Country Profile
Japan

BANGLADESH
FOREIGN
TRADE
INSTITUTE

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1. Real Sector

1.1 GDP composition by sector

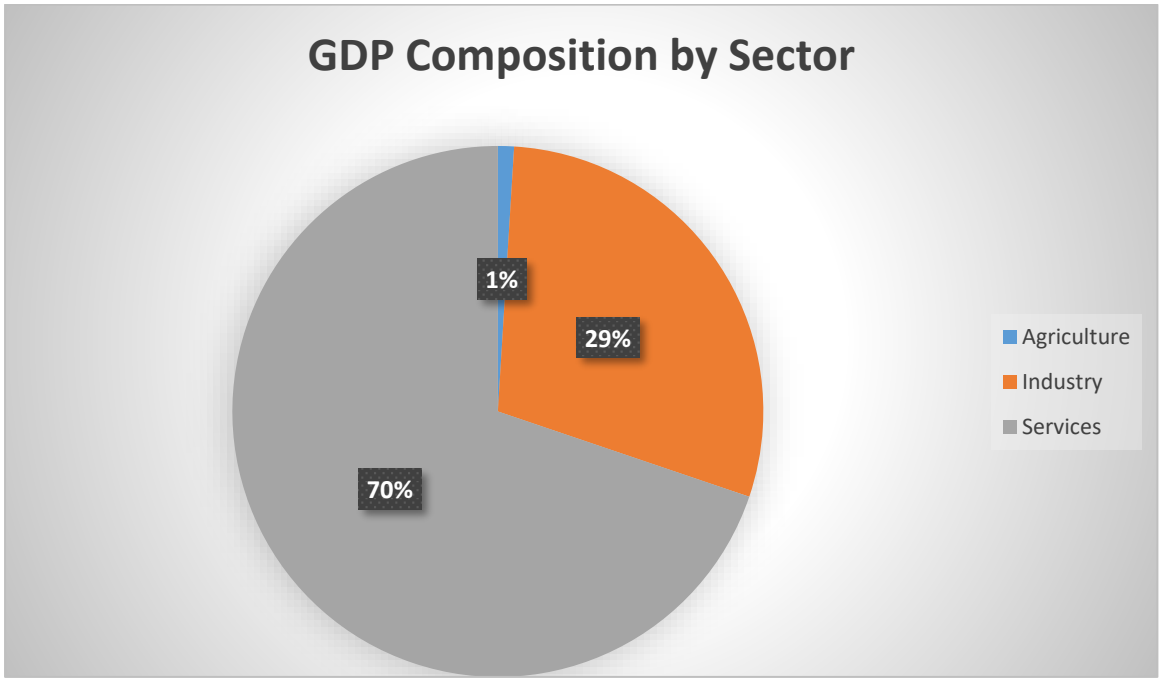


Figure I GDP Composition of Japan by sector

Source: CIA Fact Book (2022)

The Japanese economy is the fourth largest in the world in terms of GDP. Japan's GDP is mostly service-oriented because the service sector accounts for a large portion of the country's economy, contributing to roughly 70 percent of its GDP and 75 percent of employment.[1] Some key industries within the service sector include banking, real estate, retail, insurance, telecommunications, and transportation.
The manufacturing sector accounts for approximately 29 percent of the nation's GDP, positioning it as a vital segment of the economy. While Japan is known for its manufacturing, its economy has become more service-oriented since the 1980s.This is due to factors like increased demand for convenience, efficiency, and advancements in technology, as well as the aging population leading to a greater need for healthcare and welfare services. [2]
The Share of Agriculture in GDP is negligible. Japanese agriculture is declining due to a combination of factors, including a supply-demand gap for staple grains, increasing production costs, and a rapidly aging rural population with a lack of younger farmers to take over the farms. Certain agricultural operations, especially in less populated areas, are struggling due to a lack of labor, further exacerbating the challenges of the sector.

1.2 GDP Growth of Japan

Japan's economy, the third-largest in the world by nominal GDP, is a powerhouse in manufacturing, services, and technology. Known for its automotive, electronics, and robotics industries, Japan faces structural challenges like an aging population, high public debt (over 250 percent of GDP), and deflationary pressures. In recent years, Japan's economic performance has been mixed but resilient. After a 2020 contraction due to the COVID-19 pandemic, GDP growth rebounded to 1.6 percent in

[1] OECD (2023) Measuring Progress towards Inclusive and Sustainable Growth in Japan
[2] JETRO, https://www.jetro.go.jp/en/invest/attractive_sectors/manufacturing/overview.html

2021, driven by exports and stimulus measures. Growth slowed to 1 percent in 2022 as inflation and a weakening yen increased costs, and in 2023-2024, Japan sustained modest growth of 1-2 percent, supported by tourism recovery and tech exports, though labor shortages and energy price volatility remain concerns.[3]

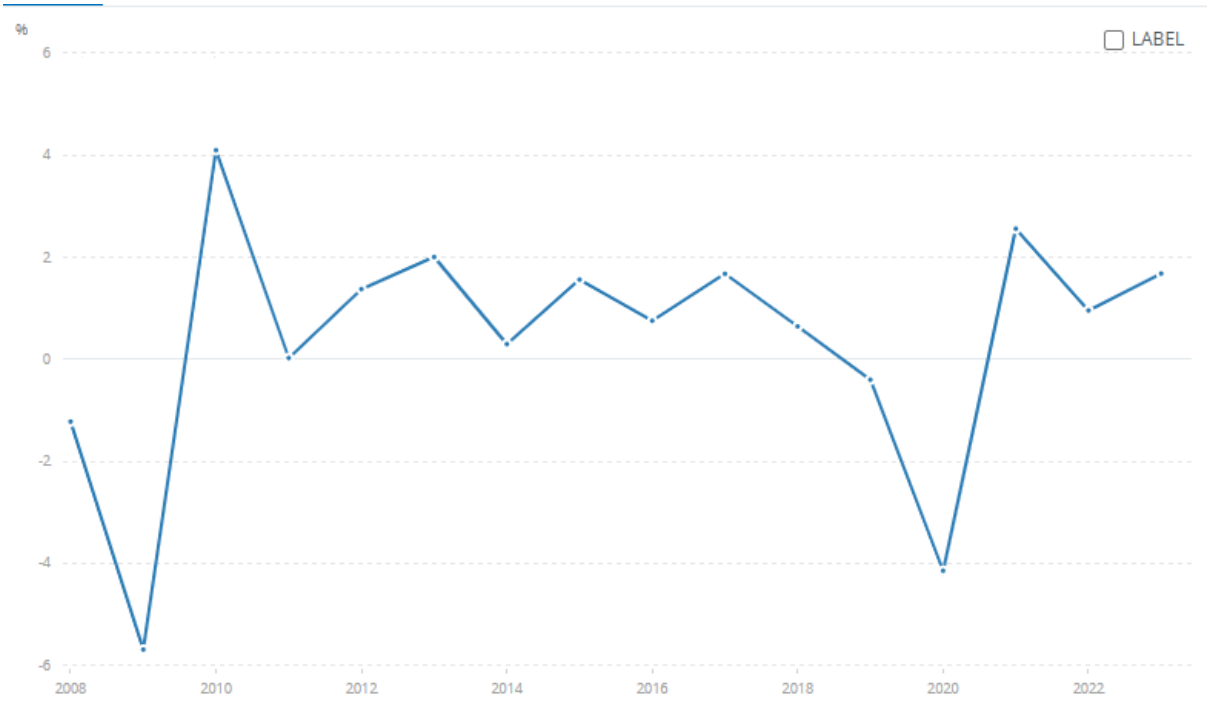


Figure II GDP growth (annual percent) – Japan (2008-2023)

Source: Cabinet Office, Japan

The graph shows Japan's annual GDP growth starting at -6 percent in 2009, spiking to 4 percent in 2010, fluctuating between 0 percent and 2 percent from 2011 to 2019, dropping to -4 percent in 2020, rebounding to 2 percent in 2021, and stabilizing near 1 percent by 2022. The 2009 plunge reflects the global financial crisis, which severely impacted Japan's export-dependent economy, particularly in manufacturing sectors like automotive and electronics. The 2010 spike indicates a strong recovery, fueled by global demand and domestic stimulus policies under early Abenomics efforts, which included monetary easing to combat deflation. The 2011-2019 period of modest growth, oscillating between 0 percent and 2 percent, reflects structural challenges like demographic decline and the 2011 tsunami's disruption of supply chains, alongside intermittent boosts from export growth and policy measures. The 2020 drop to -4 percent aligns with the global pandemic's impact, as lockdowns and reduced demand crippled economic activity. The 2021 rebound to 2 percent shows the effectiveness of stimulus and vaccine rollouts, while the 2022 stabilization at 1 percent indicates a return to cautious growth amid rising inflation, a weaker yen, and global uncertainties. This trend underscores Japan's vulnerability to external shocks and its reliance on policy interventions to navigate demographic and economic challenges.

[3] Asia Fund Managers. (2024). Japan economy. Retrieved [Date you accessed it, e.g., September 11, 2025], from https://asiafundmanagers.com/japan-economy/#:~:text=Japan's percent20services percent20sector percent20remains percent20the,are percent20Japan's percent20main percent20export percent20partners.

1.3 Agriculture

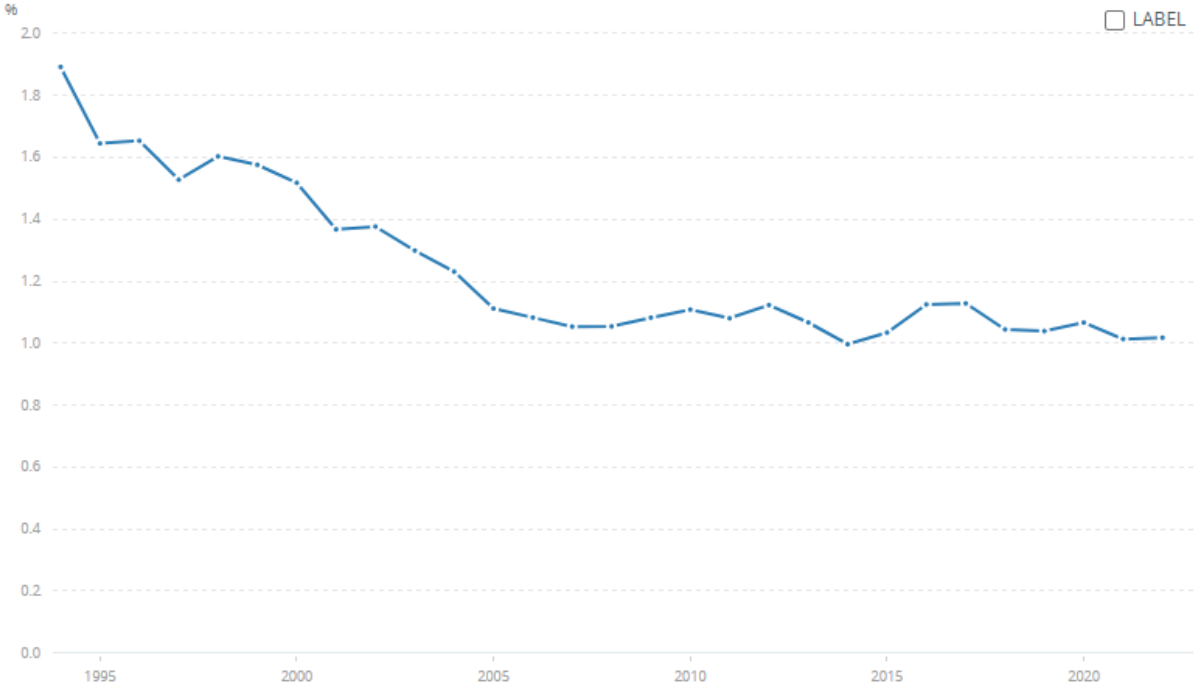


Figure III Agriculture as percentage of GDP (1995-2020)

Source: World Bank

Japan's agriculture sector, though small at about 1 percent of GDP, plays a vital role in food security and cultural heritage. It focuses on high-value crops like rice, vegetables, and fruits, with rice being a staple and heavily subsidized. The sector is marked by small-scale, family-run farms, advanced technology, and intensive farming practices, but it struggles with an aging farmer population, limited arable land (only 12 percent of the country), and high production costs, leading to reliance on imports for many staples.

The graph is showing a percentage metric such as agricultural productivity or employment, declines steadily from 1.9 percent in 1995 to around 1 percent by 2020. This long-term downward trend reflects structural challenges in Japan's agriculture. The steep drop from 1995 to 2005 coincides with globalization and trade liberalization, which increased competition from cheaper imports, reducing domestic production's share. The aging rural workforce, with many farmers over 65, further eroded output as younger generations migrated to urban areas for better opportunities in the service and manufacturing sectors. Government policies, while protective through subsidies and tariffs, couldn't fully counter these demographic shifts or the high costs of land and labor, leading to a gradual decline through 2010. The leveling off from 2015 to 2020 suggests some stabilization, possibly due to technological advancements like automation in farming or efforts to promote aggrotech, but the sector's overall contribution remained low. The trend underscores Japan's struggle to modernize agriculture amidst demographic and economic pressures, highlighting the need for innovation and labor solutions to sustain the sector.

1.4 Manufacturing

The Japanese economy is the fourth largest in the world in terms of GDP, and the manufacturing sector accounts for approximately 20 percent of the nation's GDP, positioning it as a vital segment of the economy. Japan's electronics and automotive components are particularly competitive globally. The country holds over 60 percent of the global market share in 220 product categories, greatly surpassing

the United States, Europe and China. In addition, Japan's manufacturing industry is expected to improve production efficiency and create new value through digitalization and decarbonization, driving further growth in the overall manufacturing market.[4]

Japan's manufacturing sector thrives in industries like automotive, electronics, machinery, and robotics, with global leaders like Toyota, Sony, and Panasonic driving its reputation. The sector benefits from advanced technology, a skilled workforce, and a culture of continuous improvement (kaizen), though it faces challenges from an aging population, rising labor costs, and competition from neighbors like China and South Korea.
Although Japan's manufacturing industry experienced a temporary decline in sales due to the impact of the COVID-19 pandemic, it recovered in FY 2022 and achieved growth rates exceeding pre-pandemic levels.

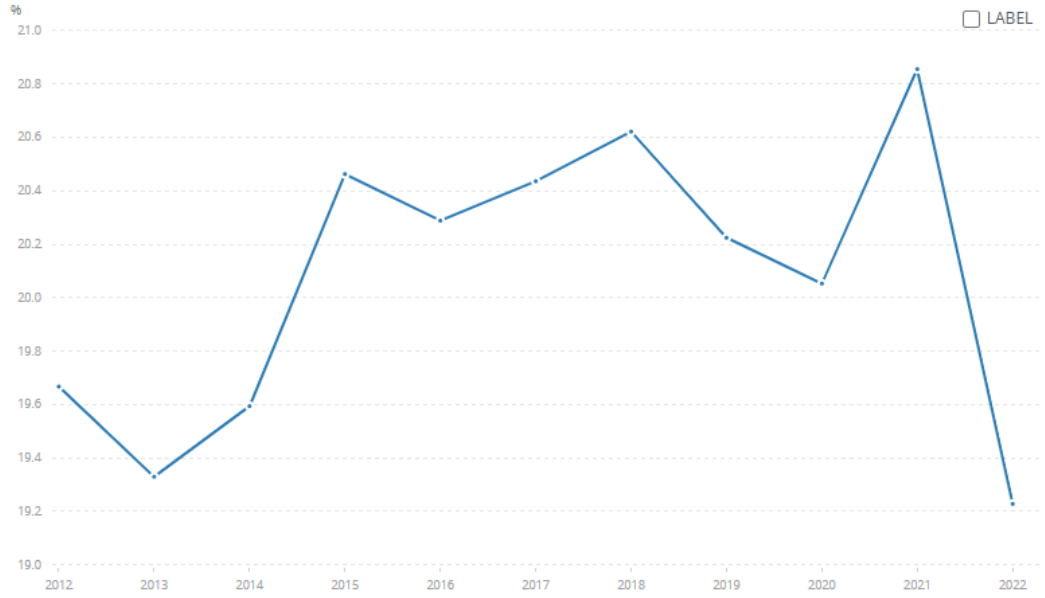


Figure IV Manufacturing as percentage of GDP (2012-2022)

Source: World Bank

The graph, presumably illustrating a percentage indicator of manufacturing output, demonstrates a decrease from 19.6 percent in 2012 to 19.3 percent in 2013, followed by a gradual increase reaching 20.4 percent by 2015. This was succeeded by a period of relative stability at approximately 20.6 percent through 2018, a peak of 20.2 percent in 2019, and subsequently a pronounced decline to 19.2 percent by 2022.The initial dip in 2013 might stem from global economic uncertainty or the lingering effects of the 2011 earthquake and tsunami, which disrupted supply chains and production.

The recovery through 2015 likely reflects Japan's aggressive economic policies which included monetary easing and structural reforms to boost competitiveness. The plateau from 2016 to 2018 suggests stable demand and incremental growth, possibly driven by exports in automotive and electronics. The peak in 2019 indicates a pre-pandemic boom, fueled by global demand and

[4] JETRO, https://www.jetro.go.jp/en/invest/attractive_sectors/manufacturing/overview.html

technological advancements. The sharp decline from 2020 to 2022 aligns with the COVID-19 pandemic's impact, as global supply chain disruptions, factory closures, and reduced demand for non-essential goods like cars hit the sector hard. The trend highlights the manufacturing sector's vulnerability to external shocks, despite its resilience and capacity for recovery through innovation and policy support.

1.5 Service

Japan's service sector, a dominant part of its economy, contributes about 70 percent to GDP as of recent data. It encompasses a wide range of industries, including finance, retail, hospitality, transportation, and healthcare. The sector is characterized by high efficiency and technological integration, with Japan leading in innovations like cashless payments and robotics in customer service, especially in hotels and restaurants. Major cities like Tokyo and Osaka are hubs for financial services, with globally competitive banks and insurance firms. Tourism, a key component, has grown significantly, driven by cultural attractions and events like the Olympics, though it faced setbacks during the COVID-19 pandemic. The aging population has also expanded demand for healthcare and eldercare services, making them critical subsectors. Despite its strengths, the service sector faces challenges like labor shortages due to demographic shifts and a historical emphasis on lifetime employment, which can hinder flexibility in adapting to global trends.

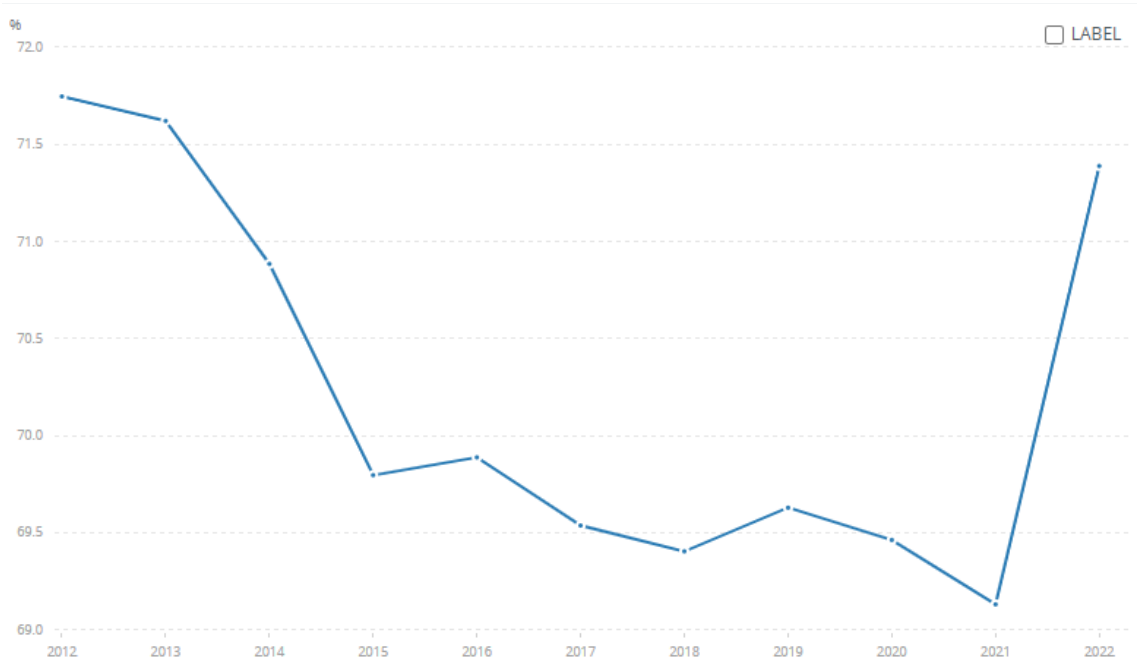


Figure V Service Sector as percentage of GDP (2012-2022)

Source: World bank

The graph shows a percentage metric declining sharply from 71.5 percent in 2012 to around 69.5 percent by 2015, stabilizing between 69 percent and 70 percent through 2020, then dropping to a low of 69 percent in 2021 before a dramatic spike to 71.5 percent in 2022. The initial decline from 2012 to 2015 might reflect economic challenges, policy shifts, or societal disengagement, such as a recession or reduced trust in institutions, causing a drop in participation or performance. The plateau from 2016 to 2020 suggests a period of stagnation, possibly due to lack of significant interventions or persistent structural issues. The slight dip in 2021 could be tied to the lingering effects of the COVID-19

pandemic, like economic disruptions or health crises, further suppressing the metric. The sharp rise in 2022 likely indicates a major recovery or policy change, such as stimulus measures, renewed public engagement, or a significant event driving a rebound. The trend reflects sensitivity to external shocks and the impact of systemic responses over time.

2. External Sector

2.1 Export

Figure VI Export Trend of Goods and Service of Japan (2013-2023)

Source: World Bank

The graph shows Japan's exports of goods and services in current US$ from 2013 to 2023, measured in billion USD. Starting at around 820 billion USD in 2013, exports dropped to 790 billion USD by 2015, likely due to a stronger yen making Japanese goods pricier abroad and a global slowdown in demand. A sharp rise to 920 billion USD by 2017 followed, reflecting a weaker yen and recovering global demand, particularly in tech and automotive sectors where Japan excels. Exports then fell to 790 billion USD in 2020, driven by the COVID-19 pandemic, which disrupted global supply chains and reduced demand for Japanese goods like cars and electronics. A rebound to 920 billion USD by 2021 occurred as global trade recovered post-pandemic, with Japan benefiting from increased demand for tech products amid digitalization trends. Exports stabilized around 920 billion USD through 2023, possibly due to a balanced yen and steady global demand, though lingering economic uncertainties may have capped further growth. The trend highlights Japan's export sensitivity to currency fluctuations, global demand shifts, and major disruptions like COVID-19.

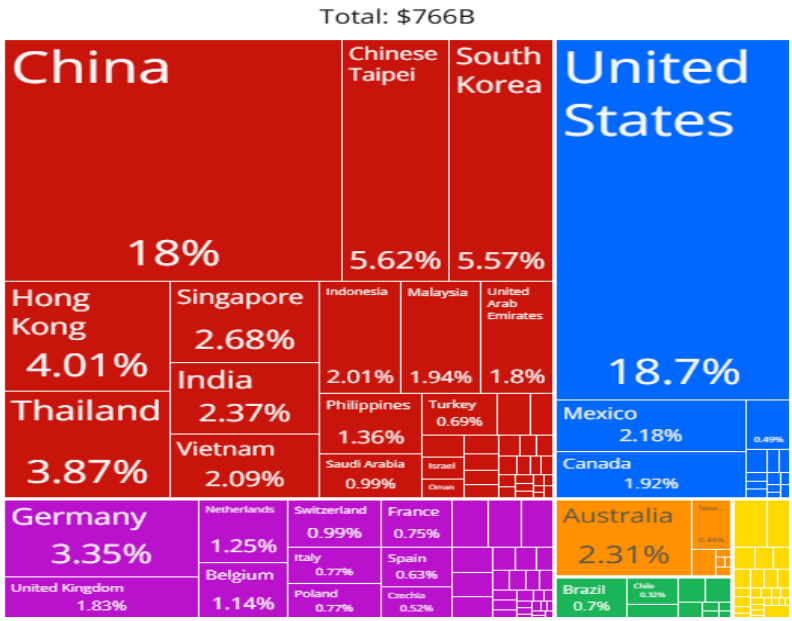


Figure VII Export Destination of Japan (2023)

Source: OECD

In 2023, Japan exported a total of $766B, making it the number 4 exporter in the world. During the last five reported years the exports of Japan have changed by -$25.9B from $792B in 2018 to $766B in 2023.

The most recent exports are led by Cars ($119B), Integrated Circuits ($47.4B), Machinery Having Individual Functions ($34.6B), Motor vehicles; parts and accessories (8701 to 8705) ($28.9B), and Large Construction Vehicles ($15.1B). The most common destination for the exports of Japan are United States ($143B), China ($138B), Chinese Taipei ($43B), South Korea ($42.7B), and Hong Kong ($30.8B).

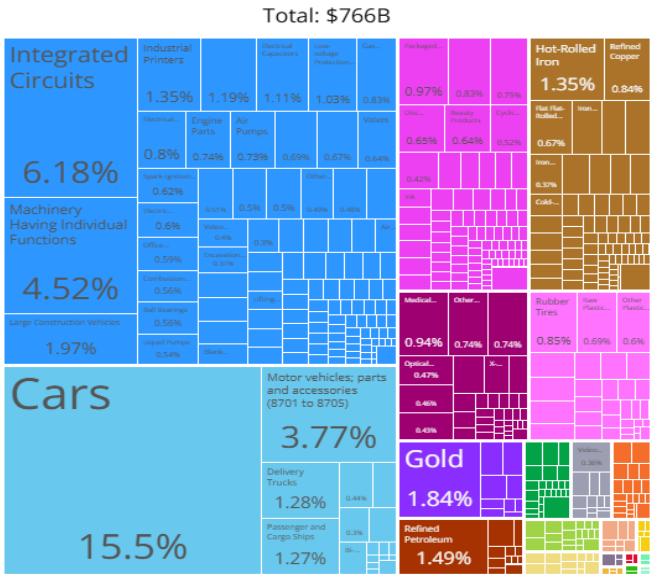


Figure VIII Export Products of Japan (2023)

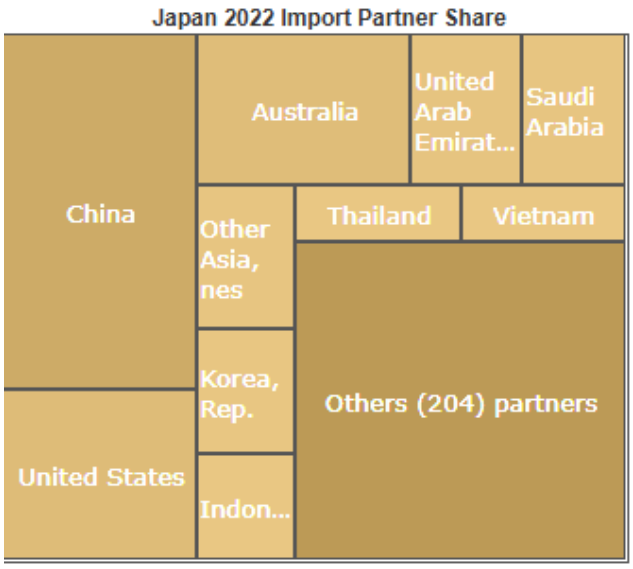
Source: OECD

2.2 Import

Table I Top Import Partners of Japan[5]

SL No.	Partner Name	Import (US$ Tr)	Import Partner Share(%)
1	China	188,857,701.31	21.02
2	United States	90,685,327.89	10.09
3	Australia	88,400,517.15	9.84
4	United Arab Emirates	45,804,851.98	5.1
5	Saudi Arabia	42,351,304.78	4.71
6	Other Asia, nes	38,637,846.91	4.3
7	Korea, Rep.	33,575,407.17	3.74
8	Indonesia	28,717,383.78	3.2
9	Thailand	26,616,900.81	2.96
10	Vietnam	26,426,846.81	2.94
11	Malaysia	26,092,974.97	2.9
12	Germany	22,705,757.58	2.53
	Total import value of top 12 partners	658,872,821.14	73.33
	World	898599893.8	100
	Other Partners	239,727,072.63	26.67

Source: WITS



[5]World Bank. (2022). *Japan product imports by country, 2022* [Data set]. WITS. https://wits.worldbank.org/CountryProfile/en/Country/JPN/Year/2022/TradeFlow/Import/Partner/by-country/Product/All-Groups

The data shows Japan's leading import partners in value and share terms. China is by far the largest source, with imports worth about USD 188.86 trillion, representing 21.02% of Japan's total imports. The United States (USD 90.69 trillion, 10.09%) and Australia (USD 88.40 trillion, 9.84%) follow as major partners. The United Arab Emirates and Saudi Arabia contribute significantly, with USD 45.80 trillion (5.1%) and USD 42.35 trillion (4.71%), largely reflecting energy-related imports. Other Asian economies also play important roles, including "Other Asia, nes" (USD 38.64 trillion, 4.3%), Korea (USD 33.58 trillion, 3.74%), Indonesia (USD 28.72 trillion, 3.2%), Thailand (USD 26.62 trillion, 2.96%), Vietnam (USD 26.43 trillion, 2.94%), and Malaysia (USD 26.09 trillion, 2.9%). Germany is the top European partner, with USD 22.71 trillion, or 2.53% of the total. Overall, Japan's imports are highly concentrated in China and other Asian partners, alongside substantial trade with the U.S., Australia, and Gulf countries.

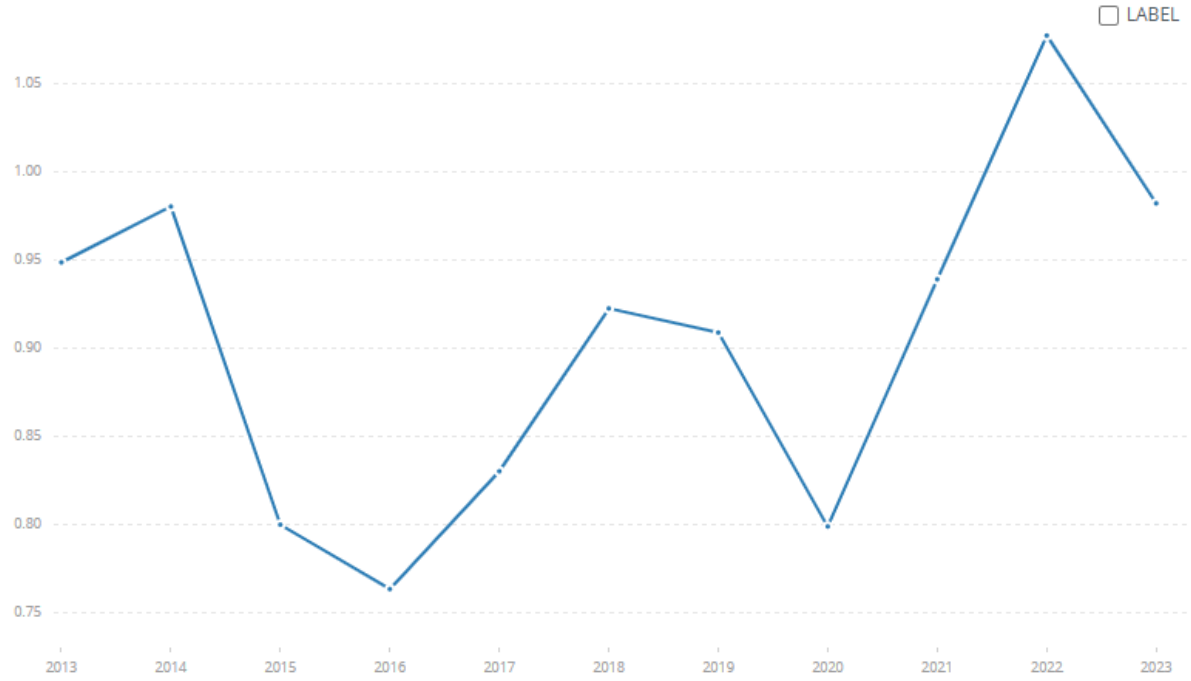


Figure IX Trends of Imports of goods and services (current US$) of Japan (2013-2023)

Source: World Bank

The graph depicts Japan's imports of goods and services in current US$ from 2013 to 2023. Starting at around 950 billion USD in 2013, imports dipped to 800 billion USD by 2015, likely due to a decline in global oil prices, as Japan heavily relies on energy imports, and a weaker yen increasing import costs. A recovery to 900 billion USD followed by 2017, reflecting global economic stabilization and rising demand for imported goods. Imports then slightly declined to 850 billion USD in 2019, possibly due to trade tensions, such as the U.S.-China trade war, impacting global supply chains. A sharp drop to 750 billion USD in 2020 aligned with the COVID-19 pandemic, which disrupted global trade and reduced demand. A significant rebound to 1,050 billion USD by 2022 occurred as global trade recovered and Japan increased imports to meet post-pandemic demand, though a slight decline to 1,000 billion USD in 2023 may reflect global economic uncertainties or a stronger yen reducing import volumes.

2.3 Remittance

Inbound Remittance of Japan (2010-2022)

Figure X : Inbound Remittance of Japan (2010-2022)

Source: World bank

The graph shows Japan's inbound remittances from 2010 to 2022, rising from 2.2 billion USD in 2010 to 3.5 billion USD by 2016, peaking at 4.5 billion USD in 2020, and dipping to 4.4 billion USD by 2022. The increase to 2016 likely reflects more Japanese expatriates working abroad, especially as Japanese firms expanded globally, sending money home, boosted by a weaker yen.

The 2020 peak may stem from expatriates transferring savings to Japan as a safe haven during the pandemic, with the yen's stability encouraging inflows. The slight decline by 2022 could be due to global economic recovery reducing such transfers, or fewer Japanese staying abroad with remote work trends. The trend highlights Japan's growing global ties and currency effects, though inbound remittances remain modest.[6]

[6] Spherical Insights & Consulting. (2023). *Japan remittance market trend, demand, forecasts to 2033* [Market report]. Spherical Insights. https://www.sphericalinsights.com/reports/japan-remittance-market

Outbound Remittance Japan (2010-2023)

Figure XI Outbound remittance of Japan

Source: World Bank

Japan's outbound remittances (personal remittances paid, in billion USD) from 2010 to 2022:

The graph displays Japan's outbound remittances from 2010 to 2023. Starting at 4.5 billion USD in 2010, remittances dropped to 3.5 billion USD by 2012, likely due to global economic uncertainty post-2008 financial crisis, reducing the number of foreign workers in Japan sending money home. A gradual rise followed, reaching 5 billion USD by 2016, driven by Japan's increasing openness to foreign labor to address its aging population and labor shortages in sectors like healthcare and construction, with more workers from countries like Vietnam and the Philippines sending remittances. The sharp increase to 8 billion USD by 2021 reflects a growing foreign workforce—exceeding 1.7 million by 2019—and a weaker yen, which increased the USD value of remittances. The steep decline to 5 billion USD by 2023 likely stems from post-COVID economic recovery, with fewer foreign workers staying in Japan due to global mobility and a stronger yen reducing the USD value of transfers. The trend underscores Japan's reliance on foreign labor, currency fluctuations, and sensitivity to global economic shifts.[7]

[7] [7] Spherical Insights & Consulting. (2023). *Japan remittance market trend, demand, forecasts to 2033* [Market report]. Spherical Insights. https://www.sphericalinsights.com/reports/japan-remittance-market

2.5 Foreign Exchange Reserve

JP Foreign Exchange Reserve -USD -Trillion

Figure XII Foreign Exchage Reserve of Japan (2021-2025)

Source: Ministry of Finance, Japan

Japan's foreign reserves increased by $19.23 billion to $1.27 trillion in March 2025, hitting the highest level since April last year. Total reserve assets were broken down into foreign currency reserves ($1.1 trillion), IMF reserve position ($10,265 million), SDRs ($58,537 million), gold ($84,728 million) and other reserve assets ($15,641 million). In a recent disclosure, Japan's finance ministry revealed it conducted no foreign exchange intervention operations for the period from October through December 2024.

This downward trend in reserves could be attributed to Japan's interventions in the foreign exchange market to support the yen, which weakened significantly (e.g., 131.46 JPY/USD in 2022), requiring the sale of USD reserves to buy yen and curb depreciation. Additionally, global economic pressures like rising U.S. interest rates and inflation may have increased demand for USD, further draining reserves. The slight recovery by 2025 might reflect stabilizing global conditions or reduced intervention as the yen strengthens, alongside efforts to rebuild reserves through trade surpluses or capital inflows.

2.6 Foreign Direct Investment (FDI)

FDI Inflow to Japan

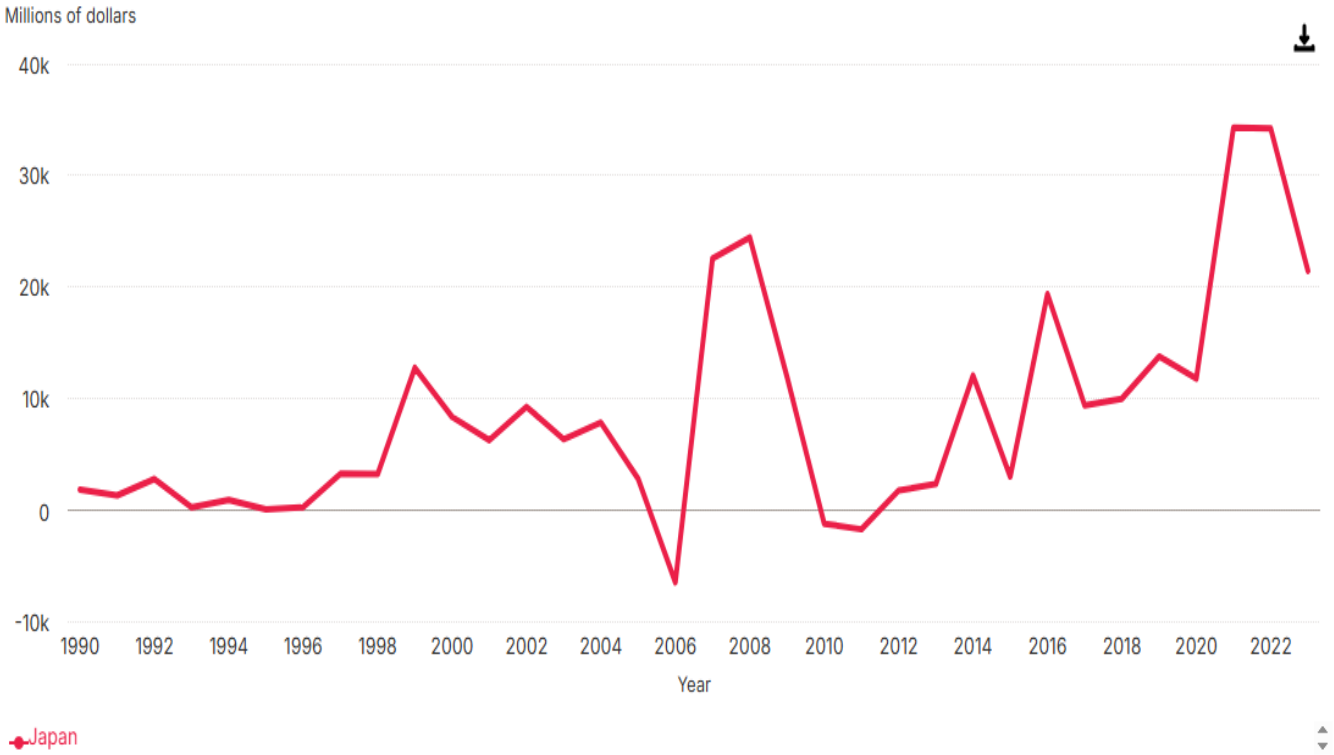


Figure XIII FDI Inflow to Japan (1990-2022)

Source: UNCTAD Investment report (2024)

The graph, from the UNCTAD Investment Report 2024, shows FDI inflows to Japan from 1990 to 2022 in millions of dollars. From 1990 to 2000, inflows stayed near zero due to Japan's closed economy, with strict regulations and cultural barriers limiting foreign investment. A rise to 10,000 million dollars by 2002 reflected economic reforms under Prime Minister Koizumi, but inflows dropped to -10,000 million dollars by 2008 amid the global financial crisis and domestic challenges like deflation. Recovery followed from 2010 to 2015, fluctuating between 0 and 10,000 million dollars, driven by global stabilization and Abenomics reforms. Inflows surged to over 30,000 million dollars by 2019, fueled by global supply chain shifts, government incentives, and a weaker yen, though a slight decline by 2022 likely tied to COVID-19 disruptions. Japan's FDI trend shows a shift toward openness, influenced by policy reforms and global events, but volatility and structural barriers persist.

FDI Outflow from Japan

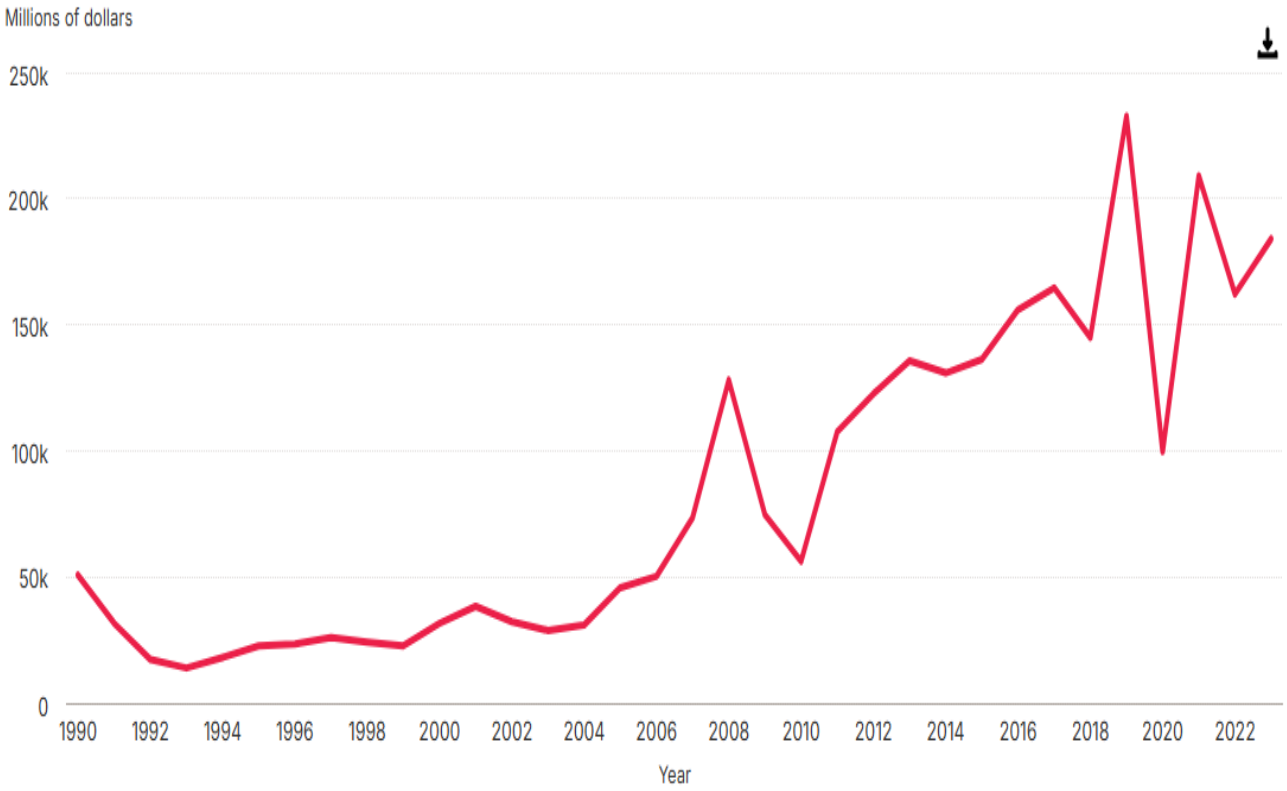


Figure XIV FDI outflow from Japan (1990-2022)

Source: UNCTAD Investment report (2024)

The graph illustrates Japan's FDI (Foreign Direct Investment) outflows from 1990 to 2022, measured in millions of USD. Starting at around 50 billion USD in 1990, the value dips to near zero by 1992, remains low until the early 2000s, then gradually rises, peaking at approximately 225 billion USD in 2019. It drops sharply to around 100 billion USD in 2021 before recovering slightly to about 150 billion USD in 2022[8].

This trend reflects Japanese companies investing abroad over the decades. The early 1990s decline likely stems from Japan's asset price bubble burst, which constrained corporate funds for overseas investment. The gradual rise from the 2000s aligns with Japan's economic recovery, globalization, and policies that encouraged firms to expand internationally, particularly into emerging markets in Asia and the U.S., seeking growth amid a stagnant domestic market.

The 2019 peak may reflect heightened global M&A activity by Japanese firms, such as in tech and automotive sectors, driven by a strong yen and favorable global economic conditions. The sharp drop in 2021 could be attributed to the COVID-19 pandemic, which disrupted global investment due to travel restrictions, supply chain issues, and economic uncertainty, alongside a weaker yen (109.83 JPY/USD in 2021) reducing the USD value of investments. [9]

[8] UNCTAD Investment report (2024)

[9] Boston Consulting Group. (2023, October 26). *Six regional deep dives on M&A market trends*. BCG. https://www.bcg.com/publications/2023/six-regional-deep-dives-on-m-and-a-market-trends

The partial recovery in 2022, despite a weaker yen (131.46 JPY/USD), suggests renewed confidence as global conditions stabilized, though challenges like inflation and geopolitical tensions may have tempered the rebound.

Country wise outbound investment of Japan

Table II List of countries attracting investment from Japan (2022)

SL	Partner Country	Outflow (US$ million)	Outflow as percent of total investments (Japan)
1.	World	161989.42	100
2.	USA	59713.23	36.86
3.	Australia	8740.73	5.4
4.	China	8358.36	5.16
5.	Netherlands	7609.96	4.7
6.	Ireland	6885.04	4.25
7.	Thailand	5917.5	3.65
8.	Singapore	5366.86	3.31
9.	Cayman Islands	5078.12	3.13
10.	Germany	4251.37	2.62
11.	Switzerland	4163.54	2.57
12.	Korea, Republic of	4116.47	2.54
13.	India	3123.87	1.93
14.	Belgium	3034.89	1.87
15.	Luxembourg	3032.89	1.87
16.	Viet Nam	2875.35	1.78
17.	Canada	2635.36	1.63
18.	Indonesia	2551.22	1.57
19.	Brazil	2429.38	1.5
20.	Bermuda	2149.06	1.33
21.	Taipei, Chinese	2051.02	1.27
22.	Malaysia	1703.62	1.05
23.	Philippines	1597.58	0.99
24.	Chile	1232.38	0.76
58.	**Bangladesh**	**24.33**	**0.02**

Source: ITC Investment Map, 2022

According to the available data, Japan's total outward investment in the world amounted to US$161,989.42 million, representing the global distribution of its capital outflows. The United States emerged as the leading destination, absorbing US$59,713.23 million, which accounted for 36.86 percent of Japan's total investment outflows, reflecting the strong economic and financial ties between the two countries. In contrast, Bangladesh ranked significantly lower, positioned at 58th among Japan's partner countries, with an inflow of only US$24.33 million, constituting a marginal 0.02 percent of Japan's total overseas investment. This stark disparity underscores the concentration of Japanese

investments in advanced economies, particularly the United States, while least-developed and emerging economies like Bangladesh continue to attract only a negligible share of Japan's global investment portfolio.

2.7 Balance of Payment

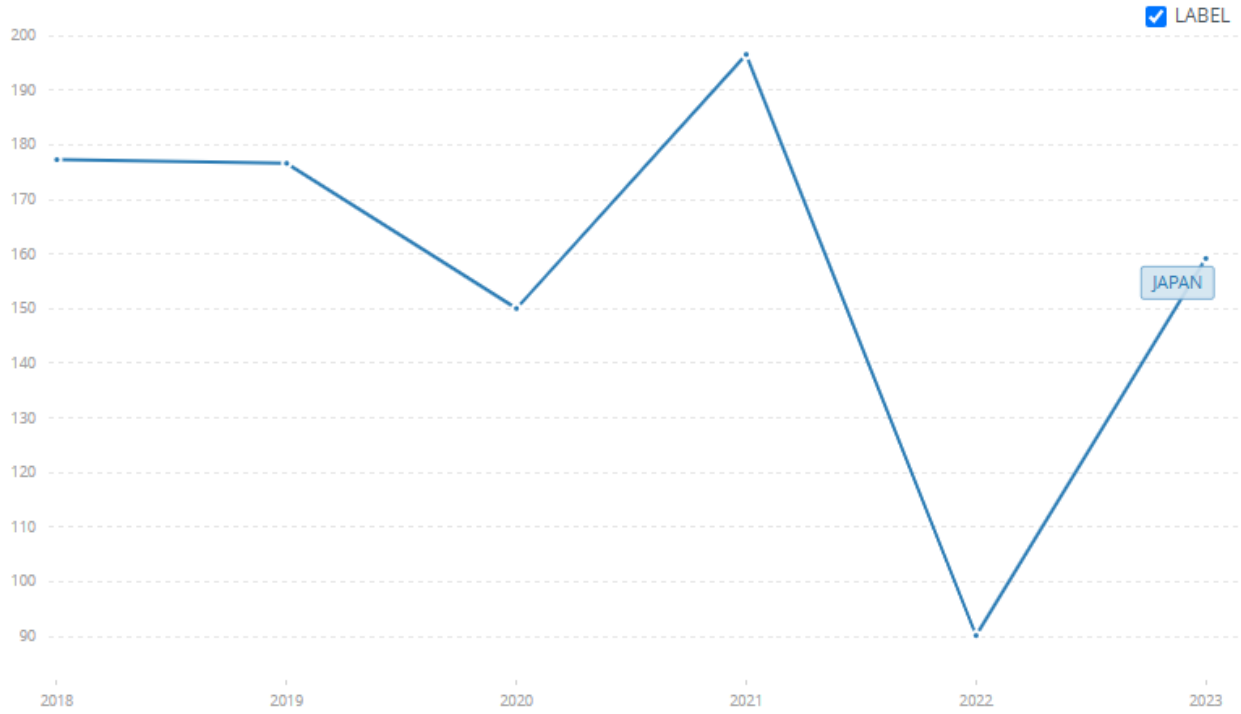


Figure XV Current account Balance (BoP, current US$)

Source: World Bank

The line graph shows Japan's current account balance (BoP, current US$) from 2018 to 2023. It starts at 175 billion in 2018, slightly dips to 170 billion in 2019, drops sharply to 150 billion in 2020, peaks at 200 billion in 2021, falls dramatically to 90 billion in 2022, and rises to 150 billion in 2023.

The initial stability in 2018-2019 reflects steady exports and investment income. The 2020 decline is due to COVID-19, which reduced global demand for Japanese exports like automobiles and electronics.[10] The 2021 peak likely stems from a global economic recovery, boosting exports and investment returns. The sharp 2022 drop is attributed to rising energy import costs (e.g., oil, gas) and a weaker yen, increasing import expenses. The 2023 recovery indicates improved export performance and stabilizing energy prices, though still below pre-2022 levels due to ongoing global economic challenges.

[10] JETRO Global Trade and Investment Report 2020

3. Monetary Sector

3.1 Inflation

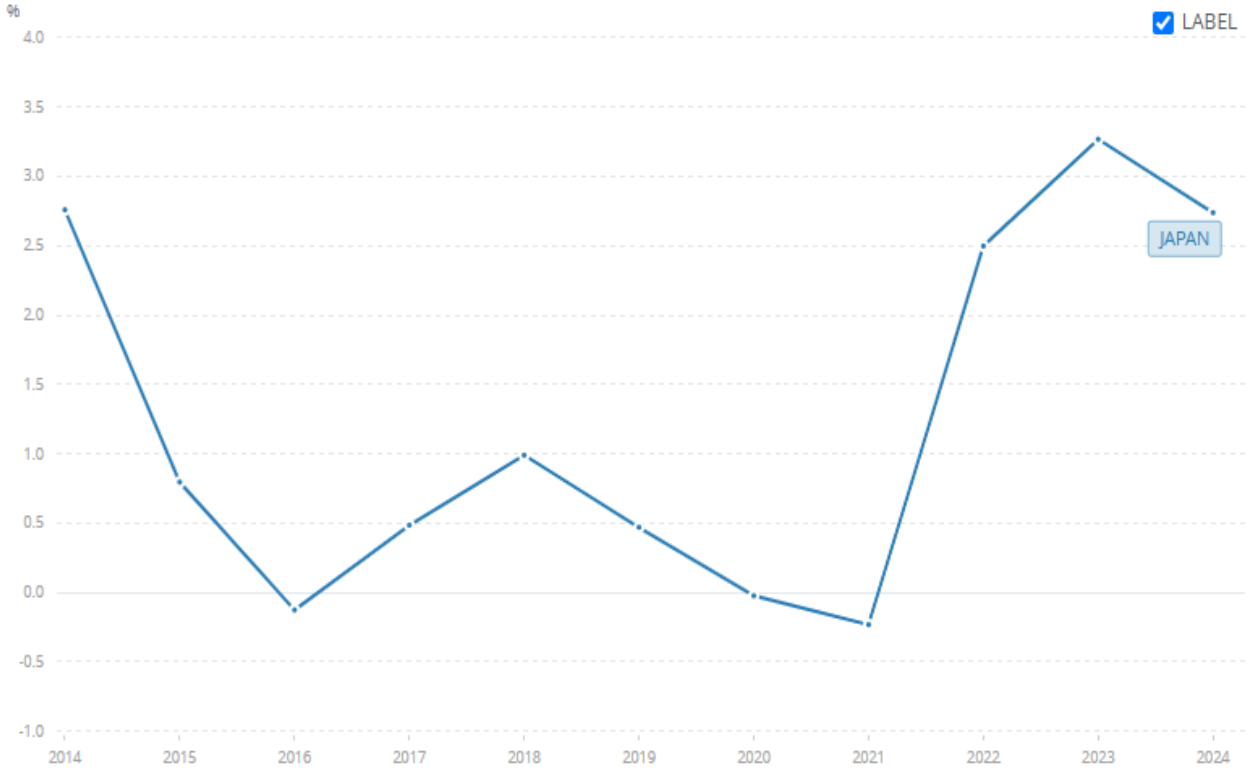


Figure XVI Inflation Trend of Japan (2014-2024)

Source: World Bank

The graph above shows Japan's inflation trend (in percentage) from 2014 to 2024. It starts at 2.5 percent in 2014, drops sharply to 0.5 percent in 2015, fluctuates between 0 percent and 1 percent from 2016 to 2021 with a brief dip to -0.5 percent in 2016, then rises steadily from 2022, peaking at 3 percent in 2023 before slightly declining to 2.8 percent in 2024.

This trend reflects changes in consumer prices over the decade. The initial drop from 2014 to 2015 likely stems from the 2014 consumption tax hike (from 5 percent to 8 percent), which temporarily spiked inflation but was followed by reduced consumer spending and falling oil prices, pushing inflation down.

The persistent low inflation (near 0 percent) from 2016 to 2021 aligns with Japan's long-standing deflationary pressures, driven by an aging population, stagnant wage growth, and cautious consumer behavior, despite efforts to stimulate inflation through monetary easing.

The sharp rise starting in 2022 could be attributed to global supply chain disruptions post-COVID, rising energy and food prices due to the Russia-Ukraine conflict, and a weaker yen (e.g., 131.46 JPY/USD in 2022), which increased import costs.

The slight decline in 2024 might reflect stabilizing global prices and Japan's monetary policy adjustments, like the Bank of Japan's gradual shift away from negative interest rates, though inflation remains elevated compared to earlier years.

3.2 Monetary Policy

Japan's economy has long been plagued by stagnation and deflationary pressures, with the Bank of Japan (BoJ) employing ultra-loose monetary policies for decades in a bid to stoke inflation and growth. However, the central bank has now made the surprising move to raise interest rates for the first time in 17 years. This shift in policy has significant implications for businesses and investors, both within Japan and across the broader Asian region.[11]

The BoJ has consistently pursued aggressive easing measures, including slashing interest rates to historic lows and implementing various quantitative easing (QE) programs, in an effort to stimulate the economy and lift inflation to its 2 percent target. Despite these efforts, deflationary pressures have proven stubbornly persistent, with the country struggling to break free from the quagmire.[12]

The BoJ's introduction of a Negative Interest Rate Policy (NIRP) in 2016, where it cut its key short-term rate to -0.1 percent, was a particularly unconventional move aimed at weakening the yen and boosting prices.

Several key factors have contributed to the BoJ's decision to raise rates and begin scaling back its government bond purchases. Inflation in Japan, as measured by the core-core rate (which excludes energy and fresh food prices), has accelerated to 3.8 percent year-on-year as of March 2023 – the fastest pace since 1981. This suggests that inflationary pressures are becoming more entrenched, with businesses and consumers starting to develop an inflationary mindset.

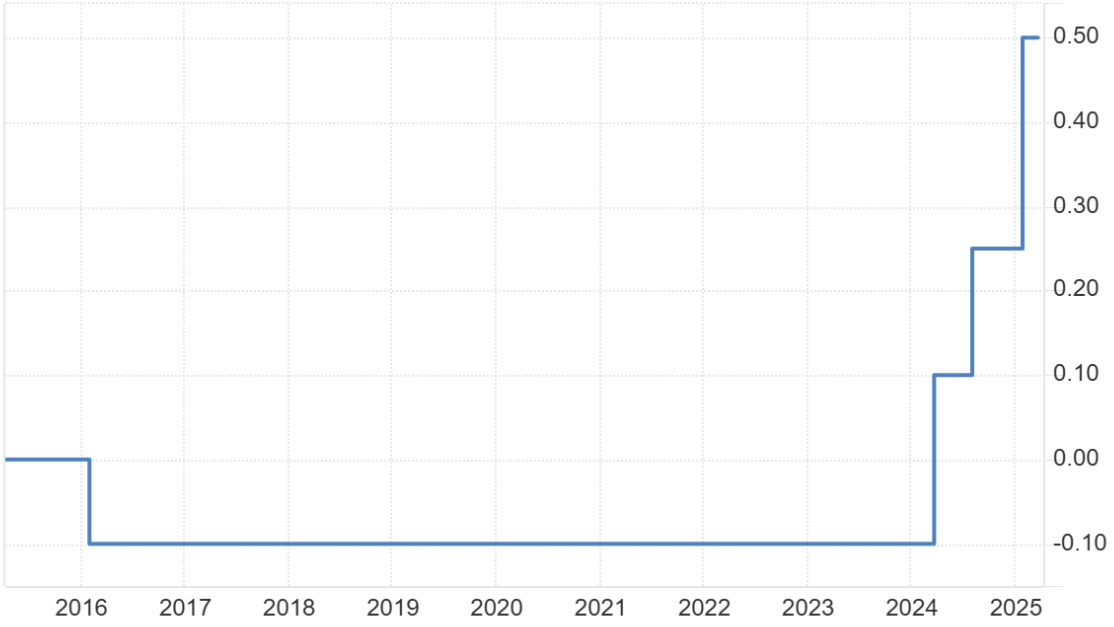


Figure XVII Interest Rate of Japan (2016-2025)

The Bank of Japan (BoJ) kept its key short-term interest rate at around 0.5 percent during its March meeting, maintaining it at its highest level since 2008 and in line with market expectations. The unanimous decision followed the central bank's third rate hike in January and came before the U.S. Federal Reserve's rate announcement. The board took a cautious stance, focusing on assessing the impact of rising global economic risks on Japan's fragile recovery. The BoJ pointed to ongoing uncertainties in the domestic economic outlook amid higher U.S. tariffs and headwinds from overseas

[11] The Global Treasurer. (2024, July 31). *Japan's central bank shakes up monetary policy*. https://www.theglobaltreasurer.com/2024/07/31/japans-central-bank-shakes-up-monetary-policy/

[12] Bank of Japan (2025), Japan's Economy and Monetary Policy

conditions. While the Japanese economy had recovered moderately, some weaknesses remained. Private consumption continued to grow, helped by wage hikes, even as cost pressures persisted. However, exports and industrial output were mostly flat. Inflation ranged between 3.0 percent and 3.5 percent yearly, driven by higher service prices. Inflation expectations increased moderately, with underlying CPI projected to rise gradually.[13]

3.3 Bank Lending Rate

Bank Lending Rate in Japan increased to 2.35 percent in March from 2.20 percent in February of 2025. Bank Lending Rate in Japan averaged 4.61 percent from 1966 until 2025, reaching an all-time high of 9.90 percent in October of 1974 and a record low of 0.90 percent in August of 2016.

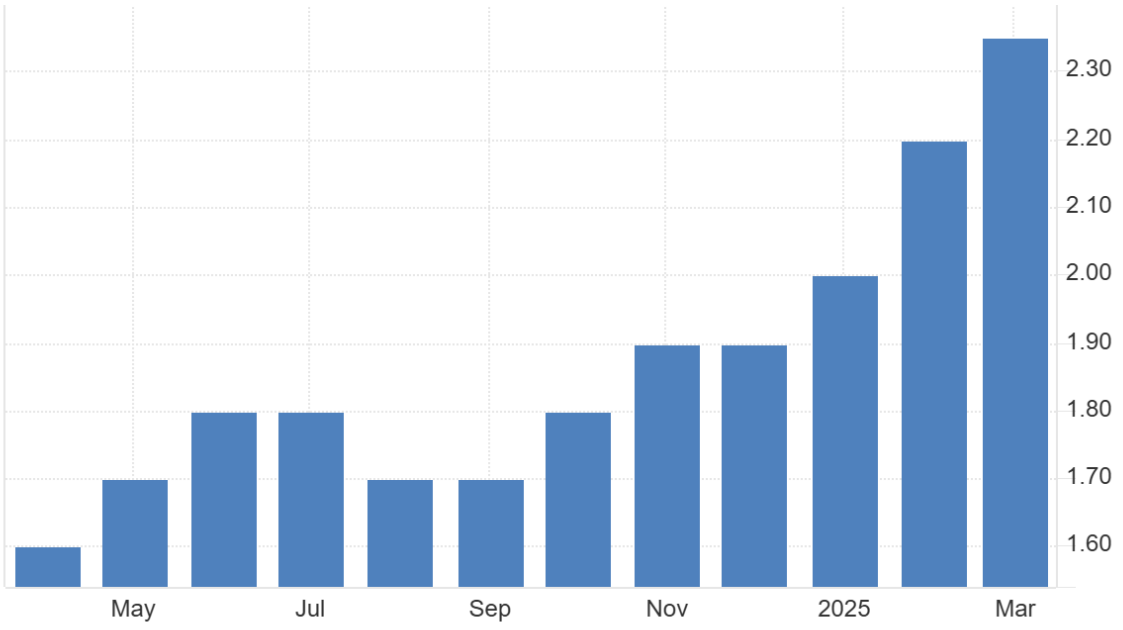


Figure XVIII Japan Bank Lending Rate (2025)
Source: Ministry of Finance, Japan

[13]Trading Economics. (2025, July). *Japan interest rate*. https://tradingeconomics.com/japan/interest-rate

4. Fiscal Sector

4.1 Income Tax Rate

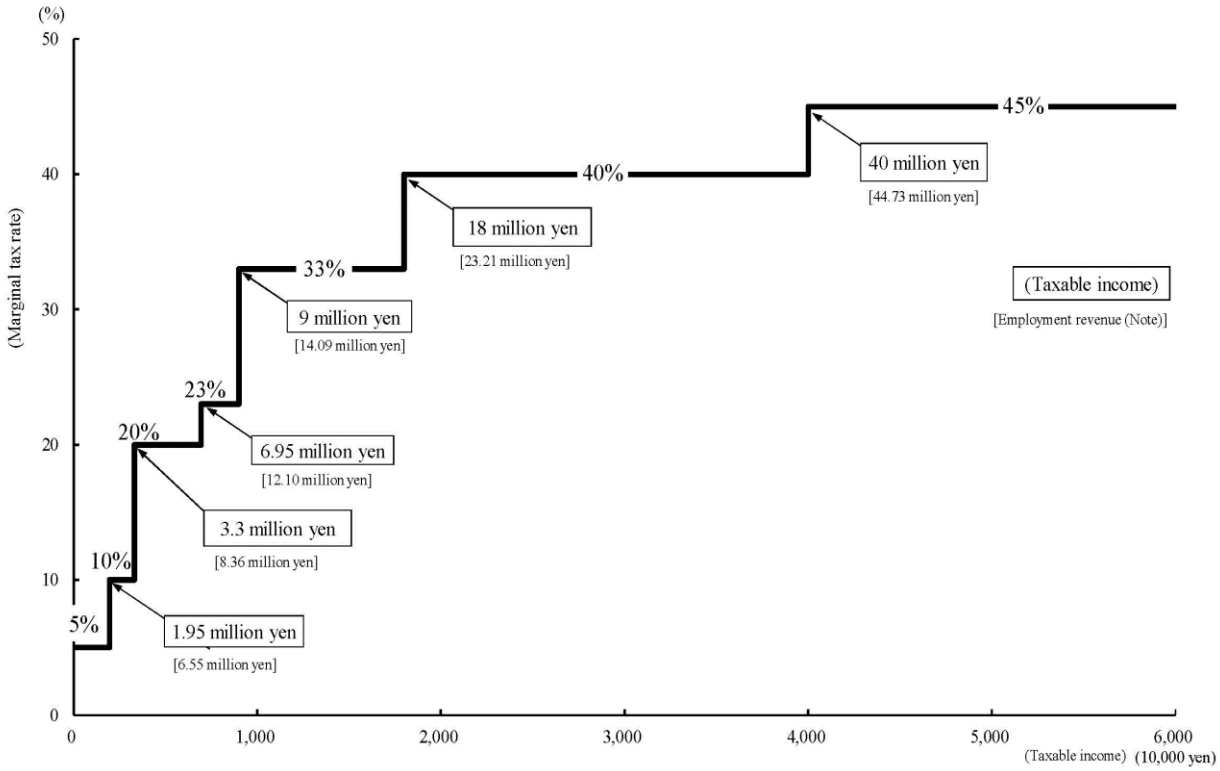


Figure XIX Income Tax Rate

Source: Ministry of Finance, Japan (2025)

The graph illustrates Japan's progressive income tax rate structure, showing tax rates (y-axis) against taxable income (x-axis, in 10,000 yen). The rates increase with income: 5 percent for up to 1.95 million yen (6.55 million yen taxable), 10 percent for 1.95 to 3.3 million yen (8.36 million yen), 20 percent for 3.3 to 6.95 million yen (12.1 million yen), 23 percent for 6.95 to 9 million yen (14.09 million yen), 33 percent for 9 to 18 million yen (23.21 million yen), 40 percent for 18 to 40 million yen (44.73 million yen), and 45 percent for over 40 million yen.[14]

This structure reflects Japan's aim to ensure tax equity, where higher earners pay more to fund public services like healthcare and pensions, addressing income inequality. The progressive system also incentivizes economic growth by taxing lower incomes lightly, encouraging spending, while higher rates on the wealthy help redistribute wealth. The thresholds are set to balance revenue needs with economic incentives, aligning with Japan's social welfare priorities and aging population demands.

[14] PWC, tax summaries – Japan, individual / other taxes
PwC. (2025, July 2). *Japan: Individual — Other taxes*. PwC Worldwide Tax Summaries. https://taxsummaries.pwc.com/japan/individual/other-taxes

4.2 Tax Revenue

Table III Tax Structure

Tax structure	Tax Revenues in national currency			Tax structure in Japan		
	Yen, billions			%		
	2021	2022	Δ	2021	2022	Δ
Taxes on income, profits and capital gains[1]	60 006	63 669	+ 3 663	32	33	+ 1
of which						
Personal income, profits and gains	35 439	36 835	+ 1 396	19	19	-
Corporate income and gains	24 567	26 834	+ 2 267	13	14	+ 1
Social security contributions	73 702	75 458	+ 1 756	39	39	-
Payroll taxes	-	-	-	-	-	-
Taxes on property	14 779	15 414	+ 636	8	8	-
Taxes on goods and services	39 010	40 827	+ 1 817	21	21	-
of which VAT	28 059	29 494	+ 1 436	15	15	-
Other	496	479	- 17	-	-	-
TOTAL	**187 992**	**195 848**	+ 7 856	**100**	**100**	-

Tax revenue includes net receipts for all levels of government; figures in the chart and table may not sum to the total due to rounding.

1. Includes income taxes not allocable to either personal or corporate income.

OECD (2024), Revenue Statistics 2024: Health taxes in OECD countries, OECD Publishing, Paris, https://oe.cd/revenue-statistics-2024

The table details Japan's tax structure for 2021 and 2022, showing tax revenues in yen billions and their percentage shares. Total revenue rose from 187,992 billion yen in 2021 to 195,848 billion yen in 2022, a 7,856 billion yen increase. Social security contributions lead at 39 percent (73,702 billion yen in 2021, 75,458 billion yen in 2022), reflecting Japan's aging population and high demand for pension and healthcare funding. Taxes on income, profits, and capital gains follow at 32 percent in 2021 (60,006 billion yen) and 33 percent in 2022 (63,669 billion yen), with personal income tax at 19 percent (35,439 billion yen to 36,835 billion yen) and corporate tax at 13 percent-14 percent (24,567 billion yen to 26,834 billion yen), indicating a reliance on income taxes to fund public services while encouraging corporate growth through moderate rates. Taxes on goods and services, including VAT, hold steady at 21 percent (39,010 billion yen to 40,827 billion yen), with VAT specifically at 15 percent (28,059 billion yen to 29,494 billion yen), showing a stable consumption tax base. Taxes on property contribute 8 percent (14,779 billion yen to 15,414 billion yen), and payroll taxes are negligible. Other taxes drop from 496 to 479 billion yen.[15]

This structure is driven by Japan's need to fund its social welfare system, particularly for an aging population, hence the high social security contributions. The steady income tax share balances revenue needs with economic growth, as moderate corporate taxes support businesses. The consistent VAT rate reflects a reliable consumption tax base, while property taxes provide a smaller but stable revenue stream, aligning with Japan's focus on equitable wealth distribution and economic stability.

15

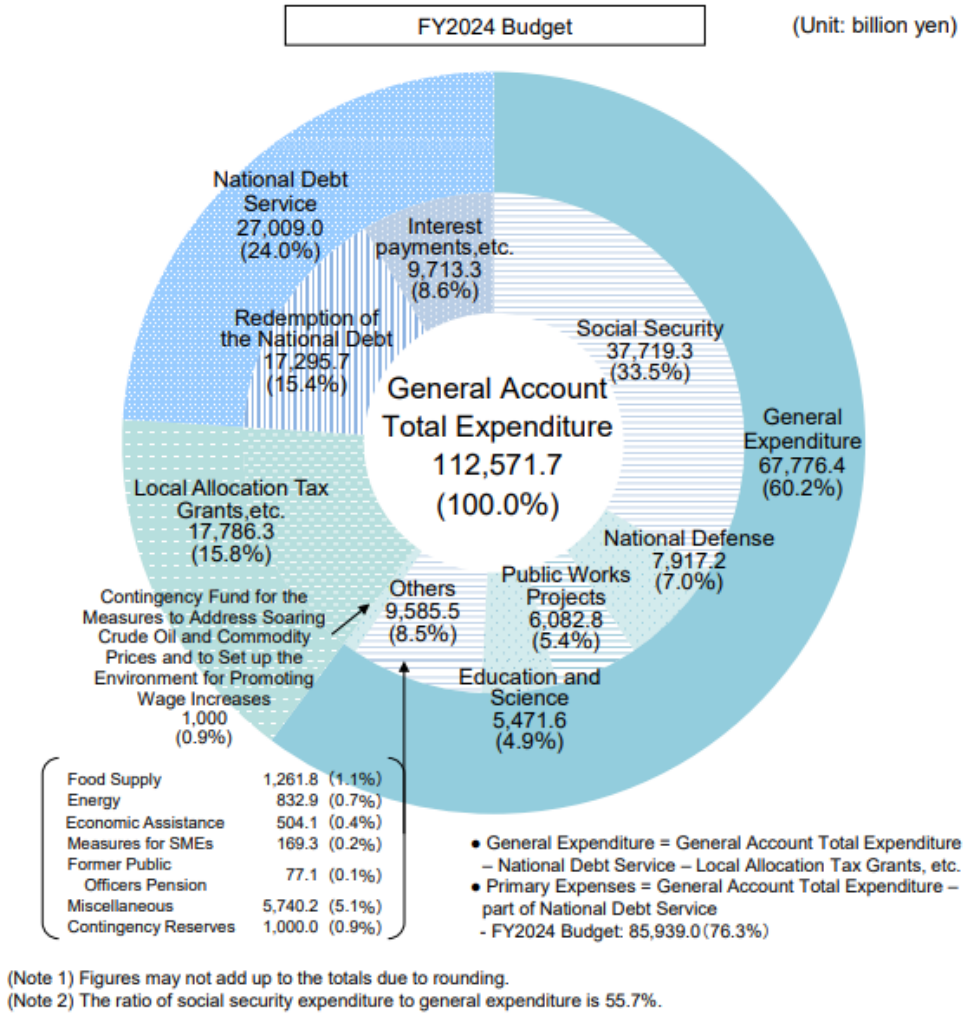
Source: Ministry of Finance, Japan (2024)

4.3 General Account Budget for FY2024

General Accounts Expenditure

As for the total expenditure in the general account, social security expenditures, local allocation tax grants, and national debt services account for about three-quarters of the total expenditure.
The image is a detailed breakdown of Japan's FY2024 budget, presented in a circular diagram with expenditures in billion yen and percentages.

The total expenditure for the General Account is 112,571.7 billion yen, representing 100 percent of the budget. This is divided into several key categories. The largest portion, General Expenditure, amounts



(Note 1) Figures may not add up to the totals due to rounding.
(Note 2) The ratio of social security expenditure to general expenditure is 55.7%.

Figure XX General Accounts Expenditure

to 67,776.4 billion yen, or 60.2 percent of the total, and includes Social Security at 37,719.3 billion yen (33.5 percent), National Defense at 7,917.2 billion yen (7.0 percent), Public Works at 6,082.8 billion yen (5.4 percent), Education and Science at 5,471.6 billion yen (4.9 percent), and Others at 9,585.5 billion yen (8.5 percent). Social Security within General Expenditure is further noted to be 55.6 percent of this category, highlighting its significant share. National Debt Service, the second-largest category, totals 27,009.0 billion yen (24.0 percent), split into Interest Payments, etc., at 9,713.3 billion yen (8.6 percent) and Redemption of the National Debt at 17,295.7 billion yen (15.4 percent). Local Allocation Tax Grants, etc., account for 17,786.3 billion yen (15.8 percent). A smaller segment, the Contingency

Fund for measures addressing soaring crude oil and commodity prices and promoting wage increases, is allocated 1,000.0 billion yen (0.9 percent). On the left, a detailed breakdown of "Others" within General Expenditure lists Food Supply at 1,261.8 billion yen (1.1 percent), Energy at 832.9 billion yen (0.7 percent), Economic Assistance at 504.1 billion yen (0.4 percent), Measures for SMEs at 169.3 billion yen (0.2 percent), Former Public Officers' Pension at 771.1 billion yen (0.1 percent), Miscellaneous expenses at 5,740.2 billion yen (5.1 percent), and Contingency Reserves at 1,000.0 billion yen (0.9 percent). A footnote clarifies that the Primary Expenditure, which excludes National Debt Service from the General Account Total Expenditure, is 85,939.0 billion yen (76.3 percent), and figures may not add up due to rounding. The diagram uses shades of blue to differentiate categories, with arrows and labels providing clarity on the budget's composition.

General Accounts Revenue

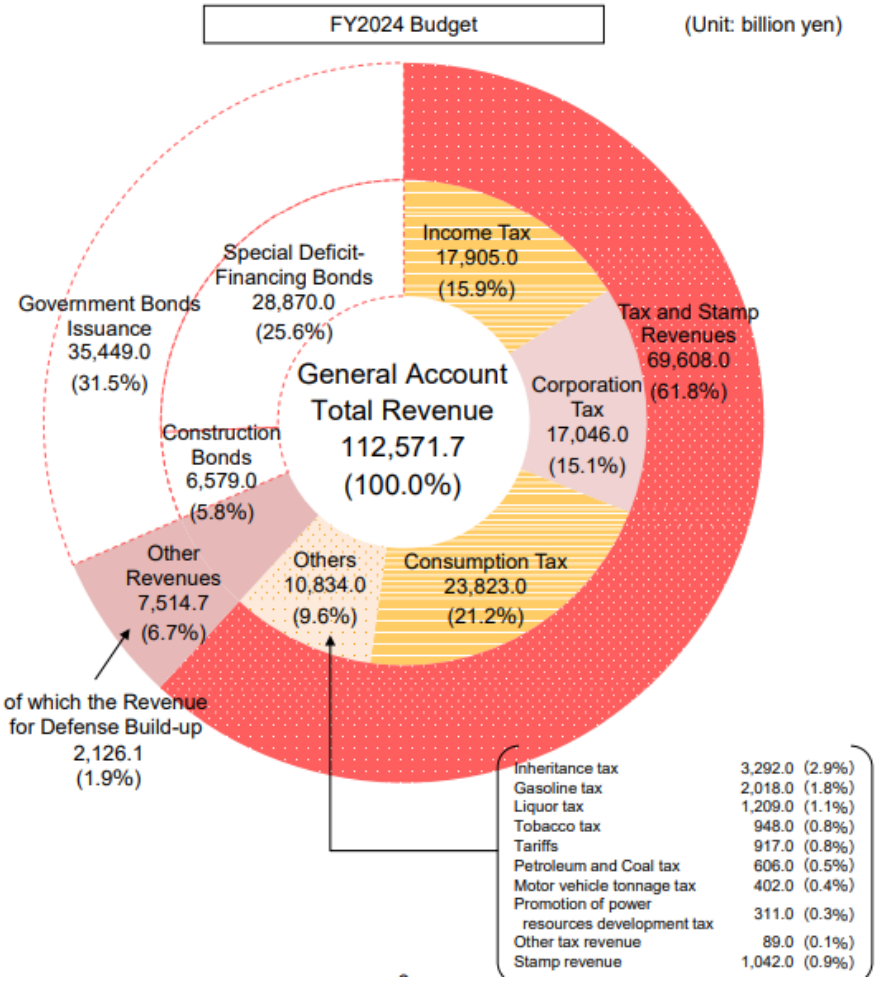


Figure XXI General Accounts Revenue

Source: Ministry of Finance, Japan (2024)

Tax revenue is estimated to be around 112.5 trillion yen in the FY2024 general account budget. Essentially, the government expenditure should be fully financed by tax and other revenues in the same year, but the current revenue accounts for only about two-thirds of the whole expenditure in the FY2024 budget. As a result, about a third, the remainder, relies on the revenue from issuing government bonds (i.e. debt), which will be a burden to the future generations.

5. Existing Bilateral Relationship Between Bangladesh and Japan

5.1 Existing Agreements

1. Japan-Bangladesh Economic Partnership Agreement (JBEPA) negotiation is currently underway and 7th round of negotiation was held on September 2025.
2. Exchange of Notes concerning the Dispatch of Japan Overseas Cooperation Volunteers in 1973
3. Agreement for the Exchange of International Money Orders in 1978
4. Agreement for Air Services in 1980
5. Cultural Agreement in 1982
6. Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income in 1991
7. Agreement concerning the Promotion and Protection of Investment in 1999
8. Agreement on Technical Cooperation in 2002
9. The Government of People's Republic of Bangladesh and Japan International Cooperation Agency (JICA) signed the loan agreement of "Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project (SMAP)" on 16 June 2014
10. Except for a small number of products and arms and ammunition, Japan provides GSP to all other products to Bangladesh. Bangladesh will not get this GSP facilities after graduating from least developed country.
11. The PPED (Public Private Economic Dialogue) is a framework established in August 2014 between the Ministry of Economy, Trade and Industry of Japan and the Office of the Prime Minister of the People's Republic of Bangladesh, aimed at solving business challenges faced by Japanese companies operating in Bangladesh and promoting investment and trade between Japan and Bangladesh. A total of six PPED meetings have been held to this point, and four working groups (investment environment, tax and finance, industrial diversification, energy) have been established under the PPED.

5.2 Official Development Assistance (ODA) Loan Projects

There are 31 (thirty-one) on-going Loan projects including Dhaka-Mass Rapid Transit Development project, Matarbari Ultra Super Critical Coal-Fired Power project, Matarbari Port Development project, Jamuna Railway Bridge Construction project, Foreign Direct Investment project, Energy Efficiency and Conservation Promotion project, Hazrat Shahjalal International Airport Expansion Project, Health Services Strengthening project, etc.

(i) Grants Aided Projects:

Total 16 (sixteen) Grant assisted projects are ongoing including Human Resource Development (JDS Fellowship program), Improvement of Solid Waste Management Equipment, Primary Education Development Program (PEDP IV) etc.

(ii)Technical Assistance Projects:

There are 35 (thirty five) on-going Technical Assistance projects including Skill Development of ICT Engineers Targeting Japanese Market, Dhaka Integrated Traffic Management, Security Improvement of International Airports, Strengthening of Solid Waste Management in Dhaka North City, Dhaka South City etc.

5.3 Bangladesh –Japan Bilateral Trade

Import-Export

Bangladesh's export-import and trade balance between the two countries are shown below:

Table IV Export-import and trade balance between Bangladesh and Japan

Value in Million US$

FY	Export	Import	Balance	Total trade	Total trade growth (percent)
2020-21	1183.64	2001.20	(-) 817.56	3184.84	
2021-22	1353.85	2576.3	(-)1222.45	3930.15	23
2022-23	1901.58	2029.9	(-)128.32	3931.48	.03
2023-24	1313.30	1810.30	(-)497.00	3123.60	(-)20.56
2024-25	1411.60	N/A			

Source: EPB and Bangladesh Bank, 2025

Major Export products to Japan: Woven garments, Knitwear, Shrimps, Leather & leather footwear, Jute manufactures, Camera parts, Jute yarn & twine, and pharmaceuticals products.

Major Imports from Japan: Iron and steel, Vehicles, Machineries, Copper, Electrical & Electronic equipment, Photographic & cinematographic goods.

Apparel Export to Japan

The export of Bangladeshi apparel, the top exportable to Japan, achieved the highest growth in 2018. It grew by 33.5 percent by volume surpassing all its competitors and was way above the overall growth of 5.8 percent making Bangladesh the 3rd biggest apparel exporter to Japan both in volume (5.6 percent) & value (3.9 percent).

Export items from Bangladesh to Japan (categorized by value)

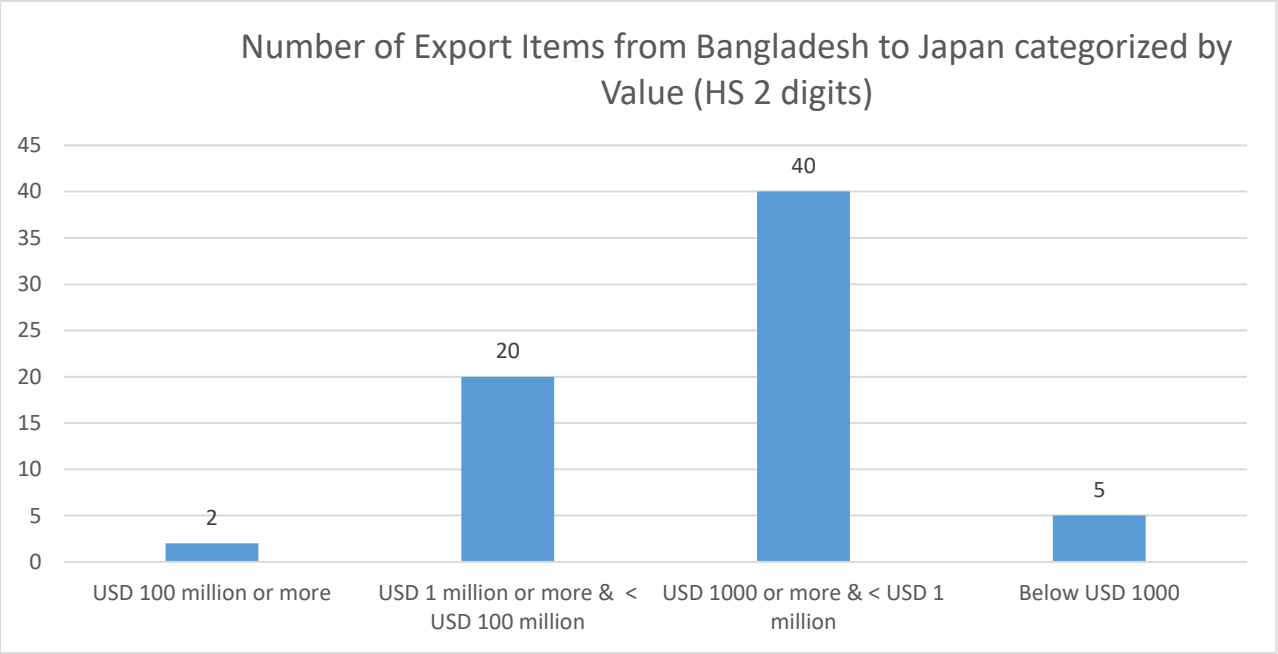


Figure XXII Export items from Bangladesh to Japan (categorized by value)

The distribution of export items from Bangladesh to Japan, categorized by monetary value, reveals a pronounced concentration within the mid-range value bracket. According to the data, only 2 export items exceed USD 100 million in value. In contrast, the majority of items—40 in total—fall within the USD 1000 to USD 1 million range. Additionally, 20 items are valued between USD 1 million and USD 100 million, while a minimal number—5 items—are valued below USD 1000. Details could be seen in Annexure 03

5.4 Manpower Export to Japan

1. According to the Bureau of Manpower, Employment and Training, from 1999 to 2023 Bangladesh exported 3707 employees to Japan.
2. In 2023 Bangladesh exported 967 manpower to Japan.
3. Japan is the 19th most remittance earning country of Bangladesh in FY2022-23 and Total Wage Earners' Remittance Inflows in FY2022-23 amounted $112.99 million.

6. Foreign Direct Investment (FDI)

- Net FDI Inflows during the FY 2024 from Japan amounted $ 47.86 million.[16]
- According the Bangladesh Bank data, Japan is the 6th FDI providing country of Bangladesh in FY 2024-25.

6.1 Japanese Investment (Sector) In Bangladesh

FDI Inflows (Net) from Japan classified by Major Sectors during the period FY 2024 was 47.86 million USD which is 3.3 percent of the total investment of Bangladesh.

Table: Sectors Receiving Japanese Investment

Sl	Sector	Net FDI Inflows in FY 2024 (In million USD)
	Textiles & Wearing	2.24
	Banking	0.35
	Pharmaceuticals & Chemicals	1.79
	Gas & Petroleum	-0.75
	Telecommunication	0.00
	Agriculture & Fishing	-0.29
	Leather & Leather Products	1.04
	Trading	1.34
	Fertilizer	19.42
	NBFI	0.00
	Power	2.43
	Metal & Machinery Products	0.35
	Clinical	0.00
	Cement	0.00
	Computer Software & IT	3.05
	Other Sectors	16.89
	Total	47.86

Source: Bangladesh Bank

6.2 Perceptions of Japanese enterprises concerning trade relations and business operations in Bangladesh

- A survey by Japan External Trade Organization (JETRO) and Japan Bangladesh Chamber of Commerce and Industries was conducted among 5,073 Japanese firms in 20 Asia and Oceania countries. According to the findings, Out of the 20 countries, Bangladesh came in the second spot in terms of profitability for Japanese companies.
- The majority of Japanese companies operating in Bangladesh plan to go for business expansion over the next two years thanks to competitive labour and high profitability, according to the survey conducted by JETRO.
- Some 73.2 percent of the 57 companies interviewed said Bangladesh is their top priority for business expansion; 61 percent said the country has high growth potential.

[16] Bangladesh Bank. (2024). *Foreign direct investment and external debt* (July–December 2024). https://www.bb.org.bd/pub/halfyearly/fdisurvey/foreign%20direct%20investment%20and%20external%20debt.pdf

- The survey also found some 56.6 percent of the Japanese companies planning to increase the number of local employees in the next one year in Bangladesh. The percentage is the fifth largest recruitment plan among the surveyed countries.

6.3 Conditions and policy reforms for increasing Japanese investment in Bangladesh

Reform Proposal in Business Environment from JCIAD

1. Review of the complex tax system
2. Simplification, speed up, and transparency of administrative procedures (especially customs clearance, registration, etc.)
3. Simplification of criteria and procedures for expatriates for visa and work permit
4. Relaxation of financial and foreign exchange regulations
5. Ensuring policy consistency
6. Eliminating corruption
7. Restructuring, simplification, and functional improvement of government agencies

6.4 Intention of business expansion in Bangladesh

According to a survey by Japan External Trade Organization (JETRO), regarding the direction of business development over the next 1-2 years, 45.5 percent of companies answered "expansion," up 1.1 points from the previous year's survey (44.4 percent) in the region. Bangladesh is the top of the destination at 61.2 percent (down 10.4 points from 71.6 percent in 2022).

Top 5 risks in the investment environment (multiple responses) (2024)[17]

Table V Top 5 risks in the investment environment (multiple responses)

Factors	Score
Political or social instability	94.8
Unclear policy management by local government	75.3
Insufficient infrastructure of electric power	71.4
Underdeveloped legal systems and unclear legal system operation	64.9
Time-consuming administrative procedures (permits and licenses)	64.9

According to the Survey on Business Conditions of Japanese Companies Operating Overseas (Asia and Oceania) in 2024, The chart highlights the top five risks perceived by Japanese firms when considering investment in Bangladesh. The most critical concern is political or social instability**, c**ited by 94.8% of respondents, reflecting significant apprehension over the country's governance environment. This is followed by unclear policy management by local government (75.3%) and insufficient infrastructure of electric power (71.4%), both of which pose challenges to predictable and efficient business operations. Additionally, underdeveloped legal systems and unclear legal procedures **(64.9%)** as well as time-consuming administrative processes related to permits and licenses **(64.9%)** are viewed as major barriers. Collectively, these risks emphasize governance, infrastructure, and regulatory inefficiencies as the primary constraints to Japanese investment in Bangladesh.

[17] Japan External Trade Organization. (2025, January). *2024 survey on business conditions of Japanese companies operating overseas (Asia and Oceania)*. JETRO. https://www.jetro.go.jp/ext_images/en/reports/survey/pdf/2024/EN_Asia_and_Oceania_2024_r4.pdf JE

Top 5 advantages of the investment environment (multiple responses) in Bangladesh(2024)[18]

Table VI Top 5 advantages of investment environment in Bangladesh

Factors	Score
Low labor cost	61.3
Market scale, growth potential	61.3
Ease in recruiting local staff (general workers/staff/clerks)	29.3
Fewer linguistic/communication problems	20
Tax incentives (corporate taxes/customs duties)	14.7
High quality of employees (general worker)	14.7

According to the graph, The chart presents the top five advantages of Bangladesh in attracting Japanese investment, based on the perceptions of surveyed firms. The most significant strengths are low labor cost (61.3%) and market scale with growth potential (61.3%), both of which highlight Bangladesh's competitiveness in terms of affordability and opportunities for business expansion. Additionally, ease in recruiting local staff (29.3%) and fewer linguistic/communication problems (20%) are recognized as supportive factors for smooth business operations. Finally, tax incentives such as reduced corporate taxes and customs duties (14.7%) also contribute to making Bangladesh an appealing destination for Japanese investors. Together, these factors underscore Bangladesh's cost efficiency, workforce availability, and business-friendly incentives as key drivers for attracting foreign investment.

[18] Japan External Trade Organization. (2025, January). *2024 survey on business conditions of Japanese companies operating overseas (Asia and Oceania)*. JETRO. https://www.jetro.go.jp/ext_images/en/reports/survey/pdf/2024/EN_Asia_and_Oceania_2024_r4.pdf JE

7. Exploring New Avenues in Bangladesh-Japan Relation

7.1 Prospects of Bangladesh Entering the Japanese Market

Bangladesh's prospects for entering the Japanese market are strong, driven by a deepening economic partnership and strategic alignment. Bilateral trade has surpassed $4 billion as of June 2023 , with Japan being Bangladesh's 9th largest export destination globally and 2nd in Asia. The ongoing negotiations for an Economic Partnership Agreement (EPA), expected to conclude by late 2025 or early 2026, are pivotal. The EPA aims to secure duty-free market access for Bangladeshi goods post-LDC graduation in 2026, which is critical as Bangladesh currently enjoys zero-duty benefits on 73 percent of its exports to Japan. Without the EPA, tariffs could rise to 18 percent, risking significant export losses. Japan's interest in diversifying its supply chains away from China, coupled with subsidies for manufacturers relocating to Bangladesh, enhances these prospects—evidenced by nearly 350 Japanese companies operating in Bangladesh by 2023.[19]

A survey cited by Japan's Vice-Minister Matsuo Takehiko in April 2025 indicates over 60 percent of Japanese firms plan to expand in Bangladesh, reflecting confidence in its market potential. However, challenges like regulatory differences and non-tariff barriers persist, which the EPA aims to address by streamlining investment processes. Critically, while the EPA is promising, Bangladesh must ensure it negotiates terms that protect its smaller industries from being overshadowed by Japan's economic dominance.

7.2 Benefits for Bangladesh from Trade with Japan

Trade with Japan offers Bangladesh substantial economic benefits, particularly in export growth, investment, and technological advancement. According to the latest data released by the Export Promotion Bureau (EPB), Exports in fiscal year were 1.41 billion USD to Japan, in case of RMG sector knitwear accounted for 0.60 billion USD and Woven garments for 0.52 billion USD, but diversifying into textiles, shrimps, and medicinal products can further boost earnings, as Japan's market demands high-quality goods..[20]

The EPA is expected to continue duty-free access for most of the products of post-2026, safeguarding export revenues against potential tariff hikes. Japanese foreign direct investment (FDI) has been significant, reaching $533.66 million by December 2023, with projects like the Japan Economic Zone in Narayanganj driving industrialization and job creation. This zone, partially operational since 2022, exemplifies Japan's role in infrastructure development. Trade also facilitates technology transfer, particularly in manufacturing sectors like motorcycles and apparel, enhancing Bangladesh's industrial capabilities. Moreover, Japan's Official Development Assistance (ODA) of $32.61 billion since Bangladesh's independence has supported major projects like the Jamuna Railway Bridge, improving connectivity and economic efficiency.

7.3 Potential Areas for Bangladesh

Bangladesh can leverage several areas from Japan to foster economic growth and development. The IT and tech sector is a prime opportunity, with Japan facing a demand for 345,000 foreign workers by

[19] The Daily Star. (2025, March 24). Political stability key to higher Japanese investment: Experts. *The Daily Star*. https://www.thedailystar.net/business/news/political-stability-key-higher-japanese-investment-experts-3855956

[20] https://epb.gov.bd/site/view/epb_export_data/2024-2025/July-June

2025, including in tech roles. Events like Japan IT Week 2025 highlight Bangladesh's young talent as a key asset for Japan's tech needs. [21]

Labor exports in construction, caregiving, and automobile industries also offer potential, with 178 Bangladeshi technical interns already employed in Japan in 2023. Japan's expertise in small and medium enterprises (SMEs) and logistics, as seen in collaborations like the 2025 International Cooperation Organization for Small and Medium Enterprises in Asia (ICOSA) roundtable in Tokyo, can help Bangladesh enhance its service sector efficiency.[22]

Additionally, Bangladesh can tap into Japan's renewable energy technology, aligning with its goal of 40 percent renewable energy by 2041 sectors like ocean thermal, tidal, and solar power are areas where Japanese investment could reduce Bangladesh's carbon footprint.

Finally, Japan's advanced manufacturing techniques, particularly in apparel and electronics, can be leveraged to upgrade Bangladesh's industrial base, though this requires investment in workforce training to handle sophisticated technologies. Critically, while these opportunities are significant, Bangladesh must address its skill gap and infrastructural limitations to fully capitalize on Japan's technological and labor demands.

7.4 Prospect of Agro-Processing Industry

Bangladesh's agro-processing industry holds strong potential to expand into the Japanese market, leveraging its agricultural output and Japan's demand for quality processed foods. Bangladesh produces over 70 million tonnes of agricultural products annually, including rice, potatoes, mangoes, and fisheries, with the agro-processing sector contributing 1.7 percent to GDP and showing steady growth.[23]

The processed food market in Bangladesh, valued at $4.8 billion in 2025, is projected to reach $5.8 billion by 2030, driven by a 16.6 percent annual export growth rate over the past four years.[24]

Japan, a key trading partner with bilateral trade exceeding $4 billion as of 2023, primarily imports apparel from Bangladesh, but there's untapped potential in agro-processed goods like frozen seafood, tea, spices, and fruit juices.[25]

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[21] The Financial Express. (2025). Japanese firms in BD optimistic about business expansion this year. *The Financial Express*. https://thefinancialexpress.com.bd/home/japanese-firms-in-bd-optimistic-about-business-expansion-this-year

[22] Nath, S. S. (2023, April 19). Bangladesh-Japan relations: Expanding economic ties. *The Financial Express*. https://thefinancialexpress.com.bd/views/bangladesh-japan-eelations-expanding-economic-ties

[23] **TBS News.** (2024, August 28). Bangladesh produces over 70 million tonnes of agri-products annually. *The Business Standard*. https://www.tbsnews.net/bangladesh/bangladesh-produces-over-70m-tonnes-agri-products-annually-2024

[24] **The Financial Express.** (2025, September 11). Bangladesh's processed food market to reach $5.8B by 2030. *The Financial Express*. https://thefinancialexpress.com.bd/trade-market/bangladeshs-processed-food-market-to-reach-58b-by-2030

[25] **Embassy of Bangladesh, Tokyo.** (n.d.). Trade and commerce. Ministry of Foreign Affairs of Japan. https://tokyo.mofa.gov.bd/trade-and-commerce

Japan's market, known for its high standards, aligns with Bangladesh's strengths in tropical fruits—such as mangoes, where it ranks 9th globally with a 40 percent share of the Eastern Asian processed mango market—and fisheries, where it is a top global producer.[26]

The ongoing Economic Partnership Agreement (EPA) negotiations, expected to conclude by late 2025 or early 2026, may secure duty-free access in post-LDC graduation era, making products like processed mangoes and shrimp more competitive.[27]

7.5 Ways for attracting Investment from Japan in the Agro-Processing Sector of Bangladesh

Bangladesh can attract Japanese investment in agro-processing by strategically showcasing its market potential and improving its investment climate. Highlighting opportunities at events like the Bangladesh Investment Summit 2025, hosted by BIDA, can draw interest, as 71.5 percent of Japanese companies in Bangladesh plan to expand.[28]

The Japan Economic Zone in Araihazar, Narayanganj, offers ready infrastructure for agro-food projects, with companies like Mitsubishi already expressing interest.[29]

Bangladesh can offer incentives like tax exemptions on capital machinery imports, a 10 percent[30] export subsidy for agro-processed goods, and duty-free access to 52 countries, enhancing profitability for Japanese investors.[31]

Addressing regulatory complexities, as noted in JETRO surveys, and ensuring certifications through the Bangladesh Food Safety Authority can build trust in Japan's stringent market.[32]

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[26] **The Daily Star.** (2024, May 16). Mango processing gets big boost. *The Daily Star*. https://www.thedailystar.net/business/economy/news/mango-processing-gets-big-boost-2024

[27] **The Business Standard.** (2024, August 28). EPA with Japan to boost Bangladesh exports. *The Business Standard*. https://www.tbsnews.net/economy/trade/epa-japan-boost-bangladesh-exports-2024

[28] • **The Daily Star.** (2025, September 11). 715 Japanese firms want to expand in Bangladesh. *The Daily Star*. https://www.thedailystar.net/business/economy/news/715-japanese-firms-want-expand-bangladesh-2025

[29] The Financial Express. (2025, September 11). Japan economic zone begins operations. *The Financial Express*. https://thefinancialexpress.com.bd/economy/bangladesh/japan-economic-zone-begins-operations-2024

[30] Bangladesh Bank. (2024, June 30). *FE Circular No. 12/2024: Export incentives and cash assistance for the fiscal year 2024–25*. Foreign Exchange Policy Department. https://www.bb.org.bd/mediaroom/circulars/fepd/jun302024fepd12.pdf

[31] The Business Standard. (2024, August 28). Bangladesh offers new incentives for agro exports. *The Business Standard*. https://www.tbsnews.net/economy/trade/bangladesh-offers-new-incentives-agro-exports-2024

[32] Japan External Trade Organization (JETRO). (2024, November 28). *2024 Survey on Business Conditions of Japanese Companies Operating Overseas: Asia and Oceania*. Research and Analysis Department. https://www.jetro.go.jp/ext_images/en/reports/survey/pdf/2024/EN_Asia_and_Oceania_2024_r4.pdf

Public-private partnerships in high-yield seed production, mid-tech greenhouses, and cold-chain logistics can meet Japan's demand for high-value crops like cherry tomatoes.[33]

However, Bangladesh must critically address its infrastructural deficits—such as the lack of large-scale processing units leading to surplus waste—and skill gaps to meet Japanese standards, ensuring that investments benefit local farmers and not just large corporations.

[33] The Financial Express. (2025, September 11). Bangladesh eyes Japan market for high-value crops. *The Financial Express*. https://thefinancialexpress.com.bd/agriculture/bangladesh-eyes-japan-market-high-value-crops-2025

Annexure 01

Primary Import and Export Items

Table VII : Top Imports of Japan from Bangladesh 2023

HS Code	Commodity	Value	Preferential Tariff Lowest average AV duty	MFN Tariff MFN applied AV duty	Bound Tariff Upper bound AV duty
620342	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton (not knitted or crocheted)	178.25 M	0.00 percent	9.55 percent	9.55 percent
610910	T-shirts, singlets and other vests; of cotton, knitted or crocheted	154.23 M	0.00 percent	9.15 percent	9.73 percent
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles; of man-made fibres, knitted or crocheted	133.86 M	0.00 percent	10.45 percent	10.45 percent
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles; of cotton, knitted or crocheted	114.76 M	0.00 percent	10.30 percent	10.30 percent
620462	Trousers, bib and brace overalls, breeches and shorts; women's or girls', of cotton (not knitted or crocheted)	98.37 M	0.00 percent	9.55 percent	9.55 percent
620343	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of synthetic fibres (not knitted or crocheted)	63.97 M	0.00 percent	9.55 percent	9.55 percent
610990	T-shirts, singlets and other vests; of textile materials (other than cotton), knitted or crocheted	50.13 M	0.00 percent	9.15 percent	9.73 percent
640399	Footwear; n.e.c. in heading no. 6403, (not covering the ankle), outer soles of rubber, plastics or composition leather, uppers of leather	39.26 M	0.00 percent	36.47 percent	25.46 percent
610610	Blouses, shirts and shirt-blouses; women's or girls', of cotton, knitted or crocheted	33.32 M	0.00 percent	9.13 percent	9.13 percent
620193	Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fibres, other than those of heading no. 6203 (not knitted or crocheted)	31.84 M	0.00 percent	10.95 percent	10.95 percent

Source: TINA

Annexure 02

Top Imports of Bangladesh from Japan

Table VIII Top Imports of Bangladesh from Japan

HS Code	Commodity	Value	Preferential Tariff Lowest average AV duty	MFN Tariff MFN applied AV duty	Bound Tariff Upper bound AV duty
271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c, containing by weight 70 percent or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	205.11 M	0.00 percent	1.39 percent	N/A
720839	Iron or non-alloy steel; in coils, without patterns in relief, flat-rolled, of a width 600mm or more, hot-rolled, of a thickness of less than 3mm	203.15 M	N/A	0.00 percent	0.00 percent
870390	Vehicles; for transport of persons (other than those of heading no. 8702) n.e.c. in heading no. 8703, including station wagons and racing cars	149.07 M	N/A	0.00 percent	0.00 percent
271012	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c, containing by weight 70 percent or more of petroleum oils or oils from bituminous minerals; light oils and preparations	115.36 M	0.00 percent	0.74 percent	N/A
720441	Ferrous waste and scrap; turnings, shavings, chips, milling waste, sawdust, fillings, trimmings and stampings, whether or not in bundles	100.06 M	N/A	0.00 percent	0.00 percent
720449	Ferrous waste and scrap; n.e.c. in heading no. 7204	98.61 M	N/A	0.00 percent	0.00 percent
999999	Commodities not specified according to kind	72.08 M	N/A	N/A	N/A
870322	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1000cc but not exceeding 1500cc	68.42 M	N/A	0.00 percent	0.00 percent
870323	Vehicles; spark-ignition internal combustion reciprocating piston engine, cylinder capacity exceeding 1500cc but not exceeding 3000cc	55.34 M	N/A	0.00 percent	0.00 percent
722530	Steel, alloy; flat-rolled, width 600mm or more, hot-rolled, in coils	43.47 M	N/A	0.00 percent	0.00 percent

Source: TINA

Annexure 03

Export of Bangladesh to Japan

Export items valued at USD 100 million or more:

2 Products (HS Chapter 2 Digit)

Product (HS Chapter)	Million USD
61: Articles of apparel and clothing accessories, knitted or crocheted	575.3402391
62: Articles of apparel and clothing accessories, not knitted or crocheted	510.9096342

Export items valued at USD 1 million or more:

20 Products (HS Chapter 2 Digit)

Product (HS Chapter)	Million USD
42: Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worn gut)	60.03426843
64: Footwear, gaiters and the like; parts of such articles	35.75388543
63: Other made up textile articles; sets; worn clothing and worn textile articles;rags	33.18374915
94: Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishing; lamps and lighting fittings, NES or incl.; illuminated signs or name-plates and the like; prefabricated buildings	17.43713505
85: Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	10.97186054
03: Fish and crustaceans, mollusc and other aquatic invertebrates	9.407078
74: Copper and articles thereof	7.60511372
56: Wadding felts and non wovens; special yarn; twine, cordage, ropes and cables and articles thereof	7.59583579
95: Toys, games and sports requisites; parts and accessories thereof	6.67559205
84: Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	5.10421143
90: Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	5.06184928
41: Raw hides and skins (other then furskins) and leather	4.85988564
96: Miscellaneous manufactured articles	3.05390415
53: Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	2.98558249
39: Plastics and articles thereof	2.19907436
76: Aluminium and articles thereof	2.18550861
67: Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	1.8363325
55: Man-made staple fibres	1.58826669
12: Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	1.0280851
65: Headgear and parts thereof	1.01317436

Export items valued between USD 1000 and USD 1 Million:

40 Products (HS Chapter 2 Digit)

Product (HS Chapter)	Million USD
96: Miscellaneous manufactured articles	2876.109
95: Toys, games and sports requisites; parts and accessories thereof	6767.475
94: Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed	15898.05

furnishing; lamps and lighting fittings, NES or incl.; illuminated signs or name-plates and the like; prefabricated buildings	
90: Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	5025.715
85: Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	12211.87
76: Aluminium and articles thereof	4837.666
74: Copper and articles thereof	15725.12
67: Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	1955.555
65: Headgear and parts thereof	1747.645
64: Footwear, gaiters and the like; parts of such articles	30532.44
63: Other made up textile articles; sets; worn clothing and worn textile articles;rags	27513.18
62: Articles of apparel and clothing accessories, not knitted or crocheted	584300.6
61: Articles of apparel and clothing accessories, knitted or crocheted	601171.2
56: Wadding felts and non wovens; special yarn; twine, cordage, ropes and cables and articles thereof	9660.095
55: Man-made staple fibres	1157.722
53: Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	2827.91
92: Musical instruments; parts and accessories of such articles	3.70786
91: Clocks and watches and parts thereof	344.3247
87: Vehicles others than railway or tramway rolling-stock, and parts and accessories thereof	176.3615
86: Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (incl. electro-mechanical) traffic signalling equipment of all kinds	600.9667
75: Nickel and articles thereof	306.1631
73: Articles of iron or steel	4.13411
72: Iron and steel	172.3299
71: Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin	23.73148
69: Ceramic products	9.62541
58: Special woven fabrics; tufted textile fabrics; lace; tapestries;trimmings; embroidery	42.92974
57: Carpets and other textile floor covering	129.459
52: Cotton	33.73203

49: Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	4.33302
48: Paper or paperboard; articles of paper pulp, of paper or paperboard	154.349
46: Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	675.2343
44: Wood and articles of wood; wood charcoal	124.487
43: Furskins and artificial fur; manufactures thereof	12.35807
42: Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worn gut)	56364.84
41: Raw hides and skins (other then furskins) and leather	3556.605
40: Rubber and articles thereof	561.9943
39: Plastics and articles thereof	1846.661
33: Essential oils and resinoid; perfumery, cosmetic or toilet preparations	1.45418
30: Pharmaceutical products	118.1931

Export items valued below USD 1000:

05 Products (HS Chapter 2 Digit)

Product (HS Chapter)	Million USD
98: Miscellaneous National Provisions	0.27056
92:Musical instruments; parts and accessories of such articles	3.70786
91: Clocks and watches and parts thereof	344.3247
87: Vehicles others than railway or tramway rolling-stock, and parts and accessories thereof	176.3615
86: Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (incl. electro-mechanical) traffic signaling equipment of all kinds	600.96671

Source: EPB