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BANGLADESH-GULF ECONOMIC RELATIONS: FOCUS ON REMITTANCES, OVERSEAS EMPLOYMENT AND TRADE

Abstract

The economic relations between Bangladesh and the oil rich Gulf Cooperation Council (GCC) countries are important for a developing nation like Bangladesh for a number of reasons. The countries of the Gulf, which are considered as one of the fastest growing economic blocs, remain the important sources of crude oil, remittances and overseas employment opportunities for Bangladesh and thus contribute significantly towards its economic development. Also, the Gulf nations have been assisting Bangladesh generously in various activities with aid and grants. In this backdrop, the current article will make an effort to assess Bangladesh's economic relations with the GCC countries. In the process of analysis, the article will look into trends and levels of remittances earned by Bangladesh from the Gulf nations. It will also focus on the current status of Bangladesh-GCC trade relations. Finally, this article will identify some challenges and prospects involved with the Bangladesh-GCC economic relationship.

Keywords: GCC, Remittances, Overseas Employment, Trade Deficit, FDI

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I. Introduction

The Gulf Cooperation Council (GCC) countries - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) - occupy a significant place in the external economic relations of Bangladesh. Over the past three and a half decades, countries of the Gulf host a large number of Bangladeshi workers, whose remittances have become the lifeline of the country's economy. While Bangladesh imports petroleum and crude oil from the Gulf to meet its energy needs, the GCC nations have been assisting the country in various developmental activities with aid and grants. Some developments in the GCC nations, however, have suggested that in the days to come manpower export from Bangladesh may dwindle. On the other hand, the GCC markets have still remained by and large unexplored for Bangladeshi commodities, which resulted in considerable trade imbalance against the latter. Relative trade relations with the Gulf, at the same time, have been rather insignificant. Against this backdrop, this article attempts to contest that despite some existing barriers, Bangladesh-GCC economic relationship has a bright future, particularly in trade, investment and overseas employment. The article throws light into trends, levels and few other aspects of Bangladesh's trade links with the Gulf countries, and remittances earned by its migrant work force living in this region.

The article is organised as follows. Section I takes up the introduction. Section II presents a brief overview of economic relations of Bangladesh with the GCC countries, and also looks into the patterns of overseas employment opportunities and remittances, and trade with the Gulf nations. Section III examines the challenges, existing in Bangladesh-GCC economic ties, and further explores the possibilities to enhance Bangladesh's economic relationship with the oil rich GCC countries. And, finally Section IV provides the conclusion.

II. Bangladesh-GCC Economic Relations

Bangladesh's economic ties with the Gulf nations such as Saudi Arabia, the UAE and Kuwait, to date, have remained considerably well. Economic relations of Bangladesh with other countries of this region have been also gradually developing. In the aftermath of the

oil price boom in 1973, the GCC nations became capital surplus and prosperous.¹ The oil revenue earned by the Gulf countries had its trickle down effect on countries like Bangladesh.² In the early 1990s, Bangladesh's economic cooperation with the Gulf gathered momentum following its active participation in the coalition forces that was to liberate Kuwait.³ The Gulf countries, in course of times, have emerged as reliable development allies of Bangladesh in terms of generating overseas employment for its skilled and semi-skilled labourers, and providing a major proportion of country's foreign remittances. In addition, the GCC nations could be turned out as crucial trade and investment partners of the country, though the current scenario of Bangladesh-Gulf trade and investment regime is not up to the mark.

The Kingdom of Saudi Arabia (KSA), the biggest of the GCC states with the highest world petroleum reserve, surfaced as a major donor to the developing countries following the sudden oil price shock in the early 1970s. For Bangladesh, Saudi Arab has become one of the crucial economic allies in spite of the latter's initial reluctance to recognise the former in 1971. Aid and grants together with developmental support, provided by the Saudi government, are of great help for the country for Saudi Arab is not known to have interfered in the internal matters of Bangladesh. ".....In domestic economic policy the Saudis have *no interest at all* since they neither have nor as yet appear to be seeking a commercial stake in Bangladesh....."⁴ The Saudi assistance till now, has occupied an important place in external aid for Bangladesh. Between 1971 and 2006, Bangladesh received US\$907.91 million in form of

¹ Md. Mainul Islam, "Manpower Export and Bangladesh Economy" in S. R. Chakravarty and Virendra Narain (eds.), *Bangladesh: Global Politics*, Vol. 3, South Asia Studies Series, South Asian Publishers, New Delhi, 1988, p. 106.

² Raisul Awal Mahmood, "Bangladesh's External Economic Relations," *BISS Journal*, Vol. 13, No. 4, October 1992, p. 470.

³ Syed Muazzem Ali, "Bangladesh and the OIC," *The Daily Star*, 19 February 2006.

⁴ Quoted in Abul Kalam, "Bangladesh-Saudi Relations: A Study of Muslim Fraternity," in Abul Kalam (ed.), *Bangladesh: Internal Dynamics and External Linkages*, University Press Limited, Dhaka, 1996, p. 313.

grants and aid from Saudi Arabia.⁵ Even before Saudi Arab accorded formal recognition to Bangladesh, it provided the latter with a grant of US\$10 million as emergency relief in 1974-75. Within the next four years, the Saudi government made cash grant of US\$156 million and US\$ 60 million for food aid.⁶ Moreover, this Gulf nation has rendered help in various sectors, for instance, fertilizer plant, rural electrification project, and oil and gas drilling project. Further Saudi loan was pledged in railway rehabilitation project, deep tube well project and Teesta barrage project.⁷

The UAE is another important economic partner of Bangladesh. Not only this Gulf nation has become the home of thousands of regular Bangladeshi remitters, but also Bangladesh's trade relations with the UAE are better. However, the country's exports to the UAE have been consistently fluctuating in terms of volume. While between 1998 and 2000, Bangladesh's exports to UAE increased more than two folds from US\$28 million⁸ to US\$61.40 million⁹, by the end of 2006 the export amount dropped to US\$26.07 million.¹⁰ To promote bilateral trade and investment, these two countries decided to set up a joint business council when a delegation from the UAE visited Bangladesh in August 2006.

Bangladesh's economic relations with Kuwait, which was improved after the first Gulf War, are also crucial. Through the Kuwait Fund for Arab Economic Development (KFAED), Kuwait channelled its official grants and loans to Bangladesh. By the end of 2007, the KFAED loan assistance for Bangladesh stood at \$ 419.15 million. As many as 19 different projects have been funded by this body. The projects are as follows¹¹:

1. Power Supply for Irrigation Schemes Stage I project
2. Manu River Project

⁵ Syed Muazzem Ali, *op cit.*

⁶ Abul Kalam, *op cit.*, p. 315.

⁷ *Ibid.*, pp. 315-316, 324.

⁸ Harun ur Rashid, *Bangladesh Foreign Policy: Realities, Priorities and Challenges*, Academic Press and Publishers Library, Dhaka, 2005, p. 188.

⁹ International Monetary Fund (IMF), *Direction of Trade Statistics*, Year Book 2007.

¹⁰ *Ibid.*

¹¹ Extracted from *The Financial Express*, 25 February 2008.

3. East West Electrical Interconnector Project
4. Eight Rural Areas Electrification Project
5. Deep Tube Wells (North Western Region)
6. Ashuganj Thermal Power
7. The North West Tube Well Project
8. Four Rural Areas Electrification Project
9. Sylhet-Tamabil-Jaflong Road
10. Rural Electrification Project in Nilphamari District
11. Rural Electrification Project in Shariatpur District
12. Shaikarpur and Doarika Bridges and Access Roads
13. Shahji Bazar Power Station Project
14. Greater Rajshahi Power Transmission and Distribution Project
15. Greater Chittagong Power Transmission and Distribution Development Project III
16. Bridge Project
17. Sylhet-Jakenshipur Road
18. The Three Bridges Project
19. Third Karnaphuli Bridge Project

In addition to these projects, Kuwait rendered its assistance for initiating feasibility study on constructing a flyover (Rampura-Maghbazar flyover) in Dhaka. Kuwait is also involved with various development works in Bangladesh.

The trade and economic links with other three GCC members, namely, Oman, Qatar and Bahrain, are increasing as the years pass. On 8 August 1992, Bangladesh and Bahrain signed a couple of agreements on economic, commercial and technical relations, and cultural cooperation. Another agreement, valid for a period of five years, was signed between the two countries on 6 February 2007, on trade, agriculture industry, transportation and manpower sector to attain a better economic cooperation and boost trade. It has been agreed that a Joint Committee, which will meet alternatively in Dhaka and Bahrain, would implement this agreement. It was further stipulated that after five years the agreement would be extended automatically, unless either of the countries formally declare it to

terminate.¹² The Bangladesh-Bahrain economic ties were given fresh impetus by Dhaka visit of the Bahrain State Minister for Foreign Affairs, Dr. Nezar Sadiq Al Baharna on June 21, 2007. The visit witnessed, amongst others, the reaching of consensus by the two nations on signing agreements on avoidance of double taxation, investment promotion and protection, and air services to accelerate trade. Dr. Iftekhar A Chowdhury, the Bangladeshi Foreign Adviser, following a meeting with the visiting Minister from Bahrain commented that, “Our relations will be strengthened by the signing of a number of agreements. The two countries will hopefully sign the agreement by the end of this year”.¹³ And, according to a Bangladeshi official, this visit was marked as “beginning of a new era” in Bangladesh-Bahrain relationship.¹⁴

Source of Overseas Employment and Remittances

For Bangladesh in its post-independence period, international migration for employment had turned out to be an integral part of development as remittances send by the expatriate Bangladeshi workforce became major catalyst in the growth of the country.¹⁵ The remittances from the migrant labourers not only assisted the country to maintain a stable foreign currency reserve but also reduced Bangladesh’s external aid dependency. Between 1987 and 2006, some 3.8 million professional, skilled, unskilled and semi-skilled Bangladeshis working abroad remitted US\$35.15 billion as remittances to Bangladesh.¹⁶ The remittances send by the expatriated workers of Bangladesh in 2006 occupied 6.89 per cent of the nation’s total GDP which was equivalent to 45.62 per cent of the

¹² Bangladesh Embassy in Bahrain, “Agreement on Economic Commercial and Technical Relations between The Kingdom of Bahrain and The People’s Republic of Bangladesh” available at www.bangladeshembassy.com.bh/bilateral.htm accessed on 25 November 2007.

¹³ *The Daily Star*, 21 July, 2007.

¹⁴ *Ibid.*

¹⁵ Raisul Awal Mahmood, “International Migration, Remittances and Development: Untapped Potentials for Bangladesh”, *BISS Journal*, Vol. 12, No. 4, October 1991, pp. 526-527.

¹⁶ Authors’ own estimation from *Bangladesh Economic Review 2007*, Economic Adviser’s Wing, Finance Division, Ministry of Finance, Government of the People’s Republic of Bangladesh, June, 2007.

total export earnings of the country.¹⁷ Currently, remittances from abroad exceed 10 per cent of the total GDP and are nearly five times larger than the ODA, and ten times higher than the FDI Bangladesh received in 2007.¹⁸ The Bangladesh government established the Ministry of Expatriates' Welfare and Overseas Employment on 20 December 2001 to ensure the welfare of the migrant labourers and increase the scopes of overseas employment. This ministry has taken some initiatives to reduce cost of migration and fraudulent practices, create conducive environment for the migration process, and to enhance the welfare of the dependants of the Bangladeshi expatriates. Furthermore, to maintain the flow of remittances, the Bangladesh government in recent times has taken a few administrative and incentive measures in the form of establishing computer database system in the manpower office, introducing one stop service and welfare desk at the Zia International Airport (ZIA) to facilitate the overseas workers, and offering special scheme to the wage earners.

The GCC countries, in the past couple of decades, have turned out to be the most important destination for Bangladeshi manpower. The compelling socio economic realities on the home front coupled with job opportunities and attractive remuneration offered by foreign nations induced many job seekers from Bangladesh to migrate in the Gulf nations. On the other hand, labour scarce GCC countries needed cheap workers for their economic development, which was triggered by the oil revenue generated from oil price surge of 1973. Therefore, Bangladesh, with its large pool of surplus workers, found the Gulf nations as the perfect destination to export manpower. The mass exodus of people from Bangladesh for employment to the Gulf and the Middle East took place after mid 1970s.¹⁹ While up to 1976 only 5,559 Bangladeshi migrated to the Gulf and the Middle East, by the end of 1990s the cumulative figure of workers went to this region for employment stood at 816,877.²⁰ Clearly these one and a half decades witnessed a steady growth in the rate of migration to the

¹⁷ *Ibid.*

¹⁸ *The Financial Express*, 24 March 2008.

¹⁹ Raisul Awal Mahmood, "International Migration, Remittances and Development: Untapped Potentials for Bangladesh", *op. cit.*, p. 528.

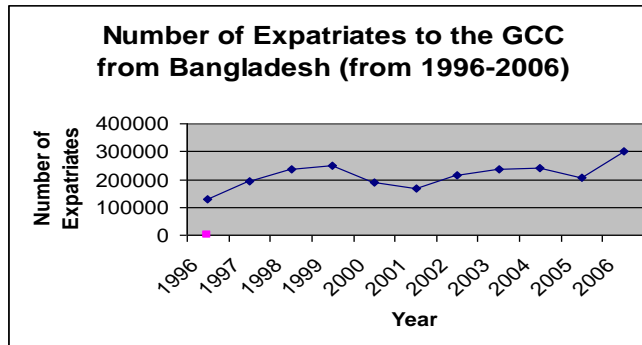
²⁰ *Ibid.*, p. 529.

GCC countries. However, leading up to the new millennium, the pace of migration to the Gulf nations gathered phenomenal momentum (See Table I and Figure I). It can be observed from Table-I that in 1997 the number of Bangladeshi expatriates to the GCC countries was roughly two hundred thousand, whereas in 1999 it touched nearly two hundred fifty thousand constituted about 93 per cent of global expatriates of Bangladesh. And, approximately 95 per cent of the total expatriate workers left for the GCC nations by the end of 2002. Despite the GCC's share of the global expatriates of Bangladesh dropped at 78.62 per cent in 2006, in absolute number nearly three hundred thousand Bangladeshi workers went to this region. It suggests that the number of Bangladeshi workers migrated to other countries were increased in that year. Now if one takes into consideration the total number of expatriated workforce of Bangladesh between 1996 and 2006, then one can find that the Gulf nations during this decade have become the home of around 2.36 million Bangladeshi workers accounting for 81 per cent of the country's total migrant workers (See Table I).

Table I: Bangladeshi Expatriates to the GCC Countries (excluding Qatar)

Fiscal Year	Saudi					Total GCC	Global	
	Arabia	Kuwait	UAE	Bahrain	Oman		Expatriates	Percentage
1996	72,734	21,042	23,812	3,759	8,691	130,038	211,714	61.42
1997	106,534	21,126	54,719	5,010	5,985	193,374	381,077	50.74
1998	158,715	25,444	38,796	7,014	4,779	234,748	267,667	87.70
1999	185,739	22,400	32,344	4,639	4,045	249,167	268,182	92.91
2000	144,618	594	34,034	4,637	5,258	189,141	222,686	84.94
2001	137,248	5,341	16,252	4,371	4,561	167,773	188,965	88.79
2002	163,254	15,767	25,438	5,370	3,927	213,756	225,256	94.89
2003	162,131	26,722	37,346	7,482	4,029	237,710	254,190	93.52
2004	139,031	41,108	47,012	9,194	4,435	240,780	272,958	88.21
2005	80,425	47,029	61,978	10,716	4,827	204,975	252,702	81.11
2006	109,513	35,775	130,204	16,355	8,082	299,929	381,516	78.62

Source: *Bangladesh Economic Review 2007*, Ministry of Finance.

Figure I

As far as geographical distribution of Bangladeshis in the Gulf is concerned, Saudi Arabia is the country that usually receives the higher proportion of migrant workforce from Bangladesh followed by the UAE. In accordance with the statistics of 2004, it can be computed that Saudi Arabia alone had around 58 per cent of total Bangladeshi expatriates in the Gulf region. But Saudi Arabia's share of Bangladeshi work force declined at 37 per cent in 2006; while the UAE got 43 per cent of total expatriates from Bangladesh. On the other hand, the number of Bangladesh expatriates in Oman and Bahrain remains relatively modest. However, of late, this number has increased, owing to the creation of new job opportunities in these nations.

Table II: Bangladesh's Remittances from the GCC Countries (in million US\$)

Fiscal Year	Saudi Arabia	UAE	Oman	Bahrain	Kuwait	Total GCC	Global Remittances	Percentage
1996	498.2	83.7	81.71	30.08	174.27	867.96	1217.06	71.32
1997	587.15	89.64	94.45	31.52	211.49	1014.25	1475.4	68.74
1998	589.29	106.86	87.61	32.42	213.15	1029.33	1525.42	67.48
1999	685.49	125.34	91.93	38.94	230.22	1171.92	1705.74	68.70
2000	916.01	129.86	93.01	41.8	245.01	1425.69	1949.32	73.14
2001	919.61	144.28	83.66	44.05	247.39	1438.99	1882.1	76.46
2002	1147.95	233.49	103.27	54.12	285.75	1824.58	2501.13	72.95
2003	1254.31	327.4	114.06	63.72	338.59	2098.08	3061.97	68.52
2004	1386.03	373.46	118.53	61.11	361.24	2300.37	3371.97	68.22
2005	1510.45	442.24	131.32	67.18	406.8	2557.99	3848.29	66.47
2006	1696.96	561.44	165.25	67.33	494.39	2985.37	4801.88	62.17

Source: *Bangladesh Economic Review 2007*, Ministry of Finance.

Besides contributing immensely towards the reserve of foreign exchange, the GCC remittances have emerged as primary source of earnings for a number of migrant households across Bangladesh. In 2006, remittances from the Gulf accounted for 5.10 per cent of Bangladesh's GDP and 30 per cent of its export income.²¹ The economy of the country had suffered from substantial loss of remittances during the Gulf War of 1990s.²² Bangladesh, until late 1970s, received a major proportion of remittances from its migrants working in Western Europe. In 1977, more than 75 per cent of the country's remittances were originating from the western parts of Europe.²³ The subsequent years, however, witnessed a significant change of the regional share of total foreign remittances. The relative share of Bangladesh's remittances from the Middle East and the Gulf nations increased by leaps and bounds. Actually, by the end of 1986, the GCC countries generated roughly 80 per cent of the total remittances of Bangladesh.²⁴ Table II shows the sources of remittances for Bangladesh from the six GCC nations from 1996 to 2006. The table demonstrates that over this period of ten years Saudi Arab sourced the bulk of remittances for Bangladesh, while up to 2003 the second highest remittances came from Kuwait. Afterwards, the UAE took that position. It is further evident from the table that though the GCC's share of the global remittances of Bangladesh declined gradually, since 1996 in absolute number remittances from this part have been increasing dramatically. The Gulf remittances, in fact, soared roughly six times between 1996 and 2006 from US\$ 867.97 million to US\$ 4801.88 million (See Table II and Figure II).

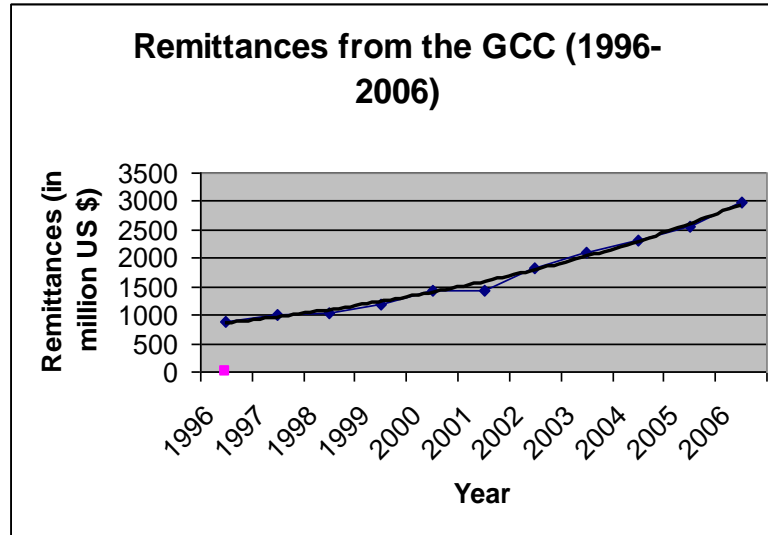
²¹ Authors' calculation from *Bangladesh Economic Review 2007*.

²² A. K. M. Abdus Sabur, "Foreign Policy of Bangladesh: Challenges in the 1990s," *BISS Journal*, Vol. 12, No. 4, October 1991, p. 487.

²³ Raisul Awal Mahmood, "International Migration, Remittances and Development: Untapped Potentials for Bangladesh", *op. cit.*, p. 535.

²⁴ *Ibid.*, p. 536.

Figure II



Trade Relations with the GCC

Bangladesh-GCC trade remains far from being satisfactory with the balance of trade tilted heavily in favour of the Gulf nations. In stark contrast to its large volume of imports from the Gulf, Bangladesh exports insignificant amount to the GCC nations. Table III and IV clearly demonstrate such scenario that exists in two-way trade between Bangladesh and the GCC. According to Table III, Bangladesh's exports to the GCC in 2006, compared to that in 2000, decreased by US\$ 7.37 million. However, from 2000 to 2006, the imports from the Gulf have grown at a brisk pace as Table IV suggests. In these six years the total exports to the GCC markets stood at US\$ 409.68 million, while its total imports from the Gulf for the same period amounted to US\$ 6851.55 million (computed from Table III and IV). As a consequence, the total trade deficit against Bangladesh became a staggering \$5580.43 million. This ever persisting trade gap is caused by the low elasticity of demand for Bangladesh's export items in the GCC markets along with the

country's dependency on the GCC countries for crude oil and petroleum.²⁵

Table III: Bangladesh's Exports to the GCC Countries (in million US\$) from 2000-2006

	2000	2001	2002	2003	2004	2005	2006
Bahrain	1.34	1.45	0.90	1.42	1.70	2.11	2.60
Kuwait	3.99	1.76	3.68	2.93	3.67	5.52	6.81
Oman	1.03	0.95	1.12	0.85	0.79	0.67	0.83
Qatar	1.60	1.82	2.31	1.65	2.64	3.19	3.94
Saudi Arabia	10.53	11.78	12.00	11.29	17.91	26.06	32.17
UAE	61.40	50.56	21.88	22.26	20.43	21.12	26.07
GCC	79.89	69.32	41.89	40.40	47.09	58.67	72.42

Source: International Monetary Fund (IMF), *Direction of Trade Statistics*, Yearbook 2007.

Table IV: Bangladesh's Imports from the GCC Countries (in million US\$) from 2000-2006

	2000	2001	2002	2003	2004	2005	2006
Bahrain	5.67	4.45	0.05	0.15	0.32	0.99	1.59
Kuwait	28.95	28.06	117.40	173.45	638.59	1178.76	1410
Oman	0.23	0.28	0.29	0.49	0.78	0.77	1.31
Qatar	1.97	4.15	1.72	5.58	10.67	15.09	22.79
Saudi Arabia	272.30	237.32	103.89	199.99	163.56	292.50	348.65
UAE	153.58	112.52	152.18	188.94	217.70	353.24	400.68
GCC	462.70	386.78	375.48	568.60	1031.62	1841.35	2185.02

Sources: International Monetary Fund (IMF), *Direction of Trade Statistics*, Yearbook 2007. Also, *Annual Import Payments 2005-2006*, Bangladesh Bank.

The main exportable items of Bangladesh to the GCC markets consists of edible vegetables and certain roots and tubers, live trees and other plants, bulbs, cut flowers and ornamental foliage, coffee, tea, spices, preparations of cereals, milk, pastry, cooked products,

²⁵ Around 60 per cent of the energy need of Bangladesh is fulfilled by importing crude oil and petroleum products from the UAE, Saudi Arabia and Kuwait.

fruits, nuts, tobacco, pharmaceutical products, ceramic products, textile and textile articles. On the other hand, besides oil and petroleum, Bangladeshi imports from the Gulf nations include bituminous substances, mineral waxes, base metals and articles of base metals (iron and steel), fertilisers, organic and inorganic chemicals, cotton, salt, sulphur, earths and stone, plastering materials, cement, and plastic articles.

III. Challenges and Prospects

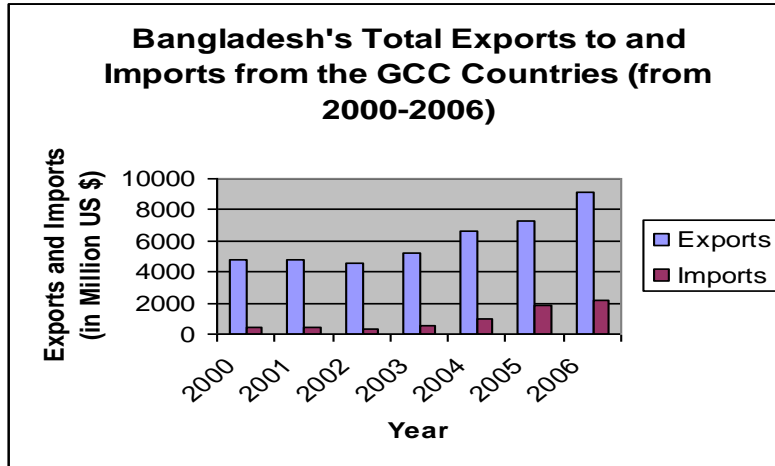
Bangladesh-GCC economic links are currently beset with a couple of challenges. First is the yawning trade gap, mentioned in the preceding section, as well as insignificant trade volume that exists in Bangladesh's trade with the GCC countries. And the second challenge is associated with the export of Bangladeshi manpower to the Gulf nations.

Table V: Relative Importance of Bangladesh's Trade with the GCC Countries and Trade Balance (in million US \$)

Fiscal Year	Total Exports to the GCC countries	Total Exports to the World	Percentage of Total	Total Imports to the GCC Countries	Total Imports to the World	Percentage of Total	Trade Balance With the GCC Countries
2000	79.89	4786.50	1.66	462.70	8359.90	5.53	382.81
2001	69.32	4826.00	1.43	386.78	8349.80	4.63	317.46
2002	41.89	4565.70	0.92	375.48	7913.70	4.74	333.59
2003	40.40	5262.70	0.77	568.60	9516.20	5.98	528.20
2004	47.09	6614.70	0.71	1031.62	12599.40	8.18	984.53
2005	58.67	7232.70	0.81	1841.35	12881.00	14.29	1782.68
2006	72.42	9102.50	0.80	2185.02	14746.00	14.81	2112.60

Sources: Authors' Calculation from International Monetary Fund (IMF), *Direction of Trade Statistics*, Yearbook 2007 and *Annual Export Receipt 2005-2006* and *Annual Import Payments 2005-2006*, Bangladesh Bank.

Figure: III



Besides showing the growing trade deficit against Bangladesh, Table V compares total trade of the country with the GCC to its global trade. It has been observed from the table that Bangladesh-GCC trade relations, since 2000, have literally become one way traffic as Bangladesh’s imports from the Gulf markets increased many folds against its exports to this region, which never registered any significant growth (See Table V and Figure III). Furthermore, the fluctuating nature of exports of Bangladesh to the GCC can be observed from Table V. All these led to ever widening gap between Bangladesh’s import payments and export earnings, which becomes a source of concern for the nation. The trade deficit, in fact, rose by about seven times between 2000 and 2006, as evident from Table V and Figure IV. To improve such deplorable balance of payment situation Bangladesh needs aggressive marketing campaign for its products in the GCC markets. Such activity would help the country boost and diversify its GCC exports.

Figure: IV



Moreover, the turn-over in Bangladesh-GCC trade over the years has been found insignificant compared to Bangladesh's world trade. Even though Bangladesh's imports from the Gulf are considerable in relation to its global imports, the country's exports from the GCC markets have occupied less than one per cent in Bangladesh's global exports (See Table V). Bangladesh's export destinations to the Gulf and import sources from this region are mainly Saudi Arabia, Kuwait and the UAE (See Table III and IV). With Oman, Qatar and Bahrain - the remaining three GCC nations, trade links of Bangladesh are very low key, as evident from Table III and IV. Hence, Bangladesh urgently requires diversifying its trade ties within the GCC region.

Perhaps Bangladesh might face its stiffest challenge in the manpower export to the countries of the Gulf. There are some structural changes in the labour markets of the GCC as well as shift in the policy level of governments in that region, which might pose threat to manpower export of Bangladesh to the Gulf countries. As the numbers of unemployed people among the Gulf citizens have increased, the GCC government took some measures to limit its dependency on its migrant labour force.²⁶ For instance, quotas for

²⁶ Andrzej Kapiszewski, "Arab Versus Asian Migrant Workers in the GCC Countries", Paper presented on the *United Nations Expert Group Meeting*

nationals have been introduced in some professions. However, it is Saudi Arabia, which has taken the most drastic measure. The Kingdom's government decided that by 2007 Saudis will constitute 70 per cent of the total workforce.²⁷ The Saudi Arabian Minister of Internal Affairs and Chairman of Manpower Council, Prince Naif bin Abdulaziz, announced on 2 February 2003, to lower the number of expatriate labour force to a maximum 20 per cent of its own population within the next ten years. He further stressed on to establish a quota system for foreign workers.²⁸ In October 2004, the Labour Minister of the Kingdom declared the country's plan to reduce the number of foreign workers by 100,000 per year.²⁹ All these might lead one to assume that in the years to come there could be an upheaval in Bangladesh's manpower export to the GCC countries, particularly in Saudi Arabia. Furthermore, the Bangladeshi semi-skilled and unskilled workforce finds it difficult in getting jobs in the GCC markets because of its growing competitive nature, especially in the private sector. Also, the image of the Bangladeshi workers has been dented as they are alleged to involve in illegal activities in the GCC nations. Their image is further put into bad light by the activities of some manpower recruiting agencies of Bangladesh, which are reported to be associated with smuggling and trafficking of manpower to the Gulf countries.³⁰

However, prospects are many in Bangladesh-GCC economic relations. The Gulf region can emerge as one of the potential markets for Bangladeshi goods and commodities because of higher purchasing power of the GCC population. Thus, it is imperative for Bangladesh to identify those products, which have demand in the GCC markets and export them. It might certainly go a long way to bridge the gulf between exports and imports that exist in Bangladesh-GCC economic relations. Besides, non-governmental organisations from both sides can promote dialogue on trade related

on International Migration and Development in the Arab Region, Population Division, Department of Economic and Social Affairs, United Nations Secretariat, Beirut, 15-17 May 2006, p. 5.

²⁷ *Ibid.*, p. 13.

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ Udatta Bikash, "The Woes of Migrant Workers", *Probe*, Vol. 6, Issue. 37, p. 21, March 2008.

issues. For example, to foster trade ties, apex business councils from both Bangladesh and the GCC nations could enter into regular consultations. Also, FTA (Free Trade Area) framework between Bangladesh and the GCC countries is an option to improve the trade regime. However, to pursue an FTA arrangement a joint study by policy makers from Bangladesh and the Gulf is required. If an FTA launches between Bangladesh and the GCC countries, it would open avenue for further cooperation in trade. Such arrangement will also give Bangladesh an opportunity to penetrate the GCC markets with its various products like garments, pharmaceuticals, leather, jute, ceramics, porcelain and agro-items. At the same time, Gulf could be a source of foreign investment for Bangladesh. As Bangladesh government, for foreign direct investment (FDI), offers host of liberal incentives ranging from tax holidays to full working capital loans from the local banks to the investors³¹, the country can become an attractive destination of investment from the GCC investors. Few of the potential sectors for the GCC investment are information and communication, gas and petroleum, telecommunication and pharmaceutical, and agrochemicals sectors. The prospect of investment, particularly in the pharmaceutical arena, has brightened following the recent Dhaka visit of Bahrain State Minister of Foreign Affairs. During his visit, the Bahrain Minister expressed the possibility to import world class Bangladeshi pharmaceutical products at a competitive price.³² Furthermore, in recent times some progresses have been witnessed in Bangladesh's manpower export to the GCC nations. For instance, on 10 December 2007, the Oman government lifted the ban on Bangladeshi workers and showed interest to import skilled labourers.³³ Also, while visiting Dhaka a proposal was made by a trade delegation of Emirates Trading Agency, a Dubai based organisation, to import labour force in different professions from Bangladesh.³⁴ Moreover, Bangladesh signed a protocol with Qatar on 6 January 2008 for exporting its manpower in the Gulf state. All these suggest that the flow of

³¹ Mahfuz Kabir, "Is Foreign Direct Investment Growth-Enhancing in Bangladesh?", *BISS Journal*, Vol. 28, No. 2, April 2007, p. 103.

³² *The Daily Star*, 21 June 2007.

³³ *The Daily Star*, 11 December 2007.

³⁴ *The Daily Star*, 4 December 2007.

remittances from the GCC nations will be maintained in the future. Furthermore, to accommodate its manpower in the competitive GCC job markets, the Bangladesh government has taken some initiatives like various training and capacity building programmes to enhance the skills of the country's workforce.

IV. Conclusion

Bangladesh, since its birth some three-and-a-half decades ago, has been striving hard to diversify its economic relations. Keeping this in view, the country has developed economic ties with the Gulf nations. The remittances, earned by Bangladesh from the GCC countries remain as one of the chief sources of foreign exchange inflow. But, of late, some developments in GCC job markets, previously mentioned, might create obstacles to Bangladeshi workers entering into the competitive GCC job markets. Hence, the flow of remittances could be disrupted. As far as bilateral trade is concerned, Bangladesh's imports from the GCC members have been gaining momentum in the past decades. Exports from Bangladesh to the GCC markets, however, need to be enhanced. In fact, Bangladesh's imports from the GCC far outdistanced its exports and thereby led to a yawning trade gap in favour of the GCC nations. Nevertheless, such situation can be overcome if the Bangladesh government takes measures like effective marketing of export items, surveying the markets and diversifying export destinations within the Gulf. Besides, investors of the GCC countries should be encouraged to come forward to invest in different sectors in Bangladesh. Thus, it is evident that despite the existing hurdles, the GCC countries have offered Bangladesh ample opportunities to accrue further economic dividends.