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JAPANESE FDI IN ASEAN COUNTRIES: LESSONS FOR BANGLADESH

Abstract

This study employs ASEAN experiences to examine Japan's FDI in Bangladesh. It examines the variables that have made Japanese FDI in Bangladesh effective and draws lessons from ASEAN, where Japan has invested for decades. The analysis shows that political stability, infrastructural development, and a growing consumer market have attracted Japanese FDI in Bangladesh in recent years. It also emphasises the relevance of bilateral agreements and trade connections in encouraging investment. Out of 10 ASEAN countries, three countries – Vietnam, Indonesia and Thailand have been selected to study Japanese FDI flow in ASEAN countries. Bangladesh may learn from these three ASEAN countries to attract and maintain Japanese FDI. These lessons include streamlining regulation, improving infrastructure, investing in workforce skills, and encouraging enterprise. Policymakers, investors, and others might learn from ASEAN experiences on Japan's FDI in Bangladesh. The qualitative analysis provides a roadmap for Bangladesh to enhance the positive impact of Japanese FDI on its economic development and emphasises the need of creating an appealing investment environment in today's competitive world.

Keywords: FDI, Japan, Bangladesh, ASEAN, Development

1. Introduction

In many countries' economic strategies, FDI has been viewed as an essential tool for the accomplishment of sustainable industrialisation as well as the expansion of regional economies[1]. It has made a substantial contribution to the economic growth

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[1] Manuel F. Montes and Jerik Cruz, "The political economy of foreign investment and industrial development: the Indonesia, Malaysia and Thailand in comparative perspective," *Journal of the Asia Pacific Economy* 25, no. 01 (2019): 16–39.

of developing world, although other studies[2] imply that attracting foreign investment does not ensure quick growth and long-term industrial development. Several factors are responsible for attracting more FDI. According to Lall[3], there are three major factors that affect FDI —economic conditions, host country policies and strategies of multinational enterprises (MNEs). Moreover, conditions in the host countries such as FDI policy, market size, degree of industrial agglomeration and business expenses are among the issues highlighted[4]. Literature also suggests the role of the foreign policy of the host countries to attract external finance[5], particularly Japanese FDI. The geographical position of a country is also crucial to attracting FDI. For example, with a lengthy coastline (3,260 km) and several deep-water seaports, Vietnam has a particularly advantageous geographical position[6]. Furthermore, the mainland is bordered by China, which is currently one of the world's most influential economic powerhouses. On the other hand, Thailand is strategically located in the Greater Mekong Sub-region, making it both physically and economically appealing to foreign investors.

Several seminal studies have identified notable findings regarding how to attract more FDI. For instance, Chikiamko[7] focuses on the government's involvement in implementing legislative and constitutional changes to plough more foreign investment into the economy. In contrast, Lamberte[8] states, a liberal framework of government alone is insufficient to attract FDI. It must be supplemented by solid macroeconomic policies, notably in controlling economic growth, foreign exchange and wages. Hill and Munday[9] focused on the significance of financial incentives as a determinant of FDI in the UK, whereas Woodward[10] emphasised the relevance of tax

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[2] Nagesh Kumar, "Multinational Enterprises, Regional Economic Integration, and Export Platform Production in the Host Countries: An Empirical Analysis for the US and Japanese Corporations," *Review of World Economics* 134, no. 03 (1998): 450–483.

[3] Sanjaya Lall, *Attracting Foreign Investment: New Trends, Sources, and Policies.* Economic Paper 31 (1997), Commonwealth Secretariat.

[4] Bulent Esiyok and Mehmet Ugur, "A Spatial Regression Approach to FDI in Vietnam: Province-level Evidence," *The Singapore Economic Review,* 62, no. 02 (2017): 459–481.

[5] Severine Blaise, "Japanese Aid as a Prerequisite for FDI: The Case of Southeast Asian Countries," Asia-Pacific Economic Papers, no. 385 (2009), https://crawford.anu.edu.au/pdf/pep/apep-385.pdf.

[6] Hung Luu, "9 reasons why foreign investors should invest in Vietnam," *Lexology,* June 23, 2021. https://www.lexology.com/library/detail.aspx?g=bcead934-0c6c-410c-bf77-90c687270c18.

[7] Calixto V. Chikiamco, "5 Arrows for Inclusive Growth," Inquirer Opinion, October 11, 2015. https://opinion.inquirer.net/89275/5-arrows-for-inclusive-growth.

[8] Mario B. Lamberte, "Attracting Foreign Investments in the Philippines," *Development Research News,* XI, no. 01 (1993), Philippine Institute for Development Studies, Indonesia, https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdrn93-1.pdf.

[9] Stephen Hill and Max Munday, "The UK Regional Distribution of Foreign Direct Investment: Analysis and Determinants," *Regional Studies,* no. 26 (1992): 535–544.

[10] Douglas P. Woodward, "Locational determinants of Japanese Manufacturing Start-ups in the United States," *Southern Economic Journal,* 58, no. 03 (1992): 690–708.

policy and promotional efforts in attracting FDI. Even, locational preferences are crucial in attracting or maintaining Japanese FDI. For example, throughout the 1980s, Japanese FDI to the Philippines declined as Japan shifted its FDI focus to other ASEAN nations owing to location preferences.[11]

However, Japanese FDI in Bangladesh has been rising every passing year due to the country's strategic location, growing market size and favourable business environment. Bangladesh, with a population of more than 160 million, offers a vast consumer base, making it an attractive destination for Japanese companies. Besides, Bangladesh has already stepped into the orbit of middle-income countries before coming out of the league of least-developed countries (LDCs) by 2026 and continued its growth towards the Vision 2041[12]. Here comes the reference of investment from Japanese companies. Japanese companies are operating their business with an investment of over US$400 million in Bangladesh[13]. It is a promising sign in the midst of many challenges that Japanese companies are contending with. They are experiencing great difficulty in running their companies from here. The most notable of these is the difficult process that customs must follow during activities involving export and import. There is a shortage of skilled workers in Bangladesh —an overriding reason among many not to invest here. Others include corruption and a shortage of economic zones. On the contrary, ASEAN countries, particularly Thailand, Vietnam and Indonesia successfully implemented different FDI policies to attract Japanese investment. Due to their FDI-friendly government initiatives, thousands of Japanese companies are operating in ASEAN. Against this backdrop, the aim of this study is to explore the impact of Japan's FDI on Bangladesh's development while drawing lessons from the experiences of other ASEAN peers.

2. Background of the Study

With a synergy of relatively cheaper production costs, growing market, favourable business environment and geo-strategic position, Bangladesh always has the potential to become a magnet for FDI. However, in reality, foreign companies in Bangladesh encounter numerous challenges, including ineffective institutions and bureaucracy, unskilled labour force, poor infrastructure and stringent legal

[11] Eric Vincent C. Batalla, "Japan and the Philippines' Lost Decade: Foreign Direct Investments and International Relations," *V. R. F. Series,* no. 464 (2011), Institute of Developing Economies, JETRO. https://www.ide.go.jp/library/English/Publish/Reports/Vrf/pdf/464.pdf.

[12] Usami Takashi & Fukuoka Noriyoshi, "Implications of Bangladesh's Graduation from Least Developed Countries Status on Japanese Companies," *Journal of Contemporary Research in Social Sciences,* 3, no. 02 (2021): 28–39.

[13] "Japanese investors facing 6 types of difficulties in Bangladesh", *The Daily Star,* March 16, 2022.

environment.[14] Nevertheless, Japan historically considers South Asia as a region with poor infrastructure, low purchasing power parity (PPP), corruption and lack of infrastructure facilities[15]. However, the very recent economic growth trends of the region, prompted by an increase in the number of middle class, cheap labour and facilities offered by the South Asian governments are considered seriously as factors of attraction for Japanese companies. Japan now considers Bangladesh as a lucrative destination for investment[16] but it has to make considerable improvements in overall business environment to attract more Japanese investment ahead of India and other South Asian peers.[17]

Over the last few decades, Japanese firms have made a significant contribution to the expansion of Bangladesh's infrastructure. This contribution has been enormous. The five megaprojects will have a substantial influence on the nation as a whole and will contribute to the country's 'Vision 2041'. Bangladesh is also working towards achieving the Sustainable Development Goals (SDGs) with the substantial support of Japan. Under the Bay of Bengal Industrial Growth Belt (BIG-B) initiative, Bangladesh and Japan are currently placing increased emphasis on the development of infrastructure as well as economic partnerships[18]. Both Japan and Bangladesh plan for cooperation to work together with an eye to developing the Southern Chattogram region. This includes the construction of a coal-fired power station that is highly efficient. Additionally, Japan and Bangladesh look to strengthen their cooperation in a way that could contribute to the long-term decarbonisation of the economy by supporting the use of renewables[19]. Japan is committed to continuing its assistance to Bangladesh in addressing the country's social vulnerabilities in a variety of domains such as health and education as well as disaster management with the ultimate goal of helping Bangladesh achieve the status of a middle-income country by 2026, sustainable development goals by 2030 and the status of a developed country by 2041. However, a recent Japan External Trade Organisation (JETRO) study reveals that although Bangladesh has a number of advantages to attract Japanese companies, yet

[14] S. M. Ali Reza, "Japan and South Asia: Still Distant Neighbours?" *国際公共政策研究 (International Public Policy Research)*, 18, no. 02 (2014): 79–96.

[15] Arpita Mathur, *India-Japan Relations: Drivers, Trends and Prospects* (Singapore: S. Rajaratnam School of International Studies, Nanyang Technological University, 2012), accessed October 24, 2024, https://www.rsis.edu.sg/rsis-publication/idss/india-japan-relations-drivers-trends-and-prospects/.

[16] "FY 2021 Survey on the International Operations of Japanese Firms," Japan External Trade Organization, March, 2022, https://www.jetro.go.jp/ext_images/en/reports/survey/pdf/jafirms2021.pdf.

[17] Md. Saifullah Akon, Debasish Nandy, and Alik Naha, "Japan's Shifting Foreign Policy to South Asia: Issues and Challenges," *Journal of Japanese Studies: Exploring Multidisciplinarity* 1 (2021): 223–248.

[18] Md. Saifullah Akon, Mahfujur Rahman, and Afnan Nur Bhuiyan, "Japan's Economic Cooperation with Bangladesh: An Appraisal," *Social Science Review,* 36, no. 02 (2020): 215–232.

[19] Abdullah-Al-Mamun, Shiblee Noman, and Md. Saifullah Akon, "Japanese FDI and Development Vision of Bangladesh: Lessons from Thailand," *Perspectives in Social Sciences* 19 (2021): 9–32.

Japanese companies currently operating in Bangladesh are facing multiple problems such as profit repatriation, poor infrastructure and unskilled human resources.

On the other hand, in South-East Asia, Thailand, Vietnam and Indonesia are considered the most attractive destinations for investors from various countries, particularly Japan. After diluting the United States' dominance as the largest FDI provider, Japan has been the major source of FDI inflows into these three countries since the 1980s. In the early 1980s, Japan's active participation in South-East Asia by providing FDI became noticeable, notably following the Plaza Accord of 1985.[20] Japanese FDI in ASEAN states rose by over 60 per cent from the previous year, becoming a significant proportion of global FDI flows and one of the most important engines fueling rapid economic growth in South-East Asia. After reaching a high point in 2013, it has since been on the slide as attention shifts from the manufacture of cheap, labour-intensive goods to the consolidation of regional supply chains, the expansion of domestic markets in ASEAN countries and the dramatic increase in local production of technologically advanced goods. FDI flows from Japan to ASEAN countries were above US$29 billion in 2021 due to the number of FDI-friendly policies of the ASEAN countries.

For example, Japan is Thailand's largest foreign direct investor, accounting for 33 per cent of the country's total foreign direct investment. Japanese corporations operate in almost every industry in Thailand, contributing 10 per cent of the country's GDP.[21] Thailand is home to 6,000 Japanese businesses. Surprisingly, despite the epidemic, an additional 400 Japanese corporations have opened operations in recent years. The Japanese Chamber of Commerce in Thailand now employs 85,000 people through its member firms. The 'Thailand 4.0' initiative, which focuses on IoT, AI, robotics, bio and medical technologies, has attracted global investment, including renowned Japanese firms.[22] Likewise, Japan's FDI in Vietnam grew in the second quarter of 2017 and the first quarter of 2018, which led to the robust growth in transport facilities and industrial machinery.[23] Japan was the leading investor in Vietnam in 2018, with over US$8.5 billion spent.[24] Even during the Covid-19

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[20] Eric Vincent C. Batalla, "Japan and the Philippines' Lost Decade: Foreign Direct Investments and International Relations," *V. R. F. Series*, no. 464 (2011), Institute of Developing Economies, JETRO, https://www.ide.go.jp/library/English/Publish/Reports/Vrf/pdf/464.pdf.

[21] "Thailand: Japan's top investment destination and key partner for social and economic development in the ASEAN region," Bridges, September 07, 2021.

[22] *Ibid.*

[23] Koji Sako, "Japan's foreign direct investment trends in Asia," *Mizuho Economic Outlook & Analysis* (2018), Mizuho Research Institute Ltd., https://www.mizuhogroup.com/binaries/content/assets/pdf/information-and-research/insights/mhri/mea181218.pdf.

[24] "Vietnam reaps sixth straight record year in foreign investment," Nikkei Asia, January 10, 2019.

pandemic era, Japanese FDI in Vietnam continued with grace by launching a joint initiative between Japan-Vietnam Phase VIII, which focused on improvement of investment climate. Japan invested US$3.3 billion in Vietnam in 2021, amounting for 14.7 per cent of the combined FDI in the South-East Asian country.[25]

However, although Bangladesh has a vision of development and Japan has been supporting to fulfil its dream, there are still a number of challenges to get Japanese FDI. ASEAN countries, particularly Vietnam, Thailand and Indonesia, have been progressing in their development sectors by taking Japanese FDI in different ways. Considering the importance of Japanese FDI in Bangladesh, the current study focuses on what policies the ASEAN has adopted and how Bangladesh can benefit by learning their experiences. Despite the importance of learning from ASEAN, very few academic studies have been conducted in this area of research. Therefore, this study intends to fill the gaps in the area of Japanese investment challenges in Bangladesh and outlines lessons from ASEAN countries to attract more Japanese investment in Bangladesh.

3. Methodology

To understand the existing challenges and opportunities of Japanese FDI in Bangladesh's development, it is necessary to take the opinions of the Japanese company officials working in Bangladesh and comprehend how they articulate their perceptions and experiences of the current business environment in Bangladesh. It is also imperative to compare other countries that get similar FDI facilities from Japan and modernise their countries with the help of Japanese FDI. Lastly, the opinion of the Bangladesh government officials and related organisations who are directly involved in the process is also important. Considering these issues, the current study employs a qualitative research approach. Most of the data for this study were collected from two qualitative approaches: document analysis and in-depth semi-structured interviews with 15 people and organisations, according to **Table 1**. It was tried to question different companies, government officials and organisations until there were repetitive answers from them. Finally, the point of saturation was achieved after interviewing 15 Japanese companies.

[25] "FDI to Vietnam predicted to surge in 2022," VietnamPlus, February 18, 2022.

Table 1: Distribution of respondents across stakeholders

Stakeholders	Number of Respondents
1. Japanese companies in Bangladesh	05
2. Government and non-government officials in Bangladesh	03
3. JETRO in Bangladesh and three ASEAN countries	04
4. Multi-national companies (MNCs) in Bangladesh and ASEAN	03
Total	15

3.1 Study Area and Sample Selection

For data collection, along with Bangladesh, the authors selected another three countries Thailand, Vietnam and Indonesia for their mostly similar economic conditions like Bangladesh and a similar pattern of Japanese FDI disbursement. Due to the geographical significance, market size and cheap labour, the number of Japanese FDI has been increasing in these four countries in question. Primarily, the authors selected 20 Japanese companies and government officials for data collection. The 20 respondents were chosen using purposive sampling to ensure they represented key stakeholders with direct relevance to Japanese FDI in Bangladesh and the broader context of ASEAN. But, as the authors didn't get any new information, they had to stop the interviews at 15. Thus, the final sample for this study was (n=15).

According to **Table 2 (Annex)**, out of the 15 study samples, 5 were from Japanese companies operating in Bangladesh, 3 from government and non-government officials in Bangladesh, 4 from JETRO officials in these four countries, and 3 from multinational companies operating in all these four countries. The 5 representatives from Japanese companies operating in Bangladesh, were chosen for their firsthand experience with FDI implementation. The 3 government and non-government officials from Bangladesh were selected for their regulatory insights and policy perspectives. Additionally, 4 JETRO officials from Bangladesh, Vietnam, Thailand, and Indonesia were interviewed to provide comparative insights from countries with successful Japanese investments in the ASEAN region. Finally, 3 representatives from multinational companies operating in these four countries were included to offer a broader view of how Japanese FDI impacts different business environments across ASEAN. This selection ensures a well-rounded and comprehensive perspective, critical to understanding the dynamics of Japanese FDI in Bangladesh within the ASEAN context.

3.2 Data Collection and Analysis

In order to collect data, interviews were conducted over the course of four months, beginning in September 2021 and ending in December 2021. These semi-structured qualitative interviews were conducted online by the authors due to the Covid-19 crisis. The interviews of Japanese companies were held in English and those of Bangladeshi government officials and organisations in the local language Bangla. Before taking interviews, the authors duly informed all participants of the aims and objectives of the research. With due permission, all interviews were recorded, transcribed and translated (for Bangla) into English by the second and third authors. Each interview lasted between 70 and 90 minutes.

Later, in the analytical process, we analysed the collected data with the help of NVivo 10 software. The major themes and sub-themes were identified during the document analysis and cross-checked and modified after in-depth interviews of different stakeholders. Later, data were coded following the major themes and sub-themes. The authors followed a step-by-step approach to get the significant themes since the desk review. The findings of the study are presented in two main sections (a) the flow of Japanese FDI in Bangladesh and (b) the flow of Japanese FDI in ASEAN. Again, these two sections were divided by four sub-themes — (a) business environment, (b) Japanese companies and FDI, (c) government initiatives and (d) challenges of Japanese FDI in the respective countries.

4. Findings

4.1 Flow of Japanese FDI in Bangladesh

4.1.1 Business Environment in Bangladesh

Based on the study, it can be said that, Bangladesh has emerged as an attractive destination for FDI over the past one decade. The business environment in Bangladesh is a dynamic mix of opportunities and challenges. With a population exceeding 160 million, the country offers a large consumer base. Bangladesh has come out as a compelling destination for Japanese investment due to its recent economic growth, resilience during the Covid-19 pandemic, access to a young and educated workforce, expanding middle class and strategic geopolitical location. In this regard, some of the key interviewees argued that, the human resources and quality of labour in Bangladesh have improved in the last decade, which is good for a better business environment in Bangladesh. Also, the country is a highly populated country with huge human resources available at cheapest wages. Hence, Japanese investors are keenly interested in investing in Bangladesh because the wage is lower than Japanese workers. In that case, they can gain more profit than other countries in South-East Asia. For that reason, many Japanese companies are focusing on Bangladesh because most of the ASEAN countries have become developed and expensive. They have a shortage of labour and have some internal problems.

In terms of infrastructural development, it is widely recognised that, infrastructural development has been a priority for Bangladesh to support economic growth and attract foreign investment. Bangladesh has been actively investing in infrastructural development to buttress its rapid economic growth. The country is also expanding its power generation capacity, improving road networks and modernising ports. These infrastructural developments are critical in positioning Bangladesh as an attractive destination for investment and fostering regional connectivity. Some of the interviewee pointed out that Bangladesh is now trying to develop its infrastructure and have basic infrastructure like deep-sea port. Taking this into consideration, investment of Japanese giant corporations in the mega infrastructure projects in Bangladesh is increasing, which is considered as a confidence booster for other sectors' investors.

While Bangladesh offers a conducive and welcoming atmosphere for foreign investors, challenges such as infrastructural limitations, intricate bureaucratic process and political uncertainties can impede the smooth operation of businesses. It has been seen in the findings of the study that, Bangladesh has tight business policies. Regarding this, some of the interviewees argued that, the government's rules and regulations, particularly government-imposed tax and customs, are a little bit challenging in Bangladesh's business environment. Nevertheless, new export-oriented industries want to come to Bangladesh because of competitive labour, overall good quality and government's initiative with tax issues, but Bangladesh's business environment is not ready for inviting Japanese investment or any other countries' because the overall business environment is not really welcoming.

Furthermore, some Japanese highlighted the issue of cultural differences between Japan and Bangladesh. These cultural distinctions are seen as potential barriers that may dampen their enthusiasm for investing in Bangladesh. In this regard, some of the interviewees argued that recently, no new Japanese companies have invested in Bangladesh because of no social life here, which is quite popular in Japanese society and there is a contradiction between Bangladesh and Japanese cultures.

4.1.2 Japanese Companies and FDI in Bangladesh

Due to a flexible labour market, high purchasing power parity and higher profitability, the operation of Japanese companies is rapidly increasing in Bangladesh.

Bangladesh has also become an attractive destination for labour-intensive industries like textiles and manufacturing. At present, about 315 Japanese companies are operating in Bangladesh and, according to the JETRO, about 50 new Japanese companies are arriving in Bangladesh every year with their investment proposals. On the other hand, a comprehensive survey by JETRO in 2019 revealed a noteworthy trend. Among the 5,073 Japanese companies operating across 20 countries in the Asia-Pacific region, a substantial 73.2 per cent of them have explicitly identified Bangladesh as their key focus for future business expansion in the coming years. In the interviewes, it was also revealed that there are 32 thriving Japanese industries in the 8 Export Processing Zones (EPZs), with a total investment of US$540 million and providing employment opportunities to 15,644 individuals. Remarkably, Japanese industries rank second highest in terms of investment in EPZs among all countries investing in Bangladesh. The country's development of Special Economic Zones (SEZs) and Japan's participation in projects like Airport Expansion further highlight the strengthening ties and friendly relations between the two nations. Cheap labour and a huge market, on the other hand, make Bangladesh an increasingly attractive option for Japanese investment. Moreover, Bangladesh boasts a sizable and rapidly growing consumer market. With a population exceeding 160 million, the country represents a significant consumer base for various industries. Bangladeshi people, particularly females, like to use Japanese cosmetic products. In fact, Japanese companies understand well that selling small items in Bangladesh is more profitable. For that reason, JETRO is trying to encourage Japanese to invest in FMCG (fast moving consumer goods) such as cosmetics, food, plastic items, soap, toiletries, jewelry items, ornaments, washing powder, shampoo, body spray, body wash and so on.

4.1.3 Bangladesh Government Initiatives

The Bangladesh government has been proactive in its effort to attract Japanese investment by implementing various initiatives and policy reforms. Multiple steps have been taken to expand the scope of incentives to attract more FDI, improve the investment climate, promote economic growth and strengthen bilateral ties. Among the major initiatives, Bangladesh has established Special Economic Zones (SEZs). These zones are expected to offer various incentives and benefits to investors, including tax exemption, duty-free imports of raw materials and easy customs procedure. In this regard, some of the interviewees argued that Bangladesh's initiatives to establish a number of SEZs like Araihazar and Bangabandhu Sheikh Mujib Shilpa Nagar in Mirsarai could be a game-changer in Bangladesh's economic growth as more Japanese investors will come to invest in the SEZs.

Besides, the Bangladesh government is providing 100 per cent foreign ownership, no ceiling on foreign investment and one-stop service of the Bangladesh Export Processing Zones Authority (BEPZA) for simplifying services. As the country's official organ responsible for promoting, attracting and facilitating foreign investment in the EPZs, BEPZA also initiated different policies. They are providing all kinds of information regarding the investment environment in Bangladesh. The information of existing and potential investors is available on BEPZA website, which is updated in real time. Besides, BEPZA publishes brochure in Japanese language for prospective Japanese investors. As a member of the 'Working Group on Improvement of Investment Climate (IIC)' committee, BEPZA conducts routine meetings with Japanese Embassy and JETRO to work on improving the investment climate of EPZs for Japanese investors.

In the last few years, Bangladesh has undergone substantial reform initiatives. The central bank has issued circulars as part of the Global Foreign Investment Tracker (GFIT) to review policies about remittance royalties, loans, fund procurement and foreign exchange. These changes are meant to make it easier for foreign investors to do business in Bangladesh by improving the investment climate and simplifying foreign exchange policies. As part of this, the Bangladesh government has formulated the 'One-Stop Service Act' to reduce administrative barriers for business and allows investors to obtain permits, licenses and approvals more efficiently. Furthermore, BEPZA has established the Regional One-Stop Service Center each in 08 zones. It is also working on the online service portal to provide One-Stop Service to its investors more efficiently. In this regard, Memorandums of Understanding (MoUs) have been signed with some other service providing organisations.

As important organs of the Bangladesh government, both BEPZA and BIDA are working more relentlessly to woo foreign investment and enhance the investment climate and foster a welcoming atmosphere for Japanese investors in Bangladesh. They took different initiatives to provide best opportunities to the Japanese investors to invest in Bangladesh. BEPZA oversees export processing zones, providing dedicated infrastructure and investor incentives while BIDA acts as a one-stop service provider, offering investment support and ensuring a favourable regulatory environment. In this regard, abundance of workers, competitive labour cost, less production cost, low utility cost, minimum rent for plots and factory building, readily available plots and standard factory building, and different fiscal and non-fiscal incentives are the major competitive benefits on offer by BEPZA. In terms of BIDA, it is also identified that, BIDA is trying to help and develop ties with existing investors. BIDA has identified 45 issues issues to improve the investment condition in Bangladesh and based on those issues, it is working on ease of doing business for ensuring a favourable business environment such as port capacity development, customs clearance in port, taxation, clearance and warehouse.

However, although the Bangladesh government has initiated a number of policies to attract more Japanese investors and simplify foreign investment policies in Bangladesh, the enforcement of these attractants is vitally important. In this regard, it is argued that, even the government of Bangladesh took some initiatives but those do not give the right solution to Japanese companies. The ‘One-Stop Service Act’ has been formulated, but its execution still remains a reverie.

4.1.4 Challenges of Japanese FDI in Bangladesh

A number of challenges have emerged that impedes Japanese FDI in Bangladesh. One significant stumbling block hindering investment here is the lack of knowledge and effective communication among the Bangladeshi people. Japanese companies and investors cannot believe in available information because they find it contradictory and thus get trapped in problems. Language differences also impede communication between Bangladeshi stakeholders and potential Japanese investors. It is informed by some of the interviewees that almost all the government policies are available in English. So, it is difficult to interpret as the translators are not available.

A prevailing issue in the endeavour to attract Japanese interest and investment towards Bangladesh lies in the relative obscurity of Bangladesh within the Japanese consciousness. Japanese individuals and businessmen exhibit a notable dearth of information pertaining to Bangladesh’s business policies, real business environment and market conditions. This information gap is notably compounded by the overshadowing presence of India, a neighbouring giant in terms of both population and market size. In this regard, the Bangladesh Embassy in Japan can play a leading role. In this regard, interviewees argued that, when the Bangladesh Embassy in Japan arranges any seminars, they mainly focus on the good side of Bangladesh. But investors also want to know the prospects and challenges of both. If they know the challenges before coming to Bangladesh, they can come with preparations. But without any information about the challenges, they became confused.

Inconsistent policies and a lack of inter-agency cooperation within Bangladesh have been one of the major impediments to effectively attract Japanese FDI. Bangladesh experiences frequent policy changes that lack systematic procedure, defined timeframe or prior information. This inconsistency poses a considerable challenge for potential investors who require a certain degree of stability to make informed decisions and prepare for investment. A prevailing issue arises from a lack of clarity and a scarcity of comprehensive information available. Additionally, document processing tends to be time-consuming. Investors will be better equipped to prepare adequately if policies are subject to systematic and well-timed alterations and if prior information is provided. Some of the interviewees shared their concern by stating that Policy and rules in Bangladesh are not consistent. For example, the incentive for investment is not implemented in line with the original policy and there is a tendency of changing policy frequently without informing others.

Most of the respondents from Japanese companies working in Bangladesh think that the customs procedure and taxation present notable challenges for Bangladesh in attracting Japanese FDI. Complex customs processes at Bangladeshi ports result in delays and added expenses for imports, hampering supply chains. Japanese businesses often require smooth and efficient logistics to maintain their competitiveness. Delays in customs clearance disrupt supply chains and production schedules. On the other hand, Bangladesh's tax policies have been a concern for Japanese investors. High tax rates can erode the profitability of investment, making them less appealing.

Furthermore, the risk of facing double taxation, where income is taxed both in Bangladesh and Japan, also discourages Japanese businesses from expanding into Bangladesh. Clear tax treaties and agreements are necessary to mitigate this issue and ensure that businesses are not unfairly burdened with double taxation. In this regard, some of the interviewee argued that even though Bangladesh has a double taxation avoidance treaty, the country is still facing challenges in the tax administration. Regarding customs clearance in Bangladesh, some of the interviewees shared their experience that the Customs clearance in Bangladesh takes 5-10 days. As a result, prices of products increase and companies face a huge loss. The government has reduced finished products' tax to 20 per cent from 25 per cent. On the other hand, raw materials' tax has remained constant at 25 per cent, meaning production costs will increase because raw materials come from abroad. Moreover, foreign companies do not get that facilities what local companies do.

On the other hand, it also reveals that four respondents think corruption serves as a major barrier to attract Japanese FDI in Bangladesh. Despite the country's effort to combat corruption, it still remains a big concern that hinders the establishment of a favourable investment climate for Japanese investors. It increases the cost of doing business as investors may be forced to pay unofficial fees or engage in bribery to navigate through bureaucratic processes. Therefore, Japanese companies, renowned for their commitment to ethical business practice, find such practices here unacceptable. Some of the interviewees pointed out that, to set up a business requires getting 20-22 licenses. Every license has a fixed fee. The Japanese are not directly asked for any bribe. But when they send their representatives, they are forced to give bribe. On the other hand, if the official bribe is Tk 10,000, staffers ask for Tk 50,000. Sometimes business partners also embezzle money by showing excuses of a huge amount of bribe. According to most of the interviewee, barriers like License renewal, supplementary fees, administrative hassle, procedural complexities plus official corruption exist in Bangladesh.

4.2 Flow of Japanese FDI in ASEAN

4.2.1 Business Environment in ASEAN

The business environment in Vietnam, Thailand and Indonesia have undergone a significant transformation in recent years, making these ASEAN countries increasingly attractive destinations for Japanese investment. Japanese companies have been drawn to these countries by different factors such as market potential, cost advantages and strategic positions. For example, although the attraction of labor cost is decreasing, the quality of workers and infrastructure is getting better in Vietnam. IT engineers and start-up companies are growing in Vietnam. Apart from Japan, companies from other countries are also increasingly investing in Vietnam. According to the interviewees, Vietnam has another strong point. It has an FTA and it has joined CPTPP and RCEP. Vietnam manufacturing companies can use FTA to trade overseas on good terms and conditions. Japan and Vietnam have an FTA between them. Hence, Vietnam is a very attractive country for Japanese investors. It has over a 100 million population with a quite high economic growth rate amid a stable government policy.

ASEAN countries do not offer tax relaxation to Japan but provide advantages a huge consumer market, similar culture and society structure, industrial revolution-based facilities, resource mobilization, tax benefit, easy and fast visa facilities, diversification of investment sectors and easy communication to Japan. In the case of Thailand, the living condition of Thailand is great. Due to the rising service sector, almost 70,000 Japanese nationals are living in Thailand. Despite Thailand's comparatively smaller market size, it stands out due to an extensive network of business partnerships. Besides, in Indonesia, although the business environment in Indonesia is pessimistic, there are a number of competitors like China, Korea and Bhutan still operating amid increasing manufacturing cost or human resources cost in Indonesia.

4.2.2 Japanese Companies in ASEAN

ASEAN is one of the most accumulated investment areas for Japanese companies. ASEAN is the manufacturing base for Japanese companies. Over the past few decades, Japanese companies have been steadily expanding their footprint in

South-East Asia, particularly in Vietnam, Thailand and Indonesia. These three countries have emerged as attractive destinations for Japanese businesses seeking to tap into the region's consumer market, investment-friendly environment, skilled labour and geographical location. The Japan Bank for International Corporation (JBIC) conducted its annual survey in 2021 to identify the most prominent country for Japanese companies. According to the JBIC survey, China was identified as the top destination, followed by India in second place, the United States ranked third, Vietnam securing the fourth position, Thailand coming in fifth, and Indonesia occupying the sixth position. However, among these three ASEAN countries, Vietnam is on the top to attract more Japanese companies in recent times. Currently, there are 2,000 Japanese companies in Vietnam. According to the 2021 JETRO survey, 55 per cent of Japanese companies in Vietnam plan to expand their business in a year or two. This rate is the highest in ASEAN countries. According to the survey, Vietnam is the top attractive country for business in Asia. Alongside SMEs, large companies have their production bases in Vietnam and they have chances to expand their business in Vietnam more. Besides, there are a number of issues that attract Japanese companies in Vietnam such as low labour cost, secured human resources in workers and management staff, expanding market, and stable politics and society. These attractions are pointed out not only in Vietnam, but also in other ASEAN countries

On the other hand, It also reveals that there are around 2,000 Japanese companies in Indonesia. More than 70 per cent of them are located near Jakarta. Regarding this, interviewees argued that, in 2009, when the world financial crisis happened, Indonesia had stable economic growth during those times. Many Japanese automobile sectors like tier 1, tier 2 and tier 3 companies went to Indonesia to support assembly companies like Toyota. During 2010, 2011 and 2012, Indonesia was considered as the top destination for Japanese companies in South-East Asia. But in the contemporary era, Japanese FDI in Indonesia has decreased when compared to Vietnam and Thailand. The potential growth market and the cheap labor were the key reasons to invest in Indonesia. In 2020, nearly 6,000 Japanese companies made a foray into Thailand as it boasted a substantial number of Japanese manufacturing firms compared to other ASEAN countries. Furthermore, the non-manufacturing sector is currently experiencing growth. Regarding this, interviewees argued that, accumulation of basic industry is great in Thailand. A lot of SMEs are in Thailand, which can make products for large industries. Electric infrastructure, road infrastructure and port infrastructure are good in Thailand. In total, Thailand is a great country for the manufacturing sector.

4.2.3 Government Initiatives to Attract Japanese FDI

The efforts made by governments of these three countries, ASEAN, to attract more foreign investment are noteworthy. For example, Vietnam has emerged as a top spot for manufacturing investment due to its strategic location and advantages in shipping, competitive labour and production costs. Furthermore, due to a number of initiatives taken by the Vietnam government, the manufacturing processing sector continued to receive the majority of the nation's FDI in 2020. Then, Vietnam is a desirable hub for production due to its relatively large and educated pool of workers. The government has offered a variety of vocational education and training programs for making a pool of educated labourers. Hence, Vietnam has some attractions for manufacturers like low labor cost, adequate workers, tax incentives, sufficient infrastructure in developed industrial parks, expanding market, and increasing population and income

On the other hand, the Thai government allowed Japanese visitors without visa to increase the number of Japanese visitors in Thailand. Even in 2019, Thailand approved the 'Thailand Plus' policy to increase FDI. In this regard, government agencies have developed their services and initiated one-stop services to promote Japanese investors. Another positive thing is the service delivery by government agencies. These are faster, particularly for Japanese investors. Thailand also introduced one-stop service for investors and visa facilitation. They took the policies of reskilling and upskilling the manufacturing sector. Regarding corruption, interviewees highly agreed that there is not so much corruption in Thailand. Some speed money in visa issues is seen to get a quick visa in Thailand. Besides, customs processing in Thailand is very good. Logistics performance index according to the World Bank is smooth in Thailand. The policy is very clear and friendly for Japanese companies. Thailand also provided the EEC (Eastern Economic Corridor), an area where many Japanese companies are located. They offered good incentives for the EEC area.

Like Vietnam and Thailand, the Indonesian government has initiated a number of policies to attract more Japanese FDI. They have initiated four types of economic zones, including industrial parks, special economic zones, tourism zones and free trade zones. The Indonesian government supports the creation of industrial parks because they help to manage land use, promote environment-friendly economic growth and offer certainty in the planning and building of infrastructure. Besides, the Indonesian government has identified 10 tourist destinations. The state offers incentives in the four trade zones — Sabang, Bintan, Karimun and Batam — to encourage both domestic and international firms. The Indonesian government also released Government Regulations (GR) 45/2019 in 2019, outlining a number of tax breaks for companies investing in labour-intensive industries, training programs, and research and development (R&D).

4.2.4 Challenges of Japanese FDI in ASEAN

Japanese FDI has played a significant role in the economic development of South-East Asian countries like Thailand, Vietnam and Indonesia. Over the years, Japanese companies have established their strong presence in these nations, contributing to economic growth of the host countries. However, despite the advantages of investing in these countries, there are also challenges that Japanese FDI faces. For example, while these countries have a relatively skilled labor force, there are concerns about labour shortages and rising wages. For example, the major challenges in Vietnam are increased wages, complicated and unclear procedure in tax and customs. These challenges are pointed out in other ASEAN countries as well. But the situation in Vietnam regarding critical matters is a bit better than other ASEAN countries. Worker cost in Thailand is also higher than other ASEAN countries. Worker cost in Thailand is almost close to China's. And, in Indonesia, increasing wages, tax issues and quality of labour are most problematic for Japanese companies. Manufacturing cost and labour cost are higher than the service sector. Manufacturing cost is becoming higher than in Thailand

ASEAN countries' regulatory environment is often perceived as complex and subject to frequent changes. Navigating through the legal framework, especially in sectors like tax, currency exchange rate, export-import regulations and foreign ownership restrictions, can be challenging for Japanese investors. For example, most of the Japanese companies face complicated procedures, and unclear laws and policies to grow up industries in Vietnam. In terms of tax incentives, Thailand is not so good but their effort is great for business compared to other countries. And, in Indonesia, the government basically wants to reduce the amount of import, which affects Japanese companies' operations there. Owing to some regulations in importing items like steel, semi-conductors or air conditioners, it becomes a big problem for Japanese companies. Japanese companies are facing the problem of import regulations. So, this sudden change in regulation of importing products, particularly air conditioners, is becoming the key challenge for Japanese companies in Indonesia.

One of the major concerns in the ASEAN countries is that a few ASEAN countries, particularly Thailand, have experienced periods of political instability, which can create uncertainties for business. Political instability and changes in government affect long-term planning and decision making for Japanese companies.

Another overriding issue is the rising volume of investment of China and the USA in the ASEAN countries. These two countries' substantial investments in ASEAN countries can indeed pose challenges for Japanese FDI. Increased competition for resources, infrastructure projects and market access may raise costs and reduce opportunities for Japanese investors.

5. Discussion

5.1 Investment Incentive Measures by ASEAN

To attract and promote Japanese FDI, ASEAN countries Thailand, Vietnam and Indonesia have taken different policies, laws and regulations. Since the inception of its economic reform in 1986 (from a planned economy to a market economy), Vietnam has been highly successful in attracting a large flow of inward FDI and became the third-largest recipient of FDI in the ASEAN region.[26] By enacting this new FDI-related law in 1987, Vietnam was able to remove a variety of barriers to foreign investors' activities, thereby improving the investment climate in the country[27]. Even, compared to most Asian nations, Vietnam's investment laws and regulations have become quite liberal[28] by giving greater tax incentives, streamlining investment licensing procedure and boosting technology transfer. The Vietnam government revised their 1987 law four times in 1990, 1992, 1996 and 2000, which made to provide foreign investors additional rights, improve the investment climate and close the policy gap among domestic and international investors[29]. Vietnam eventually revised its existing rules and regulations to treat domestic and international firms equally by enacting a new 'Unified Law of Investment' on 29 December 2005, which followed the WTO's non-discrimination norm.[30] Furthermore, in July 2020, Vietnam's National Assembly ratified the 'Law of Investment', which grants incentives to projects with a capital investment exceeding VND3 billion (US$128.4 million).[31] Additionally, Vietnam has established a dedicated working group tasked with advising the Prime Minister on matters related to investment cooperation

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[26] Nguyen Ngoc Anh & Nguyen Thang, "Foreign Direct Investment in Vietnam: An Overview and Analysis the Determinants of Spatial Distribution Across Provinces," *MPRA Paper,* no. 1921 (2007).

[27] *Ibid.*

[28] Schaumburg-Muller," Rise and fall of foreign direct investment in Vietnam and its impact on local manufacturing upgrading," *The European Journal of Development Research* 15, no. 02 (2003): 44–66.

[29] Thann Tri Vo and Duong Anh Nguyen, "Experiences of Vietnam in FDI Promotion: Some Lessons for Myanmar," in *Economic Reforms in Myanmar: Pathways and Prospects*, ed. H. Lim and Y. Yamada, *BRC Research Report*, no. 10 (Bangkok: Bangkok Research Center, IDE-JETRO, 2012).

[30] Nguyen Ngoc Anh & Nguyen Thang, "Foreign Direct Investment in Vietnam: An Overview and Analysis the Determinants of Spatial Distribution Across Provinces," *MPRA Paper,* no. 1921 (2007).

[31] "Japanese Investment Shift from China: Opportunity for Bangladesh Amidst Challenges," LightCastle*,* July 02, 2020.

mechanisms, policies and standards. On the other hand, despite the fact that the Thai Land Code forbids foreigners from owning land, other Thai legislation offers provisions for foreigners to legally own companies in Thailand.[32] Thai foreign investment rules are comparatively straightforward and transparent. Thailand has steadily developed into a significant consumer market on its own. The presence of numerous Japanese firms in Thailand, particularly in the car industry, has resulted in a reasonably complete supply chain, which is another important element for huge manufacturers. Thailand and Japan signed the provisions of the Japan-Thailand Economic Partnership Agreement (JTEPA) to encourage greater Japanese FDI. The JTEPA provides for a higher degree of engagement in various enterprises, including retail, wholesale and restaurant businesses.[33] Besides, the Board of Investment (BoI) of Thailand was set up under the Investment Promotion Act 1977 (IPA),[34] which gives promotional privileges that include 100 percent foreign ownership as well as tax (tax holidays and tariff exemptions on imports) and non-tax benefits (permission for foreign nationals to take full ownership of the business, beneficial visa and work permit policies). On 21 December 2020, the BoI authorized a series of initiatives to support business in Thailand and the adoption of digital technology.[35] Likewise, the Indonesian government has taken significant policies to attract Japanese investment. They set up the 'One Stop Service (PTSP) Center' at the Investment Coordinating Board (BKPM) office in 2015 to make things easier for investors. They also launched the 'National Single Window for Investment Portal (NSWI)' to provide information about investment feasibility and licensing guidelines.[36] Due to these efforts, Japan has played a key role in supporting Indonesia's economic development by contributing to trade, investment and technical cooperation, especially in the industrial sector. One of the vital sectors is the automotive industry, which remains a top priority for Japanese investors in Indonesia.

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[32] Abdullah-Al-Mamun, Shiblee Noman, and Md. Saifullah Akon, "Japanese FDI and Development Vision of Bangladesh: Lessons from Thailand," *Perspectives in Social Sciences* 19 (2021): 9–32.

[33] "Strategies for Japanese business investing in Thailand," Asia Business Law Journal, April 14, 2021, https://law.asia/strategies-japanese-businesses-investing-thailand/

[34] Wattanadumrong, Alan Collins, and Martin Snell, "Still big in Bangkok? An empirical analysis of the regional distribution of foreign direct investment in Thailand," *International Journal of the economics of business* 17, no. 03 (2010): 329–348.

[35] "Strategies for Japanese business investing in Thailand," *Asia Business Law Journal,* April 14, 2021. https://law.asia/strategies-japanese-businesses-investing-thailand/.

[36] Anton Minardi and Putri Irma Maulani, "Implementation of Indonesia's Foreign Investment Policy in the Development of Japan Foreign Direct Investment in Indonesia," in *ICASI 2019: Proceedings of the 2nd International Conference on Advance and Scientific Innovation* (Ghent: European Alliance for Innovation, 2019), 178.

5.2 Lessons for Bangladesh

FDI is a critical driver of economic growth and development in many countries, and Bangladesh is keen to attract more Japanese FDI as a powerful tool to boost its economy. To achieve this, it can draw valuable lessons from the experiences of other ASEAN countries like Thailand, Vietnam and Indonesia. These countries have successfully attracted substantial Japanese investments over the years, and their strategies can serve as a blueprint for Bangladesh's efforts in this regard.

5.2.1 Properly Implementing One-Stop Service

Bangladesh should establish and properly implement one-stop service center and enhance existing agencies to simplify administrative procedures for foreign investors. Thailand's Board of Investment and Vietnam's Investment Promotion Agency (IPA) and Indonesia's BKPM serve as excellent role models. These agencies facilitate investment by providing information, assistance and serves as a central point for inquiries and approvals. Such initiatives in Bangladesh could enhance administrative processes, reduce bureaucracy and improve transparency.

5.2.2 Tax Incentives

ASEAN countries provide tax incentives and reduced import duties.[37] These incentives are designed to attract investments in specific sectors. As tax and custom procedure is one of the main challenges to invest in Bangladesh, it can introduce sector-specific tax incentives and investment packages to make the country more appealing to Japanese investors. Customs clearance for imports in Bangladesh takes the longest time among Asia-Pacific countries.[38] To address this issue, the Bangladesh government can offer incentives to investors akin to what Vietnam is doing. In Vietnam, investors in export zones enjoy a 10-year tax holiday with a full tax exemption for the first three years.[39] The Bangladesh Economic Zones Authority (BEZA) has suggested a tax holiday of seven years for industries investing a minimum of US$100 million and 10 years for those investing US$200 million.[40] If this proposal

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[37] Wandy Zulkarnaen, Erfan Erfiansyah, Syahril, Neneng Nurbaeti Amin, and Dino Gustaf Leonandri, "Comparative Study of Tax Policy Related to COVID-19 in ASEAN Countries," *International Journal of TEST Engineering & Management* 83, no. 02 (2020): 6519–6528.

[38] "Japanese Investment Shift From China: Opportunity for Bangladesh Amidst Challenges," LightCastle, July 02, 2020.

[39] Oxfam, *Assessing Vietnam's Tax Incentive Policies*, September 2016, https://cng-cdn.oxfam.org/vietnam.oxfam.org/s3fs-public/file_attachments/Oxfam%20Tax%20incentive%20report%20ENG.pdf.

[40] "Factories leaving China: Can Bangladeshi seize the opportunity?" The Business Standard, May 14, 2020. https://www.tbsnews.net/economy/factories-leaving-china-can-bangladesh-seize-opportunity-81154.

is put into action, it can attract investment not only from Japan, but also from investors from other countries in the near future.

5.2.3 Skilled Manpower

ASEAN places a strong emphasis on developing a skilled workforce. They have a skilled workforce, which is a significant attraction for foreign investors. In that case, Bangladesh should also focus on improving skills and productivity of its workforce. As Bangladesh is currently enjoying a demographic dividend,[41] the country should train and groom the highly potential youth for foreign companies. Bangladesh is developing SEZs and expecting to attract more FDI in these economic zones. So, a good number of skilled workforce are needed to facilitate the companies in these economic zones.

5.2.4 Post-LDC Graduation Preparation

Bangladeshi is becoming a middle-income country by 2026 and it may lose duty-free quota-free trade facility in different countries. Bangladesh will not be eligible for Generalized System of Preferences (GSP) after LDC graduation.[42] To recover losses, Bangladesh needs to rethink about signing trade and investment agreements with different countries. In the case of ASEAN, they have a number of trade agreements with different countries. For example, Thailand is a part of ASEAN Free Trade Area (AFTA) and has bilateral agreements with Japan. Vietnam's participation in trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) enhances its attractiveness to investors. Taking these bilateral and multilateral arrangements as examples, Bangladesh should not sit tight and it is opportune time for the country to explore opportunities to participate in regional and bilateral trade and investment deals. In this regard, EPA with Japan could be significant for Bangladesh during the post-LDC graduation period to get preferential access to markets and protect investments. Additionally, Japanese enterprises operating in Bangladesh encounter challenges when it comes to sourcing raw materials and components locally. Manufacturing companies in the country only procure about 23 per cent of their required raw materials domestically.[43] Consequently, these companies are compelled to import raw materials from other

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[41] Nusrat Jafrin, Masnun Mahi, Muhammad Mehedi Masud and Deboshree Ghosh, "Demographic dividend and economic growth in emerging economies: Fresh evidence from the SAARC countries," *International Journal of Social Economics* 48, no. 08 (2021): 1159–1174.

[42] Mohammad Masudur Rahman & Anna Strutt, "Costs of LDC graduation on market access: evidence from emerging Bangladesh," *Economic Systems Research* 36, no. 01 (2024): 24–45.

[43] Abdullah-Al-Mamun, "The Aid Effectiveness Agenda in Bangladesh" (Doctoral thesis, University of Huddersfield, 2020).

nations, leading to increased operational costs. Therefore, Bangladesh should prioritise efforts to enhance the local procurement of raw materials.

6. Conclusion

One of the most promising nations in South Asia, Bangladesh has been rightly on the road to joining the ranks of the developed nations of the world. Alongside attaining 'SDGs', Bangladesh is striving to give the economy a big boost. The Bangladesh government has approached the Japanese government in an effort to whip up support for Bangladesh's goal of becoming a developed nation and fulfil its SDGs. In pursuit of achieving the SDGs, the Bangladesh government is putting forth a considerable effort to attract increased Japanese FDI inflows. However, there are several challenges that need to be addressed in phases to successfully draw Japanese FDI in Bangladesh. Among these challenges, there is the slow decision-making process, the need for improved infrastructure and logistic support, and the availability of highly skilled tech workers. Overcoming these obstacles is crucial to creating a favourable environment that can attract and retain Japanese investment, contributing to the country's sustainable development goals. In this regard, it is imperative to reflect on the valuable lessons derived from the experiences of ASEAN.

Currently, Thailand has more than 5,000 Japanese companies, Vietnam has 2,000 and Indonesia has 1,500. In contrast, more or less 340 Japanese companies are registered in Bangladesh mainly due to perceived distance barriers and other obstacles discussed above. For higher Japanese FDI here, the Bangladesh government should create policies that encourage foreign investment and create a level-playing field. Bangladeshi local firms can partner with Japanese counterparts to invite them for sharing knowledge and technology. The lack of local industries supplying raw materials is a challenge that needs to be addressed immediately, and local support to this end should be increased. Furthermore, many Japanese people think that Bangladesh is not a safe place, particularly after the Holey Artisan Bakery attack in 2016. So, the image of the country to the Japanese people needs to be brightened. More seminars and conferences need to be hosted to show how Bangladesh is secure and safe for Japanese people. Finally, looking at ASEAN's success, Bangladesh must reform its policies to become more attractive to investors.

Annex: List of Interviewees

Number of Interview(s)	Designation(s)	Organization(s)
Japanese Companies in Bangladesh		
A	Founder and CEO	Kaicom Solutions
B	Managing Director	Towa Personal Protective Device Bangladesh Ltd.
C	Chairman	Kokorozashi & Kazuko Bhuiyan Japanese Cultural Center
D	Managing Director	CAT Garment Co. Limited
E	Officer	Onoda Inc.
Government and Non-government Officials in Bangladesh		
F	Executive Chairman	Bangladesh Export Processing Zones Authority (BEPZA)
G	Executive Chairman	Bangladesh Investment Development Authority (BIDA)
H	Secretary General	Japan Bangladesh Chamber of Commerce & Industry (JBCCI)
JETRO in Bangladesh and Three ASEAN Countries		
I	Director	JETRO, Vietnam
J	Country Representative	JETRO, Bangladesh
K	Director	JETRO, Thailand
L	Director	JETRO, Indonesia
Multi-national Companies (MNCs) in Bangladesh and ASEAN		
M	Country Chairperson in Bangladesh	Mitsui & Co. (Asia Pacific) Pte. Ltd.
N	General Manager	Tekken Corporation
O	Country Representative in Bangladesh	Terra Motors