Tarique Rahman's Japan visit

Turning trust into tangible gains

ZILLUR RAHMAN

Prime Minister Tarique Rahman should arrive in Tokyo with a clear message: Bangladesh is ready to become a dependable economic and strategic partner for Japan. But goodwill alone will not be enough. He must show what Bangladesh can offer, how it intends to protect investment and why Japan should place greater confidence in its future.

The reported four-day visit, beginning on October 26, is expected to focus on economic cooperation, investment and a possible arrangement for Bangladeshi workers. These are promising areas, but negotiations are not achievements. The visit should produce practical commitments that both countries can follow through on.

Japan has been one of Bangladesh's most trusted development partners. Its contributions to infrastructure development have been substantial. The challenge now is to build on that relationship through stronger trade, industrial investment, skilled employment and maritime cooperation.

The partnership has a long history. Japan recognised Bangladesh in February 1972, and Sheikh Mujibur Rahman visited Tokyo the following year. President Ziaur Rahman visited in 1978 and 1980. An air services agreement and the first bilateral meeting on commerce and economic cooperation in 1980 showed that relations were moving beyond diplomatic goodwill.

Begum Khaleda Zia's visits in 1994 and 2005 carried this engagement forward. The 2002 technical cooperation agreement provided an institutional framework, while her July 2005 talks with Prime Minister Junichiro Koizumi gave the relationship a wider economic and strategic direction. Their joint statement recognised Bangladesh as a bridge between South and East Asia and placed Japan within Dhaka's "Look East" diplomacy. Investment, technology, training and good governance were already priorities. Two decades later, the question is how much Bangladesh has delivered on them.

The 2014 comprehensive partnership and the 2023 strategic partnership deepened cooperation in infrastructure, connectivity and economic security. Tarique Rahman inherits these commitments, along with the responsibility to make them work. Relations with Japan must remain a national priority, not a political possession that changes hands with each government.

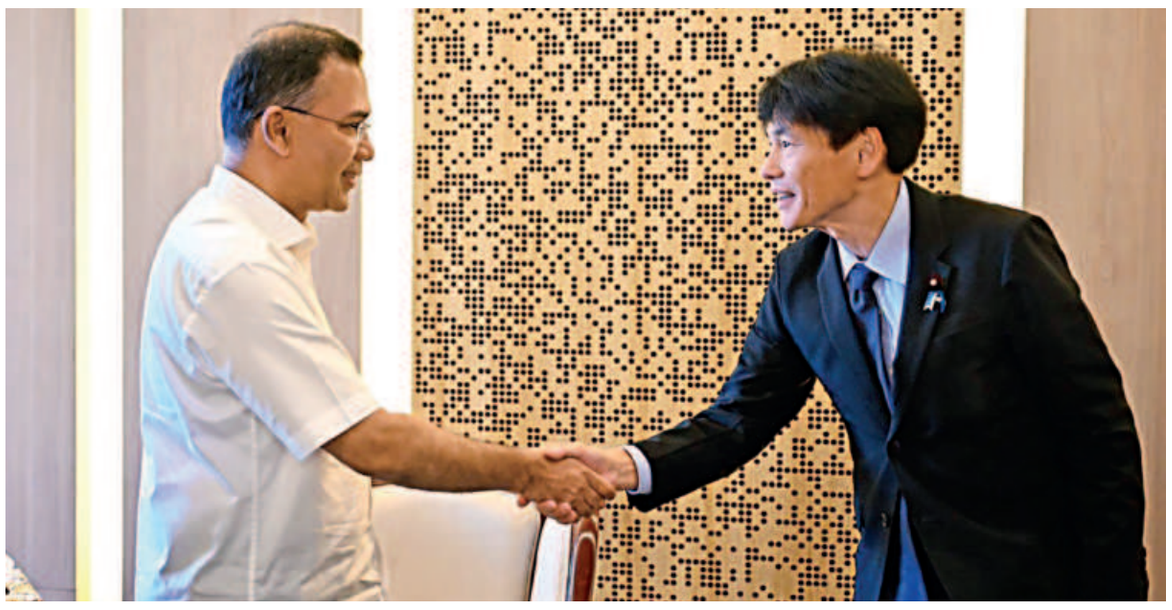
Bangladesh offers more than a need for development assistance. It has a sizeable domestic market, a growing industrial base and a strategic position on the Bay of Bengal. Japan wants reliable supply chains, commercial opportunities and secure maritime routes. Dhaka should understand these interests and negotiate from a position of confidence.

Matarbari's deep-sea port and the Bay of Bengal Industrial Growth Belt, or BIG-B, illustrate the possibilities. Together, they could strengthen logistics, energy and industrial connectivity, including links with India's northeast.

Yet geography does not guarantee success. A modern port is of limited value without efficient customs, dependable transport, competitive charges and industries that generate cargo. Bangladesh has spent too many years celebrating ambitious projects before asking whether they will deliver. Matarbari must not become another example. The government should be clear about the costs, deadlines and benefits, particularly when regional connectivity is involved.

The immediate trade priority is the Economic Partnership Agreement signed on February 6, 2026, Bangladesh's first. Covering far more than tariffs, it includes customs, services, investment, electronic commerce, procurement, labour and environmental provisions. The Tokyo visit should help turn this agreement into something businesses can use. That will require administrative preparation, clear rules and support for exporters.

With Bangladesh scheduled to graduate from least developed country status on November 24, 2026, although it has requested an extension, preparation is urgent. Whatever happens to the timetable, the country cannot depend indefinitely on preferential market access.



Prime Minister Tarique Rahman meets a Japanese delegation led by Parliamentary Vice-Minister for Foreign Affairs Shimada Tomaki at the Prime Minister's Office on July 1, 2026. Discussions covered key issues, including the energy crisis, airport terminal development and Rohingya repatriation. PHOTO: PMO

Japanese assistance with product testing, certification and supplier development could help Bangladeshi firms meet demanding international standards. Footwear, processed foods, light engineering and technology services deserve attention alongside garments.

Investment is another area where opportunity and frustration coexist. Japan's foreign ministry recorded 338 Japanese companies operating in Bangladesh as of October 2025. A JETRO survey presented in March 2026 found that 56.9 per cent of surveyed firms planned to expand within one or two years.

That interest is encouraging, but investors will judge Bangladesh by their everyday experience. Delayed approvals, inconsistent tax decisions, unreliable utilities and difficulties in resolving disputes can undermine even attractive investment prospects.

The Japanese-backed economic zone at Araihazar should become a working example of how Bangladesh can do better. Businesses need predictable services, published deadlines and effective grievance mechanisms. Routine problems should not require intervention from the highest levels of government.

Financial discipline matters equally. JICA's June 2026 emergency support agreement offers up to ¥50 billion for economic resilience and a stable energy supply, with a published annual interest rate of 3.05 per cent. Such financing can help, but every commitment must be assessed against its economic benefits, repayment obligations and currency risks.

Bangladesh cannot afford projects that look impressive at inauguration but become costly burdens afterwards. Transparent procurement, timely completion and sound financial management are essential. Energy cooperation should also place greater weight on efficiency, grid reliability and renewables rather than creating further dependence on imported fuels.

Employment cooperation could produce some of the visit's most direct benefits. Japan needs skilled workers, and Bangladesh has young people seeking opportunities. But sending workers abroad is not simply a matter of signing an agreement.

Language proficiency, technical training and recognised qualifications must match employers' needs. Recruitment costs should be reasonable, contracts should be understandable and workers should be protected against exploitation. Success should be measured by actual placements, wages and working conditions, not ambitious recruitment announcements.

Security cooperation is also growing. The defence equipment and technology transfer agreement signed on February 3, 2026, established a framework for future transfers. Japan's handover of five patrol boats in July under its Official Security Assistance programme added a practical maritime dimension.

Bangladesh should focus on surveillance, search and rescue, disaster response, training and maintenance. It must also preserve strategic flexibility. Japan is a US ally, while Bangladesh has important relationships with India, China and others. Cooperation with one partner need not come at the expense of another. Sovereignty, international law and independent decision-making should remain the guiding principles.

The Rohingya crisis also deserves attention. In March 2026, Japan announced ¥2.57 billion in additional assistance for refugees and host communities. Bangladesh should seek continued humanitarian support and stronger diplomatic engagement towards safe, voluntary and dignified repatriation. Instability across the border threatens the very regional connectivity both countries hope to develop.

Nor should Bangladesh forget the seven Japanese citizens killed in the July 2016 terrorist attack while working on preparations for Dhaka's mass transit development. Japan continued supporting Bangladesh afterwards. Protecting foreign professionals and everyone working for the country's development is an obligation that goes beyond diplomacy.

A successful visit should leave behind more than a joint declaration. Bangladesh needs a clear plan to implement the Economic Partnership Agreement, firm infrastructure deadlines, specific reforms to improve the investment climate, a credible worker recruitment system and concrete commitments on maritime and humanitarian cooperation.

Ultimately, the harder test lies at home. The 2005 joint statement recognised the importance of governance to investment. That lesson remains unfinished. Predictable rules, credible courts, accountable institutions and respect for contracts will attract lasting Japanese investment more than repeated assurances in Tokyo.

Tarique Rahman has an opportunity to build on a relationship nurtured by successive generations of leaders. Japan's trust is a national asset. The visit should honour that history, but its success will be judged by something more immediate: better jobs, stronger businesses and lasting opportunities for Bangladeshis.

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How can Bangladesh maximise the gains from free trade agreements?

SELIM RAIHAN

Bangladesh's trade policy has entered a different phase. For decades, the country could expand exports without making reciprocal trade agreements a central part of its strategy. LDC-specific preferences gave Bangladeshi exporters favourable access to several major markets, particularly in Europe, while the country retained considerable protection at home. That arrangement supported export growth, especially in ready-made garments. But it cannot provide the basis for Bangladesh's trade strategy indefinitely. As preferential advantages associated with LDC status diminish and competitors secure better market access through bilateral and regional agreements, Bangladesh has little option but to become much more active in negotiating FTAs and economic partnership agreements.

The case for doing so is strong. Bangladesh remains heavily dependent on exports of ready-made garments and on a relatively small number of markets. At the same time, the international trading environment is increasingly being shaped by preferential agreements. Vietnam already enjoys preferential access to the European Union through its FTA, while India and other competitors have been pursuing agreements with major trading partners. If Bangladesh remains outside this process, its exporters could find themselves competing on increasingly unequal terms.

FTAs should, therefore, no longer be seen as an optional addition to Bangladesh's trade policy. They are becoming an important instrument for preserving market access, opening new markets, attracting investment and integrating Bangladeshi firms into regional and global value chains. They can also reduce the cost of imported intermediate and capital goods, which matters for an economy seeking to diversify beyond garments. The issue is not whether Bangladesh should pursue FTAs. It should. The more difficult questions concern which agreements should receive priority, how they should be negotiated and what domestic changes are required to make them effective.

This distinction matters because FTAs are reciprocal. Bangladesh will seek better access to partner markets, but it must also offer concessions at home. Exporters can gain from lower foreign tariffs and cheaper imported inputs. Consumers may benefit from greater competition and lower prices. At the same time, some domestic industries will face stronger import competition, and the government may lose tariff revenue. A successful FTA strategy must recognise these adjustment costs rather than use them as an argument for avoiding liberalisation.

Different trade and economic modelling exercises suggest that bilateral and regional trade agreements can generate gains in exports, output and welfare for Bangladesh. Deeper regional integration can also create opportunities through larger markets, investment and participation in supply chains. But the gains vary considerably across agreements and sectors. Some arrangements can strengthen Bangladesh's existing comparative advantage in garments, while others may create opportunities in processed food, pharmaceuticals, services or other manufacturing activities.

This is where the design of the FTA strategy becomes important. Bangladesh has been trying to diversify exports for decades, with limited success. FTAs can support that objective, but diversification will not happen automatically. If new market access mainly expands garment exports, aggregate exports may rise without significantly changing the structure of the economy. Negotiators, therefore, need to look beyond the immediate interests of existing exporters and consider where future export capacity can develop.

The trade and economic modelling evidence also points to a broader lesson. Domestic reforms can generate substantial and more widely distributed gains, and they can increase the benefits obtained from trade agreements. This should not be interpreted as a choice between FTAs and domestic reform. Bangladesh needs both. Indeed, the stronger case for FTAs is precisely that they can provide an external anchor for reforms that the country already needs.

The tariff regime is a good example. Bangladesh continues to maintain relatively high levels of protection through customs duties, supplementary duties and regulatory duties. This has benefited firms producing for the domestic market, but it has also raised the cost of imported inputs and created an anti-export bias. The RMG industry largely overcame this problem through bonded warehouse facilities. Many potential exporters outside the garment sector have not enjoyed comparable access to duty-free inputs.

FTA negotiations can create pressure for gradual tariff rationalisation. That would be beneficial if it is properly sequenced. Firms that have invested under a highly protected regime cannot be expected to adjust overnight. Some sectors will need time to restructure, invest in technology and improve productivity. But transition periods should be used for adjustment, not simply to postpone it. Protection that continues without a credible path towards greater competitiveness ultimately raises costs for consumers and export-oriented firms.



FILE PHOTO: RAJIB RAIHAN

As Bangladesh pursues free trade agreements, improving port efficiency, customs procedures and trade infrastructure will be essential to reducing costs and strengthening the competitiveness of its exporters.

There is also a fiscal constraint. Import-related taxes remain an important source of government revenue because Bangladesh's domestic tax mobilisation is exceptionally weak. Lower tariffs under FTAs will, therefore, have revenue implications. This is another reason to accelerate tax reform.

Bangladesh cannot pursue deeper trade integration indefinitely while maintaining a revenue system heavily dependent on imports. Stronger VAT administration, a broader direct tax base and fewer discretionary exemptions will be necessary. Otherwise, the fiscal cost of tariff liberalisation will eventually appear elsewhere, through higher taxes, greater borrowing or reduced public spending. Trade reform and domestic resource mobilisation, therefore, have to proceed together.

Institutional capacity presents another challenge. Modern FTAs are no longer mainly about tariffs. They cover services, investment, intellectual property, digital trade, standards, rules of origin, public procurement and dispute settlement. Negotiating these issues requires lawyers, economists, sector specialists and regulators capable of assessing both the opportunities and the obligations created by an agreement.

Bangladesh's negotiating capacity remains relatively thin and fragmented across ministries and agencies. This needs to change quickly. As the country negotiates more agreements, it requires a permanent, professional FTA negotiating unit with expertise in trade law, economics, sectoral analysis and regulatory issues. Negotiations should be supported by economic modelling, sector-level assessments and systematic consultation. Institutional memory is equally important. Bangladesh should not have to rebuild its negotiating knowledge whenever discussions with a new partner begin.

Private-sector consultation also needs to become more structured. Large exporters, importers, protected domestic industries, SMEs and emerging exporters do not necessarily share the same interests. Well-organised business groups naturally have greater access to policymakers, but an FTA strategy cannot simply reflect the demands of the most influential sectors. Negotiators need to identify potential new exporters, sectors likely to face adjustment pressures and areas where market access could stimulate investment.

Trade defence capacity must develop alongside liberalisation. Greater openness can expose domestic producers to import surges or unfair trade practices. Bangladesh has anti-dumping, countervailing and safeguard instruments, but the institutional capacity to use them remains limited. Strengthening these mechanisms is not inconsistent with an open trade regime. On the contrary, credible and rules-based trade defence can make liberalisation more sustainable by giving firms legitimate remedies when unfair competition occurs.

The ability to use preferential access is just as important as negotiating it. A zero tariff offers little benefit if Bangladeshi exporters cannot satisfy rules of origin, technical standards, sanitary requirements or environmental and labour regulations. These requirements are becoming more demanding in major markets. Larger RMG exporters may be able to absorb the compliance costs. Smaller firms in agro-processing, leather, light engineering and other potential export sectors often cannot.

Investment in testing laboratories, certification, customs modernisation and standards infrastructure should, therefore, be treated as part of the FTA strategy itself. Otherwise, preferential access may disproportionately benefit firms that are already established exporters, while new exporters remain unable to enter international markets.

Bangladesh also needs a clear national FTA roadmap. This should not be a catalogue of countries with which the government hopes to sign agreements. Potential partners should be assessed according to market access gains, investment opportunities, diversification potential, import competition, fiscal implications and Bangladesh's readiness to implement commitments. Recently signed economic partnership agreements with Japan and South Korea, potential agreements with India and China, engagement with GCC economies and possible participation in wider regional arrangements such as RCEP offer different opportunities and require different approaches.

Sequencing will matter. Bangladesh should move decisively on FTAs, but speed should not be confused with success. Some agreements can provide valuable experience with higher-standard trade rules. Others offer much larger markets but also greater competitive pressures. Regional integration can open access to supply chains that Bangladesh has so far struggled to enter. The objective should be to build a portfolio of agreements that strengthens market access while gradually increasing the economy's capacity to compete.

This requires a change in how Bangladesh thinks about trade policy. FTAs and domestic reforms are not competing strategies. They reinforce each other. FTAs can secure markets, attract investment and create pressure for greater efficiency. Domestic reforms determine whether Bangladeshi firms can exploit those opportunities.

Bangladesh should, therefore, pursue FTAs with greater urgency, but also with preparation and a clear sense of economic priorities. Tariffs need gradual rationalisation, the tax system must become less dependent on imports, customs and standards institutions require upgrading, and negotiating capacity has to become professional and permanent. Exporters outside the garment sector need access to competitive inputs and credible certification systems.

The opportunity is significant. Bangladesh is moving from a trade regime built substantially on preferences granted by others towards one in which market access will increasingly have to be negotiated. FTAs are an essential part of that transition. But agreements alone will not make Bangladesh competitive. Their real value will depend on whether the country uses them to reinforce the domestic reforms needed to diversify exports, raise productivity, attract investment and create better jobs. That is where the harder work lies, and where the larger gains are likely to come from.

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