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BANGLADESH'S EXTERNAL ECONOMIC RELATIONS

I. INTRODUCTION

Bangladesh is among the countries which depend heavily on the global economy. The survival of the population and functioning of the economy at present, and the prospects of future development of the country depend on the global economy. About a sixth of the country's food requirements and more than 80 per cent of the development budget come from the external sources. Bangladesh depends almost wholly on the supply of petroleum and petroleum products. Uncertainties and disruptions in the global economy, therefore, easily get transferred on to the domestic economy. The recent instance of such vulnerability of Bangladesh to external factors is illustrated by the global crisis emerging from the invasion of Kuwait by Iraq on August 2, 1990.¹ Such interfaces between the global and domestic economy are indicated by the level and composition of the country's exports and imports, and her dependence on external resources.

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1. Following the invasion, Bangladesh's external relations with Iraq and Kuwait were immediately disrupted. The invasion triggered a tremour across the world economy. The oil price immediately soared up; and the stock

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The present article highlights the major aspects of Bangladesh's external economic relations which are susceptible to any adverse change in the global economy. The major focus here is on the economic relations pertaining to export receipts, import payments, and the inflow of external resources. Lately, the issue of international migration for employment and inflow of remittances from the nationals working abroad has assumed much prominence in the domestic economy. This is also within the focus of the present study.

The paper is divided into 4 sections including the present one. Section 2 deals with the major aspects of the Bangladesh's relations with the global economy. This includes export receipts, import payments, and the inflow of external resources. Discussed here is also the dependence of Bangladesh on imported energy. Section 3 is concerned with Bangladesh's economic relations with the Middle East. The particular importance of the region is reflected in its being the most important destination of Bangladeshis for employment, therefore, one of the most important sources of overseas remittances for the country. The final section contains the major conclusions of the paper.

II. RELATIONS WITH THE GLOBAL ECONOMY

Export Receipts

The export receipts of Bangladesh is characterised by low level, predominance of few items, slow pace of growth and compositional

market across the world became unstable. Major international currencies fluctuated against each other. The insecurity in the Middle East pushed up the transportation costs and insurance premium of the multinational forces pressurised the US Federal budget, and that of the major industrial powers. This had adverse implications for the inflow of external resources from these countries. For further details see, Mahmood, R. A., *Impact of the Middle East Crisis on the Bangladesh Economy*, report prepared for the Asian Development Bank, Manila, September 1991.

shifts over time, and dependence on certain geographical areas of the world. Added to this is also a low elasticity of demand for the country's major export items, and the vulnerability of supplies on natural calamities at times. Nevertheless, the export receipts are among the major sources of foreign exchange for the country, outlet for the country's output and sources of employment, and therefore, income of millions of people depend on the production and export of commodities.

Table - 1 : Major Features of Exports from Bangladesh

	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85	1985- 86	1986- 87	1987- 88
Major Export Items (Relative share as of Total) :								
Raw Jute	16.72	16.22	15.99	14.26	16.14	15.13	9.69	6.06
Jute Products	51.56	46.50	46.29	43.43	41.72	36.04	28.08	22.67
Leather and leather Products	7.98	10.06	8.51	10.37	7.47	7.42	12.56	11.07
Fish and Fish Products	5.90	8.42	10.73	11.82	9.56	14.67	13.06	10.9
Tea	5.72	6.05	6.78	8.38	6.53	4.00	2.76	2.93
Fruits & Vegetables	0.14	0.23	0.00	0.42	0.45	1.80	1.66	1.18
Readymade Garments	0.46	1.12	1.58	3.84	12.44	16.05	27.82	32.65
Newsprint	1.05	0.00	0.61	0.80	0.91	0.90	0.71	0.53
Urea	1.35	0.00	1.51	1.18	0.51	0.31	0.39	1.88
Nephtha	4.20	4.81	2.75	2.76	2.21	1.70	0.95	0.61
Sub-total	95.09	93.42	94.76	97.27	97.94	98.02	97.67	90.47
Total Export Receipts :								
(million US \$)	710.69	626.97	686.60	822.00	934.43	819.00	1073.77	1231.20
Relative share of :								
Traditional Exports	81.97	78.83	77.47	76.34	71.85	62.58	53.09	46.12
Non-Traditional Exports	18.03	21.17	22.43	23.66	28.15	37.42	46.91	53.88

Source : World Bank, *Bangladesh Country Report*, March 1989.

Bangladesh's exports comprise both traditional and non-traditional items; and over the years the latter has increasingly been playing an important role. As early as 1980/81, traditional export items such as raw jute and jute products, leather and leather products, tea, etc., accounted for more than four-fifths of the export receipts. Their relative share dropped significantly over time. Non-traditional items like fish and fish products, ready-made garments, fertilizer lately account for more than half of the exports.

Traditionally, Bangladesh's export trade had been dominated by one major item, i.e., jute and jute products. Even as late as 1980/81, raw jute and jute products accounted for more than 68 per cent of the total export receipts. Their relative share dropped to about a quarter of the total in 1987/88. Lately, only four broad items account for more than 80 per cent of the country's export receipts. These include jute and jute products, leather and leather products, fish and fish preparations, and ready-made garments. Two items which experienced significant improvement in relative importance over time are fish and fish products and ready-made garments. From less than one per cent of the export receipts in 1980/81, ready-made garments now account for almost a third of the country's export earnings.

The direction of exports is dominated by a handful of countries. Only 10 countries together account for more than three fifths of the country's export markets. Among them only one country, the USA, accounts for 28 per cent of the country's exports as of 1987/88. The importance of this country has lately been increasing quite prominently. Among the other important destinations of Bangladesh exports, though much less prominent as compared to the USA, are Japan, United Kingdom, and Germany. These three countries account for about a sixth of the country's exports.

The export trade provides employment, therefore, income to millions of people involved in the production and marketing of export

Table - 2 : Export Receipts by Country and Year

(in percentage terms)

Country	1979- 80	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85	1985- 86	1986- 87	1987- 88
Australia	3.45	2.58	3.25	2.30	2.30	1.28	1.48	1.62	2.26
Belgium	3.04	2.25	2.17	3.47	4.46	3.06	3.11	3.55	2.90
Germany (Federal Republic of)	1.68	1.62	1.72	1.62	1.44	2.05	2.16	3.32	4.63
Iran	4.99	5.97	3.90	3.32	12.34	4.82	6.23	2.82	2.52
Japan	5.69	2.62	4.15	6.41	6.87	6.98	7.71	6.78	5.95
Pakistan	4.98	7.21	5.45	6.51	7.23	5.00	4.28	2.83	3.16
Singapore	4.45	7.70	10.71	9.14	2.54	2.98	3.14	2.63	2.97
U. K.	6.96	4.29	5.08	4.63	6.95	6.54	5.03	5.45	5.43
U. S. A.	10.89	9.48	9.77	12.89	12.48	16.53	20.68	28.75	27.94
U.S.S.R.	6.60	4.12	5.38	5.56	2.53	3.58	3.10	3.68	3.02
Sub-Total	52.73	47.89	51.58	55.85	59.14	52.82	56.92	61.43	60.78
Others	47.27	52.11	48.42	44.15	40.86	47.18	43.08	43.08	60.78
GRAND TOTAL (Tk. in cores)	1150.73	1334.36	1454.48	1860.61	2051.46	2521.06	2716.60	3064.263	704.56

Source : *Bangladesh Bank, Export Receipts of Bangladesh, Different Issues.*

items. Being basically labour intensive products, the employment generating capacity of the major export items has been quite important. The jute industry which is mostly geared to overseas demands is one of the biggest employer in the manufacturing sector.² Similarly, the garments industry - which is almost wholly export oriented, employs over 300,000 workers. Interestingly enough, about 70 per cent of those employed in the garment industry are female workers, and

2. Bangladesh Bureau of Statistics, *Statistical Yearbook of Bangladesh*, 1990.

possibly, this sector is the biggest employer of women in the country.³ Another export sector playing an important role in employment generation is tea. A vast majority of those employed in this sector also comprise female workers. The number of people engaged in fishing and fish preparation are also quite significant. An increased overseas market for fish - especially shrimps, contributed immensely to the generation of employment opportunities for women and children particularly in fish processing.⁴

Since the production and processing of major export items are concentrated in certain localities, export have significant importance to the respective areas. And for certain areas these are the major sources of employment for the local people. the major jute growing areas depend heavily on the export market, as do the major fishing and fish processing localities. Tea production is located in few districts of the country, Sylhet being the most important of all. The main cities, particularly Dhaka, the capital of the country, contain most of the garment industries. Processing of leather is also located in major cities, most important among them being the capital. The growth and development of these major export items, therefore, have important implications for employment generation and income in the respective areas.

Import Payment

Total volume of imports into Bangladesh is estimated at about US \$3 billion as of 1987/88, and this is equivalent of 16 per cent of the country's GDP. The nature and composition of imports into the

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3. Chaudhuri, Salma, and Paul-Majumder, Pratima, *The Conditions of Garment Workers in Bangladesh : An Appraisal*, Bangladesh Institute of Development Studies, October 1991.
 4. Rahman, Atiur, and Others, *Socio-Economic Evaluation of Shrimp Culture Project : Second Interim Report*, Bangladesh Institute of Development Studies, October 1990.

Table - 3 : Major Imports of Bangladesh

(in percentage terms)

Commodities	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Rice	1.51	1.71	4.19	2.38	6.65	0.34	1.89	5.02
Wheat	7.87	8.90	12.48	14.53	12.16	8.97	8.51	11.35
Edible oil	3.45	2.64	3.58	3.70	3.89	5.73	4.39	4.59
Oilseeds	0.41	12.43	16.10	9.90	8.54	7.49	4.81	4.55
Petroleum								
Products	5.99	7.93	3.58	5.18	5.02	6.98	3.97	4.55
Fertilizer	3.90	3.89	2.85	3.19	5.17	4.57	0.95	1.54
Cement	1.23	1.15	1.90	1.57	0.98	2.41	2.44	2.01
Raw cotton	4.05	2.94	2.44	5.31	4.00	2.18	1.72	2.78
Staple Fibres	0.49	0.19	0.17	0.38	0.11	0.04	0.27	0.27
Yam	0.75	0.82	1.29	1.66	1.17	2.12	1.60	1.51
Sub-Total	42.52	42.79	48.80	47.88	47.92	40.83	31.50	39.44
Total (US\$ million)								
	2668.80	2686.70	2316.70	2353.00	2647.50	2364.00	2620.40	2987.44

Source : World Bank, *Bangladesh Country Report*, March 1989.

country have significant implication for the survival of the population, running of the wheels in the country, and growth and development of the economy. Three major items occupy important positions, e.g., food, energy, and capital machinery, without which the country would be put to a standstill. Import of food - both rice and wheat, account for about a sixth of the country's import bill, and this meets about 16 per cent of the country's food deficit. Crude petroleum and petroleum products account for another 10 per cent of the import bill. Finally, capital goods and materials for capital goods account for 28 per cent of the country's import payments. Together, therefore, more than half the import bill is due to items which are most vital for the functioning, and

growth and development of the domestic economy. Among the other major items are baby food and cereals, edible oil and oil seeds, fibres and yarns.

Table-4 : Import by Type of commodities and Year

(in percentage terms)

Type of Commodities	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Consumer Goods	17.9	24.6	23.3	26.8	32.5	32.8	32.29	37.2	34.5
Materials for Consumption	40.3	33.2	34.6	36.6	38.4	36.1	32.76	35.0	33.0
Capital Goods	26.9	30.4	32.3	26.6	12.5	12.3	13.44	10.6	11.8
Materials for Capital Goods	14.9	11.8	9.8	10.0	16.6	18.8	21.51	17.2	20.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bangladesh Bureau of Statistics, *Statistical Yearbook of Bangladesh*, Different Issues.

More than half of the country's imports is obtained from only ten countries; and these countries have consistently been playing a similar role over the years. The single most important source of the country's imports is Japan. Lately, more than one sixth of the country's imports come from this country alone. The next important source, though following Japan at a great distance, is the USA. About 7 per cent of the country's imports in 1987/88 came from the USA. Among the other major sources of imports are Singapore, UAE, Hongkong and Canada.

The slow pace of growth of exports and rapid growth in import payments could be seen in terms of the elasticities of demand for Bangladeshi exports, and the same of country's demand for imports. The major export items such as raw jute and jute products, tea, hides

Table-5 : Import payments by Countries

(In percentage terms)

Countries	1973-74	1974-75	1980-81	1984-85	1987-88
Canada	9.83	3.98	2.39	3.18	3.17
China	0.19	2.30	4.60	3.40	3.06
Hong Kong	2.58	0.25	0.61	1.91	3.75
India	12.00	6.64	2.21	2.54	2.92
Japan	4.61	9.54	11.40	11.36	15.29
Natherlands	1.03	0.85	2.63	3.87	3.08
Singapore	0.81	1.07	3.29	11.01	4.85
U.A.E.	-	3.40	4.81	4.78	4.87
U.K.	4.57	6.82	4.95	3.61	3.03
U.S.A.	15.86	11.77	8.82	11.20	7.23
Sub-Total	52.08	46.62	45.71	56.86	51.25
Others	47.92	53.38	54.29	43.14	48.75
Grand Total	680.45	1302.57	4266.12	6873.80	9328.57

Source: Bangladesh Bank, *Imports of Bangladesh*, Different Issues.

and skins, have been found to have very low income elasticity of demand.⁵

5. See, for example, Kabir, R., "Estimating Import and Export Demand Functions: The Case of Bangladesh, *The Bangladesh Development Studies*, Vol. XVI, No. 4 1988; Ngyan, D.T., and Bhuiyan, A.R., "Elasticities of Export and Import Demand in Some South Asian Countries; Some Estimates", *The Bangladesh Development Studies*, Vol. V, No.2, 1977; Shilpi, F.J., *Estimating Income and Price Elasticities of Imports and Exports of Bangladesh*, Research Report No. 122, Bangladesh Institute of Development Studies, December, 1990.

The relative importance of these major countries as they relate to the level of imports could be seen in terms of the nature of commodities imported from the respective countries, as also the mode of their financing taking into consideration all the five different modes of import financing - cash, barter, STA, WES, and loans and grants. More than half the import bill of the country is financed out of the loans and grants. Another 37 per cent of the imports are financed out of the workers remittances. Imports out of the cash resources of the country, mostly from the export receipts, account for less than one-sixth of the total import bill. Given these different financial arrangements, imports from different countries are made under alternative arrangements. For instance, more than 70 per cent of the imports from the USA and Canada are financed out of loans and grants. On the other hand, imports from countries such as Italy and USSR are mostly made out of the cash resources of the country.

Aid Dependence

Bangladesh is a typical case of aid dependence. About 80 per cent of the country's development budget is financed by external resources; and half the imports depend on foreign aid and loans. External resources are equivalent to 9 per cent of the gross national product of the country. And as such, no development work in the country can be visualised without these external resources.⁶

The reasons underlying this high dependence on external assistances are rather obvious. With a per capita income of US \$ 175, and given that more than half the population of the country survive

6. Bangladesh's dependence on external resources is summarised in Sobhan, R., *The Crisis of External Dependence : The Political Economy of Foreign Aid to Bangladesh*, University Press Limited, Dhaka, 1982; Islam, Nurul, *Development Planning in Bangladesh: A Study in Political Economy*, C. Hurst and Company, London, 1977.

Table-6 : Level of External Assistance Over Time

(in million US\$)

Year	Food Aid	Commodity Aid	Preproject Aid	Total Aid
1971-72	129.619	137.707	3.474	270.800
1972-73	182.552	288.908	79.984	551.444
1973-74	228.745	108.137	124.355	461.237
1974-75	382.340	375.674	143.035	901.049
(1971/72-1974/75)	(923.256)	(910.426)	(350.848)	(2184.530)
1975-76	31.483	361.506	125.541	800.530
1976-77	121.560	254.568	158.584	534.712
1977-78	177.844	380.450	275.566	833.860
1978-79	179.032	482.639	368.378	1030.049
1979-80	374.687	378.478	469.896	1223.061
(1975/76-1979/80)	(1166.606)	(1857.641)	(1397.965)	(4422.212)
1980-81	194.072	392.462	559.911	1146.445
1981-82	230.500	419.858	589.273	1239.631
1982-83	255.450	452.005	469.928	1177.383
1983-84	276.384	439.194	552.821	1268.399
1984-85	247.003	431.550	590.893	1269.446
(1980/81-1984/85)	(1203.409)	(2135.069)	(2762.826)	(6101.304)
1985-86	202.746	393.388	709.794	1305.928
1986-87	225.411	402.521	967.228	1595.160
1987-88	300.447	509.442	830.491	1640.380
1988-89	226.934	537.662	903.882	1668.478
(1985/86-1988/89)	(955.538)	(1843.013)	(3411.395)	(6209.946)
(1971/72-1988/89)	(4248.809)	(6746.149)	(7923.034)	(18917.992)

Source: ERD, Ministry of Finance, Government of Bangladesh.

without the minimum human necessity satisfied, the country can hardly generate enough investible surplus necessary to maintain the current living standard of the teeming millions.

Between December 1971 and July 1989, Bangladesh received a total of US \$18.9 billion as aid and loans. Of this, US \$4.2 billion came as food aid, \$6.7 billion as commodity aid, and \$7.9 billion as project aid. In relative terms, the shares of food, commodity and project aid are 22, 36, and 42 per cent respectively. The yearly level of external assistances into Bangladesh increased quite significantly over

Table-7 : Importance of External Assistances to Bangladesh Economy

Year	Total Foreign Aid (Million US\$)	(External Assistances as % of)			
		GDP	ADP	Import Payments	Export Receipts
1973-74	461.237	5.14	79.26	52.47	123.66
1974-75	901.049	6.50	152.24	75.09	253.82
1975-76	800.530	11.18	124.85	63.64	250.17
1975-76	800.530	11.18	124.85	63.64	250.17
1976-77	534.712	7.45	82.02	66.18	115.99
1977-78	833.860	9.47	104.81	59.18	167.11
1978-79	1030.049	9.97	96.41	62.77	175.78
1979-80	1223.061	10.41	81.31	50.21	164.61
1980-81	1146.445	8.93	79.07	44.21	139.64
1981-82	1239.631	10.44	91.31	47.50	170.98
1982-83	1177.383	10.44	93.97	51.04	150.56
1983-84	1268.399	10.10	92.31	53.91	154.31
1984-85	1269.446	7.79	93.93	47.96	130.74
1985-86	1305.928	8.38	95.34	55.24	143.67
1986-87	1595.160	9.09	108.29	60.88	159.52
1987-88	1640.380	8.70	110.23	54.94	138.31
1988-89	1668.478	8.82	116.19	49.44	130.25

Source: World Bank, Bangladesh Country Report.

the years from an annual figure of US \$270 million in 1971/72 to US \$ 1.7 billion in 1988/89. Alongside this significant rise in the level of assistances to Bangladesh, the composition of such aids and loans also changed drastically over the years. Food aid, as a proportion of total aid flow to Bangladesh decreased, whereas the corresponding share for project aid show a significant upward trend.

The importance of external aid and loans to Bangladesh can hardly be exaggerated. Compared to the major macro parameters of the country, external resources occupy a dominant position in the economy. It is equivalent to 9 per cent of the country's GDP, 116 per cent of the Annual Development Programme, and 49 per cent of imports as of 1988/89 period.

Bangladesh receives financial assistances from numerous countries and institutions across the world. However, the bulk of these assistances come from a few major countries and international organisations. Among the major aid giving countries to Bangladesh are Japan, USA, Canada, Germany, UK. and Saudi Arabia. Major multinational agencies include IDA, ADB, and UN organisations.

Despite the pursuance of a non-aligned foreign policy, given the concentration of Bangladesh's exports to, and imports and external resources from certain countries, Bangladesh is intimately connected economically with the major countries in the world. Only 13 countries together account for 62 per cent of the country's exports, 50 per cent of imports, and 52 per cent of the external resources flowing into the country. Such interlinkages with these countries severely underline the degree of Bangladesh's dependence on these countries and the organisations which are dominated by the same group of countries.

Labour Export and Remittances

Although the process of Bangladeshis migrating abroad for employment has been going on now for more than half a century, this

Table-8 : Relative Importance of Major International Economic partners of Bangladesh

(in percentage terms)

	Foreign Aid (upto June 1989)	1980-81		1984-85		1987-88	
		Export	Import	Export	Import	Export	Import
Belgium	0.29	2.25	0.27	3.06	0.16	2.90	0.43
Canada	6.70	0.79	2.39	1.23	3.18	1.52	3.17
China	0.53	3.61	4.60	0.92	3.40	1.89	3.06
F.R.G.	4.24	1.62	4.29	2.05	3.13	4.63	2.58
India	1.93	3.02	2.21	4.10	2.54	0.75	2.92
Japan	13.16	2.67	11.40	6.98	11.36	5.95	15.29
Netherlands	3.28	1.39	2.63	1.66	3.87	1.85	3.08
Pakistan	0.18	7.21	2.26	5.00	0.74	3.16	1.20
Saudi Arabia	3.37	0.11	12.47	0.66	2.48	0.13	1.70
Singapore	-	7.70	3.29	2.98	11.01	2.97	4.85
U.S.A.	12.95	9.48	8.82	16.53	11.20	27.94	7.23
U.S.S.R.	2.02	4.12	1.57	3.58	1.40	3.02	1.51
U.K	3.75	4.29	4.95	6.54	3.61	5.43	3.03
Sub-Total	52.40	28.26	61.15	55.29	58.08	62.14	50.05
Others	47.60	51.74	38.85	44.71	41.92	37.86	49.95

Sources: Bangladesh Bank: *Import Payments, Export Receipts of Bangladesh*;
External Relations Division, Ministry of Finance, GOB.

has become an important aspect of the Bangladesh's external economic relations only since the late 70s. It was associated with the opening up of the Middle East as an important destination of Bangladeshi workers for employment. Prior to that the major destination of nationals for employment was the UK where the process is said to have started in

early 1940s. Uptil 1982 there were about 140,000 Bangladeshis living and working in the UK. This could by now be more than 200,000 including their spouses. The mass exodus of nationals for employment took place to the Middle East following the oil-price rise of October 1973. As of December 1990 more than 800,000 Bangladeshis migrated to the region. However, with the diminution of the relative attractiveness of the earlier destinations, new and new destinations for migration have been discovered. Bangladeshis are now to be found in Japan, South Korea, Hong Kong, Taiwan, in the East; Malaysia, Singapore, Brunei, in South East Asia; in the Middle East and North Africa; UK, Germany, Sweden, Italy, in Western Europe; and in the USA, Canada, in North America.⁷

The most tangible aspect of international migration is the corresponding inflow of remittances. Remittances from the nationals working abroad have now become one of the most important sources of foreign exchange for the country. They were equivalent to about 5 per cent of the GDP; 56 per cent of the export earnings; and 25 per cent of the import payments of the country as of 1987/88.

The importance of this huge volume of remittances to the Bangladesh economy may be seen from two different angles, e.g., (a) as source of disposable income for thousands of migrant households; and (b) as foreign exchange for financing import payments of the country. On the domestic front, overseas remittances are amongst the major sources of disposable income to thousands of migrant households dispersed across the country. In the geographical areas where there is a concentration of migrant households, the inflow and the use of remittances are major catalysts in the growth and development of the domestic economy.

7. For Further details see Mahmood, R.A., "Employment of Bangladeshis Abroad and Use of Their Remittances", Bangladesh Institute of Development Studies, May 1991.

Table-9 : Geographical Origin of Remittances into Bangladesh

Years/ Periods	MIDDLE EAST ^a			WESTERN COUNTRIES ^b			ALL OTHERS			GRAND TOTAL	
	Amount in Taka	Millions (US\$)	Percentage of Total	Amount in Taka	Millions (US\$)	Percentage of Total	Amount in Taka	Millions (US\$)	Percentage of Total	Amount in Taka	Million (US\$)
1977	172	11	19.86	662	43	76.44	32	2	3.70	866	56
1978	605	40	37.35	893	59	55.12	122	8	7.53	1620	108
1979	1274	82	45.47	1395	90	49.79	133	9	4.75	2802	180
1980	2450	159	50.96	2345	152	48.77	13	1	0.27	4808	311
(1977-80)	4501	292	44.58	5295	344	52.45	300	20	2.97	10096	655
1981	3696	205	62.20	2216	123	37.29	30	2	0.50	5942	329
1982	8397	380	72.79	2687	121	23.29	452	20	3.92	11536	522
1983	12232	497	77.99	3000	122	19.13	453	18	2.89	15684	637
1984	9877	390	77.61	2394	94	18.81	455	18	3.58	12726	502
(1981-84)	34202	472	74.53	10297	460	22.44	1390	58	3.03	45889	1990
1985	10419	363	75.74	3162	110	22.99	175	6	1.27	13756	479
1986	13590	448	79.38	3077	102	17.97	454	15	2.65	17121	565
1987	16549	501	71.78	5257	159	22.80	1248	38	5.41	23054	698
1988	16628	505	70.61	4626	141	19.64	2295	70	9.75	23549	716
(1985-88)	57186	1817	73.81	16122	512	20.81	4172	129	5.38	77480	2458
1989	15363	469	80.55	2055	64	10.77	1655	51	8.68	19073	584
1990	17136	495	68.62	4898	141	19.61	2937	85	11.76	24971	721
(1989-90)	32499	964	73.79	6953	205	15.79	4592	136	10.43	44044	1305

Notes: a: Refer to the 8 major Middle Eastern Countries. b: Include only 4 major Western countries.

Source: Adapted from data supplied by the Exchange Control Department, Bangladesh Bank, Dhaka.

The importance of the overseas remittances to the economy is reflected further by the use of the same in foreign exchange for overseas payments. More than 80 per cent of the remittances in foreign exchange are presently used for import purposes. Such imports now constitute about 36 per cent of the total import payments of the country. They are equivalent to about 246 per cent of the imports made under the cash arrangements; and 82 per cent of the imports financed out of loans and grants from abroad as of 1987/88.⁸

Energy Dependence

Energy is amongst the three most important items for which the country's dependence on external sources is most crucial, the other two items being food and capital. This is despite the fact that the per capita consumption of energy in Bangladesh is one of the lowest in the world.⁹

Bangladesh imports almost the whole of the petroleum products and coal used by the country¹⁰. Between 1976/77 and 1986/87, Bangladesh annually imported on an average 1.09 million tons of crude petroleum, 0.52 million tons of petroleum products, and 180

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8. Mahmood, R.A., "International Migration. Remittances and Development Untapped Potentials for Bangladesh", *BISS Journal*, Dhaka, volume 12, No. 4, 1991.
 9. The per capita commercial energy consumption in Bangladesh has been estimated at 56 kilogram of oil equivalent (KOE) as of 1989/90. The annual growth in per capita consumption of commercial energy during 1989/90 and 1985/90 were 5.08 and 6.43 percent respectively. Total energy consumption per capita, inclusive of both commercial and traditional, comes to 164 KOE. *Fourth Five Year Plan of Bangladesh*, Bangladesh Planning Commission.
 10. A very small proportion of the commercial energy need of the country is presently met from the country's own sources, i.e., Haripur crude and Bakrabad condensate. These together would account for about 1% of the total commercial energy need of the country.

tons of coal. While the import of crude petroleum has been hovering around the mark of 1 million tons per year, import of petroleum products experienced a significant upward trend. Between 1976/787 and 1986/87 the volume of petroleum products imported by the country increased by about 2.8 times, while the import of crude petroleum remained almost at its earlier level.

Bangladesh spent over Taka 927 crores in 1989/90 to meet its import needs of crude oil, petroleum products and coal. This comes to about US\$ 275 million. More than 90% of this is due to crude petroleum and petroleum products. Import bill due to energy compares significantly with import payments and export receipts of the country. Energy imports account for about 8% of the total import bill of the country. They were equivalent to, as of 1989/90, more than 54% of the total cash import of the country, with 17% of the imports made out of the remittances of the nationals working abroad. Energy imports are equivalent to 20% of the export receipts of the country.

Two major aspects of the import bill of the country are (a) changes in the international price of crude oil and petroleum products, and (b) depreciation in the value of local currency. The increased import bill of the country and occasional variations thereof with serious disrupting effect on the domestic economy can be related to these two major aspects of the energy import of the country. The total imported energy requirement of the country grew at an annual rate about 2.57% during 1976/77 to 1986/87. However, the value of domestic currency depreciated at an annual rate of 9.84% over the same time period. This differential growth in demand of imported energy particularly of petroleum products, and fall in the value of domestic currency would explain for 7.27% rise in import bill. One top of these, the instability in the international price of crude oil and petroleum products will further destabilise the domestic price of imported products particularly in the event of price rise in the international market.

Table-10 : Changes in Quantity and Price of Energy Overtime

Year	Import of Petroleum and petroleum products		Price of crude oil (per Barrel)		Exchange rate (US\$:Taka)
	Quantity (M ton)	Value (Tk.000)	(US\$)	(Taka)	
1976-77	1378	1,926,763	12.21	188.28	15.42
1977-78	1429	296,584	13.26	200.49	15.12
1978-79	1421	2,330,130	14.82	225.56	15.22
1979-80	1729	5,738,687	26.23	406.30	15.49
1980-81	1805	7,624,395	33.81	549.75	16.26
1981-82	1761	7,458,531	34.58	694.02	20.07
1982-83	1537	11,078,858	32.06	763.03	23.80
1983-84	1469	9,072,738	29.56	737.23	24.94
1984-85	1610	8,874,365	28.53	740.64	25.96
1985-86	1788	9,642,623	17.58	525.47	29.89
1986-87	1732	6,159,817	16.06	491.28	30.59

Source: Petroleum Corporation of Bangladesh, Dhaka.

Crude petroleum and petroleum products consumed by the country come mostly from the Middle East. Three countries in the region, viz., UAE, KSA and Kuwait, account for three fifths of the imports of the country. Another important source is Singapore which accounted for about 37% of the imports in 1989/90.

III. BANGLADESH AND THE MIDDLE EAST

Historically, the bond between Bangladesh and the Middle East has been based on religion. With more than 80 per cent of the country's population being Muslims, and the location of the Muslim's holiest places in the region, the Middle East has ever since the dawn of Islam been near to the heart of the people of Bangladesh. In the backdrop of this historical bondage, the past decades witnessed further

intensification of the relationship between Bangladesh and the oil-rich Middle East countries. The oil resources of the countries in the region triggered a process of economic development with significant trickle down effects on countries such as Bangladesh. Middle East is now the most important importer of Bangladeshi workers. At the same time, these countries have gradually become important markets for Bangladeshi exports, major sources of the country's imports, and supporters of the country's development activities.

Overseas Employment and Remittances

Initiated by the massive development works in the region following the oil-price rise of October 1973, alongwith other nationals, more than 800,000 Bangladeshis migrated to the region as of December 1990. Of the 13 Middle Eastern countries importing Bangladeshi workers, 8 account for about 98 per cent of the total. These are Bahrain, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, and the UAE.

Now, of the total remittances of over Tk.25 billion, equivalent to more than US \$ 720 million, received by Bangladesh in 1990, about 69 per cent came from the Middle Eastern countries alone. Of these total remittances from the Middle East 47 per cent came from the Kingdom of Saudi Arabia; 24 per cent from Kuwait; and 15 per cent from the UAE.

Exports to the Middle East

The Middle East as a market for Bangladeshi exports is not that important. Less than 5 per cent of the country's exports go to this market; and in absolute terms it never exceeded more than Tk.90 crore in any single year so far. Among the 8 major Middle Eastern countries which import more than 95 per cent of the nationals, the most important importers of Bangladeshi goods are Iraq, kuwait, KSA, and

Table-11 : Geographical Distribution of Bangladeshis in the Middle East

(in percentage term)

Country of Destination	1977-80	1981-84	1985-88	1989	1990	1977-90
Bahrain	4.13	3.54	3.81	4.41	4.43	3.92
Iraq	7.57	15.35	6.60	1.45	2.82	8.11
Kuwait	10.34	12.33	11.73	11.36	5.56	10.92
Libya	8.74	5.09	3.37	2.04	0.55	3.95
Oman	13.87	15.82	6.33	11.73	18.39	12.08
Qatar	6.95	8.06	7.93	8.85	7.92	7.97
K.S.A.	21.45	27.23	45.85	39.48	50.48	37.60
U.A.E.	25.20	10.83	14.09	15.13	8.12	13.78
Others	1.74	1.76	0.29	5.34	1.74	1.67
All Together	92,191	2,32,600	2,86,817	98,147	101,563	811,563

Source: Bureau of Manpower, Employment and Training (BMET), Dhaka.

the UAE. These four countries together accounted for about 90 per cent of the country's export to the region in 1987/88. One important aspect of the export trade of Bangladesh with the Middle East is that although there is a positive trend in total earnings, there are significant variations in export receipts from one year to another. Total export earnings from the 8 major Middle Eastern countries was Tk.88 crores in 1984/85; which was dropped to Tk.69 crores in the following year.

The subsequent year witnessed export earnings of Tk.90 crores which was the highest of all times.

In terms of the commodity composition of Bangladeshi exports to the region, two broad SITC groups, e.g., food and live animals, and manufactured goods classified chiefly by materials, account for more than 95 per cent of the exports to the region. There are, however, significant variations among the individual countries. In the case of Bahrain, for instance, 93 per cent of the exports from Bangladesh is food and live animals; the remainder is accounted for by manufactured goods classified chiefly by materials. In contrast, 75 per cent of the exports to Iraq consist of manufactured goods classified chiefly by materials, and the remainder by food and live animals. For all the 8 countries taken together, half of the exports consist of food and live animals; and about 48 per cent consist of manufactured goods classified chiefly by materials, as of 1987-88.

Such commodity composition of exports to the Middle East is quite different from the composition of Bangladeshi exports as a whole. In the aggregate export trade, food and live animals comprise about 18 per cent of the total exports as of 1987/88 as compared to 50 per cent in the case of the Middle East. Manufactured goods classified chiefly by materials consist of about a third of total exports, the same for Middle East being more than 48 per cent of the total.

One major aspect of the commodity composition of Bangladeshi exports to the Middle East is that these would seem to cater to the dietary needs of the nationals working there. The exports to the Middle East include non-traditional items such as fish and fish preparations, fruits and vegetables, cigarettes, feature films, and newspaper and periodicals. Most of these items are consumed mainly by the nationals working in these countries. One should further note that the relative share of these commodities exported to the Middle East as compared to their total export is quite high; and some of these items are exported to

Table-12 Inflow of Remittances from Middle East, Country-wise and Period-wise

Countries	Periods											
	1977-1980		1981-1984		1985-1988		1989		1990		1977-1990	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Bahrain	86	1.83	454	1.32	1342	2.33	419	2.76	539	3.15	2840	2.20
Iraq	450	9.58	3482	10.14	2418	4.20	252	1.66	234	1.37	6836	5.30
K.S.A.	1807	38.48	15555	45.31	24565	42.71	6754	44.45	8099	47.26	56780	44.06
Kuwait	499	10.63	3457	10.07	9931	17.27	2978	19.60	2328	13.59	19193	14.89
Libya	287	6.11	2358	6.87	1744	3.03	179	1.18	299	1.74	4867	3.78
Oman	117	2.49	1678	4.89	5977	10.39	1240	8.16	1532	8.94	10544	8.18
Qatar	374	7.96	2112	6.15	4111	7.15	1439	9.47	1586	9.26	9622	7.47
U.A.E.	881	18.76	5106	14.87	7098	12.34	1831	12.05	2426	14.16	17342	13.46
Sub-Total	4501	95.85	34202	99.62	57186	99.43	15092	99.33	1704399.46		12802499.35	
Others	195	4.15	129	0.38	325	0.57	102	0.67	93	0.54	844	0.65
Total	(4696)	(100)	(34331)	(100)	(57511)	(100)	(15194)	(100)	(17136)	(100)	(128868)	(100)

Source: Same as Table 9.

Table-13 : Export Receipts from Major Middle Eastern Countries

Countries	(in percentage terms)								
	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Bahrain	0.01	0.02	0.05	0.01	0.03	0.24	0.41	0.91	1.10
Iraq	79.66	84.15	78.47	76.88	39.31	51.39	58.35	64.36	45.24
Kuwait	5.04	0.46	3.79	6.82	10.42	8.92	7.09	5.81	13.13
Libya	0.56	-	-	-	0.07	0.05	0.44	-	0.12
Oman	0.01	0.05	0.73	1.21	2.73	2.53	6.01	6.37	4.89
Qatar	1.41	2.18	1.26	1.91	2.02	1.85	2.17	2.85	4.21
K.S.A.	4.77	6.04	4.25	5.71	18.10	18.82	9.77	3.97	11.47
U.A.E.	8.54	7.10	11.44	8.81	27.32	16.19	15.75	15.73	19.84
Total (Tk. 000)	248656	251271	506009	754992	445523	878432	690622	896735	426022

Source: Bangladesh Bank, *Export Receipts of Bangladesh*, Various Issues.

Table-14 : Commodity composition of Export to Middle East in 1987-88

(Percentage of column total)

SITC Groups	Bahrain	Iraq	Kuwait	Oman	Qatar	KSA	UAE	All Together
0. Food and live								
Animals	92.72	24.65	95.75	95.33	99.65	33.25	66.08	50.58
1. Beverage and								
Tobacco	-	-	-	-		0.21	0.81	0.18
2. Crude Materials,								
Inedible Except Fuels	-	-	0.98	-	-	0.11	0.91	0.32
3. Mineral Fuels, Lubricants								
and Related Materials	-	-	-	-	-	-	-	-
4. Animal And								
Vegetable oil Fats	-	-	-	-	-	-	-	-
5. Chemicals	-	-	0.49	-	-	-	0.05	0.08
6. Manufactured Goods								
Classified Chiefly								
by Materials	7.28	75.35	0.50	0.96	0.35	64.71	29.76	47.68
7. Machinery and								
Transport Equipments	-	-	-	-	-	-	-	-
8. Miscellaneous Manufac-								
tured Articles	-	-	2.28	3.71	-	1.72	2.39	1.15
9. Commodities and								
Transactions not Classif-								
ied According								
to Class	-	-	-	-	-	-	-	-
Total								
(Tk. In								
Thousand)	4682	192746	55929	20821	17954	48882	84518	42553

Source: Same as Table 13.

this region only. Take the case of vegetable and vegetable products, for instance. Of the total export of about Tk. 1.6 million worth of these items in 1987-88, about 93 per cent went to the 8 major Middle Eastern countries; 100 per cent of the cigarettes exported by the country in the same year went to the Middle East. Among such other items are feature films (100 per cent), newspapers and periodicals (53 per cent), and woven jute fabric (55 per cent).

The most important trading partner of Bangladesh in the Middle East in terms of the volume of exports from Bangladesh, is Iraq. Of the total exports to the 8 major countries, as of 1987/88, some 45 per cent went to Iraq. In the case of tea, while the Middle East as a whole import about 5 per cent of the country's total export, about 88 per cent of this was until recently due to Iraq alone - 76 per cent due to the UAE, and 4 per cent due to Saudi Arabia. Iraq was until its annexation of Kuwait also the most important importer of jute and jute products from Bangladesh. Almost all the jute items such as woven jute fabrics sacking, carpet backing, cloth, hessian bags going to the middle east were also imported by Iraq.

Imports from Middle East

The Middle East contributed for about 6 per cent of the total imports of the country as of 1987/88. And for certain imports it is the most important source. The UAE is the most important source of Bangladeshi imports from the Middle East. Imports worth Tk. 450 crore was made from this country in 1987/88, followed by Saudi Arabia, Tk. 81 crore. In relative terms, the UAE and the KSA accounted respectively for 83 and 15 per cent of total imports from the region in 1987/88.

Imports from the Middle East comprise almost wholly of one single item, i.e., mineral fuel, lubricants and related items. In 1987/88, for instance, about 97 per cent of the total import from the

Table-15 : Relative Importance of Middle East as Export Market for Selected Commodities for 1987-88

Commodity	(Taka in thousands)		
	Global	Middle East	Middle East as % of Global
1. Food and Live Animals	6,536,686	215,245	3.29
Fish and fish preparations	4,590,399	72,439	1.58
Vegetable products	1,660	72,439	1.58
Tea	1,192,390	53,700	4.50
Fruits and vegetables	2,20,120	82,575	37.51
Spices	3,800	2,399	63.13
2. Beverages and Tobacco:	23,137	787	2.45
Cigarettes	787	787	100.00
3. Crude Materials, Inedible			
Except Fuels:	5,064,168	1,368	0.03
Crude Animals and Vegetable			
Animals	25,845	992	3.84
Agar (Wood)	278	52	18.71
4. Manufactured Goods Classified			
Chiefly by Materials:	11,104,086	202,989	1.83
Jute Hessian Manufactures	2,604,945	16,446	0.63
Jute Fabric Woven	108,246	59,676	55.13
Sackings	939,121	49,017	5.22
Carpet Backing Cloth	1,543,436	13,894	0.90
Bags, Heavy sacks of Jute	790,469	29,567	3.74
Gunny bags of jute	160,937	18,409	11.44
Hessian bags of Jute	1,392,855	67,968	4.88
Twin of jute	24,890	230	0.92
Newsprint paper	192,281	62	0.03
Yarn of jute	1,102,684	6,745	0.61

Table 15 continued :

(Taka in thousands)

Commodity	Global	Middle East	Middle East as % of Global
5. Chemicals:	529,157	46	0.01
Agar, Attar	197	46	23.35
6. Miscellaneous Manufactured			
Articles:	13,297,951	4,915	0.04
Hosiery - all sorts	2,55,521	68	0.03
Readymade Garments - all sorts	12,881,484	642	0.01
Clothings	6,017	255	4.24
Feature films	1,461	1,461	100.00
Newspapers and periodicals	3,135	1,660	52.95
Miscellaneous manufactured articles	122,895	603	0.49
Handicrafts	107,417	207	0.19

Source: Same as Table 13.

Middle East was due to this single item. The remainder was due to chemicals and manufactured goods classified chiefly by materials - 1.71 and 1.02 per cent respectively. While the KSA and UAE are the major sources of petroleum products, 86 per cent imports from Qatar are due to chemicals. About 20 per cent of the imports from Iraq, in 1987/88, was due to food - mostly consisting of dried fruits such as dates. The total imports from Kuwait and Libya are due to chemicals. Their absolute and relative shares of total import are, however, very small.

As compared to total import of petroleum products, 94 per cent of such imports are from Middle East alone. This is based on the figure of 1987/88. Of the total petroleum imports from across the world, about 78 per cent are from the UAE alone; 14 per cent from Saudi Arabia and only 1.2 per cent from Iraq.

The imports from the Middle East in 1987/88 was financed out of overseas remittances, irrespective of the country of import or items imported. Whereas, even as early as 1985/86, imports were financed almost wholly by cash revenues of the country.

External Assistances

Over the past decades, the Middle East has gradually emerged as an important source of external assistances for Bangladesh. Both bilateral and multilateral aid comprise the total flow of resources from the region. The external assistances received from the Middle East totaling US \$ 0.9 billion came mostly from 6 countries of the region, the remainder from the multilateral agencies such as the Islamic Development Bank, and Organisation of Petroleum Exporting Countries. The volume of assistances received from the region is equivalent to about 8 per cent of the total external assistances received by the country as of June 1987.

Among the individual countries in the region the most important, however, is the KSA. It contributed for about 66 per cent of the bilateral assistance received from the major oil exporting countries in the region; and the total volume of assistances received upto June 1987 stands at US \$ 0.6 billion. Distantly following is Kuwait, accounting for about 15 per cent of the total bilateral assistances during the same period.

External assistances from the Middle East comprises of food aid, commodity aid, and project aid. However, the relative share of these different types of aid and loans from Middle East varies as compared to the aid composition of Bangladesh. While food aid comprises of about 12 per cent of the assistances from the region, the corresponding share in total aid composition is about a quarter. The relative shares of the other two forms of assistances are higher than the corresponding global shares. Such variations in relative importances of different

Table-16: Import Payments to Middle East

480

	(Tk. in '000)						
Countries	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Iraq	5,411	5,287	14,853	-	35,759	13,459	87,053
Kuwait	18	93	-	890	1,460,743	133	144
a. Sub-Total:	5,429	5,380	14,853	890	1,496,502	13,566	87,197
Bahrain	887	3,907	3,688	34,562	-	2,201	-
Libya	39	157	-	-	-	-	-
Oman	15,325	-	38	99	-	-	302
Qatar	266,054	9,798	600	827	30,549	46,572	82,916
K.S.A.	5,156,841	5,154,130	1,868,503	1,210,039	619,107	979,384	809,354
U.S.E.	4,735,452	3,543,183	3,473,343	3,287,773	4,268,788	4,155,633	4,482,034
b. Sub-Total:	10,174,598	8,711,175	5,346,172	4,533,264	4,918,444	5,183,790	5,374,606
c. Total ME:	10,180,027	8,716,555	5,361,025	4,534,154	6,414,946	5,197,356	5,461,803
d. Global Total:	53,562,466	56,650,215	60,187,464	68,738,047	70,650,828	80,260,855	93,285,744
a as % of d	0.01	0.01	0.02	0.01	2.12	0.02	0.09
b as % of d	19.00	14.38	8.88	6.59	6.96	6.46	5.76
c as % of d	19.01	15.39	8.91	6.60	9.08	6.48	5.85

Source: Bangladesh Bank, *Import Payments of Bangladesh*, various issues.

Table-17: Mode of Import Payment from Middle East

(Tk. in '000)

	1987-1988			1986-1987			1985-1986		
	Cash (%)	WES (%)	Total	Cash (%)	WES (%)	Total	Cash (%)	WES (%)	Total
Iraq	-	100.0	187,053	1.29	98.71	13,433	5.46	94.54	35,759
Kuwait	-	100.0	144	0	100.00	133	81.52	18.62	1460743
Sub-Total	-	100.0	87197	1.28	98.72	13566	81.42	18.75	1468002
Bahrain	-	100.0	-	100.0	-	2201	-	-	-
Libya	-	100.0	-	100.0	-	2201	-	-	-
Oman	-	100.0	302	-	-	-	-	-	-
Qatar	-	100.0	82916	2.30	97.70	46572	50.53	49.65	30549
KSA	-	100.0	809354	26.85	73.15	979384	99.49	0.51	619107
UAE	-	100.0	4482034	22.06	77.94	4155633	95.78	4.22	4268788
Sub-Total	-	100.0	5374606	22.82	77.18	5183790	95.97	4.03	4918444
Total ME	-	100.0	5461803	22.76	77.24	5197356	92.58	7.42	6386446

Source: Same as Table 16

Table-18 : External Assistance to Bangladesh from Middle East Countries as of July 1, 1987 (in million\$)

	Food Aid	Commodity Aid	Project Aid	Total	% of total	(in Percentage terms)		
						Food Aid	Commodity Aid	Project Aid
a. Major OPEC Countries								
Iran	-	-	12.5	12.5	1.35	-	-	100.00
Iraq	-	55.5	11.4	66.9	7.23	-	82.96	17.04
Kuwait	-	-	133.9	133.9	14.48	-	-	100.00
Libya	-	1.0	-	1.0	0.11	-	100.00	-
KSA	107.1	287.5	202.0	597.2	64.58	18.03	48.14	33.82
UAE	5.0	61.0	47.3	113.3	12.25	4.41	53.84	41.75
Total	112.7	405.0	407.1	924.8	(100.00)	12.19	43.79	44.02
b. Multilateral Agencies								
IDB	-	119.8	45.5	165.3	55.83	-	72.47	27.53
OPEC	-	59.9	70.9	130.8	44.17	-	45.80	54.20
Total	-	179.7	116.4	296.1	(100.00)	60.69	39.31	
c. (a+b)	112.7	584.1	523.5	1220.9		9.23	47.89	42.88
d. Global Total	3718.9	5699.1	6188.6	15606.6		23.83	36.52	39.65
a as % d	3.03	7.11	6.58	5.93				
b as % d	-	3.15	1.88	1.90				
c as % d	3.03	10.26	8.46	7.82				

Source: External Resources Division, Ministry of Finance, GOB.

forms of assistances are also observed among the major Middle Eastern countries. Only the KSA and UAE would provide any food aid to Bangladesh. Assistances provided by Iran and Kuwait consist of project aid only. In the case of Iraq, commodity aid assumes the most important share, e.g., 83 per cent of the total.

A detailed breakdown of the composition of aid flow from the major Middle Eastern countries shows that the individual countries would seem to have certain preferences for the type of assistances they provide to Bangladesh. Kuwait has been interested in power generation and irrigation projects. Of the 7 loans provided to Bangladesh by Kuwait up to June 1987, 5 were for power projects; and the remainder for irrigation projects. Saudi Arabia has been interested in railways, oil and gas drilling, and irrigation.

IV. SUMMARY AND CONCLUSIONS

Bangladesh depends heavily on external sources for some of the most crucial supplies. The Annual Development Programme of the country is almost wholly dependent on the inflow of aid and loans. A significant proportion of the country's food supply depends on imports; as also the supply of petroleum and petroleum products. The survival of the population, running of the wheels in the country, and the growth and development of the country are intimately dependent on the external economic relations of the country.

Extreme dependence on a selected number of countries underlines the vulnerability in external economic relation of Bangladesh, only 13 countries together account for the most of the country's export receipts, import payments, and external resource inflows. Bulk of the country's exports go to the USA, and a significant proportion of the imports come from Japan. These two countries further account for about a third of the external assistances received by the country. Accordingly, any change in the country's economic relations with these

countries will have far reaching implications for the domestic economy.

International migration for employment has lately added a new dimension to Bangladesh's external relations. While this has opened a new avenue for the employment of nationals abroad and earning of foreign exchange, opportunities of the same in the Middle East have been associated with a greater intensification of the country's external relations with the region. An increasing outflow of labour to the Middle East while enabled the country to earn more and more remittances, over time this has been associated with the emergence of these countries as markets for Bangladeshi exports and sources of development finance.

Given the nature and the extent of Bangladesh's dependence on the external economy, any adverse change in the global economy or in the region or the country with which she has a close relationship, could be expected to have a corresponding effect on the domestic economy. Some of these effects would be direct, while others indirect. Similarly, any change in the country's external relation shall have immediate effect on her external receipts and payments. This through their various linkages will exert further impact on the domestic economy. The total impact of any adverse change in the external relations of the country could, therefore, be many times higher than the immediate impact of changes experienced.

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