

## **Trade, Commerce and Investment**

Japan is a major trading partner and an important source of foreign direct investment for Bangladesh. Annual export figures to Japan have been above 1 billion dollars since 2015-16. The amount of bilateral trade crossed the \$3 billion mark in 2017-18. Export to Japan has increased by more than three times in the last ten years. Currently, Japan is Bangladesh's 9<sup>th</sup> largest export destination in the world and 2<sup>nd</sup> in Asia. In 2018-19, exports to Japan had a growth of 20.74%. but during the pandemic Covid-19, Bangladesh's exports to Japan declined in 2019-20 and 2020-21. However, exports came to a pre-pandemic level in 2021-22 and had significant growth during 2022-23 FY reaching 1.9 billion USD. Two-way trade between Bangladesh and Japan stands at over USD 4 billion (as of June 2023).

*(Value in million US\$)*

<b>Year</b>	<b>Export</b>	<b>Import</b>	<b>Trade Volume</b>	<b>Growth (%)</b>
<b>2016-2017</b>	1012.98	1735.2	2748.18	+0.91
<b>2017-2018</b>	1131.89	1870.0	3001.89	+9.23
<b>2018-2019</b>	1366.67	1846.3	3212.97	+7.03
<b>2019-2020</b>	1201.88	1720.0	2921.88	-9
<b>2020-2021</b>	1183.64	2001.2	3184.84	+8.99
<b>2021-2022</b>	1353.85	2771.1	4124.95	+29.51

*Table 1: Bangladesh-Japan Trade Relation; Source: EPB & Bangladesh Bank*

Exports from Bangladesh mainly include woven garments, knit goods and leather goods whereas imports to Bangladesh include iron and steel, ships, vehicles, nuclear reactors, machinery and mechanical appliances.

Bangladesh enjoys duty and quota-free access to almost all goods it exports to Japan, and that has contributed significantly to the growth in trade. To accelerate trade and investment between the two countries, both Bangladesh and Japan have formed a Joint Study Group and are working together for a possible Economic Partnership Agreement (EPA) before Bangladesh's graduation from LDC status by 2026.

Bangladesh has been actively participating in trade fairs in Japan that include Fashion World Tokyo, Japan IT Week Spring, Tourism Expo Japan, etc. For branding Bangladesh in Japan, the Embassy of Bangladesh, Tokyo regularly organizes business promotion events such as

seminars/workshops/B2B matchmaking in collaboration with other entities/reputable organizations.

### **Potential areas for growth in Trade**

Export basket to Japan shows our dependence on the apparel sector urging for export diversification. There is a huge opportunity to increase export earnings by adding high-value product lines in the apparel sector. Besides, leather and jute products, IT and ITES products look to be promising in the huge Japanese market.

### **Japanese Investment Trend**

The number of Japanese companies that have operations in Bangladesh has risen to nearly 350 as of June 2023, increasing from 183 in 2014. In 2018 Japan Tobacco acquired a Bangladeshi company through an investment worth 1476 million USD.

*(Value in USD Million)*

Source Country	2018	2019	2020	2021	2022
Japan	384.76	60.12	49.87	91.05	102.77

*Table 2: Country-wise Foreign Direct Investment (Net); source: Bangladesh Bank*

Bangladesh ranked among the top 20 promising countries for overseas business by the survey of the Japan Bank for International Cooperation (JBIC) for the last three consecutive years. According to the latest annual survey of the Japan External Trade Organization (JETRO), 71.5 percent of Japanese companies want to expand business in Bangladesh. The Bangladesh Special Economic Zone, also known as the Japan Economic Zone, is being developed at Araihasar in Narayanganj to attract Japanese FDI.

### **Japanese Companies in Bangladesh**

A wide range of Japanese companies are engaged in trading, manufacturing, and implementing infrastructure projects. All six major trading houses of Japan have a strong presence in Bangladesh. Besides trading commodities, these Japanese corporations are involved in various development projects. Manufacturing industries ranging from motorcycles to apparel are helping in employment generation as well as rapid industrialization with technological upgradation. Japanese SMEs are increasingly exploring Bangladesh in IT, logistics and other service sectors.