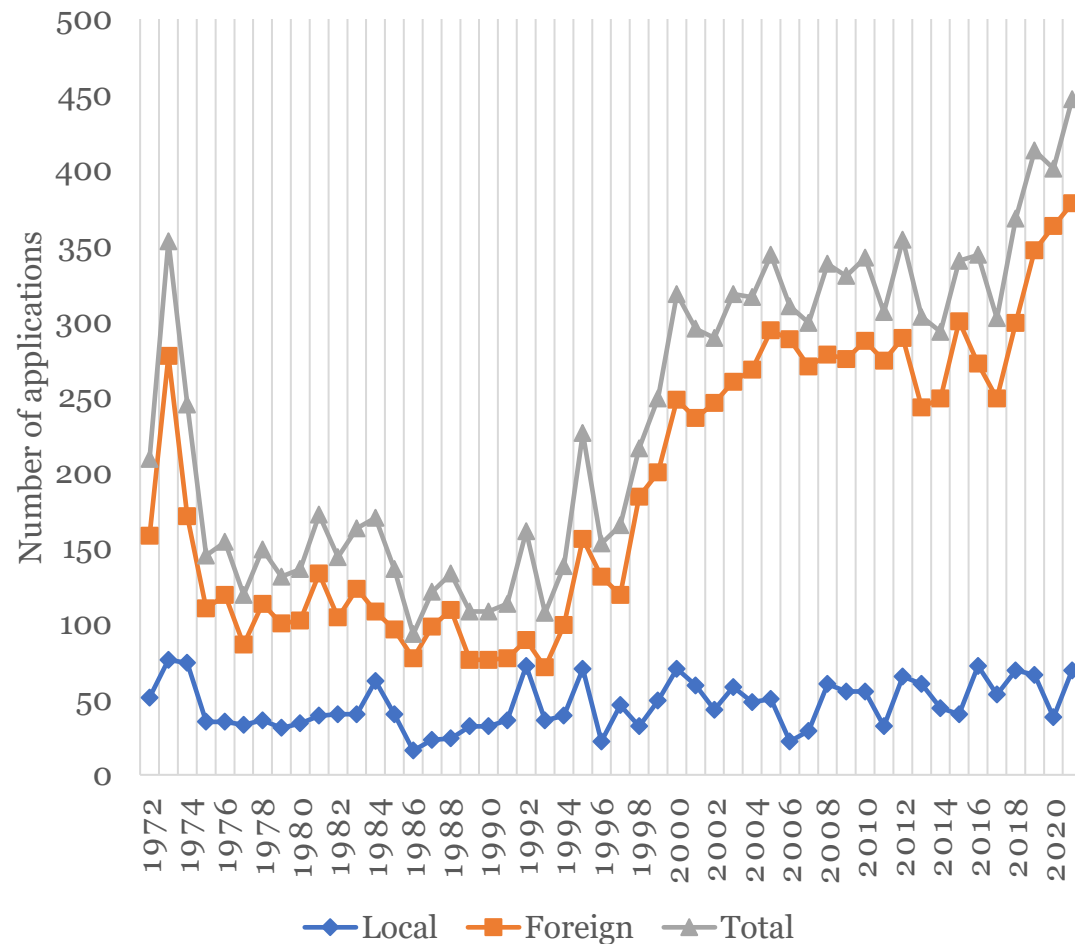


Source: Authors' illustration based on data from the World Bank

5.3 Number of new patent applications in Bangladesh

- The number of new patent applications in Bangladesh skyrocketed in the early nineties during the take-off period of the Bangladesh economy which was characterised by widespread privatisation and liberalisation.
- However, the increase in the total number of new patent applications in Bangladesh has been driven mainly by foreign applications, whereas local applications have been largely stagnant over the years.

Number of new patent applications in Bangladesh



Source: Authors' illustration based on data from Department of Patents, Designs and Trademarks

5.4 Opportunities and challenges of the Fourth Industrial Revolution for Bangladesh

Opportunities

- Production capacity for the domestic market in Bangladesh can be increased greatly.
- Increased standardization and quality of products can be achieved.
- Improvement of livelihoods.
- This will provide the economy with a competitive edge among other economies.

Challenges

- Greater inequality through an increase in unemployment rates due to displacement of labour with machines.
- The kind of employment that is anticipated will require a higher degree of education and technical skills.
- Bangladesh's workforce needs to be more dynamic to deal with the new difficulties present in a digital economy.
- Cyber security threats such as hacking, and data theft will be a challenge moving forward in the 4IR.

6. The way forward

6.1 The way forward

- The Bangladesh-Japan diplomatic relationship can be taken forward using foreign policy instruments and adopting bilateral trade agreements like FTA or PTA.
- Bilateral trade agreements will increase the share of DFQF.
- It will be highly beneficial for both countries, especially Japan as they have already made many investments in Bangladesh.
- The adoption of BIG-B will facilitate and strengthen trade and development which will yield long-term benefits for both Bangladesh and Japan.
- The development of the Japanese Economic Zone Araihasar, in Narayanganj will attract more investment from Japanese investors, which will eventually accelerate bilateral trade between Bangladesh and Japan.

6.2 Bangladesh-Japan trade after LDC graduation

- Bangladesh will lose the LDC-specific special preferences and DFQF access to the market of Japan.
- Manufactured goods (especially RMG and textile items) exported from Bangladesh to Japan will be subjected to higher MFN tariffs ranging from about **7.4% to 12.8%**.
- Moreover, the benefits from LDC provisions in regional agreements will no longer be applicable after graduation.
- Bangladesh and Japan may negotiate on preferential treatments or PTAs such as:
 - GSP+ (if eligible),
 - provide additional 2/3 years of market access beyond LDC graduation
 - sign FTA

6.3 Bangladesh-Japan trade after LDC graduation

- Japan and Bangladesh should establish an FTA negotiation strategy that considers the degree of economic development and interests both countries.
- A successful trade agreement after the graduation would ensure:
 - greater market access
 - trade liberalisation in manufacturing and agricultural sectors
 - increase in vertical investments, ensure protection of intellectual property
 - increase in trust and transparency

6.4 The required steps under GATT for signing a Free Trade Agreement

1. Establish a free-trade area comprised of two or more customs territories
2. Create a mechanism for rules of origin to determine which goods will be considered by the participating customs territories as products originating in the other participating customs territories
3. Eliminate taxes and other stringent trade regulations on almost all trade in goods considered to be originating products
4. Ensure that the barriers against third parties are not raised as a result of the preceding measures
5. Notify WTO of any decision to enter into a free-trade agreement

6.5 Prospect of sending Bangladeshi caregivers to Japan

- The demand for caregivers in Japan has been increasing over the years due to the unprecedented increase in Japan's ageing population and life expectancy at birth
- The growing young population of Bangladesh can be placed in the Japanese health sector to alleviate the deficit of caregivers in Japan.
- Young individuals in Bangladesh, especially women, can be given intensive education, skills, and training on Japanese language, culture, and healthcare related services with the help of a collaborative partnership between the governments and private sectors of Bangladesh and Japan.
- This opportunity of sending caregivers to Japan can be advantageous for Bangladesh both in terms of earning remittance and in terms of improving the interconnected relationship between Bangladesh and Japan.
- It will also be valuable to Japan, as its growing number of elderly will get the support and empathy of human caregivers

6.6 Japanese development assistance and foreign investment in Bangladesh

- Japan promotes peace and stability especially among South Asian countries.
- Bangladesh is a gateway to South Asia and Southeast Asia making the country an important location for Japanese companies.
- Bangladesh has a constantly stable foreign policy which is in a neutral position internationally and adheres to the notion of a peace-loving nation, just like Japan.
- FDI received from Japan will not only help the development of Bangladesh, but also provide the country with the ability to export more products other than textiles, footwear, or fisheries to Japan.
- Japan prioritises greatly on quality control.
- Greater Japanese FDI will help popularise Bangladeshi products in Japan and increase the possibility of meeting the expected design and quality assurance needed to export goods and services to Japan.

6.7 Three ways to increase FDI inflows into Bangladesh from Japan

3 ways to increase FDI inflows into Bangladesh from Japan

Clear incentives

Conducive investment environment

Completely transparent and streamlined procedures of exports and imports

- Incentives provided to Japanese investors should be made clear to all by publishing them widely in Bengali, English, and Japanese languages.
- A conducive business environment with transparent and simplified service processes will encourage the flow of FDI to Bangladesh.
- Bangladesh needs to streamline its regulatory formalities by making them less costly and less time consuming in order to attract more FDI from Japan.

6.8 Issues faced by current Japanese investors and potential solutions

Issues faced by current Japanese investors

Complex repatriation process

Complicated procedures in customs

Delayed shipments

Lack of skilled IT professionals

Inadequate internet connectivity

Complicated foreign exchange regulations

- It is also important to increase the efficiency with which current Japanese investors are conducting business in Bangladesh.
- Adequate number of officials should be employed in customs for handling freight, and the custom authorization should be digitised.
- Adequate ICT infrastructure is needed to ensure uninterrupted broadband internet connectivity.
- The process of repatriation of dividend remittance should be simplified.
- Ensure a simpler process for foreign investors to access working capital loan at low interests from domestic lenders and make it easier for enterprises to get international loans approved.

6.9 Other methods of bringing more FDI from Japan

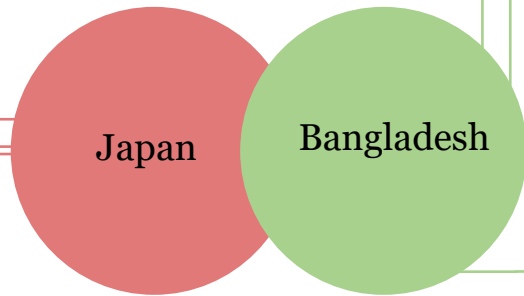
- Development projects such as the establishment of the BIG-B initiative, the JEZ and a deep seaport have considerable prospects of inviting greater number of investments from Japan.
- A technological modification to the e-TIN application is required to allow international firms to apply for e-TIN allowing them to make an income and pay the appropriate taxes in Bangladesh.
- Bangladesh needs to develop its domestic market by adapting the Japanese way of business such as the Kaizen method of production or the Toyota Production System (TPS).
- As per TPS, people are an important resource. TPS advocates for automation additive to human input while encouraging innovative ideas and eliminating waste.
- Therefore, Bangladesh local producers can learn to improve their own business models to mirror the Japanese way of business management.
- A national database is needed to register the local professionals previously hired by Japanese companies so that they can be employed again and help improve the skills of human resources in Bangladesh.

6.10 Role of education in technological progress

From the beginning of the Meiji Restoration, Japan has emphasised education greatly

Japan invested substantially to make quality education available for everyone.

Primary education in Japan focuses on acquiring knowledge, academic growth, or occupational skills.



Bangladesh made primary education compulsory in 1990

Focused mainly on eradicating illiteracy through basic education.

Primary education in Bangladesh lacks dynamic curriculum and group activities needed for a comprehensive growth for students.

7. Conclusions and recommendations

7.1 Conclusions

- The Bangladesh-Japan partnership has been a mutually beneficial and a win-win partnership over the past five decades.
- Following the LDC graduation, Bangladesh will need to increase economic diversification, skills and productivity.
- This will require Bangladesh to expedite technological adoption to be more efficient and stay competitive.
- In its smooth journey beyond the LDC graduation and for technological advancement, Japan can extend its support to Bangladesh and collaborate with Bangladesh through higher investment in technology, physical and soft infrastructure and by strengthening trade and financial integration.
- Japan will continue to be an important and strategic partner for Bangladesh in its next development journey during 4IR and beyond LDC graduation.

7.1 Conclusions

- Bangladesh has significant untapped potential for export of many products to Japan, such as knit-wear, RMG and textile items, shrimps, and frozen items.
- Japan also has untapped potential for export of many products to Bangladesh, including diesel-powered trucks, compression-ignition internal engine, iron and steel, and other machinery items.
- Japanese FDI in Bangladesh has the potential to become a vehicle for technology transfer.
- The Japanese Economic Zone has good prospects of employment generation.
- As one of the most technologically advanced nations in the world, Japan's experience and expertise may be useful for charting out a pathway for Bangladesh in the 4IR so that Bangladesh may be able to successfully leverage technology to achieve its development objectives.

7.2 Recommendations – trade

- Bangladeshi manufacturers should strive to meet Japanese standards, since there is substantial opportunity for increasing Bangladesh's exports to Japan.
- In consideration of the economic slowdown due to the COVID-19 pandemic, Bangladesh may consider negotiating for a 3-year smooth transition period from 2026 to 2029, during which Japan will continue to offer LDC-specific support measures to Bangladesh
- Bangladesh should conduct trade talks with Japan and expeditiously sign a bilateral trading agreement, in order to ensure that the trading relationship between the two countries is strengthened further

7.3 Recommendations – FDI

- Time and cost of doing business in Bangladesh should be reduced by decreasing paperwork and using the internet and mobile financial services to complete most of the formalities required for starting a business.
- In order to increase FDI inflows into Bangladesh from Japan, it is necessary to ensure:
 - clear incentives
 - conducive investment environment
 - completely transparent and streamlined procedures of exports and imports
- Adequate number of officials should be employed in customs for handling freight, and the custom authorization should be digitised.
- ICT infrastructure should be reinforced to ensure uninterrupted broadband internet connectivity.
- The process of repatriation of dividend remittance should be simplified.

7.4 Recommendations – JEZ

- The proposed EZ is situated on a riverbank island with no road access. Therefore, constructing a bridge that connects to the mainland will facilitate the smooth circulation of people and materials.
- Currently, the Dhaka-Chittagong highway does not have enough lanes to accommodate the expected increase in freight and passenger traffic on the route in the future. Thus, greater capacity will be needed.
- Due to the expected increase in traffic in Chittagong port, it is important to expand the capacity of rail dependent supply chain between the nodes of Dhaka and Chittagong to accommodate at least 12,000 wagons every day. This will allow the time taken for the deliverance of goods and materials to decrease and costs for logistics to reduce as well.
- Freight forwarding facilities should be mechanized as it will reduce the shipment time for finished goods and raw materials.
- The development of Jetty will also allow efficient movement of materials to the EZ

7.5 Recommendations – 4IR

- Bangladesh should reform the educational system by including the development of vocational skills which will further facilitate the adoption of specialised education needed for a smooth transfer of technology.
- Upgrading the country's present educational infrastructure, with a concentration on higher education on STEM subjects, is critical.
- It is important to emphasise the exchange of knowledge from Japan through joint research between different universities from Bangladesh and Japan.
- Bangladesh may have the potential to adapt to or assimilate the technological and managerial systems from Japan on an intermediate level in accordance with the current available resources and competencies.
- In consideration of 4IR, it is critical for Bangladesh to move away from low-cost labour and focus on R&D to remain competitive in the changing global industry.
- Bangladesh needs to invest more on R&D and revise its guidelines for allocating resources in disciplines of science and technology.



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16 March 2022 | The Westin Dhaka

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