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INSTRUMENTS OF BANGLADESH'S ECONOMIC DIPLOMACY: CHALLENGES AND WAY FORWARD

Abstract

Expansion of democracy and globalization has transformed the role of diplomacy in the contemporary world. There is a growing realization that economic relations have a strong impact on political relations among countries and will not work well until economic diplomacy is pursued properly. Therefore, this paper aims to explore instruments of economic diplomacy of Bangladesh and suggest relevant measures to have economic diplomacy as a foreign policy tool. It is found that diplomatic representations, state visits, export promotion agencies, digital diplomacy, are significant instruments in this regard. Considering the success of these instruments, this paper suggests that embassies, consulates, and all other diplomatic representations of Bangladesh abroad need to play a more proactive role in exploring new markets. In this regard, the Export Promotion Bureau (EPB) of Bangladesh needs to go further to increase the export of Bangladeshi products abroad. Furthermore, various infrastructural developments are crucial to ensure timely management and implementation of foreign aid. For more effective state visits and trade missions in favour of increasing trade and investments, this paper assumes that inclusion of more business experts in such visits is required.

Key words: Economic Diplomacy, Instruments, Bangladesh, Foreign Policy, Trade

1. Introduction

In the 21st century, it is essential to understand the economic interdependence among countries to study foreign policy. Therefore, economic diplomacy has become one of the tools to achieve foreign policy goals of many countries, e.g., China, Japan, the USA, and Brazil. Economic diplomacy refers to “a foreign policy practice and strategy that is based on the premise that economic/commercial interests and political interests reinforce one another and should thus be seen in tandem.”¹

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¹ Maaike Okano-Heijmans, *Economic Diplomacy: Japan and the Balance of National Interests*, Leiden, the Netherlands, Boston, USA: Martinus Nijhoff Publishers, 2013.

Therefore, it includes “political and strategic as well as economic dimensions”.² It is promoted through successful execution of foreign policy instruments. The idea of economic diplomacy mainly focusses on a country’s economic relations with other countries to operate its foreign policy goals³ and it is a significant part of international arrangements that build trust among nations.⁴ It is a key strand in diplomatic strategy that includes a multiplicity of actors and individuals from different fields.

Bangladesh started to focus on economic diplomacy since its independence in 1971. The present government of Bangladesh has also been committed to using economic diplomacy as the central strategy to all the diplomatic initiatives.⁵ In this respect, Sheikh Hasina, Prime Minister of Bangladesh, also states, “the political angle used to be at the centre of diplomacy previously but now the focus is on economic diplomacy.”⁶ Priority sectors of Bangladesh’s existing economic diplomacy are trade in goods and services, Foreign Direct Investment (FDI), and Official Development Assistance (ODA).⁷ Sobhan argues that for developing countries like Bangladesh, economic diplomacy has also entailed being an active, sometimes leadership role in multilateral activities and conferences.⁸ State minister for foreign affairs, Md. Shahriar Alam is also very hopeful in this respect and states that Bangladesh is focusing on economic diplomacy more than ever in recent times by engaging on trade and investment with many countries, including the Kingdom of Saudi Arabia, Japan, China, and India.⁹

Hence, global economic interdependence has increased the relative credence of economic and trade-related issues within foreign and security policy.¹⁰ It is not surprising that relevance of economic diplomacy has also increased.¹¹ Consequently, “[d]eveloping countries hope to secure aid and attract investment through economic

² Peter A.G. van Bergeijk, Maaïke Okano-Heijmans and Jan Melissen (eds.), *Economic Diplomacy: Economic and Political Perspectives*, Leiden, The Netherlands: Brill and Nijhoff, 2011.

³ Mohammad Jasim Uddin, “Economic Diplomacy and Foreign Policy”, *The Daily Star*, 28 February 2013.

⁴ Peter A.G. van Bergeijk, Maaïke Okano-Heijmans and Jan Melissen, op. cit.

⁵ Budget Speech 2009-10, section 261, available at <https://mof.gov.bd/site/page/591b7120-945c-4b88-9bd5-3447963f6249>, accessed on 19 May 2020.

⁶ “Insistence on Talks Only with Myanmar Sealed Rohingya Repatriation Deal: Hasina”, *bdnews24.com*, 26 November 2017, available at <https://bdnews24.com/bangladesh/2017/11/26/insistence-on-talks-only-with-myanmar-sealed-rohingya-repatriation-deal-hasina>, accessed on 05 February 2020.

⁷ Mohammad Jasim Uddin, “Economic Diplomacy of Bangladesh: Foreign Trade in Perspective”, *BISS Journal*, Vol. 37, No. 3, 2016, pp. 203-2016.

⁸ Farooq Sobhan, “Focus on Economic Diplomacy: The Priority Tasks”, available at <http://bei-bd.org/wp-content/uploads/2015/03/whc4f4ba98084a98.pdf>, accessed on 05 February 2008.

⁹ “Shahriar: Bangladesh to Expand Trade, Focus on Economic Diplomacy”, *The Dhaka Tribune*, 17 March 2019.

¹⁰ Netherlands Institute of International Relations (Clingendael), “Who is Afraid of European Economic Diplomacy?”, available at: <https://www.clingendael.org/sites/default/files/2016-02/Clingendael%20Policy%20Brief%20Who%20is%20Afraid%20of%20Europe%20-%20April%202016.pdf>, accessed on 28 May 2019.

¹¹ *Ibid.*

diplomacy, while developed countries hope to expand their influence and maximize their economic interests.”¹² Bangladesh needs to focus on economic diplomacy to achieve its economic interests as it is expected to graduate from a least developed country (LDC) to a developing one by 2024. It also needs to adopt proper strategies for smooth and sustainable graduation. Emphasis on economic diplomacy is required to make economy of the country more capable of handling uncertainties.¹³

The importance of and challenges to successful use of economic diplomacy of Bangladesh have been elaborated in existing literature. Uddin discusses several issues related to economic diplomacy from perspectives of foreign trade, ODA, manpower export.¹⁴ Tajuddin points out the importance of economic diplomacy during the formative phase of Bangladesh's foreign policy.¹⁵ Hasan, Haq, and Singh also discuss linkages between economic diplomacy and foreign policy.¹⁶ Sobhan explains the priority of economic diplomacy of Bangladesh.¹⁷

Against this backdrop, the paper attempts to investigate the key instruments of economic diplomacy of Bangladesh and how the government is working to use these instruments to practice economic diplomacy. Besides, it explores challenges to proper utilization of these instruments. The paper is qualitative in nature. It reviews existing literature related to practice of economic diplomacy in Bangladesh. Literature is taken from various books, national and international newspaper reports and articles, articles written in different relevant journals, official websites of several ministries of the government of Bangladesh, etc. For convenience of discussion, the paper has six sections including introduction and concluding remarks. Section two elaborates on instruments of economic diplomacy of Bangladesh. Section three discusses these instruments in context of Bangladesh. Section four identifies

¹² China Institute of International Studies (CIIS), “Some Thoughts on Deepening Economic Diplomacy”, available at http://www.ciis.org.cn/english/2014-01/20/content_6623715.htm, accessed on 22 March 2018.

¹³ Peter A.G. van Bergeijk and Selwyn Moons, “Economic Diplomacy and Economic Security”, available at https://www.researchgate.net/publication/228213995_Economic_Diplomacy_and_Economic_Security, accessed on 22 May 2019.

¹⁴ Mohammad Jasim Uddin, “Economic Diplomacy of Bangladesh: ODA in Perspective”, *BIISS Journal*, Vol. 37, No. 1, 2016, pp. 47-66; Mohammad Jasim Uddin, “Economic Diplomacy of Bangladesh: Foreign Trade in Perspective”, op. cit.; Mohammad Jasim Uddin, “Economic Diplomacy of Bangladesh: A Focus on Manpower Export”, *Journal of International Affairs*, Vol. 20, No. 1 & 2, June & December 2016; Mohammad Jasim Uddin, “Economic Diplomacy of BRICS Countries: Lessons for Bangladesh”, *BIISS Journal*, Vol. 36, No. 3, 2015, pp. 225-240.

¹⁵ Mohammad Tajuddin, “Diplomacy of Bangladesh in the Formative Phase”, *BIISS Journal*, Vol. 19, No. 1, 1998, p. 68.

¹⁶ A. Al Hasan, “Economic Foreign Policy (Diplomacy): Perspective Bangladesh – A New Concept”, an unpublished paper from Defence Services Command and Staff College, Bangladesh, 2002; also see, M. S. Haq, “Economic Diplomacy and Bangladesh”, *The Independent*, 18 June 2002; Narendra Kumar Singh, *Bangladesh Diplomacy and Foreign Policy*, New Delhi: Anmol Publications Pvt. Ltd., 2003.

¹⁷ Farooq Sobhan, op. cit.

challenges related to key components of economic diplomacy. Section five suggests some way forward for the government to overcome the challenges. Section six concludes the paper.

2. Instruments of Economic Diplomacy

“Economic diplomacy entails using traditional diplomatic tools such as lobbying, representation, negotiation and promotion of further economic policies of the State.”¹⁸ Different state prefers different instruments to ensure their economic development. These include diplomatic climate, diplomatic representations, embassies, consulates, trade attaches, export promotion agencies, national promotion system, investment promotion, digital diplomacy, state visits, sanctions, public expenditure, and development aid.¹⁹ Nevertheless, all instruments may not work together in a state at the same time. Sometimes, a single instrument seems workable in a state which may not be functional in another. It depends on modes of implementation of a specific instrument. Diplomatic climate indicates whether diplomacy has any effect on international trade and investment flows. It explores the trade effect of soft power (boycotts) and hard power (sanctions) in exports, prefers trade to reduce war between states, ensure peace by securing cooperative relations, focusses on positive and negative diplomatic interactions of states. Positive economic diplomacy concentrates on the network of representations and agencies, and state visits, etc. On the other hand, negative economic diplomacy deals with suspension or termination of representation and embargoes and boycotts.²⁰ While literature of the 1980s and 1990s dealt with both positive and negative economic diplomacy, recent literature has tended to focus on positive economic diplomacy interactions.²¹

Diplomatic representation is another important instrument of economic diplomacy. It mainly combines roles of diplomats, embassies, and consulates in maintaining trade relations among states. Through national and international networks, it facilitates and stimulates international trade and investment.²² Promotion of trade and investments in foreign countries are increasingly seen as an essential task

¹⁸ Charles Chatterjee, *Economic Diplomacy and Foreign Policy Making*, Switzerland: Palgrave Macmillan, Cham, 2020, p. 69.

¹⁹ Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, p. 10.

²⁰ *Ibid.*, p. 8.

²¹ *Ibid.*

²² Hugo Lapeyronie, Mathilde Maurel and Bogdan Meunier, “Impact of hard and soft infrastructure: evidence from North Africa and CEECs in Economic diplomacy: A developing country perspective” in Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, pp. 347-372.

of diplomats, embassies, and consulate.²³ Among other responsibilities, diplomats, embassies, and consulates provide support to domestic firms in entering foreign markets. Diplomatic representation is frequently mentioned but rarely elaborated in some of the more generic treatises on the concept.²⁴ It indicates dual accountability of diplomats that means representatives of as well as to a country. Though diplomatic representation seems more important for exports to emerging economies, opening an additional consular office may help decrease tariffs.²⁵ It has been found that diplomatic missions have little effect on exports once accounting for heterogeneity in sectors and destination countries.²⁶

Embassy staff is also engaged in reporting on macroeconomic problems and trends in the receiving state. They also deal with taxation, and anti-corruption policies especially holding any current bilateral negotiation.²⁷ Their responsibilities include monitoring the observation of an international economic agreement; managing media requests for comments on policy and general economic queries; lecturing to business audiences and others; negotiating minor bilateral economic agreements; working closely with foreign aid agencies, e.g., the International Monetary Fund (IMF) and World Bank (WB); providing economic advice to a receiving state intended to create an environment favourable to businesses from home; and strengthening, or supporting staff to an international economic organization.²⁸ Role of embassies in trade promotion, networking, and management of the external economy is quite vibrant. Embassies located in foreign countries can supplement efforts of economic ministries to advance the home countries' agenda.²⁹ According to the Vienna Convention on Consular Relations, consular functions consist of furthering the development of commercial, economic, cultural, and scientific relations between sending and receiving states, and promoting friendly relations between them.³⁰ However, embassies have a greater impact on trade than consulates.

²³ Peter A.G. van Bergeijk, Henri L.F. de Groot and Mina Yakop, "The Economic Effectiveness of Diplomatic Representation: An Economic Analysis of its Contribution", *The Hague Journal of Diplomacy*, Vol. 6, No. 1-2, 2011, pp. 101-120.

²⁴ Christer Jönsson and Martin Hall, *Essence of Diplomacy*, London: Palgrave, Macmillan, 2005, p. 99.

²⁵ Filippo Vergara Caffarelli and Giovanni Veronese, "Costs of Italian Economic Diplomacy: A Comparative Perspective", in Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, p 206.

²⁶ Ibid.

²⁷ G. R. Berridge, *Economic and Commercial Diplomacy in Diplomacy: Theory and Practice*, London: Palgrave, MacMillan, 2015.

²⁸ Ibid.

²⁹ Kishan S. Rana, "Economic Diplomacy: A Developing Country Perspective" in Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, pp. 317-325.

³⁰ Peter A.G. van Bergeijk, Henri L.F. de Groot and Mina Yakop, op. cit.

Another significant instrument of economic diplomacy are export promotion agencies (EPAs). They do not hold diplomatic status but perform better than diplomatic institutions.³¹ EPAs provide services that aim to help firms sell their products overseas. EPA services can be divided into four broad categories. Firstly, EPAs may provide market information regarding export markets. Secondly, it may undertake image promotion of the country or region, usually through advertising campaigns, promotional events, and advocacy. Thirdly, provide consultancy services to firms such as employee training and technical assistance. Finally, provide marketing services such as exposure in trade fairs and missions.³² EPAs mainly represent the national promotion system of a state that may differ across countries in terms of institutional structure.³³

Besides, consulates and embassies, state visits, and opening trade missions are considered as significant instruments of economic diplomacy. Both determine bilateral trade agreements and ensure positive interaction between and among states. For instance, these may be targetted to specific projects or key sectors, consist of a small group of dedicated firms and officials or may be more general in aim and consist of a large, heterogeneous group.³⁴ These may also help to safeguard investment promotion and development cooperation. However, trade missions do not always contribute to the increase of trade and investment. It only ensures an increase in trade between two countries if both have productive firms.³⁵

Development cooperation is another substantial instrument of economic diplomacy. Development aid known as “Official Development Assistance” (ODA) is grants or loans at favourable rates. It aims to fund programmes to improve access to drinking water, health care, electricity, school, decent housing, or preservation of the

³¹ Prahastuti Maharani, “Indonesian Trade Promotion in Economic Diplomacy: A Developing Country Perspective” in Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, pp. 130-143.

³² Available at <https://whatworksgrowth.org/resources/business-advice-toolkit-export-promotion-agencies/>, accessed on 28 March 2021.

³³ Filippo Vergara Caffarelli and Giovanni Veronese, “Costs of Italian Economic Diplomacy: A Comparative Perspective” in Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, p. 205.

³⁴ Peter A.G. van Bergeijk and Selwyn J.V. Moons, “Introduction to the Research Handbook on Economic Diplomacy”, Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, p. 12.

³⁵ Michiel de Nooij, Marcel van den Berg and Henri L.F. de Groot, “Social Cost Benefit Analysis of Trade Missions” in Peter A. G. van Bergeijk and Selwyn J.V. Moons (eds.), *Research Handbook on Economic Diplomacy: Bilateral Relations in a Context of Geopolitical Change*, Cheltenham and Camberley, UK: Edward Elgar Publishing, 2018, p. 236.

environment, etc.³⁶ However, research shows that trade and investment provide more effective solutions than development aid for the battle against global challenges, e.g., sufficient clean water, hunger, and poverty.³⁷ Therefore, policymakers nowadays move towards an integration of development cooperation and trade policy for economic diplomacy.³⁸

Furthermore, economic diplomacy has now been facilitated with digital diplomacy, the digitization of various activities performed in different diplomacies, e.g., political diplomacy, public diplomacy, and economic diplomacy.³⁹ Through social media, governments with their representatives, institutions, embassies started to communicate directly with the public. Consequently, they reach a much broader audience than before.⁴⁰ Due to the spread of COVID-19, states are now doing their bilateral business meetings via using online platforms. Social media, e.g., Facebook and Twitter are also widely used by trade partners to disseminate information and updates.

3. Instruments of Economic Diplomacy of Bangladesh

Bangladesh started to focus on economic diplomacy since its independence in 1971. Husain argues, “the economic imperatives compelled Bangabandhu to diversify foreign policy and make it donor-oriented” during that period.⁴¹ Since then, the country has taken several initiatives to use economic diplomacy as a means to achieve its foreign policy objectives. Immediately after the independence, the economy of the war-torn country was aid dependent. Over the five decades, aid dependency has been reduced. However, the volume of foreign aid still very high.⁴² Bangladesh’s economy has witnessed steady growth and it is poised to increase by seven per cent on average till 2033.⁴³

³⁶ “Development Aid: What’s it all about”, available at <https://www.afd.fr/en/development-aid-whats-it-all-about>, accessed on 28 March 2021.

³⁷ “The OECD Guidelines”, available at <https://www.oecdwatch.org/oecd-ncps/the-oecd-guidelines-for-mnes/>, accessed on 28 March 2021.

³⁸ Bergeijk and Moons, op. cit., p. 13.

³⁹ “The rise of digital economic diplomacy”, available at <https://www.netherlandsandyou.nl/latest-news/news/2020/07/15/the-rise-of-digital-economic-diplomacy>, accessed on 28 March 2021.

⁴⁰ Ibid.

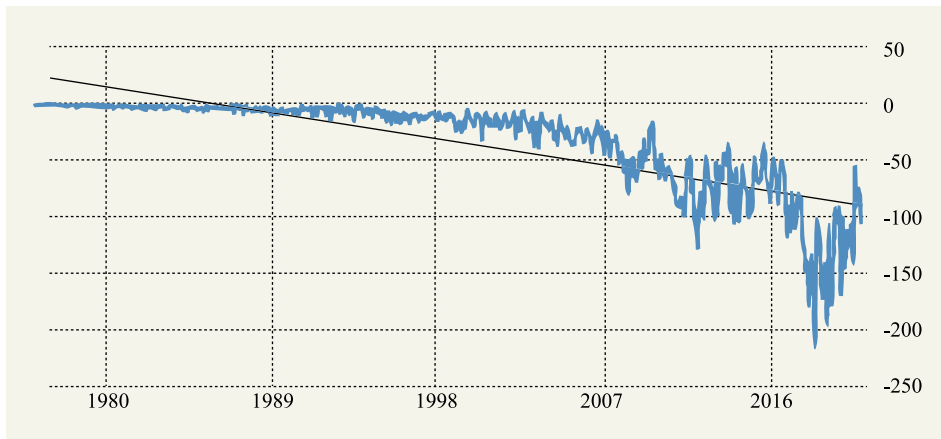
⁴¹ Syed Anwar Husain, “Sheikh Mujibur Rahman” in A. Majeed Khan (ed.), *Twenty Great Bengalis*, Dhaka, Bangladesh: University Press Limited, 2008, pp. 259-279.

⁴² “Bangladesh Foreign Aid: Disbursement”, available at <https://www.ceicdata.com/en/bangladesh/foreign-aid/foreign-aid-disbursement>, accessed on 28 March 2021.

⁴³ “Destination Bangladesh”, available at <https://www.pwc.com/bd/en/assets/pdfs/research-insights/2019/destination-bangladesh.pdf>, accessed on 28 March 2021.

The country has been facing a steady trade deficit since 1976. Export from Bangladesh has been increasing gradually after independence but there is a lack of balance between export and import. According to Bangladesh Bank, “Bangladesh recorded a trade deficit of BDT 181.80 billion in December of 2020.⁴⁴ Previously, the figure was BDT 113.70 billion in February of 2019. Balance of Trade in Bangladesh averaged BDT 28.35 billion from 1976 until 2019, reaching an all-time high of BDT 0 billion in April of 1977 and a record low of BDT -209.80 billion in May of 2018.”⁴⁵ Figure 1 shows trade deficit of Bangladesh from 1984 to 2020. It also highlights that the level of deficit has been increasing over the years.

Figure 1: Trade Deficit since 1984 to 2020 in Bangladesh⁴⁶



Pulling the economy out from the crisis has become a great challenge for Bangladesh since independence like many other developing countries. To recover from the crisis, it needs special efforts, efficient, sturdy economic policies and personnel. Figure 2 shows though the FDI in Bangladesh has been rising slowly over the years. It increased only 5.11 per cent in Fiscal Year (FY) 2017-18 from FY 2015-16. Besides, Bangladesh ranked 176 out of 190 countries in the “WB’s Ease of Doing Business Index in 2018”.⁴⁷

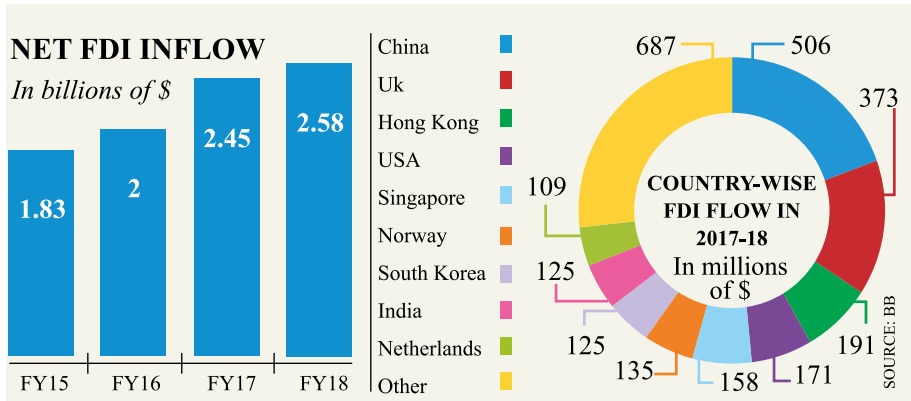
⁴⁴ “Bangladesh Balance of Trade”, available at <https://tradingeconomics.com/bangladesh/balance-of-trade>, accessed on 28 March 2021.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Mohammad Jasim Uddin, “FDI Picking up, but Slowly”, *The Daily Star*, 15 November 2018.

Figure 2: Foreign Direct Investment in Bangladesh⁴⁸



According to the report of Bangladesh Bank, the pattern of FDI since 2001 has not been very stable. It was US\$ 1086.83 million from 2002 to 2019, reaching an all-time high of US\$ 2650 million in 2019 and a record low of US\$ 276 million in 2004.⁴⁹ However, it increased by US\$ 1510 million in 2020.⁵⁰

Figure 3: Foreign Direct Investment in Bangladesh⁵¹



The status of FDI indicates that Bangladesh is yet to become an investment destination for foreigners. As part of economic diplomacy, the present government emphasizes trade and investment. Export of commodities including both material and technological products and migrants working abroad are important sectors of the

⁴⁸ “Record FDI in 2018”, *The Daily Star*, 25 June 2019.

⁴⁹ “Bangladesh Foreign Direct Investment”, available at <https://tradingeconomics.com/bangladesh/foreign-direct-investment>, accessed on 28 May 2019.

⁵⁰ Ibid.

⁵¹ “Foreign Direct Investment and External Debt”, available at <https://www.bb.org.bd/pub/halfyearly/fdisurvey/fdisurveyjanjun2020.pdf>, accessed on 28 May 2021.

economic diplomacy of Bangladesh.⁵² But the country still lacks articulated economic diplomacy. Recently, the foreign minister of Bangladesh highlighted five elements of economic diplomacy. These include alluring diversified foreign investment portfolio; expanding export basket; safeguarding technology transfer, and technical assistance; ensuring prospects for productive employment for Bangladeshi citizens abroad; and providing quality services to natives and diaspora.⁵³ To pursue economic diplomacy, some of the instruments are prioritized by the government. These are discussed below.

Diplomatic missions of Bangladesh are one of the most important instruments of economic diplomacy. In a statement, Prime Minister said, “in today’s world, the responsibility of our diplomatic missions has also changed. Now it is rather economic diplomacy, not only political diplomacy.”⁵⁴ Highlighting the significance of economic diplomacy to retain current trade privileges after its graduation to a middle-income country, foreign minister AK Abdul Momen said, “the missions can play an important role to attract more investment through projecting the country’s investment-friendly policies and incentives for the potential investors of the host economies.”⁵⁵ Bangladeshi diplomats abroad are expected to explore the market for Bangladeshi products. To that end, economic wings were established in different Bangladeshi embassies particularly, in European states and the USA.

Recently, Bangladesh embassy in Qatar has taken initiative to expand the market of products in Qatar. On 02 March 2021, Bangladeshi ambassador to Qatar Md. Jashim Uddin, and Lulu Group International director Dr. Mohamed Althaf held a meeting. Lulu Group International is a Qatar based one of the leading groceries, electronics, and readymade garment outlets. It has been assured by Lulu Group director that they will set a Bangladeshi corner in their outlet for display and promotion of Bangladeshi jute products, handicrafts, seasonal vegetables.⁵⁶ He is also interested to import Bangladeshi fruits, readymade garments, and vegetables. To project the progress of Bangladesh in different sectors including trade and investment, Bangladesh high commission in the UK arranged the 4th Bangladesh Development Fair on 08 October 2018. This type of fair was also organized in New York on 10 November in the same year. Thus, diplomatic representations of Bangladesh abroad are showing their strength to pursue economic diplomacy. However, experts think that apart from textbook diplomatic responsibilities diplomats

⁵² M. Atiqur Rahman, “Our economic diplomacy and reality”, *The Daily Sun*, 16 July 2020.

⁵³ “Govt to establish Bangabandhu Research Centre for foreign policy, diplomacy”, *The Dhaka Tribune*, 25 September 2020.

⁵⁴ “PM urges diplomats to gear up economic diplomacy”, *The Financial Express*, 25 September 2020.

⁵⁵ “Momen asks Bangladesh foreign mission chiefs to pursue trade diplomacy”, *The Dhaka Tribune*, 02 January 2020.

⁵⁶ “Bangladesh keen to increase exports to Qatar”, *The Peninsula*, 03 March 2021.

sometimes should play a pro-active role guided by the government to explore new markets for products. State visits and trade missions are significant instruments of economic diplomacy of Bangladesh. The foreign minister of Turkey expressed his interest to increase trade and investment in Bangladesh while the foreign minister of Bangladesh paid a visit to Turkey in September 2020. The diplomatic visit of the Prime Minister of Bangladesh to India in October 2019 helped to discuss several unresolved business issues with the Prime Minister of India. During the visit, both countries agreed to expedite commissioning of joint study on prospects of entering into a bilateral Comprehensive Economic Partnership Agreement (CEPA). Likewise, diplomatic visits of the Prime Minister of Bangladesh to Japan in May and to China in July 2019 also paved the way to expand economic relations with both countries. During the visit to Japan, the 40th ODA was signed for Bangladesh that was 35 per cent higher than the previous year.⁵⁷ Since 1994, leaders of Bangladesh have visited Japan several times. Nine bilateral agreements were signed between Bangladesh and China during the visit of Bangladeshi Prime Minister to China that included aid for the Rohingyas, economic and technical cooperation, investment, power, culture, and tourism. The meeting of foreign minister of Bangladesh with investors and business leaders of Dubai in March 2019 proves that the government is willing to emphasize on economic diplomacy.

Digital diplomacy is playing a vital role in promoting trade and investment facilities. As diplomatic visits of state leaders are now restricted due to the spread of Covid-19 since March 2020, business meetings and conferences are now taking place on virtual platforms worldwide. Bangladesh is also taking part in these. In March 2021, a virtual official talk was held between foreign offices of Bangladesh and Australia as part of the regular Foreign Office Consultation (FOC) where Australia expressed its desire to deepen and widen economic cooperation toward Bangladesh. That same month, another virtual meeting was taking place between foreign ministers of Bangladesh and Finland where Bangladesh exhorted Finland to discover investment opportunities in Bangladesh, especially in Special Economic Zones and HI-TECH parks. They also conveyed their interest to initiate a bilateral agreement on double taxation. Considering the graduation of Bangladesh from LDC status, Bangladesh and Japan discussed the possibility of concluding a Free Trade Agreement (FTA) during an extensive virtual meeting between the foreign secretary of Bangladesh and the senior deputy minister for foreign affairs of Japan as part of the regular FOC. Apart from these, the first-ever bilateral meeting between Bangladesh and the Republic of Korea on “Exploring trade and investment opportunities” jointly organized by the Ministry of Commerce, Bangladesh, and the Ministry of Trade, Industry and Energy (MOTIE), Republic of Korea was held online on 27 January

⁵⁷ “PM’s Japan visit”, *The Daily Star*, 31 May 2019.

2021. In that meeting, diversification of products and cooperation was stressed by senior officials of both countries. Bangladesh also successfully participated in the online Asia Cooperation Dialogue (ACD) where the Bangladeshi state minister of foreign affairs emphasized on integrated international trade by ensuring a sustainable and stable supply system among countries of ACD.

Furthermore, to strengthen export sector of Bangladesh, the Export Promotion Bureau (EPB) is working under the Ministry of Commerce. It adopts necessary policy and programme measures. It has responsibilities to prepare export-related data, carrying advertising activities in product and supply advancement, explore markets through arranging and participating in international trade festivals and exhibitions abroad. It also has a Trade Information Centre (TIC) in its head office for providing information related with export and trade to facilitate international business.

To promote investments, the government has established three specialized institutions to deal with investment-related matters including registration of projects, processing of foreign borrowing, facilitation of import of machinery and raw materials, visa and work permit-related issues. The Bangladesh Export Processing Zone Authority (BEPZA) and Bangladesh Economic Zone Authority (BEZA) deal with matters relating to investments in the Export Processing Zones (EPZs) and Economic Zones (EZs) respectively, while the Board of Investment (BOI) is entrusted with matters relating to investments outside these special industrial enclaves. These three agencies provide ‘One-Stop’ service to investors.⁵⁸

Apart from these, ODA is considered as one of the most important instruments of economic diplomacy. Along with civil society organizations (CSOs) and local non-governmental organizations (NGOs), inter-governmental organizations (INGOs), embassies, consulates, different global, regional, and unilateral financial institutions, the Prime Minister and her office, Ministry of Planning, particularly Economic Relations Divisions, Ministry of Commerce, Ministry of Foreign Affairs and its overseas counterparts are important actors of Bangladesh’s ODA-centric economic diplomacy.⁵⁹ It is one of the top five ODA recipient countries in Asia,⁶⁰ and receives ODA mainly in social, production, general program aid, humanitarian, and economic sectors. Of these sectors, economic and social sectors receive more ODA than others. According to the report of the Organisation for Economic Co-operation

⁵⁸ “Investment Promotion Agencies & Special Zones in Bangladesh”, available at <https://www.bdembassybeijing.org/investment-promotion-bangladesh/>, accessed on 27 March 2021.

⁵⁹ Mohammad Jasim Uddin, op. cit., p. 57.

⁶⁰ Development Aid at a Glance: Statistics by Region”, available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Asia-Development-Aid-at-a-Glance-2019.pdf>, accessed on 28 March 2021.

and Development (OECD) in 2019, economic sector received 42 per cent and social sectors received 40 per cent of total ODA.⁶¹ Bangladesh mostly receives ODA from Germany, WB, USA, United Nations Relief and Works Agency (UNRWA), EU Institutions, Asian Development Bank, Japan, France, UK, and Canada.

Logically, ODA is considered as an instrument of economic diplomacy for donor countries. Despite being a recipient country, it has turned into an important instrument of economic diplomacy in Bangladesh. According to experts, usually developed countries practice economic diplomacy to promote the economy that is already established whereas developing countries practice economic diplomacy to ensure economic growth to safeguard economic development.⁶² Similarly, Japan provides ODA as an instrument of economic diplomacy for promotion of Japanese infrastructure systems and Bangladesh receives ODA as an instrument of economic diplomacy to ensure infrastructural development. Therefore, it can be said that most instruments of economic diplomacy are visible in Bangladesh. However, some problems and issues may create difficulties in ensuring their effectiveness. The following section identifies these difficulties.

4. Challenges

Major instruments of economic diplomacy of Bangladesh include diplomatic representations, state visits and trade missions, export promotions agency, digital diplomacy, and ODA. To have an articulated economic diplomacy challenges these instruments encountered need to address. The challenges are discussed below.

Exploring new markets for different products is a daunting task for diplomatic missions of Bangladesh.⁶³ Markets of Bangladeshi products other than RMG have not been expanded in different parts of the world. As a result, the country's export earning is highly concentrated on RMG products.⁶⁴ According to the report of Bangladesh Bank, 86 per cent of total export was RMG products whereas jute and jute-related products consisted only 2.6 per cent of total export in 2019.⁶⁵ Other exported items, e.g., leather, shrimp, fish, terry towel, plastic products, ceramics, bicycle, pharmaceuticals, and handicrafts comprised the slightest share of exports

⁶¹ Ibid.

⁶² Author's discussion with Dr. Delwar Hossain, Professor, Department of International Relations, University of Dhaka.

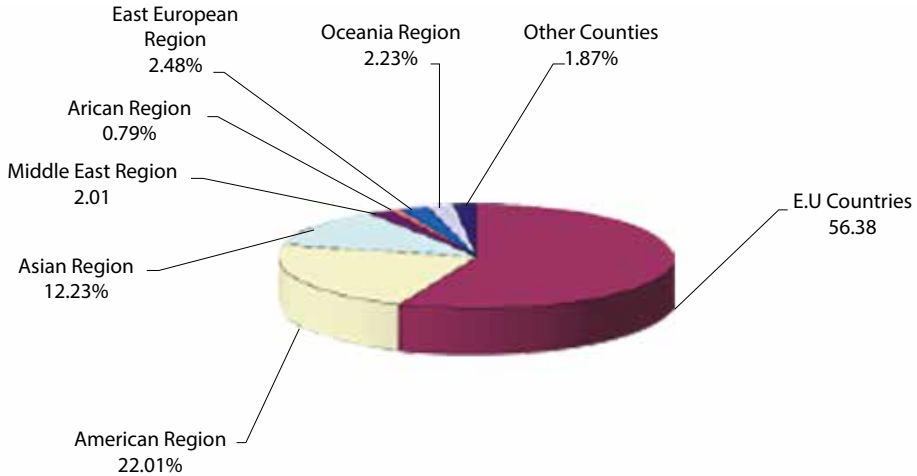
⁶³ Available at <https://www.youtube.com/watch?v=pZiDnjEgW-E&t=661s>, accessed on 27 March 2021.

⁶⁴ "Export diversification: Pathway to sustainable growth", *The Financial Express*, 13 March 2020, available at <https://www.thefinancialexpress.com.bd/views/views/export-diversification-pathway-to-sustainable-growth-1584113419>, accessed on 28 March 2021.

⁶⁵ Ibid.

ranging from 0.1-2.3 per cent.⁶⁶ Europe and the USA are main destinations for these products. In these countries, Bangladesh faces tariff and non-tariff barriers, e.g., lack of Generalized Scheme of Preferences (GSP) facilities in the USA, as well as free trade agreement of the USA and European countries with competitor countries of Bangladesh.⁶⁷ Figure 4 represents region-wise export of Bangladesh during 2018-19.

Figure 4: Major Region-wise Export of Bangladesh during 2018-19⁶⁸



Studies find that more facilities to exports and capture world market by the export promotion bureau of Bangladesh are required.⁶⁹ Furthermore, inadequate exportable goods, lack of experience, shortage of capital, product quality and packaging, dishonesty of exporters, excessive bureaucratic control, transport and warehousing problem, and political instability hamper export trade in Bangladesh. Hence, the government needs to focus more on the specification of such instruments to find out which instrument will be more effective to have articulated economic diplomacy.⁷⁰

Besides, export promotion in Bangladesh may face more difficulties due to misleading information provided by different government organizations. Export data can be usually collected from the EPB and Bangladesh Bank. However, there is a big

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ “Export Statistics 2018-2019”, available at http://epb.portal.gov.bd/sites/default/files/files/epb.portal.gov.bd/files/ccd998a8_8b84_4253_b086_77c2a93b796a/2021-02-17-13-44-08fa5a5594e9ee2796f37b1dfec6ec6e.pdf, accessed on 27 March 2021.

⁶⁹ “Problems of Export Trade in Bangladesh” *Business Daily 24*, available at <https://businessdaily24.com/problems-export-trade-bangladesh/>, accessed on 27 March 2021.

⁷⁰ Ibid.

difference between the data presented by these two organizations up to November 2019. The difference seems more than USD 2 billion.⁷¹ EPB showed a negative growth rate while Bangladesh Bank projected a positive growth rate.⁷² Another study shows that export promotion in Bangladesh faces difficulties as the EPB has limited resources despite having broad mandate, narrowly defined strategic objectives, and lack of formal follow-up clients or track key performance indicators.⁷³

Furthermore, there are obstacles to get ODA for infrastructural development and capacity building. Many development partners are shifting their priorities and modalities in the light of macroeconomic and social progress achieved in the country that has resulted in a gradual increase of loans and a decrease of grants.⁷⁴ Research shows that shares of grants and loans in the total disbursed foreign aid were 90.5 per cent and 9.5 per cent in FY 1971-72 which were at 12.5 per cent and 87.5 per cent respectively in FY-2016-17. The share of bilateral aid decreased from 85.7 per cent in FY 1971-72 to 31.9 per cent in FY 2016-17.⁷⁵

ODA is still playing a significant role in increasing economic growth of Bangladesh. However, implementation of foreign aid in coming days seems challenging because of various reasons. Delay in project implementation timeline due to difficulties in land acquisition and by bureaucracies because of the stakes of the government and the donor agency/country raises the cost of project implementation. Besides, infrastructural shortcomings, slow absorptive capacity; lack of monitoring, evaluation, auditing of projects to ensure transparency and preventing misuse or misallocation of funds, shortage of skilled labour capable of reaping maximum benefits are also create hindrance in this regard.⁷⁶

Utilizing state visits as an effective instrument of economic diplomacy is another challenging task. The challenges include coordination and organization of delegations for each visit, budget setting, and arranging briefing before a visit.

⁷¹ Khondoker Golam Moazzem, "Reform necessary to improve export growth rate", *The Business Standard*, 08 January 2020.

⁷² Ibid.

⁷³ Sanjay Kathuria and Mariem Mezghenni Malouche, "Strengthening Competitiveness in Bangladesh - Thematic Assessment A Diagnostic Trade Integration Study", available at https://trade4devnews.enhancedif.org/en/system/files/uploads/dtis_volume_ii.pdf, accessed on 27 March 2021.

⁷⁴ "Bangladesh development perspectives: Implementation challenges", *The Financial Express*, 30 November 2019.

⁷⁵ "Bangladesh development perspectives: Implementation challenges", op. cit.

⁷⁶ "Development Funding in Bangladesh: Understanding and Mobilizing Foreign Aid", available at <https://www.lightcastlebd.com/insights/2020/05/development-funding-in-bangladesh-understanding-and-mobilizing-foreign-aid>, accessed on 28 March 2021.

5. Way Forward

To overcome these challenges and ensure the effectiveness of instruments of economic diplomacy, the government needs to focus on following issues.

Diplomatic representation of Bangladesh abroad needs to play a proactive role to explore new markets for Bangladeshi products. Sometimes, they can initiate informal meetings with the chamber of commerce or business groups of host countries to know about market demands of products. This will help the country to go for export diversification. To this end, diplomatic representatives abroad are needed to be trained on how to explore markets for different products in host countries.

Markets other than the USA and European countries are also needed to be explored. Branding different Bangladeshi products in foreign countries through arranging trade fairs and fashion shows can be useful. Though these types of events are taking place, the number of these events is needed to be increased. The EPB can play a vital role in this regard by establishing a formal, in-house monitoring and evaluation mechanism to follow up with its clients, track key performance indicators, and monitor the export outcomes of trade missions.⁷⁷

In terms of ODA implementation, monitoring, evaluation, and auditing of projects will help to ensure transparency and prevent misuse or misallocation of funds. Skill development training should be provided to local labour involved in projects so that they can complete projects on time and gain maximum benefits. Furthermore, negotiating with development partners on aid conditionality and flexibility; assigning aid diplomats in vital foreign embassies of Bangladesh, meeting gaps between major Global Financial Institutions (GFI), bilateral donors and Bangladesh government of will also be helpful.⁷⁸

To make state visits and trade missions in favour of increasing trade and investment, inclusion of business experts along with officials of different ministries is needed to be ensured.

6. Conclusion

The purpose of this paper is to trace the instruments of economic diplomacy of Bangladesh, identify the problems and issues related to it. It finds five instruments, e.g., diplomatic representations, state visits and trade missions, export promotion agencies, digital diplomacy, and ODA in these regards.

⁷⁷ Sanjay Kathuria and Mariem Mezghenni Malouche, op. cit.

⁷⁸ Mohammad Jasim Uddin, op. cit., p. 60.

Based on the discussion, the paper suggests that embassies, consulates, and all other diplomatic representations of Bangladesh abroad need to play a more proactive role in exploring new markets for new products. In this regard, weaknesses of the EPB are needed to be overcome to ensure export promotion of Bangladeshi products abroad. Furthermore, various infrastructural developments are needed to ensure timely management of foreign aid. To ensure more effective state visits and trade missions in favour of increasing trade and investments, it recommends to incorporating more business experts in these visits.

With the changing pattern of interstate relations, pattern of diplomacy has also changed. Without having articulated economic diplomacy, it is extremely tough to some extent to survive in this free market economy. Hence, Bangladesh needs to realize the importance of economic diplomacy and pursue its foreign policy decisions accordingly.