Economic & geopolitical opportunities and challenges for Bangladesh: One Belt-One Road (OBOR)

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ABSTRACT

Investment seeking Bangladesh's economy is hungry for local and international finance for its infrastructure development. One Belt-One Road (OBOR) seems opened a golden door, not only for Bangladesh's economic reform but also created an opportunity for higher bilateral cooperation between China and Bangladesh. The geographical location of Bangladesh is playing a vital role despite being a small economy and territory in the region. Covering three sides of the Bangladeshi border, economically emerging state India has a sharp eye look on Bangladesh's strategies and policies more than any other time. The hostile looks of India (on China's OBOR initiative) are not an easy task for Bangladesh regarding Geopolitical & Economic strategies. Growing interests in Bangladesh among China and India appeared as a two-edged sword. However, India was the major trading partner of Bangladesh. However, China's trade with Bangladesh has increased manifold in recent years to surpass India from 2004 onwards. This is slowing down, and the change of economic relations between India and Bangladesh, coupled with strained and uncertain political relations, raises multiple concerns. Many dynamics have contributed to China's growing presence in Bangladesh compared to India's decline concerning trade and investment. India has lost out to China in many vital industries. While reviewing and assessing recent developments, the study also depicts a strategy to counter India's declining economic influence in Bangladesh.

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Introduction

Bangladesh-China export trading period 2010 to 2015 brightly enquired into in this study, and the results show that two areas have gained from this business friendship in various ways (Sikder & Dou, 2020). First, local and international investment is very crucial for any economy. Like Bangladesh, the emerging country urges this even more to meet the UN's SDG (Sustainable Development Goal) and its economic reform. Second, a labor-intensive country like Bangladesh requires a massive flow of foreign direct investment (FDI). As a result, higher economic growth and maintaining the current growth rate (7.11% 2016) have become a significant challenge. It's even getting intense when foreign remittance (No1 contributor on country's GDP) has experienced a negative flow in recent years.

According to the country's central bank, the remittance inflow has experienced a sharp fall of 11.13% in 2016 for the year of 2017, yet not any reasonable hope. Thus, achieving the dream of Bangladesh to transform itself into a middle-income country by 2021 seems to get more challenging day by day. Researchers suggested to take a measure of GDP growth rate up to double-digit requires solid economic strategies. To counter these pitfalls and difficulties, the Bangladesh government is highly seeking foreign and local investors. With a population of 170 million and per capita of approx. $1500 (the year 2016-17), the government is looking at the development possibilities offered by what has been called China's marshal plan to lift out people from poverty. A senior fellow of the center for policy and dialogue (CPD), Mr. Devaproyo Vattacharya, emphasis the balance regarding Bangladesh's taking part in the
OBOR initiative. According to him, Bangladesh is surrounded by two big fish. The country is trying to get the benefit of the conflict between these two fishes.

In this case, the government should be cautious that it will not hurt itself. For this measure, Bangladesh should have been experimental, foresight, and diplomatically brilliant. Joining to the One Belt One Road initiative is a timely decision and all of the major political party has welcomed this decision (Bangladesh Enterprise Institute, 2017). This initiative, especially the Bangladesh-China-India-Myanmar corridor (BCIM), has created many opportunities, including FDI, transit fees, infrastructure development, the flow of Chinese direct investment, and economic diversification. Bangladesh has decided to be thankful to China for this initiative and welcomed Chinese president Xi Jinping, the first president in the last three decades. Local media has marked this tour as the beginning of a “new era of friendship.” Bangladesh expects mainly an increase of Chinese direct investment, bilateral partnership, better access of Bangladeshi goods in China, China's acquisition of infrastructure development, technical and material supports for the heavy industry, promoting Bangladeshi manufacturing brands, etc. While reviewing and assessing recent developments, the study also depicts a strategy to counter India’s declining economic influence in Bangladesh (Sahoo, 2013). This paper will describe the one belt one road opportunities, challenges, and consequences on Bangladesh’s economy.

The rest of the paper is organized as follows: The following section presents a Bangladesh GDP scenario, economic growth, and OBOR initiative. Section 3 discusses the coming and existing opportunities for Bangladesh's economy through the OBOR initiative, while Section 4 reviews the potential challenges faced by the Bangladesh economy and Govt. The econometric estimation strategy and getting the maximum out of the initiative are outlined in Section 5, while Section 6 concludes.

**OBOR and Bangladesh**

Bangladesh is connected with the BRI initiative through the BCIM economic corridor, formally endorsed during the first inter-governmental study group meeting held in December 2013 in Kunming. The OBOR corridor covers 1.65 million square kilometers and includes about 440 million people. It connects China’s Yunnan province, Bangladesh, Myanmar, and Kolkata in India, through road, rail, water, and air linkages. That economic cooperation within the BCIM region was promoted by Professor Rehman Sobhan, Chairman of the Centre for Policy Dialogue (CPD), Bangladesh. His pioneering ideas eventually led to the development of the platform in the 1990s, known as the "Kunning Initiative," which later on came to be known as the BCIM Forum. (Report et al., 2001)

In the political statement at the 19th Party Congress in October 2017, General Secretary President Xi Jinping targeted a new plan for China to become a "great modern socialist country by the middle of the 21st century and proposed to encourage the building of a community of shared future for mankind" (M. S. Rahman & Ahamed, 2020).

Many local and international scholars, columnists, writers have their views and recommendation about Bangladesh's merge to the OBOR. According to a senior banker from HSBC, Bangladesh is counting on China's OBOR initiative to support its contract with a long-lasting scarcity of electricity and magnify its manufacturing industry (Leng, 2017). Mr. Naser Ezaz (Head of SCB Bangladesh) said, "Enhance capacity and modernization of Chittagong and Mongla Port along with "Payra and Sonadia" island seaport will have a multi-dimensional impact on Bangladesh economy. He added revenue, and trade volume from these ports will increase. The Special Economic Zone (SPZ) allocated for China will attract 75 thousand to 1 lac employment. In that SPZ, there will be more than 200 factories from different industries like shipbuilding, Medicare, and electronics, agro-based. Technical and Technological, textile and garments, etc. using the geological situation, Bangladesh will gain the advantage of the entry gate of the Indian ocean", Deepri Ranjan Behera, an Indian political analyst, claims China has an unpredictable and double-minded selfish nature. Also, the recent political incidents among China and other neighboring states, including Vietnam and the Philippines. Another researcher pointed out the disputed island issue between China and Japan as well. An anonymous Indian political justifies the Indian negative look at the project by clamming China-Indian geopolitical matters. He criticized China's OBOR route through the India-Pakistan disputed region Kashmir. He shows his concerns for Bangladesh to care about these issues while Bangladesh decides to be an active member of the OBOR initiative.

Concerning the issue of where does Bangladesh position in the OBOR initiative, as Donald J. Lewis, Director of the Centre for International Economic Law, Trade and Development, wrote in China daily: "the land dimension of the OBOR consists of several inter-connected corridors spanning the entire Eurasian continent" (Donald J. Lewis, 2016). Bangladesh is centrally situated alongside the Bangladesh-China-India-Myanmar (BCIM) Economic corridor. Bangladesh also occupies a strategic position along the 21st century Maritime Silk route with its blasting port of Chittagong as a central maritime hub through the Indian ocean." Bangladesh can play the role of the supply chain between India and China; also can be a manufacturing hub for these two big emerging economies. He added, 24 billion USD of commitment during the visit of Chinese President Xi Jinping is, in fact, the guideline for Bangladesh regarding the OBOR initiative. But to get the maximum benefit, the country should activate the BBIM, BCIM, SAARC, BIMSTEC, and other regional co-operations.

**Opportunities to Grab**

There are 64 countries in the One Belt One Road initiative with a population of 4.4 billion and a GDP of US 23$ trillion which is 63% and 29% of the world total. According to the McKinsey prediction, 80% of global GDP will be accountable within the region by 2050 (Wiland, 2004). China wishes to build and operate mega infrastructure projects within and nearby OBOR areas. That's has
opened a golden prospect for Bangladesh to connect itself on the Highway of connectivity and gather experience from such mega projects. However, as China is experiencing an economic downturn in recent years, export exports decreased. OBOR is considered global connectivity for China and other ASIAN economies like Myanmar, Vietnam, Cambodia, and Indonesia. There is no doubt that it created a vast potential for Bangladesh and more accessible access to the world. China's investment in Bangladesh rose to 29.9% last year, and it's expected to reach up to more than 100% this year. China has been providing loans on various mega projects in Bangladesh. It also invests in Bangladesh infrastructure development, roads, highways, river management, forming industrialized zones, maritime cooperation, bridge construction, power plant and power generating schemes, garments and linkage industries, etc. China's capital inflow is getting more and more recent years. 27 MOEs have signed Xi Jinping to visit Bangladesh in 2016 by any Chinese president in four decades. An agreement has been signed that provides duty-free access to Bangladeshi products in China. Yet, the trade balance is numerously positive in favor of China. Still, Bangladesh has a scope to minimize this deficit by taking advantage of low-cost products in the enormous Chinese markets. It is expected that the trade between China and Bangladesh may exceed US$30 billion by 2021 (Saleem Samad, 2017). Bangladesh is becoming the region's textile and apparel hub. It's now in second exporting position after China with a market share of 4.8% with more than 5000 running garment factories, employing nearly 4.2 million people.

Among the Six routes of OBOR, Bangladesh is integrally connected to the initiative through Bangladesh- China-India- Myanmar (BCIM) corridor. This will ease the connectivity of South Asia to south-east Asia. Historically Bangladesh was one of the important destinations of the southern silk route and maritime Silk Road. At present, Bangladesh could be one of the hubs of this initiative, Repeating the history or Continuation of the newer version of the silk route (OBOR). China's infrastructure investment in Bangladesh would help it take advantage of its low labor costs and make more value-added products for export to neighboring countries, including China and India (Zahan, 2017). One of the HSBC report estimates, China will invest about US$23 billion in at least 28 projects, including power plants, roads, and highways, bridges, and railway networks. China still has a hefty trade excess with Bangladesh and remains the biggest apparel exporter in the world. More Chinese and other companies are heading to Bangladesh to take advantage of low labor costs and favorable tax policies from the local govt because of improving Bangladesh's infrastructure. The country is looking to export more finished items to China, Japan, Korea, and other south-east Asian countries using OBOR channel. During the OBOR forum on May 14-15 in Beijing (China Daily, 2017), Bangladeshi delegates urge to reduce the trade deficit between China and Bangladesh. Bangladesh government continuously requesting China for several years to get free access to the country's 22 major exporting items in China. As Bangladesh decided to join the initiative and showing its value and respect toward the decision, Chinese policymakers might have considered this and take a step forward to ease the access. Moreover, new forms of transportation will be there, and cargo transportation time is expected to be reduced across OBOR-aligned countries, which will positively impact Bangladesh's trade with China. In addition, fuel costs might be reduced and let both countries save lots of their currency.

Bangladesh is rich in natural and cultural tourism resources. But grossly inadequate tourism infrastructure, many tourism projects need to be developed, and tourism and linkage sector development space are enormous. Besides, the massive population of Bangladesh and its rising disposable income is one of the essential aspects. Geopolitically, Bangladesh is at an attractive advantage. Bangladesh's availability of cheap labor, physical and political proximity to India, and most importantly, the proximity to the Bay of Bengal is severely vital for China's geopolitical and geo-economic interests. Around 80 percent of China's energy imports pass through the Malacca straits via the Indian Ocean. To assert more control over the Indian Ocean and Malacca Straits, China fervently needs the cooperation of Bangladesh. Considering all of these, Bangladesh can emerge as a critical player in the OBOR initiative.

**Challenges Regarding OBOR**

Bangladesh is already a part of many regional and international co operations. BBIM, BBIN, BIMSTEC, SAARC and so on are few of these. Most of these are mainly for regional connectivity and trade facilitators. Even BCIM includes India and China; nothing is working perfectly or giving its maximum benefit due to the conflict between India and China. If the route Bangladesh Cox'sbazar to China's Kunming under BCIM is accomplished, it would be easier for trade and transportation between Bangladesh-China and Myanmar. Somehow India doesn't want it to happen and trying to divert the route to Sylhet, the North-Eastern part of the country, which shares a border with India. But Bangladesh needed a direct way from Kunming to cox'sbazar through Myanmar. It seems that the initiative to improve the relationship with neighbors taken by China is not welcomed by India. That's creating some challenges for Bangladesh as a small country covered by huge India over three sides.

Since 2005, China has overtaken India to be no.1 for Bangladesh trading partner and importing destination. More than 25% of the country's imports are coming from China. According to the China statistical bureau, in 2016, China's trade with Bangladesh stood up to US$15 billion. All these figures give us a clear picture of Chinese product's presence and dominance on the other side Indian products lesser competitiveness in the Bangladesh market. Historically Bangladesh is a great destination and lucrative market for Indian products. The neighboring country is exporting a massive amount of its food items, raw materials, heavy machinery, and so on, both in legal and illegal ways. As Bangladesh's economy is growing faster and people's purchasing power has increased, it's even become a favorable destination for all south and south-east Asian countries products. If Bangladesh joins the OBOR initiative, the presence of Chinese and other south-east Asian countries products will be more and Indian product has to face a great competition with others. In this regard, India, of course, doesn't want to see itself in this uncomfortable situation and trying to maintaining even strengthen the bi-lateral relationship with Bangladesh. India is willing to extend its help to neighboring Bangladesh for its benefit,
not only politically but also cost-effectively and strategically. India is showing interest in Bangladesh infrastructure development, taking part in the stock market, offering low-interest rates for G2G projects, an easy visa policy for Bangladeshi tourists (no.1 tourism in India), etc. India and China’s shared interest in Bangladesh is creating some challenges for the country. Meanwhile, an adequate appreciation of Chinese presence and influence in Bangladesh is a prerequisite for a more effective Indian policy towards Bangladesh (Datta, 2008).

Currently, China is accountable for Bangladesh's 16% trade. Bangladesh mainly exports garments, jute & handicrafts, and frozen foods to China. On the other hand, Bangladesh imports various products no matter heavy or light, technological or tactical. Currently, Bangladesh export only 663.4 million USD and imports 9662.4 million USD. Day by day, the trade balance is getting larger and more prominent in favor of China. When the BCIM corridor operates smoothly, the transaction will be more, and there is speculation that the trade balance will be even higher. Bangladesh will face a significant challenge in protecting its local small and medium industries to compete with Chinese products and emerging countries like Myanmar, India, Cambodia, and Vietnam. Recently, the Bangladesh government is connected and deeply dependent on India for many reasons. It might not be welcomed by other neighboring countries like Pakistan and China. While Bangladesh bought submarines, warships from China had to make a military agreement with India to maintain this relationship. It's tough for the countries like Bangladesh to spend double for their military even it's not facing a considerable threat from external and internal rivals. A considerable amount of the annual budget had to allocate these agreements, which might be used in other development areas like infrastructure or poverty reduction. Besides taking control of the Indian Ocean, competition is getting intense these days, which is also a concern for Bangladesh.

Historically not all the nation has been benefited from open access economy. If we see the trends in south Asia, Latin America, or even African countries, we see that the internal trade among states has not increased tremendously. Bangladesh is having trade with China, the EU, the USA, Canada, and so on but not among the neighboring countries; not even its local demand has increased dramatically. The government has failed to create its capital. Not even foreign investment has re-invested in the country tremendously. Consequently, the country is still facing unemployment, heavily relying on imports, unskilled workforce, and so on.

The recent declaration for 2 billion USD o loan from the Indian president or 24 billion USD from the Chinese president seems to be sustainable loan management. However, countries like Bangladesh are facing problems in repaying the loans. Sometimes they have to take the re-loan to pay the interest and principal. It creates significant pressure on the economy and minimizes the benefits from the loans. We have seen the case of Greece and Italy as similar passions. A considerable part of the annual budget went to return the loans. As the BCIM corridor is happening, Is it expected to have more and more investment. To facilitate these investments, the government needs to finance infrastructure and another related spectrum. The government has to take a loan from the World Bank IDB, ADB, JAICA, or even countries like China and India. Sometimes, loan donors attach some conditions like using their technology, workforce, and raw materials despite quality and quantity. This constrains getting the maximum benefit from the loan projects. So it is obvious to say that Bangladesh will face some challenges in this loan and source of finance regard.

Trade unions in Bangladesh are potent and closely connected to political parties. Often they take an active part in a political crisis, and such happened in March 2015. These labor strikes and unrest lead to the political and economic instability that hit on country's overall investment environment. As BCIM is on its way and there will be more trade unions, parties will trade. Therefore, it will have a great challenge for the government to handle the situation in a productive manner. Besides, geographically Bangladesh is situated in a position that can be a route for extortion, murder, armed robbery, kidnapping, smuggling, drug trafficking and triad gangs, pirates, and sea-kidnappers. There will be a challenge to minimize these treats as the BCIM route will be there and made an easy route for entering East-Asian markets.

China is taking this initiative and trying to connect with other nations, and it will be a significant role-playing country for decision-making and policymaking. Naturally, the economically more assertive China will always stake a more substantial claim on the route. It may also cause some issues and challenges for Bangladesh to tackle. Maintaining political stability is also significant concern regarding establishing the OBOR initiative, thus the BCIM corridor in Bangladesh. In this regard, Bangladesh will be given a better plan for economic development from OBOR initiatives (Abdul Mazid, 2017).

**Overcome the Challenges and One Step Further**

There is a trend of decreasing the number of 'white color' employees in China. They are moving out from labor-intense industries to intense technological industries. Many garment industries are shutting down in China and moving to Bangladesh or other emerging economy like Vietnam, Pakistan, India, and Indonesia. But there is a challenge for Bangladesh is having a lack of skilled workforce. Many technicians, blur color jobs, engineers, high officials, directors are from out of the country. Unfortunately, this phenomenon leads Bangladesh from a "remittance hungry" country to a "remittance export" country. Many foreign remittances are going out of the country due to a lack of mismanagement and a lack of a skilled workforce.

In the market economy, imports are also essential. Bangladesh is currently facing the challenge of the trade balance with China. But, it can be considered as a winning measure if they can excellently utilize these imports. Besides, Bangladesh can use the heavy or backward linking industries in the development of infrastructure. This industrialization will be helpful for them to create a solid foundation for their initiatives. Lots of employment will occur, and technological technology transfer might happen as well.
In many cases, Chinese products are comparatively cheaper than importing from Japan, Germany, or other western countries. So it is also playing an essential role in the way of industrialization. So now it's in Bangladesh's hand how to use the imports and face the challenge. Bangladesh is attracting Chinese and foreign investment in various industries. No matter labor-intense and medium and heavy industry, the implementation is much needed for the country now. Availability of power, Gas, roads, and highways, port connectivity, is the burning issue for the economy now. If the government can’t solve these issues within a short period, it will lose a huge potential for foreign and local investments. To maintain the current GDP growth rate or achieving the higher will be very difficult in that case. The country can follow Singapore using its port facilities and establish itself as a central trade hub in the world.

Bangladesh needs to diversify its economy. Currently, the country is too dependent on two-three exporting items, which is not a good indication for a solid base of an economy. Only low labor costs won’t attract investment in the long run. There are many African, and East-Asian economies also have low labor cost. To diversifying the economy, the country should focus more on infrastructure, raw material availability, and the power sector. The government should mainly focus on deep seaport building, which will help import raw materials, coal for power generation and make a transportation hub in the region. Bangladesh-China relationship is still not like Korea-USA, Japan-USA, China-Pakistan, China-Russia, USA-Canada relationship. Thus there is a vast scope to establish the relationship among business people and overall citizens. Sometimes, it's essential to gain faith and trust in international and regional trade partnerships. Nowadays Bangladesh government is much interested in implementing PPP (public-private partnership) projects. In this case, Chinese investors can invest in these PPTs and gain substantial profit, which will be a WIN-WIN situation for both the Bangladesh government and Chinese counterparts. It is necessary to maintain good relations and faith to attract these investors; thus, it's required to main the connectivity even in national and diplomatic ways.

Help desk for China: so far, some personal and private organizations are dealing with Chinese investments. Such as standard Chartered Bank has extended its hand to Chinese investors. It’s providing them a business outlet, guideline and recommended sector. In addition, they have introduced a Chinese spoken person to make it easy for Chinese investors. So far, many Chinese investors have invested through SCB (standard chartered Bank). SCB was also an investment part of China Export-Import Bank. Some other local banks are also planning to join a similar program. But it's still not enough from the government to help and attract Chinese investors. So far, China (Hong Kong and Taiwan Included) is the largest single investor in the country. So it is suggested to provide them better service and attract new investors, the government should immediately take some fruitful steps.

Conclusions

Lots of predictions and forecasts are saying that the 21st century will belong to China. China has already shown its potential, and many economic and socio-political indicators are supporting this verse. China will be in a leading position in the world in various aspects. This OBOR could introduce a new era of globalization based on a win-win situation. Bangladesh needs to understand its strength, weakness, measure the potentiality, challenges, and outcomes. The country needs to utilize its geographical location and get the maximum benefit from the OBOR initiative. It also cannot ignore India's interest and just follow China's decisions and strategies.

Bangladesh definitely should focus on foreign investment where profit and loss should be divided. Moreover, the country should maintain such connectivity that will help create the intra-capital within the country. Besides, it can be traced that the relationship between Bangladesh and China is back to the 21st century's history, geography, and culture (S. M. Rahman, 2001).

Thus, the One Belt One Road initiative will help the country reform its economy and build a strong foundation. Small-small projects putting together seem not to work for the government very well. The country should think big and take bold and robust action that to change the economy's structure. OBOR initiative is not a political agenda. Even the ruling party of the countries will change; the motto of the initiative should go further. Faithfulness and reliability should enhance among the Local citizens and be connected to get the maximum benefit of the initiative. Now it's not the time for Bangladesh to give the opportunity instead of taking. For these, enhancing ability, prepare itself for the initiative, protect self-interest, understating the consequences is no more prolonged duty of others rather Bangladesh's itself.

Moreover, Bangladesh may benefit hugely from the OBOR initiatives (Muhammad Abdul Mazid, 2019). "As an independent country, Bangladesh must assert its sovereign right to build rapport with the outside world without external interference. In this regard, OBOR is offering an opportunity for Bangladesh to integrate with the international market. Bangladesh must embrace reforms in economic and policy aspects to successfully achieve the objectives of OBOR" (Saimum, 2017).

References


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