3.1 INTRODUCTION
Foreign policy or, for that matter, diplomacy of any country is assigned to secure support, material and moral-political, for the fulfilment of the domestic tasks of socio-economic and politico-cultural development of the country. Viewing from this perspective, any enquiry into the role of Bangladesh diplomacy would have two crucial issues to deal with. First one is the objectives of Bangladesh diplomacy that emanate from the domestic context or rather the domestic tasks of the country while taking into consideration the international milieu. Second one pertains to the exploration of appropriate diplomatic ways and means for achieving these objectives through deepening the country’s involvement in the contemporary international system as well as with individual countries, multilateral, regional and sub-regional entities of significant importance to Bangladesh. Needless to mention that inquiry into each of these issues would inevitably encounter a wide diversity of relevant issues. This, coupled with all the complexities associated with the contemporary international system as encapsulated above, would make the task of evaluating the role of diplomacy in serving the national purpose a difficult undertaking.

In the light of the above, the focus of the present chapter would be the developments in the field of foreign policy and the relations of the country with the outside world aimed at securing support and assistance with a view to fulfilling the tasks of holistic national security and, socio-economic and politico-cultural development of the country. While the ongoing Introduction is Section I of the study,
Section II is designed to explore the changing global and regional context of Bangladesh foreign policy. Section III is devoted to analysing the tasks of foreign policy and exploring the challenges faced by the country's diplomacy. Section IV would evaluate the pursuit of Bangladesh diplomacy in the regional context. Section V would deal with the same at the global context. Section VI would probe into the global recession and consequential challenges to Bangladesh diplomacy concerning a number of crucial issues. Finally, Section VII would shed some light on the outlook for the future.

3.2 GLOBAL AND REGIONAL CONTEXT

The world is undergoing a process of complex transformation marked by the ever-deepening process of global recession and its aftermath, while the war on terror is continuing. This process of transformation is marked by difficult challenges, while the opportunities, particularly the economic ones at the global level are shrinking considerably. This indicates stiff competition at the global level resulting from increasing scarcity of resources. As already indicated, both the global war on terror as well as the global recession will significantly influence the shaping of the emerging global order. In all likelihood, however, the ever-deepening process of global recession and its aftermath would remain at the centre of the ongoing changes in the international system, while the global war on terror and its aftermath will continue to cast its shadow on the shaping of emerging international order.

The change in the US leadership is another significant development that would shape the emerging international order. Barack Obama was elected as the President of the US on a platform that promised a radical change in US approach to dealing with allies as well as adversaries. While Obama did not promise to do away with the unipolar world and may very well contribute to strengthening it, he, indeed, promised a departure from unilateralism. In this regard, his intention to strengthen the international and multilateral organisations is of significant importance. While Obama phenomenon has generated considerable hope, the question that looms large is whether and how far the good intentions of President Obama and his team would be translated into reality. The question becomes even more complicated in view of the fact that while launching the campaign, Obama team did not foresee the global recession, not to speak about its severity.
All the phenomena and developments listed above have added considerable uncertainties regarding the course of events in international arena and the emerging international order further complicating the predicaments of developing regions like South Asia and developing countries like Bangladesh. In this regard, the central issue remains how to prepare the country or the region to face the consequences of global recession and its aftermath. Viewing from either national or regional perspective, the tasks remain literally gigantic: devising ways and means of transforming the country/region into an agent as well as beneficiary of the emerging international economic order through cultivation of trade and investment opportunities or, so to speak, development cooperation with the outside world, developed countries in particular. For a country like Bangladesh, export of manpower and the diplomatic tasks thereof remain a significant issue. While these goals could be achieved through national efforts, cooperation at the regional level would significantly contribute to the national efforts. Another important point, while the developments at the global level affect Bangladesh significantly, the developments in South Asia remain the more crucial ones that effect Bangladesh profoundly. Hence, an attempt would be made below to probe into the changing security scenario in South Asia along with the emerging international order.

3.2.1 Changing International Order: Global War on Terror, Global Recession and the Change in US Leadership in Perspective

As already explained, ongoing transformation of international order would be influenced the most by three factors, namely, continuing global war on terror, global recession and the change in US leadership. Hence, our exploration of the changing international order would revolve around these three and related issues.

Global War on Terror: Continuing Relevance

The single-most significant development that shaped the security scenario at the global level during the Bush era is 9/11 and its aftermath. The 9/11 terrorist attacks were targeted at the selected but powerful symbols of military and economic might of the US—the guardian of the contemporary international order. These attacks were unprecedented with large-scale loss of lives. These have also revealed the vulnerability of the mightiest power on earth to
international terrorism. Following 9/11, international terrorism was brought to the centre of attention of the global community. Ultimately, some new acts of terror, US retaliatory measures against the perpetrators of terrorist attacks coupled with a purposefully defined and concerted counter-terrorism strategy brought international terrorism and counter-terrorism to the centre-stage of international politics. Finally, the Bush administration unleashed a Global War on Terror with three specific strategic objectives in Afghanistan namely, the destruction of terrorist training facilities, the capture of Al-Qaeda’s leadership including Osama bin Laden and his senior Lieutenants, and the removal of the Taliban from power.

Subsequently, however, the Global War on Terror took a truly global character. In February, 2003, nearly eighteen months after 9/11 and more than a year after the fall of the Taliban, the US administration published its anti-terrorism strategy, titled, “National Strategy for Combating Terrorism”. The US objectives outlined in the document like, defeating the terrorists and their organisations, deny sponsorship, support, and sanctuary to terrorists at the global level, thus, expanded the scope for the Global War on Terror far beyond Afghanistan and made it truly global. More importantly, the US could unite for this purpose almost everybody, who matters in the international arena.

To the US, Iraq and Afghanistan have been the two most crucial battlefields that are to decide the fate of the global war on terror. Developments in these two countries over the last couple of years, particularly during 2008, clearly demonstrate two opposite trends. The war in Iraq persistently intensified since the US occupation of that country in March 2003. The trend reached its peak in 2007. 2008, however, witnessed a drastic improvement of the situation as judged from US perspective. While a number of indicators could be referred to justify such an assessment of the situation in Iraq War, we have based our assessment on the trend of coalition military death that is a crucial indicator. As the Table 3.1 shows, coalition military deaths in Iraq in 2003 numbered 580. The same figure increased to 906 in 2004. While the coalition military deaths in Iraq in 2005 and 2006 numbered 897 and 872 respectively, a few dead soldiers than in 2004 did not indicate a downward trend. Moreover, in 2007, coalition military deaths in Iraq increased significantly to 961 and that remains the peak of Iraq war as judged by coalition military deaths.
Table 3.1 Coalition Military Deaths in Iraq by Year and Month

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0</td>
<td>0</td>
<td>92</td>
<td>80</td>
<td>42</td>
<td>36</td>
<td>49</td>
<td>43</td>
<td>33</td>
<td>47</td>
<td>110</td>
<td>48</td>
<td>580</td>
</tr>
<tr>
<td>2004</td>
<td>52</td>
<td>23</td>
<td>52</td>
<td>140</td>
<td>84</td>
<td>50</td>
<td>58</td>
<td>75</td>
<td>87</td>
<td>68</td>
<td>141</td>
<td>76</td>
<td>906</td>
</tr>
<tr>
<td>2005</td>
<td>127</td>
<td>60</td>
<td>39</td>
<td>52</td>
<td>88</td>
<td>83</td>
<td>58</td>
<td>85</td>
<td>52</td>
<td>99</td>
<td>86</td>
<td>68</td>
<td>897</td>
</tr>
<tr>
<td>2006</td>
<td>64</td>
<td>58</td>
<td>34</td>
<td>82</td>
<td>79</td>
<td>63</td>
<td>46</td>
<td>66</td>
<td>77</td>
<td>110</td>
<td>78</td>
<td>115</td>
<td>872</td>
</tr>
<tr>
<td>2007</td>
<td>86</td>
<td>85</td>
<td>82</td>
<td>117</td>
<td>131</td>
<td>108</td>
<td>89</td>
<td>88</td>
<td>70</td>
<td>40</td>
<td>40</td>
<td>25</td>
<td>961</td>
</tr>
<tr>
<td>2008</td>
<td>40</td>
<td>30</td>
<td>40</td>
<td>52</td>
<td>21</td>
<td>31</td>
<td>13</td>
<td>23</td>
<td>25</td>
<td>14</td>
<td>17</td>
<td>16</td>
<td>322</td>
</tr>
<tr>
<td>2009</td>
<td>16</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25</td>
</tr>
</tbody>
</table>

Grand Total for the Period October 2001-February 2009: 4563


Meanwhile, a combination of military as well as politico-economic initiatives on the part of Washington set a downturn in coalition military deaths already during the later part of 2007. 2008 witnessed a rather dramatic decrease in the number of coalition military deaths in Iraq—from 961 in 2007 to only 322 in 2008. As the Table 3.1 shows, the trend is continuing in 2009. As judged by the number of military deaths, most of the burden in the war in Iraq has been shouldered by the US. Of the total coalition military deaths of 4563 until February 21, 2009, the US alone accounted for 4245 (Table 3.2).

Table 3.2 US Military Deaths in Iraq by Year and Month

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0</td>
<td>0</td>
<td>65</td>
<td>74</td>
<td>37</td>
<td>30</td>
<td>48</td>
<td>35</td>
<td>31</td>
<td>44</td>
<td>82</td>
<td>40</td>
<td>486</td>
</tr>
<tr>
<td>2004</td>
<td>47</td>
<td>20</td>
<td>52</td>
<td>135</td>
<td>80</td>
<td>42</td>
<td>54</td>
<td>66</td>
<td>80</td>
<td>64</td>
<td>137</td>
<td>72</td>
<td>849</td>
</tr>
<tr>
<td>2005</td>
<td>107</td>
<td>58</td>
<td>35</td>
<td>52</td>
<td>80</td>
<td>78</td>
<td>54</td>
<td>85</td>
<td>49</td>
<td>96</td>
<td>84</td>
<td>68</td>
<td>846</td>
</tr>
<tr>
<td>2006</td>
<td>62</td>
<td>55</td>
<td>31</td>
<td>76</td>
<td>69</td>
<td>61</td>
<td>43</td>
<td>65</td>
<td>72</td>
<td>106</td>
<td>70</td>
<td>112</td>
<td>822</td>
</tr>
<tr>
<td>2007</td>
<td>83</td>
<td>81</td>
<td>81</td>
<td>104</td>
<td>126</td>
<td>101</td>
<td>80</td>
<td>84</td>
<td>66</td>
<td>38</td>
<td>37</td>
<td>23</td>
<td>904</td>
</tr>
<tr>
<td>2008</td>
<td>40</td>
<td>29</td>
<td>39</td>
<td>52</td>
<td>19</td>
<td>29</td>
<td>13</td>
<td>23</td>
<td>25</td>
<td>14</td>
<td>17</td>
<td>14</td>
<td>314</td>
</tr>
<tr>
<td>2009</td>
<td>16</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
</tbody>
</table>

Grand Total for the Period October 2001-February 2009: 4245

Table 3.3 Coalition Military Deaths in Afghanistan by Year and Month

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>2002</td>
<td>10</td>
<td>12</td>
<td>14</td>
<td>10</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>8</td>
<td>69</td>
</tr>
<tr>
<td>2003</td>
<td>4</td>
<td>7</td>
<td>12</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>1</td>
<td>57</td>
</tr>
<tr>
<td>2004</td>
<td>11</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>8</td>
<td>7</td>
<td>1</td>
<td>58</td>
</tr>
<tr>
<td>2005</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>19</td>
<td>4</td>
<td>29</td>
<td>2</td>
<td>33</td>
<td>12</td>
<td>10</td>
<td>7</td>
<td>4</td>
<td>130</td>
</tr>
<tr>
<td>2006</td>
<td>1</td>
<td>17</td>
<td>13</td>
<td>5</td>
<td>17</td>
<td>22</td>
<td>19</td>
<td>29</td>
<td>38</td>
<td>17</td>
<td>9</td>
<td>4</td>
<td>191</td>
</tr>
<tr>
<td>2007</td>
<td>2</td>
<td>18</td>
<td>10</td>
<td>20</td>
<td>25</td>
<td>24</td>
<td>29</td>
<td>34</td>
<td>24</td>
<td>15</td>
<td>22</td>
<td>9</td>
<td>232</td>
</tr>
<tr>
<td>2008</td>
<td>14</td>
<td>7</td>
<td>19</td>
<td>14</td>
<td>23</td>
<td>46</td>
<td>30</td>
<td>46</td>
<td>37</td>
<td>19</td>
<td>12</td>
<td>27</td>
<td>294</td>
</tr>
<tr>
<td>2009</td>
<td>24</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>39</td>
</tr>
</tbody>
</table>

Grand Total for the Period October 2001-February 2009: 1082


In contrast to Iraq, the war in Afghanistan demonstrates just an opposite trend. It started as an easy victory for the US. Over the years, the war in Afghanistan witnesses a steady increase in the coalition military deaths. Initially, Afghanistan appeared to be an easy victory for the US-led coalition with a loss of only 12 soldiers—an incredibly low casualty. In the subsequent period, however, political and particularly the military situation in Afghanistan deteriorated significantly and the process continued unabated. From a mere 12 in 2001, the coalition military deaths in Afghanistan reach 130 in 2005, 232 in 2007 and 294 in 2008 (Table 3.3). Of the 1082 coalition military deaths in Afghanistan, the US alone account for 653. Thus, by now, Afghanistan has transformed into a military nightmare for the US and its coalition partners. Just to avoid a humiliating defeat, or at least a loss of face, the US will have to increase its commitment to the Afghan venture. As it appears, President Obama could grasp the gravity of the situation in Afghanistan even before the US Presidential Election and made unequivocal commitments to Afghan venture during his campaign as he said, "As president, I will make the fight against Al-Qaeda and the Taliban the top priority that it should be." He also asserted that "This is a war that we have to win."
### Table 3.4 A Comparative Picture of Coalition Military Deaths in Afghanistan by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>155</td>
<td>139</td>
<td>294</td>
</tr>
<tr>
<td>2007</td>
<td>117</td>
<td>115</td>
<td>232</td>
</tr>
<tr>
<td>2006</td>
<td>98</td>
<td>93</td>
<td>191</td>
</tr>
<tr>
<td>2005</td>
<td>99</td>
<td>31</td>
<td>130</td>
</tr>
<tr>
<td>2004</td>
<td>52</td>
<td>6</td>
<td>58</td>
</tr>
<tr>
<td>2003</td>
<td>48</td>
<td>9</td>
<td>57</td>
</tr>
<tr>
<td>2002</td>
<td>49</td>
<td>20</td>
<td>69</td>
</tr>
<tr>
<td>2001</td>
<td>12</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>653</td>
<td>426</td>
<td>1082</td>
</tr>
</tbody>
</table>


In the circumstances, the Global War on Terror would continue to influence the development of events at the international arena. The impact of the Global War on Terror on South Asia will continue to remain of significant importance. Both as a possible locale of its origin as well as the scene of the immediate war on terror, some of the countries in South Asia, India and Pakistan in particular, have suffered the worst consequences of these developments. Bangladesh or any Bangladeshi had no involvement in the 9/11 attacks and the focus of the War on Terror was concentrated far from Bangladesh. Nonetheless, Bangladesh had to suffer some indirect consequences, set-backs in apparel export to the US, the country’s largest market, being of serious concern to its policymakers. However, Bangladesh could soon recover from the post-9/11 shock as its relations with the US have been deep-rooted and Dhaka soon appeared as an important ally of the US in its Global War on Terror.

With the waning influence of the Global War on Terror on the international developments in the ensuing Obama era, Bangladesh is likely to remain even less preoccupied with the Global War on Terror. It is also due to the fact that indigenous terror networks are rendered ineffective and the terrorists are on the run. More importantly, the terrorists and their agenda have virtually no support outside some pockets of insignificant importance. In the circumstances, neither terrorism nor the war on terror is likely to
pose a significant challenge to the policymakers of Bangladesh, though these will keep the country constantly vigilant. What are likely to pose a significant challenge to Bangladesh is the global recession and its aftermath a discussion on which follows.

**Global Recession and its Aftermath**

International community is faced with a global recession, the severity of which has not been seen for eighty years, since the great depression of 1929. It began with the financial system taking a nosedive in mid-September 2008. The failure of top most US banks led the international banking system close to collapse. As the crisis went global at the end of 2008, virtually the whole range of developed countries came to suffer. The crisis also did not remain confined to financial system alone. Industrial output in the developed world began to plunge at its fastest in decades.

By the end of 2008, the three most crucial chunks of world economy, the US, EU and Japan came to be affected by the recession severely. In the three months to November 2008, American industrial production fell at an annualised rate of 16 percent compared with the three months before. Over the same period, Japan’s industrial production fell by 21 percent and that of Germany by 15 percent. The same figures for France and Italy are 14.5 percent and 19.5 percent respectively. The problem did not remain confined to the developed countries alone. Asia’s economic tigers also came to suffer severely. For instance, South Korea’s industrial production fell at an annualised rate of 25 percent in the three months to November 2008. According to one estimate, manufacturing production is likely to have fallen at an annualised rate of almost 20 percent in the last three months of 2008.

Not only manufacturing production, trade flows, which had grown faster than output for decades, have shifted into reverse. Taiwan’s exports fell by 42 percent in the year to December. After years of double-digit growth, China’s exports are now falling too. China’s exports will continue to slide in the year 2009. Nomura forecasts a drop of 6 percent—first annual decline for more than 25 years.

The three most important centres of global economic power, the US, the EU and Japan are already affected by the global recession severely. The same implies to Asia’s economic tigers, Hong Kong,
Singapore, South Korea and Taiwan in particular. China's growth also has taken a nosedive. Thus, the accelerated process of recession is spreading over more and more countries and regions, and taking a truly global character. By all indications, no country or no region on earth, can remain outside the purview of global recession that is sweeping the world. As a consequence, the global recession and its aftermath are likely to have crucial influence in shaping the emerging global order.

The global recession is likely to generate two diametrically opposite trends in the international arena. With the process of integration being strengthened during the era of globalisation, the nations of the world are more interdependent than ever. It would underscore the increasing need for cooperation among the nations of the world, big and small alike, to face the challenges of global recession. On the other hand, more and more powerful actors on the global scene are being severely affected by the recession and this may push some of them to try to resolve their problems at the expense of others. This may lead the stronger countries to shift the burden on the weaker ones. All these have added considerable uncertainties regarding the developments in international arena and the emerging international order further complicating the predicaments of developing regions like South Asia and developing countries like Bangladesh.

Emerging International Order: The Impact of the Change in US Leadership

While the global recession is replacing the global war on terror as the single-most important factor shaping the emerging global order, the global war on terror still continues to exert significant influence on the security scenario in the world as well as in South Asia. Notwithstanding the ongoing politico-security and economic changes in international arena, the US continues to remain on the driver's seat with no competitor anywhere near to challenge the domination of the US over the international system. Nonetheless, the world's security architecture seems to be undergoing a kind of change. Such an impression is created by the vivid manifestation of "the profound loss of authority suffered by the United States." The process of the loss of US soft power and consequential erosion of its authority over the international system that began since its invasion of Iraq
continued unabated. It began as resentments against the policies of Bush administration like, Bush Doctrine. However, anti-Bush Administration sentiments have, in course of time, "mutated and strengthened into a broader anti-Americanism." According to a highly authoritative account, by now, "The weak pillar in the world's security architecture was plain to see, and leaders across the globe sought to take advantage, or to protect themselves from the consequences."

In the changed context, some countries, Iran for instance, found an opportunity to flex their muscle in international affairs. Over a period, Russia has been asserting its identity as a global power cautiously. In this regard, Russia's attempt to reach a deal with the US regarding Moscow's influence within its vicinity and may be beyond has been quite vivid. Being rebuffed by the US and more due to US cultivation of closer politico-military ties with Russia's neighbours, Ukraine and Georgia in particular, Moscow has developed a kind of siege mentality vis-à-vis the US. It is in this background that Russia, in 2008, embarked upon a rather vividly expressed assertive regional policy. Russian response to Georgia's attempt to establish its control over Abkhazia through military means and Russian policy towards Ukraine over the gas price are just reflection of the regained self-confidence and new assertiveness of Russia.

Similarly, on Taiwan issue, China remains as sensitive as ever. More importantly, with the passage of time, China is becoming less and less vulnerable to US pressure. While China is meticulously developing a peaceful image of the country and in doing so cautiously avoiding any conflict with the neighbours or the US, the very rise of China as an economic and military power is bringing qualitative change to correlation of forces in international arena. Latin America's 'New Left' now encompasses the governments of Argentina, Bolivia, Brazil, Chile, Ecuador, Nicaragua, Uruguay, and Venezuela, alongside the 'Old Left' stalwart Cuba. Considering the near misses of leftist candidates in Mexico and Costa Rica, and the increasing influence of leftist forces in some other countries of Latin America, it is possible that this club could be expanded during coming election cycles. In the circumstances, some Latin American countries found an opportunity to defy the US with a remarkable impunity.

All these are serving as encouragement for the anti-US forces of various kinds to raise head that have, so far, remained subdued by
the overwhelming projection of might by the US and its authority in international arena. The US allies, in an attempt to protect themselves from the consequences of the loss of US authority in international arena, persistently displayed less and less enthusiasm in following Washington’s policies that are widely discredited or even tried to distance themselves from the Bush Administration that was quite unpopular at home and abroad. While the US still remains lone super power, the loss of authority suffered by the US in the international arena is literally profound. If the trend continues unabated, it may, at a stage revive the post-Vietnam image of the US.

The policymakers in Washington, as it appears, remain aware of the recent trends towards declining US authority in international arena. They also must be aware of the fact that militarily, economically and politically the US remains the single-most dominant power in the world and it is likely to remain the same in the foreseeable future. So, instead of being unduly concerned, the Bush Administration was trying to control the damage by projecting “a more rational and conciliatory face, far removed from the naked assertion of American power....” In the circumstances, predominant view among the academic circle is that, for the US, undertaking any new military adventure as prescribed by the Bush Doctrine is simply unfeasible both politically and militarily. Thus, during 2008, the US refrained from undertaking any military venture.

In the light of the two wars—Iraq and Afghanistan—their cost in terms of casualty and resources, political costs like forfeiture of US initiatives in most of world’s trouble spots, strained relations with major allies, depletion of US soft power and consequential erosion of its authority over the international system, Obama could form a formidable platform by promising radical change at home and abroad. The global meltdown made Obama’s electoral platform and his change mantra invincible. To the outside world, allies and adversaries alike, the US Presidential Election, thus, generated considerable interest. The result of the US Presidential Elections constitutes an unmistakeable verdict of the American people in favour of radical change. President Obama will have to chart a course for the future that would reflect the popular verdict. However, whether and how far the US would change its policy, at home and abroad, would depend on a wide variety of factors. Significant
number of those factors would also remain outside the control of the US. Whatever may be the nature of change in the emerging international order, it would have profound impact on Bangladesh due to the country's multifarious linkages with and a high degree of dependence on the international system.

3.2.2 Security Scenario in South Asia: Continuing Oscillation between Conflict and Cooperation

South Asia has been beset with numerous interrelated domestic and inter-state conflicts deeply rooted in its colonial past as well as the dynamics of the post-colonial development of South Asian societies. All these have deprived the region of a regional organisation for a rather long time. At last when in 1985 the South Asian leaders were able to initiate a process of regional cooperation under the framework of SAARC, their central objective was to initiate the process of regional cooperation amidst mistrust and conflicts in the hope that regional cooperation would generate a dynamism of its own in the process of which mutual confidence could be built, conflicts and disputes could be resolved or, at least, properly managed minimising their damaging impact. Since then, the simultaneous prevalence of conflict and cooperation have been the two major determinants of regional security situation in South Asia. Therefore, in evaluating the security scenario in South Asia, along with the issues pertaining to the domain of security as such, it is also necessary to refer to the ongoing process of cooperation at the regional level. Hence, the process of regional cooperation under the framework of SAARC would be discussed elsewhere in the Chapter, attention would be on the issues shaping the security scenario in South Asia. These are divided into following three categories:

i) Divergent politico-security perceptions and priorities;
ii) Bilateral controversies and contentions; and
iii) Indo-Pakistan conflict.

The three categories of issues as outlined above also reflect the main features of the prevailing security architecture of South Asia. Firstly, the overwhelming predominance of India in terms of size, population, economic and military power and so on vis-à-vis its regional neighbours generated divergent perceptions of security between New Delhi, on the one hand, and its smaller neighbours, on
the other. Secondly, bilateral conflicts between India and its smaller neighbours became highly asymmetric in nature. Thirdly, Indo-Pakistan conflict, essentially a bilateral one, deserves separate attention due to its nature, intensity and magnitude and, more importantly, its ability to determine the environment in South Asia with regard to conflict and cooperation. Hence, Indo-Pakistan conflict reflects a specificity of South Asian security architecture.

The years since the emergence of SAARC have shown how swiftly politics in South Asia can oscillate between hope and despair, conflict and cooperation, combativeness and constructive diplomacy. Despite enormous difficulties suffered by South Asian countries in their mutual relationship, SAARC achieved remarkable progress in concluding a host of agreements with a view to moving towards substantive areas of cooperation. In reality, however, the concrete achievements of SAARC, in terms of fostering either regional cooperation or friendly relations among the member-states, were insignificant. A regional politico-security environment full of suspicion and mistrust, and a host of bilateral contentions and conflicts among the member-states have constantly overshadowed the process of regional cooperation within the framework of SAARC, occasionally, paralysing the activities of the organisation.

Over the recent years, India's relations with her smaller neighbours, continue to oscillate between improvement and deterioration. However, the overall trend is towards a slow improvement of relations between India and her smaller neighbours. Relations between Nepal and Bhutan continue to remain tense. However, it is the Indo-Pakistan relations that traditionally served as the barometer of regional environment regarding conflict and cooperation. The Indo-Pakistan peace process entered its forth year with no remarkable progress. Meanwhile, Pakistan plunged into almost near political chaos in the process of which the country's most popular leader Benazir Bhutto was assassinated in rather mysterious circumstances. Such a chaotic political process virtually debarred Pakistan from paying any due attention to the Indo-Pakistan peace process. Meanwhile, the General Elections held in Pakistan on February 18, 2008, brought Pakistan People's Party (PPP) to power with Asif Ali Zardari, the widower of assassinated leader Benazir Bhutto, on the driver's seat.

Pakistan's new leaders were making overtures to develop better relations with India. However, it was understood that the new
government needed to consolidate its power at home before it could move towards any meaningful dialogue with India with a view to improving bilateral relations. The terror attacks on Mumbai came to overshadow any hope for better relations between the two countries in the near future. The attacks conducted by a group of ten terrorists from Pakistan began on 26 November 2008 and lasted until 29 November. The attacks were more than ten coordinated shooting and bombing attacks across Mumbai, India’s financial capital and its largest city. The attacks killed at least 173 people and wounded at least 308.17

With the terror attacks on Mumbai, Indo-Pakistan relation came to the lowest ebb. Some even predicted that the two countries would drift towards a conflict that could escalate to the nuclear level.18 This is particularly in view of the fact that the two governments are politically vulnerable at home. In Pakistan, after nearly a decade of Army rule, a civilian coalition has barely taken the reins of power. The balance between the civilian leadership and the Army remains a shaky one in Islamabad. The Mumbai attacks came at a time when a number of states in India, including the sensitive Jammu and Kashmir, are in the middle of provincial assembly elections. The national elections are due in about four months.19 Thus, both the governments had their own compulsion of displaying a nationalist face.

Notwithstanding all these, Prime Minister Singh and President Zardari have responded with considerable restraint. Official India has not blamed the Pakistan government or held its leaders responsible for the Mumbai attacks. Instead, in their carefully-worded statements, Prime Minister Singh and his Foreign Minister, Pranab Mukherjee, have reminded Pakistan of its solemn promise reaffirmed repeatedly that Islamabad will not allow its territory to be used by those groups plotting terror against India. President Zardari, too, has sought to be helpful. He ordered the foreign minister Shah Mehmood Qureshi to stay on in India, where he had begun a visit before the attacks, and keep in touch with the Indian government. President Zardari himself talked to the Indian leadership over the phone and reached out to the Indian public to emphasise the common threat the two nations face from terrorism. He promised full cooperation with the investigations into the Mumbai attacks. The Pakistani leadership also has promised to act against the
attackers once it reviews the information given by India and is satisfied with the evidences produced. While a crisis in Indo-Pakistan relations was defused through restraint and cautious diplomatic overtures on the part of both sides, the danger that similar crisis, even further terrorist attacks may occur remains vivid. Any move towards improvement of relations between India and Pakistan will have to undergo numerous odds, including unpredictable ones.

To sum up, security architecture in South Asia as depicted at the beginning of this sub-section did not evince much change. As discussed, political environment in South Asia often oscillates between conflict and cooperation. Certain moments in South Asia’s history are characterised by a tilt towards one or the other. One of the specific characteristics of the current politico-security environment in South Asia is that it is tilted towards neither. Such a situation offers an opportunity to the South Asian leadership to take initiative for strengthening the process of regional cooperation under the framework of SAARC. This also remains the most difficult challenge of our time.

3.3 BANGLADESH FOREIGN POLICY: OBJECTIVES AND CHALLENGES

Foreign policy is basically an instrument for mobilising material and political support in the international arena with a view to achieving the socio-economic and political objectives of a country. In studying foreign policy of any country, the ongoing process of socio-economic and political development of the country which ultimately determines the tasks of foreign policy is of crucial importance. Hence, the understanding of the process of development in a given country is a sine-qua-non for evaluating the purpose of its foreign policy and its effectiveness as an instrument of achieving national goals. In our attempt to identify the objectives of foreign policy and explore the available options to meet these objectives, we would concentrate our attention on development dynamics as the domestic context of foreign policy. This would be followed by an attempt to probe into the relevance of economic diplomacy in achieving the tasks of foreign policy.
3.3.1 Developmental Dynamics: Challenges Ahead

Bangladesh is a small country with 147 thousand square kilometres of territory and 153.3 million of people.\(^23\) With over one thousand people per square kilometre, it is the most densely populated country in the world barring a few city states. Projected average annual growth of population for the period 2005-2015 is 1.6 percent.\(^24\) Despite some improvements, with a per capita GDP of only US$554 in the FY2007-2008,\(^25\) Bangladesh remains one of the poorest countries of the world. During the last five years, however, Bangladesh’s GDP growth rate hovered around 6 per cent. According to the Poverty Reduction Strategy Paper’s (PRSP) projection, Bangladesh will be able to achieve the Millennium Development Goals if it achieves a GDP growth of 7 per cent or more. In 2006, real GDP growth rate was 6.6 per cent, the same in the FY2007 stood at 6.5 per cent\(^26\) despite the tropical cyclone Sidr that left 3,406 people dead, 12,979 people injured and caused material damage worth US$2.188 billion.\(^27\) Notwithstanding the global recession, the growth rate of GDP achieved during the FY2007-08 is 6.21.\(^28\) Gross Domestic Investment (GDI) in Bangladesh in 2007 has been 25.3 per cent of GDP.\(^29\) GDI target for the FY2008 is fixed at 26.2 per cent of GDP. Bangladesh’s economic performance, if judged in the backdrop of governance deficits, perennial political instability and chronic corruption, has certainly been impressive.

From development point of view, over the last decades, Bangladesh has undergone a metamorphosis. The country has mostly overcome its erstwhile image of a highly aid-dependent one. Instead, Bangladesh has successfully embarked on a development strategy that is crucially dependent on export. With its dynamic readymade garments (RMG) sector, Bangladesh has emerged as a significant player in the crucial North American and European RMG markets. In the process, Bangladesh has long made a decisive shift away from aid-dependent to an export-led growth. Another important point, Bangladesh has emerged as one of the most significant exporters of manpower in the world. While the country is dependent on the export of mostly unskilled workers, the number is increasing very fast with the oil-rich Persian Gulf countries and some of the countries of East and Southeast Asia being the prime destination. In 2008, 8,75,055 Bangladeshi workers went abroad for job through official channel\(^30\) and the expatriate workers remitted US$9019.60
million through official channel during the same period. In the light of the above, the tasks of Bangladesh’s economic diplomacy emerged over the period have been concentrated significantly on two fronts: cultivating markets of the products of burgeoning RMG sector mostly in North America and Europe, and facilitating/expanding the employment opportunities for rapidly growing expatriate Bangladeshi workers in the countries of Middle East, East and Southeast Asia and elsewhere in the world.

Thus by 2008, Bangladesh economy has been at a take-off position. The investment bank Goldman Sachs has identified a group of 11 countries called “Next 11”, which are to make great economic progress comparable to BRICs—Brazil, Russia, India and China. Bangladesh is one of the “Next 11” countries identified by Goldman Sachs. A more important point, according to the World Bank, Bangladesh could join the list of middle income countries by 2016 “if it raises per-capita growth to 6 per cent, implying GDP growth at a challenging but not impossible 7.5 per cent.” The same prediction has been upheld by the Forbes Magazine.

Amidst such brighter economic prospects and clearly defined tasks of economic diplomacy, the global recession and everything that goes with it put Bangladesh face a severe developmental challenge. Not only the bright future and projected achievements but also the achieved level of success became difficult to sustain. It is particularly due to the fact that relative prosperity achieved by Bangladesh over the decades is significantly dependent on export-led growth and the export of manpower. With the economies of North America and Europe in deep recession, East and Southeast Asian economies suffering from its consequences, and more importantly, oil-rich Persian Gulf countries suffering from the loss of oil revenue, both the pillars of economic success of Bangladesh appeared to be under severe threat. In the circumstances, sustaining the flow of the export of the products of its RMG sector and the export of manpower appeared to be the most crucial economic task of the nation at the moment. While the task is of economic nature and Bangladesh will have to face it by economic means, the country’s foreign policy and its diplomacy will have a crucial role in facing the developmental challenges.

Meanwhile, longstanding developmental tasks also deserve considerable attention. In this regard, achieving a higher growth to
build capacity to effectively tackle Bangladesh's extreme poverty problem is a crucial task. Increase in the overall growth of the economy would influence not only poverty alleviation and employment creation; it would also help bridge the gap between export and import, increase gross domestic savings and investment and thus, reduce external dependency. This remains the single-most important longstanding task before the nation.

Only a very few states are faced with environmental challenges that could be compared with the one faced by Bangladesh. It remains constantly vulnerable to devastating cyclones, tornadoes and tidal bores. In the past, such calamities have taken the lives of hundreds of thousands of peoples and destroyed properties worth hundreds of millions of dollars. Bangladesh is also one of the countries which will be among the worst victims of sea level rise. Therefore, environmental threats constitute a major concern to Bangladesh. The very magnitude of the problem has rendered Bangladesh virtually helpless. Mobilising international support for facing environmental challenge is another vital task.

3.3.2 Objectives of Foreign Policy: Relevance of Economic Diplomacy

While the challenges outlined above are national in nature and should be faced largely through domestic efforts, foreign policy of the country and its external relations could as well be of crucial importance. This is also natural. External economic relations - foreign trade, investment, scientific and technological cooperation etc.—are increasingly becoming more and more powerful instruments of socio-economic advancement. The role of foreign policy in achieving socio-economic goals of the country, therefore, could hardly be overstated. Foreign policy is being increasingly used worldwide as a device of moulding and influencing the policies of other states with a view to maximising economic benefits. This dimension of diplomacy, more often regarded as 'economic diplomacy', is gaining more and more importance in attaining the broader economic goals of states at the global level.

As it is evident from the policy statements of successive governments in Bangladesh, the potential role of diplomacy in the fulfilment of the country's socio-economic tasks is being increasingly realised. A host of domestic predicaments and constraints faced by
the country sets its agenda for economic diplomacy. These are: the inadequate domestic resources for economic development; scarcity of capital in international market; the need to diversify trade relations; to strengthen the position in the existing markets and to explore new markets for export; the necessity of exporting manpower; the need for appropriate technology to boost her industrialisation and modernisation efforts; and the need to make the developmental process environmentally safe. In the circumstances, the tasks of economic diplomacy cover a wide spectrum national economic agenda. These include:

i) trade promotion, with particular emphasis on the promotion of export and the diversification of trade relations;

ii) foreign investment and joint ventures;

iii) export of manpower;

iv) cooperation in the field of energy;

v) sustenance of the current flow of foreign aid, with particular emphasis on the diversification of the sources of aid and the removal of adverse conditionalities;

vi) enhanced scientific and technical cooperation;

vii) collaborative research in relevant fields;

viii) appropriate advanced technology, including training and technical know-how; and

ix) protection of environment and managing the adverse impacts of climate change through international cooperation.35

For Bangladesh, it is an imperative to assign its diplomacy to promote multifarious economic cooperation with individual countries, regional groupings as well as international organisations, with a view to taking the maximum advantage of the contemporary international division of labour. Such a realisation is very strong, including among the decision makers at the top level.36

Meanwhile, successive governments in Bangladesh have already been pursuing economic diplomacy. As discussed, the focus has been on a wide spectrum of national economic agenda. The need of the time is to customise the country’s economic diplomacy so as to make it more capable of facing the challenges posed to the country by the ensuing process of global recession. In more concrete terms, economic diplomacy of Bangladesh could be concentrated largely on
sustaining and, if possible, intensifying the flow of export of the products of its RMG sector and the export of manpower. In this regard, other longstanding and less pressing tasks could be, for the time being, put to the back burner if it is required. Similarly, in terms of geographical focus as well the prime destinations of our RMG exports and the export of manpower should deserve the utmost attention.

3.4 PURSUING DIPLOMACY: THE REGIONAL CONTEXT

In recent international politics, regional cooperation became as a crucial phenomenon. The issue of global terrorism made regionalism indispensable all over the world. In this respect, shared security perceptions enhanced cooperation among the countries of ASEAN and European Union. Regional cooperation is also important for the proper development and prosperity of any region. As a poverty prone region, regionalism in South Asia is essential for strengthening trade and economic performance. But South Asia still fails to achieve any efficient mechanism in this regard. In respect of Bangladesh, the country desires for being a stable and economically prosperous one. Hence, it needs echoing relations with the neighbouring countries. But the country faces challenges in different issues for enhancing its relations with the neighbours.  

Bangladesh is a country in the middle of India and China. India is its next door neighbour and China is only 100 miles across the Himalayas. India assesses its security position in light of China's strength, while Pakistan defines its security concerns against India. This means that security is not confined to regional states. Hence, developing any regional cooperation on the issue of security threats never goes out of debate.

Energy security is another challenge for meeting the development needs of Bangladesh. India is coal-rich and Bangladesh is known as gas-rich. However, both remain highly energy-starved. Bhutan and Nepal are quite rich in terms of potential hydro-power. Proper development of the hydro-power potentials of Bhutan and Nepal could transform these two countries into prosperous ones and, at the same time, ensure the long-standing energy security of Bangladesh and India. For this to be materialised, cooperation at the regional level with involvement of international/multilateral organisations as well as powerful donor countries is inevitable. In the issue of
environmental security, Bangladesh needs proper flow of water from the Himalayan region. This also requires cooperation among Bangladesh, Bhutan, India and Nepal. As matter of fact, energy, water and environment are issues that create constant pressure on these countries for initiating long-standing cooperation. Bangladesh is yet to demarcate its maritime boundary with India and Myanmar. The issue has also come to the forefront creating a complex maritime issue between Bangladesh, on the one hand, and India and Myanmar, on the other. Similarly, a host of issues pertaining to trade, transit, border management and others continues to create constant pressure to initiate meaningful regional cooperation covering a wide range of areas and this remains the crucial diplomatic challenge at the regional level.

3.4.1 Bangladesh-India Relations
Bangladesh-India relations are of significant importance for both the countries. As a matter of fact, relations with India have always been of significant importance to Bangladesh. Over the years, for India, the importance of its relations with Bangladesh has increased significantly. As it appears, both the countries are aware about the significance of the improvement of relations between the two countries and the further development of cooperation at the bilateral level. During the year under review, there has been a series of high level contacts between the two countries. Chief Adviser to the Caretaker Government of Bangladesh Fakhruddin Ahmed met Indian Prime Minister Manmohan Singh on the sidelines of the 14th SAARC Summit held in New Delhi in April 2007. This was followed by exchange of visits between the two countries at the level of foreign ministers and foreign secretaries that were designed to help boost mutual understanding and cooperation. There has also been exchange of visits by the top military officials which has been designed to revitalise the military cooperation.

Continuous interactions at various levels also resulted in some concrete outcomes. Bangladesh and India signed an air service agreement on 13 February 2008 for raising the number of weekly flights from 30 to 61 between the two countries. The pact signed in New Delhi will allow Bangladeshi airlines to operate flights to 18 destinations in India and Indian airline, Air India, to operate flights from Sylhet for the first time. Civil aviation authorities of the two
countries also signed a Memorandum of Understanding (MoU) to allow the designated airlines of both the sides to operate seven all-cargo flights per week within their territories by any type of aircraft.

During the foreign-secretary level talks between Bangladesh and India held in New Delhi during 17-18 July 2008, the two countries agreed to put forward their agenda of interests for the coming days. Bangladesh raised the issues of reducing the trade gap that amounts to nearly US$2 billion, removal of non-tariff barriers, duty-free access for Bangladeshi products to India, demarcation of the remaining 6.5 kms. of common border, unfettered access through the Tin-bigha corridor, exchange of enclaves and unsettled territories to the meeting. Killings of innocent Bangladeshis by BSF and sharing of water have also been discussed in the talks. India raised both transit and security issues at the talks.

The Bangladesh Rifles (BDR) and the Border Security Force (BSF) of India exchanged lists of criminals of the two countries operating from across the common border in a four-day biannual meeting held during 21-24 July 2008. Unprovoked cross-border firings, trans-border crimes and trafficking in women and children were discussed at the meeting. The meeting also discussed smuggling in drugs and fake currency, illegal migration and illegal cultivation, with both sides agreeing to continue confidence-building measures. Bangladesh handed over to the BSF a list of 1,497 Bangladeshi miscreants operating from India and a list of 1,761 Indian smugglers, criminals, robbers and rustlers. Bangladesh also handed over a list containing the details of five anti-Bangladeshi organisations active in India.

At the end of August 2008, home secretary level talks were held between Bangladesh and India in Dhaka. In a joint press statement issued after the talks, the two countries reiterated their determination to take action against the militants, insurgent outfits and their leaders on the basis of real time and actionable information to be exchanged between ‘the nodal points’. Both the sides agreed to build up a mechanism to expedite the process of repatriation of the prisoners who completed their jail terms.

Both the sides expressed sincere desires to further expand and strengthen bilateral cooperation to solve matters related to security and border management. “Both sides condemned terrorism in all its forms and manifestations and reaffirmed commitment not to allow
their territory to be used for any activities inimical to each other’s interests,” in the joint statement. Terming smuggling of arms and ammunition, explosives and fake currency notes a serious threat to peace and security, Bangladesh and India have agreed to find out the elements engaged in such illegal activities and bring them to justice. The neighbours have also agreed on sharing information about trafficking in women and children, and fighting illicit drug-smuggling.

Illegal immigration is a serious issue. A broad spectrum of Indian public opinion is concerned about the perceived demographic challenge from Bangladesh. Time and again, India has expressed its concern regarding the magnitude of the problem. Smuggling, human trafficking and illegal cross-border movements are other issues that the two countries had to deal with.

During the fifteenth SAARC Summit, Fakhruddin Ahmed and Manmohan Singh again met on the sideline of the SAARC Summit in Colombo held in August 2008. Indian Prime Minister said that his government would take necessary steps to ensure efficient management of duty-free access for Bangladeshi products to the Indian market. He also said that India granted duty-free access for 8 million pieces of Bangladeshi apparel products to its market, as part of measures to bridge the trade gap. At the meeting, the two leaders were unanimous in their opinion that trade and administrative barriers could be removed through discussion. Both leaders stressed the need for increased connectivity and people-to-people contact, citing tremendous response from the two peoples following the start of train service between Dhaka and Kolkata. The two countries agreed to cooperate with each other to fight the menace of terrorism.

Bangladesh needs some important policy inputs for dealing with the neighbouring countries. There is a need for much more information and research. Bangladesh needs to have clear idea regarding what is happening in India and vice versa. A new relationship of closer cooperation between Bangladesh and Northeast India could benefit Bangladesh, while significantly contributing to the process of development of the seven states of Northeast India. Bangladesh-India relations are complex, sensitive and multidimensional. Since the two countries are close neighbours sharing about 4,025 kms. of land and riverine border, bilateral relations touch many issues of common interest.
3.4.2 Bangladesh-Pakistan Relations

In terms of political interaction at the official level, there has been little activism in Bangladesh-Pakistan relations. Nonetheless, the economic relations continue to flourish. During the year under review, the volume of bilateral trade between Bangladesh and Pakistan doubled and currently, it stands at US$250 million. However, a point needs to be discussed in this regard. The volume of bilateral trade between Bangladesh and Pakistan still remains very small, particularly if it is considered in the context of the total trade volume of both the countries. Hence, there is an enormous scope for further increasing the volume of Pakistan-Bangladesh bilateral trade. Both the countries are, however, aware of the need for increasing the volume of bilateral trade. In this regard, a host of measures, including a bilateral free trade agreement, are under consideration.

If Bangladesh and Pakistan can initiate some effective measures, the volume of trade between the two countries can increase significantly, even multiply in a brief period. Pakistan can import tea, raw jute and newsprint from Bangladesh while it can export cotton, rice, fruits and pharmaceuticals to Bangladesh. These are some of the traditional items. The business community of both the countries can identify many more items for bilateral trade through greater interaction and exchange of information among the business people as well as through increase in people-to-people contacts.

3.4.3 Bangladesh-Myanmar Relations

Myanmar is the only country, apart from India, that Bangladesh shares land and maritime borders with. Therefore, maintaining a good relationship with Myanmar is important for Bangladesh. In addition, Myanmar is Bangladesh’s closest Southeast Asian neighbour. Hence, the relationship should be considered from a strategic point of view. The country is not only our gateway to Southeast Asia, it also connects us with China, the rising economic superpower. There have been some occasional ups and downs in Bangladesh-Myanmar relations. The existing political, economic and cultural relationship between Bangladesh and Myanmar are far from satisfactory. Border and maritime disputes, Rohingya refugees and trade imbalance have been the key bilateral issues between the two neighbours. Since Bangladesh-Myanmar maritime
dispute is dealt with elsewhere in the book, this chapter would deal with bilateral trade and Rohingya issue.

**Trade between Bangladesh and Myanmar**

In the year of 2007, Bangladesh exported goods worth US$5 million to Myanmar, whereas the latter exported its products worth US$100 million to Bangladesh. Considering both ways, the volume of the trade between the two countries is very meagre in view of the size of the economy and population of the two countries and the volume of their foreign trade. But again, even for such small size of the bilateral trade, Bangladesh’s share is extremely small. The situation is totally unacceptable, given the fact that there is high demand for various Bangladeshi manufactured goods including construction materials, pharmaceutical products, leather goods, cosmetics and engineering products in Myanmar. It is encouraging that the bilateral trade between Myanmar and Bangladesh increased to US$140 million in 2008.

The visit of Vice-senior General Maung Aye of Myanmar in Bangladesh in October 2008 was very significant to promote the bilateral relations between these two countries. During the official talks, both sides focused on how to increase bilateral trade from US$140 to US$500 million. It should be noted that Myanmar is Bangladesh’s third largest export destination for pharmaceutical products. Bangladesh exported pharmaceutical products worth US$1.7 million to Myanmar in 2005-06.

The two countries have already signed an agreement to remove one of the barriers to trade—double taxation. The business leaders of the two countries have also identified other areas, such as, strict visa regime, lack of direct shipping line, poor road and air link between Dhaka and Yangon, lack of direct banking facilities, and so on which are acting as deterrent to the growth of trade and commerce between Bangladesh and Myanmar.

In order to promote bilateral trade, Bangladesh and Myanmar have already established a joint commission in 2003. The latest meeting of this commission was held in November 2008 in Dhaka. However, it is already mentioned that trade between these two close neighbours has not developed to a satisfactory level even after 6 years of the formation of the commission. It is believed that a direct road link between Myanmar and Bangladesh can facilitate trade and
boost tourism between the two countries. During the visit of General Maung Aye in October 2008, the two government leaders discussed the possibility of the early construction of a 23-km road linkage inside Myanmar for direct trans-border road communication. According to a memorandum of understanding signed on 4 April 2004, two kilometres of the trans-boundary road will be in Bangladesh and 23 kilometres in Myanmar. Dhaka will bear the cost estimated at Bangladeshi Tk 141 crore. The road will start at Gundum in Cox’s Bazar and end at Bolibazar in Myanmar.\(^{53}\)

Apart from trade and commerce, there are a number of areas from which Bangladesh can be benefited from enhanced level of cooperation between the two countries. Food is one such area. Bangladesh’s recent experience with its drive to import food from different food surplus countries including the next-door neighbour is still fresh in memory. Hence, it is time to look for a more dependable source of food grains in times of crisis. In this context, it is heartening to note that the Myanmar government has agreed to export some 100,000 tons of rice to Bangladesh every year. Since Myanmar is a food surplus nation, Bangladesh may depend on this close neighbour for continuation of this arrangement. As Bangladesh is a food-deficit country, it can have contract farming by taking lease of cultivable lands especially in Rakhain state of Myanmar.\(^{54}\)

Mutual understanding between the two neighbours is necessary for removing the obstacles to enhance bilateral trade. On the other hand, people to people contact or Track II level diplomacy can be an important step to boost mutual trust and confidence, bringing mutual benefit for both countries. Cultural relations can deepen the existing bilateral relations between Myanmar and Bangladesh. Therefore, two countries should extend their cultural ties by exchanging various national, ethnical and traditional cultural programs.

**Rohingya Issue**

As a result of bilateral discussions between Bangladesh and Myanmar, and with the cooperation and assistance of the UN High Commission for Refugees (UNHCR), a large number of the Rohingya refugees have already returned to Myanmar. However, as of 2008, about 21,000 Rohingya refugees remain in Bangladesh.\(^{55}\) According
to aid workers, conditions for thousands of Rohingya refugees at two government-run camps have improved in the past two years. Although residents of the camps receive regular UN-supplied food rations, as well as access to rudimentary healthcare, conditions are poor. Tension between local communities and camp residents is not uncommon, given the camps’ close proximity to the host communities. Officially, refugees are not allowed to travel or work outside the camp without permission, but many do so unofficially. Children have access to only informal primary school education until grade five, after which there are no opportunities for further education. Meanwhile, youth make up half of the camps’ population. Yet, over the past two years, significant steps, spearheaded by UNHCR, and helped by a more flexible approach by the authorities, have been made to improve the lives of camp residents while a durable solution to their plight is found. Regarding the repatriation of the remaining 21,000 Rohingya refugees Bangladesh proposed a tripartite mechanism involving Myanmar, Bangladesh and UNHCR for speedy repatriation of the Rohingya refugees. Myanmar, as it appears, remain far from recognising the urgency of the need for resolving the Rohingya refugee issue.

3.4.4 Regional Cooperation within the Framework of SAARC

SAARC was designed to improve both the economic and social conditions of its member states. South Asian scholars often attempt to compare SAARC efforts to increase economic cooperation with those of other regional trading bodies such as the European Union and Association of South East Asian Nations (ASEAN). Unfortunately, SAARC remains far from making any significant progress in the core areas of regional cooperation not to speak about progress comparable to those achieved by the EU and ASEAN.

Nonetheless, the activities of SAARC are expanding to cover a wide range of areas outside the economic cooperation as such. Thus, cooperation with the framework of SAARC includes areas like, agriculture, technology, connectivity and environment. On March 5, 2008, the first SAARC Conference on ‘Science-based Agricultural Transformation Towards Alleviation of Hunger and Poverty’ was held in New Delhi. In the conference, SAARC leaders identified that about 60 per cent of South Asian people were still dependent on agriculture, but growth rate of this sector in the region remained
slow because of inadequate investment, underdeveloped rural infrastructure, lack of research and development, inadequate diversification to high value crops and others. The SAARC countries agreed that the real challenges that come in the way of making agriculture an instrument of development lie outside agriculture. These are managing political economy of agricultural policies and strengthening governance for implementation of these policies. Hence, the countries agreed to strengthen cooperation in the area of agriculture.

The Regional Forum of the Ministers of Social Development of South Asia was held in March 2008 in New Delhi. In the Forum, SAARC countries agreed to enhance collaborative research in the field of social science through exchange of social scientists and information on research outcomes. The ministers agreed that South Asia paid little attention to social science research, the meeting decided to promote activities in this area, recognising the importance of social development in line with SAARC Development Goals envisaged in the regional forum’s Social Charter. The focus of the meeting was on the Right to Information. It was agreed to take all possible steps to make right to information an effective tool of social empowerment by conferring it to all citizens. The meeting also agreed to work towards eliminating arbitrariness and corrupt practices and improve governance at regional, national and local levels.

The Fifteenth SAARC Summit was held in Colombo, Sri Lanka. During the Summit, SAARC leaders agreed to concentrate collective regional efforts to accelerate economic growth and social progress for the benefit of the people of South Asia. The leaders in a declaration at the end of the two day Summit reaffirmed their commitment to the principles and objectives enshrined in the SAARC Charter. Four agreements were signed in the Summit for boosting trade and economy, social development and curbing criminal offences and terrorism for building a peace of abode for the peoples of South Asia. These are: The Charter of SAARC Development Fund (SDF), Agreement on the Establishment of South Asian Regional Standards Organisation (SARSO), the SAARC Convention on Mutual Legal Assistance in Criminal Matters, and the Protocol on Accession of Afghanistan to SAFTA. The leaders pledged to continue efforts to boost economic growth, social progress and cultural development
which would promote the welfare of the peoples of South Asia and improve their quality of life, thereby contributing to peace, stability, amity and progress in the region. They accordingly emphasised the importance of maintaining the momentum, through clear links of continuity between the work already underway and future activities. The leaders recognised the need for SAARC to further strengthen its focus on developing and implementing regional and sub-regional projects in the agreed areas on a priority basis. Each member state may consider taking up at least one regional or sub-regional SAARC project as the lead country.

The leaders also noted that there was tremendous potential for developing regional and sub-regional energy resources in an integrated manner and noted the efforts being made to strengthen regional cooperation in capacity development, technology transfer and the trade in energy. While expressing satisfaction at the progress over the recent years to strengthen energy cooperation, the leaders directed that the recommendations of the Energy Dialogue be implemented through an appropriate work plan. They stressed the urgent need to develop the regional hydro electricity potentials, grid connectivity and gas pipelines. They noted that the possibility of evolving an appropriate regional inter-government framework may be explored to facilitate such an endeavour.

Being increasingly aware of the environmental challenges like, sea-level rise, deforestation, soil erosion, droughts, storms, cyclones, floods and urban pollution, they reiterated the need to intensify cooperation within an expanded regional environmental protection framework. They were of the view that SAARC should contribute to restoring harmony with nature, drawing on the ancient South Asian cultural values and traditions of environmental responsibility and sustainability. They also expressed satisfaction at the adoption of a SAARC Declaration on Climate Change for the United Nations Framework Convention on Climate Change (UNFCCC) by the 29th Session of the Council of Ministers. They also encouraged workshops and seminars promoting an awareness of environmental issues in general and in particular on the human dimension of climate change and its impact on economic and social right including specifically the right to development.

They expressed satisfaction at the progress through the Meetings of the Ministers of Transport. They reiterated the critical importance of
an efficient multi-modal transport system in the region for integration and for sustaining the region’s economic growth and competitiveness. They urged early implementation in a gradual and phased manner of the proposals of the SAARC Regional Multimodal Transport Study (SRMTS).

The leaders urged the need for even more expeditious and close regional cooperation in information and communication technology. They welcomed the enhanced digital connectivity among the member states and the ongoing work to upgrade the regional telecommunication infrastructure. They directed that the arrangements needed to implement the proposed collaborative tele-projects such as those for health care and education, be expedited. They acknowledged the ongoing contribution of science and technology including cutting edge technology in information and bio-technology in improving the quality of life of the peoples of South Asia.

They also emphasised their commitment to implement SAFTA both in letter and spirit, and thus, enable SAARC to contribute as well to the dynamic process of Asia’s emergence as an economic power house of the world. Recognising the need to continue to address the major barriers hindering effective trade liberalisation in the region, which include sensitive lists of items and Non-Tariff Barriers (NTBs), they directed that the decision to revise the sensitive lists by the SAFTA Ministerial Council (SMC) be implemented early. They also recommended that while revising the sensitive lists, special consideration be given to the LDCs. The leaders directed the SAFTA Committee of Experts (SCoE) to expeditiously resolve the issue of Non-Tariff Measures (NTMs) and Para-Tariff Measures (PTMs) in order to facilitate and enhance the trade under SAFTA.

They underscored the imperative to make steady progress in the implementation of the SAARC Social Charter and directed the member states to complete the National Plans of Action with a perspective of seeking to transform current challenges into opportunities. They further directed the National Coordination Committees (NCCs) to recommend activities in conformity with the Social Charter and to introduce an efficient and effective monitoring and evaluation mechanism for reviewing the progress in the implementation of the Social Charter. The leaders emphasised the need to implement the selected regional and sub regional
programmes and projects to complement national implementation efforts.

However, South Asian countries are emphasising the importance of access to markets and increasing foreign investment. Then economic growth and development are likely to be central to the future of South Asian states. However, whether growth and development occurs because of economic cooperation in the region is another question. Currently, trade among South Asian states remains relatively low when compared to other regional blocs. Moreover, political and economic ties between states rest on shaky foundations. Divisions among South Asian countries have made regional cooperation difficult and have lead states to pursue economic cooperation largely outside the framework of SAARC. Thus, the economic role of SAARC in the region remains very limited due to numerous conflicts among its member states. Until these conflicts are resolved or at least managed properly, the vision of economic interdependence in South Asia is likely to remain more of a dream than reality.

3.4.5 Sub-regional Cooperation: South Asian Growth Quadrangle (SAGQ), BIMSTEC, Kunming Initiative

Over a period of time during the mid-1990s, certain degree of preparedness has been displayed by India and her smaller neighbours to accommodate their differences. Some of the conflicts between India and her smaller neighbours, Bangladesh, Nepal and Sri Lanka in particular, have also been settled successfully. Meanwhile, there was no indication of any effective move towards rapprochement in relations between India and Pakistan. It is in this backdrop that some South Asian countries felt that vitalising regional cooperation under the framework of SAARC could very well be a distant dream. Thus, India and some of its smaller neighbours undertook a number of sub-regional initiatives in the region. SAGQ is one of them. Formed in 1997, it included Bangladesh, Bhutan, Nepal and India's North Eastern States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim), and West Bengal. Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC), comprising seven countries—Bangladesh, Bhutan, India, Myanmar, Nepal, Thailand and Sri Lanka—was formed in Bangkok on 6 June 1997.
The total population of the member countries of BIMSTEC is around 1.4 billion, which is almost 22% of the world population. The combined GDP of these countries stands at $750 billion, with a promising future of rapid rise in growth rate. During the twelve years of its existence, BIMSTEC has tried to justify its formation with diversification of its activities, mostly in the areas of industry, trade, investment, communication and transport. In all, about 94 areas of cooperation have so far been identified for effective collaboration, which could be considered unique and unprecedented for any regional body.

The main objective of the grouping is to create a Free Trade Area by 2017, while three advanced countries (India, Thailand, and Sri Lanka) are committed to ensure trade liberalisation by 2012 AD. With this vision, 13 major areas of activities have been identified, such as, trade and industry, technology, energy, transport and communication, tourism, fisheries, agriculture, cultural cooperation, public health, environment and disaster management, people to people contact, poverty alleviation, counter terrorism and transnational crime control.

There are some major challenges for this organisation in its management and functional set up, apart from positive threats from other regional organisations like ASEAN, SAARC, Asia Cooperation Dialogue, Mekong Ganga Cooperation, CIRDAP, D-8 etc. Thailand is a member of ASEAN, Mekong Ganga Cooperation and Asia Cooperation Dialogue. Similarly, India is also a member of CIRDAP, SAARC, Mekong Ganga Cooperation and Asia Cooperation Dialogue. Bangladesh, Sri Lanka, Myanmar, Nepal and Bhutan are also members of two or more regional bodies having more economic interest than the BIMSTEC.

On 17 August 1999, the Conference on Regional Cooperation and Development among China, India, Myanmar and Bangladesh held in Kunming, the capital of Yunnan Province in the south-western region of China, approved by acclamation what was called the Kunming Initiative. The main thrust of the exercise was to exhort the governments concerned to improve communications between the south-western region of China and the north-eastern region of India by developing appropriate road, rail, and waterway and air links. More specifically, a call was made to revive the ancient Southern Silk Route between Assam and Yunnan.
In the long run, the SAGQ seems to have better potentials compared to the Kunming initiative. While the BIMSTEC is making some progress, it is yet to attract necessary popular attention and the interest of the business circles. Nonetheless, the three initiatives at sub-regional cooperation as reviewed above, once again, underscored the need for sub-regional cooperation within SAARC and inter-regional cooperation involving SAARC and ASEAN.

3.5 PURSUING DIPLOMACY: THE GLOBAL CONTEXT

The political and economic environment at the global level is undergoing a gradual but radical transformation. The rise of China, Japan and India as major powers, strategic changes in the US war against terror in Afghanistan and Iraq, new security, economic and strategic cooperation among the nations, the current global economic meltdown, and the wave of regime change in Latin America, all have brought new opportunities and challenges for the nations of the world. Consequently, all the countries, irrespective of their size, population, economic and political clout, are concentrating considerable efforts on preparing themselves to face the challenges posed and avail the opportunities offered by the politico-economic processes at the global level.

In the contemporary world, the countries are more interested in pursuing their economic goals than the political ones. Bangladesh is not an exception. Bangladesh’s economy crucially depends on export and remittances. However, the balance of payment is still not in favour of Bangladesh. Besides, the current global economic meltdown has become a great concern for Bangladesh economy. Under this new global situation, Bangladesh’s bilateral and multilateral economic relations especially with the West, the East and Southeast Asian regions, and the Middle East need to be evaluated. The development of Bangladesh’s economy heavily depends on its relationship with the countries of the above regions as nearly all of the export earnings, remittances, FDI and aid are coming from them. Therefore, it is needless to say that Bangladesh’s diplomatic strategy should be reinforced to pursue the country’s economic goals. The diplomatic missions should monitor economic policies in the countries and advise the government in this regard. What follows is an attempt to explore Bangladesh’s relations,
particularly the economic relations, with the West, the East and South East Asia, and the Middle East.

3.5.1 The West

To Bangladesh, the West remains of crucial importance. The importance of the Western countries as development partners could hardly be exaggerated. They are the most important trading partners, particularly the destination of most of Bangladesh’s export. The Western countries and the international/multilateral organisations controlled by them are, by far, the largest source of foreign aid and foreign direct investment (FDI). The influence of the West on Bangladesh could be judged not only by latter’s politico-economic relations with the former, but also by the fact that the regeneration of socio-economic and political institutions, ethos and values in Bangladesh are also being influenced by those of the West.

However, the crucial challenge facing Bangladesh in its relations with the West is to further expand, deepen and intensify the multifarious cooperation, particularly those in the economic fields, between Bangladesh and the Western countries. While these should be done primarily through economic means, the improvement of economic performance of the country, opening Bangladesh market to foreign business and the likes, diplomacy as well has a crucial role to play. In this regard, the role of diplomacy has already been reoriented radically shifting its main thrust from securing aid to promoting trade and investment. However, foreign policy and external relations as instruments of the promotion of trade and investment still remain considerably under-explored.

In 2008, the Western countries continued to remain among the top donors to Bangladesh. Apart from the typical donor-recipient relationship, Bangladesh is now pursuing policy of enhancing its economic interests using foreign policy mechanism – commonly referred to as economic diplomacy. Under this policy, the Bangladesh government seems to be putting more emphasis on bringing-in foreign direct investment (FDI) and increasing market access for Bangladeshi products rather than securing aid.

Among the Western countries, the US occupies a significant position. Over the years, the US emerged as one of the crucial partners contributing significantly to the socio-economic development of Bangladesh. As a single country, it remains, by far, the largest
destination of the products of Bangladeshi RMG. The US is the second largest source country of remittances accounting for over 17 percent of remittances received by Bangladesh in 2008. It remains one of the largest sources of development assistance to Bangladesh. The United States, through USAID in particular, provided development assistance worth about US$110 million in the FY2008. The US also provides a modest amount of military assistance to Bangladesh. Between 2005 and 2008, the United States provided US$2.2 million in grant aid funding (Foreign Military Financing) to purchase Defender class small boats for the Coast Guard of Bangladesh, and allocated US$934,000 in IMET (International Military Education and Training) for 2007.59

As it is evident from the ongoing discussions, Bangladesh’s relations with the US are of crucial importance to the former. For certain reasons, Bangladesh as well has a significant position in the US policy towards South Asia as well as in the Muslim world at large. Notwithstanding a number of past setbacks, Bangladesh is emerging as a vibrant democracy. Traditionally, Bangladesh has been a moderate and tolerant society. In terms of dealing with ethno-religious diversity and political dissent of various kinds, historically, Bangladesh has displayed a high degree of tolerance, moderation and the capability of accommodation. In many respects, thus, Bangladesh could be an example, if not a role model, in South Asia or in the Muslim world. In addition to all these, Bangladesh’s prospects for development are also quite bright. It is in this backdrop that the US as well is displaying considerable interest in the economic and political regeneration of Bangladesh. Thus, the expectation of a closer Bangladesh-US cooperation or even a special relationship between Bangladesh and the US is quite natural.

The European Union (EU) is also an important development partner for Bangladesh. Like the US, the EU helps Bangladesh not only in economic development, but also in the areas of political development. As a group of countries, the EU remains the single-most important destination of the products of Bangladeshi RMG. The EU also remains one of the significant sources of remittances and the largest source of development assistance to Bangladesh. In addition, it provides significant technical assistance to Bangladesh that covers wide range of economic and political areas. Thus, the EU contributes not only to the economic development of Bangladesh but
also contributes to strengthening good governance in the country.

3.5.2 The Middle East
The Middle East occupies an important place in Bangladesh’s foreign policy. First of all, it is the single-most important area of employment opportunity for Bangladeshi workers abroad and the largest source of remittances. Secondly, the Middle East is also an important source of foreign aid to the country. Oil rich Arab countries as well as international agencies entirely or significantly controlled by the Muslim countries such as, Islamic Development Bank (IDB), have been important sources of assistance for the development of Bangladesh. Thirdly, the region remains almost the only source of crude oil for Bangladesh. Fourthly, the region could be one of the largest markets for Bangladeshi goods in the future. Finally, Bangladesh's expectations regarding political and diplomatic support from the countries of the Middle East in case of similar needs have always been high.

Among the above factors, the second one focusing on the employment market in the Middle East has been very crucial for Bangladesh. Remittances are the second largest source of foreign income in Bangladesh. As a region, the Middle East is, by far, the largest source of remittances to Bangladesh. In FY2008, remittances earning reached $10.7 billion. According to one estimate, 73 percent of the remittances came from Middle East and 25 percent came from the US (14 percent) and the UK (11 percent). About three million Bangladeshis are living in the Middle East. Saudi Arabia that hosts 2 million Bangladeshi expatriate workers tops as source of remittances to Bangladesh.

It is, however, being suspected that labour market in the Middle East could be hard hit by the global meltdown. The International Monetary Fund (IMF) predicted that the growth of the region would fall due to decline in the price of oil. Therefore, the flow of remittances from the Middle East may suffer a setback. According to a very recent report, the overall manpower export in the first five months of FY2008-2009 has gone down. Total 62,448 more people were exported in the same period in the last fiscal year. Although the flow of remittances has been increased in the last five months, the growth rate could suffer from lower labour demand in the Middle East in the future. In this new circumstance, Bangladesh seriously needs to explore
the new labour market. The employment market is also increasingly becoming competitive and complex. In this regard, many developing nations like Pakistan, Sri Lanka, Nepal, India, the Philippines, some African countries are competing with Bangladesh. Therefore, Bangladesh will have to further strengthen diplomatic relations with those countries where its migrant workers are employed.\(^6\) In this regard, the Middle East remains at the centre of focus.

### 3.5.3 East and Southeast Asia

The East and Southeast Asia regions are assuming increasing importance in the conduct of Bangladesh’s foreign policy. The countries of these two regions are experiencing dynamic growth, rapid technological development and progressive socio-cultural transformation. Unlike South Asian countries, despite historical enmities and numerous conflicts, East and Southeast Asian countries have deepened regional economic cooperation and interdependence. Now, the two regions are among the most important economic and commercial centres in the world. All the major powers of the world have economic, security and strategic interests in and interaction with these countries. The East and Southeast Asia regions include many countries. However, for the convenience of our scholarly exploration, the section would focus primarily on Japan, China and the NICs of the region, who are assuming increasing importance in Bangladesh’s foreign policy.

**Bangladesh-Japan Relationship**

Japan is the second largest economic power in the world. The country has emerged as a major source of Overseas Development Assistance (ODA) and Foreign Direct Investment (FDI).\(^6\) Hence, the significance of Bangladesh’s relations with Japan could hardly be exaggerated. Japan through its ODA contributed significantly to the process of development in Bangladesh. Development projects funded by Japan’s ODA cover a wide range fields like communications, particularly monumental friendship bridges including the longest bridge in Bangladesh—Bangabandhu Jamuna Multi-purpose Bridge, power and telecommunication sectors and others. The accumulated total commitment of Japan’s development assistance to Bangladesh since 1973 is approximately ¥671 billion (US$7.4 billion).
Over the last few years, the Japanese government has been increasing the level of its development assistance to Bangladesh. Japanese development assistance to Bangladesh over the last few years could be summarised as follows: US$473 million in 2007, US$275 million in 2006, and US$125 million in 2005. Japanese Prime Minister, Taro Aso, pledged the 30th Japanese Yen Loan Package to Bangladesh during the telephone talks with the Prime Minister of Bangladesh, Sheikh Hasina, on 16 January 2009. The Package amounts to ¥39,749 million (US$439 million). The Projects under the loan are: (i) New Haripur Power Plant (360 MW) Development Project (Part II); (ii) Central Zone Power Distribution Project; and (iii) Eastern Bangladesh Bridge Improvement Project. The conditions of the loans are very generous. The interest rate is 0.01 percent per annum and the repayment period is 40 years inclusive of 10-year grace period for the three loans.

The trade balance between the two countries has always been in favour of Japan. During FY2005-06, Bangladesh export to Japan stood at US$167.7 million as opposed to an import figure of US$584.1 million. However, in 2007, the total export of Bangladesh to Japan was $147.47 million, while import from Japan was US$690.36 million. Therefore, in 2007, the export to Japan declined while the import from Japan indicated a robust increase. Bangladesh's export to Japan constitutes only 0.76 percent of its global export, whereas its import from Japan constitutes 4.13 percent of its global imports.

While the products of Bangladeshi RMG are faring well in the US and European markets, these have failed to penetrate the Japanese market. Why are the Japanese buyers reluctant to buy Bangladeshi garments? Japan could be a big market for the products of Bangladeshi RMG sector. Recently, Japanese buyers are, however, increasing their attention to Bangladesh because of lower prices. Japan is the fourth largest knitwear importing nation in the world. It imported knitwear products worth US$10.37 billion in 2006 and its market has been growing at a pace of 11.73 percent per year since 2002. Bangladesh is trying hard to penetrate the Japanese knitwear market. According to one account, Bangladeshi knitwear export to Japan could reach US$100 million in the next FY (July 2009-June 2010).
Bangladesh-China Relationship

China, a growing economic and military power, has, over the years, emerged as a reliable partner to Bangladesh, extending its economic, military and diplomatic support. Five friendship bridges and an international convention centre built in Dhaka with Chinese grants are among the most visible significant contribution of China to the developmental efforts of Bangladesh. China has shown keen interest in a bigger role in the development of Bangladesh and showed interest in being involved in larger projects like, Rooppur Nuclear Power Plant.

Existing Bangladesh-China cooperation in the military field is of significant importance. In more concrete terms, China remains the largest provider of military hardware to Bangladesh. In 2002, China and Bangladesh signed an important defence agreement to meet Bangladesh’s defence requirements. It is reported that from artillery systems to missiles, combat aircraft to guns and ammunition, Dhaka tops China’s list of weapons importers. In March 2006, China donated police equipment to Bangladesh as part of the cooperative effort between the Ministry of Home of Bangladesh and the Public Security Ministry of China. During his visit to Bangladesh in April 2008, Chinese Foreign Minister Yang Jiechi said that military to military cooperation is an important part of overall bilateral relations between Bangladesh and China.

Over the recent years, bilateral trade between Bangladesh and China witnessed a spectacular growth. In 2005, China has replaced India as the largest source of Bangladeshi import. Bilateral trade between Bangladesh and China reached US$3.19 billion in 2006. However, the growth in bilateral trade is highly lopsided with a huge surplus in favour of China. As a matter of fact, the volume of bilateral trade increased as a result of huge Chinese export to Bangladesh, while Bangladesh’s export to China continued to remain very small. According to a report, in the FY2007, Bangladesh exported products worth about US$93 million to China against its import of goods from China worth US$2,534 million. As a result, huge surplus in favour of China in bilateral trade between Bangladesh and China remains, perhaps, the most significant outstanding issue in relations between the two countries. It figures prominently in almost all bilateral talks in recent years. During Bangladesh Foreign Secretary’s visit to Beijing on 19 April 2006,
both countries discussed the issue and agreed to take steps to reduce this gap. Currently, under the Bangkok agreement, China provides duty free access to 84 Bangladeshi products, though Dhaka is pushing for a complete opening of the Chinese market for its products in order to reduce the trade imbalance. However, it should be noted that jute products, leathers and textiles—the principal export commodities of Bangladesh—are yet to be included in the list. The officials of both countries also discussed various issues like China’s possible investments in small and medium scale industries in Bangladesh. In a meeting held on 11 March 2008 in Dhaka, the business leaders of Dhaka Chamber of Commerce and Industry (DCCI) and China Chamber of Commerce for Import and Export of Textiles (CCCT) pledged to reduce the trade gap between the two countries. Such promises regarding bridging the ever-increasing imbalance in Bangladesh-China trade has never been accompanied by any effective initiative capable of accomplishing this. As a consequence, the surplus in favour of China in Bangladesh-China trade continues to increase unabated. Resolving the issue remains the most crucial and, at the same time, the most difficult task in Bangladesh-China relations.

**Bangladesh-NICs Relationship**

Along with Japan and China the Newly Industrialising Countries (NICs), namely, South Korea, Hong Kong, Malaysia, Singapore, Taiwan, Indonesia, and Thailand have achieved significant development in their economy, technology, and have promoted their living standard. In fact, the rapid developments of these countries have transformed the region into one of the economic power houses of the contemporary world.

Bangladesh has friendly relations with all the NICs mentioned above. Among them, Malaysia was one of the first Muslim countries to recognise the independence of Bangladesh. Since then, Bangladesh and Malaysia have witnessed a rapid growth of bilateral cooperation. In addition to trade and investment relations, Malaysia has also provided economic and technical assistance to Bangladesh, while the latter has offered cheap workforce for areas, such as, construction and agriculture. Malaysia has been the largest ASEAN investor in Bangladesh. Malaysian companies have invested US$1.3 billion in 59 projects in 2007 in areas such as telecommunications,
textiles and financial sectors. Malaysia has already emerged as a significant destination of the expatriate workers of Bangladesh. Other NICs, Korea, Singapore and Brunei in particular, are also important destination of Bangladeshi expatriate workers.

Some other ASEAN NICs like Indonesia, Singapore and Thailand remain important trading partners of Bangladesh. In 2006, Bangladesh’s export to ASEAN countries was US$229.58 million and import was US$2317.12 million, which left Bangladesh with a trade deficit of US$2087.54 million. The prime export item of Bangladesh, articles of apparel, is produced keeping in mind the low-income customers in the developed industrial countries. In some NICs, such products have very little demand. Besides, there has been a lack of communication between the business communities of both sides. Therefore, very little room is left for Bangladesh to penetrate the ASEAN markets with its articles of apparel. In FY2008, Bangladesh’s export to the ASEAN+3 (i.e., the ASEAN bloc, China, Japan and South Korea) countries constituted only 2.9 percent of its total export. Over the years, the necessity of economic cooperation with the NICs is being increasingly realised. It is already mentioned that the government has undertaken a policy initiative called ‘Look East Policy’ aimed at exploring the prospects for mutually beneficial cooperation with the ASEAN+3 countries. Nonetheless, very little has been achieved by now. It is necessary to concentrate efforts at materialising the objectives envisaged in the policy.

3.6 GLOBAL RECESSION AND CHALLENGES TO DIPLOMACY: REFLECTIONS ON THREE CRUCIAL ISSUES

As already indicated, the extraordinary significance accorded by Bangladesh to its foreign policy and diplomacy significantly emanates from two factors, namely, the challenges of socio-economic development and the country’s pursuit of economic diplomacy to face these challenges. The development strategy evolved partly by default and partly by design remains dependent on two factors: export-led growth and the export of manpower. With an export of US$13,945 million and import of US$19,486 million in FY2007-08, Bangladesh’s total foreign trade constituted US$33,431million which is 17.7 percent of the country’s total GDP. More importantly, the export of readymade garments (RMG) products constituted 75.83 percent of the total export of Bangladesh. In the FY2007-08, Bangladesh’s
RMG exports to Europe and North America constituted 95.16 percent of the global total wherein Europe alone accounted for 60.65 percent. Both the markets are severely hit by the global recession.

The export of manpower during the year 2008 thrived significantly. During the year, a total of 875,055 expatriate workers went abroad for employment. The expatriate workers have sent a total of US$9019.60 million in 2008. The destination of the most of the expatriate workers have been the oil rich countries of the Persian Gulf and, to a lesser extent, the countries of East and Southeast Asia, Malaysia in particular (Table 3.5). Oil price has already declined drastically creating severe financial strains in the Gulf countries. As the global recession appears to be a prolonged one, there is little hope in the change of fortune of the oil rich countries of the Persian Gulf. In the circumstances, these countries could hardly accommodate any newcomers from Bangladesh. More ominously, these countries may even send part of the expatriate workforce back to the country of their origin. Such an eventuality may spell economic and even socio-political disaster for Bangladesh. Similarly, highly dependent on their export to the US and Europe, the countries of East and Southeast Asia are also quite vulnerable to the global recession. Bangladeshi expatriate workers in these countries are likely to suffer considerably, if, when and to the extent their economic fortune declines.

The importance of foreign trade and the export of manpower for the national economy could hardly be overstated. It is so crucial that the meltdown of the two or even either of the two sectors would signify an economic disaster of very high magnitude that the country could hardly survive. While foreign direct investment (FDI) still remains of quite insignificant importance, attracting large-scale FDI to intensify the developmental process is a long-standing national aspiration, particularly in view of the experiences of India and the countries of East and Southeast Asia.

While facing the challenges emanating from global recession will require the mobilisation of significant domestic efforts, the country’s foreign policy and its diplomacy will have a crucial role to play in this regard. It is in this backdrop that discussion that follows is concentrated on exploring the challenges to diplomacy posed by the ongoing process of global recession. For reasons already explained, the discussion is focussed on the three crucial issues, namely, foreign trade, the export of manpower and FDI.
3.6.1 Trade
Trade plays an important role in the development of a country's economy. Bangladesh is not an exception to this. Employment opportunities can be created in a populous country like Bangladesh with the promotion of trade. This employment will pave the way for increased savings and investment, ensure capital flow, solve unemployment problems and eradicate poverty.

Export and Import in Fiscal Year 2008
The largest source of foreign exchange of Bangladesh is the export sector. As a percentage of GDP, the share of export increased from 17.6 percent in FY2007 to 17.7 percent in FY2008. Both export and import in FY2008 indicated a healthy growth in spite of two consecutive floods and devastating cyclone Sidr in the first half of FY2008. Figure 3.1 indicates substantial growth of Bangladesh's import and export from FY2005 to FY2008. Total export earning of Bangladesh in FY2008 amounted to US$13,945 million, while the country spent US$19,486 million for import payments in the same fiscal year. Bangladesh's total foreign trade constituted US$33,431 million in FY2008. The export earnings and import expenses increased by US$1892 and US$3975 million respectively in FY2007.


Figure 3.1 Export and Import from FY2005 to 2008
On the other hand, a higher growth of imports than exports widened the trade deficit from US$3458 million in FY2007 to US$5541 million in FY2008.

In spite of widening trade deficit in FY2008, the current account balance showed a reasonable surplus. Massive losses of agricultural production forced Bangladesh to import more food items. Enhanced imports of food items and agricultural inputs coupled with their increased price in the global market, along with higher import price of fuel caused excessive demand for foreign exchange during FY2008. However, the robust growth of remittances, higher external aid flow and export receipts overweighed the demand stresses resulting in stability of exchange rate during FY2008 and foreign exchange reserve increased by 21.1 percent to US$6.15 billion at the end of FY2008.

The trade deficit reduced from US$3.5 billion in the first half of FY2007-08 to US$3.2 billion in the same period of FY2008-09. During the July-December period of FY2008-09, the export of Bangladesh amounted to US$7.5 billion against its import of goods worth US$10.7 billion. This may be compared with the country's export worth US$6.49 billion and import US$9.078 billion during the same period last year. Bangladesh's export target in the fiscal year 2008-09 has been fixed at US$16.29 billion, which is 15.50 percent higher than the export during the fiscal year 2007-08. The country's export growth during the first six-month is around 18.33 percent, which is at least three percent higher than the projected target. However, the country's overall import payment in the first six-month of 2008-09 has recorded only 6.84 percent growth because of falling price of fuel, edible oil and other commodities in the international market. The Ministry of Commerce was expecting further fall in average monthly import payment in the coming months. With this expectation, if the present steady export growth also continues, then the overall economy will be better. It is said that the current trend is helpful for the country that had to take loan worth US$218 million FY2007-08 from the International Monetary Fund (IMF) to overcome the balance of payment problem.84

Major Exportable Products in FY2008

The major exportable items of Bangladesh have been woven garments, knitwear, raw jute, jute goods, frozen shrimp and fish,
leather, tea, fertilizer and so on. Earning from all other major exportable items increased significantly except jute goods and fertilizer in FY2008. A significant growth of knitwear products (21.5 percent) and woven garments (10.9 percent) continued to increase the growth of export in FY2008 over FY2007. Woven products, which fetched about 48.29 percent of total export earnings of the apparels sector, registered a high increase: from US$ 4657.6 million in FY2007 to US$ 5167.3 million in FY2008. Knitwear products showed a significant growth (21.5 percent), fetching US$5532.5 million in FY2008 compared with US$4553.6 million earned in FY2007. The Figure 3.2 and 3.3 shows Bangladesh export by major products in FY2007.

**Export Destination and Current Global Meltdown**

Europe and North America remains the two main destinations for Bangladesh’s exports. The export of the products of RMG sector constituted 75.83 percent of the total export of Bangladesh in the FY2007-08. The export of the products of RMG to Europe and North America constituted 60.65 percent and 34.51 percent respectively of the total export of the same sector. Destination-wise export of the products of RMG during April-May of the FY2008 shows that the export of both woven and knitwear categories

![Figure 3.2 Bangladesh Export by Major Products During 2006-07](image)

increased significantly to both US and EU regions. Export growth of
the products of RMG was higher in EU than in the US.\textsuperscript{88} On the
other hand, while export of woven products to other than US and EU
markets increased significantly, export of knitwear category
recorded decline in other regions during April-May of the FY2008.
Export of the products of RMG to regions other than the USA and
EU declined by 48.2 percent during April-May of the FY2008 (Figure
3.4) in comparison with the corresponding period of the previous
fiscal year.\textsuperscript{89}

Currently, a public debate is going on in Bangladesh regarding
the possible impact of global economic recession on the economy of
Bangladesh, export in particular. One of the important issues of the
debate is whether Bangladesh’s export will be affected by the current
global meltdown. If it is affected at all, then how far it will be affected,
and which sector of the export will be most affected still remain
uncertain. There is a general impression that the impact of economic
recession on Bangladesh’s export is unlikely to be very significant
unless the recession continues for a long time in the developed world.

It is widely viewed that the export sector, RMG in particular,
which accounts for over three quarters of export earnings, could be
most affected by the recession. The RMG almost entirely depends on
US and EU markets. Therefore, growing concern persists that a deep
and prolonged recession in the US and EU may reduce consumer spending significantly undermining the demand for Bangladeshi goods. The exporters of RMG sector are deeply concerned that they could lose their business in the US and EU markets. It is projected that income growth in Bangladesh’s export may decline in FY2009. Nevertheless, the export of the first half of the FY2009 gives us a positive and encouraging sign. The export earnings increased to US$7.5 billion during the July-December period of FY2009 as against the export earnings worth US$6.49 billion during the same period last year. Concerning the impact of the recession on export of the country, indications are mixed. A review of assessments by the academia as well as the practitioners also reveals the same. The country, thus, needs to remain vigilant regarding the competitiveness of its export.

3.6.2 Export of Manpower

Export of manpower, more commonly known as migration of workers across international boundaries in search of economic opportunity, has enormous implications for growth and welfare in the countries of origin as well as that of destination. Migration and remittances have increasingly been a major development issue representing significant
opportunities for reducing poverty and enhancing growth in the developing countries. For Bangladesh, a major source of expatriate workers that is also significantly dependent on the remittances, export of manpower is of crucial importance in terms of generating growth, alleviating poverty, intensifying the process of socio-economic and politico-cultural development to name a few.

Bangladesh was born with a huge surplus of labour and highly inadequate employment opportunities. Therefore, when in the mid-1970s, tremendous employment opportunities for the expatriate workers opened in the oil-rich countries of the Middle East, Bangladesh has been rather quick in concentrating substantial efforts on exploiting these opportunities. In this regard, Bangladesh has been quite successful. As the Table 3.5 shows, already during the late 1970s, Bangladesh came to send over twenty thousand workers abroad for employment every year. In 1980, Bangladeshi workers going abroad for employment crossed thirty thousand. These figures continued to increase progressively and crossed hundred thousand in 1989.

Prior to 1990, the destination of Bangladeshi workers had been almost exclusively the Middle East, oil-rich countries of the Persian Gulf in particular. The number of Bangladeshi workers going to Southeast Asia for employment has been negligible and sporadic. The Gulf War of 1990-91 and the sufferings of Bangladeshi workers, particularly those in Kuwait and Iraq, painfully reiterated an already felt need: the diversification of the destination of the country’s expatriate workforce. Meanwhile, during the 1970s and 1980s some of the ASEAN countries, Malaysia and Singapore in particular, have been witnessing a remarkable growth, especially in the sectors like, manufacturing, infrastructure, construction and others. This generated a high demand for workforce which these countries were unable to meet from the domestic sources. In order to sustain the economic momentum, for Malaysia and Singapore, thus, inviting expatriate workers became a necessity. This opened a new vista before Bangladesh in terms of the export of manpower. An important point, in this regard, to Bangladeshi expatriate workers, these new destinations were economically more rewarding as they could draw higher wages compared to their counterparts in the Middle East.
As the Table 3.5 shows, with the countries of the Persian Gulf, East and Southeast Asia being the prime destinations, the number of Bangladeshi workers going abroad for employment continues to increase significantly. In 1996, the number crossed two hundred thousand. In 2006, over three hundred thousand Bangladeshi workers went abroad for employment. In 2007, the number increased rather dramatically to over eight hundred thousand. In 2008, over eight hundred seventy five thousand Bangladeshi workers went abroad for employment. With the increase in the number of Bangladeshi workers going abroad for employment, the remittances sent by the Bangladeshi expatriate workers also witnessed a corresponding increase. In 1978, Bangladesh received a paltry sum of US$23.71 million as remittances. The figure crossed US$100 million in 1978, US$500 million in 1983 and US$1 billion in 1993. In 2001, Bangladeshi expatriate workers sent home US$2071.03 million. Within just four years in 2005, this figure increased over two-fold to US$4249.87. The trend continued and even intensified further. In 2007, the remittances sent by the Bangladeshi expatriate workers stood at US$6568.03 million. The amount reached a stunning figure of US$9019.60 million in 2008 (Table 3.5). It may be mentioned that apart from official channels, expatriate Bangladeshis also use unofficial channels to remit money. Thus, the actual amount that has been remitted by the Bangladeshi workers would certainly be significantly higher than the official figures. However, the Government is employing persistent efforts to encourage remittances through official channel and this seems to be producing results.

With 4.89 million emigrants in 2005, Bangladesh became the sixth largest emigration country in the world and the emigrants constituted 3.4 per cent of the total population of Bangladesh. Bangladesh is the eleventh largest remittances recipient in the world and the remittances constituted 8.8 per cent of the country’s GDP in 2006. In 2007, the remittances came to constitute 9.7 per cent of the country’s GDP. Total remittances sent to Bangladesh by the expatriate workers in 2008 are US$9,019.60 million (Table 3.5) which came to constitute 11 per cent of the country’s GDP. Remittances from the expatriate workers provide valuable financial resources to Bangladesh. As a matter of fact, the remittances flows are second only to exports and are significantly larger than Foreign Direct Investment (FDI) and Official Development Assistance (ODA).
In the circumstances, expanding the opportunities for the export of manpower remains one of the central objectives of Bangladesh foreign policy, its external economic policy in particular. Similarly, the expatriate workers remain a crucial component of Bangladesh's relations with any region, certainly those with the countries of Persian Gulf, and East and Southeast Asia.

In Bangladesh, expatriate workers play a crucial role in the process of socio-economic and politico-cultural development, among others, through their remittances. Remittances have economic benefit both at macro and micro levels due to the fact that the sheer volume of remittances is very high. It is increasing rapidly day by day both in absolute terms as well as a portion of the total GDP of the country. Another important point, the destination of remittances is spread all over the country. By now, Bangladesh also has become significant emigration country in the world as well as a significant remittance-recipient country. At the macro level, remittances significantly facilitate the stabilisation of the balance of payment. It is very important for Bangladesh. Since the country's import in monetary terms is always greater than its export, remittances provide the much needed cushion.

Studies have found that a typical migrant remits about 56% of his income, this percentage might go higher even to 80%. As already indicated the source of expatriate workers and destination of the remittances is spread all over the country. At the micro level, remittances contribute to the alleviation of poverty, bolster income and savings, increase the health and social security of the remittance-recipient families, and facilitate the education of their children and youth and so on. The poorer the household, the impact that the remittances can have is greater. In the process, remittances are changing not only the economic but also socio-cultural landscape of Bangladesh.

It is in view of its importance on the broader socio-economic and politico-cultural life of the country that the export of manpower constitutes an important plank in the country's economic diplomacy. The promotion of the export of manpower has, thus, long been a task of the country's foreign policy and diplomacy. The list of tasks so far suggested in this regard is rather long. This includes, necessary measures to encourage migration, streamline migration process, encourage skilled migration by replacing policies that are mainly oriented towards unskilled and professional migration, taking
measures to protect migrants rights both at home and abroad, productive utilisation of remittances and proper use of the skills of the returned migrants.\textsuperscript{99}

With the global recession and the concomitant challenges in the field of the export of manpower, the tasks foreign policy and diplomacy have increased manifold. The sustenance and promotion of the export should be of highest priority of the time. In terms of national priorities, the status of the export of manpower needs to be elevated to somewhere close to that of the export of commodities. This would result in the country's foreign policy and diplomacy allocating more efforts in dealing with the challenges of global recession specifically concerning the export of manpower. Needless to mention, the prime focus of Bangladesh's diplomatic offensive, in this regard, should be the countries of the Persian Gulf and the East and Southeast Asia side by side with the exploration of newer markets for the export of manpower.

\section*{3.6.3 Foreign Direct Investment (FDI)}

Foreign Direct Investment (FDI) is increasingly becoming a preferred form of capital flow to developing countries, as compared to other forms of capital flow. It can play an important role in achieving the country’s socio-economic objectives including poverty reduction goals. In the context of heavy debt burden, FDI promises to be a ray of hope for the LDCs for harnessing capital flows without the pangs of capital repayment with interest. In a capital-poor country like Bangladesh, FDI can emerge as a significant vehicle to create employment opportunities, develop productive capacity, and enhance skills of local labour through transfer of technology.

However, the second half of the 1990s witnessed a surge of FDI inflows in Bangladesh, with the major sectors attracting FDI being oil, gas and power, followed by chemical, cotton and textile industries. USA, Malaysia and UK dominate the FDI scenario in Bangladesh. The inflow of FDI to Bangladesh is far below the expectations. It is also meagre in comparison with the neighbouring countries. To understand why this is so, it is necessary to look into the national policies and incentives for FDI in Bangladesh. Like other developing countries, Bangladesh has also adopted a number of policies and provided generous incentives to attract FDI. According to the experts, Bangladesh seems to offer perhaps the
most liberal FDI regime in South Asia. These, among others, include: tax holiday for 5 to 7 years, income tax exemption for 15 years for the experts of foreign enterprises, protection from double taxation, exemption from duty for importing machinery and spare parts for 100 per cent export-oriented units, full repatriation of profit and dividend by the foreign companies, eligibility for full working capital loans from the local banks on banker-client relationship, option for foreign firms or joint ventures not to sell their shares through public issues, and protection from expropriation by the state under Foreign Investment Promotion and Protection Act of 1980. Bangladesh is also a signatory to the Multilateral Investment Guarantee Agency (MIGA) insuring investors against political risk. As a member of World Intellectual Property Organisation (WIPO) and World Association of Investment Promotion Agencies (WAIPA), the country further safeguards the interest of foreign investment. Standard dispute settlement procedures are followed in case there is any dispute with the government or with any private party. If the foreign investors feel that their rights have been violated, they can file writs with the High Courts. However, Bangladesh Investment Guide identified key factors for investing in Bangladesh as shown in Table 3.6.

Over the period during 1998-2007, gas and oil, textiles and, trade and commerce dominated the first half in terms of FDI inflow whereas telecommunication sector was the highest recipient during the second half of the ten year period. On the other hand, gas and oil, and trade and commerce sectors showed better performance during the last two years but the textile sector experienced declining inflow of FDI in the second half of the decade.

European Union is the single largest business partner of Bangladesh. It is the most important destination of export from Bangladesh. In 2006, Bangladesh’s export to the EU member-states was in the tune of Euro 4.37 billion which comprised about 56 per cent of its global export for the same period. EU member-states as a group are the largest development partner of Bangladesh. EU has finalised its financial perspective for 2007-2013, with respect to Bangladesh. The concerned document styled National Indicative Programme 2007-2013 outlines future pattern of EU resource flow into Bangladesh which is in the range of Euro398 million for the period. Notably, EU member-states together are a major source of FDI in Bangladesh.
Table 3.6 Investment: Key Factors for Foreign Investors

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A largely homogeneous society with no major internal or external tension and a population with great resilience in the face of adversity (e.g., floods)</td>
<td>• Natural gas exploration: proven reserves of 11 trillion cubic feet (tcf.) and estimated reserves of up to 50 tcf.</td>
</tr>
<tr>
<td>• Broad non partisan political support for market oriented reform and perhaps the most investor’s friendly regulatory regime in South Asia</td>
<td>• Infrastructure including power generation, transmission and distribution</td>
</tr>
<tr>
<td>• Trainable, enthusiastic, hard working and low cost (even by regional standards) labour force</td>
<td>• telecommunication, including cellular telephony and upgrading of ports, railways and airports</td>
</tr>
</tbody>
</table>

Weaknesses

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Large perceived gap between good policies and weak implementation (as illustrated, for example, by the pace of privatisation)</td>
<td>• periodic flooding and cyclones</td>
</tr>
<tr>
<td>• Low levels of skills and training in the workplace.</td>
<td></td>
</tr>
</tbody>
</table>

Source: BD Investment Guide.

Table 3.7 FDI in Different Sectors of Bangladesh (Million US$)

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY 98</th>
<th>FY 99</th>
<th>FY 00</th>
<th>FY 01</th>
<th>FY 02</th>
<th>FY 03</th>
<th>FY 04</th>
<th>FY 05</th>
<th>FY 06</th>
<th>FY 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>238</td>
<td>249</td>
<td>106</td>
<td>319</td>
<td>197</td>
<td>120</td>
<td>131</td>
<td>461</td>
<td>478</td>
<td>488</td>
</tr>
<tr>
<td>Gas and Oil</td>
<td>231</td>
<td>124</td>
<td>50</td>
<td>139</td>
<td>75</td>
<td>23</td>
<td>61</td>
<td>169</td>
<td>182</td>
<td>187</td>
</tr>
<tr>
<td>Power</td>
<td>0</td>
<td>101</td>
<td>56</td>
<td>175</td>
<td>101</td>
<td>35</td>
<td>26</td>
<td>30</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>7</td>
<td>24</td>
<td>0</td>
<td>5</td>
<td>21</td>
<td>62</td>
<td>44</td>
<td>262</td>
<td>268</td>
<td>272</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>145</td>
<td>150</td>
<td>163</td>
<td>134</td>
<td>123</td>
<td>160</td>
<td>64</td>
<td>219</td>
<td>107</td>
<td>109</td>
</tr>
<tr>
<td>Textiles</td>
<td>117</td>
<td>129</td>
<td>144</td>
<td>113</td>
<td>67</td>
<td>77</td>
<td>32</td>
<td>75</td>
<td>74</td>
<td>75</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>25</td>
<td>5</td>
<td>23</td>
<td>51</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Cement</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>13</td>
<td>28</td>
<td>77</td>
<td>6</td>
<td>87</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Chemicals and Pharmaceuticals</td>
<td>23</td>
<td>19</td>
<td>14</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Services</td>
<td>220</td>
<td>195</td>
<td>114</td>
<td>111</td>
<td>74</td>
<td>99</td>
<td>89</td>
<td>124</td>
<td>160</td>
<td>163</td>
</tr>
<tr>
<td>Trade and commerce</td>
<td>173</td>
<td>116</td>
<td>44</td>
<td>35</td>
<td>48</td>
<td>49</td>
<td>55</td>
<td>102</td>
<td>142</td>
<td>145</td>
</tr>
<tr>
<td>Other Services</td>
<td>47</td>
<td>79</td>
<td>70</td>
<td>76</td>
<td>26</td>
<td>50</td>
<td>34</td>
<td>22</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>603</td>
<td>594</td>
<td>383</td>
<td>564</td>
<td>394</td>
<td>379</td>
<td>284</td>
<td>804</td>
<td>745</td>
<td>760</td>
</tr>
</tbody>
</table>

Source: Statistics Department, Bangladesh Bank.
Table 3.8 Foreign Investment Proposals Registered with (BOI) – Subtotal for Year 2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>No. of Units</th>
<th>Investment Units (Tk. in million)</th>
<th>Investment (US$ in Million)</th>
<th>Investment Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Canada</td>
<td>1</td>
<td>3,709.520</td>
<td>52.993</td>
<td>393</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>3</td>
<td>197.241</td>
<td>2.818</td>
<td>138</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>1</td>
<td>29.000</td>
<td>0.414</td>
<td>812</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>4</td>
<td>48.018</td>
<td>1.342</td>
<td>137</td>
</tr>
<tr>
<td></td>
<td>Pakistan</td>
<td>1</td>
<td>15.000</td>
<td>0.214</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>S.Korea</td>
<td>1</td>
<td>9.950</td>
<td>0.142</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td>112.670</td>
<td>1.610</td>
<td>225</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Turkey</td>
<td>1</td>
<td>29.709</td>
<td>0.424</td>
<td>301</td>
</tr>
<tr>
<td></td>
<td>Subtotal</td>
<td></td>
<td>4,151,108</td>
<td>59.957</td>
<td>2,102</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2037</td>
<td>1,114,005.223</td>
<td>21,332.261</td>
<td>420,841</td>
</tr>
</tbody>
</table>

Source: Board of Investment of Bangladesh.

Bangladesh has a number of positive attributes that can successfully attract the attention of foreign investors from both developed and developing countries. The increasing availability of skilled and unskilled labour at relatively low wages and the success in maintaining reasonably stable macroeconomic environment are a few factors behind making the country an attractive destination for foreign investors. They are generally aware that the wage rates in Bangladesh are among the lowest in Asian countries, the rate of inflation is usually contained within tolerable limits, the exchange rate is reasonably stable, custom regulations are investment friendly without discrimination between foreign and domestic investors, and attractive incentive packages are available for the foreign investors.

Bangladesh needs to undertake effective promotion measures to convince potential foreign investors that their involvement in the country is valued, they would be facing friendly regulations, and they can enjoy investment incentives that are competitive with those offered by other countries in the region and the developing world at large. The country also needs to move forward through implementing investment friendly policies, simplifying regulatory practices, and removing inefficient bureaucratic procedures. Over the last decades, almost all developing Asian economies including Bangladesh have progressively adopted more open policies toward
FDI and this trend is likely to continue in the foreseeable future. The general conclusion of this study is that FDI brings net benefit to Bangladesh. These benefits appear to be important for integrating the domestic economy with the global economy and in the area of technology and skill transfer.

The global experience suggests that, depending on the country context, the benefits of FDI are highly uneven and can become ambiguous or possibly negative. However, given its present characteristics, Bangladesh is likely to benefit through more FDI inflows. It is important, therefore, for Bangladesh to ensure an investment climate that can attract more FDI flows to the country. For the purpose, several policy areas are important. Appropriate reform measures are needed in the country’s administrative system. The bureaucracy needs reorganisation in order to bring about a perceptible improvement in its efficiency and productivity. Bureaucratic control and interference in business and investment activities should be minimised on a priority basis. It is important for Bangladesh to modernise and revamp all laws relating to business and investment keeping in view the international practices and requirements of globalisation. Law and order situation needs to be improved through appropriate reforms in law enforcement and introducing other measures. A social consensus is needed to establish the rule of law, avoid political confrontation, and reduce corruption.

The developments of new industrial parks can help in creating a favourable environment for foreign investments. The availability of ready infrastructure along with secure and enabling investment climate can act as a powerful catalyst in attracting foreign investors for investment in profitable ventures. The government may come up with a phased program of setting up new EPZs in order to extend facilities to export oriented investors. The private sector may also be encouraged to set up new EPZs. Positive developments regarding the country’s economy, society, and future prospects, including the hospitable investment climate existing in the country and the facilities available to foreign investors, should be projected abroad in an effective manner, especially among the potential investors. Such ‘image building’ efforts would be crucial to dispel the negative images that have persisted for long and discouraged the investors to come forward. In addition to the above, maintaining consistency in
policies and actions is important so that no ‘wrong signal’ is conveyed to the investors.

Strengthening economic diplomacy is a key factor in attracting FDI in the present world characterised by increasing competition. In this respect, improved bilateral relations with potential investor countries can act as a catalyst to increasing FDI inflows to Bangladesh. Moreover, it is important not only to improve relations with countries that have already invested in Bangladesh, but also to identify potential investors in other countries and undertake appropriate measures to attract them to invest in the country. Several financial institutions and some of the public utilities may be privatised in order to ensure better and more efficient services. The policies should encourage private sector participation in several key sectors like agricultural processing, manufacturing, infrastructure including transportation, telecommunication, power, port, and in the production of high value added products.

Both the government and private sector need to come forward to invest in infrastructure development. For the purpose, appropriate policies are needed. Similarly, both public and private universities should come forward in introducing courses/programs that produce graduates with technical and management skills required in modern industrial and other sectors. In this context, if the government and the private sector could work together to implement effective economic reforms in a successful manner, Bangladesh stands a good chance of being able to participate in the prosperity and growth that are sweeping the rest of Asia.

3.7 CONCLUDING REMARKS

Over the last decades, Bangladesh has undergone a metamorphosis. It has overcome its erstwhile image of a highly aid-dependent country. Instead, Bangladesh has successfully embarked upon a development strategy that is significantly dependent on export. With its dynamic RMG sector, Bangladesh has emerged as an important player in the crucial North American and European RMG markets. In the process, Bangladesh has long made a decisive shift away from aid-dependent to an export-led growth. Another important point, Bangladesh has emerged as one of the most significant exporters of manpower in the world and Bangladeshi expatriate workers remitted over US$9 billion through official channel in 2008. The
tasks of Bangladesh’s diplomacy, economic diplomacy in particular, emerged over the period have been concentrated significantly on two fronts: cultivating markets of the products of burgeoning RMG sector mostly in North America and Europe, and facilitating/expanding the employment opportunities for rapidly growing expatriate Bangladeshi workers in the countries of Middle East, East and Southeast Asia, and elsewhere in the world.

Meanwhile, by 2008, Bangladesh economy has been at a take-off position with enormous prospects and potentials. Goldman Sachs has included Bangladesh into the group of 11 countries called “Next 11,” which are to make great economic progress comparable to BRICs. According to the World Bank, Bangladesh could join the list of middle income countries by 2016. The same prediction has been upheld by the Forbes Magazine. Amidst such brighter economic prospects and clearly defined tasks of economic diplomacy, the global recession and everything that goes with it put Bangladesh face a severe developmental challenge. Global recession that is most severe in, perhaps, 80 years is spreading like an economic tsunami over more and more countries and regions, and taking an ever deteriorating turn. Not only the bright future and projected achievements of Bangladesh became bleak but also the achieved level of success became difficult to sustain. It is particularly due to the fact that relative prosperity achieved by Bangladesh over the decades is significantly dependent on export-led growth and the export of manpower. With the economies of North America and Europe in deep recession, East and Southeast Asian economies suffering from its consequences, and particularly, oil-rich Gulf countries suffering from the loss of oil revenue, both the pillars of economic success of Bangladesh appeared to be under severe strain. In the circumstances, sustaining the flow of the export of the products of its RMG sector and the export of manpower came to be the most crucial economic task of the nation.

As the year under review demonstrates, Bangladesh has faced the challenges posed by the global recession and its aftermath rather successfully. During 2008, Bangladesh’s export of the products of RMG sector to the European and North American markets continued to thrive notwithstanding deep recession in both the regions. Similarly, 2008 also witnessed significant increase in the export of manpower and the remittances in comparison with the previous
years. While there has been a slight decrease in the GDP growth rate, the performance of Bangladesh economy has been better than any South Asian country. This is not an insignificant achievement.

The successes outlined above has significantly improved Bangladesh’s image as well as self-image and added considerable confidence regarding the capability of the country in facing further challenges posed by the global recession and its aftermath. Nonetheless, there is no reason why the country should be complacent about its ability to deal with the relevant consequences of the global recession. Instead, Bangladesh should remain constantly vigilant regarding the global recession and its aftermath, particularly those relevant to the country as the global recession is likely to continue during 2009 and may be beyond. More importantly, there remains considerable uncertainty regarding the future course of global recession and its concrete impact on Bangladesh. Along with the challenges posed by the global recession and its aftermath, achieving a higher growth to build capacity to effectively tackle Bangladesh’s extreme poverty problem remains a crucial task. Increase in the overall growth of the economy would influence not only poverty alleviation and employment creation; it would also help bridge the gap between export and import, increase gross domestic savings and investment and thus, build capacity to face the challenges thrown by the contemporary international economic relations. This remains the most important longstanding task of the nation in international arena. All the tasks outlined above are of economic nature and these could be accomplished primarily by economic means. Nonetheless, the country’s foreign policy and its diplomacy as well have a crucial role to play in accomplishing these tasks.

Meanwhile, the end of 2008 also witnessed a turning point in the history of Bangladesh. The long drawn political turmoil has ended with the successful holding of the General Elections of 29 December 2008, wherein Bangladesh Awami League has achieved a stunning victory with a three-fourth majority in the Parliament. In conformity with the verdict of the people, the victorious party—Bangladesh Awami League—formed the new government, on 6 January 2009, with its chief Sheikh Hasina as the Prime Minister. As a protracted political crisis found a democratic solution, a sense of security and stability has begun to prevail in the country. Thus, a new era of
fresh prospects and opportunities has ushered in the history of Bangladesh. The country’s march towards democracy and prosperity is, however, certain to be difficult due to the gigantic tasks and severe challenges faced by it in the way of democratic transformation and socio-economic advancement. Nonetheless, democracy is likely to change Bangladesh’s self-image as well as its image abroad facilitating the country’s quest for democratic regeneration and socio-economic advancement.

Endnotes


4 Ibid., p.79.

5 Ibid., p.11.

6 Ibid., p.11.

7 Ibid., p.11.

8 Ibid., p.69.


19 See, C. Raja Mohan, op.cit.

20 See, Ibid.


24 Ibid.


26 Ibid., Table 1, p.4.


31 Ibid.


36 Discussed in, AKM Abdus Sabur (2005); and AKM Abdus Sabur (1999).


38 Ibid.


42 Ibid.


44 Ibid.


47 This amount is only 1.3 percent of the total volume of Myanmar’s export, which is around US$9.8 billion.


49 Ibid.


55 "Package of proposals to bolster ties: Myanmar agrees to export one-lakh MT rice", op. cit.
56 Ibid.
58 The liberal economic policy of China and India could be good examples in this regard.
62 One of the main reasons is that during the past 35 years since the oil boom of the early 1970s, most Arab countries have not risen to the challenge of responsible governance by developing economies based on productive industries and other economic sectors. The energy producers have enjoyed using their vast income to develop their countries in a speedy and impressive manner, but without shifting dependence away from oil and gas exports or imported labour.
70 “Bangladesh expects to export $100 million worth Knitwear to Japan,” People’s Daily Online, October 26, 2008.


76 Nations undergoing rapid economic growth (usually export-oriented). Incipient or ongoing industrialisation is an important indicator of a NIC.


82 According to Bangladesh Bank, in spite of shortfall in the beginning of FY2008, overall export earnings recorded a strong 15.3 percent growth during July-May FY2008. This has been due to high export achieved during Q3 FY2008 and April-May FY2008. Export earning during this period increased sharply by 30.2 percent and 29.7 percent over the same periods of FY2007.


87 Ibid.
National Security and Foreign Policy of Bangladesh 2008


89 Ibid., p.11.


93 Discussed in, A.K.M. Abdus Sabur, “Bangladesh-Southeast Asia Relations: Political and Economic Dimensions”, paper presented in the Workshop on Inter-regional Relations: South and Southeast Asia organised in Singapore by the Institute of South Asian Studies (ISAS), National University of Singapore on September 09, 2008.


96 See, AKM Abdus Sabur, “Bangladesh-Southeast Asia Relations: Political and Economic Dimensions,” paper presented in the Workshop on Inter-regional Relations: South and Southeast Asia organised in Singapore by the Institute of South Asian Studies (ISAS), National University of Singapore on September 09, 2008.


99 Ibid.