

*Rubel Molla***THE 'NEW NORMAL' IN CHINA'S FOREIGN POLICY: IMPLICATIONS FOR BANGLADESH****Abstract**

Since 1980s, China has experienced double digit growth, termed as 'old normal'¹ but recently the scenario has changed and the growth has slowed down significantly. President Xi Jinping has declared this trend as the 'new normal' which has been labelled by the analysts as a new strategy of Chinese foreign policy. China's 'new normal' is based on a 'political economy' approach which is, through greater integration, anticipated to ensure sustainable relations with various regions and economies through trade and investment. China is expanding geoeconomically and geopolitically. It is promoting new economic model and pioneering new institutions to promote broader connectivity across different regions. Chinese foreign policy is also designed in line with the new economic and geostrategic ambitions. So, a deeper understanding is crucial about China's foreign policy and its geopolitical and economic expansion through the 'new normal' policy that the Chinese leaders are promoting now. It is considered as the ideological basis of China's economic and strategic expansion. This paper is to see how China's expansion or geoeconomic and strategic ambition in Asia is realising through this new policy. Considering 'new normal' from the liberal perspective, this paper argues that China's 'new normal' will facilitate its integration with the global and regional economy providing China with geostrategic leverages in Asia. Besides, it argues that 'new normal' manifests the strategic significance of neighbouring countries like Bangladesh with several positive impacts. Hence, the paper analyses the impacts of 'new normal' on a developing country like Bangladesh and addresses different aspects of cooperation and challenges involved with the implementation of 'new normal' policy.

1. Introduction

China has several impacts on global and regional geopolitical and geoeconomic landscape. It is expanding its frontiers both economically and strategically all around the world. It has focused its strategic energies in Asia and its foreign policy is aimed at enhancing its economic and military prowess to attain

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¹Vance Wong, "China's Growth: "New Normal" Versus "Old Normal", available at <http://www.sharesinv.com/articles/2015/07/01/chinas-growth-new-normal-versus-old-normal/>, accessed on 04 December 2017.

regional hegemony in Asia² and beyond. It has experienced double digit growth since 1980s. China is extending its influence from South China Sea to Indian Ocean; stretching connectivity over Asia, Africa and Europe; countering the influence of India and USA in different regions; trying to internationalise Renminbi (RMB); leading the climate movement through upholding the Paris Climate Accord; patronising Brazil Russia India China South Africa (BRICS) economic bloc etc. It has appeared on the global stage, to facilitate the expansion, with new mechanisms and institutions like Belt and Road Initiative (BRI), New Development Bank (NDB), Silk Road Fund (SRF) and Asian Infrastructure and Investment Bank (AIIB), challenging the existing institutions. It has appeared before Asia and Africa with multi billion dollars fostering connectivity through infrastructure development and port development. So, this trend cannot be perceived in general view, rather one needs to understand this expansion through 'new normal' policy of President Xi Jinping. 'New normal' policy denotes plan to move from high speed growth (Old Normal-double digit growth of about ten per cent) driven by exports and infrastructure investment to slower, steadier, stronger and cleaner growth (around 6.5 per cent) to avoid middle income trap.³ China's 'new normal' in foreign policy is based on political economy to intensify investments in broader region and encourage sustainable trade relations with different regions to modernise its economic sectors. Through this policy, Chinese authority promises to open its economy to the world by developing transportation routes, building high-tech sectors and infrastructural connections among neighbouring countries and regions to facilitate overseas companies' entry into China and Chinese companies' expansion abroad. So, this policy can be an effective one to exert economic influences while bagging geopolitical leverages for China to facilitate its expansion around the world. Now the question is that, what kind of global and regional impetus it will generate? What are the implications for Bangladesh? This paper will deal with these questions to make a better understanding of the 'new normal' policy in the regional and Bangladeshi contexts.

This paper argues that 'new normal' in China's foreign policy is proactive and it has become a new tool to materialise China dream - a term popularised after 2013 by President Xi which denotes collective effort, socialism, Chinese prosperity and national glory. It is argued that the 'new normal' strategy seeks to ensure equivalence between international trends and domestic interests. Defining China as a transformed rising power Hameiri and Jones argues that it is a fragmented, decentralised and internationalised political system which facilitates different agencies and actors to pursue paradiplomatic relations⁴. For instance, institutions like AIIB and initiatives like BRI play crucial role in the diplomatic relations of China to attain strategic

² Harsh V. Pant (ed.), *The Rise of China: Implications for Asia*, New Delhi: Cambridge University Press, 2012, p. 1.

³ Carrie Gracie, "China's 'New Normal'- a Bit Too Much Like the Old Normal", available at <https://www.bbc.com/news/world-asia-china-35149258>, accessed on 17 December 2017.

⁴ Shahar Hameiri and Lee Jones, "Rising Powers and State Transformations: The Case of China", *The European Journal of International Relations*, Vol. 22, No. 1, 2016, pp. 72-98.

and economic goals. Moreover, Hille argues that 'new normal' follows trade and investment and pursues defensive measures to protect the interests come from the globalisation.⁵ 'New normal' is functional under the umbrella of BRI and it has been promoting Bangladesh China India Myanmar Economic Corridor (BCIM-EC) and China-Pakistan Economic Corridor (CPEC) in Asia to resolve its "Malacca dilemma".⁶ So, 'new normal' can be an effective channel to attain its dream to connect different regions and diversify trade and investment.

China is promoting 'new normal' policy as an inclusive approach to ensure balanced economic growth through facilitating connectivity, trade and investment and infrastructural development. This policy has much impacts on the economy of developing countries in South Asia. This paper focuses on positive impacts and challenges of 'new normal' policy in the developing countries especially in the case of Bangladesh.

China's growth is slower but sustainable and steady, which is ultimately accelerating regional development and financial integration. China's economic diplomacy, in which 'new normal' is a significant part, denotes the use of diplomacy to attain economic benefits and use of economic means to pursue political objectives in Asia and beyond. This paper argues that the 13th Five Year Plan (FYP), through which Chinese economy entered into 'new normal', has positive effect on the development process of the Asia-Pacific region. BRI, AIIB, SRF *etc.* are effective tools to materialise the 'new normal' at the international level. Bangladesh is a significant part of 'new normal' as it is a part of BCIM-EC under the BRI theme and it can be benefited from China's new policy. As Bangladesh is not beyond the regional and global economic integration, it is imperative to analyse in detail the potential impacts of China's 'new normal' on Bangladesh's economy and its geostrategic implications. Bangladesh, with huge cheap labour, has the chance to be the destination of China's sunset industries⁷. Moreover, investment in Information Technology (IT), energy and green economy will soar up. It further argues that Bangladesh is geostrategically crucial for China as the latter is trying to curtail the Indian dominance and come out from the Malacca Strait problem. Ultimately, the race between the two, India and China, is an important variable which will determine how much Bangladesh will be benefited from China's 'new normal' economy.

⁵ Kathrin Hille, "Hu Calls for China to be Maritime Power", available at <https://www.ft.com/content/ebd9b4ae-296f-11e2-a604-00144feabdc0>, accessed on 05 December 2017.

⁶ The term "Malacca Dilemma" was coined by President Hu Jintao in November 2003 on the excessive dependence on Malacca Strait for energy imports. The Strait is considered as strategically vulnerable and Chinese authority thinks that whoever controls the Strait of Malacca will have a strong control over the energy route of China. The Strait also prone to pirate attacks and other transnational threats are major concerns. See, Ian Storey, "China's Malacca Dilemma", *China Brief*, Vol. 6, No. 8, 12 April 2006.

⁷ An industry in decline which once passed its peak periods. It continues to be very significant for economy but fails to attract investors due to its higher environmental costs and less employment and profit generation capacity.

The paper is based on secondary data sourced from academic journals, books, newspaper articles and reports. This paper is divided into six sections. Following the introduction, section two explains the 'new normal' and President Xi's vision regarding the 'new normal' policy and the nature of China's economic diplomacy and BRI. Section three discusses the different impacts of this policy on the global and regional economy. Section four discusses the strategic and economic implications of this policy in the context of Bangladesh. Section five deals with different challenges and finally, the sixth section concludes the paper.

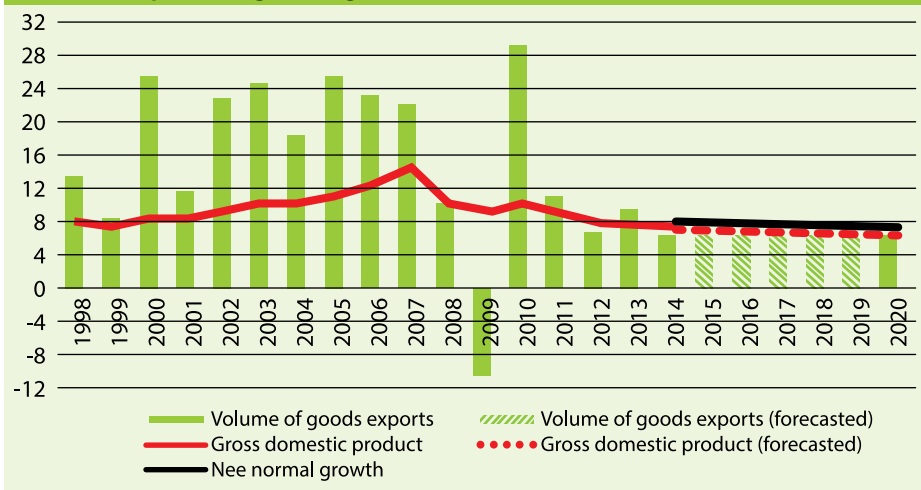
2. Explaining 'New Normal' and President Xi's Vision

The term 'new normal' was first familiarised by Pacific Investment Management Co., a California-based company which creates fund through selling bond in the market to express below-average growth after the global recession. Chinese President gave the term a ground during his going over visit in Henan province of Central China suggesting the necessity of adjustment to a 'new normal'. Since the third quarter of 2014, China's growth rate has been pulled down by a housing slowdown, reducing internal demand and unsteady exports.⁸ This slowdown is labelled as the 'new normal'. This policy portrays a clear move from high speed growth to slower, steadier and more sustainable economy which emphasises quality rather than quantity of growth.⁹

⁸ "China Braces for Slower but Better Economic Growth in 2015", available at <http://aiaworldwide.com/news/china-braces-slower-better-growth-2015>, accessed on 21 December 2017.

⁹ Colin Shek, "A Shift in Key: China Moves Towards the New Normal", available at <http://knowledge.ckgssb.edu.cn/2015/12/15/policy-and-law/a-shift-in-key-china-moves-towards-the-new-normal/>, accessed on 03 December 2017.

Figure 1: The Growth of Export Volume and GDP of China (year-on-year percentage change)



Source: Aman Saggi and Witada Anukoonwattaka, "China's 'New Normal': Challenges Ahead for Asia-Pacific Trade" *Trade Insights*, United Nations Economic and Social Commission for Asia and the Pacific, Issue No. 11, July 2015, p. 2.

China has experienced nearly 10 per cent growth rate since 1978.¹⁰ However, the growth started to reduce to 7.9 per cent in 2012 and 7.8 per cent in 2013. The figure was 7.3 per cent in 2014 and the average growth between 2015 and 2017 shows a figure of 6.8 per cent, expected to be the same in 2020 (see figure 1), leading it into a 'new normal'.¹¹ Though the Gross Domestic Product (GDP) growth rate fluctuates between 6 to around 7 per cent, it contributes 30 per cent of the world's total economic growth.¹² Chinese authorities have issued policies that assist the supply-side reforms and sponsor innovation in multiple sectors. Thus, the Chinese authority has adjusted to the 'new normal' and moved its emphasis to supply from demand.

The main features¹³ of this policy are: priority to qualitative than quantitative aspects of economic growth; ecological shift with the aim of "going green"; promoting Research and Development (R&D) activities and innovation

¹⁰ The World Bank, "The World Bank in China", available at <http://www.worldbank.org/en/country/china/overview>, accessed on 16 May 2018.

¹¹ Aman Saggi and Witada Anukoonwattaka, "China's 'New Normal': Challenges Ahead for Asia-Pacific Trade" *Trade Insights*, United Nations Economic and Social Commission for Asia and the Pacific, Issue No. 11, July 2015, p. 2.

¹² "China Contributes 30 Per Cent to Global Economic Growth: NBS", *The People's Daily*, 01 June 2018, available at <http://en.people.cn/n3/2018/0601/c90000-9466765.html>, accessed on 02 July 2018.

¹³ Nikola Stakić and Katarina Zakić, "Challenges of Business and Financial Transformation of China in New Normal Economy", *The Review of International Affairs*, Vol. LXVII, No. 1161, January-March, 2016, p. 86.

driven economy¹⁴; balanced and sustainable growth, consistent with market force; and shift from global manufacturer to sophisticated economic activities. Actually, China's 'new normal' denotes a deep structural adjustments facilitating smooth and steady economic development. 'New normal' has been approved as a target in its 13th Five Year Plan with a hope for creating a wide-ranging economic redirection. The 'new normal' is that the Chinese economy is slowing naturally as it grows larger.¹⁵ The Five Year Plan (2016-2020) intends to weight domestic consumption as a growth driver, drive innovation and R&D, launch new drivers for sustainable and green development, lift value addition in manufacturing sector and join together with new regions and economies of the world under the umbrella of BRI to ensure steady and smooth development through regional connectivity and investments.¹⁶

As President Xi's vision is evolved with the economic diplomacy and 13th Five Year Plan, the Chinese government is focusing on new economic strategies promoting BRI with a view to developing infrastructures connecting different regions of Europe and Asia. Thus, China is moving forward to make a new economic model with more openness, entering into 'new normal'. Actually, the Chinese government has tried to rebalance its economy to achieve a 'new normal' of less rapid but more sustainable economic growth.¹⁷ As it is the world's number one manufacturer and trader, a top commodity buyer, a large growing market, a significant outward investor and inward Foreign Direct Investment (FDI) destination¹⁸, its slow economic growth leaves significant implications for the future global economy. To understand the 'new normal', a better idea over the nature of China's economic diplomacy and 13th FYP is needed.

2.1 *China's Economic Diplomacy and 13th Five Year Plan*

Economic diplomacy, along with China's rising political and economic influences, has become a significant instrument in the Chinese foreign policy. China has strategically expanded its regional and global economic performances through initiating new institutions and integration mechanisms.¹⁹ It has provided huge incentives, in terms of aid and investments, to different countries of Central, South and Southeast Asia, Africa and Latin America through the BRI channel. Economic

¹⁴ "New Normal in Economic Development", available at http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-10/05/content_32869258.htm, accessed on 10 December 2017.

¹⁵ Martin Wolf, "China's Struggle for a New Normal", available at <https://www.ft.com/content/28ea640e-ef62-11e5-aff5-19b4e253664a>, accessed on 29 November 2017.

¹⁶ Sharmila Kantha, "What Does China's New Normal Mean for India?", available at http://www.ideasforindia.in/article.aspx?article_id=1648, accessed on 28 December 2017.

¹⁷ Jing Zhang and Jian Chen, "China's New Normal Economy", *Journal of Chinese Economic and Business Studies*, Vol.15, No.1, 2017.

¹⁸ Sharmila Kantha, *op. cit.*

¹⁹ "The Geopolitical Impact of China's Economic Diplomacy", available at <https://www.brookings.edu/events/the-geopolitical-impact-of-chinas-economic-diplomacy/>, accessed on 20 December 2017.

diplomacy of China denotes two things: first, the use of diplomacy to achieve economic goals and benefits and the second is highly related to the notion of statecraft that is the use of economic means in pursuit of political objectives.²⁰ China's economic diplomacy comprises with different instruments of trade and investments, finance and currency covering multifarious economic dimensions especially in environment and economic issues. Economic diplomacy is connected to its development and economic security. Besides, economic diplomacy involves with the nature of cooperation, aid or sanctions in bilateral, regional and global levels. China's new philosophy on economic diplomacy mirrors its new material power and economic development.²¹ The new economic diplomacy of China portrays its success in utilising economic strategy to promote politics after the financial recession in Asia in 1997. Specially, the BRI is the prime focus of economic diplomacy which brings a move to reshape the regional discourse from security to economics and creates an inclusive and open order to prevent United States's attempts to contain China's rise. Again the AIIB and the SRF are remarkable instances of Chinese novelty in economic diplomacy, especially to supply further sources of financing and to promote regional economic integration.²² These mechanisms are an arrangement of strategic vision to pursue diplomatic and economic gains of China in South, Central and Southeast Asia as well as expose a feedback to the China's shifting domestic economy. Many observers like to feature President Xi's actions as a chequebook diplomacy as he, during his visit to US, Pakistan, Britain, Russia, Belarus and South Africa, made more than US\$200 billion worth of state investments, commercial deals, aids and loans.²³ Actually, the Chinese authority is extending China's influence through trade and investment deals with its neighbours and other countries of the world. Zhu Zhiquan, Director of China Institute at Bucknell University expressed that Xi's dollar diplomacy is steady with new diplomacy of China started in 1990s and it emphasises on expanding export markets, promoting soft power and securing resources.²⁴ Recent Five Year Plan has facilitated the economic diplomacy in a more strategic manner and led the country's economic development into a 'new normal'.

Through the declaration of 13th FYP, China's economy has entered into a 'new normal' which is considered as the final period to attain a prosperous, moderate and economically integrated society and world. This plan follows proactive approach in social investment and conservative approach in social consumptions. It has five

²⁰ Audrye Wong, "Chinese Perspectives on Economic Diplomacy" *The Asan Forum*, 22 September 2016, available at <http://www.theasanforum.org/chinese-perspectives-on-economic-diplomacy/>, accessed on 29 December 2017.

²¹ *Ibid.*

²² *Ibid.*

²³ "The Grand Plan Behind China's Economic Diplomacy: Ease Strain Domestically, Build Status to Rival America", *South China Morning Post*, 28 January 2016, available at <http://www.scmp.com/news/china/diplomacy-defence/article/1906531/grand-plan-behind-chinas-economic-diplomacy-ease-strain>, accessed on 18 December 2017.

²⁴ *Ibid.*

development philosophies *i.e.* innovation, coordination, green development, opening up and sharing. The core of the philosophy is supply-side structural reform.²⁵ An overwhelming expectation rises as it is thought that China will be a significant driver of global economic growth and investment. Besides, being a national strategy of development, in a broader sense, the 13th FYP is a great call to development encompassing transformation, reform and openness of economy. BRI is the ultimate outcome of its economic diplomacy and 13th FYP because it envisions the spirit of 'new normal' and better trade and infrastructure connectivity among the different countries of the region.

2.2 *Belt and Road Initiative: Extending New Normal at International Level*

Though China is experiencing slow growth rate recently, its position as a hub for business opportunities and investment has continued as a driver of the global market. The 'overcapacity' of China has led its policy makers to seek higher returns by investing outside. Just after the Second World War, the US government also experienced a perplexing economic situation and went through a transition to a new model, a strategy known as the Marshall Plan.²⁶ Analysts portrayed BRI as the extended version of 'new normal' at international level.

The BRI initiative is one of the most ambitious projects of 21st Century undertaken by the Chinese leadership formally presented on 28 March 2015.²⁷ The Old Silk Road was one of the busiest roads between 3rd Century BC and 15th AD to transport goods like silk, tea, silver, porcelain, salt, gold, precious stones, wool, textile, wine etc, from China to Europe and vice versa through Central Asia and Middle East by land.²⁸ BRI has two parts: first is land based Silk Road Economic Belt (SREB) and the second is sea based Maritime Silk Road (MSR). SREB seeks to link China with the South Asia and the Southeast Asian countries as well as Indian Ocean (see map 1).²⁹

²⁵ National Development and Reform Commission (NDRC), People's Republic of China, *An Overview of 13th Five-Year Plan*, 07 December 2016, available at http://en.ndrc.gov.cn/newsrelease/201612/t20161207_829923.html, accessed on 09 December 2017.

²⁶ Vasilis Trigkas, "China's New Normal: An Indispensable Locomotive of Global Growth", *China Business Review*, 20 May 2016, available at <https://www.chinabusinessreview.com/chinas-new-normal-an-indispensable-locomotive-of-global-growth/>, accessed on 13 December 2017.

²⁷ Irina Ionela Pop, "Strengths and Challenges of China's "One belt, One road" Initiative", *Centre for Geopolitics & Security in Realism Studies*, 09 February 2016, London, p. 2

²⁸ Nikola Stakić and Katarina Zakic, *op. cit.*, p. 90.

²⁹ Irina Ionela Pop, *op. cit.*, p. 2.

Map 1: Silk Road Economic Belt and 21st Century Maritime Silk Road



Source: Jeremy Page, "China Sees Itself at Center of New Asian Order: Beijing Builds Roads, Pipelines, Railways and Ports to Bind Itself to Region", *The Wall Street Journal*, available at <https://www.wsj.com/articles/chinas-new-trade-routes-center-it-on-geopolitical-map-1415559290>, accessed on 17 December 2017.

The aim of the initiative is to build a Eurasian land bridge, a logistics chain, from China's east coast to Western Europe; to develop the economic corridors connecting China with Mongolia and Russia, Central Asia and Southeast Asia; to build efficient transport routes between major ports in different countries including the development of an economic corridor through the Indian Ocean. China has huge amount of capital and foreign exchange reserves. BRI targets to open a horizon of investment outside of China and diversify the reserves and new markets for Chinese goods and services. BRI encompasses 65 countries which contain 60 per cent of the World's population and 33 per cent of the global GDP. BRI consists of six economic corridors which effectively constitute the framework of the initiative beyond the border of China.

Previously, China's geostrategic focus was centred in East Asia. Now the concern has been expanded to South and Central Asia. In fact, China is expanding on two fronts: southward towards the Indian Ocean and westward towards Eurasia.³⁰ China is promoting BRI to curtail the influence of US in the Asia-Pacific region. BRI initiative has been designed to support China to lead the free trade in the Asia-Pacific and it will geoeconomically facilitate China to manage its overcapacity, develop its comparatively poor and remote regions and elevate its industries. Bangladesh is a

³⁰ Avia Nahreen, "The Growing Strategic Importance of Bangladesh to China", *The Daily Star*, 21 April 2017.

significant part of BRI as it is a member of BCIM-EC. It holds a strategic position along the 21st Century MSR with Chattogram port as a maritime pivot through the Indian Ocean.³¹

3. Implications of the 'New Normal'

China is the pioneer of alternative financial institutions to the World Bank (WB) and the Asian Development Bank (ADB) *e.g.*, AIIB. China's slower growth, from the global perspective, denotes less growing stress on commodity prices and slower growth in demand for imports from the global markets. Despite slow growth, China will remain one of the fastest growing economies in the world making huge contribution, nearly a third of global growth. As China's share of consumption in GDP is low, the prime concern of 'new normal' is increasing its share. This will create opportunities for more production in consumer goods worldwide but slow growth in investment will impinge on exporters of raw materials and commodity. Analysts believe that the growth will be slower but sustainable and steadier with reasonable utilisation of resources and the environment and less dependent on booms and busts of credit cycle.

One of the significant aspects of 'new normal' is increasing trade and financial integration globally. The reform will reduce barriers to outward and inward capital flows. China will be a vital source of capital for the other regions of the world. Having large account surplus, China has been exporting large amount of capital. In the 'new normal', capital outflow will be diversified more through different channels and multilateral initiatives like AIIB, SRF *etc.*³²

An important aspect of 'new normal' is continuous budge to more flexible management of RMB. As China has emerged as one of the largest economy and trader, a flexible exchange rate is important and a stable international monetary system cannot be expected without the flexible move of RMB. The internationalisation of RMB has facilitated the increased use of RMB to meet up trade transactions and created demand for RMB dominated assets among the investors in terms of perception that RMB will continue to appreciate against other international currencies. With the increasing economic role of China, open capital account and flexible exchange rate, RMB is occupying place as one of the major reserve currencies in global market.

This policy will change the intra-regional trade scenario. The countries which export intermediate and primary goods to China particularly Democratic People's Republic of Korea, Mongolia and Turkmenistan will be the prey to slow growth because

³¹ *Ibid.*

³² R. Lincoln Hines, "Xi Jinping's New Foreign Policy", available at <http://nbr.org/research/activity.aspx?id=516>, accessed on 25 December 2017.

these countries are highly dependent on commodity exports to China. But countries like South Korea, Japan, Singapore, Vietnam, the Philippines and Malaysia which export final goods *i.e.*, branded and high-tech goods, will be benefited.³³ However, non-tariff barriers are major concern in this regard. China's shift to higher value added services from intermediary activities can open a new horizon of opportunity for Least Developed Countries (LDCs) to reinstate in Global Value Chains (GVC). But the participation of the countries in the chains relies on the ability to extract from competitive labour costs, efficient infrastructure and services, natural resources *etc.*³⁴

The new strategy of rebalancing Chinese economy has significant geostrategic and economic implications for Asia and the Pacific. It provides huge trade prospects in the region. The Asia-Pacific region is forecast to remain the fastest growing region of the global economy with growth supported by innovation and change, an important aspect of 'new normal', and different strategies especially through the BRI. China's manufacturing sector has experienced adjustment and rationalisation due to overcapacity and reduction in competitiveness of low-cost manufacturing but rise of consumption has become a crucial growth driver for both domestic and global economy as consumer spending remains moderate in developed economies like Japan, US and the EU.

China's innovation and change will be main factor to transform the economic structure of the Asia-Pacific region. "Made in China 2025" strategy reveals the gradual transition from low-cost manufacturing to higher value added manufacturing. BRI is the key instrument for the long term growth in this region. AIIB and SRF, along with other Chinese bilateral infrastructure assistance, can be a new source of infrastructural finance for the emerging Asian markets. Central and Southeast Asian countries will get benefits from the BRI and "Made in China" strategy, leaving Greater Mekong Sub-region (GMS) as a new global hub for low-cost manufacturing.

BRI can assist Association of Southeast Asian Nations (ASEAN) to develop its connectivity among the member states by incessantly developing their economic zones within and beyond Asia. It can be a medium for China to shore up the economic relationship with the ASEAN nations and it will pave the way for establishing wide ranging railway networks to distribute technology and services regionally *e.g.*, railway construction in Thailand, Malaysia, Laos and Indonesia is quiet visible.³⁵ Politically, China and ASEAN have no strategic contradictions and the latter is considered as a significant platform for the former to participate in multilateral diplomacy and to put forward and implement its new security model.

³³ Aman Saggu and Witada Anukoonwattaka, *op. cit.*, p. 1.

³⁴ *Ibid.*

³⁵ *Ibid.*

China shares about 5,000 kilometres border with five South Asian countries- Bhutan, Afghanistan, Nepal, India and Pakistan. The trade volume between China and South Asia will increase because of connectivity and trade zones. Some BRI projects in South Asia like BCIM-EC, CPEC, the development of Lhasa-Kathmandu-Lumbini railway and the Qinghai-Tibet railway linking Kerung will facilitate the economic integration of South Asia and China. It can play a significant role in triggering peace, prosperity and stability in South Asia. China is considered as a potential market for Central Asian energy and it is also active in exploring and extracting natural resources like oil and gas. China is the largest trading partner and investor in Central Asia.³⁶ Central Asia is the key part of the BRI in the Asian and Eurasian landmass. So, BRI, a key part of 'new normal' can be a panacea for the Asia-Pacific region.

Still there exists various economic imbalances in China *e.g.*, excess capacity in some industrial sectors, slowdown in residential constructions and rise of unregulated shadow banking loans between 2010 and 2014. These imbalances and GDP growth rate below 5 per cent (if happens) may create risks to the global economy especially to the vulnerable economies *e.g.*, Hong Kong, Malaysia, Taiwan, Singapore, Thailand, South Korea. So, 'new normal' has various impacts on the global and regional economy. As a neighbour of China, Bangladesh is a significant part of this policy and it will have implications on the country's economy.

4. Bangladesh in 'New Normal'

The relationship between Bangladesh and China dates back to thousands of years. Both countries cooperate in bilateral, multilateral and regional diplomatic spectrum. Rise of China's vertical economy can create much scope for Bangladesh *e.g.*, on low-end labour intensive manufacturing. Bangladesh can be a hub for low priced apparel. It can narrow down the manufacturing gap through low-end labour intensive industries that are moving out from China. China can be a big export market for Bangladesh, particularly for apparel products. China's domestic Ready Made Garments (RMG) market is around US\$ 310 billion. China's 'new normal' in the form of regional connectivity can accelerate both bilateral and regional trade and investment in South Asia. Under the BRI umbrella, China is developing key infrastructures like deep sea ports and industrial parks. Infrastructural development in BCIM states can be supplemented by the Asian Highway network to facilitate ceaseless connectivity in the region. BCIM-EC can facilitate pipeline connections for energy trade within South Asia and beyond. China's comprehensive relationship has shifted to strategic relationship under the 'new normal' which is facilitated by regional connectivity programmes, trade and investments and security cooperation. So, new normal strategy has significant impacts on regional economy and Bangladesh is a significant factor in the regional competition.

³⁶ Roman Muzalevsky, "China's Long March into Central Asia", *Stratfor*, 27 April 2016, available at <https://www.stratfor.com/article/chinas-long-march-central-asia>, accessed on 19 December 2017.

4.1 *Regional Integration and Connectivity*

Connectivity is the focal point of interests of both Bangladesh and China. China has appeared before Bangladesh with BRI. It is building mega infrastructure projects under the BRI umbrella to foster multilateral relations with different economies. To foster connectivity, Bangladesh and China have discussed a highway project to connect Chattogram and Kunming via Myanmar.³⁷ BCIM-EC, one of the corridors of BRI, is expected to facilitate connectivity and enhance cooperation in the region. China has invested multi billion dollars in the construction of Padma Bridge, Karnaphuli Tunnel, modernisation of Mongla sea port, construction of marine drive express way in the southern coast, Dhaka-Ashulia Elevated Expressway and broad gauge railway line from Akhaura to Sylhet. Besides, it has offered US\$1 billion assistance for digital connectivity.³⁸ Modernisation of Chattogram, Mongla and Payra ports can facilitate connectivity for the south-western China and northeast India enabling Bangladesh to secure ceaseless transport network with Southeast Asia, China and India. This can facilitate the access of Bangladesh to foreign markets and reduce transportation costs of goods and services. Different projects under BRI especially, the Karnaphuli Tunnel and Padma rail link will improve transportation between southwest and northwest regions. Bangladesh-India connectivity, under the BCIM-EC, will get a new momentum through the establishment of railway connectivity between Bangladesh and north-eastern states of India, reducing 50 per cent of travel costs. This would open a new source of earning of foreign exchanges from the transit fee (handling cargoes and containers) for Bangladesh while India would get benefits from low transport costs and travel time.

4.2 *Economic and Financial Implications*

In China, per unit labour cost is rising and for that Chinese declining sunset industries are looking for suitable places to shift or relocate. China is looking for a huge shift from labour intensive low-tech industries, owing to its rising labour costs and cooling markets to high margin and high-end manufacturing industries like IT, aerospace and telecommunication. Chinese companies which produce low-end labour intensive products are searching for places with cheap labour to relocate their plants. The wage of the Chinese workers has increased 64 per cent since 2011 and in 2016, the wage was US\$ 3.60.³⁹ Bangladesh, having nearly one third of its population

³⁷ Borhan Uddin Khan, "China-Bangladesh Economic Cooperation: Current Trends and Future Prospects", available at <https://thefinancialexpress.com.bd/views/china-bangla-economic-cooperatio-current-trends-and-future-prospects>, accessed on 11 December 2017.

³⁸ Rejaul Karim Byron and Md. Fazlur Rahman, "\$24.45b Deals, Two Countries Put It on Paper," *The Daily Star*, 15 October 2016.

³⁹ Sophia Yan, "Made in China isn't So Cheap Anymore, and that Could Spell Headache for Beijing", available at <https://www.cnbc.com/2017/02/27/chinese-wages-rise-made-in-china-isnt-so-cheap-anymore.html>, accessed on 21 December 2017.

between the ages of 15 to 30, offers a significant young labour force at the cheapest rates to the manufacturers of sunset industries along with the huge number of labour intensive industries.

China's economic reform has created much potential for the manufacturing sectors. In Bangladesh, manufacturing sector contributes nearly 20 per cent to GDP. This sector is very important because it is the main driver of productivity growth, innovation and employment. Expansion of manufacturing industries assists in resource allocation, technological advancement and dynamic gains. Bangladesh has much scope to draw the Chinese manufacturing units that are shifting to Vietnam, Indonesia and other Asian countries. This relocation of such units brings skills, capital and technology, creates huge employment opportunities and market in China. Already Chinese government has proposed to develop an industrial park in Chattogram.

BRI is a significant part of 'new normal'. China has created new financial mechanisms *e.g.*, AIIB, SRF to fund the BRI related projects and infrastructural constructions. Bangladesh is one of the 57 founding members of this bank. As Bangladesh has been graduated from the LDCs, it needs more infrastructural development for sustainable advancement. To avail loans from AIIB for its purpose of infrastructural development is crucial for Bangladesh.⁴⁰ The bank expects to lend US\$ 10-15 billion a year in its first five or six years and Bangladesh has sought US\$ 1 billion from the AIIB for various projects in roads, railway and power sectors.⁴¹ In 2018, AIIB has approved US\$ 60 million for constructing a 220 megawatt combined cycle power plant in Bhola and it is considering investing US\$ 885 million in five different projects in communication and energy sectors.⁴² This huge investment will increase power supply in industries and bring huge families under electricity facilities.

Under the 'new normal', Official Development Assistance (ODA) has been increased. China provides assistance in the form of grants, zero interest loans, supplier's credit *etc.* In the old normal, especially until the year 2005, China provided US\$ 32.94 million as grants, US\$ 764 million as supplier's credit and US\$ 181 million as zero interest loans.⁴³ But under the 'new normal', the amount of assistance has been increasing. China's foreign assistance to Bangladesh is about US\$ 1 billion a year.⁴⁴ In 2017-2018 fiscal year, total foreign aid commitment was US\$ 14.86 billion where

⁴⁰ Bahauddin Foizee, "AIIB: Opportunities for Bangladesh", *Dhaka Courier*, 16 July 2015.

⁴¹ "Bangladesh Seeks \$1b from AIIB", *The Daily Star*, 04 August 2017.

⁴² "AIIB Approves \$60 Million for Bangladesh Power Plant, Considering Investing \$885m More", available at <https://bdnews24.com/economy/2018/02/27/aiib-approves-60-million-for-bangladesh-power-plant-considering-investing-885m-more>, accessed on 10 March 2018.

⁴³ Samia Zaman and Ruksana Islam Sujana, "Bangladesh-China Relations: From Closer Comprehensive Partnership to Strategic Partnership", *BISS Journal*, Vol. 38, No. 2, April 2017, p.128.

⁴⁴ Forrest Cookson and Tom Felix Joehnk, "China and India's Geopolitical Tug of War for Bangladesh", *East Asia Forum*, 11 April 2018, available at <http://www.eastasiaforum.org/2018/04/11/china-and-indias-geopolitical-tug-of-war-for-bangladesh/>, accessed on 03 May 2018.

China committed US\$ 4.35 billion.⁴⁵ Again, Bangladesh signed a deal of US\$ 2.67 billion Chinese loan for Padma rail project.⁴⁶ During the visit of President Xi, China has committed to provide US\$ 24.45 billion as a financial assistance in more than 34 projects. China is implementing US\$ 10 billion worth of infrastructure projects including Payra Power Plant, the 8th China Bangladesh Friendship Bridge, and Chinese Economic and Industrial Zone.⁴⁷ These projects will develop infrastructure, trade and investment and play a positive role in the socioeconomic development of the people.

The idea of regional stock exchange to fund the BCIM cooperation related constructions is also on the table, came from the shared ideas of ILFA (China Kunming International Logistics and Finance Association), South Asia Federation of Exchanges (SAFE) and BCIM member countries. The proposed stock exchange will be established in Kunming and at first will trade products to incorporate RMB dominated securities, RMB bonds, fund and index products which can be annexed in the partner's exchanges allowing the region to participate in cost and financial benefits of such economic corridor construction.⁴⁸ Bangladesh, with geographical proximity, bilateral trade potential to Chinese business and investments and diplomatic relations, can harvest most of the benefits from the Kunming Silk Road Stock Exchange Initiative. As a part of the strategic partnership, a consortium of two Chinese stock exchanges - Shanghai Stock Exchange and Shenzhen Stock Exchange - has become a strategic partner of Dhaka Stock Exchange (DSE). They proposed to buy 25 per cent of share and to spend US\$ 37 million for the technical and technological development of the DSE.⁴⁹

4.3 Trade and Investment

Under the 'new normal', Bangladesh-China economic relations have been reached at a new height. In the 'old normal', trade between the two countries was less than US\$ 1 billion in 2002 but it crossed US\$ 10.3 billion in 2013 and more than US\$ 14.7 billion in 2015 (see table 1 and figure 2). Bangladesh is a huge market of 160 million people and it is considered as the gateway of Southeast and South Asian countries. China's recent economic reform has accelerated the bilateral trade between the two countries. In 2016-2017, the amount of bilateral trade between the two countries crossed US\$ 11.14 billion⁵⁰. The data shows that, though the volume of trade is slightly slowed down in 2017, the trend of bilateral trade is increasing.

⁴⁵ Rejaul Karim Byron, "China, India Lead Way in Foreign Aid", *The Daily Star*, 05 July 2018.

⁴⁶ Munira Sultana, "PM Gives Nod to \$2.67b Chinese Loan", *The Financial Express*, 16 April 2018.

⁴⁷ "China Implements \$10b Worth of Infrastructure Projects in Bangladesh", *China Daily*, available at <http://www.Chinadaily.com.cn/a/201803/22/WS5ab36a0aa3105cdcf65139df.html>, accessed on 10 April 2018.

⁴⁸ Maruf Khan, "BCIM-EC: The Prospects of a Regional Stock Exchange", *The Financial Express*, 11 November 2017.

⁴⁹ Mostafizur Rahman, "Shanghai, Shenzhen Exchanges to Buy 25pc Stake of DSE", *The New Age*, 07 February 2018.

⁵⁰ Bangladesh Bank, available at <https://www.bb.org.bd/econdata/index.php>, accessed on 05 March 2018.

Table 1: Bangladesh's Trade with China

Year	Export (US\$ million)	Import (US\$ million)
2000-01	11.67	708.94
2001-02	18.92	657.78
2002-03	19.50	779.50
2003-04	45.65	1,132.72
2004-05	56.07	1,643.77
2005-06	64.35	2,078.99
2006-07	92.97	2,572.62

Source: The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Figure 2: Bangladesh's Trade with China (US\$ million)



Source: Shahriar Kabir and Mohammad Maruf Hasan, "Sino-Bangla Bilateral Trade (Trade Analysis and Future Development)", *Journal of Economics and Sustainable Development*, Vol. 8, No.10, 2017, p. 219.

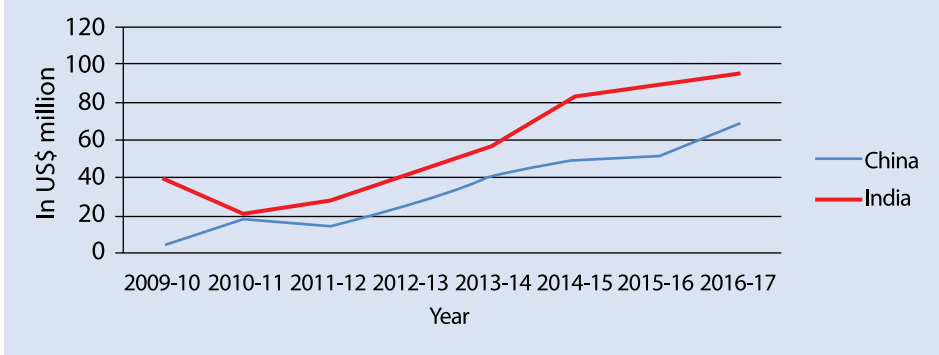
Bilaterally, Bangladesh enjoys duty free access to 5,054 products. Being a developing country, China provides duty free benefit to 97 per cent products of Bangladesh as per the rules of WTO. China reduced its duty structure to 9.8 per cent from 15.2 per cent between 2002 and 2009.⁵¹ Under the 'new normal', more investment opportunities have been created. Due to high labour price, Chinese companies are moving to low labour cost countries like Vietnam and Myanmar. Bangladesh can be a good destination for Chinese companies. Special Economic Zones (SEZs) have been

⁵¹ "7 Chinese Firms Look to Invest in Bangladesh", *The Daily Star*, 14 October 2016, available at <https://www.dailystar.net/business/7-chinese-firms-look-invest-bangladesh-1298272>, accessed on 15 December 2017.

created in Mirsarai of Chattogram and Maheshkhali of Cox's Bazar. There exists much scope for Chinese investment in major sectors like leather, apparel and jute. Besides, Bangladesh provides much scope for investing in heavy industries. In 2017, Yongle Overseas Investment Co. Ltd. has signed a Memorandum of Understanding (MoU) of US\$ 2.13 billion to establish iron and steel zone.⁵² This huge investment will create job opportunities and reduce dependence on steel import. Again a Chinese company has moved fast to invest US\$ 5 billion in a SEZ of Bangladesh for establishing industries including a massive 2,640 megawatt power plant.⁵³ Moreover, China is set to invest US\$ 3.1 billion in Bangladesh railway.⁵⁴

Regional connectivity, under the 'new normal', will facilitate grater preferential access to markets of China which could make Bangladesh an eye-catching destination for FDI. China and India, two economic powers, can be a significant source of FDI for Bangladesh since outward flows of FDI are on the rise in both countries.

Figure 3: Chinese and Indian FDI Inflow into Bangladesh



Source: Bangladesh Bank, *Foreign Direct Investment (FDI) in Bangladesh*, Survey Report, January-June 2017, pp. 34-35.

BCIM-EC initiative came to the discussion table at a time while China is, through the 'new normal', passing a transitional period from inward looking economy to global market, playing a strategic role in modelling the development configuration in the Asia-Pacific. China has focused on five core areas to invest e. g., power generation, energy exploration, industry, agriculture and transportation. Through enhancing connectivity with China, Myanmar and India (under BCIM-EC) by constructing roads and railways, Bangladesh can play significant role as connecting corridor between

⁵² "Chinese Company to Invest US\$ 2.13 Billion in Bangladesh for Establishing Iron and Steel Zone", *Textile Today*, 03 December 2017, available at <https://www.textiletoday.com.bd/chinese-company-invest-2-13-billion-bangladesh-establishing-iron-steel-zone/>, accessed on 19 December 2017.

⁵³ Doulot Akter Mala, "China to Invest \$5.0b in BD Economic Zone", *The Financial Express*, 12 January, 2018.

⁵⁴ "China Set to Build \$3.1bn Bangladesh Railway", *Global Construction Review*, 22 July 2016, available at <http://www.globalconstructionreview.com/news/china-set-bui7ld-31bn-bangla7desh-rai7lway/>, accessed on 29 November 2017.

Southeast Asia and South Asia and can utilise the chance of transforming itself into a part and parcel of an industrial nexus and business hub.

4.4 *Increasing Cooperation in the ICT and Energy sector*

Under the 'new normal', China is moving towards high-end manufacturing like IT, telecommunication, aerospace etc. On the other hand, the vision of Digital Bangladesh riding on IT based society is on the air and it is a major government policy initiative. Chinese tech companies rapidly became market leader in mobile phone industry e. g., Huawei, Xiaomi, Lenovo etc. and it is also advancing in 5G technology. So, China's move can be a great assist for the development of IT sector and telecommunication of Bangladesh while opening a new horizon of investment. During President Xi's visit, the foundation of the seventh biggest data centre, Tier-IV National Data Centre was laid which will be built in Bangabandhu Hi-Tech City in Kaliakoir, Gazipur. Three loan assistance agreements were also signed for projects viz., National Infra-Network for Bangladesh Government (Info Sarker-Phase III) and Establishing Digital Connectivity and Modernisation of Rural and Urban Lives in Bangladesh through ICT. These projects will help promote digital connectivity and facilitate education, commerce, agriculture, health and security affairs.

China is working with Bangladesh to develop alternative energy technology through peaceful use of nuclear technology and coal mine.⁵⁵ BRI has opened a new hope for energy cooperation through infrastructural connectivity and pipeline connections. Bangladesh has potentials to import electricity from BCIM countries. It has scope to explore electricity trading with Myanmar. Myanmar is going to develop hydropower in the Rakhine state for facilitating electricity export. It has about 1,820 billions cubic feet of natural gas reserves and 139 million barrels of crude oil reserves.⁵⁶ The huge gas reserve in Rakhine state has opened a new horizon for industrial development prospects. Again, China's electricity production in 2016 reached at 6.142 trillion kilowatt hour.⁵⁷ Through the successful implementation of BCIM corridor, Bangladesh can import gas and electricity from China through a gridline in Myanmar. Inter-country gridline with Myanmar under the BCIM project can facilitate electricity import from China and natural gas from Myanmar. In 2016, an agreement was signed to establish two coal fired power plants: 1,320 megawatt thermal power plant in Payra located in the southern district of Patuakhali and the 1,320 megawatt thermal power plant in Bashkhali located in the

⁵⁵ M Asique Rahman and Mohammad Jasim Uddin, "Bangladesh-China Relations: Potentials of Growing Partnership and Its Implications" in Bhuian Md. Monoar Kabir (ed.), *Sino-South Asian Relations: Continuity and Change*, Chattogram: Department of Political Science, University of Chittagong, 2013.

⁵⁶ "Over the last year, Myanmar's energy sector stumbles in right direction", *Myanmar Times*, available at <https://www.mmtimes.com/news/over-last-year-myanmars-energy-sector-stumbles-right-direction.html>, accessed on 18 May 2018.

⁵⁷ *Ibid.*

port city of Chattogram.⁵⁸ Moreover, China has proposed US\$ 2.04 billion to expand and strengthen power system network and US\$ 1.32 billion to strengthen power grid network.⁵⁹ Bangladesh has much opportunity to exploit regional hydropower potential and import it through the cross-border transmission line. Cross-border hydropower potential that is likely to be available to Bangladesh is 3,500-8,500 megawatt by 2030, mainly from north-west India and Nepal.⁶⁰

4.5 Green Assistance

China played a significant constructive role in the Paris Agreement and the key driver behind it was the shift to a 'new normal' model of economic development. One of the features of 'new normal' is reducing emission to materialise 'going green' programme. China has experienced a transition from energy-intensive growth based on heavy industry, exports and investment to a more balanced economy characterised by slower growth, an increasing role for services and domestic consumption, and a focus on innovation and low-carbon technologies.⁶¹ Now, it is putting its investment focus on hydrocarbon⁶² pipelines promoting post-carbon economy. Its new development model is continuing to promote economic growth, while driving down its Greenhouse Gas (GHG).⁶³ Chinese energy market is quickly moving towards renewables and BRI can provide incentives to Chinese companies to invest in green technologies of member countries. At the beginning of 2017, China declared to invest US\$ 360 billion in renewable energy by 2020.⁶⁴ Bangladesh government has targeted to generate 10 per cent of the total energy from renewable energy resources by 2020.⁶⁵ Currently, Bangladesh produces 519 megawatt from renewable sources.⁶⁶ So, Bangladesh has massive scope to draw China's investment in green economies and renewable energy sectors.

⁵⁸ Abu Bakar Siddique, "China Becomes Bangladesh's Largest Energy Partner", available at <https://www.thethirdpole.net/en/2016/10/18/china-becomes-bangladeshs-largest-energy-partner/>, accessed on 22 December 2017.

⁵⁹ Samia Zaman and Ruksana Islam Sujana, *op. cit.*, p. 130.

⁶⁰ Power Division, *Power System Master Plan (PSMP) 2016*, Dhaka: Ministry of Power, Energy and Mineral Resources, 2016, p. 62.

⁶¹ Hilton and Isabel, "The Paris Agreement: China's 'New Normal' Role in International Climate Negotiations", *Climate Policy 2017*, Vol. 17, No. 1, pp. 48-58.

⁶² Hydrocarbon, mainly found in crude oil and natural gas, is an organic compounds that is made of hydrogen and carbon atoms.

⁶³ Fergus Green and Nicholas Stern, *China's 'New Normal': Structural Change, Better Growth, and Peak Emissions*, Centre for Climate Change Economics and Policy and Grantham Research Institute on Climate Change and the Environment, June 2015, p. 3.

⁶⁴ Jiang Kejun and Jonathan Woetzel, "How China is Leading the Renewable Energy Revolution", *World Economic Forum*, 29 August 2017, available at <https://www.weforum.org/agenda/2017/08/how-china-is-leading-the-renewable-energy-revolution>, accessed on 28 November 2017.

⁶⁵ Shariful Islam Sharif, Md. Anisur Rahman Anik, Md. Al-Amin and Md. Abu Bakr Siddique, "The Prospect of Renewable Energy Resources in Bangladesh: A Study to Achieve the National Power Demand", *Energy and Power*, Vol. 8, No. 1, 2018, p. 1.

⁶⁶ Sustainable Renewable Energy Development Authority (SREDA), available at http://www.sreda.gov.bd/index.php/site/re_present_status, accessed on 28 July 2018.

4.6 Strategic Aspects

One of the significant features of 'new normal' is China's integration in global economy and investment in broader region which ultimately has many geopolitical implications. It offers scope to state owned companies and enterprises to move surplus production capacity to abroad and promote Chinese manufacturing products, markets and processes.⁶⁷ Though China has more commercial interest in Bangladesh, its strategic interest cannot be denied. Relations between Bangladesh and China are both strategic and military while China is moving ahead to expand its superiority and realise its ambitions in the Indian Ocean regions. There exists counter relationship between India's Look East policy, an attempt to balance India's relationship with the East, and China's BRI. India is not a part of the BRI. Due to its geographical location, Bangladesh is geostrategically significant to China while the latter is trying to extend its influence over the Asia-Pacific region.

China is holding two-way strategies: increasing control over the Malacca Strait as well as decreasing dependence on it.⁶⁸ Bangladesh facilitates both strategies as its geostrategic position in the Bay of Bengal is very significant for the Chinese authority. China-Bangladesh relationship is crucial to curtail former's dependence on Malacca trade routes. Bangladesh is one of the central points of China's regional and global geoeconomics and geopolitics because of its strategic geographic location, proximity to the Bay of Bengal and India. Malacca Strait is crucial for China as 80 per cent of its energy imports from the Middle East passes through this Strait. This Strait is the shortest maritime route from China to Europe, Africa and Middle East. It is argued that whoever controls the Strait of Malacca, have control over the energy route of China.⁶⁹

To strengthen the control over the Malacca Strait, China is investing largely in the littoral states of the Indian Ocean. Indian Ocean is a strategic channel for carrying China's energy transport. 82 per cent of China's energy supply passes through this region. China conducts 30 per cent of its maritime trade through this region⁷⁰ and 80 per cent of this trade passes through the Malacca Strait over which China has no control. So, good relations with littoral states especially Bangladesh can reduce the risk related to Malacca point. Being a littoral of the Bay of Bengal, Bangladesh is a significant factor in 'string of pearls'⁷¹ through which China intends to have influence

⁶⁷ George Magnus, "Five Issues Facing China's Belt and Road Initiative", *Asian Review*, 04 May 2017.

⁶⁸ Divyansh Awasthi, "China Rolls Out Red Carpet to Bangladesh on Its Silk Road, But What's in It for the Dragon?", *Frontera*, 22 May 2017, available at <https://frontera.net/news/asia/chinas-red-carpet-to-bangladesh-on-its-silk-road-whats-in-it-for-the-dragon/>, accessed on 17 December 2017.

⁶⁹ Ian Storey, *op. cit.*

⁷⁰ Roshni Kapoor, "Parikar's Visit to Dhaka: Significance for Security in South Asia", *ISAS Insights*, Institute of South Asian Studies, No. 393, 23 February 2017.

⁷¹ It refers to a geopolitical theory to the network of Chinese intentions in the Indian Ocean region. India's 'Look East Policy' is considered as an answer to Chinese 'String of Pearls'. See, Maninder Dabas, "Here is All You Should Know About 'String of Pearls', China's Policy to Encircle India", *The India Times*, 23 June 2017.

in the Indian Ocean perimeter and the Malacca Strait through large scale investment and infrastructural projects. China intends to develop the Chattogram port, build oil pipelines from Kyakpiu to Kunming and a parallel pipeline connecting Chattogram-Kyakpiu-Kunming. Any disruption in Malacca point by the Indian Navy in the Andaman Sea can be avoided through this alternative route. Since direct connectivity is not available in South Asia due to dispute over Arunachal Pradesh or through Pakistan and Afghanistan, Bangladesh can be a way to reach the main land India and other South Asian countries.

China wants to ensure balanced development in Yunnan province which is comparatively remote and closer to Chattogram rather than Shanghai or Beijing. Access to the Bay of Bengal has great value to the development of this region.⁷² BCIM-EC, under the BRI, may not provide Bangladesh with political advantage directly but it can mend Bangladesh's relationship with Myanmar. Through connectivity, trade and investment, Bangladesh can pursue a good relationship with Myanmar since there is a setback in the relationship due to the Rohingya issue.

China is eager to counterbalance India in this region through security cooperation. Bangladesh and China have a longstanding defense cooperation that includes arms trade, joint exercises, regular training exercises, personnel exchanges, etc. China is also cooperating in national security through sharing of information, capacity building and training. It considers warm relationship with Bangladesh as inevitable to rationalise Indian influence over the region. It came to South Asia with "Made in China 2025" strategy while India is pursuing its "Make in India" strategy. Both of them are trying to make good relations with their neighbours and they are following market strategy. Bangladesh has tremendous scope of utilising this competitive trend of the two powerful countries. It has the chance to bargain to resolve its bilateral issues with India while it can make the best use of its maritime position through utilising Chinese opportunities.

5. Challenges

'New normal' is BRI centric and BRI is the channel to materialise the 'new normal' at the global level. Critics argue that no regional cooperation and connectivity programme like BRI can be led by one country. China has to realise this, while implementing the 'new normal'.

The race between China and India is the prime concern in implementing 'new normal'. India has already put reservation on BRI on account of China's active involvement in CPEC which runs through Kashmir, defining it as a sovereignty

⁷² Mohammad Aminul Karim, "China's Proposed Maritime Silk Road: Challenges and Opportunities with Special Reference to the Bay of Bengal Region", *Pacific Focus*, Vol. 30, No. 3, December 2015, pp. 297-319.

threat.⁷³ India is also portraying 'Project Mausam'.⁷⁴ This project will extend from East Africa, along the Arabian Peninsula, passes through southern Iran, to the key South Asian countries and then, to Sri Lanka and Southeast Asia to reinforce strategic and cultural prominence in the region.⁷⁵ Hence, it would be difficult for Bangladesh to reap full benefits without tacit support by India. India perceives that Pakistan and Myanmar fulfil China's strategy for the 21st Century to tie India down to the south of the Himalayas and thereby China also wants to contain the influence of India and US in South Asia and the Pacific region.⁷⁶ Bangladesh is a crucial corridor to India's seven sisters and an alternative to vulnerable 'Chicken Neck'⁷⁷ bordering near China. China is moving towards Asia to increase influence through trade, finance, military cooperation and soft power.⁷⁸ China and India are using tactics to marginalise each other in their battle for greater influence in the Bay of Bengal and will try to exploit the strategic position of Bangladesh. But Bangladesh is willing to continue its relationship with both of them through an approach of win-win cooperation.⁷⁹

'Going green' is one of the key focuses of 'new normal' policy. But there remains criticism that China is still investing in coal projects, especially in those places that are connected to BRI to offload its coal overcapacity.⁸⁰ China has planned to build 700 new coal plants both at home and abroad. However, 1,600 coal plants are under construction, in some countries *e.g.*, Egypt, Pakistan, Iran, Vietnam, Malawi and Indonesia.⁸¹ This move can make huge contradiction to the ideals of the Paris climate accord.

Building infrastructure needs better transportation links *e.g.*, better railway and road network, efficient customs and administration procedures, storage and

⁷³ Orpita Oysharja, "BCIM: In the Shadow of Belt and Road Initiative", *The Financial Express*, 30 November 2017.

⁷⁴ Project Mausam is a programme led by India's Ministry of Culture to re-establish its ancient maritime routes and cultural links with different countries of the region. It emphasises on the relations amongst countries linked by the Indian Ocean. This link was developed by the Indian sailors in ancient period who used natural wind especially, the monsoon winds for maritime trade. It envisions a versatile 'Indian Ocean World' from East Africa, the Arabian Peninsula, the Indian subcontinent and Sri Lanka to the Southeast Asian archipelago.

⁷⁵ *Ibid.*

⁷⁶ Harun ur Rashid, *Bangladesh Foreign Policy: Realities, Priorities and Challenges*, Dhaka: Academic Press and Publishers library, October 2005, p. 174.

⁷⁷ It is also known as shiliguri corridor, a narrow land located in west Bengal that connects India's north-eastern states to the rest of India, with Nepal and Bangladesh lying on either side of the corridor. It is considered as the geographically vulnerable part of India. See, Ankit Panda, "Geography's Curse: India's Vulnerable 'Chicken's Neck'", *The Diplomat*, 08 November 2013.

⁷⁸ Forrest Cookson and Tom Felix Joehnk, *op. cit.*

⁷⁹ Parthana Kashinath, "To Fend off China, India Must Galvanise Ties with Bangladesh", *The Diplomat*, 29 October 2016.

⁸⁰ Available at <https://www.cnn.com/2018/04/06/china-is-massively-betting-on-coal-outside-its-shores-even-a>, accessed on 06 May 2018.

⁸¹ Hiroko Tabuchi, "As Beijing Joins Climate Fight, Chinese Companies Build Coal Plants", *The New York Times*, 01 July 2017, available at <https://www.nytimes.com/2017/07/01/climate/china-energy-companies-coal-plants-climate-change.html>, accessed on 17 December 2017.

distribution infrastructure, legal infrastructure for loading and unloading resources and supplies. These are some challenges to be addressed and need ensuring good governance and reducing corruption.

In the new normal, especially the BRI is a giant project and it is so diffused that it needs more focus and coordination as it is connected with different agencies and initiatives like National Development and Reform Commission, the State Council, the National Security Commission, the 13th Five Year Plan *etc.* On the other hand, China's economic situation may not fully helpful to sponsor the BRI because in the last part of 2016 it has tightened foreign exchange, experienced reserve depletion and currency depreciation.⁸²

Actually, China always clings to debt-fuelled investment and it lacks healthy rebalancing.⁸³ It promotes Public Private Partnership (PPP) model to implement BRI projects. But public sectors of growing economies like Bangladesh are not fully capable to invest in those large scale projects. Critics argue that this will push partner countries to receive loans through China-led multilateral financing institutions. If BRI projects fail to create win-win situation, it will create extra financial burden to the poor and developing countries, suffering from structural and institutional misgovernance like corruption, red tapism, lack of pre-existing infrastructures, and push them into external debt crisis.⁸⁴ For example, Sri Lanka's cabinet has recently approved a deal to sell 70 per cent of its Hambantota port for US\$ 1.2 billion to state owned China Merchants Port Holdings to pay off its US\$ 8 billion debt to China.⁸⁵

Again in case of infrastructure construction, Chinese companies will be given preference to prevent skill transfer and the host countries may face unfavourable operational conditions in terms of labour, environment and standard of resource materials. So, critics argue that Chinese loans will be used to pay Chinese contractors and labourers.⁸⁶ FDI in non-tradable sectors like telecommunications and electricity generation may not contribute to the foreign exchange earnings (because of obligations for profit repatriation) unless there is no involvement of local resources.

China is likely to shift its labour intensive industries to developing countries like Bangladesh due to availability of cheap labour. However, skilled labour is important. Well trained labour forces are essential to extract from the Chinese investments. So, countries like Bangladesh need to be watchful about aforementioned challenges and must have proper policies and initiatives to utilise Chinese opportunities at the highest level.

⁸² *Ibid.*

⁸³ Robert Peston, "The Good and Bad of China's Growth", *BBC*, 20 January 2014.

⁸⁴ Sudhir Shrestha, "Belt and Road Initiative (BRI) and the Least Developed Countries (LDCs)", available at <http://www.cadtm.org/Belt-and-Road-Initiative-BRI-and>, accessed on 25 December 2017.

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*

6. Conclusion

The 'new normal' policy is likely to assist China to internationalise its economy through BRI, AIB, *etc.* and help it to continue as one of the strongest and vibrant economies in the world. 'New normal' and the 'China Dream' are interconnected, which is fully reflected in the 13th FYP. This policy has implications in Asia as well as in Bangladesh. China's moving out from low value-added manufacturing to more sophisticated products has led to new manufacturing opportunities in lower labour priced economies like Bangladesh. New horizon of benefits will be opened up in textiles and apparels, footwear, garments and plastic goods *etc.* Investment in IT and green energy sectors will be increased. Increasing FDI inflow and capital market development is another significant aspect. China is extending its influence over the South Asian region through infrastructure development under the BRI as well as it is rejuvenating its relations with the littorals of the Bay of Bengal to minimise the possible threats beset with Malacca Strait. China has both commercial and strategic interests in Bangladesh. The relocation of sunset industries will bring skills, capital and technology, ultimately creating employment opportunities and market in China. But, Bangladesh requires making a balance between India and China, keeping its national interests in mind.

'New normal' policy poses some challenges, which countries like Bangladesh may face. As China is moving towards the reduced export and domestic consumption driven economy, this may affect the volume of imports from China. In the last five years, annual average imports from China reached at 30 per cent. So, Bangladesh should maintain a balance with this negative aspect and find out alternative way to mitigate this challenge. It has huge labours with lower price but they are not skilled in that sense. China's labour costs have been increased roughly 100 per cent and it is moving away from the labour intensive manufacturing industries. Thus, Bangladesh is considered as a lucrative destination. Countries like Bangladesh need skilled labour forces and it should provide special attention in its technical education and vocational training. Bangladesh also needs to pursue reforms and invest in power sector, transport and infrastructure.

Bangladesh has celebrated its graduation from LDCs. FDI is a significant factor for sustainable graduation. China, with its 'new normal' policy, can be an important FDI sourcing country. Bangladesh needs to maintain stable political atmosphere, establish SEZs and have sufficient budgets and incentives for FDI inflow. High value-adding and labour intensive industries *e.g.*, agro processing, light engineering and pharmaceutical industries should be kept under planning along with workable and long term supportive policy framework. Geostrategically, Bangladesh can be a hub of connectivity and can pursue its Look East policy. China needs Bangladesh and other littoral countries of the region to materialise its geoeconomic and geopolitical visions in South Asia. China-India cooperation is absolutely essential for the success

of any connectivity and regional development programme in South Asia. Bangladesh needs both of them but should uphold its national interests in the midst of growing race between the two powers. It should not entangle itself to bilateral issues of the two growing economies; rather it should try to ensure benefits from the competitive environment.