

Japan EPA opens doors, reforms now vital

FE REPORT

Business leaders and policy experts on Tuesday urged the government to tackle long-standing structural bottlenecks to fully capitalise on the newly signed Economic Partnership Agreement (EPA) with Japan, warning that the deal alone will not automatically boost trade and investment.

They said that while the agreement offers significant market access opportunities, its success will depend on swift implementation of domestic reforms and export diversification. The call came at a roundtable titled 'Export Potentialities under Bangladesh-Japan EPA: Challenges and Way Forward', organised by the Export Promotion Bureau (EPB) at its office in the capital.

Bangladesh signed its first-ever EPA with Japan on February 6. Under the agreement, 7,379 Bangladeshi products will enjoy 100 per cent duty-free access to the Japanese market, while 1,039 Japanese products will receive duty-free access in phases.

Business leaders say structural bottlenecks must be removed to unlock full trade and investment gains

AKM Asaduzzaman Patwary, secretary general of the Dhaka Chamber of Commerce and Industry (DCCI), said the focus must now shift from celebration to implementation.

"We need to assess how effectively and how quickly the EPA can be translated into tangible economic gains," he said. He noted that Japan has signed EPAs with nearly 20 countries with notable results.

Following the Japan-India EPA, bilateral trade reportedly rose to around \$18 billion, while Japan-Vietnam trade increased from about \$24 billion to nearly \$51 billion.

"These figures are encouraging, but we must avoid complacency. The real

challenge is whether Bangladesh can replicate such success," he said. Citing reports by the Japan External Trade Organization (JETRO), Patwary said Bangladesh is often identified as a promising destination for Japanese investors.

However, administrative delays, infrastructure gaps, supply chain disruptions, customs complexities and regulatory bottlenecks continue to hinder investment, he said.

"Japan's outward FDI stood at roughly \$500 billion in 2025, yet Japanese FDI stock in Bangladesh is only about \$500 million despite five decades of relations. This gap shows that signing agreements is not enough -- we must remove practical roadblocks," he added. He also stressed the need to diversify exports beyond readymade garments, highlighting opportunities in fintech, nursing, caregiving, engineering and IT-enabled services.

Addressing non-tariff barriers, including language constraints,

technical standards and compliance requirements, will be crucial to broadening the export basket, he added.

Asif Ashraf, managing director of Urmi Group and former director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said the EPA offers much-needed certainty for the RMG sector amid concerns over post-LDC duty implications.

"Japan's apparel import market is worth about \$20 billion, but Bangladesh captures only \$1.4 billion. To expand our share, we must diversify into manmade fibre-based products and ensure energy security, policy consistency and stronger R&D support," he said.

He added that the Japanese market requires patience, strict quality control and long-term commitment. Kanchan Miah, managing director of Arot Agro, said exporters of fresh vegetables are facing difficulties due to the suspension of the Dhaka-Narita direct flight and urged the government to resume the route to facilitate trade.

Professor Jahangir Alam, chairman of Dhaka

University's Japanese Studies Department, said exporters would struggle to do business with Japanese customers without strong quality assurance, as the market is highly stringent in its standards.

Stakeholders from academia and sectors such as ICT, pharmaceuticals, logistics, renewable energy, green technologies and agro-processing highlighted priority areas to strengthen bilateral trade and investment under the EPA framework.

Tareq Rafi Bhuiyan (Jun), president of the Japan-Bangladesh Chamber of Commerce and Industry, and Hajime Suzuki, executive officer of RX Japan Ltd, presented keynote papers emphasising preparedness, compliance and active participation in international trade fairs to expand market access.

Participants agreed that the EPA will deliver meaningful results only if backed by robust domestic reforms, capacity-building initiatives and targeted export diversification programmes. Mohammad Hasan Arif, vice-chairman and executive member of the EPB, moderated the session.

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IRAN-ISRAEL-US WAR

Export of green veg to ME halted

OUR CORRESPONDENT

CHATTOGRAM, Mar 03: The export of vegetables from Bangladesh, particularly Chattogram, to the countries of the Middle East has been stopped suddenly due to suspension of flights triggered by the escalating Iran-Israel-US conflict. Exporters and shipping agents warn that prolonged instability could soon disrupt garment shipments and push up global trade costs. They said the sudden suspension of Middle East-bound flights has already caused financial losses, with perishable goods rotting at airports and new shipments put on hold amid uncertainty over air cargo operations. Chattogram-based exporter Green World Impact transported nearly 1 MT of green vegetables to Shah Amanat International Airport for shipment to Dubai, one of Bangladesh's key export destinations for agricultural produce, on Saturday. However, airlines suspended most flights to Middle

Eastern countries following regional airspace closures, leaving the consignment stranded. The vegetables eventually spoiled, causing losses of around \$1,200. Owner of Green World Impact Mohammad Mahbub Rana said, "Every day, green vegetables and fruits worth around USD 250,000 are exported by air from Chattogram. After cancellations of flights, almost all prepared vegetables went to waste." Public Relations Manager of Shah Amanat International Airport, Chattogram Ibrahim Khalil said a total of 27 flights to and from Middle Eastern destinations have been cancelled over the past three days. He said, "On the first day, vegetables and fruits brought for export perished due to sudden cancellations. After that, we began informing exporters in advance about flight suspensions. As a result, no additional shipments were damaged in the last two days." nazimuddinshyamol@gmail.com



Deferment or not, we must prepare for LDC graduation



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SABBIR AHMAD

During my decades of studying and working abroad, I had the privilege of watching this country surprise the world repeatedly. It delivered infrastructure projects rising from barren lands, mobile connectivity reaching remote river-bound villages, and a garment industry rising from zero into a global force. Bangladesh has always found a way. But engineering a system at its early growth phase and sustaining it through maturity requires fundamentally different strategies. What got us here may not get us there.

That tension sits at the heart of Bangladesh's impending graduation from the LDC framework in November this year. A national consensus involving the government, major political parties, and the business community has emerged around seeking a deferment. A formal request has been made to defer graduation by three years to 2029, and the United Nations Committee for Development Policy (UN CDP) has started the process to assess the request. The deferment is understandable, but precisely what it is must be understood: a pause, or a solution. The more consequential question is what Bangladesh does with the time it has sought.

The arithmetic of graduation is sobering. Today, 73 percent of our exports benefit come from duty-free access to 38 countries under the LDC framework. Last year, 44 percent of our exports went to the EU alone. WTO estimates suggesting Bangladesh could forfeit up to 14 percent of total exports upon full graduation, portray a cliff, not a gentle slope. The safety net beneath that cliff is already fraying. Inflation in recent years has been persistently high compared to other South Asian countries, rising from 8.49 percent in December to 8.58 percent in January. Moreover, non-performing loans have ballooned to 35.73 percent of total disbursed loans as of September 2025. A deferment changes none of these realities. These are symptoms of a growth model that has reached a state that must be transformed now.

The depth of our vulnerability is rooted in structural concentration. Garments account for over 80 percent of our exports, generating \$39.34 billion in FY2025. This dependence

was rational when preferential market access was guaranteed and global labour arbitrage rewarded volume over value. That calculus is now shifting on two fronts simultaneously. First, automation is no longer a distant threat; it is a present reality. Robotic sewing systems, AI-powered quality control, and automated cutting technologies are progressively narrowing the human-machine cost gap. A competitive advantage built on cheap labour is a depreciating asset. Second, garments are precisely where our tariff exposure is most acute. The EU's average tariff on imported clothing from countries that do not enjoy special trade preferences is about 12 percent; for general industrial goods, it is about three percent. Our export basket, dangerously concentrated on apparel, makes post-graduation exposure severe. No amount of operational efficiency within garments alone can fully absorb that structural cost.

So where do we go from here? Export diversification must become a measurable government priority, not a rhetorical aspiration. Pharmaceuticals offer a compelling near-term pathway, although LDC graduation will end TRIPS-based patent waivers and cost exemptions. Yet, with the right investment in regulatory capacity and raw material sourcing, pharmaceuticals can evolve into a competitive export

Universities must cease functioning as degree factories and begin operating as incubators for data scientists, Very Large Scale Integration (VLSI) engineers, and software architects. Bangladesh can draw from models used in Germany and Singapore. Germany's dual system blends apprenticeships with vocational schooling, while Singapore's Technical and Vocational Education and Training (TVET) system is designed to

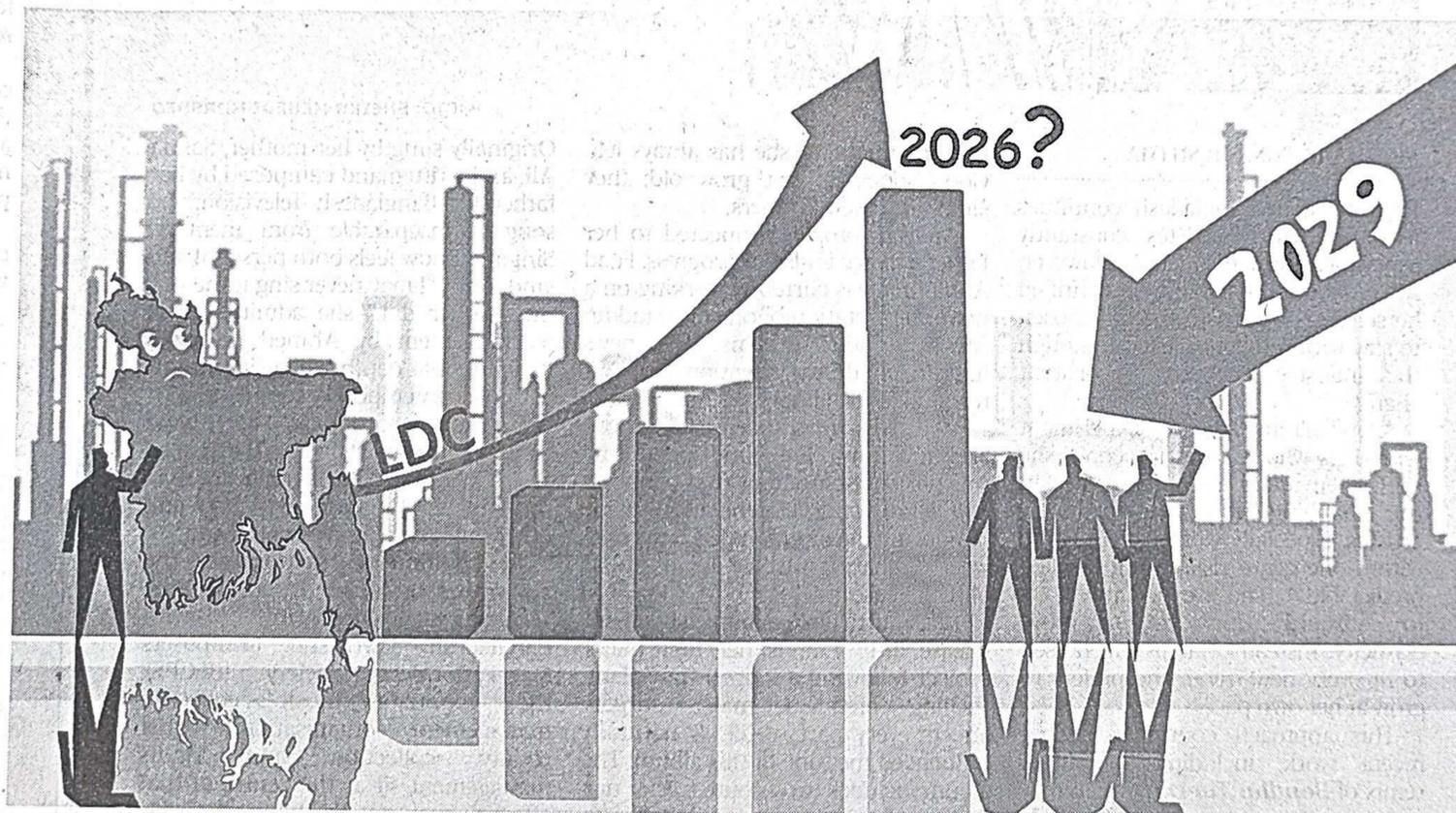


lead research institutions worldwide. These individuals represent not just remittance flows but intellectual capital, international networks, and industry access that money alone cannot buy. India, China, and Israel have each demonstrated that diaspora engagement, when formalised and sustained through structured frameworks: advisory councils, targeted tax incentives, mentorship programmes, functions as a genuine strategic multiplier. Bangladesh must pursue this with equivalent sophistication and far greater urgency.

International investors seek reliability above everything. Our current image, built on resilience under difficult conditions, is admirable but insufficient for the next chapter. Safety compliance, transparent governance, and consistent regulatory enforcement are prerequisites for the transition from low-cost supplier to precision manufacturing or design partner. This rebranding cannot be achieved through marketing alone; it must be earned through performance. Rigorous enforcement of regulations, demonstrating superior labour and governance standards, and delivering consistently on commitments to international partners are the building blocks of that transition. The Chinese model of streamlined Special Economic Zones, the Indian model of technical education and English-language services, and the Singapore model of uncompromising efficiency in a constrained geography each offer Bangladesh distinct and actionable lessons.

This country now requires a synchronised national strategy with clear milestones rather than aspirational lists. An AI-ready workforce through integrated technical education at every level. Stable, clean power infrastructure is essential for sensitive manufacturing or data centres. What we require are: formalised diaspora engagement with genuine incentives and recognition; comprehensive administrative and tax policy reform to increase investment and a strategic focus on three to five high-value industries where competitive advantage is achievable within a decade.

LDC graduation and the rise of automation may be potential challenges, but properly navigated, they become the catalysts for a long-overdue transformation. The era of the stitch is our proud history—the foundation upon which our prosperity has been built. The era of the chip, the code, and the precision instrument must define what comes next. We possess human capital, geographic positioning, and the demonstrated capacity for rapid structural adaptation. With the graduation clock—deferred or not—already ticking, a synchronised national strategy cannot wait.



VISUAL: BIPLOB CHAKROBORTY

industry under standard WTO rules. Beyond pharmaceuticals, ICT services, high-value food processing, advanced engineering, and outsourced semiconductor assembly and testing represent sectors where our demographic dividend: a young, growing, increasingly connected workforce can be deployed with targeted skill investment. These industries reward technical excellence, not wage competition alone. But no diversification strategy succeeds without addressing two structural constraints that we have long acknowledged: education and bureaucracy.

Our universities continue to prepare graduates for a job market that is rapidly becoming obsolete. The shift required is not marginal but a fundamental reorientation towards STEM disciplines, data analytics, AI literacy, and technical-vocational training aligned with 21st-century industrial demand.

respond quickly to economic needs. These models have shown that when technical education is genuinely valued by society and closely aligned with industry, it can drive broad economic transformation.

However, for such a transformation, the bureaucratic environment must be conducive. A dedicated single-window mechanism for FDIs staffed by officials who understand investors' requirements of a biotech facility or a semiconductor design service is not a luxury but a competitive necessity. Bangladesh must pursue administrative digitalisation with an urgency to transform bureaucracy so that it facilitates rather than stalls trade and investment.

One chronically underutilised asset deserves particular attention: our global diaspora. More Bangladeshi professionals now hold senior technical and managerial roles in multinational corporations and

Japan EPA won't be effective with domestic bottlenecks: Businesses

TRADE - BANGLADESH

TBS REPORT

Business leaders have warned that unless existing public and private sector barriers to investment and exports are removed, Bangladesh will not be able to fully utilise the opportunities created by the recently signed Economic Partnership Agreement (EPA) with Japan. Otherwise, they said, the agreement risks remaining only on paper.

They made the remarks at a seminar titled "Export Potential Under Bangladesh-Japan EPA: Challenges and Way Forward" organised by the Export Promotion Bureau (EPB) yesterday.

Dr AKM Asaduzzaman Patwary, secretary general of the Dhaka Chamber of Commerce and Industry (DCCI), said a study by the Japan External

MAJOR OBSTACLES TO INCREASING JAPANESE INVESTMENT IN BANGLADESH

> NBR- and customs-related issues

> Policy inconsistency

> Bureaucratic complexities

> Bangladesh signed EPA with Japan on 6 February

> 7,379 Bangladeshi products to enjoy duty-free access to Japan



1,000 Japanese products to receive duty-free access to Bangladesh

Trade Organization (Jetro) found that Japanese investors feel there is scope for reinvestment in Bangladesh.

"Despite that, investment has not increased significantly. Last year, only \$40 million in investment came," he said.

He added, "We do not want to be complacent about the EPA. We need to identify the roadblocks and take initiatives to resolve them. If these issues are not addressed, the potential of the EPA will remain only on paper."

Mohammad Hasan Arif, vice chairman of EPB, moderated the seminar, which was attended by business leaders and experts from both countries.

Other business representatives highlighted existing challenges to expanding trade with Japan and urged prompt solutions.

Speaking to The Business Standard after the event, Dr Patwary said,

"NBR- and customs-related issues, policy inconsistency and bureaucratic complexities are major obstacles to increasing Japanese investment in Bangladesh."

Maintaining product quality in line with Japanese standards is also a key challenge for exporters, speakers noted.

Other speakers echoed the importance of meeting Japanese quality standards. They said Japan offers significant export potential, but without focusing on quality, that potential cannot be realised.

Bangladesh signed the EPA with Japan on 6 February, under which around 7,379 Bangladeshi products will enjoy duty-free access to the Japanese market, while more than 1,000 Japanese products will receive duty-free access to Bangladesh in phases.

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Kanchan Miah, managing director of Arot Agro, said his company exports vegetables from Bangladesh to Japan. However, due to the suspension of the direct Dhaka-Narita flight, they are facing difficulties.

He said they used to export about one tonne of vegetables per flight. They have also received orders to export mangoes, and there is potential to export carrots. But with the direct flight suspended, shipping via alternative routes is increasing costs.

He urged the government to take measures to resume the direct flight.

Business leaders also identified language barriers, technological gaps and compliance requirements as major challenges in expanding exports to Japan.

Japan is a significant market for Bangladesh's ready-made garments (RMG). Asif Ashraf, managing director of Urmi Group, a leading RMG exporter to Japan, said, "In Japan's \$23 billion apparel market, we are capturing only a very small share. While there is strong demand for man-made fibre garments, we remain stronger in cotton-based products."

He said exporters must have patience to succeed in the Japanese market. "Once trust is established, they will place orders here even if prices are higher."

Tareq Rafi Bhuiyan, president of the Japan-Bangladesh Chamber of Commerce and Industry, and Hajime Suzuki, executive officer of RX Japan Ltd, presented keynote speeches.



04 MAR 2026

RMG units exporting 80% of output to get loans to clear wages, bonus

RMG - BANGLADESH

TBS REPORT

Govt directs factories to pay February wages within seven working days, bonus by 12 March

The Bangladesh Bank has instructed all scheduled banks to provide special loans on easy terms to operational industries that export at least 80% of their output, enabling them to pay workers' wages and allowances for February 2026.

According to a central bank circular issued yesterday, the loan amount will be equivalent to the average wages and allowances paid by the respective organisation over the previous three months.

The directive said that global and domestic economic pressures, declining exports, delayed

purchase orders, and liquidity shortages have disrupted production in many export-oriented industries, creating pressure on wage payments. To maintain continuity in production and exports, the loan facility has been introduced.

Loan conditions

Under the circular, banks may provide term loans beyond existing working capital limits to cover wages and allowances for February 2026.

However, the loan amount must not exceed the average wages and allowances disbursed over the last three months. The prevailing market-based interest rate will apply.

The funds must be disbursed directly to workers' bank accounts or mobile financial service (MFS) accounts to ensure transparency and proper utilisation.

Borrowers will be required to repay the loan in equal instalments, either monthly or quarterly, within a maximum of one year, including a three-month grace period. No additional interest, profit,

fees or charges beyond the regular interest rate may be imposed.

To qualify for the facility, industrial entities must obtain certification from the BGMEA or the BKMEA confirming that they export at least 80% of their output.

Govt order on February wages, bonus

The labour ministry has instructed all factory owners to pay wages for February within the first seven working days of March and to pay festival bonuses by 12 March.

Labour minister Ariful Haque Chowdhury announced the decisions after a meeting of the Tripartite Consultative Committee held at CIRDAP in the capital's Tropicana Road yesterday.

The labour and employment ministry requested factory owners to

pay half of the current month's wages in advance following discussions with workers, noting that about 150 RMG factories had not paid December 2025 wages as of 2 March 2026.

After the meeting, Fazlee Shamim Ehsan, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association and president of the Bangladesh Employers Federation, told TBS, "The ministry requested employers to pay February's salary as per the labour law, meaning within seven working days, and the festival bonus by 12 March."

"We agreed to the ministry's request; however, we asked them to allow another two to three days to pay the festival bonus," he added.

Ehsan also said that regarding Eid holidays, the government asked factory authorities to discuss with their workers and decide accordingly.

