Japanese FDI rising, still there's room to attract more

Says Japan-Bangladesh chamber president, advocates for policy consistency and clarity

Tareq Rafi Bhuiyan Jun

JAGARAN CHAKMA

Japanese investment in Bangladesh has grown steadily over the past decade. But with clearer policies, improved infrastructure and a more predictable regulatory environment, there is room to attract much more.

These were the key observations shared by Tareq Rafi Bhuiyan Jun, president of the Japan-Bangladesh Chamber of Commerce and Industry (JBCCI).

"There are now over 350 Japanese companies running in Bangladesh, which is nearly three times more than a decade ago," Jun said in a recent interview with The Daily Star.

"That is a positive sign, but it is not where it could be. Many Japanese companies are still in a wait-and-see mode because of recurring uncertainties in policy and regulation."

While Japanese firms are interested in Bangladesh's prospects, especially in light engineering, logistics, IT services, infrastructure, human resources and manufacturing, they are also wary of the country's investment climate.

"We are not just competing with ourselves," Jun said. "We are competing with countries like Vietnam, Indonesia, and India. Investors compare policies, timelines, and ease of doing business. In too many of these areas, Bangladesh still lags."

One promising development Jun pointed to is the Bangladesh Special Economic Zone in Araihazar area of Narayanganj, a joint venture between Japan's Sumitomo Corporation and the Bangladesh Economic Zones Authority (Beza).

Several Japanese and international firms, including Singer, Art Nature, Lion Corporation and IRIS, have already begun setting up operations there.

"The infrastructure of the zone at Araihazar is truly world-class," Jun said. "It gives Japanese investors confidence that things can be done right here. But one zone is not enough. The pace of such developments must be accelerated and backed by consistent policies."

However, even where infrastructure exists, policy instability often undercuts progress. According to Jun, predictability now matters more to investors than low costs.

"Cost matters, but stability matters more," he said. "Sudden changes to tax laws, customs rules, or investment incentives cause hesitation. Investors plan for decades, not for five-year electoral terms."

Japanese firms often cite political uncertainty, unclear policies, complex tax structures and customs delays as key concerns. These not only increase costs but also create unnecessary confusion for companies operating under tight schedules.

"Many of our member companies have experienced long delays at ports, inconsistent duty assessments, and overlapping regulations," Jun said. "For firms importing high-precision machinery or perishable components, this can be devastating."

The Japan-Bangladesh chamber president called for urgent reform of customs procedures, including the digitisation of clearance systems and a reduction in the discretionary powers of officials at checkpoints.

He welcomed government initiatives such as the Bangladesh Single Window (BSW) and the Authorised Economic Operator (AEO) schemes, describing them as steps in the right direction.

Jun also raised concern over the disadvantages faced by companies that follow the rules.

"Japanese firms follow global standards in labour, safety, import procedures and environmental compliance. But when they compete with local companies that cut corners on wages, taxes, or workplace safety, it creates an uneven playing field," he said.

He urged the government to reward ethical business conduct by offering incentives and support to both foreign and local firms that play by the rules.

"If compliance becomes a burden, investors will go elsewhere. We must align our systems so that the most responsible companies are also the most competitive."

Jun believes Bangladesh can strengthen its partnership with Japan by investing in its people. With Japan's ageing population, the demand for skilled foreign workers is rising and Bangladesh has the demographic advantage.

"If we can align our vocational and technical training systems to Japanese standards, our youth can find employment both at home and in Japan," he said.

Jun also pointed to the growing significance of the IT sector in Japan-Bangladesh ties.

"There is high demand for software development, business process outsourcing, and engineering services. But to meet this demand, we need collaboration between academia and industry, better training and greater exposure to global best practices."

To attract targeted Japanese investment, Jun said Bangladesh should develop sector-specific investment roadmaps.

"Each sector has its own requirements," he commented. "Whether it is infrastructure for logistics, power stability for manufacturing, or certifications for IT, these need to be mapped out clearly. Investors need visibility."

He also added that public-private consultation must be institutionalised and continuous, citing the Japan-Bangladesh Public-Private Economic Dialogue (PPED) as a platform that identifies and resolves key issues faced by investors.

"Happy investors work as ambassadors to attract further FDI," he added.

"Dialogue must not be ceremonial. It must feed directly into policy decisions, and its outcomes should be measurable."

Several major Japanese-backed infrastructure projects are already under way, including the Matarbari Deep Sea Port, the Dhaka Metro Rail, and the third terminal at Hazrat Shahjalal International Airport.

Jun believes these could be transformative, if completed on schedule.

"These are game changers," he said. "They will reduce logistics costs, boost efficiency, and make the country more attractive to investors."

Jun expressed optimism about the upcoming visit to Tokyo by Chief Adviser Professor Muhammad Yunus, calling it an opportunity to reset and deepen bilateral investment ties.

"This visit can demonstrate that Bangladesh is serious about long-term partnerships. But we must ensure deliverables, such as investment pledges, new agreements or knowledge-transfer initiatives."

He also praised the interim government's efforts to engage with all political parties, saying it had sent a reassuring message to foreign investors.

"Japanese investors want to see unity and continuity. Political alignment on economic goals builds long-term confidence."

"The next five years are make-or-break. If we make our systems more efficient, commit to policy stability, and deliver infrastructure on time, Japanese FDI will not just grow, it will multiply."

"But we cannot take this window for granted," he added. "Vietnam, Thailand, India, they are moving fast. If Bangladesh wants to compete, we must act now."

TAKEAWAYS

- More than 350 Japanese firms are now running in Bangladesh
- Araihazar SEZ attracts big Japanese investors with better infrastructure
- Policy instability, tax issues, and customs delays slow Japanese FDI growth
- Bangladesh competes with Vietnam, India & Indonesia for Japanese investment
- Investors for long-term policy consistency over short-term cost advantages

Uneven enforcement undermines our FDI aspirations

MASUD KHAN

Concerns over legal unpredictability and uneven regulatory enforcement continue to cast a shadow over Bangladesh's investment climate. In recent years, several senior executives of multinational firms have been drawn into criminal proceedings over alleged labour law violations -- cases many in the business community view as excessive and disproportionate.

Such developments directly undermine Bangladesh's ambition to position itself as a competitive destination for foreign direct investment (FDI). The Bangladesh Investment Development Authority (Bida) has played a proactive role in promoting the country's potential. But investor confidence depends not just on facilitation, but on the consistent and fair application of laws -- something increasingly in question.

On the ground, many multinational corporations (MNCs), particularly in fast-moving consumer goods (FMCG) and cosmetics, report an uneven playing field. They face stricter scrutiny than local firms -- from aggressive audits and VAT refund delays to rigid enforcement of tax and labour laws. Meanwhile, domestic competitors often operate in the informal economy with minimal oversight, distorting competition and discouraging compliance.

Over the years, several global pharmaceutical companies have exited Bangladesh, citing policy inconsistency, bureaucratic red tape, and regulatory unpredictability. These quiet departures are far more telling than rankings alone, and mirror the country's low standing in international ease-of-doing-business indices.

One particularly troubling issue is the enforcement of the Workers' Profit Participation Fund (WPPF). Many local firms and even entire sectors operate without complying with this law, often without consequence. Yet foreign companies have faced swift and punitive action. In some instances, disputes over whether WPPF applies to seasonal or contractual workers have escalated into criminal charges, rather than being handled through labour courts or regulatory processes. The legal system should protect rights, not serve as a tool of pressure.

The cosmetics sector highlights this imbalance even further. MNCs face unclear and shifting regulations regarding product labelling, classification, and safety testing. Even items widely approved abroad must clear redundant local hurdles. Imported products are regularly delayed at customs due to discretionary value assessments or ambiguous documentation requirements. Local producers, by contrast, often bypass these same standards with little pushback, giving them a clear cost and time advantage.

The core issue is not regulation itself, but its selective and inconsistent application. Some sectors have successfully lobbied for formal exemptions from rules like the WPPF. Others simply ignore them without repercussion. Yet foreign firms are often subject to abrupt enforcement actions, reinforcing the perception that they are held to a different, and higher, standard.

Such signals do lasting damage. Legal compliance is essential, but enforcement must be transparent, proportionate, and uniform. Public threats of punitive action or comments suggesting forced exits do not enhance accountability, they erode trust and deter long-term investment.

Foreign investors exploring Bangladesh often reach out to MNCs already operating in the country. These companies effectively serve as informal ambassadors. When they share concerns about legal unpredictability, surprise inspections, and selective prosecution, it sends a discouraging message -- one that no branding campaign can override.

As Bangladesh moves toward graduating from least-developed country (LDC) status and sets its sights on upper-middle-income classification, attracting high-quality FDI becomes more critical. Incentives alone won't be enough. Investors need to see a rules-based environment where laws are applied fairly and disputes are resolved through proper legal channels.

To build a credible and enabling investment climate, Bangladesh must ensure all businesses, foreign or domestic, are subject to the same standards, protected by the same rights, and held accountable through the same mechanisms. A level playing field is not a branding issue; it is the foundation of investor confidence and long-term economic resilience.

The writer is the chairman of Unilever Consumer Care Limited.

Institutions systematically weakened in past 15 yrs: Adviser

STAR BUSINESS REPORT

The institutional capacity of various organisations in Bangladesh has been systematically weakened over the past 15 years, both in the public and private sectors, said Commerce Adviser Sk Bashir Uddin.

This has significantly hindered the development of local industries and disrupted the natural competitiveness of the market, he said.

He made the remarks yesterday at a seminar titled "Competition Policy in Bangladesh: Prospects, Challenges, and the Way Forward", held at the InterContinental Dhaka.

The event was jointly organised by the Bangladesh Competition Commission and the United Nations Development Programme.

"Since taking responsibility, I have faced numerous challenges," the adviser said.

However, due to several positive initiatives, improvements are now being seen in remittance inflows and exports, with success gradually extending to other sectors, he added.

"What we have observed is that the destruction of institutional capacity over the past 15 years has led to the rise of several cronies in our economy," he said.

"This has created an extremely unequal distribution of wealth and empowered certain cronies to block new competitors from entering the market," the commerce adviser added.

He noted that, like many other institutions, the capacity of the Competition Commission had also been dismantled, which is why the public has yet to see tangible benefits from its work.

"People want to see the benefits of competition reflected in their daily lives. The Commission must be strengthened to deliver on that front," he said.

The adviser also said many dishonest businesses are forming alliances to harm smaller enterprises, at times selling products at loss-making prices to eliminate competition.

"The Competition Commission must take action to penalise such offenders," he added.

Weaker Donald Trump will struggle to keep promises

ANALYSIS

REUTERS, *London*

Donald Trump can still cut deals and issue orders. But the US president's power has waned since he imposed sky-high tariffs in April, only to backtrack. In particular, the balance of power between the United States and China, which should be critical to his promise to "Make America Great Again", has shifted in Beijing's favour.

Trump deploys his power in three main ways. The first is by giving commands. He spews out executive orders and makes pronouncements on social media, expecting people to snap to attention. The second is as a card-player. As he told Ukrainian President Volodymyr Zelenskiy in their infamous meeting in the White House in February: "you don't have the cards right now". The president often seems to think he can cut good deals because he holds the best hand. The third is by taunting opponents. That was the approach Trump took with former Canadian Prime Minister Justin Trudeau, mocking him as the country's "governor".

At the apogee of Trump's power, he faced little opposition. A blizzard of activity, combined with the fact that his Republican Party controls both houses of Congress, gave the impression that his second administration would be all-conquering. There was little point for opponents in resisting either the president or key lieutenants such as Elon Musk, the world's richest man who was given the job of slashing government spending.

The opposition Democratic Party was in disarray. Critics in the Republican Party and business kept quiet for fear that Trump would turn on them. Targets such as Columbia University and law firm Paul Weiss made concessions in an attempt to persuade him to back off.

One of Trump's sources of power is the perception that he is a winner. His trip to Saudi Arabia, Qatar and the United Arab Emirates last week, when he announced deals worth more than $1 trillion, burnished these credentials. His personal relationships with Gulf leaders also underlined his charisma - another source of his power.

In recent weeks, however, Trump has also given the impression that he will back off when faced with signs of trouble. He delayed bespoke tariffs on trading partners after financial markets tumbled, suggesting a low threshold for economic pain. He struck a more emollient tone towards Canada after new Prime Minister Mark Carney hit back with tariffs and tough rhetoric.

The most important retreat, however, was last week's decision to slash US tariffs on Chinese imports for at least 90 days without any significant concessions from Beijing. Trump may have feared that an enduring standoff could fuel stagflation. The US ceasefire with Houthis also suggests a less belligerent approach. Although the Yemeni fighters agreed to stop attacking US ships in the Red Sea, they continued to launch missiles at Israel, one of Washington's closest allies.

PHOTO: AFP

US President Donald Trump speaks to the media while signing executive orders in the Oval Office of the White House, in Washington, DC, on May 5, 2025.

In all these cases, Trump seems to have overestimated his hand and underestimated the cards held by his opponents. Others may draw the lesson that he does not have the stomach for long fights. The president is also facing more resistance at home. Harvard University and some law firms have stood up to him. Opponents have won a series of legal cases against his administration's actions. Meanwhile, Musk's chainsaw approach to government and Health Secretary Robert F. Kennedy Jr.'s handling of a measles outbreak are unpopular. Although Trump's overall popularity ratings have recently risen after an initial drop, Republicans will need public support to keep control of Congress after next year's midterm elections. Without that, the president's power will further erode.

Republicans in Congress are also finding their voice. Several senators, including the Republican Senate Majority Leader John Thune, have questioned Trump's desire to accept a $400 million airplane from Qatar. Many are backing tougher sanctions against Russia, making it harder for the president to swing back to supporting the Kremlin. Meanwhile, Trump is about to face a big test of his power as he tries to get the divided Republican Party in Congress to back massive tax cuts.

Even some of Trump's successes may not be quite as good as they look. For example, while he got the United Kingdom to agree to a one-sided trade pact, this will boost export opportunities for US companies by only $5 billion, according to the administration - a mere 0.02 percent of US national output.

Meanwhile, a deal to help the UAE build a massive artificial intelligence campus has raised concerns from some in the US government that the advanced chips might find their way to China. Moreover, commitments to invest do not necessarily translate into actual investments, says Simon Evenett, professor of geopolitics and strategy at IMD.

The US president's success in getting European allies such as Germany to ramp up defence spending could also have a sting in the tail. While his threat to stop supporting countries that spend too little on defence could cut the burden on US taxpayers, Trump has shattered the trust of American allies. Europe will try to become less dependent on Washington as it boosts its own defences. That could ultimately weaken the United States in its superpower rivalry with China, as it probably needs allies to prevail.

One problem with Trump's dominant modes for exercising power is that they look at the world through the prism of winners and losers. Such zero-sum thinking is only one way of deploying power, says Steven Lukes, a political scientist who has studied power.