

Boasting Trade Partnership and Strengthening Bangladesh-China Connectivity

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Presentation Outline

➤ China-Bangladesh relations: historical links and contemporary convergence

- *drivers of convergence*

➤ Trade, investment and other economic relations

- *existing pattern and emerging opportunities*

➤ Yunnan, Bangladesh and greater connectivity with East and Southeast Asia: trade, transport, transit and connectivity

Focus: Bangladesh-Myanmar-Kunming, and the Greater Mekong Sub-region

➤ Key challenges

- *Geo-politics, internal political idiosyncrasies in Bangladesh*

➤ *Revisiting the “Look East Policy” of Bangladesh*

➤ The way forward

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Sino-Bangla Relations: Historical Links and Contemporary Convergence

“we can always get a better understanding of the present by reviewing the past”- an ancient Chinese proverb

- ❖ Historical records show there were three *Silk Roads* connecting China and Indian Subcontinent
- ❖ The *Southern Silk Road* was closely related to Bangladesh. It started from the province of Shu (today's Chengdu Plain), ran southwards through Kunming, Dali, Baoshan and Ruili of Yunnan Province and entered Myanmar and then Bengal/ India
- ❖ The rise of Sino-Bangla contacts during China's Ming Dynasty (14th -17th Century)
- ❖ Cultural and religious linkages: Buddhism was exported to China from India

***Sino-Bangla* Relations: Historical Links and Contemporary Convergence**

- ❖ War and other conflicts in the region, particularly during and after World War II, disrupted the *Sino-Bengal* historical ties and connectivity
- ❖ However, the economic rise of China in the past three decades as well as Bangladesh's steady growth since the early 1990s have resulted in better trade ties between the two nations
- ❖ Further, the contemporary economic convergence in Asia, thanks to the shifting global centre of economic gravity towards East (centering China), has created a space to re-establish their historic connectivity

Seeing Asia from Space at Night! What does it Indicate?



Data SIO, NOAA, U.S. Navy, NGA, GEBCO
Image © 2011 GeoEye
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Google earth

The global centre of economic gravity has shifted East over the past 30 years (black dots), and could well shift even further east over the next 30 years (red dots).

Source: *The Global Economy's Shifting Centre of Gravity* by Quah Danny, LSE



China-Bangladesh: Trade and other Economic Relations

Existing trade patterns:

Both countries witnessed marked increase in trade following their entry into the WTO: China's Trade/GDP ratio exceeded 55% and Bangladesh's approaching to 50%

China is Bangladesh's largest trading partner with total trade exceeding \$7 billion in 2010,

But China remains a minor export destination for Bangladesh with export volume less than \$400 million (2% of total exports)

This is largely due to Bangladesh's trade pattern (importing from neighbourhood and exporting to advanced economies) and non-diversified export basket

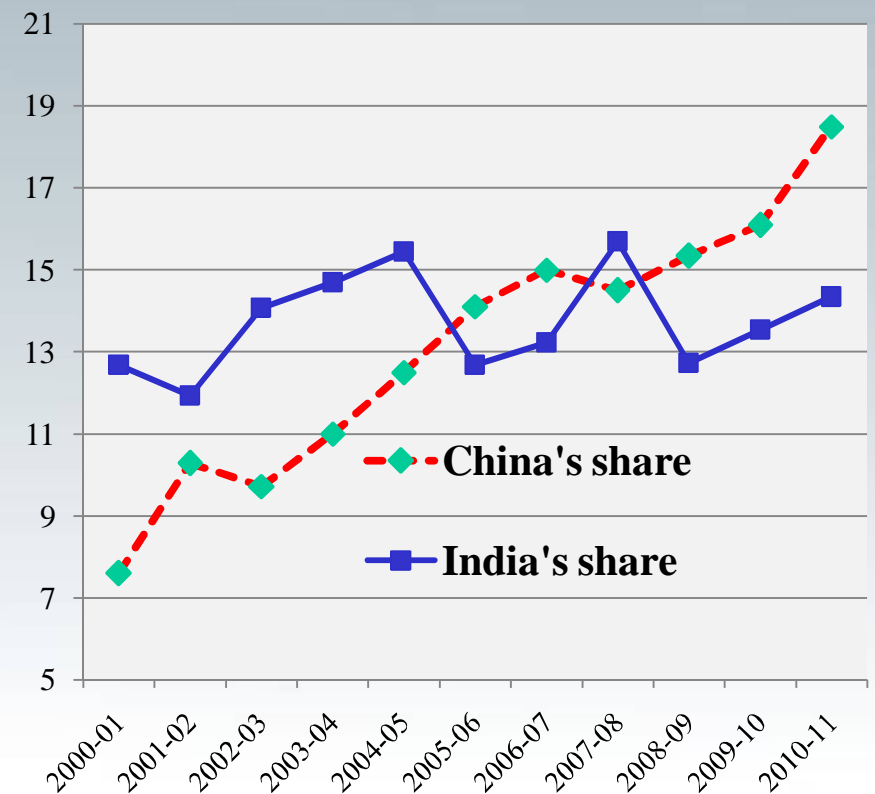
Trade imbalance a worry:

China has offered duty free access to 4,721 Bangladeshi products

Bangladesh's Trade with China and India

(the left hand Table shows exports and imports values, in US\$, and the right hand graph indicates share in total trade, %)

Year	Chain's Export	India's Exports	China's Imports	India's Imports
2000	900	640	19	79
2001	955	776	17	89
2002	1066	1063	32	64
2003	1335	1026	33	56
2004	1906	1653	57	72
2005	2403	1613	79	69
2006	3090	1720	99	104
2007	3350	1668	114	224
2008	4556	2064	132	233
2009	4441	3243	141	330
2010	6789	2177	269	234



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Composition of Exports and Imports from China (% total)

Sl	Category	2006-07	2007-08	2008-09	2009-10
1	Textiles and textile articles	53.0	60.6	61.1	68.7
2	Plastics and articles thereof; rubber and articles thereof	11.5	12.5	8.4	8.8
3	Raw hides and skins, leather fur skins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	17.3	12.5	9.9	6.8
4	Base metals and articles of base metal	10.2	4.7	4.8	6.1
5	Live animals; animal products	6.2	8.0	3.9	4.6
6	Mineral products	0.0	0.0	1.4	3.1
7	Vegetable products	0.3	0.4	4.7	0.9
8	Others	1.6	1.3	5.7	1.1
	Total	100	100	100	100

Sl	Category	2006-07	2007-08	2008-09	2009-10
1	Boilers, machinery and mechanical appliances, parts thereof	17.1	15.5	16.0	17.6
2	Cotton (all types), cotton yarn/thread and cotton fabrics	20.0	17.2	18.8	15.8
3	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	12.2	11.0	10.9	12.7
4	Fertiliser	5.1	12.2	7.4	8.4
5	Man-made staple fibres	7.4	5.5	6.3	5.6
6	Knitted or crocheted fabrics	5.4	4.9	5.8	4.2
7	Man-made filaments	3.2	3.2	3.7	3.0
8	Organic chemicals			2.4	2.8
9	Vehicles other than railway or tramway rolling-stock and parts and accessories thereof	1.4	1.2	1.4	2.1
10	Inorganic chemicals, organic or inorganic compounds of precious metal, of rare-earth metals, of radioactive elements or of isotopes	2.7	3.6	3.0	1.9
11	Others	25.5	25.7	24.3	25.9
	Total	100	100	100	100

Source: Kabir, Mahfuz (2011), based on Finance Division data, Ministry of Finance, Bangladesh



China Bangladesh Trade and Investment: Emerging Trends

➤ **China's structural shift and emerging complementarities**

- China is increasingly focusing on the development of high-end manufacturing and services, given the structural needs of its economy

- The rising unit labour cost and upward adjustment in its currency mean that a plethora of low-end manufacturing jobs are moving out from China's coastal areas

- China's move towards a vertical economy has already created much room for Bangladesh: RMG, for instance

- Bangladesh is already an apparel hub, could become an important manufacturing center for other low-end manufacturing

➤ **China's demographic window closes, Bangladesh's opens**

➤ **China's technological know-how and Bangladesh's cheap labour**

Sino-Bangladesh Relations: Beyond Trade

- ✓ Chinese investment in Bangladesh: telecom, manufacturing, RMG, mining and power
- ✓ Bangladesh's coming investment boom: 219 projects registered with BoI in 2011, worth \$ 6.4 billion
 - *The rise of Chinese investment (both proposed and actual realization) in Bangladesh*
 - *This is critical to develop infrastructure and augment industrial capacity in Bangladesh, expedite technology transfer, China can take advantage of Bangladesh's LDC status*
- ✓ A plethora of bilateral agreements that range from economic engagements, soft loans, social contacts, cultural exchanges, academic interactions, infrastructure development and military sales
- ✓ Special military relations- the largest supplier of military hardware to Bangladesh

Yunnan-Bangladesh Economic Cooperation

Existing trade:

Trade volume between Yunnan and Bangladesh rose 35.6 percent year on year to \$140 million in 2011 (January-November).

Complementarities/advantages

Yunnan economy has a comparative advantage in some resource-based industries such as steel, coal and tobacco

China's most environmentally and culturally diverse province, "green pearl" on the Tropic of Cancer

Yunnan/China- Myanmar energy infrastructure

Bangladesh's geographically favorable location, port facilities, bridge between South and Southeast Asia

Potential areas for cooperation

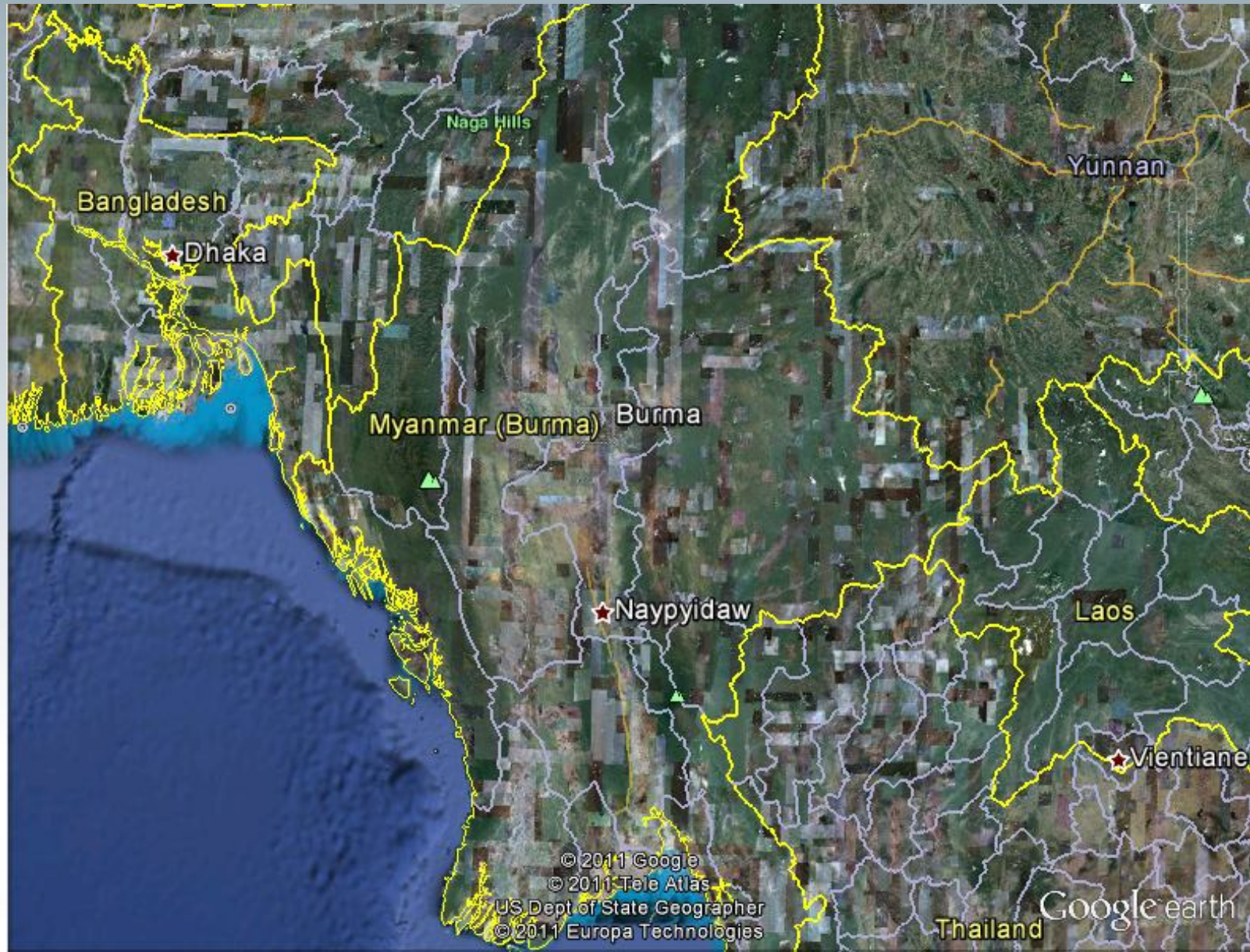
Infrastructure, energy, Agriculture, and tourism

Investment from Yunnan in sectors like electronics, light engineering, textile and general manufacturing.

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Infrastructure Development and Connectivity



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Landlocked Yunnan's Priority: Increase Connectivity and Infrastructure Development in the Neighbourhood

Name	Yunnan		Overseas	
	Mileage	Level	Mileage	Level
Kunming—Hanoi—Haiphong	400	High speed	350	Second or third class
Kunming—Laos—Myanmar	688	High speed or second-class	1119	Second or third class
Kunming—Mandalay—Rangoon	732	High speed or second class	1167	Third class

Resource: 2010 Yunnan Traffic Development Report.

Name	Total Mileage (km)	New Railway	Yunnan Province		The time of starting (Year)	Oversea (km)
			(km)	Investment (billion dollars)		
Kunming-Hanoi—Haiphong	815	419	309	12	2005	396
Kunming—Mandalay—Rangoon	1920	470	340	13	2007	130
Kunming—Vientiane—Bangkok	1830	1110	600	23	2011	500

Resource: Yunnan Province Railway Development Report, 2007.

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Yunnan-Bangladesh: Key Infrastructure Projects (proposed)

Chittagong-Myanmar-Kunming highway

a deep sea port at Sonadia, Chittagong, access to Bay of Bengal-Indian Ocean area

Why the infrastructure projects are not progressing?

Geo-politics: Bangladesh sandwiched between two giants
China and India

Beijing's massive infrastructure spending: Middle Kingdom's 'String of Pearl Strategy'?

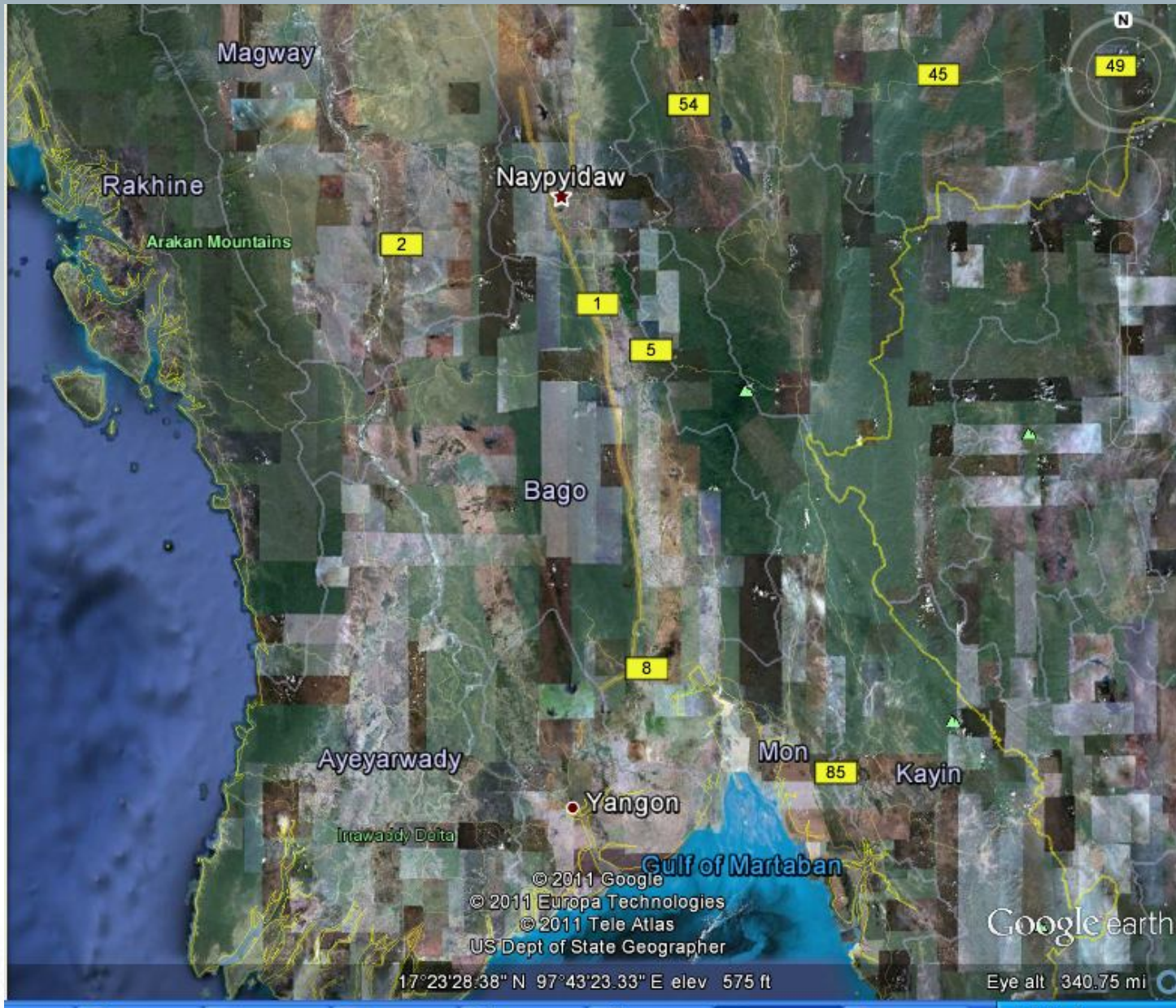
Bangladesh's relationship with Myanmar

Bangladesh's domestic politics: Major political parties
relation with Beijing and New Delhi

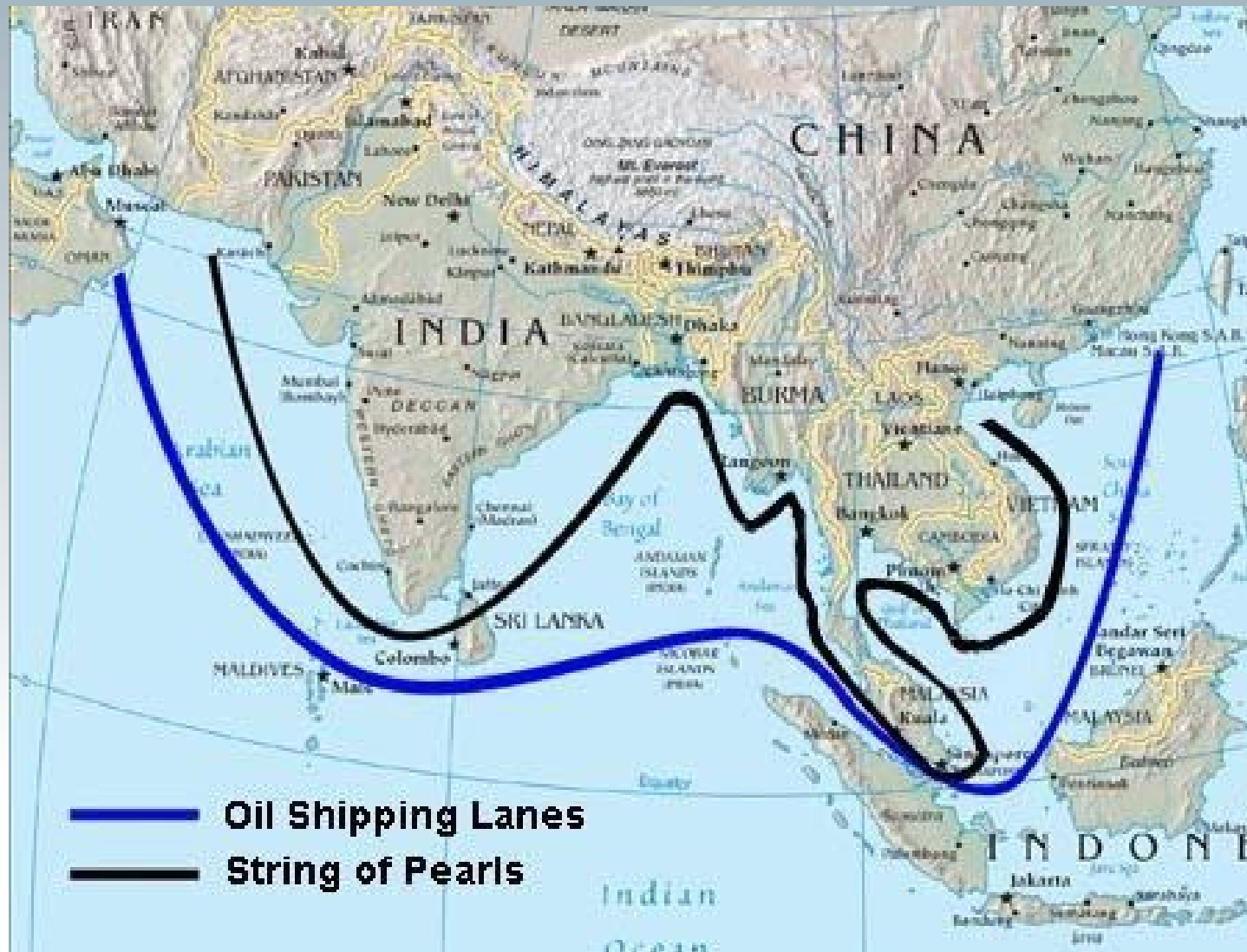
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Yangon-Naypyidaw-Mandalay Highway



Geo-politics Matters



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Emerging Opportunities: Greater Mekong Subregion (GMS)



The Greater Mekong Subregion (GMS) is a natural economic area bound together by the Mekong River, covering 2.6 million square kilometers and a combined population of around 326 million.

The GMS countries are Cambodia, China (specifically Yunnan Province and Guangxi Zhuang Autonomous Region), Lao PDR, Myanmar, Thailand, and Viet Nam.

Priority infrastructure projects worth around US\$10 billion have either been completed or are being implemented.

GMS- three verticals and two horizontals” networks, Yunnan Province has opened 16 international highway lines with Laos and Viet Nam, Other Kunming-Mandalay-Yangon, Kunming- Laos- Bangkok, and Kunming-Hanoi- Haiphong highways.

Bangladesh Should Have a *de facto* “Look East Policy”

Bangladesh’s “Look East” Policy

“limited in words, not in reality”

There is a need for a clear policy what India has on East Asia

What are the drivers?

Economic reasons:

The global centre of economic gravity has shifted East over the past 30 years;

China replaced India as Bangladesh’s number one trading partner;

Not only with China, Trade between Bangladesh and ASEAN+2 is on the rise

New market Opportunities in the Greater Mekong Sub-region

Geo-political considerations:

Bangladesh is strategically located between South and South East Asia

The Way Forward

- ❑ Trade volume between the two countries continue to increase thanks to Bangladesh's steady economic growth, China's structural shift could correct the trade imbalance to some extent
 - ❑ Not only with China, trade between Bangladesh and ASEAN+2 is on the rise
 - ❑ China's share in Bangladesh's FDI is likely to increase
 - ❑ Bangladesh's connectivity with Southeast- and East Asia will depend on how economics and geo-political forces behave
- However, economic dynamism in China, economic convergence in Asia and Bangladesh's aspiration for higher economic growth indicate that economic forces could triumph over geo-politics
- ❑ Connecting with Yunnan through Myanmar could open huge economic possibilities in the GMS for Bangladesh.
 - ❑ Adoption of a 'Look East' policy is of paramount importance