Japanese FDI and Development Vision of Bangladesh: Lessons from Thailand

Abdullah-Al-Mamun[1]
Shiblee Noman[2]
Md. Saifullah Akon[3]

Abstract

Bangladesh aspires to become a developed country under the 'Vision 2041', however, materialization of this development vision requires a huge amount of funds. Regrettably, the country's dependency on foreign aid is still more than 35%. Internal borrowing is also increasing considerably, and Foreign Direct Investment (FDI) can make a significant contribution to the financial basket. The government has set a target to increase the contribution of FDI to 3% of the GDP in the 8th Five Year Plan (FYP) which was 1% in 7th FYP. Japan has continued its support towards Bangladesh since independence. The country's tendency is to shift FDI to a country after improving the infrastructure through Official Development Assistance (ODA). The same trend can also be seen in Bangladesh. Bangladesh has become the number one recipient of Japanese ODA in 2020. To successfully accomplish development goals, countries with limited resources like Bangladesh can be hugely benefitted by the Japanese FDI. The ASEAN nation Thailand, with more than 6000 Japanese companies, is one of the economies that has been significantly benefitted by the Japanese FDI. This qualitative research investigates the case of Thailand based on key stakeholders' interviews and analysis of documents. The major findings of this paper bring forth challenges Bangladesh is facing to attract Japanese FDI which include national image crisis, lack of infrastructure, skilled human resources, local procurement of raw materials, frequent change in law and policies, uncongenial regulations regarding VAT, tax and customs and port clearance.

Keywords: Bangladesh, Development Vision, FDI, Challenges, Thailand

[1] Associate Professor, Department of Japanese Studies, University of Dhaka. Email: mamun.djs@du.ac.bd
[2] Assistant Professor, Department of Japanese Studies, University of Dhaka. Email: shibleenoman.djs@du.ac.bd
[3] Assistant Professor, Department of Japanese Studies, University of Dhaka. Email: saifullah.djs@du.ac.bd

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1. Introduction

Bangladesh has emerged as one of the fastest growing economies in the world. The economic development achieved especially in the last two decades has made the political leadership set a number of development goals. The country is now thriving and will graduate from Least Developed Countries (LDC) status in 2026, achieve Sustainable Development Goals (SDGs) by 2030 and become an upper middle-income country by 2031. It has most importantly set forth ‘Vision 2041’ to become a developed country by implementing the 8th Five-Year Plan (8th FYP) and 9th to 11th FYPs.

Being a country with a small delta, a huge population and limited resources, it has been highly dependent on foreign aid since independence. With the advent of time, the global order has made aid availability difficult and conditionality along with aid, in many occasions, contradicts national interests. The international aid basket is also becoming slimmer due to Covid-19 and the Ukraine-Russia war. Thus, recent development thinkers prioritize Foreign Direct Investment (FDI) before aid for developing economies. Despite the controversy of effectiveness of FDI in host countries, the crucial role of FDI in achieving small, medium- and long-term development goals has been revealed in the literature. Regrettably, Bangladesh’s effort to attract FDI and reduce aid dependency is yet to be commendable due to the conducive business environment. A huge opportunity has emerged for Bangladesh due to recent policy of the Japanese government which encourages Japanese companies to invest in South Asian countries, especially, India and Bangladesh instead of China or Association of Southeast Asian Nations (ASEAN) countries. Two important factors have contributed to this policy decision: the growing market in these countries and low production cost. The dividend of this policy, if properly attributed, can immensely supplement Bangladesh’s strategy to achieve the targets of 8th Five Year Plan, SDGs and ultimately ‘Vision 2041’.

FDI has been instrumental for the development of growing economies and ensuring sustainable stipulated growth in economies of the Southeast Asian nations. Welcoming FDIs with a suitable environment for the investors of other nationals and MNCs help them secure steady economic progress. Thailand is one of the glaring examples of easy consumption of FDIs (through nearly 6,000 Japanese companies) that contribute to the sturdy growth of GDPs of the country. It surpasses Vietnam and Indonesia in this regard, since they are yet to gain the momentum Thailand has, according to the survey report of Japan External Trade Organization (JETRO). The responses by its government, cultural proximity with Japan and the business environment have played a pivotal role in ensuring huge Japanese FDI flow to Thailand. It is thus a successful case that can be assessed to understand how to attract Japanese FDIs and utilize them in an optimum manner.

On the contrary, and in comparison, to Thailand, Bangladesh is still at the phase of identifying the prospects and engulfed in confusion whether to open up for Japanese FDI considering readiness of indigenous markets and industries. In addition, Thailand (in the 1970s and 1980s when it had begun opening up to FDI) and current Bangladesh have a similar politico-economic conducive environment for the consumption of Japanese FDI. The similarities in demographic dividend, development visions, Japan being the 3rd development partner for Thailand and 1st for Bangladesh, per capita income of the then Thailand and present-day Bangladesh are the major rationales for choosing Thailand as a successful case and exemplary model for Bangladesh. The aim of the paper is to answer the research questions: What are the challenges Japanese FDI is encountering in Bangladesh and what lessons can Bangladesh learn from Thailand?

The following part of the paper outlines the literature review, with a detailed discussion on academic debates regarding FDI; the third part of the paper deals with the methodology of the research work while the fourth part concentrates on findings. The last section consists of concluding remarks.

2. Literature Review

2.1 Academic Debates regarding FDI

Net investment inflows into a country's economy are referred to as FDI. It is the total of equity capital, earnings reinvested, long-term capital, and short-term capital. Participation in management, joint ventures, and similar activities are typically included (Abbas, Akbar, Nasir & Ullah, 2011). International economic integration depends heavily on FDI. It forges immediate, dependable, and enduring ties between nations' economies. It encourages knowledge and technology transfer between nations and enables the host economy to market its goods more extensively abroad (Tülüce & Doğan, 2014).

Due to the involvement of financial, management, material, technological, as well as technical and managerial know-how, FDI is perhaps the most complicated set of economic activities. It, therefore, has a very diverse impact on host economies. The main contribution is financial, which is particularly significant for developing nations since domestic investment rates are declining and state aid has largely decreased relative to the total financial flows perceived. In addition, foreign investors are the only bidders when huge state-owned industries are being privatized because local businesses lack the financial means to support such deals (Al-Faruque, 2015). By creating spillover effects, FDI helps local businesses grow by increasing demand in upstream industries and supplying goods and services to industries downstream. FDI thereby stimulates domestic investment. Furthermore, FDI makes significant contributions to the growth of human capital, technological transfer, restructuring, international trade, and the competitiveness of the industries of the host nation. There are, however, instances in which FDI has adverse effects. Foreign affiliates occasionally forego local suppliers in favor of importation of particular commodities as they are often dissatisfied with the quality of local products (Panait & Voica, 2017).

The effects of FDI have been a debated subject among academics. The majority of academics contend that FDI has a favorable influence. It has the potential to significantly alter the economy of the host nation. It is perceived that FDI has positive correlation with GDP, exports, and private investment in the host country (Al-Faruque, 2015). It is a powerful tool for economic development, particularly for underdeveloped nations. It makes it possible for countries with low levels of capital to increase their physical capital, produce more chances for employment, increase their productive capacity, improve the management and technical capabilities of their labor forces, and help integrate their own economies with the global structure (Jayakumar, Kannan & Anbalagan, 2014). Researchers find that not all countries can benefit from FDI. In order for emerging nations to catch up to developed nations and build their economies, FDI has become increasingly significant. In addition to providing the receiving nations with foreign cash, higher revenues, and investment capital, it also offers them advanced management, expertise, and technology. A potential development element for developing countries with a development vision, FDI works in conjunction with low-cost trained labor to help multinational firms compete and survive (Heshmati, 2007).

In high-income countries, FDI has a positive and considerable impact on the product, whereas in upper-middle-income countries, the impact is unequal and insignificant. With the exception of high-income countries, FDI is not a sufficient vehicle to boost economic growth in Latin America (Alvarado, Iniguez & Ponce, 2017).

Though a number of academics contend that FDI has a negative influence on the host nation, a good number opine differently. Some opine FDI currently has an average negative impact on economic growth in developing nations (Herzer, 2010). While FDI and the inflation rate have a high positive link, FDI and the trade balance have a strong negative correlation (Marimuthu, Varutharaj & Periyasamy, 2017). However, it is assessed that, over the long term, a Granger causal relationship exists between CO_2 emissions, GDP, GDP squared, and energy consumption (Seker, Ertugrul & Cetin, 2015; Zheng & Sheng (2017). Ultimately, growth matters; it has direct positive correlation in ensuring standard living, better medical care, high quality education and a prosperous social life.

It has also been revealed that the pollution haven theory is true in a few Asian emerging nations when it comes to the connection between FDI and environmental degradation. To guarantee a proper balance between the environment and growth, the threshold-based estimation of the peak level of the influx FDI is necessary (To, Ha, Nyugen & Vo, 2019). The correlation between FDI and carbon emission in some SAARC countries including Bangladesh, India, Pakistan and Sri Lanka has been evident (Waqih, Bhutto, Ghumro, Kumar & Salam, 2019). On the other hand, some academics argue that in the long run, the relationship among CO_2 emission, economic growth, FDI, and energy usage gets balanced to a positive direction (Koçak & Şarkgüneşi, 2018). It has been suggested in a study that FDI's effects on economic development and pollution reduction ultimately aid China's efforts to reduce industrial pollution and improve the country's environmental circumstances (Ayamba, Haibo, Ibn Musah, Ruth & Osei-Agyemang 2019).

Academics are also of the opinion that the effect of FDI on economic growth depends on the recipient country's absorptive capacities, with elements including institutional change, trade policy, technology, and political environment (Makki & Somwaru, 2004; Rahman, 2015). Thailand, an ASEAN nation shows a very positive correlation in terms of reaching development visions utilizing Japanese FDI with a conducive environment enriched with the said features. However, FDI accelerates capital flight to the host country, makes local businesses face big challenges and thus increases competitiveness, ensures skill and technology transfer to the host country which ultimately generates skilled human resources (Shamim, Azeem & Naqvi, 2014).

2.2 Bangladesh's Development Vision

The Bangladesh government has taken up actionable agenda to reach its development goals by formulating a Perspective Plans and different Five-Year Plans. The First Five Year Plan was developed in July 1973 to lift the economy out of poverty. In 2021, the 8th Five Year Plan (FYP) (2021-2025) was formulated with the major goal of increasing the GDP growth to 8.51% and reducing the poverty rate to 15.6% (UNB News, 2021). To compensate for the lackluster private sector investment result in the 7th FYP, the 8th FYP will devote its full effort to enhancing the investment environment for domestic and global private investment (General Economic Division, 2018).

By 2031, Bangladesh aims to eradicate extreme poverty and achieve Upper Middle-Income Country (UMIC) status, and by 2041, it aims to achieve High-Income Country (HIC) status, with poverty nearly eradicated (Making Vision 2041 a Reality Perspective Plan of Bangladesh 2021-2041, 2020). The 8th FYP is the start of the first phase. As a result, the primary goal of the 8th FYP is to begin implementing PP 2041 in such a way that Bangladesh achieves UMIC status, meets key SDG targets, and eliminates extreme poverty by FY2031 (GED, 2021/20).

2.3 Japanese FDI in Bangladesh

The first direct investment from Japan into Bangladesh was made in 1977, and as the country implemented economic policies that were more accommodating to market forces in the early 1990s, the rate at which Japanese capital entered Bangladesh's economy increased dramatically. According to the 2019 World Investment Report published by the United Nations Conference on Trade and Development (UNCTAD), the amount of FDI in Bangladesh in 2018 was $3.61 billion.

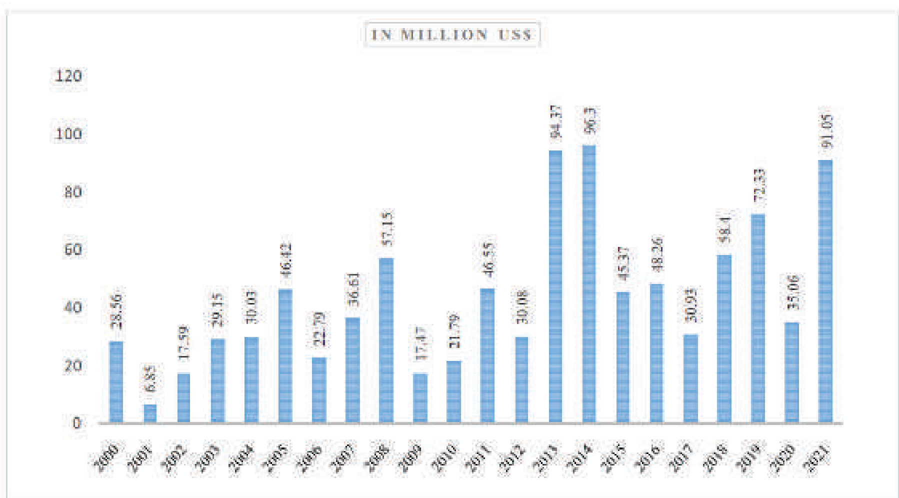

Figure 1: Japanese FDI in Bangladesh

Source: Bangladesh Bank, 2021

Since 2014, Japanese FDI has crinkled in Bangladesh giving priority to some sectors including textile and engineering, service, shrimp hatchery, knit fabric, leather goods, automobile and its parts, electronic accessories, etc. In 2014, the inflow of FDI from Japan was $96 million. But due to the Holey Artisan terrorist attack in 2016, Japan started to view Bangladesh as a security risk that caused the lowest FDI in the following year, only $31 million in 2017. However, the zero-tolerance policy of the Bangladesh government against terrorism was able to inspire some Japanese investors in the next couple of years, resulting in $72 million of FDI in 2019.

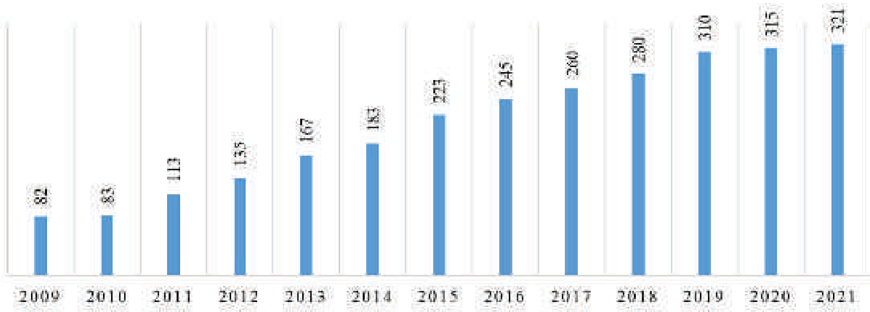

Figure 2: Number of Japanese Companies in Bangladesh

Source: The Daily Star, 2020 and The Financial Express, 2021

At present, about 320 Japanese companies are operating in Bangladesh and according to JETRO, every year about 50 new Japanese companies come Bangladesh with proposals of their investment. A survey by the JETRO in 2019 found that most of the Japanese companies based in Bangladesh are keen to expand their business for the next two years.

Table 1: Share of Japanese FDI in Total Investment Inflows in Bangladesh (2000-2021)

Year	Percentage of Japanese FDI in Comparison with Total FDI Inflows in Bangladesh [CY 2020 – 2021]
2000	4.94%
2001	1.93%
2002	5.24%
2003	8.32%
2004	6.52%
2005	5.49%
2006	2.88%
2007	5.49%
2008	5.26%
2009	2.50%
2010	2.39%

2011	4.10%
2012	2.33%
2013	5.90%
2014	6.21%
2015	2.03%
2016	2.07%
2017	1.44%
2018	1.62%
2019	2.52%
2020	1.37%
2021	3.14%

Source: Authors' calculation (Data: Bangladesh Bank, 2021)

Many Japanese multinational corporations view Bangladesh as an attractive market for business expansion and investment. Their attention is now being directed toward diversity, especially in Bangladesh and the other countries of South Asia.

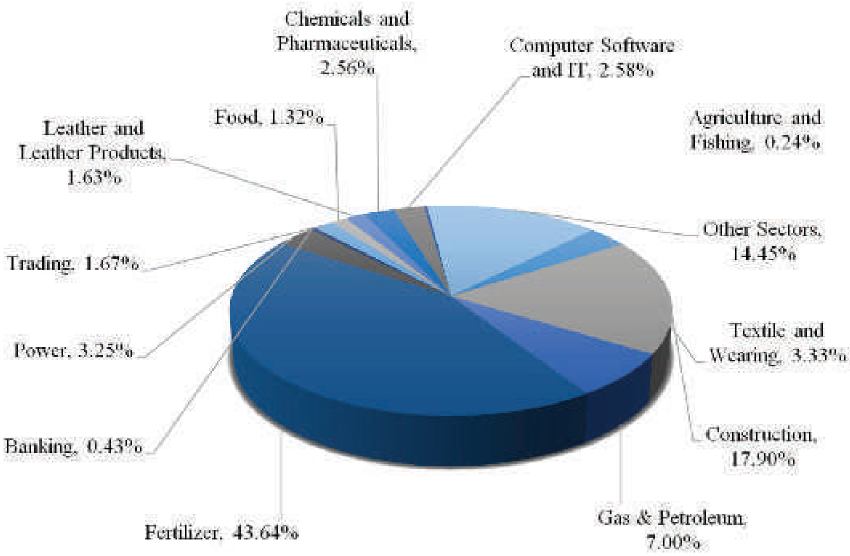

Figure 3: Japanese FDI in Bangladesh: By Sector
Source: Authors' calculation (Data: Bangladesh Bank, 2021)

Japan ranks 11th in terms of FDI to Bangladesh (Bangladesh Bank, 2021). Employment prospects are expanding along with the number of Japanese businesses. About 50 new Japanese businesses arrive in Bangladesh each year with investment ideas, according to JETRO, providing excellent employment opportunities for Bangladeshis as well (Morsalin & Akon, 2021). The Bangladesh government along with Japan International Cooperation Agency (JICA) is creating a Japanese Economic Zone in the Araihazar upazila in the Narayanganj District of Bangladesh (JICA). About 100,000 jobs are anticipated to be created as a result of the Japanese investments for fostering the development of Bangladesh's. The Japanese Economic Zone is considered as the 'Game Changer' of Japanese FDI in Bangladesh. The tobacco division of the local Akij Group was purchased by Japan Tobacco International for $1.5 billion and Honda opened its sole manufacturing facility in Munshiganj in November 2018 (Japanese investments to foster Bangladesh's economic development, 2022). Since achieving development visions is highly capital intensive and one target in the 8th FYP is increasing FDI to 3% of the total GDP of Bangladesh, a planned systematic inflow of Japanese FDI can alleviate the gap between target and reality.

3. Methodology

As this area of study is not yet academically well-explored, it required the experience of the Interviewees to give meaning to the phenomena and help researchers understand the issues with deep insights. Moreover, a holistic and comprehensive approach was required to learn the challenges of Japanese investment in Bangladesh, reasons behind massive Japanese investment in an ASEAN country Thailand and to make recommendations. This study, thus, adopted a qualitative research method and chose an inductive research approach. The most commonly used data collection techniques in qualitative research, namely interviews and documents analysis techniques have been chosen to collect data.

The study reviewed academic publications as well as documents of JETRO, Bangladesh and Thailand. It covered interviews of officials of the Japan Embassy, JETRO representatives, government officials of Bangladesh and Thailand, Japanese investors, stakeholders of joint ventures, investment specialists and economists. A semi-structured questionnaire was used to interview the interviewees. The study adopted the purposive sampling method to interview 23 interviewees from both Bangladesh and Thailand. Most of the interviews in Bangladesh were conducted physically, while overseas interviews were conducted using online tools. This research used multiple data sources which helped ensure the validity and reliability of the research. Serious attention was given to the ethical issues to whole process of the research.

4. Findings and Discussion

4.1 Challenges of Japanese investment in Bangladesh

A number of challenges faced by Japanese investors in Bangladesh were identified from the data. The most significant findings in this regard are as follows;

4.1.1 National Image Crisis

Interviewee 4 (2021) categorically pointed out that the crisis of national image has been one of the most significant challenges for further increment of FDI in Bangladesh. The crisis due to lack of goodwill hampers inflow of FDI to the host country. On the contrary, Interviewee 3 and Interviewee 9 (2022) are of the opinion that the government is trying to offer some business packages for the Japanese investors which includes One Stop Service (OSS), Special Economic Zones (SEZ) among others. Interviewee 13 (2021) added that BIDA had been also working hard for branding Bangladesh, especially to three countries to increase FDI—Japan, China and Korea.

4.1.2 Poor Infrastructure

For enterprises in all industries, the overall standard and dependability of infrastructure is a crucial consideration. A number of Interviewees (Interviewee 1, 2022 and Interviewee 10, 2021) are of the opinion that both ICT and transport—which includes, road (Interviewee 2, 2022, and Interviewee 4, 2021), air, rail (Interviewee 7, 2021 and Interviewee 9, 2022) and waterways (Interviewee 11, 2021) are the biggest challenges. Moreover, inadequate port facility largely hinders the usual flow of import and export and thus discourages foreign investors (Interviewee 5: 2022 and Interviewee 13, 2021). In addition, port facilities in Bangladesh are miserably poor (Interviewee 7, 2021 and Interviewee 14, 2021). Interviewee 9 (2022) and Interviewee 19 (2022) are of the opinion that due to poor infrastructure the transportation time and cost is exceedingly high in Bangladesh. Some significant barriers, a JETRO survey report (2019) pointed out, include power shortage and inadequate logistic infrastructure (JETRO, 2019).

4.1.3 Crises Related to Labor and Regulations

Interviewees to a large extent are of the opinion that there is a huge crisis of skilled human resources in Bangladesh. It poses a big challenge for Bangladesh (Interviewee 7, 2021, Interviewee 8, 2022, and Interviewee 14, 2021) to be integrated in the supply-chain of the global market. A JETRO survey (2019) also reveals the crisis of employee performance and shortage of skilled human resources, wage hikes, poor quality control procedure, increased procurement costs, frequent change of rules and regulations (JETRO, 2019).

4.1.4 Inefficient and Uncongenial Customs, VAT, Tax System

The systematic difficulties can be found from the quote of the country representative of Japan External Trade Organization (JETRO). Many of them have similar opinions in this regard;

> Foreign exchange policy presents the first difficulty. When conducting business here, we have difficulties. Letters of credit (LC) settlement is restricted to certain types of trade, although the terms and restrictions are rather onerous in contrast to other nations. Banks ask businesses to provide particular documents that are not required in other nations. It should be easier to open LC. (Interviewee 16, 2021).

The major hurdles pointed out by a Japan External Trade Organization (JETRO) survey report (2019), exposed unfavorable tax system, purchase of raw materials, time consuming custom procedure, frequent change of rules and regulations (JETRO, 2019).

Interviewee 3 (2021) has mentioned that BEPZA, though, has taken initiatives to minimize the gap, i.e. it has already established a Central One Stop Service Centre in its Executive Office as well as 8 Regional One Stop Service Centre in 8 zones. Interviewee 13 (2021) has stated that BIDA is providing 17 services through their exclusive OSS. Interviewees 7 (2021), 8 (2022), and 11 (2021) are all of the opinion that there is a lack of transparency in the tax system and the tax law of Bangladesh. Moreover, Interviewees 16 (2021) and 22 (2021) have found the tax office, especially the tax officers, non-cooperative.

Interviewee 16 (2021) after an extensive study (JETRO Survey Report, 2021) came up categorically with some challenges Japanese companies are facing while expanding or making new investment in Bangladesh. These include time-consuming customs clearance, decreased orders from clients, and wage hikes.

4.1.5 Bureaucratic Indifference and Inefficiency

The biggest allegation regarding the challenges of the FDI flow towards Bangladesh actually points to the bureaucracy of Bangladesh. Almost all interviewees opined with regret that in most of the cases they do not receive responses on time. Interviewee 1 (2022) mentioned that 'the major problem is communication; if the investors reach someone in the bureaucracy, they don't respond'. Sometimes, they can reach someone responsible, but ultimately that particular person also confines him/herself within the flowery 'lip service' leaving no concrete solution to a particular issue (Interviewees 16, 2021 and 22, 2022). However, the bureaucratic red-tapism is hoped to be addressed by the adoption of particular policies and services, i.e., OSS and time-bound response from respective authorities, added by Interviewee 13 (2021). Additionally, BEZA provides 17 types of services through OSS (Interviewee 4, 2021).

The knowledge and abilities of government employees are lacking—opined by Interviewee 7 (2021), Interviewee 17 (2021), and Interviewee 18 (2021). Companies discover that the government employee is unable to provide clear answers to their questions. The lack of institutional internal communication, for instance, between ministries, banks, and other associated institutions, was brought up by another Interviewee (Interviewee 21, 2022).

In addition, usage of Letter of Credit (LC) instead of a swift transfer system like the one in Thailand, telegraphic transfer (TT) has been adversely affecting Japanese FDI flow to Bangladesh (JETRO, 2021).

4.1.6 Corruption as an Epidemic

A significant number of Interviewees mentioned that the processes involved in opening businesses in Bangladesh is highly plagued with corruption (Interviewees 13, 2021 and Interviewee 23, 2021). It is so pervasive that hardly anything can be done without 'speed money'. There are companies who have strict prohibition of involvement with any such activities. But the scenario in Bangladesh is so—either you provide speed money or your file goes to the cold storage. Both bureaucratic and political corruption came up in the interviews. However, bureaucratic corruption tops the list of challenges, Japanese investors have found, while starting or doing business in Bangladesh. A JETRO survey also revealed bureaucratic corruption as one of the main barriers to Japanese FDI in Bangladesh (JETRO, 2020).

4.2 Thailand's Competitiveness

Thailand has been offering quite a congenial atmosphere for the Japanese investors for a long time. For instance, telegraphic transfer (TT) is the norm for import-related transactions there. Due to foreign exchange regulations, trade transactions in Bangladesh are typically restricted to the settlement of letters of credit (LC). In comparison to other comparable nations, the rules and conditions to open LCs are relatively complex. Lifting the TT ban will encourage more Japanese investment. Large FDI can be attracted with a consistent tax policy, transparent tax administration, and offering the correct incentives to manufacturers.

Geographically, Thailand has more proximity to Japan, compared to Bangladesh. But when it comes to countering Beijing, Bangladesh becomes an x-factor in South Asia in the reality of the Japan-India-China triangular relationship. Interviewee 2 (2022) is of the opinion that geographical proximity has pushed Thailand well ahead of Bangladesh while considering FDI from Japan. Interviewee 13 (2021) in this case speaks, ‘There is no direct flight from Japan to Bangladesh. So, the first flight they land on while coming to Bangladesh is Bangkok which makes Thailand more comfortable than Bangladesh to expand business— and bringing FDI from Japan’.

Moreover, the opening up of Thailand after it joined the Regional Comprehensive Economic Partnership (RCEP) has pushed it way ahead in the global supply-chain management system (Interviewee 21, 2022 and Interviewee 22, 2022). In terms of the indicators for expanding business by the Japanese investor, Interviewee 9 (2022) has some sturdy comments regarding the high competitiveness of Thailand even while comparing it with Europe or any other region. Interviewee 9 (2022) has stated that market size potentials, accumulation of business partners, political social stability, well-designed legislation, tax procedure, tax incentive, low language barrier, and living conditions for expats are all very high in Thailand. However, Interviewee 3 (2021), Interviewee 4 (2021), Interviewee 10 (2021) and Interviewee 13 (2021) are of the strong opinion that abundance of workers, competitive labor cost, less production cost, low utility cost, minimum rent for plots and factory building, readily available plots and Standard Factory Building, different fiscal and non-fiscal incentives etc. are the major competitive benefits that are offered by Bangladesh for potential investors from Japan and other countries.

4.2.1 Initiatives taken by Thailand to attract Japanese FDI

Interviewee 9 (2022) is of the opinion that the Eastern Economic Corridor (EEC), with its extensive infrastructure, established supply chains, investment privileges and incentives, and access to a trained and reasonably priced labor population, is also a significant competitive advantage for investors in Thailand. In order to increase chances to draw foreign investment, the EEC Policy Committee is also updating its target industries and tactics. So, Thailand has long been quite successful at luring foreign direct investment (FDI). Since 2000, inbound FDI has been a significant contributor to economic expansion. By 2017, FDI stocks as a percentage of GDP climbed to 50%, which is much greater than the ASEAN average (excluding Singapore). Thailand comes in third place in terms of FDI in ASEAN, just behind Indonesia. Thailand’s FDI share in ASEAN climbed from 9% to 11% over the previous ten years whereas Bangladesh’s share of GDP from FDI is yet 1%, Interviewee 12 (2022) sighs. The majority of inbound FDI stocks originate from Japan, the United States, and Singapore, while other nations’ FDI inflows, like those from China, have grown in significance.

Social life in Thailand has been a big incentive for the Japanese investor in Thailand. Hardly do they find any restriction in Thailand while maintaining their Japanese lifestyle there. Availability of Japanese restaurants all in Thailand and the cultural proximity also ease the Japanese FDI flow towards Thailand.

The Sustainable Development Goals (SDGs) are being implemented in Thailand to a large extent by FDI. While the importance of the direct contribution of foreign firms to the Thai economy is confirmed by these performance premiers for foreign firms, they may also highlight ongoing weaknesses in the appropriate skills of domestic firms, which are a necessary condition for favorable FDI spillovers (Ministry of Commerce of Thailand, 2022).

On September 6, 2019, Thailand's economic ministers approved a set of policies known as "Thailand Plus" that aimed to increase foreign investment, particularly to hasten investments from businesses looking to relocate due to the continuing trade war. In this connection, Interviewees 9 (2022) and 16 (2021) stated that Thailand releases a fresh promotion plan to entice investment. The new package includes extensive measures that will increase Thailand's appeal as a location for investment, such as investment acceleration incentives, fiscal measures supporting STEM (Science, Technology, Engineering, and Mathematics) manpower development, deregulation, and enhanced pre- and post-investment services. Interviewee 9 (2021) has categorically mentioned that Thailand's government has been working closely with the Japanese investors for establishing more vocational institutions to minimize the gap of required skilled labor force in robotics and hi-tech industries (OECD-UNIDO, 2019).

4.3 Lessons for Bangladesh

With consideration of the initiatives taken by Thailand as well as the socio-economic reality of Bangladesh among many, the following lessons can be learned from Thailand to attract more FDI from Japan:

- The corporate tax rate in Bangladesh should be brought down to 20% from the current 30% on all the sectors excluding tobacco products; in Thailand it is only 20%.
- Automation in NBR (taxation system) for tax filing and other formalities and simplification of those procedures by making them online based will have a positive impact on the business in general.
- Avoid frequent change of rules and regulations; and encourage discussion with investors before introduction of policies and rules.
- Enhancement of the capacity of ports and reduction of clearance time in import and export goods are pivotal for connectivity with the global supply chain.

- Export products should be diversified. Bangladesh needs to give importance to production of value-adding and high-tech products like Semiconductor, Robotics, Auto-mobiles, high-tech medical equipment keeping special focus on our preparedness for the changes to be brought by 4th IR.
- Efficiency of One-stop Services (OSS) by the BIDA needs to be increased.
- Bangladesh should consider signing Free Trade Agreements (FTAs) to avoid complicities after the LDC graduation.
- The Regional Comprehensive Economic Partnership (RCEP) should be joined provided the country is ready to compete and the local market is also prepared.
- Usage of faster system like telegraphic transfer (TT) instead of Letter of Credit (LC) for the transection of capital.
- Ensuring skilled labor with vocational training along with due Japanese language skill.
- Ensuring social life, like Thailand has been doing for its Japanese investors to ensure the regular lifestyle like Japan, can be instrumental.

5. Conclusion

With the discussion above, it is apparent that Bangladesh must move forward faster to respond to global demands and act swiftly with caution to place itself in the global supply chain and ensure the long-esteemed achievement of growth. Thailand had different realities and advantages which may be different to Bangladesh but Bangladesh has its own potential to be a business hub in South Asia and ultimately a significant stakeholder in the global market.

The target of becoming a Middle-Income country has almost been achieved and the vision to become a developed country does not seem far if Bangladesh can make the best use of its opportunity to attract FDI and respond to the demand of the global supply chain. In this connection, establishment of Economic Zones, like the one at Araihazar of Narayanganj can play a crucial role to ensure all factors that include infrastructure, uninterrupted power supply, skilled human resources, convenient social life and last but not the least congenial regulations for FDI. Thailand's experience in this regard is very significant in terms of Japanese FDI. Had not Bangladesh overcome the existing challenges, it might have lost the opportunity to reach development visions set forth. In relation to Japanese FDI, previous research has suggested that if the existing bottlenecks are not addressed, Bangladesh will lose the opportunity and in the course of time Japanese FDI will move elsewhere in the region (Mamun, 2018).

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