



**ROUNDTABLE DISCUSSION ON
STRATEGIC AUTONOMY
OF BANGLADESH:
ALTERNATIVE TRADING
ARRANGEMENTS**

Thursday, 26 October 2023

Organised by
Bangladesh Institute of International and Strategic Studies (BISS)





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PROCEEDINGS ROUNDTABLE DISCUSSION ON

Strategic Autonomy of Bangladesh: Alternative Trading Arrangements

Bangladesh Institute of International and Strategic Studies (BIISS) organised a Roundtable Discussion on **Strategic Autonomy of Bangladesh: Alternative Trading Arrangements** on 26 October 2023 at the BIISS Auditorium. The Roundtable Discussion was moderated by **Ambassador A F M Gousal Azam Sarker**, Chairman, BIISS. **Major General Sheikh Pasha Habib Uddin**, OSP, SGP, BAMS, afwc, psc, Director General, BIISS, delivered his Welcome Address.



Three presentations were delivered during the Roundtable Discussion. **Dr. Benuka Ferdousi**, Senior Research Fellow, BIISS, made a presentation on “Alternative Trading Arrangements: Options, Opportunities, and Challenges for Bangladesh”. **Dr. Mahfuz Kabir**, Research Director, BIISS, delivered the presentation on “Supremacy of the US dollar and the Future of Other Currencies: Trading Options for Bangladesh”. The third presentation was made by **Professor Mustafizur Rahman**, a Distinguished Fellow at the Centre for Policy Dialogue (CPD). A selected group of distinguished participants shared their expert opinions during the Roundtable Discussion.

WELCOME ADDRESS



Major General Sheikh Pasha Habib Uddin, OSP, SGP, BAMS, afwc, psc
Director General, BIISS

At the outset of his Welcome Address, **Major General Sheikh Pasha Habib Uddin** welcomed the participants of the Roundtable Discussion and paid his solemn reverence to the memory of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman, as well as to the 3 million martyrs who made their supreme sacrifice and 2 lac women who were tortured during Bangladesh's War of Liberation in 1971. Then, he went on to explain the context of the Roundtable Discussion, where he mentioned that for several decades, the US has maintained its position as the preeminent authority in the global financial realm. The global supremacy of the dollar as the world's reserve currency is unquestionable, as it represents 58 per cent of all foreign exchange reserves and 88 per cent of all international transactions. General Uddin further mentioned that the world has witnessed a sequence of turbulent events, including the COVID-19 pandemic and the ongoing war between Russia and Ukraine. Following Russia's invasion of Ukraine last year, the United States (US) has imposed a series of economic penalties on Russia and barred Russia's prominent banks from the Society for Worldwide Interbank Financial Telecommunications (SWIFT), a vital interbank communication system that facilitates global financial transactions. Consequently, it had a significant effect on the foreign transactions of numerous countries. He identified that one of the consequences is the increase in fuel prices on the global market, which has also led to soaring prices of everyday goods. As a result of the abrupt rise in import expenses, the foreign exchange reserves of multiple nations have been under pressure, and Bangladesh is not exempt from this crisis.

The Director General mentioned that the primary purpose of a country's central bank is to maintain reserves for many purposes, including covering import expenses, managing financial crises, preventing the devaluation of the local currency, reinforcing monetary policy, and ensuring the repayment of foreign debts. He suggested that the recent numbers indicate a decline in foreign exchange reserves in multiple countries. The list comprises major economies such as the US, China, Russia, and India, among others. He further observed that the exhaustion of

foreign exchange reserves, sluggish inflow of remittances, and stagnating revenues from exports are all factors that are contributing to the imbalance in the foreign exchange market. In South Asia, Bangladesh ranks second in terms of foreign exchange reserves, with India being the only country ahead. In August 2021, Bangladesh possessed foreign exchange reserves amounting to around \$40.7 billion, which decreased to \$33.4 billion at the conclusion of the 2021-22 year. However, according to the declaration of Bangladesh Bank, the reserves amounted to \$20.96 billion on 04 October 2023.

General Uddin argued that due to the ongoing crisis, Bangladesh encountered challenges in covering the costs of imported petroleum. The functioning of coal power plants was also disrupted due to the currency problem. Moreover, the devaluation of the taka and the decrease in the exchange rate have been causing macroeconomic instability. Bangladesh is not the sole country to face such challenges. Rather, such issues are also encountered by several countries. He argued that, in order to address this instability induced by price hikes, an increasing number of countries across Asia, Latin America, and Africa are contemplating conducting international transactions using their own currencies, a phenomenon referred to by some researchers as ‘de-isation’. Several nations perceive the US-imposed sanctions, which limit the utilisation of the for purchasing Russian oil and other commodities, as an attempt to weaponise the currency. This has prompted a renewed impetus for exploring alternative finance mechanisms in numerous countries. Several countries are contemplating “de-ization” as a survival strategy, as the dominant global trade currency has nearly slipped out of their control.



General Uddin said that the de-isation efforts are arising from many places worldwide, as an increasing number of nations contemplate alternate trading arrangements. In April, India declared its intention to engage in trade with Malaysia using the Indian rupee as the currency. During their visit to China this year, Brazilian President Lula da Silva and Malaysian Prime Minister Anwar Ibrahim advocated for diminishing dependence on the US

currency in global trade. Indonesia plans to implement local currency trading (LCT) transactions with nations including Thailand, Malaysia, China, Japan, South Korea, and India in order to broaden the range of international payments. Argentina has opted to utilise yuan instead of s to settle payments for Chinese imports, in order to alleviate the country's depleting reserves. Saudi Arabia, the top oil exporter, indicated its openness to engage in currency trading beyond the US. Therefore, he feels that local economies can derive several advantages from alternative trading arrangements. Reducing its position as an intermediary in bilateral trade benefits exporters and importers of two trading countries by mitigating business risks, expanding investment opportunities, and increasing income generation, in addition to facilitating advancement along the value chain.

The Director General concluded his speech by saying that BIISS has arranged this roundtable dialogue to comprehend the potential pathways, prospects, and obstacles that Bangladesh may face when engaging in trade using domestic currencies. He appreciated the participants' presence and hoped for an enriched discussion, which would benefit from the insights shared by the knowledgeable speakers.

PRESENTATIONS

Alternative Trading Arrangements: Options, Opportunities and Challenges for Bangladesh



Dr Benuka Ferdousi
Senior Research Fellow, BIIS

Dr Benuka Ferdousi started her deliberation by giving an outline of her presentation. She mentioned that Bangladesh's total trade is 130 billion of which 99 per cent is conducted in US dollars. As the rate skyrocketed after the Russo-Ukrainian War began in February 2022, like other countries, Bangladesh is also looking for alternative trading arrangements to avoid the crisis. She then discussed the alternatives of trading in dollars. She mentioned that Bangladesh can trade in goods i.e., barter, it can go for currency swap and bilateral local currency trade. For example, in the Bangladeshi Taka (BDT)-Indian Rupee (INR) trade, the country can trade in a single local currency like it is now trading with rupees in the case of India. Nowadays, it is noticed that barter is more associated with economic sanctions. It is known to everyone about the recent instance that a barter trade occurred between Iran and a European country for the Iranian oil trade. She then stated that Bangladesh can go for barter with countries that are facing economic sanctions like Russia and Iran. Bangladesh has trade with those countries (e.g., ready-made garment-RMG and agricultural products) from where they do not import. Hence, the country does not have many other options as its importer and exporter lists are different and the barter system also has its own problem. Also, while using barter with Iran or Russia, Bangladesh needs to take into account the political repercussions. Despite barter giving the country a chance for cashless trade, it has to keep in mind the above-mentioned challenges.

Dr Benuka then focused on the currency swap issue. During the 2008 Great Financial Crisis and later on the European sovereign debt crisis, currency swap was mostly used for reserve support and mitigating liquidity

crises. But in recent days, currency swaps have become more associated with trading in reciprocal local currencies. China has established a currency swap with 41 countries. This has been heavily practiced between Russia-China and Russia-India in recent years. The Association of Southeast Asian Nations (ASEAN) countries has taken a number of initiatives in this regard. She mentioned some of those including the 'Local Currency Settlement Framework between Thailand and Malaysia in 2016' which Indonesia joined in 2018. At the ASEAN Summit in May 2023, a decision was made to formulate a local currency transaction framework that will work for multilateral swaps. She commented that this is an interesting development to oversee as Bangladesh can learn from its experience. Recently, Indonesia, Malaysia, Singapore, and Thailand have done a motivating step, i.e., they established a mechanism through which currency can be transected through a QR code (quick-response code) provided by a particular state. That is a thought-provoking development initiative to watch.

In the case of India, Dr Benuka mentioned that the country is pushing mainly for trade in rupees and the country has already made agreements with 22 countries for trading with this currency. Hence, she mentioned Bangladesh's probable options and opined that a full currency swap is possible with Russia and Japan only. However, Japan has not expressed interest in this regard. For China and India, a partial currency swap is manageable. But for other countries, currency swaps and trading in bilateral currencies are not viable options as our exports to major import partners are negligible compared to our imports from them.



Dr Benuka then touched upon the benefits of currency swaps. She noted that Bangladesh can save US\$3 billion if the country swaps currency with Russia, China, and India. Bangladesh's importers can gain by avoiding double conversion and in the long run, it will help the country to reduce dependency on single currency. Then she mentioned some of the challenges. If Bangladesh follows the currency swap system, then its exporters have to forego the dollar which may not be an attractive option for them. In addition to that, currency swaps will add

a burden to the interest, particularly if the country does currency swaps with China and India due to their higher interest rates. And there are regulatory challenges in the case of doing currency swaps with China and India, as the trade gap is enormous. Besides, there are other political challenges too. For example, if Bangladesh wants to do a currency swap with Russia, the country will face payment complexity as it is excluded from the SWIFT.

Thus, Bangladesh also needs to keep in mind the geopolitical repercussions if it wants to practice currency swaps with China and Russia, given the geopolitical context of the Indo-Pacific region. More importantly, at this point, it would be risky to be engaged in a long-term and large-amount swap with countries amidst the volatile global foreign exchange market. If Bangladesh trades in single local currencies, i.e., rupees or Renminbi (RMB), then there are also some benefits and challenges. Benefits are more or less the same as it is with bilateral local currency, however, there are some added challenges, if the country goes for a single local currency trade instead of bilateral currency. For example, if Bangladesh goes for trade in rupees only instead of going trade in rupees versus BDT, it will add further challenges. For instance, while trading in rupees, Bangladesh's exporters will get rupees in the end and this will need to convert again. Consequently, it will create a convertibility problem which will hamper one of the purposes of looking for alternative trade options. In doing so, Bangladesh's exporters will face exchange rate risks between the time of the transactions, and when the rate of rupees increases. Also, if Bangladesh trades in a foreign currency, it will become dependent on other currency's monetary policy and economic conditions. Overall, there might be geopolitical ramifications if Bangladesh conducts its trade in RMB.



In conclusion, Dr Benuka summarised her key arguments. She mentioned that the challenges of alternative trade arrangements are manifold. For example, Bangladesh has huge trade gaps with import partners, which makes it problematic to conduct such practices. There is a lack of interest from exporters of both ends. China's RMB has already been an official currency to Bangladesh since 2016, however, her exporters are not interested in

trading in RMB. Simultaneously, Chinese exporters are also not interested in RMB as the country has to trade with other countries in dollars. Bangladesh also needs to take into consideration the geopolitical repercussions as its trade is heavily dependent on the US and Europe. Thus, when the country goes for alternative trading arrangements with Russia, China, India, and other BRICs countries, it might face geopolitical consequences. At present, as the global foreign exchange market is volatile, Bangladesh has to be very cautious in choosing alternative currencies for its trade. So, Bangladesh needs to keep in mind these realities. She then provided some policy recommendations. For example, if Bangladesh goes for trade in an alternative currency, the trade should be limited to export earnings of that currency. The country should not go for alternative trading arrangements by selling the dollars which will further weaken its reserve. Moreover, it does not make any sense if Bangladesh foregoes its stronger currency for a weaker one. She also reiterated that Bangladesh should not and need not make a hurry at this stage.

According to Dr Benuka's understanding, till today, Bangladesh is not in such a desperate situation to jump into this practice. So, the country should be cautious and it should watch and learn from other countries' experiences. Bangladesh can see what is happening with other countries. She further mentioned that China has currency swap arrangements with 41 countries. Hence, Bangladesh can observe what is the outcome of this in the near future, who benefits from these arrangements, and whether smaller economies are facing challenges after doing these swaps. After watching and learning, Bangladesh gradually can get into the process. She also suggested avoiding financial turbulence and geopolitical repercussions. Finally, she suggested taking incremental steps. In her view, Bangladesh should take small initiatives to monitor what are the probable implications. Afterward, it can go for further incremental steps and an alternative way of trading.

SUPREMACY OF THE US DOLLAR AND THE FUTURE OF OTHER CURRENCIES: TRADING OPTIONS FOR BANGLADESH



Dr Mahfuz Kabir
Research Director, BIIS

At the outset of his presentation, **Dr Mahfuz Kabir** discussed the context of why Bangladesh needs alternative trading arrangements. In his view, the crisis in the US dollar is the major reason behind the quest for alternative trading options. He then mentioned the Report of the International Monetary Fund (IMF) and opined that in only a year, the reserve plummeted to an all-time low after disappearing US\$1 trillion, as seen by the comparison between the last quarter of 2021 and the last quarter of 2022. Afterwards, the trend of reserve showed a shortfall due to the sudden loss and failure to recover US\$1 trillion which, according to him, is an alarming issue for Bangladesh. In this regard, he tried to discuss the reason behind the crisis in the US dollar. He informed that the flow of US currency has shifted from the Asian and European markets to the US due to changes in policies. Because of the instability of the global economy, the future recovery of the US dollar is also uncertain. This can also be counted as an immediate effect of the post-pandemic and the onset of the Russia-Ukraine War began for more than a year. In the situation of this crisis, other major currencies such as the Euro, Japanese Yen and Chinese Yuan were also unable to replace the dominance of the US dollar. Thus, the crisis of the US dollar proved its dominance and showed the primary impact of that crisis on the international payment system or the settlement of the payment.

According to Dr Kabir, in the case of Bangladesh, the sudden sharp depletion of the forex reserve and the high cost of trading were caused by the higher purchase rate of the US dollar and the unavailability of the US dollar. The high purchasing rate due to the unavailability of the US dollar has already created a difficult situation for imports. Conversely, exports have also been affected by the reduced exchange rate of the US dollar. This situation

has created a significant loss that the country never experienced before. Dr Kabir termed this situation as a “completely new phenomenon” in the world trading system, as this type of situation is different from the crisis that arose during the 2007-08 global recession and the trade war between the US and China. Besides, there are other issues, such as the debt services in the US dollar that Bangladesh is continuously repaying even though the country is facing crisis in forex reserve. He opined that for both inward and outward Foreign Direct Investment (FDI) and goods-services trade payment, the US dollar is the most acceptable currency. Thus, regarding FDI, the country is under stress due to this emerging crisis. Bangladesh Bank has allowed outward FDI. Additionally, there are several instances of informal FDI due to the issue of capital flight. He mentioned another issue which is the adverse rating of the financial sector due to declining reserves, despite the fact that the country sought guidance from the IMF and obtained a loan of US\$4.7 billion from them. However, the country is still unable to maintain the IMF’s recommended level of US dollar reserves. Bangladesh Bank has also received Fitch’s rating, which signifies the unfavourable financial condition of Bangladesh. Another issue arises in relation to the conversion rate and additional transaction expenses. For instance, those holding a Visa or Mastercard are required to pay an additional 6 per cent extra cost.



Then, Dr Kabir briefly discussed the dominance of the US dollar. In the first phase, he recalled the time when the Federal Reserve Bank was created and the first US dollar was printed in 1914. Till the Second World War, the Pound sterling remained an accepted international currency. However, after the establishment of Bretton Woods Institutions, the US dollar became the dominant international currency. Thus, three decades later after the creation of the Federal Reserve Bank, the US officially became the world’s reserve currency. According to the latest statistics of the year 2023 by the IMF, 58.88 per cent of all foreign bank reserves were denominated in US dollars. Euro stands second reserve currency since 19.97 per cent of Foreign Bank reserves are denominated in Euro. In this context, the Euro demonstrates a lot of expectation as a reserve currency since the US dollar is

facing a crisis in the global market. There are also fixed currencies, for example some Middle Eastern countries, such as Qatar, Oman, Saudi Arabia, and the United Arab Emirates have fixed exchange rates with US dollars. And, there are many other countries in the world which even though do not have any fixed exchange rate regime, rather, their central banks effectively oversee the management of their currency and for that reason, they face a limited amount of fluctuation of the exchange rate. For example, in the case of the Yuan, although this currency was pegged to the US dollar from 1994 to 2005, it is now carefully managed by the country and allowed to float within a narrow band.

Afterwards, Dr Kabir discussed the economic benefits of the alternative trading arrangement. In terms of transaction cost, considering other available currencies instead of the US dollar could bring prospects for trade-related transactions. If the payment is settled in the official exchange rate of the date of transaction, then, there will be no forward booking of US dollars. Another advantage of using alternative currency for trading could be avoiding double conversion which could reduce the loss due to transaction. One further benefit of using alternative currency for trading could be welfare gaining because of less transaction cost, such as using a RuPay card instead of Visa or MasterCard. The use of alternative currency also offers notable benefits in the context of bilateral trade. This is because, greater predictability prevails in bilateral trade due to the availability of currency. It also enhances confidence between banks, which enables the opening of letters of credit (L/C). Finally, using alternative currency could contribute to reducing vulnerability due to sole dependence on a single currency.

Possible disadvantages were also discussed by Dr Kabir. He mentioned the shortcomings of trade diversion and concentration because of trade with available currency. According to him, the state of trade diversion can also give a country the freedom to choose its trade partner. Another drawback could be having greater influence or pressure to use alternative channels by large economies and groups. Then, fragmented transactions or part payments might also happen due to using alternative currency. Another difficulty could be related to the situation of stickiness and non-response due to long-term contracts. Possible disruptions in the existing supply chains could be another disadvantage of using alternative currency.

Dr Kabir then discussed the future of other currencies as alternative trading currencies. He informed China's plan of floating yuan in the global market and it was decided by the Chinese Planning Commission in 2021. Again, in March this year, the yuan became the most widely used currency for cross-border transactions in China, overtaking the US dollar for the first time. The yuan was used in 49 per cent of China's cross-border transactions in 2023, topping the US dollar for the first time. Cross-border settlements in the Chinese currency totalled 42.1 trillion yuan (equivalent to US\$5.85 trillion) in 2022. This year, there was an 11 per cent increase in foreign payments denominated in yuan, amounting to US\$1.51 trillion. In contrast, payments in the US dollars decreased by 14 per cent to US\$1.4 trillion. Due to the yuan's stable state, countries such as Russia, Saudi Arabia, Argentina, Brazil and Thailand have also done currency swap agreements with China. However, notwithstanding the yuan's favourable condition, the advantages are still not being realised in terms of trade settlement and investment decisions. Other currencies, such as the Japanese yen have a stable share in the international payment settlement such as the cross-border payment system. In the case of Bangladesh, Dr Kabir stated that Bangladesh is in a new regime of rupee. The Reserve Bank of India (RBI) has allowed banks from 18 countries to settle payments in the rupee, including Sri Lanka, Israel, Russia, Germany, Singapore, and the UK. Multiple organisations have already enrolled to get the advantages of the rupee currency exchange. Bangladeshi business people are evaluating the advantages and disadvantages of engaging in trade using the

Indian rupee. However, in Bangladesh-India currency swap, the usage of the rupee is a one-way traffic since it is the sole currency acknowledged, whereas the taka is not yet recognised which is a major problem. In addition, Dr Kabir discussed many endeavours aimed at implementing alternative currencies on a global scale. He provided information on a group of the West African nations known as the CFA Zone (Communauté Financière Africaine), who have chosen the French franc as their common currency. Brazil and Argentina have declared their intention to establish a currency union named the “sur” (the south). Russia has also advocated for the introduction of a common currency among the BRICS nations. ASEAN initiated discussions in the early 2000s on the establishment of a regional currency.

Regarding the composition of the global reserve currencies, Dr. Kabir pointed out that although the dominance of the US dollar in global reserve currencies is gradually declining, other currencies are not proving to be suitable alternatives. For example, the Chinese Yuan had only a 2.5 per cent share in trade financing in 2021 and in 2023, the Chinese Yuan’s share rose to 4.6 per cent. Now, in September 2023, the Chinese Yuan’s share rose to 5.8 per cent which is not a notable rise compared to the US dollar. According to the latest data, in 2023, the US stands for 58.88 per cent in the composition of the global reserve currencies. It means the US dollar is still widely accepted as the dominant currency in the international market. In terms of global payment currency, the US dollar had a 38 percent share in January 2021, and by August 2023, that proportion had climbed to 46.6 percent. Thus, it means that the US dollar’s acceptance as a global payment currency throughout the world is again on the rise.



Dr. Kabir, then, discussed the possible options for Bangladesh. Although it is a difficult geoeconomic choice considering the benefit of the business, it is needed to explore some of the alternative avenues. As a first option, he suggested to consider diversifying its payment options via special drawing rights (SDR) currencies at least

for medium-term businesses. For example, among the SDR currencies, the Japanese Yen can be a viable option since Japan has a lot of interest in doing business and investment in Bangladesh. Then, he stressed on signing an agreement because using alternative currency would not be possible without proper agreement between the central banks. For instance, when the Central Bank of Bangladesh enters into a bilateral agreement with the Central Bank of India, it will enable and enforce certain conditions on other financial institutions to use alternative currencies. He also suggested some other 'innocent' currencies such as the Thai Baht (THB), Singapore (SGD), Hong Kong (HKD), Indonesian Rupiah (IDR), and even Vietnamese Dong (VND) as potential future currencies as alternative options for international payment. These currencies might also potentially be seen as having lower geopolitical risk. Even though these currencies do not have much influence on global trade, these are being frequently used in international payment. Then, he suggested to consider the trade relations and demand for services into account. Since trading goods is a widely discussed issue, trading services is also an important of the overall trade which accounts for 15 per cent of total trade. Then, the importance of building on experience with the Indian Rupee (INR) has also been emphasised by Dr Kabir. As a final point, he emphasised on highlighting BDT. In accordance with Vision 2041, it is needed for Bangladesh to be visible in the world economy. Hence, the Bangladeshi taka needs to be highlighted more in the realm of trade financing and international payment systems.

ALTERNATIVE TRADING ARRANGEMENT: AN ASSESSMENT FOR BANGLADESH



Professor Mustafizur Rahman

*Distinguished Fellow and Executive Director
Centre for Policy Dialogue*

At the beginning of his deliberation, **Professor Mustafizur Rahman** mentioned that, although Bangladesh is going through a difficult time due to the pressure on the Forex reserve, it will be unwise to take knee-jerk decisions. Instead, looking for alternatives and diversification is imperative. The diversification entails that Bangladesh should not depend on a single currency, a single export product, or a few import destinations. He agreed that many new avenues are coming up and should be explored. However, he believed that for the foreseeable future, the dollar would remain the dominant currency. So, while discussing alternative arrangements, Bangladesh should be cautious and go incrementally. He also argued that although Bangladesh Bank is in the right direction, it has been slow in its decision making. He referred to the decision regarding the exchange rate where Bangladesh Bank did not depreciate the value of the Taka when it was supposed to. Dr Rahman underscored this event as a factor behind the current situation. Since 2017-18, researchers argued in favour of gradually depreciating the Taka and aligning it with the market. Instead of procrastination, if the Taka were depreciated, perhaps it would have been stabilised at 95/96 against the US dollar. Unfortunately, due to the global shocks, BDT stands at 110 per USD and 115 BDT has been offered to attract foreign remittance. If it were depreciated at the right moment then the economy would have time to be adjusted.

Dr Rahman was not against finding alternatives; however, he feels alternative options will have limited scopes, and in the short to medium term, it will not be sustainable arrangements. Then he reminded the participants regarding Bangladesh's journey through graduation of middle-income economy which means that the costs of borrowing are going up as Bangladesh is expected to graduate in November 2026. Bangladesh has been in the

bargain with the World Trade Organization (WTO) regarding preferential arrangements for goods. As a result of this negotiation, in principle, it was agreed that they would extend the support to the graduating least developing countries (LDCs). Following graduation, Bangladesh has asked for support for 12 years. However, realistically, it might be granted for 3-5 years. In the upcoming NC Ministerial Conference in Abu Dhabi, which will be held in February 2024, a concrete timeline will be set for granting preferences for graduated LDCs. However, these preferences will be limited to only duty-free, quota-free market access and preferential market access. This does not include other LDC benefits that Bangladesh has been receiving, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and pharmaceuticals, which allow us to produce, export, and consume without recouring to patent and license in case of pharmaceuticals. Any preferential treatment other than duty-free and quota-free market access will not be part of WTO negotiation and they will be dependent on unilateral decisions by countries. Consequently, rules of origin and compliance requirements will become very onerous and stringent for Bangladesh. He argued that since Bangladesh benefitted most from LDC preferential treatment, after graduation, due to the absence of these treatments, Bangladesh will lose the most. He cited the WTO Secretariat to justify his argument by saying that there is a possibility of 89 per cent of export loss because of loss of preferential treatment.



Professor Rahman discussed the historical context of Bangladesh's inclusion within the LDC group, where Bangladesh received accession in 1975 and will graduate by November 2026. The 50-year journey was started with a judicious decision by Bangabandhu Sheikh Mujibur Rahman to apply for accession to the LDC group in the 1970s. Whereas, many countries did not want to be part of a group of poor countries. Zimbabwe was one of them; however, the rationale behind Bangladesh's decision was to gain preferential benefits.

Although Dr Rahman agreed with some of the arguments from his previous presenters from BIIS regarding alternative currencies, however, he argued that discussion should not be limited only to the trade. Rather,

Bangladesh has to look at it from a multidimensional perspective, which includes trade, investment, credit, and borrowing. So whichever currency from whichever country that Bangladesh wants to bank on, some discussion with that country has to take place under a comprehensive economic partnership agreement. Then, as an example, he highlighted Bangladesh's trade balance with India, from where Bangladesh imports US\$14 billion and exports US\$ 2 billion worth of goods and services. Hence, if Bangladesh either goes for a barter or currency swap type of arrangement, it will be limited to the amount of the export, which is US\$ 2 billion. Then the question remains: What will happen to the rest? He gave another example, which is Bangladesh's trade with China, where Bangladesh imports US\$ 24 billion and exports US\$ 800 million. Hence, if barter takes place between these two countries, it will be limited to a maximum of US\$ 1 billion, and the rest of US\$ 23 billion has to be paid in USD. As a solution to this problem, he mentioned that Bangladesh has other types of arrangements with most of these countries. For example, from India, in 3 credit lines, Bangladesh received US\$08 billion, of which a large part will be spent in BDT in Bangladesh, and only the parts from these credit lines will be spent in USD for imports. Therefore, he argued that if trade, investment, and credit can be put together in a composite basket under a comprehensive economic partnership agreement and the central banks of the two countries come to an agreement to settle it, then the equation changes. This will help Bangladesh to avoid double conversion and such types of costly transaction costs. To be able to do that, there is a need for reforms.

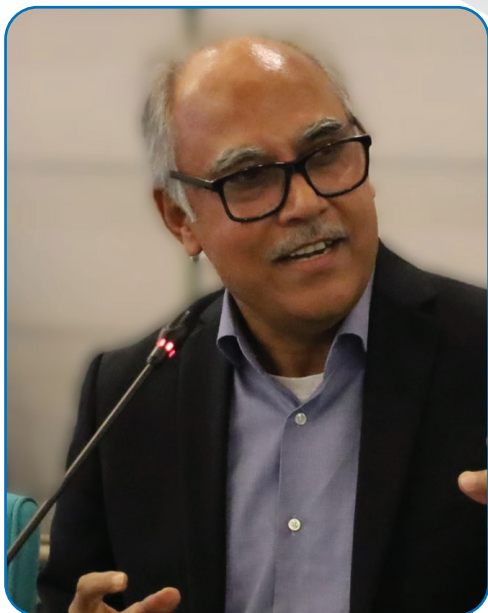


In that reference, Professor Rahman compared Vietnam's case with Bangladesh. Whereas Vietnam already has 51 Free Trade Agreements (FTAs), Bangladesh has signed only 01 Preferential Trade Agreement (PTA) with Bhutan, with whom the trade volume is merely US\$ 25-26 million. Along with India and China, Bangladesh should consider having such arrangements with Russia as well, since Moscow has a huge investment in Bangladesh. He argued that geopolitical factors should not be binding constraints in the way to achieve such partnerships. Professor Rahman cited the example of China being the largest trading partner of India, despite

having contentious issues in their bilateral relationship. He mentioned this world is of “variable geometry” where, despite the presence of tensions, cooperation takes place. As Bangladesh is graduating from LDCs, these types of arrangements will be based on full reciprocity or partial reciprocity.

According to Professor Rahman, the capacity of negotiation will be crucial and Bangladesh needs to develop experts and analysts to determine the point of interest, offensive interests, defensive interests, request lists, offer lists, and lists of non-negotiables. These lists have to be well articulated and based on evidence. In Bangladesh’s homework, intuition has to be replaced by evidence-based studies. The exchange rate of the currency needs to be aligned with the market rate and he praised Bangladesh Bank for taking a timely decision as they have asked all the banks to provide 2.5 per cent extra from their corporate social responsibility (CSR) and other funds as an incentive to attract foreign remittances. Although this might create inflationary pressure, it might help to bring remittances from informal to formal channels. As the second point, he argued that as a short-term measure, Bangladesh should look for alternative measures, but it should not be distracted as it should focus on doing the homework to find solutions as a medium-term measure to diversify the currency basket. When Bangladesh had US\$ 46 billion as its foreign reserves, it did not have other currencies as alternatives. That could have been helpful for Bangladesh in the current situation. In the concluding part of his deliberation, Professor Rahman mentioned as his third point that many countries, such as China and India, trade in different currencies and should be prioritised as trading partners. In the case of Asian Clearing Union (ACU), if Bangladesh can make an arrangement to just pay the balance, that can be another way to go forward.

OPEN DISCUSSION



Ambassador Abdul Hannan

Ambassador Abdul Hannan stressed on the importance of the issues raised by Dr Rahman regarding the multidimensionality of trading arrangements and the significance of trading and market diversification. He referred to Dr Rahman's point about the greater predictability of bilateral trade which he considered as an important element. He explained that the diversification of the transaction system would help to understand the engagement better and be helpful for the overall trade volume but from his experience, he believed that greater predictability depends on diversification and competitiveness of the economy which he defined as how much share a country has in the international trading mechanism. He gave the example of India's booming trade with Russia to explain the relationships between global market share and strategic autonomy. India has immensely benefitted from the trading of energy resources with Russia since the Ukraine War. But when India recently demanded to conduct trade in the rupee, Russia did not agree to do so. So, even if the volume of fuel trade is 60 billion, there was no agreement in this regard. Therefore, strategic autonomy is not complete until the aspect of dependence is present. It means how much market share one country has on a global scale is important to know so that it can dictate. China has financial arrangements with 40+ countries, but as Dr Kabir mentioned China has only a 2 per cent share in the global transaction system which is negligible. However, regarding the issue of strategic autonomy, he strongly believed the choice of diversification of the economy is limited to a simple trade basket like Bangladesh.

Even with the existence of a differential market mechanism, Ambassador Hannan remarked that Bangladesh's call for international support under the WTO was rejected by the US. Bangladesh could not even retrieve the maximum from the US market, although they are committed to WTO mechanisms. He reminded everyone of the fact that Bangladesh is yet to get the Generalised Scheme of Preferences (GSP) benefit back from the US market after the tragic collapse of an RMG factory building in 2013. Then he posed the question before the audience

whether the US or the European Union (EU) said anything regarding the non-democratic political governance of Vietnam. The speaker labeled Vietnam as the darling in Southeast Asia for the US and Europe for which the latter do not criticise the former over its undemocratic political governance. He drew the attention of everyone to the issue that Bangladesh must be mentally ready to embrace the non-political issues as it is looking forward to have GSP Plus facilities with the EU.

Then he defined strategic autonomy in terms of having the capacity to give a red line to the other counterparts of who is disturbing or interfering. The red line can be perceived as a kind of strength, where he suggested that Bangladesh might create a reservoir of strength in terms of market accessibility, differential market accessibility, duty-free access, etc. He referred to the recent WTO decision taken in its General Council that the duty-free market access should be extended even for the graduating country. But he noted the crucial issue is how long this facility will be extended. Bangladesh has time till 2026 in general and it might be up to 2029 in the case of market access to the EU. As we aspire to be a smart Bangladesh by 2041, we need to diversify our economy in line with the adaptability of the technological powers. He expanded his ideas by noting that Bangladesh needs to think of diversifying the whole export basket by incorporating the benefit of technological adaptations. And then the country can think of bargaining in terms of strategic autonomy which is not quite easy. In his concluding remarks, Ambassador Hannan said that Bangladesh can think of diversifying its transaction mechanism but the country also must think seriously about the diversification competitiveness of the economy.



Ambassador ABM Abdus Salam

Ambassador ABM Abdus Salam expressed his heartfelt thanks to the BIISS authorities for inviting him to this very important discussion. He emphasised on the importance of barter trade. To comprehend this, he shared his experience when he was posted in Romania. He mentioned that there was a barter agreement between Bangladesh and Romania at that time. Bangladesh used to bring railway coaches from Romania and the latter used to take garments and fruits, among other things. He observed that this trading arrangement went well, but it was stopped abruptly. He expressed his opinion that he is in favor of introducing or reintroducing barter trade again. Bangladesh can look for markets where the goods it wants to export and from where it can bring something whatever it needs for overall development. He referred to the activities of then Romanian President Nicolae Ceaușescu who had done many things to improve the economy of the country. For example, he managed to decide that the cars with odd numbers would run one day and even numbers would run the other day. Ceaușescu also ruled that no one would be able to take more than 20 liters of gasoline from the pump. Finally, Ambassador Salam suggested to the panel/ government/ anybody responsible that Bangladesh can reintroduce the barter trade wherever it is possible and that will contribute much to solve the problem.



Ambassador M Humayun Kabir
President, Bangladesh Enterprise Institute (BEI)

Ambassador M Humayun Kabir started his analytical remarks by noting that when Bangladesh talks about strategic autonomy and alternative trading arrangements, the country has to have a kind of objective assessment of the linkages that it has to deal with. He then raised a question: What do you mean by the linkage? He drew the attention of the audience to look at the countries with which Bangladesh is now doing its trade or investment. He commented that these countries, like the cases of the USA or EU where most of the country's exports go, have political frameworks under which they do the trade. Take the US as an example, it can be said that, the 1974 trade law is the foundational framework of the US trading arrangement and under that, they give different kinds of concessions or preferences or even access to various countries. The EU, on the other side, also has a larger political framework under which they do the trading. Then he referred to Ambassador Hanan's remarks on the graduation process and securing GSP Plus facility for Bangladesh in the post-graduation period. He thought that the new elements of the GSP Plus were not even familiar to many so this could be implemented or translated into the country's policy. The process will involve areas of economic relationships, political relationships, and social relationships. So, Bangladesh has to understand that whatever the country is talking about today (either about trade or settlement of transactions) will have other linkages and it has to have a good understanding of what the nature of those linkages are. He stressed on the issue of studying these so that the country understands them and can manage them.

Secondly, Ambassador Kabir focused on the issue of comprehensiveness of policies. He commented that Bangladesh is living in isolation in terms of its economic or trade relationship. Bangladesh has signed only one Preferential Trade Agreement (PTA) with Bhutan and it does not have any FTA so far or linkages with the larger trading organisations. Thus, when talking about navigating the new world or new complexities, Bangladesh has to look into that and consider it. In fact, Bangladesh cannot engage with the larger trading blocs until it is ready to do its internal reforms. According to him, as Bangladesh does not have the internal capacity, the country is just avoiding the trading blocs. This is an important element for Bangladesh since it is not only a technical issue but a political, or governance issue as well. He commented that political leaders have to understand that reformation is crucial in many areas including the country's education sector, skill system, governance systems, and in the

case of economic management. If Bangladesh wants to navigate the world during the post-graduation process, it has to understand that there are alternatives in many dimensions.

Thirdly, Ambassador Kabir stated that Bangladesh has to think capacity-wise. In this regard, he made remarks that there is no linkage between what Bangladesh does domestically and what it does in the outside world especially in the case of mediation and negotiation, for example. So, there is a disconnect between the world of diplomacy for Bangladesh and the world of governance or development inside Bangladesh. He thought that Bangladesh had been a net beneficiary of the globalisation process for 30 years. Now that globalisation is being disrupted, the country is also feeling, or it is now being hurt by the hiccups that it is seeing at the global level. This trend might continue and might deepen further in that kind of environment. In response to that, Bangladesh can perhaps integrate whatever it does domestically and how it can translate that into the outside world. In addition to integrating these two elements, Ambassador Humayun opined that the third element might be ‘development’ which is the country’s aspiration domestically and it can translate those aspirations in the outside world through diplomacy in an integrated fashion. China is doing that, and Singapore has done that already. Many countries are doing that but in the case of Bangladesh, there is still a disconnect and this integrative approach is absent so far. In this regard, he referred to the Ministry of Commerce’s process of determining the export target for a particular country. In his view, there has to be a consultative process and integrative suggestions or whatever inputs into this decision-making process. Raising those points, Ambassador Kabir suggested for an integrative approach and opined that the elements of integration have to be available.



Ambassador M Fazlul Karim

Ambassador M Fazlul Karim clarified the assessment of Dr Rahman and remarked that the dollar dominance is not going to go away soon, rather it is going to stay. In his view, people living in the global South pretend to be euphoric whenever there is a new initiative. A few years back, all started talking about the demise of the dollar, and five or six years later, it was found that the dominance is enhancing day by day rather being the other way around. Linking to this, he recalled that people also became euphoric and upbeat when the yuan became a part of the Special Drawing Rights (SDR) back in 2016 or 2017. Although around 40 countries are using it, they are doing it partially and therefore, dollar dominance is still there. When cryptocurrency emerged, people talked again about the demise of the dollar, but looking at the state of cryptocurrency, it has been the other way around. He further recalled that one country in Latin America has accepted cryptocurrency as their national currency. But these are very fringe elements. With the establishment of the Asian Infrastructure Investment Bank (AIIB), BRICS, or New Development Bank (NDB), all thought that the conventional dominance of a few institutions would come to an end, but countries still go to the IMF or World Bank whenever there is a crisis.

Ambassador Karim said that it is needed to go back a little bit further to understand why the forex market is volatile or why the dominance of the dollar is persistent. He thought that when the gold standard was discarded, it was a nexus time, and then the volatility started. Because the US started printing dollars without any technical consideration and devoid of any reality. The USA did that because it knew it could dominate owing to its alliance with the Organization of the Petroleum Exporting Countries (OPEC) countries. And if the payments were accepted only in dollars, then the country had huge support for dollars and could print dollars whenever it wanted. Thus, volatility started in the 1970s and it is still there and ruining many governance systems across the globe. In his remarks, people tend to talk about the Ukraine War and other conflicts to trace the causes of many global problems, but maintaining closer monitoring of the issues related to the exchange currencies and reserve currencies is needed at this stage. He recalled his experience of his involvement in the The South Asian Association for Regional Cooperation (SAARC) negotiations regarding the SAARC Preferential Trading Agreement (SAPTA) and the South Asian Free Trade Agreement (SAFTA). Bangladesh was hopeful about the journey of these regional agreements and its expansion in terms of agreements with the Association of Southeast Asian Nations (ASEAN) and EU, but it did not happen in practice.

Ambassador Karim also recalled the time when he was posted in Beijing, China proposed to sign an FTA with Bangladesh at that time. When he proposed to the Ministry of Commerce that China wanted to sign an FTA with Bangladesh, the response was not prompt and it made him flabbergasted. The response was mainly centered around the absence of any capacity or experience regarding FTA or PTA negotiation. So, he made his point clear that it was impossible to gain experience without starting a negotiation. But this trend continued and Bangladesh became abortive to provide a positive response even when the Chinese President visited Dhaka in 2016. Furthermore, he highlighted that the same thing happened with India. Based on his personal experience, Ambassador Karim recommended that Bangladesh should start signing FTAs with countries like India, China, and some major countries and these have to be comprehensive by linking with the issues of credit, investment, and economic cooperation. Another thing he highlighted was the lack of negotiation skills which he deemed vital. In addition, Bangladesh has to negotiate with the other countries regarding FTAs. Ambassador Karim concluded his remarks by raising the issue of discrepancy in the specific export targets for missions or embassies. He noted that these targets are often set without considering the real situation and he recommended following a coherent method in this regard.



Ambassador A K M Atiqur Rahman

Ambassador A K M Atiqur Rahman referred to the basic things such as Bangladesh's domestic side or internal aspects as also mentioned by Ambassador Humayun Kabir. Bangladesh needs to raise its foreign reserve keeping in mind that the prominence of the dollar will remain the same. He did not agree with the suggestion that Bangladesh should go for the currency of India, or China as there is a huge trade imbalance with both the countries. Firstly, Bangladesh has to stop the flow of dollars from the country through the foreign workers employed here in the country. These foreign workers are mainly working in the RMG sector or other industrial sites and Bangladesh needs to replace them with the country's own people. Secondly, the market rate of currency that Dr. Rahman raised, is pertinent. If Bangladesh can do that, then hundi or money laundering will be reduced by a significant margin. If the migrant workers do not find it more profitable through other means except official channels, then, they will stop sending money through those unofficial means. So, he stressed on the importance of raising the country's foreign reserve to minimise the gap between the hundi rate and the dollar rate. He did not think that any common currency among the SAARC countries would work in the future. He recalled the time he was Ambassador in Malaysia and he got a proposal for FTA in 2009. The Malaysian government said that they would like to start the negotiation and they would provide various concessions and advantages. However, Bangladesh did not agree to the proposal. He referred to Professor Rahman and Ambassador Kabir who mentioned the need for the correct assessment before taking any steps regarding any programme. Bangladesh also needs to diversify its export items and minimise the trade gaps where it is importing. Ambassador Rahman labeled these efforts as domestic homework and Bangladesh must do these in order to build resilience during crisis time. Moreover, Bangladesh should go for a permanent solution and decide whether it will go for a mixed international currency payment system and trading system or strengthen its financial capability for any trading arrangement.



Professor Dr M Abu Yousuf

Department of Development Studies, University of Dhaka

Professor Dr M Abu Yousuf said to identify problems as well as the responsible stakeholders to solve the existing problems. He referred to Ambassador Rahman's remarks regarding the missed opportunity to sign an FTA with Malaysia and noted that political and economic factors are dominant in the context of Bangladesh. He recalled that Bangladesh aimed for a flexible exchange rate in 2003, but the country does not have this flexible exchange rate in practice. He commented that if Bangladesh gradually depreciated, the country would not have to face the situation it is having now. He commented that there is plenty of opportunity to save foreign currency under existing arrangements. In order to accomplish this objective, Bangladesh needs to adopt evidence-based and informed policy making where it has to do its homework beforehand. According to Professor Yousuf, it is important to have enough preparation when making a decision. As the related decisions are coming from the Central Bank, he urges everyone to think about whether the Central Bank is autonomous in practice. One of the major sources of foreign currency is the export sector and Bangladesh has not been able to diversify exports since its independence. Another source, in his view, is the Overseas Development Assistance (ODA). In this regard, he informed the house that about 47 billion dollars worth of ODA is in the pipeline. He drew the attention of policymakers to the issue of negotiating the disbursement of what has been promised by the development partners.

Dr Yousuf opined that if Bangladesh could successfully bring even 50 per cent of this promised commitment, then the country would be in a better position to face the challenges of the current situation of depleting foreign reserves. He referred to Ambassador Rahman who rightly mentioned that Bangladesh is paying for the foreigners working as mid-level officials in the country and they are taking almost 6-7 billion dollars out of the country in foreign currency. He identified the cause of the country's inability to stop this outflow as Bangladesh is not in a position to produce productive graduates in line with the market demand. There is no significant collaboration between the industrial sector and academia. He recommended that if Bangladesh could connect the dots, the country could save foreign currency. He stressed on the point that one of the major demands for dollars is expenditure. and if Bangladesh could properly develop its health system, it could save the foreign currency spent on availing healthcare in other countries. He also shared his view that one of the major causes of the problem

of hundi is the spread of corruption. Unless developing the government, system and reducing corruption, it will be difficult for Bangladesh to gain benefits out of remittance. Professor Yousuf then reminded everyone of the fact that prudent macroeconomic stability existed in the country before the pandemic or even five years ago. In order to overcome the current macroeconomic challenges, he suggested that Bangladesh needs to think from a holistic approach, as mentioned by Dr Rahman. Bangladesh is graduating from LDC in 2026, but the country has completed only one PTA with Bhutan, whereas potential competitor such as Vietnam has completed 51 FTAs. So, he said that Bangladesh has to move forward on how it can be benefitted out of the available opportunities.



Ambassador Mahbub Uz Zaman

Ambassador Mahbub Uz Zaman started by highlighting his views on strategic autonomy. First of all, he felt that Bangladesh has to focus on its national interest in order to exert its strategic autonomy. Secondly, he commented that Bangladesh should not place too much reliance on any single country. Bangladesh has to diversify its options and it has to prioritise its objectives and priorities considering the resource constraints. He denoted that alternative trading arrangements can be good options but it needs to keep in mind that this is not an ideal world. Therefore, Bangladesh has to have a realistic objective appraisal. He referred to Dr Ferdousi and agreed with her on the limited nature of the dual currency swap agreement. In this case, he proposed that Bangladesh has to identify a basket of goods that can be traded and thus, diversify its trade basket. He iterated that China has given Bangladesh duty-free access for almost 97 per cent of its goods, which is roughly 8256 items. He recommended that Bangladesh should claim for these preferential items to exist even after the country graduates out of LDC in 2026. Another option Bangladesh has is the special and differential treatment provisions, popularly known as S&D Measures under the WTO which it can utilise to retain this duty-free access and then it can trade in these areas through the dual currency agreements. He agreed with Dr Kabir's observation that the currency swap arrangements are mostly used by China's allies. He shared from his personal experience that bankers are most reluctant to trade in the Chinese yuan and there is some passiveness or some sort of reluctance to trade in this regard. He said that the dollar is the lingua franca or the currency franca of the world and it is traded in the European zone and also in the US zone, the North American Free Trade Agreement (NAFTA) and its dominance will remain the same in the foreseeable future. He suggested that Bangladesh might consider going for a single currency swap like India has nostro and vostro accounts. Bangladesh can keep the Chinese yuan in the nostro account and then the traders or the suppliers could order or further reorder those things that are in the supply chain which are complementary goods. He gave the example of the Rooppur Nuclear Power Plant (RNPP) payment system where Bangladesh has paid the Russians through the Chinese yuan system. This can be a viable option but the multi-dimensional perspective also has to be taken into account. He argued that investment has to play a big role in filling up the export-import gap. He commented that China had tried desperately to bring the Bangladesh government to the free trade zones like Shenzhen.

Ambassador Zaman agreed that Bangladesh could not rely on the market for this dollar mechanism and it had kept a high rate of the dollar artificially. Due to the rapid devaluation of the Bangladeshi taka, the policy did not work out well. He noted that it might be due to some pressure from the exporters in the RMG sector, but the country tried to maintain the policy. He reiterated that Bangladesh has to diversify its export base and increase its backward and forward linkages. Lastly, he suggested that Bangladesh has to make a political decision on whether it wants FTAs or not as this type of decision is political in nature. At the end, Ambassador Zaman shared from his personal experience that FTA will be good for the country if it takes a sector-by-sector approach. And if Singapore and other countries can be friendly with both the US and China, it is not impossible for Bangladesh too.



Dr Md Harun-Ur-Rashid Askari
Professor, Islamic University Bangladesh

Professor Dr Md. Harun-Ur-Rashid Askari commented that the concept of strategic autonomy is a European concept and if Bangladesh follows the idea, it has to customize it. This needs to make sure that it will be done to suit the country's needs, desires, and expectations. In order to venture into such a thing, Bangladesh has to do a SWOT analysis and explore its strengths, weaknesses, opportunities, and threats. He mentioned various incidents like the Russo-Ukraine War and Israel-Palestine War, sanctions and counter-sanctions, and America's military and financial support for Israel which have hugely polarised and changed the global world order. As there are many instances of economic and political fragmentations around the globe, he stated that Bangladesh has to consider those before making any decision. He also said that Bangladesh should not use all its resources at once, rather, diversification is the best solution that the country can go for. He expressed that he was not optimistic about the ways to bypass the dollar monopoly, but he felt that the way the polarisations were taking place, especially the economic polarisations, the dollar was bound to lose its present importance because the monopoly would not last for long. Bangladesh has to look for alternative uses for the currency system. He hoped that the discussions and brainstorming taking place at the session would yield good results.



Mr Shams Mahmud

President, Bangladesh-Thai Chamber of Commerce and Industry (BTCCI), and Former President, Dhaka Chamber of Commerce & Industry (DCCI)

Mr Shams Mahmud clarified his argument from the private sector's point of view. He iterated that Bangladesh needs to have proper data when it makes policies based on SWOT analysis and other tools. He provided an example of Bangladesh Bank's projection for this month (October) was US\$70 billion of reserves and until that day, the country was left with less than US\$20 billion. He also mentioned that Bangladesh has three export figures from three different agencies. So, this is a huge problem because this currency swap analysis and alternative trading mechanism will depend a lot upon the actual picture of the economy. He observed that the countries that were using alternative currencies were either related to the Belt and Road Initiative (BRI) or other regional blocs. He said that Bangladesh also has to address the regional connectivity with its neighbours. Bangladesh is hopeful about BIMSTEC but unfortunately, it is a one-way traffic. He mentioned that Bangladesh asked for permission to have third-country access by using Indian ports during the recent visit of Honourable Prime Minister Sheikh Hasina. This was unfortunately denied by India which would have given Bangladesh access to the southern part of China through Nepal and Bhutan.

Like others, Mr Mahmud also agreed that the dollar was bound to remain dominant because most of the financing in the private sector (like buying textile machinery) was done by taking loans in case the money was not available in the country. He said that the private sector would take the loan from either the different funds regulated by Europe or from other USD-backed agencies like the World Bank. He made the point that when the private sector was taking the loans in USD, there came the issue of paying them back in the same currency. So, the dollar will remain the dominant currency. Mr Mahmud estimated that Bangladesh's import volume from India would be over trade data, the country talks about 14 billion but it is actually 30 billion if the issue of remittance and border trade were taken into account. This huge volume did not comprise only trade since services constituted a huge part of that causing the outflow of dollars from Bangladesh. He also mentioned the possibility of availing preferential trade benefits like GSP Plus and GPT Plus are not guaranteed. He shared the information that he took part in a meeting with the Canadian government and in this meeting, it was decided who would be eligible for GPT Plus next year and unfortunately, Bangladesh was not on the list. He also talked about the importance of political decisions. For example, during the Gulf War, Bangladesh did not want to send troops to the Allies, but they eventually did later on. In return, the Middle Eastern market opened up for Bangladesh.

Mr Mahmud also stressed on the fact that Bangladesh has to discuss the issues at the G2G, B2G, or B2B level. For example, the new regime coming in the EU in terms of its European Green Deal which marks its green transition, implies that Bangladesh has to be net carbon neutral in 2030. If the country wants to export there, it has to have its products be carbon neutral. So, Bangladesh needs to use renewable energy, but less than 1 per cent is renewable in the national grid, and therefore, Bangladesh cannot do carbon trading. He suggested that Bangladesh has to take the vouchers where it has to buy the vouchers for \$5 per unit. He believed that there was the possibility of the private sector offering something in this regard. He shared his experience of working with Reliance in India. The Reliance has a power plant in India and he can send them his goods in the textile sector. So, he will send the Reliance the goods free of cost, but the organisation will pay him. Later, he will change it into the carbon credit from India which he will use to subsidise and get the export orders from the European markets down the line. He posed a question before the house: Why does not anyone propose that the government take the initiative of sending workers to Malaysia to work in the plantation sector? They will pay them in local currency in Taka. Whatever the plantation companies would have paid for those workers' salaries, that amount of palm oil being imported to Bangladesh. So, Mr Mahmud reiterated that Bangladesh needs to think differently like this because the time has come that the country will step out and think outside the box.



Dr Imam Abu Sayeed
Director (Research), Bangladesh Bank

As a banker of the Central Bank, **Dr Imam Abu Sayeed** highlighted that their main responsibilities revolved around making the country's currency strong or payment schedule timely, and also working on the balance sheet. He informed that the Central Bank does these for the sake of the economy and policy. The balance sheet is integrated with the monetary, external, real, and fiscal sectors. All the trade and foreign exchange coming from the external sector hit the Central Bank reserve. He stated that the Central Bank had a projection since 2003 when Bangladesh went for poverty reduction and growth facility under PRG of IMF and World Bank. They had a continuous projection of the foreign exchange reserve and in 2003, they did convertibility in the country's current account. At that time, he stated that currency was not that much devaluated and Bangladesh absorbed the shock. It was in fact growing and receiving momentum and the reserve reached \$48 billion.

Dr Sayeed clarified that they might have some projection of about \$70 billion at that time and the position was mainly based on baseline scenarios and alternative scenes. According to the baseline scenario, if everything was going okay, then Bangladesh could gain something. But the alternative scenario was that certain economic parameters and other things did not work properly and for this reason, the projection did not come out as true. In terms of cross-border trade, he iterated that they had continuous observation and they put some weight when they calculated the real effective exchange rate. Regarding the monetary policy transmission mechanism, he brought up the point that the Central Bank took the policy and the lending rate is the smart rate which is 7.20 plus 3.75. It was, however, only 3 per cent, earlier. He explained how the smart rate was calculated which arrived from the six months' treasury bills. If the government's demand is high and the liquidity situation goes down, 7.20 will receive momentum; and if the economy is slow and taka is not scarce, then it will not go up. So, after fixing the smart rate, Dr Sayeed mentioned that they had to increase another 75 basis points and 50 basis points for absorbing the transmission mechanism. He also commented that there was some structural rigidity in the system. He said that, due to these rigidities and other limitations that would not reflect properly in the balance sheet, they were not able to keep a balance between interest and exchange rates. At the end, Dr Syeed hoped that, if the alternative scenarios improved, Bangladesh would again receive momentum and would receive a real return.



Mr Sultan Mahmud

Research Associate, Bangladesh Foreign Trade Institute (BFTI)

Mr Sultan Mahmud mentioned that Bangladesh should focus on strengthening ties with import partner countries like India and China as well as with major export destinations like the US and Europe. Against this backdrop, Mr Mahmud added some more points on the possible options for alternative training arrangements in Bangladesh. He opined that Bangladesh might consider signing an FTA and Comprehensive Economic Partnership Agreement (CEPA) with potential countries like the USA, India, China, the UK, Japan, Canada, and some regional blocs like the EU. He mentioned that the BFTI has already conducted a feasibility study on signing CEPA with India and, therefore the organisation can conduct a feasibility study on the prospect of signing FTA or CEPA with other countries. He explained why FTA has not been needed till now because of the existence of some advantages of LDC. However, after graduation from LDC, Mr Mahmud suggested that FTA could be a good solution for Bangladesh to secure strategic autonomy. He also stressed that Bangladesh should focus on Intellectual Property Rights (IPR) protection because there is a positive relationship between FDI inflows and the existence of IPR protection. As FDI inflows and domestic private investments have recently been decreasing in Bangladesh, IPR protection is much more important. He recommended that Bangladesh should focus on creating harmonisation among agencies related to import exports and port facilitation. Mr Mahmud then recommended that Bangladesh should go for full automation of our port facilities as soon as possible in order to create effective inter-agency coordination. He also observed that Bangladesh can focus on rules of origin issues backward. Bangladesh is now providing forwarding incentives, but after graduation, the country has the option to provide incentives in backward linkage and it can find new markets for its export destination and of course, digitalisation and implementing Vision 2041 of ‘Smart Bangladesh’. Finally, Mr Mahmud emphasised the point of digitisation and remarked that the more the country digitalises, the less it faces strategic challenges related to trade and foreign currencies.



Mr Shahid Ahmed

*Bangladesh China Chamber of Commerce & Industry
(BCCCI)*

Mr Shahid Ahmed began his remarks from the perspectives of the private sector and also the BCCCI. In his view, one of the key challenges in terms of exporting to China, despite having a kind of free trade agreement with them, is the nature of the goods Bangladesh produces. The country mainly exports RMG products and globally, China is the largest producer of RMG. So, there is a mismatch between what they want and what Bangladesh can produce for them. He also mentioned that the value addition is a big challenge. Because of the agreement, currently, they want around 40 per cent value addition, which is not always possible. He pointed out that an alternative way Bangladesh can attract foreign currency is through investment. He said that they have done multiple programs with investors from China, and they always express a few common complaints. One of the most important issues is red tape. According to the investors, if they want to get anything done, it takes a long time, and they have to get it done fast because their money is there. The other common complaint is about IPR protection. Mr Ahmed stressed on the fact that Bangladesh's IPR protection is not the best and a lot of investors don't want to bring in their intellectual property over here because they are fearful of its protection. Lastly, he commented that one of the other common complaints is skills. He referred to one of the previous speakers who pointed out that a lot of people are coming into our country to work and then taking a lot of money away. Mr Ahmed identified one of the key reasons is Bangladesh's local education system which cannot produce the skilled graduates necessary for the job market. The few skilled graduates who do get it and come into the workforce, usually they are just attracted away to foreign countries because of the higher salaries, as pointed out by Dr Yusuf.



Mr Md Rais Hasan Sarowar

Director General, Regional Organizations Wing, MoFA

Mr Md Rais Hasan Sarowar started his remarks by addressing that the size of Bangladesh's economy has grown manifold since the emergence of an independent country. So, he commented that Bangladesh is rich in terms of money, so the problem does not lie in the issue of money or assets. Rather, Bangladesh is one of the most important countries in terms of assets. In this regard, he referred to Dr. David Brewster who labeled Bangladesh as a middle-power country during an International Seminar on Indo-Pacific Strategy organised by BIISS earlier. In his view, this acknowledgment is not a small thing. Even the international communities are recognising Bangladesh and its developmental success. Mr Sarowar gave these remarks as a prelude to make some comments and policy recommendations. First of all, he emphasised that Bangladesh has enough assets and energy resources by which it can embolden its population. Bangladesh's demographic resources are also assets as the majority share of the population is youth and they can contribute to the realisation of the 2041 vision of becoming a smart country or a developed country.

Mr Sarowar opined that if Bangladesh is united as a citizen of this country, it can curb out corruption in different sectors. He also stressed the notion that Bangladesh needs to assess where its strength lies. On ascertaining its objective analysis, he thinks that Bangladesh's analysis sometimes goes wrong because it invests money in foreign expertise. He strongly advocated for doing policy analysis and policy formulation by indigenous experts, rather than outsourcing to foreign companies. He provided the example of Delta Plan 2100 which was written by experts from the Netherlands. Mr Sarowar stressed on the point that policy has to be drafted based on accurate data and statistics. He opined that Bangladesh cannot follow the model of Vietnam which has signed 51 FTAs as mentioned by two of the previous speakers. He reminded everyone of the fundamental aspect of going for FTA. For example, a person must have more leverage with his counterpart as one cannot fight a more powerful man. He recommended that Bangladesh can go for signing a PTA as it will give some opportunities to weigh its strengths. He mentioned the fundamental differences between Vietnam as he labeled the former as basically a proponent of America for which it gets billions of American investments. Therefore, Bangladesh cannot copy Vietnam in this regard.

Afterwards, Mr Sarowar referred to the Asian Financial Crisis in 1997 and how ASEAN responded to the crisis. The crisis emerged in 1997 and it started in Thailand, but it then engulfed all the countries, especially Malaysia and Indonesia. In this aspect, Mahathir Mohamad made a bold decision and even rejected IMF and other countries' prescriptions as well as their money. In response, the ASEAN countries formulated Bali Concord, which culminated in the formation of the ASEAN community. The community had three pillars-ASEAN Security Community (ASC), an ASEAN Economic Community (AEC), and ASEAN Socio-cultural Community (ASCC). Under the economic pillar, all the Asian countries have to be united even in the case of currency. If needed, they will stop importing except for the essential things and manage the situation. He remarked that ASEAN is one of the most powerful examples before us.

Mr Sarowar expressed his agreement with one of the presenters that Bangladesh must study some of the case studies of following alternative trading arrangements and it should go slowly. Another thing he mentioned is the issue of regional cooperation and related agreements. In this regard, he argues for conducting comprehensive studies before prescribing for joining a particular regional bloc. He referred to the example of the proponents of Bangladesh joining the Regional Comprehensive Economic Partnership (RCEP). He drew everyone's attention that it is difficult to even go for 1 FTA, and therefore proposals for immediately signing a package of 11 FTAs should be prescribed after doing thorough research. He reiterated the point that once going for FTA, there is no way back and there is even a possibility of Bangladesh losing some leverages. He recommended that Bangladesh should have a strong base of exports as it makes the country a better negotiator. But in the case of an import-based country, it has to be careful. Bangladesh is importing US\$16 billion worth of goods with China whereas Bangladesh is exporting only US\$ 1 billion worth of goods. In the case of India, Bangladesh is importing \$US 14 billion worth of goods which can be more if it considers border trade and other informal arrangements and remittance. Whereas, Bangladesh exports only US\$2 billion worth of goods. In this scenario, he proposed that the country can go for barter trade with India and China, to some extent.

In the final segment of his remarks, Mr Sarowar summed up a few policy recommendations on the issues discussed at the Round Table. First of all, border trade should be limited within some countries where Bangladesh's trade volume is big, especially when export import matters or some preferential trades and strategic partnerships have to be done. Secondly, he also recommended that the internal calculation of how much foreign currency is being transferred in and out of the country and how much allocation Bangladesh is making in different sectors must be done with uttermost competence and clarity. In this regard, how this foreign currency is being spent head-wise or how much control Bangladesh can put on has to be meticulously calculated. Import, export, investment, and development policies have to be clear-cut, dependable, and vetted by experts. In the concluding segment of his remarks, Mr Sarowar said that Bangladesh is a middle-income country, and it has enough resources and a big population. Bangladesh can make it powerful if it invests wisely in human development. In order to do that, Bangladesh has to be careful about investing where its monetary, export, development, and remittance policies have to be formulated based on practicality.

REMARKS OF THE CHAIR



Ambassador Gousal Azam Sarker
Chairman, BIISS

At the outset, **Ambassador Gousal Azam Sarker** discussed how important it is for Bangladesh to achieve strategic autonomy in the field of trade. According to him, resilient and robust trade is considered an essential component of Bangladesh's economy. Constraints of natural resources and high dependence on international investment are some of the major vulnerabilities of Bangladesh's trade. In this regard, he highlighted the need to enhance autonomy in making economic development decisions and efforts by using non-traditional methods of alternative trading arrangements with trade partners. While articulating the need to attain autonomy, Ambassador Sarker stated that autonomy is synonymous with having sovereignty and independence in making national choices and policies based on national interests rather than relying on the interests of others. The strategic autonomy, thus, means well-assessed reductions of excessive reliance on other countries for economic or other matters, and the diversification of dependence to a desired level. This may ensure that the progress and advancement of a middle-income country like Bangladesh is not impeded by constraints or obligations of a political, strategic, or any other nature imposed by other countries. It is a truism that in this interdependent and globalised world, complete autonomy is not possible. However, for the sake of the country's growth and development, the importance of attaining partial strategic autonomy in some vital sectors is gaining attention in today's world. With this context, Ambassador Sarker emphasised on identifying options and choices with which Bangladesh can attain its strategic autonomy in the domain of trade.

Ambassador Sarkar, then, discussed the importance of maintaining strategic autonomy in the evolving dynamics of the current global politics. The concept of strategic autonomy is becoming more popular amid the escalating geopolitical rivalry, as major powers engage in zero-sum games and establish competing economic alliances. This involves adopting measures to protect one's own interests and limit the influence of others in areas such as trade and investment.

Furthermore, Ambassador Sarkar opined that major powers' tendency of bracketing emerging economies is also evident. This escalating competition and animosity amongst the major powers are creating an adverse environment that directly contradicts Bangladesh's foreign policy principle of "friendship to all, malice to none". It was Bangabandhu who firmly formulated Bangladesh's foreign policy principles which resonates his vision of economic emancipation and people centric development. Through his policy directive, he established Bangladesh as an independent and non-aligned nation, aiming to avoid any involvement in external conflicts. Therefore, taking inspirations from Bangabandhu's vision, it is important for Bangladesh to prioritise focusing on maintaining its strategic autonomy in the present days. According to Ambassador Sarkar, maintaining such strategic autonomy requires a combination of self-reliance and available alternatives to successfully navigate the current geopolitical constraints and rivalries among major powers. In this regard, he also pointed out the importance of knowing the available alternative options in the area of trade. According to him, the quest for alternative options to the traditional single currency trading system involves investigating alternative trading arrangements, such as currency swaps, digital settlement mechanisms, barter systems, payment settlements, code-based exchanges of goods, collective barter management through designated chambers, and banking mechanisms.



On the issue of trade diversification, he remarked that these are pertinent to explore the country's policy options. In fact, Bangladesh can think of diversification not only in terms of trading but also of investment. He specifically mentioned one fact that in the early 1970s after the country's liberation, Bangladesh had a barter trade arrangement with East European countries. According to him, this type of arrangement can play a positive role in yet-to-explored markets. In this regard, he provided an example where a conversation with the Russian Foreign Minister was initiated on the implementation of a barter payment mechanism for the Russian funding of the RNPP in 2010. However, the idea ultimately failed to materialise, despite the initial agreement from the

Russian counterpart. Currently, Bangladesh is confronted with a challenging situation after a span of 12-13 years. In his opinion, if Bangladesh had established this barter agreement with Russia earlier, it would have avoided the current predicament. Therefore, it is imperative for Bangladesh to seize these strategic choices whenever they arise. In addition, regarding the barter system, he said that Bangladesh may pursue this option with any country that is prepared to engage in such an arrangement, provided that the country has established agreements with the interested parties. In addition, he expressed his appreciation for the viewpoint such as border trading, the possibility of alternative agreements for obtaining commodities in return for the export of labour, etc. can be beneficial.

While summing up, Ambassador Sarkar stressed the importance of Bangladesh's adopting strategic autonomy. He precisely clarified that the perspective of Bangladesh's strategic autonomy does not align with the European perspective of self-reliance, nor does it follow the strategy of seeking security and survival in a context filled with hostile conspiracies, as envisioned in Chanakya's worldview. Bangladesh also does not adopt China's dualism that seeks balance and harmony out of contradiction. Therefore, rather than adhering to the practice of strategic autonomy followed by others, Bangladesh aims to achieve strategic autonomy by maintaining cooperative choices for all parties, guided by the concept of inclusion, in order to secure mutually beneficial outcomes.

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