THE LATE 20TH TO EARLY 21ST CENTURY OF FOREIGN POLICY OF BANGLADESH IN ECONOMIC DIMENSION TOWARDS CHINA

RAHMAN, M. S.1* – KUBRA, S. T.2

1 Faculty of Social Sciences, Begun Rokeya University, Rangpur, Bangladesh.

2 Wazed Research and Training Institute, Begun Rokeya University, Rangpur, Bangladesh.

*Corresponding author
e-mail: sayedur34[at]gmail.com

(Received 17th December 2020; accepted 25th January 2021)

Abstract. Bangladesh and China have established robust bilateral cooperation based on mutual confidence and interests since the establishment of diplomatic ties. The Bangladesh-China relationship's most motivating attribute is its relative consistency and longevity. After the establishment of a formal diplomatic relationship in October 1975, Bangladesh and China have continued to be close friends and development partners. In a variety of fields, including politics, the economy, the military, and culture, good bilateral cooperation between Bangladesh and China has been achieved. Many bilateral treaties, agreements, and memoranda of understanding on reciprocal economic cooperation, cultural sharing, infrastructure development, educational interaction, and military assistance have been signed over the years. Mutual reciprocity on the grounds of common values has largely led to keeping bilateral ties between Bangladesh and China sustainable over time. The goal of the present study is to provide a detailed approach to the bilateral ties between Bangladesh and China in the late 20th - early 21st century.

Keywords: Bangladesh, China, economic relation, foreign policy, bilateral trade, international relations

Introduction

In the current age of globalization, world trade liberalization is the most serious problem for all national governments, especially for developing countries. In 2017, Bangladesh and China Ties marked their 42nd anniversary with the decision to take a more politically holistic relationship and cooperation decision (Hossain, 2010). The relations between Bangladesh and China have just strengthened from strength to strength (Aneja, 2006). Built bridges of friendship over powerful rivers in Bangladesh-China China has made tremendous contributions to the efforts of Bangladesh to achieve its prosperity, with a main focus on building economic independence for the nation since China came up very stubbornly and very vigorously to cooperate in our work of economic emancipation, which is why China has now become one of China's 40 years of eccentricity (Rahman and Uddin, 2011). Asian Infrastructure Investment Bank (AIIB) and Silk Road, in particular the BCIM corridor, are a great concept for developing countries to benefit from this eastern part of the world, which is why Bangladesh was very satisfied with the launch of the Asian Infrastructure Investment Bank, and the initiative was taken by China. For example, with regard to bilateral trade between Bangladesh and China, the domestic manufacturing sector is one of the major suppliers of machinery and raw materials. The garment and textile industry is the most important aspect of the economy in Bangladesh, and China is the great performer in the clothing and textile industry.
A zero-tariff system for 7800 goods has recently been announced by China, a big boost to the export of Bangladeshi items to China. This Chinese theory seems to be the main element in Bangladesh's clear propensity to pursue a development relationship with China "in key areas such as trade and investment, infrastructure, industry, power and energy, ICT and agriculture" (Karim and Liton, 2016). In particular, China urgently needs partners like Bangladesh to press forward with its OBOR initiative and to follow its consistent peaceful growth agenda in general. Both of these are connected to China's concept of achieving security by comprehensive national strength, or otherwise, to the deployment on the world stage of Chinese soft power, which in turn, is competing with the US's global dominance and India's rising power. As in other contexts (Muekalia, 2004), to add further to this point, China's deeper engagement with Bangladesh affirms the support of Bangladesh for the One China Strategy, as well as the vision of China of a multipolar climate, including its support for its role in various international institutions (Ministry of Foreign Affairs of the People's Republic of China, 2019). In exchange for promising Chinese investment and finance, Bangladesh has been collaborating with such crucial Chinese interests, helping Bangladesh to achieve its own security through growth. The political importance of Bangladesh's increasing interaction with China needs to be observed side by side. The more Bangladesh wants greater cooperation with China, the more India is worried about it, possibly softening India's overhand stance on Bangladesh.

Nearly 27 deals were signed by two countries in which China agreed to spend $1.5 billion in the Bangladesh seaport scheme, which was then a 1320 MW coal-fired power plant worth around $28.7 billion. Seven Chinese state-owned firms are also linked with 13 Bangladeshi companies to improve bilateral trade. The government wants a very strong friendship and political awareness of China-Bangladesh from previous years to invest in a country (Kabir and Hasan, 2017). Since 2013, the Bangladesh-China bilateral relationship has retained a strong momentum for growth. This paper examined the effects on China and Bangladesh of existing trade trends, the regional situation, and trade ties, and suggested countermeasures to boost further growth. Powerful goods and trading markets are also established between these two nations, indicating the future of the construction industries as well.

**The objective of study**

The purpose of this analysis is to analyze and evaluate the socio-economic and political trends in Bangladesh's foreign policy towards China. In the review process, the following activities will be addressed, taking into account the goals set out above; (1) to examine Bangladesh's current foreign policy towards China; (2) to analyze the significance and influence of the program on the socio-economic and political spheres of the countries; (3) to recognize the main barriers hindering the relations between Bangladesh and China; (4) to recognize priority areas for strengthening relations between Bangladesh and China; and (5) recommending possible ways of strengthening relations. The study focuses on the development of ties in the socio-economic and political realms between Bangladesh and China.

**Literature review**

There are plenty of studies on foreign affairs, diplomatic ties, economic relations and relations between Bangladesh and China. However, research into economic and
commercial relations is changing day by day and has not been completely carried out. However any referential and associated researches pertaining to this study have been examined quite briefly. Nuruzzaman and Haque (2009) found that Bangladesh's current RMG producers import most of the required woven fabrics from China, India, Pakistan, and Indonesia. As a consequence, the average lead time is getting longer, bringing a negative side of competition. Rahman and Siddiqui (2015) presented several primary factors, such as the steady decline in bulk production in China due to labor shortages and higher wages, which played an important role in promoting the growth of the industry.

Yunus and Yamagata (2012) expressed Bangladesh's right to assert its competitive advantage based on cheap labor, limited by RMG products' low-cost labor share. Institute for International Economic Analysis with the National Growth and Reform Committees a senior researcher Zhang Jianping told that many labor-intensive Chinese industries had already shifted to Southeast Asian countries. He also told that the labor costs there are four to five times cheaper than in China. Hossen (2014) proposed that the export of RMG should be produced by research and training institutes. By simplifying export procedures, the expansion of the Export Development Fund will accelerate the future role of Bangladesh in competition with China and other exporters. There have been several books and essays written on Bangladesh's foreign policy towards China. In comparison, several have attempted to explain it from a political standpoint. Certain of them have explained it in economic terms. We understand that by analyzing these written documents, these studies have partly addressed the fields; we want to explore how internal determinants play a crucial role in shaping their foreign policy towards China.

Materials and Methods

The study is focused on basically secondary sources of data and information, including empirical publications, academic articles, scientific papers, books, and other similar sources, in order to conduct an in-depth analysis, evaluation, and reinterpretation, and in this proposed study to describe and clarify the subject matter at hand. The analysis also used qualitative and quantitative approaches to examining the economic and trading ties between Bangladesh and China.

Results and Discussion

Current Bangladesh-China trade and economic relations

Economic relations

China and Bangladesh enjoy close trade ties and engage in a wide range of collaborations, including industrial, agricultural, and water resource development, flood forecasting, earthquake warning, science and technology, space exploration and deployment, and other fields. By 2005, China had been the largest exporter to Bangladesh, replacing India as Bangladesh's number one source of imports (Datta, 2008). The amount of their bilateral trade has surpassed 4.5 billion US dollars. They stood at US$ 4.68 billion in 2008 and US$ 4.58 billion in 2009, respectively. China's major exports to Bangladesh are textiles, machinery, electrical products, cement, fertilizer, tires, raw silk, and maize, among other items. On the other hand, China
Rahman and Kubra: The late 20th to early 21st century of foreign policy of Bangladesh in economic dimension towards China.

primarily imports Bangladeshi leather, cotton textiles, and seafood. Bangladesh has become China's third-largest export destination in the South Asian region. China continues to send purchasing missions regularly to help improve Bangladesh's Chinese imports. During the visit of such a buying committee, China and Bangladesh signed Economic and Technical Cooperation Agreements, which gave RMB 100 million (approximately US$ 13.2 million) to Bangladesh as non-reimbursable assistance with RMB 80 million (approximately US$ 10.5 million) and the remainder as an interest-free loan. 2010 was also celebrated by Bangladesh and China as the 35th anniversary of their bilateral friendship. During the visit of Prime Minister Sheikh Hasina to China on March 18-21, 2010, Bangladesh showed a keen effort to deepen bilateral ties with the country, with a view to ensuring China's contribution to the construction of a deep seaport, the adoption of the Kunming Scheme, etc (Uddin and Bhuiyan, 2011). Three agreements with China were also signed by Bangladesh during this visit, these are: 1. Framework Agreement on Shahjalal Fertilizer Factory; 2. Agreement on the 7th Bangladesh-China Friendship Bridge; and 3. Economic and Technical Cooperation Agreement.

**China exports to Bangladesh**

Exports to China to Bangladesh grew from USD 1208486 in August 2020 to USD 1360562 in September (China Customs, 2020) (*Figure 1*).

![China Exports to Bangladesh](chart.png)

*Figure 1. China exports to Bangladesh.*

*Source: TRADINGECONOMICS (2020a)*

**China import from Bangladesh**

Imports from Bangladesh to China decreased from 79812 USD in August 2020 to 71579 USD in September (China Customs, 2020) (*Figure 2*).

![China Imports from Bangladesh](chart.png)

*Figure 2. China imports from Bangladesh.*
Bangladesh’s top imports from China

Around 32.7 percent of Bangladesh’s overall imports came from China in 2018, making it the largest source of imports, led by India (15.8 percent). The top products are nuclear weapons, wool, electrical equipment, man-made staple fibers, and knitted or crocheted garments. In addition to the products listed in the pie map, iron and steel, rubber, fertilizers, organic chemicals, paper and paperboard, cars, vessels, floating structures and iron and steel pieces are also imported from Bangladesh. In Bangladesh, Chinese imports are the fastest growing, with 82.1 percent growth from 2013 to 2018 (Figure 3).

A growing trade deficit

Trade is heavily biased towards imports from China between Bangladesh and China. As new technical advances and lower prices drive up the market for Chinese goods, this deficit is rising day by day (Figure 4).
In FY-2019, the trade deficit between Bangladesh and China stood at an all-time high of USD 12,808 million. In FY15-16 and FY 17-18, both at 19 percent, the growth rate of the trade deficit was the largest (Haroon, 2020).

**Significant difficulties in trade and economic relations between Bangladesh and China**

**Massive trade gap**

One of the key problems facing the Bangladesh-China bilateral relationship is the present high number of trade deficits between these countries. From the very start of the bilateral trading relationship, Bangladesh has long been suffering from significant trade deficits with China. In FY 2012-13, for example, the trade deficit between these countries was estimated at US$5865.88 million, relative to US$6782.12 million in overall bilateral trade (Figure 5).

However a variety of steps have also been taken to reduce this trade deficit, mainly by China. For example, under the 1975 Bangkok Agreement, China offers free entry to Chinese territories for 84 Bangladeshi goods. China has committed to joint projects in trade and trade in order to minimize the gap; to import vast volumes of Bangladeshi goods under official policies; to promote Chinese investment in Bangladesh; and so on, under the 2005 Asia Pacific Trade Agreement (APTA), a re-named version of the
Bangkok Agreement. In spite of all these measures, in FY 2012-13, the trade deficit ratio between China and Bangladesh was calculated at 1:138. (Mohsin, 1992).

**Indo-U.S. strategic**

The ever-closer Indo-United States Geopolitical ties are critical to the participation of Bangladesh and Myanmar, two small BCIM nations, in the BCIM-EC and more broadly, to their strategy towards China. Several foreign policy analysts in Bangladesh contend that the country has been under extreme pressure from the US and India in relation to its relations with China (Tripathi, 2019). For instance, under India's diplomatic pressure on Bangladesh, the proposed signing, with Chinese financial assistance, of an agreement between Bangladesh and China on the construction of a deep-sea port on the Sonadia Island of Cox's Bazar in Bangladesh has been shelved, although the port is intended to be open to all BCIM sub-region countries (Islam, 2016).

**Bangladesh-India-China trilateral complexities**

In the 21st century, one of the key obstacles to this bilateral relationship is to resolve the decades-long trilateral dynamics of Bangladesh-India-China. Bangladesh and China have maintained a stronger political, economic, military, and cultural relationship since 1975. All of these advancements have led India to become agnostic about the impact of China over Bangladesh (Sakhuja, 2009).

**China interest over the Chittagong seaport**

India is also concerned about China's increasing presence in Chittagong's seaport. China is keen to invest in extending these seaports with its declaratory policy of defending its sea lanes of communication (SLOCs) in the Indian and Pacific Ocean Rims (Gertz, 2005). India perceives, however, that China continues to facilitate its naval activity in the ocean, amid economic interests, as an effort to encircle India under this policy.

**Bangladesh and China initiatives to improve the economic and diplomatic relations**

**Economic development**

A total of 17 construction projects worth $11.5 billion have been chosen by the government as priority ones for Chinese investment. In line with the decision taken at the recent first meeting of the Bangladesh-China Working Group on Investment Cooperation, a list of priority projects was prepared, a senior official of the Ministry of Finance said. The Chinese government has recently been presented with a list of these 17 projects. A copy of the list was submitted to the FEE (Rahman, 2020).

**China FDI top source in Bangladesh**

China became the largest source of foreign direct investment (FDI) inflows in Bangladesh in the past fiscal year (FY19), which ended on June 30, 2019. Detailed FDI estimates released by the Bangladesh Bank showed that in FY19, China's net FDI inflow stood at ($1.16 billion) US$1159.42 million, recording 130 percent growth over FY18 of US$506.14 million. Chinese investment worth US$960.59 million in the power sector for the first time contributed to pushing China's cumulative FDI beyond US$1.0
billion. In FY19, the gross net FDI inflow stood at US$3.89 billion, or US$2.58 billion in FY1818 (Kibria, 2019).

Defense and military dimension

In the military sector, China and Bangladesh have had close cooperation since the establishment of diplomatic ties. In 2002, a "Defense Cooperation Agreement was signed by China and Bangladesh, covering military preparation and defense development. It was the first agreement of this kind signed with any nation by Bangladesh. However, as part of a joint initiative between the Ministry of Home Affairs of Bangladesh and the Ministry of Public Security of China in 2006, China donated police equipment to Bangladesh (Peoples Daily, 2006).

Science and technological dimension

In March 1978, the 'Research and Technology Collaboration Pact' was concluded by Bangladesh and China. It was renewed in 1990. Five meetings on bilateral relations in science and technology were held between 1979 and 1991 between the two countries. Two countries have agreed to collaborate in the peaceful production of nuclear technology in particular to satisfy the growing demand for energy in Bangladesh.

Security through development

Bangladesh shares the security interests of China that are embedded in the peaceful development discourse. Over the past decade, China has supplied over 80% of Bangladesh's weapons imports (Smith, 2017). China became the third-largest arms exporter in the world in 2015 (BBC News, 2015). Military relations have seen greater strength side by side in recent years.

Analysis the common interests of Bangladesh-China trade and economic relations

Trade development between China-Bangla

The economies of China-Bangladesh can be stabilized by both countries' companies. Bilateral trade relations between these countries have expanded extensively since 2013. China-Bangladesh exchange touched a record peak of US$10.3 billion, with a growth rate of 21.9 percent compared to 2012, 10 times that of 20029 and US$13 billion in 2015, respectively. The external economic reliance of China has recently increased and strengthened trade with Bangladesh. China-Bangladesh will be able to extend its growth across the Free Trade Region; China may also become comfortable with economic globalization by strengthening its ability to face international challenges and expanding China's international partnership with countries. China will import Bangladesh's products at zero tariffs to export more and more goods from Bangladesh to China (Khan, 2016). Implementing the Chinese Industry Zone (CIZ) will allow additional Chinese companies to invest in Bangladesh, thus enhancing the two countries' economic growth.

Educational dimension

In the fields of education, the two countries have already maintained an outstanding spectrum of cooperation. Bangladesh and China have been launching student-exchange programs since 1976. For starters, 58 Bangladeshi students pursued their studies in
China in 2001. In 1986, funds were provided by the then Bangladesh government to build Beijing's first experimental primary school. 'Sino-Bangladesh Friendship College' was the name of the school. Subsequently, the Chinese government has raised the scholarship limit for Bangladeshi students annually from 50 to 80.

**Development of infrastructure sector**

China has invested heavily in the infrastructure sector of Bangladesh and is providing Bangladesh with science, industrial, and many other types of assistance and help. China is making investments in important infrastructure sub-sectors, such as fertilizer manufacturing, telecommunications, offshore oil, power plants, coal mines, and gas exploration port and rail sector expansion, irrigation, and water supply production, and other key sectors.

**Energy sector**

Bangladesh has proven natural gas reserves of 5 trillion cubic feet (tcf) and the ability to satisfy increasing energy demand in Asia (EIA, Energy Information Administration). For Chinese oil and gas firms, the energy reserve offers a major commercial potential. They are busy in the Bay of Bengal with their exploration and development operations. In 2005, during a visit to Bangladesh by Premier Wen Jiabao, the two countries agreed to collaborate in the production of nuclear technology for civilian purposes. This partnership was intended to meet the increasing demand for electricity in Bangladesh.

**Policy dimension**

An official diplomatic relationship was established between Bangladesh and China on October 4, 1975. It has grown into not only a diplomatic connection but also a grand domain of reciprocity, after more than three and a half decades. After the historic reform of the government of Bangladesh on August 15, 1975, Bangladesh drastically modified its foreign policy stance to focus on China. Thus, Bangladesh has steadily sought to improve its strategic ties with China.

**Silk route**

Direct cooperation between China and Bangladesh has always been one of the top priorities for both nations. As a result of the agreement concluded during the April 2005 visit of Premier Wen Jiabao, direct flights have been operating successfully between the two countries' capitals since May 2005. The restoration of the ancient Southern Silk Route through Myanmar between Kunming and the port city of Chittagong in Bangladesh is a highly discussed and celebrated subject that symbolizes a new agenda for cooperation.

**Tourist sector**

The Chinese government has also made attempts, on the other hand, to draw attention to Bangladesh as a popular destination for Chinese tourists. Furthermore the Bangladesh National Tourism Organization and the tour service providers of the private sector have formed business contacts with their Chinese counterparts. Over the years, they have also participated extensively in numerous tourism and travel fairs organized...
in China. Cooperation in the tourism industry would also, therefore, make a major contribution to the economies of both countries.

**Geopolitics**

Given the way trade and economy are gaining momentum in China-Bangladesh relations, on the one hand, and the optimistic changes taking place in Bangladesh, China and Bangladesh are going beyond the shadow of South Asian geopolitics and acquiring a life of their own (Singh, 2010).

**Ways to develop of Bangladesh-China trade and economic relations**

In view of the above discussions, the following steps need to be taken from Bangladesh's side; (1) Bangladesh is facing an unprecedented void in trade with China. The Government of Bangladesh therefore needs to take direct cooperation measures with the Chinese business community to increase its export volume to China and eradicate its systemic issues in order to minimize the trade deficit, as the Chinese market is very diversified and competitive; (2) Bangladesh wants to strengthen its diplomatic relationship with China. Bangladesh could also look into a strategic cooperation arrangement with China to resolve security challenges that could threaten the interests of Bangladesh. It also needs Bangladesh to pursue China's position in giving political peace to Asia; and (3) Bangladesh could be convinced to ensure that China invests in the country's deep seaport. Bangladesh can also aim, with Chinese cooperation, to improve the ability of the Mongla and Chittagong ports.

On the other hand, China may also take the following steps to the long bilateral relationship between Bangladesh and China; (1) the Chinese government may initiate comprehensive bilateral talks in order to reduce the trade gap between countries. In Bangladesh, China can invest in manufacturing sectors where Bangladesh is no longer its competitor; (2) through the provision of military and technical assistance, China should take measures to ensure Bangladesh's security, so that regional peace in South Asia can ensure reciprocal benefits for both China and Bangladesh; and (3) for Bangladesh's textile factories, China can provide assistance to develop the backward linkage.

**Conclusion**

The study examines Bangladesh-China trade and economic policy to accelerate trade volume and promote commercial and investment activities as a way to promote diplomatic relations and socio-economic development. The study was conducted based on secondary sources of data. The study found that Bangladesh-China bilateral trade volume has been accelerated revolved in recent decades. Trade relation between Bangladesh and China was initially partial and China was basically an exporter, exporting extremely large volumes to India than importing. As the countries are the most populated and emerging growing economies and confronting the same geopolitical and global challenges including global terrorism, global climate, and large population and workforces are needed to feed and absorbs in employments, the Bangladesh and China more effective and flexible trade relation is very effective for socio-economic and political development. Bangladesh and China's relationship is an indicator that they choose to live in the moment, shedding the past's bitter emotions. Potential is given by
an analysis of Sino-Bangladeshi ties. China has without a doubt, emerged as a great contributor to Bangladesh's economy. A very fruitful friendship has been forged between the two countries. In South Asia, China and Bangladesh are moving beyond the shadow of geopolitics. Bangladesh currently has important economic and political relations with China.

Acknowledgement

We hereby acknowledge the input of every member of this team for their tireless efforts during this work.

Conflict of interest

The authors have declared no conflict of interest with any parties involved in this research study.

REFERENCES

Rahman and Kubra: The late 20th to early 21st century of foreign policy of Bangladesh in economic dimension towards China.


