Bangladesh-Germany relations in a changing world order

Dr Rüdiger Lotz, German Ambassador to Bangladesh, speaks to The Daily Star about Bangladesh's growing significance in Germany's Indo-Pacific outlook, opportunities to deepen bilateral trade and investment, democratic transition and institutional reform, cooperation in renewable energy and skilled migration, the Rohingya crisis, and lessons from German reunification.

The Daily Star (TDS): As the global order becomes increasingly multipolar and Asia gains greater economic and geopolitical significance, how does Germany view Bangladesh's role in its broader Indo-Pacific strategy?

Rüdiger Lotz (RL): We have seen a significant shift in world politics. When I grew up in the 1980s, we lived in a world dominated by two major power blocs, the East and the West, with non-aligned countries in between. Today, we have a truly polycentric world order with multiple centres of influence, and Asia is becoming vastly more important.

Asia is crucial not only because of its population, with South Asia alone accounting for about a quarter of the world's population, but also because it is the primary growth region of the 21st century. While Europe maintains a high level of economic development, sustaining it requires investment in dynamic new growth markets.

On the political front, Berlin prioritises its bilateral relationship with Bangladesh, viewing it on its own merits rather than through the lens of its relations with other countries. We seek to work closely with partners who share our core values: the rule of law, democracy and a rules-based international order. Bangladesh has impressively demonstrated these shared values through its transition to a democratic government and democratic elections.

TDS: Bangladesh and Germany have built a longstanding economic partnership, particularly in the ready-made garment sector. Which sectors offer the greatest potential for diversifying bilateral trade and investment, and how can the two countries strengthen cooperation in technology transfer?

RL: It is remarkable that Bangladesh has built an internationally competitive ready-made garment (RMG) sector. Even as we talk about diversification, Bangladesh should maintain this sector. About 20 per cent of all textiles sold in German shops are produced in Bangladesh, so the RMG sector is definitely here to stay.

However, economic diversification is essential. The lowest-hanging fruit for expansion is likely the leather sector, which holds excellent potential. Additionally, I see strong opportunities in agro-industry, light manufacturing and pharmaceutical products. Expanding into these sectors will also facilitate important forms of technology transfer between our nations.



Dr Rüdiger Lotz, German Ambassador to Bangladesh PHOTO: STAR

TDS: As Bangladesh approaches graduation from least-developed-country status, how can Germany support its transition in terms of EU market access and trade preferences? What reforms would help Bangladesh attract greater German investment?

RL: When I was growing up, Bangladesh was synonymous with a poor country facing severe living conditions; today, it is, in macroeconomic terms, a middle-income country that has achieved impressive development.

To ensure a smooth economic transition regarding EU market access, negotiations on a free trade agreement (FTA) are set to begin very soon. Currently, Bangladesh benefits from tariff-free access under the EU's "Everything But Arms" (EBA) initiative. Because large-scale RMG production operates on thin margins, where even minor cost increases affect competitiveness, securing an FTA is key to retaining trade preferences and mitigating risks when LDC preferences expire.

To attract further German investment, the overall business climate must be addressed. Over the past few decades, Bangladesh has maintained an impressive rate of annual economic growth. If this trend continues over the next 20 to 40 years, the country could rank among the world's 20 largest economies, supported by a middle class of more than 40 million people. To realise this potential, foreign investors need good governance, clear regulations, legal certainty and a reliable rule of law, under which legal disputes are resolved fairly and predictably in court. Furthermore, greater investment in infrastructure and education is required to develop the skilled workforce needed for more sophisticated manufacturing.

TDS: Bangladesh is undergoing a significant political transition following the February elections. How does Germany view these developments, and what opportunities exist for strengthening democratic institutions, governance and engagement between the two countries?

RL: A major Asian country returning from autocracy to democracy is a significant and uncommon event in today's global landscape, and one that has a positive regional impact. Working together with partners who share fundamental democratic values is naturally easier and more effective.

Sustainable development requires political stability. Since the new government took office following the February elections, Bangladesh has experienced a period of considerable stability compared with previous periods in its history, which is commendable and crucial for building long-term, sustainable bilateral relations.

Regarding institutional strengthening, Germany supports Bangladesh through development projects focused on areas such as access to justice and institutional independence. Beyond traditional government-to-government diplomacy, the key opportunity lies in fostering ongoing dialogue across different sectors of society, enabling experts and civil society members from both nations to engage directly with one another.

TDS: Renewable energy and energy efficiency have long been important areas of Bangladesh-Germany cooperation. How can the two countries expand this partnership to help Bangladesh meet its growing energy demand while advancing its climate and sustainability goals?

RL: Recent global events have highlighted the risks of relying heavily on fossil fuels and concentrating energy supplies in regions vulnerable to crises. Renewable energy and energy efficiency have long been core components of our bilateral cooperation portfolio, and they will remain central to our joint efforts to combat climate change.

Although per capita energy consumption in Bangladesh is currently relatively low by international standards, it could double or triple over the next 20 years as the economy grows. Meeting this growing demand sustainably requires greater reliance on clean energy sources. Our cooperation focuses particularly on initiatives such as rooftop solar installations, which offer considerable potential.

TDS: As European consumers and businesses place increasing emphasis on environmental, social and labour standards, how can Bangladesh strengthen its position as a sustainable manufacturing hub and maintain its competitiveness in the European market?

RL: European consumers are increasingly conscious of social, environmental and labour standards in producing countries. For European companies, sourcing from facilities associated with poor working conditions presents serious reputational and economic risks.

This shift offers Bangladesh a major competitive opportunity to position itself as a sustainable manufacturing hub. By ensuring that "Made in Bangladesh" signifies clean, environmentally friendly and socially responsible production, the country can strengthen its international reputation. While Bangladesh is still making progress towards meeting these standards fully, moving in this direction is vital for maintaining long-term market access.

TDS: Germany faces growing demand for skilled workers, while Bangladesh has a large and increasingly skilled workforce. How can the two countries build mutually beneficial pathways for skilled migration, professional training and the recognition of qualifications?

RL: Demographics present a natural opportunity: Germany's median age is 46, whereas Bangladesh's median age is 26. Germany requires young workers, and Bangladesh has a vibrant youth population. Already, around 7,000 Bangladeshi students are studying in Germany, a number that continues to grow.

However, key challenges must be navigated to build effective pathways, starting with the German language, which requires dedicated effort but is well within reach for bright young individuals.

A more significant hurdle is aligning skill levels with German labour market expectations because of Germany's highly structured dual vocational training system, under which people entering trades such as electrical work or plumbing undergo three years of combined classroom instruction and practical training. To bridge this gap, Bangladesh needs a comprehensive, holistic national approach to vocational training. Rather than copying the longstanding German model directly, Bangladesh should develop a system tailored to its own economic needs. Germany supports these efforts through development projects focused on vocational skills development.

TDS: Beyond humanitarian assistance, what diplomatic initiatives could Germany and the EU pursue, together with Bangladesh and regional partners, to help create conditions for the safe, voluntary, dignified and sustainable repatriation of Rohingya refugees to Myanmar?

RL: Bangladesh has performed a tremendous humanitarian service by accommodating 1.3 million displaced Rohingya refugees. The international donor community must continue supporting these efforts and keep the issue prominent on the global agenda, a task aided by Bangladesh's Foreign Minister serving as President of the UN General Assembly. Non-traditional donors should also be encouraged to contribute alongside Western nations.

At present, safe, voluntary repatriation remains unfeasible due to prevailing conditions inside Myanmar. However, keeping more than a million displaced people in cramped conditions for nearly a decade carries serious long-term risks of radicalisation and security challenges.

While full long-term integration is a politically sensitive topic, my advice would be to explore pragmatic measures that grant displaced individuals basic work permits and broader educational or livelihood opportunities, giving them a sense of direction and hope while they remain in Bangladesh.

TDS: Germany's reunification offers important lessons in democratic transformation, reconciliation and institution-building. Drawing on that experience, what lessons might be relevant to Bangladesh as it navigates its own political and institutional transition?

RL: German reunification in 1989 and 1990 was an immense historical blessing. Today, it has resulted in a stable democracy with strong institutions established across the entire country. For the younger generation, including my children, the division between East and West is no longer a defining mental barrier.

Several lessons from Germany's experience may resonate with Bangladesh's transformation. Unifying societies with different historical experiences and perspectives is a gradual process that requires patience and reconciliation. Societal attitudes cannot be changed overnight, and lasting progress depends on bringing all citizens along rather than declaring one side superior to the other.

Equally important is the establishment of strong, independent public institutions that can ensure long-term stability.

Major societal transformations also require practical, incremental progress. As the saying goes, even a journey of a thousand miles begins with a single step. Above all, sustainable change depends on continuous, open dialogue across all levels of society, allowing people with different experiences and perspectives to contribute to shaping a shared future.

The interview was taken by **Ystiaque Ahmed** *and* **Khairul Hassan Jahin.**

TARIQUE RAHMAN'S JAPAN VISIT

The next frontier of Bangladesh-Japan relations

MD SHARIFUL ISLAM

Prime Minister Tarique Rahman's scheduled visit to Japan on 26 October 2026 comes at a significant moment in Bangladesh-Japan relations, as Dhaka seeks to deepen economic and strategic engagement with Tokyo. During the visit, Bangladesh is set to propose a US$14 billion investment and cooperation package spanning 12 priority sectors, including transport, technology and energy. The visit provides an opportunity to assess the evolving bilateral partnership and identify avenues for expanding cooperation in an increasingly complex regional geopolitical environment.

Bangladesh's strategic location at the crossroads of South and Southeast Asia holds considerable significance for regional and global powers, including Japan. This importance has long been recognised in Japan's official foreign policy assessments. The 2021 Diplomatic Bluebook describes Bangladesh as "geopolitically very important as an intersection between India and ASEAN" (MOFA, Japan, 2021, p. 79). Bangladesh's geographical position, together with its growing geostrategic relevance amid evolving regional dynamics, has also been a key consideration underpinning Japan's Bay of Bengal Industrial Growth Belt (BIG-B) Initiative, which places Bangladesh at the centre of its regional connectivity and economic development strategy.

DEEPENING BANGLADESH-JAPAN INVESTMENT TIES

According to a survey conducted by the Japan External Trade Organization (JETRO), 73.2 per cent of the 57 companies interviewed said Bangladesh was their top priority for business expansion; 61 per cent said the country had high growth potential. The survey covered Japanese firms across 20 countries in Asia and Oceania. Among these 20 countries, Bangladesh ranked second in terms of profitability for Japanese companies, owing to low wages and production costs. Bangladesh has also taken steps to create a more favourable investment environment. One notable example is the Bangladesh Special Economic Zone (BSEZ) in Araihazar, Narayanganj, developed in partnership with Japan to attract Japanese and other foreign investors.

In recent years, several leading Japanese companies have expressed interest in investing in Bangladesh or expanding their existing operations in the country. Japanese businesses are also exploring opportunities in Bangladesh and neighbouring markets as part of their "China Plus One" strategy, which seeks to diversify production and investment beyond China and reduce dependence on a single market. Bangladesh and Japan signed an Economic Partnership Agreement (EPA) in February 2026, marking an important step towards deepening bilateral economic cooperation. Its effective implementation could further strengthen trade and investment ties and generate mutual economic benefits.

PROMOTING TRADE RELATIONS

Trade between Bangladesh and Japan has expanded steadily over the past decade, driven largely by growing demand for competitively priced Bangladeshi garments. Bangladesh's exports to Japan have increased significantly since 2011, when Japan relaxed its rules of origin for knitwear imports from least-developed countries (LDCs), enabling Bangladeshi products to benefit from duty-free market access. According to data from the Export Promotion Bureau (EPB) and Bangladesh Bank (BB), Bangladesh's annual exports to Japan first exceeded US$1 billion in FY2015–16, rising sharply to US$2.8 billion in FY2021–22. Japan is now Bangladesh's ninth-largest export destination globally and second-largest in Asia.

Nevertheless, there is ample scope to expand Bangladesh-Japan bilateral trade. For instance, Bangladesh has considerable potential to increase its exports of ready-made garments and pharmaceuticals to the Japanese market. Japan's Finance Ministry data show that the country imported US$24.72 billion worth of apparel, with the bulk (US$22.96 billion) coming from Asia, including US$13.57 billion from China alone. China's share of Japan's textile product imports fell below 50 per cent in 2025, reaching a 31-year low. The resulting gap is increasingly being filled by Southeast and South Asian countries. Vietnam's share rose by 7.7 percentage points over the past decade to 17.4 per cent, while Bangladesh gained two percentage points to reach only 4.3 per cent. It is also encouraging that Bangladesh has already begun exporting ICT products to Japan, which could become another promising area of bilateral trade.



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

EXPANDING BANGLADESH-JAPAN LABOUR COOPERATION

From Bangladesh's perspective, labour migration and diaspora connections are critical to its relations with Japan. According to BMET, between 1976 and 2020, of the 1.3 crore Bangladeshi migrant workers who went abroad for employment, only 0.02 per cent went to Japan. Several factors make Bangladesh a promising source of skilled workers to meet Japan's growing labour demand.

First, Bangladesh offers a large pool of semi-skilled and skilled workers, while Japan faces a severe shortage of people of working age. According to a joint survey by Persol Research and Consulting and Chuo University, Japan will face a shortage of approximately 6.44 million workers by 2030. The proportion of people aged over 65 had already reached 28 per cent, one of the highest in the world, as reported by *The Washington Post*. Although there is considerable discussion about the Fourth Industrial Revolution, in which machines may replace human workers, human resources remain essential. The demand for human labour is unlikely to disappear anytime soon. Therefore, to address its labour shortages, Japan has increasingly opened its doors to foreign workers. In this context, Japan introduced legal amendments in 2018 to grant visas to more foreign workers and address its tightening labour market.

Against this backdrop, labour migration presents a promising avenue for cooperation between Bangladesh and Japan. Encouragingly, in August 2019, Bangladesh and Japan signed a Memorandum of Cooperation (MoC) to facilitate the recruitment of Bangladeshi workers under Japan's Specified Skilled Worker (SSW) programme across 14 sectors. Bangladesh was the ninth country to sign such an MoC with Japan as a sending country for specified skilled workers. In addition, in May 2025, Bangladesh and Japan reached an agreement to recruit at least 100,000 Bangladeshi workers over the following five years to help address Japan's severe labour shortage.

Building on these bilateral arrangements for labour cooperation, Bangladesh and Japan signed a five-year Memorandum of Cooperation on Employment Skills Development (ESDP-MoC) on 17 October 2026. The agreement, which will be automatically renewable for another five years, aims to facilitate the recruitment of Bangladeshi workers in Japan from 1 April 2027. The agreement marks a significant step towards expanding employment opportunities for Bangladeshi workers in Japan. With a formal framework for labour cooperation now in place, Bangladesh needs to focus on its effective implementation to maximise the opportunities it offers.

SECURITY AND BLUE ECONOMY COOPERATION

The Bay of Bengal and the wider Indian Ocean region have become increasingly important arenas of strategic competition among regional and extra-regional powers. Against this backdrop, closer cooperation between Bangladesh and Japan is essential to address growing non-traditional security challenges, including climate change, piracy and illegal, unreported and unregulated (IUU) fishing.

During Japanese Prime Minister Shinzo Abe's visit to Bangladesh in September 2014, the two countries agreed to strengthen cooperation in the blue economy. However, progress in this area has remained limited despite its growing strategic and economic significance. Bangladesh continues to face constraints in investment, technology and skilled human resources, limiting its ability to harness marine resources sustainably. As a major maritime nation with advanced technological capabilities and expertise, Japan is well positioned to support Bangladesh in developing its blue economy while strengthening maritime cooperation.

Looking ahead, Bangladesh and Japan should move beyond immediate economic gains to deepen cooperation in maritime security, technology transfer and sustainable development. Japan has much to offer in terms of technology, expertise and institutional experience, while Bangladesh brings a young workforce, a growing market and a strategically important position in the Bay of Bengal. The challenge lies in translating these complementary strengths into a lasting partnership grounded in mutual respect and shared prosperity.

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