



IDE-JETRO

PROCEEDINGS
International Seminar on

Reconnecting the Bay of Bengal Region: Exploring the Convergence of Interests

Sunday, 22 December 2024

Bangladesh Institute of International and Strategic Studies (BISS)
in collaboration with
Institute of Developing Economies (IDE-JETRO)

Sponsored by the Embassy of Japan in Bangladesh





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Published by

Bangladesh Institute of International and Strategic Studies (BIISS)

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Dhaka-1000, Bangladesh.

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Printed by

General Printing Press

98, Naya Paltan, Dhaka-1000, Bangladesh

Phone: +88 02 583 177 42, +88 01710 956 575

Email: general.ppress@gmail.com

Date of Publication : 08 January, 2025

Price : TK. 120 | US\$ 5

International Seminar on
**“Reconnecting the Bay of Bengal Region: Exploring
the Convergence of Interests”**

22 December, 2024

The Bangladesh Institute of International and Strategic Studies (BIISS), in collaboration with the Institute of Developing Economies, Japan External Trade Organisation (IDE-JETRO) and sponsored by the Embassy of Japan in Bangladesh, hosted an international seminar titled **“Reconnecting the Bay of Bengal Region: Exploring the Convergence of Interests”** on Sunday, 22 December 2024, at the BIISS auditorium. **H E Mr Md Touhid Hossain**, Honourable Adviser for Foreign Affairs, Government of the People’s Republic of Bangladesh, attended the seminar as the Chief Guest, while **H E Ambassador IWAMA Kiminori**, Ambassador of Japan to Bangladesh, graced the occasion as the Special Guest. **Ambassador AFM Gousal Azam Sarker**, Chairman, BIISS, chaired the inaugural session and **Major General Iftekhar Anis, BSP, awc, afwc, psc, PEng**, Director General of BIISS, delivered the welcome address. Apart from the inaugural session, the seminar featured two working sessions. The first working session, chaired by **Ambassador Tariq A Karim**, President of the Bay of Bengal Institute, Cosmos Foundation, included presentations by **Mr So UMEZAKI**, Director of Economic Integration Studies Group, Development Studies Centre, IDE-JETRO, on **“Exploring Convergence of Interests in the Bay of Bengal: Leveraging Trade, Investment, and Technology for Economic Growth,”** and **Dr Selim Raihan**, Professor, Department of Economics, University of Dhaka, on **“Bangladesh’s LDC Graduation Journey: Exploring Prospects for Regional Collaboration in the Bay of Bengal.”** The second working session, chaired by **Dr Fahmida Khatun**, Executive Director of the Centre for Policy Dialogue (CPD), included a presentation by **Dr KIMURA Fukunari**, President of IDE-JETRO, on **“Connectivity and Economic Growth: Lessons from ASEAN Experiences to South Asia.”** Panellists for this session included **Dr M Masrur Reaz**, Chairman and CEO of Policy Exchange Bangladesh; **Professor TSUBOTA Kenmei**, Department of Regional Development Studies, Toyo University; **Mr Shams Mahmud**, President of the Bangladesh-Thai Chamber of Commerce and Industry; **Dr YAMADA Eiji**, Senior Representative, JICA Bangladesh Office; and **Mr Tareq Rafi Bhuiyan (Jun)**, President of the Japan-Bangladesh Chamber of Commerce and Industry (JBCCI). The seminar facilitated a vibrant discussion among distinguished participants from government, academia, and the business community, focusing on enhancing regional connectivity and fostering economic growth in the Bay of Bengal region.

Inaugural Session

Welcome Address



Major General Iftekhar Anis, BSP, awc, afwc, psc, PEng,
Director General, BISS

Major General Iftekhar Anis, Director General, BISS, started his welcome remarks by stating that a shared interest unites the littoral states in the Bay of Bengal, which has been an epicentre of cultural, economic, and maritime exchange for centuries. Any development in the Bay influences the lives of 1.7 billion individuals in the nations along its littoral.

General Iftekhar mentioned that the Bay of Bengal region is regaining prominence as a domain rich in natural resources and opportunities and serving as a trade corridor. The countries of this region have the potential to establish a robust economic centre, as their combined GDP exceeds US\$ 07 trillion. He suggested that the realisation of this potential necessitates strategic collaboration and innovative strategies to overcome the obstacles that impede progress.

General Iftekhar stated that Bangladesh is on the brink of a transformative voyage, as it will graduate from the Least Developed Country (LDC) category in 2026, it is a testament to our resilience and progress, but also this presents obstacles, including the loss of preferential market access and concessional financing.

He suggested that knowledge can be gained from the experiences of Southeast Asian nations such as Vietnam, Laos, and Cambodia as Bangladesh progresses toward becoming a

middle-income country. Vietnam's robust GDP growth and impressive economic reforms provide valuable insights into the promotion of trade competitiveness, the enhancement of infrastructure, and the utilisation of technology. The governance and institutional reforms in Cambodia and Laos underscore the significance of strategic foresight and adaptability in the post-LDC phase. General Iftekhar suggested that embracing the right strategies based on different experiences can help to capitalise on the economic prospects of the Bay of Bengal and leverage the true benefits of converging interests of the littorals and extra-littorals of the region.

In terms of promoting economic connectivity in the region, General Iftekhar mentioned Japan as one of the pivotal players in the Bay of Bengal. He emphasised that Japan's adoption of the idea of the "Bay of Bengal industrial value chain" can act as a facilitating actor for promoting economic connectivity in the Bay of Bengal. He is optimistic that Japan is promoting the Japan-ASEAN connectivity initiative by concentrating on six areas of cooperation infrastructure development, digital, maritime, supply chain, power, and knowledge connectivity. Japan also has been instrumental in various connectivity initiatives, which can bolster industrial development and improve transportation networks in the Bay of Bengal region. He suggested fostering meaningful collaboration and support from the key players of the region can pave the way for realising the various opportunities that this region offers.

General Iftekhar concluded that it is important to remember that the Bay of Bengal is not merely a region of opportunities but also a shared responsibility. This responsibility necessitates sustainable, inclusive, and forward-thinking approaches. He expressed his heartfelt gratitude to the Chief Guest and Special Guest, and all the learned participants for encouraging such discussions with their kind participation. He looked forward to an engaging and enlightening discussion.

Remarks by the Special Guest



H E Ambassador IWAMA Kiminori

Ambassador of Japan to Bangladesh

H E Ambassador IWAMA Kiminori, Ambassador of Japan to Bangladesh, highlighted the significance of holding this event in collaboration with the IDE-JETRO. He noted that the seminar coincides with the visit of IDE-JETRO President Professor KIMURA Fukunari and other colleagues to Bangladesh, who are conducting a survey on improving regional connectivity in the Bay of Bengal region.

Touching upon Japan's policy and the background of the idea of connectivity, Ambassador Kiminori reflected on the dynamism created by the confluence of the Indian and Pacific Oceans, which serves as an engine of global economic growth. He observed that the global economy's centre of gravity is shifting toward the Himalayas.

He recalled that the former Japanese Prime Minister Shinzo Abe first introduced the concept of the "Free and Open Indo-Pacific Initiative (FOIP)" in August 2016 during his policy speech at the sixth Tokyo International Conference on African Development (TICAD) held in Nairobi. In that speech, Prime Minister Abe emphasised that global stability and prosperity would stem from the dynamism brought about by the union of two free and open oceans and two continents. He underscored Japan's responsibility to foster the confluence of the Pacific and Indian Oceans,

as well as Asia and Africa, into a region that values freedom, the rule of law, and a market economy, free from force or coercion.

Ambassador Kiminori noted that the concept of a Free and Open Indo-Pacific, initially advocated by Japan, was pioneering and has since inspired similar strategies in various countries and regions, including the USA, the European Union (EU), and Association of Southeast Asian Nations (ASEAN). FOIP has now become central to Japan's foreign policy, encompassing security and development cooperation strategies.

He highlighted former Prime Minister Fumio Kishida's announcement of the "New Plan for FOIP" during his visit to India in March 2023. The FOIP vision aims to establish a rule-based international order, ensuring stability and prosperity for all nations and fostering peace and development in the region.

One of the key initiatives within this framework is the "Development of an Industrial Value Chain connecting the Bay of Bengal and the Northeastern Region of India," proposed by former Prime Minister Kishida. Ambassador Kiminori explained that this concept seeks to enhance connectivity across the Bay of Bengal region, integrating it as a vital regional economy.

The Ambassador underlined the Bay of Bengal region's immense potential for trade and investment. He acknowledged Japan's long-standing partnership with Bangladesh, particularly through numerous development projects. He pointed out the critical role of Matarbari in Bangladesh's economic development and regional connectivity. These initiatives, he noted, are not limited to bilateral cooperation but are designed to integrate Bangladesh into regional and global supply chains.

Ambassador Kiminori emphasised the importance of strengthening economic integration in the Bay of Bengal region. He called for discussions on maximising the potential of Bangladesh's only deep seaport to promote prosperity across the region. He also addressed Bangladesh's upcoming graduation from the LDC status. He remarked that when discussing the nation's economic development, it is crucial to consider this significant transition. With the economic white paper committee recommending LDC graduation in 2026, Ambassador Kiminori emphasised the importance of leveraging the opportunities offered by enhanced future connectivity. He expressed satisfaction at the tangible progress made in the negotiation of the Economic Partnership Agreement (EPA) between Bangladesh and Japan, viewing it as a vital step forward.

He further stressed that for Bangladesh to achieve greater prosperity, its economy must be fully integrated into the global supply chain. Establishing an industry supply chain is essential to enable the Bay of Bengal region—and its surrounding countries—to fully capitalise on improved regional connectivity. Ambassador Kiminori underscored the many challenges and opportunities that require discussion and collective action to advance this goal.

Turning to the topic of connectivity, Ambassador Kiminori highlighted the importance of the current relationship between India and Bangladesh. As a steadfast friend of both nations, Japan believes that mutual trust between Bangladesh and India is indispensable for advancing regional connectivity. He observed that connectivity transcends borders and politics, fostering the trust required for regional stability and mutual growth. Referring to the recent Foreign Office



Consultations at the secretary level between Bangladesh and India, Ambassador Kiminori described this as a positive signal for enhanced cooperation. He noted the importance of expanding the circle of cooperation to realise the vision of connectivity. The seminar brought together diverse participants, including representatives from the Government of Bangladesh, IDE-JETRO, JICA, academia, businesses, and the diplomatic corps. Ambassador Kiminori expressed his hope that this broad range of perspectives would enrich the discussions on the potential opportunities to be unlocked through enhanced regional connectivity.

Ambassador Kiminori affirmed the Bay of Bengal's undisputed strategic importance. By reconnecting this region, he noted, stakeholders are not only creating economic opportunities but also fostering peace, stability, and prosperity for future generations. He reiterated Japan's commitment to working collaboratively with Bangladesh and other partners to achieve a connected, resilient, and economically vibrant Bay of Bengal region.

In closing, Ambassador Kiminori shared a personal note, announcing that he would be departing Bangladesh that evening after completing his two-year term. He reaffirmed Japan's dedication to continuing its cooperation with Bangladesh, particularly as the bilateral relationship has been elevated to the level of a strategic partnership. He expressed his heartfelt wishes for the continued prosperity of Bangladesh.

Remarks by the Chief Guest



H E Mr Md Touhid Hossain

*Honourable Adviser for Foreign Affairs,
Government of the People's Republic of Bangladesh*

H E Mr Md Touhid Hossain, Honourable Adviser for Foreign Affairs, expressed his satisfaction with BISS for arranging the International Seminar on “Reconnecting the Bay of Bengal Region” and thanked the Chairman and DG of BISS. He appreciated the dutifulness of H E Ambassador IWAMA Kiminori, the Ambassador of Japan to Bangladesh, in attending the event despite that being his last day as Ambassador of Japan to Bangladesh. The Adviser paid his heartfelt tribute to the memory of those who sacrificed their lives during the war of liberation in 1971. In addition, he expressed his profound respect for the martyrs of the July and August student-people movement against fascism, whose courage and sacrifice paved the way for a more just and democratic future for Bangladesh. He also expressed his firm belief that the sacrifice will continue to inspire as the Conference aims to explore pathways towards greater regional harmony and cooperation in the coming days.

The Chief Guest stated that the Bay of Bengal, historically worked as an axis of connections, commerce and culture, continues to hold immense strategic importance as a maritime crossroads linking South and Southeast Asia to the global economy. With its vast natural

resources, crucial shipping routes and potential for economic integration, the Bay has emerged as a focal point for geopolitical and economic activity. The Bay of Bengal is now witnessing heightened attention from regional and global powers, with nations and institutions recognising its critical role as a driver of growth and stability. While this reflects its increasing significance, it also raises the stakes for cooperation and competition. Hence, this region's collective task is to align diverse interests, ensuring that the Bay of Bengal becomes a region of collaboration rather than conflict, a hub of connectivity rather than contention, and a model for sustainable and inclusive development. By fostering strategic partnerships, embracing a united vision and adopting innovative approaches, the region can unlock its vast potential, benefiting all stakeholders and creating a legacy of prosperity for future generations.



With this strategic location and growing industrial base, Bangladesh is uniquely poised to become a regional transit hub and a key player in the global value chain. In order to unlock these possibilities, Bangladesh must address pressing challenges and seize emerging opportunities. This transition from labour-intensive to technology-driven industries and enhanced regional and global supply chain integration is critical in this respect. Initiatives like the Bay of Bengal industrial value chain, championed by Japan provide a blueprint for achieving this transformation by leveraging investment, technology and labour. Japan has been a steadfast partner in Bangladesh's journey for more than five decades. Through its Official Development Assistance (ODA) and investments in key sectors such as infrastructure, energy and education, Japan has demonstrated its transformative potential for cooperation. These initiatives not only strengthened Bangladesh's economic resilience but also paved the way for a more interconnected and prosperous Bay of Bengal region.

The Chief Guest argued as Bangladesh approaches its graduation from the least developed country category in 2026, it stands at a critical juncture, facing both significant opportunities and complex challenges. The impending loss of preferential trade benefits and concessional financing necessitates a shift towards more competitive and innovative economic strategies.

To address these challenges effectively, Bangladesh must prioritise diversifying its trade portfolios, elevating the quality and value of its exports, and investing in advanced technologies to drive productivity and economic growth. The Honourable Adviser expressed his belief that partnerships with regional and extra-regional stakeholders, particularly Japan, can provide the technological and financial support needed for Bangladesh to overcome those hardships. Japan's expertise in areas such as renewable energy, digital trade and maritime logistics can play a transformative role in this context. The Bay of Bengal is not only an economic resource but also an ecological treasure. Therefore, preserving its marine biodiversity and addressing some pressing challenges such as climate change, illegal fishing and maritime security are essential for the long-term prosperity of this region.



The Chief Guest stated that to realise the potential of the Bay of Bengal peace and harmony in the littoral states is essential. He highlighted the civil war situation currently prevailing in Myanmar and the 1.2 million Rohingyas who were forcibly displaced from the Rakhine State under extreme atrocities and have been sheltered in Bangladesh for more than seven years. There has been no progress in this regard and the situation is further complicated by non-state actor Arakan Army taking control of the entire border with Bangladesh. The Adviser for Foreign Affairs informed the audience that he just got back from an informal consultation in Bangkok at the invitation of the Thai Foreign Minister, where the Foreign Ministers of Myanmar and Laos, the Deputy Foreign Minister of China and the Indian Foreign Secretary were present. This was on the situation in Myanmar. The Adviser told them in no uncertain terms that peace and order would not be possible in Myanmar and consequently in the region unless the Rohingyas hosted in the camps in Bangladesh could go back to their homes with security and rights. It is incumbent on Myanmar and the regional powers to create a congenial atmosphere for their return.



At the concluding part of his remarks, the Chief Guest expressed his confidence that the deliberations and insights that will be shared during this seminar will play a crucial role in deepening the understanding of the shared prospects of Japan and Bangladesh, regarding the convergence of interest in the Bay of Bengal region. He further hoped that the active engagement of the esteemed panel of speakers and participants will help identify key opportunities and challenges, while also highlighting potential areas for enhanced collaboration to effectively address these challenges. Finally, the Chief Guest extended his heartfelt appreciation to the organisers of the event for creating such a valuable platform for dialogue and exchange as their efforts have provided an opportunity to foster mutual understanding and strengthen partnerships for the region's shared future.

Remarks by the Chair



Ambassador AFM Gousal Azam Sarker
Chairman, BISS

In his remarks, the Chair of the inaugural session, **Ambassador AFM Gousal Azam Sarker** emphasised the utmost importance of the Bay of Bengal as it represents a new economic frontier and a source of renewed hope. Reconnecting this region holds greater significance as it paves the way for diverse positive engagements, synergies, and partnerships. According to him, convergence among the interests needs to be emphasised as a key element of cooperation, because it will serve as the inclusive and unifying foundation upon which regional and international initiatives and collaborations can foster shared growth and prosperity. The pursuit of a collaborative culture remains a central objective, as efforts focus on fostering partnerships that yield mutual benefits and meaningful engagement. In this context, the persistent challenges posed by the Coronavirus have already illuminated the importance of collaboration and shared undertakings. Ambassador Sarker, then stated that Bangladesh, which is strategically positioned at the heart of the Bay of Bengal, holds a significant primacy of interest. Emphasising its unique role in shaping regional dynamics, he stressed the importance of discussing the priorities and interests of Bangladesh.

Ambassador Sarker elaborated that the South Asian region, along with the Bay of Bengal, holds immense strategic and economic potential, fostering a convergence of interests among the

countries that share its waters. This shared space presents numerous opportunities to identify and advance mutually beneficial initiatives across technological, commercial, and innovative domains. The region is being recognised as a critical hub for fostering inclusive and non-exclusionary approaches, emphasising cooperative frameworks to address common challenges. These challenges include climate change, enhancing maritime and digital connectivity, and developing robust infrastructure for trade and logistics. He also underscored the Bay of Bengal's prospects, highlighting its pivotal role in facilitating maritime trade, shipping, and logistics, as well as fostering industrialisation and investment in economic hubs that benefit not only Bangladesh but also the broader South Asia.

Furthermore, the Bay of Bengal offers a dynamic platform for advancing blue economy, with its vast potential for exploring and utilising marine and subsea resources. This includes investments in energy and tourism growth, leveraging diversified and innovative technologies, and promoting industrial development that aligns with sustainable practices. Building institutional cooperation, enhancing human resource capacities, and fostering regional integration through capacity-building initiatives are central to realising these objectives. By prioritising the governance of the blue economy and facilitating regional integration in a win-win manner, the region can unlock significant economic and developmental gains. Such efforts not only serve the immediate interests of the countries in the Bay of Bengal but also contribute to broader goals of regional cohesion, sustainable growth, and a resilient future.

In conclusion, Ambassador Sarker emphasised Bangladesh's unwavering commitment to fostering partnerships that prioritise the well-being and progress of its people. He articulated a vision for collaboration that transcends superficial engagements, calling for initiatives that are deeply rooted in substance and designed to bring tangible benefits to all segments of society. Ambassador Sarker underscored the importance of technology transfer, capacity-building, and commercially viable endeavours that uphold the principles of sustainability and inclusivity. He expressed Bangladesh's aspiration to advance peacefully, championing cooperation and healthy competition as the cornerstones of its foreign relations.

Working Session 1

Presentation on

“Exploring Convergence of Interests in the Bay of Bengal: Leveraging Trade, Investment and Technology for Economic Growth”



Mr So UMEZAKI

Director

Economic Integration Studies Group, Development Studies Center, IDE-JETRO

Mr So UMEZAKI expressed his sincere gratitude to the organisers for inviting him to a timely and important international seminar. He explained the importance of the timing, stating that the world was facing numerous difficulties, marking an age of uncertainty. He highlighted global challenges such as climate change-induced global warming and rising geopolitical tensions, including ongoing geo-economic conflicts, particularly between the USA and China since 2018. Additionally, he noted the multilateral trading system had been at risk, as the WTO’s dispute settlement body had not been functioning properly since late 2019.

Mr UMEZAKI turned his attention to the Bay of Bengal region, mentioning Myanmar’s civil war since 2021, which had led to about a million Rohingya people taking refuge in Bangladesh. He

also referenced the worsening conflicts in Manipur, India, since the previous year and the political transition in Bangladesh since August 2024. Discussing Japan-Bangladesh relations, he mentioned the elevation of bilateral ties to a strategic partnership in the previous year, which included collaborations in customs, agriculture, ICT, defense, and infrastructure projects like metro rail and ship recycling, along with intellectual property rights.

Focusing on Bangladesh's interests, he pointed out that a smooth transition from the interim to the new government was crucial, as the political changes had slowed economic growth and investment. He stated that a committee had submitted a White Paper to the interim government, identifying economic challenges and recommending a long-term strategy to restructure and reform economic policies while also urging immediate actions to address pressing issues. Another critical challenge, he noted, was Bangladesh's scheduled graduation from the LDC status, which necessitated diversification of industrial structures beyond the ready-made garment industry and broadening trade and investment partnerships.



He emphasised the importance of initiatives like the Moheshkhali-Matarbari Integrated Infrastructure Development Initiative (MIDI) as a spearhead project to tackle these challenges. Mr UMEZAKI remarked on the comprehensive and critical assessment provided in the White Paper, which revealed statistical discrepancies that might not fully reflect Bangladesh's reality. Nonetheless, the White Paper affirmed that Bangladesh remained above the criteria for LDC graduation. He also highlighted discussions on corruption in sectors like banking, infrastructure, energy, power, and ICT, along with implications for various projects.

Representing IDE-JETRO, he expressed particular interest in trade issues and noted the longstanding but unfruitful efforts to diversify Bangladesh's industrial structure. He stated that the country's reliance on preferential market access had yielded limited outcomes, with the only active agreement being a preferential trade agreement with Bhutan, which had minimal economic impact. Other challenges discussed included high tariffs, FDI inflows, and logistical

costs, stemming from Bangladesh's location in the north end of the Bay of Bengal, far from global shipping routes and constrained by sea depth, limiting large vessel access.

He described the Matarbari deep-sea port as Bangladesh's first significant deep-sea port and stressed the importance of optimising its use. Mr UMEZAKI acknowledged Japan's interest in the region and reiterated Japan's diplomatic strategy under the Free and Open Indo-Pacific concept, which included developing industrial value chains connecting the Bay of Bengal region.

He proceeded to discuss the importance of connectivity, referencing a recent study but focusing directly on the implications to save time. He emphasised the importance of ASEAN and its relevance with South Asian connectivity, explaining that South Asian countries shared similar stages of economic development, which limited their opportunities for Global Value Chain (GVC), trade and intra-regional trade expansion. He noted South Asia's reliance on regions like Northeast Asia, Southeast Asia, and the EU for international trade. ASEAN, as South Asia's immediate neighbour with a relatively advanced manufacturing sector, offered potential win-win opportunities for expanding inter-regional GVC participation.

He highlighted precedent facilitating factors for GVC participation, noting that while some factors like market size and proximity were beyond policy control, others, such as trade and investment climate, education, and especially maritime and air connectivity were significant. He stressed that BIMSTEC could play a vital role in enhancing connectivity between South and Southeast Asia, given its inclusion of Thailand as a counterpart.

Mr UMEZAKI illustrated major ports and shipping density in the Bay of Bengal, pointing out that container shipping connectivity within the region was limited. Ports like Chattogram are primarily connected to Colombo and Malaysian ports rather than other Bay of Bengal ports. He mentioned that while Chattogram handled much of Bangladesh's international trade, it was also one of the most congested ports. To complement it, the Matarbari deep-sea port is being developed.

He shared data on the performance of BIMSTEC ports, revealing that Chattogram had the lowest performance index and is one of the smallest ports in the region. In contrast, ports in Vietnam and Indonesia performed better and are larger. Additionally, over 80 per cent of Chattogram's container shipping connectivity involved just three countries: Singapore, Malaysia, and Sri Lanka.

Addressing challenges for the Matarbari deep-sea port, Mr UMEZAKI described it as a "chicken or egg" dilemma due to expected shortages in shipping services, the port's locational disadvantage at the north end of the Bay of Bengal, and



competition with other regional ports. He added that domestic connectivity also posed issues, citing the cancelled sideway rail line project connecting Matarbari Port to the existing railway and insufficient road infrastructure between Matarbari and Chattogram.

He also noted the lack of significant industry in the Moheshkhali-Matarbari area, emphasising that the rationale for MIDI lay in integrated development. He explained that the port, roads, and railways alone are insufficient without policy initiatives to attract FDI, develop the labour force, and address educational gaps. He stressed the need for a long-term strategy to develop the Northeastern region, despite its geographic and export sector limitations.

In conclusion, Mr UMEZAKI stated that existing bilateral projects, such as MIDI, should continue with fine-tuning based on findings in the White Paper. He recommended scoping complementary and sequential strategies, reflecting Japan's ODA policy experience. He viewed FTA/EPA negotiations as opportunities to replicate Japan's success with ASEAN, fostering sustainable, rule-based relationships that attract FDI. Lastly, he highlighted the importance of both hard and soft infrastructure, such as human resource development, as the foundation for future Japan-Bangladesh relations, and expressed hope for constructive discussions ahead.

Presentation on

“Bangladesh’s LDC Graduation Journey: Exploring Prospects for Regional Collaboration in the Bay of Bengal”



Dr Selim Raihan

*Professor, Department of Economics, University of Dhaka
& Executive Director, SANEM*

In his deliberation, **Dr Selim Raihan** focused on two interconnected issues; the graduation of Bangladesh from the LDC category and the role of regional collaboration in facilitating this transition. He emphasised how regional cooperation could serve as a valuable support mechanism for Bangladesh’s graduation process. In his presentation, he emphasised some key criteria for graduation from the LDC status: income levels, economic vulnerability, and human assets. Under income levels, the GNI per capita is measured using the Atlas method. Economic vulnerability is assessed through the Economic Vulnerability Index (EVI), while the Human Asset Index (HAI) evaluates human assets. These criteria have specific thresholds for both inclusion in and graduation from LDC status. Bangladesh underwent two reviews, one in 2018 and another in 2021, and successfully met the thresholds for all three criteria in both assessments, qualifying for graduation. Originally scheduled to graduate in 2024, Bangladesh,

along with other similarly situated countries, requested a two-year extension due to the impacts of COVID-19. Consequently, Bangladesh is now set to graduate from LDC status in 2026.

He discussed the topic of graduation, a long-debated issue that has been the subject of analysis for over a decade. Reflecting on discussions from 10 years ago, he highlighted how researchers were already exploring the implications of Bangladesh's graduation on its economy. He emphasised the need for a comprehensive understanding of what graduation truly means for the country, stressing the importance of examining the issue closely and seriously. While acknowledging the benefits often associated with graduation—such as enhanced economic prospects, increased foreign direct investment, and broader developmental opportunities—he also pointed out the significant challenges that accompany this transition. Balancing these costs and benefits, he argued, is crucial for navigating the path forward effectively.



Dr Raihan recognised that while the challenges associated with Bangladesh's transition from LDC status are well-documented in policy discussions and research, the benefits of such a transition are neither guaranteed nor automatic. He emphasised that while certain costs and challenges arise inevitably—such as the gradual phasing out of preferential treatments and privileges—earning the associated benefits requires deliberate effort and strategic planning. He highlighted the critical need for Bangladesh to proactively navigate this transition by leveraging FTAs and regional collaboration as strategic tools. These mechanisms, he argued, could help compensate for the economic and trade-related losses that may follow LDC graduation and support the country in tackling the challenges of the post-graduation phase. Regarding the challenges, he also discussed challenges related to vulnerabilities in the economy such as institutional deficiencies, income inequality and climate change. Then, there are transition challenges such as maintaining growth, diversifying exports and managing the graduation period. He also underscored the importance of integrating LDC graduation strategies with regional cooperation to ensure a smooth and sustainable transition. He noted that while

Bangladesh has achieved remarkable progress over the past five decades—marked by significant economic growth, improvements in social development, and a rise in per capita income—the challenges ahead require a renewed focus. He also highlighted how the country's achievements since independence have positioned it for future opportunities. However, he cautioned that maintaining and building upon these achievements will require addressing structural vulnerabilities, enhancing policy frameworks, and fostering regional partnerships to sustain long-term growth and development.

He explained that while Bangladesh has made significant progress as a nation, certain issues and concerns still persist. Reflecting on insights from the white paper report, he noted that over the past decade, there have been instances of data manipulation in critical areas, such as national accounts and indicators of social progress. These manipulations have raised questions about the reliability of some key metrics. Despite these challenges, the white paper's analysis concludes that even if such data distortions are accounted for, they do not fundamentally alter Bangladesh's trajectory or its eligibility for key milestones. The country remains on track due to its strong performance relative to established thresholds in economic vulnerability and social indicators. In this regard, he also emphasised that Bangladesh is well ahead of the threshold for economic vulnerability, human asset index, and per capita income, reinforcing its preparedness for graduation from the LDC category in 2026. This graduation, he argued, is virtually inevitable without Bangladesh's sustained progress in these areas. However, he acknowledged that concerns remain among the business community and other stakeholders, some of whom have called for a reconsideration or delay in the graduation timeline. With another year left before the official transition, he suggested that these appeals require thoughtful consideration, particularly in light of the evolving economic landscape and stakeholder interests. He also noted that there is historical precedent for countries requesting delays or shifts in the timeline, and he did not rule out the possibility of similar deliberations occurring in the coming days. Highlighting the economic impacts of graduation, he emphasised the potential loss of trade preferences in major markets, which would straightforwardly affect the economy. On the positive side, he acknowledged that graduation could attract foreign investment, but cautioned that this would require significant preparatory efforts. He also underscored the potential social and political consequences, particularly given the concentration of exports in the ready-made garment sector. Referring to some prior seminal findings, he pointed out that LDC graduation could have adverse effects on exports, with the garment sector—the leading contributor—being especially vulnerable.

Dr Raihan also highlighted that governments are likely to bear the largest burden, which will have significant implications for employment in this sector and broader social consequences. In this regard, he suggested addressing these challenges during the transition to policy reforms. Reflecting on the economic landscape of the past five years, he emphasised that a critical issue is not just the post-graduation phase but also the persistent challenges of regional integration and the limited diversification of the export basket. While progress has been made in diversifying exports, he acknowledged that substantial challenges remain, particularly in achieving meaningful structural transformation of the economy. Drawing on his empirical studies, he noted that countries that successfully diversify their export basket often experience

transformative shifts from agriculture to industry, resulting in more productive employment opportunities. For a country like Bangladesh, this transformation is essential to accelerate poverty reduction. However, the country remains vulnerable to climatic shocks, external economic disruptions, and political instability, as seen in recent times, which could push a large segment of the population into poverty.

In terms of the regional collaboration, he emphasised the importance of considering the regional context of the Bay of Bengal, which is widely acknowledged for its geographical and economic significance. Despite the recognition of its vast potential, the fundamental issue remains the lack of meaningful regional collaboration. This has been a persistent challenge for decades, and while discussions often focus on the potential of the region, there has been little progress in translating these discussions into action. Key countries like Bangladesh, India, Thailand, Myanmar, Sri Lanka, and others in the region are all aware of the opportunities, yet the collaboration that could unlock these possibilities has not materialised. Bangladesh is situated at the heart of this region, and while its policymakers have expressed a strong desire for regional integration, significant improvements in collaboration have been slow to emerge. According to him, one of the core reasons for this stagnation lies in the complex regional political economy. The challenges arising from bilateral political issues have effectively held the region to a deadlock, preventing any meaningful progress in cooperation. Until these political tensions are addressed, the region is likely to continue facing the same issues. Despite these political hurdles, some progress has been made, with agreements signed between countries. However, the real challenge lies in the implementation of these agreements. While political leaders may have a vision for regional integration, translating these aspirations into tangible outcomes on the ground remains a significant challenge. This gap between agreement and implementation continues to hinder progress, posing a substantial obstacle for countries like Bangladesh in realising the potential of the Bay of Bengal region.

He also talked about Bangladesh's significant role as a key player in the region and the strategic importance of the Chattogram and Mongla Port. He expressed gratitude for the earlier presentation, which highlighted the potential of these two ports, although they remain underutilised due to various reasons. Despite their strategic location, there has been insufficient investment in developing these ports. He emphasised that the emergence of the Matarbari deep sea port could be a game changer. Having studied this initiative, he explored how it could benefit not only Bangladesh but the entire region. He noted that the scale of the Matarbari Port is too large for Bangladesh alone to harness its full potential, and thus it must be a sub-regional or regional endeavour, involving neighbouring countries in a collaborative effort. The project's scale places it at the heart of regional cooperation, and he stressed the need for further discussion on how best to make this a reality.

In addition, he highlighted the potential of the blue economy in the Bay of Bengal, noting that while much is known about its prospects, the region is still lagging in realising its full economic potential. He pointed out that the countries in the region face common challenges such as climatic and environmental issues, with rising sea levels and extreme weather posing significant vulnerabilities. He referred to a study he conducted, where projections for 2040 showed that these climatic disruptions could significantly increase poverty across several Asia-Pacific

countries. Without the right mitigation and adaptation strategies, the study suggested that poverty levels could rise. Another important point he made that, many of these strategies cannot be effectively implemented by individual countries alone, underscoring the need for a regional approach to tackle these shared challenges. He also discussed the importance of regional collaboration and cooperation, emphasising the critical role of infrastructure connectivity. He explained that infrastructure extends beyond hard infrastructure, encompassing various forms, including digital infrastructure. He referred to the Matarbari project and highlighted Bangladesh's pivotal involvement in regional connectivity, noting that the country lies at the centre of the Bay of Bengal region. In this context, he underscored the need for Bangladeshi policymakers to adopt a more visionary approach, aiming to unite different forces for a meaningful and collaborative effort. He stressed that strong leadership from Bangladesh is essential to advance the region forward.



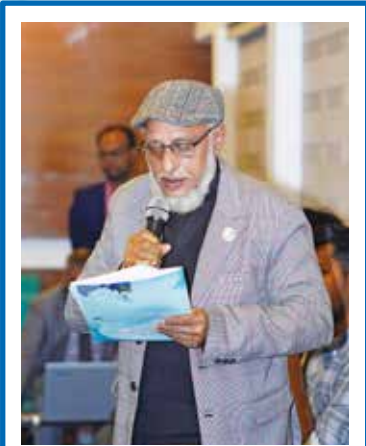
Dr Raihan, then, discussed the significant role that Bangladesh could play in regional connectivity and collaboration. According to him, it is essential for Bangladesh to do thorough homework, develop the right infrastructure, and take proactive initiatives within regional forums. By voicing the right agenda and exerting pressure on neighbouring countries, Bangladesh could drive larger collaborations, which he believes would be a game changer for the region. A visionary and proactive approach from Bangladesh's policymakers could dramatically impact regional integration, especially in terms of financial and digital connectivity. Despite the region's vast potential for trade and investment, these sectors remain underdeveloped, and addressing the link between trade and investment could unlock the region's growth potential. Moreover, he highlighted the importance of focusing on key sectors that could foster regional investment and integration. He suggested that attracting foreign investment into Bangladesh's special economic zones could be a catalyst for economic growth. However, to realise this potential, it is crucial for Bangladesh to streamline its business environment. The key challenge, he pointed out, lies in the underperformance of regional organisations like SAARC, which have

not been effective in promoting integration. He emphasised that joint action from member countries, along with a visionary approach, is necessary to improve regional cooperation and ensure the success of these initiatives.

Along with prospects, he discussed the key risks and challenges, emphasising the growing importance of geopolitical tensions and bilateral relations at the regional level. He raised the critical question of whether countries would allow themselves to be trapped by these geopolitical or regional politics, which could hinder progress. Reflecting on the past five decades, he noted that one of the greatest positive factors for Bangladesh was its relative lack of major problems, particularly in comparison to neighbouring countries. While Bangladesh faced occasional border conflicts, they were not as severe as those experienced by its neighbours, such as India and Pakistan. In his view, being a smaller country located strategically between two major powers, Bangladesh cannot afford to have strained political relations with any of its neighbouring countries. He then emphasised the importance of Bangladesh adopting a strategic approach, stressing that the country must be proactive in resolving some of its bilateral political relations. He also pointed out the need for reciprocal positive responses from neighbouring countries, highlighting the necessity of achieving a peace dividend in the region. He noted that, compared to SAARC, Bangladesh should avoid falling into the same political challenges that hindered the organisation's progress. In addition to addressing geopolitical and non-geopolitical issues, he mentioned the need to tackle technical concerns, particularly tariffs, non-tariff barriers, and trade facilitation. He suggested that the working groups of BIMSTEC need to be more active, as although they meet regularly, real progress in implementation remains limited.

In conclusion, he emphasised that when discussing the graduation from LDC status, regional collaboration should be seen as a crucial strategic tool for ensuring a smooth transition for Bangladesh. He stressed the importance of Bangladesh conducting thorough preparations in order to navigate this process effectively. This includes implementing significant reforms in several areas, such as tariffs, taxes, and business environment improvements. Additionally, he pointed out that Bangladesh must invest in both physical and social infrastructure. He noted that the last decade and a half could be viewed as a lost period in terms of social sector investment, particularly in health and education, where public expenditure had been insufficient. Without adequate investment in human capital, it will be difficult for the country to harness the benefits of its demographic dividend, which he described as a limited window of opportunity over the next ten years. He concluded by asserting that reform is the key to Bangladesh's future success. This includes reforms in critical economic and political domains that will facilitate a smooth transition post-LDC graduation. Furthermore, he highlighted the importance of leveraging FTAs and regional collaboration as strategic tools in the graduation process. The timely implementation of these reforms, he concluded, will be essential for Bangladesh to capitalise on its demographic advantage and secure sustained economic growth in the years to come.

Open Discussion



Professor Md Abdul Hai

Southeast University

Professor Md Abdul Hai said that he liked the presentation, describing it as very nice and informative. However, he added that, just as a cake and its piece in Bengal are interconnected, the importance of regional cooperation for sustainable development is significant. He then asked briefly about the relevance of activating SAARC in the region again.

Mr Salahuddin Kashem Khan

Former President

Japan-Bangladesh Chamber of Commerce & Industry (JBCCI)



Mr Salahuddin Kashem Khan, former President of the Japan-Bangladesh Chamber of Commerce & Industry, highlighted a study that has predicted the world's economic centre of gravity will shift from the Persian Gulf to the Bay of Bengal region by 2050. He noted that this significant paradigm shift in the global economy toward the east must be considered in light of Bangladesh's strategic position at the apex of the Bay of Bengal, within the future megaregion triangle stretching from the south to the west and from the ASEAN plus 3 to the east.

Mr Khan also emphasised the relevance of the Big-B initiative proposed by the late Japanese Prime Minister Shinzo Abe in 2014, a decade earlier, underscoring Abe's significant contributions as a friend of Bangladesh. He expressed concern over Bangladesh's limited trade agreements, pointing out that the country has only one FTA, while even Myanmar has more. He called for an increase in FTAs, particularly with ASEAN countries and Japan, especially as Bangladesh is now signing an Economic Partnership Agreement (EPA) with Japan.

Additionally, Mr Khan underlined the importance of Japan's support, particularly in light of Japan's ageing population. He proposed that Bangladesh could train caregivers, especially from the Chittagong Hill Tracts and Mymensingh regions due to their cultural affinities, by equipping them with Japanese language skills and other relevant expertise to meet Japan's caregiving demands.



Ambassador Ziaus Shams Chowdhury

Ambassador Ziaus Shams Chowdhury expressed his admiration for the presentation, praising its clinical precision and the remarkable clarity with which complex issues were addressed.

In his remarks, he shared a cautious and somewhat pessimistic perspective regarding Bangladesh's prospects for fostering stable and genuinely cooperative relationships with its neighbours, based on his extensive diplomatic experiences, including postings in India, Sri Lanka, and Indonesia.

He reflected on the historical context of 1971, noting that while India's role in Bangladesh's independence was significant, the expectations on both sides were not aligned. Ambassador Chowdhury suggested that India's expectations from Bangladesh may not have resonated with public sentiment in Bangladesh, which has led to a relationship that, in his view, cannot objectively be seen as mutually beneficial. He also pointed out serious challenges in Bangladesh's relationship with Myanmar.

Ambassador Chowdhury concluded by expressing doubts about the potential for substantial improvement in these relationships, despite professionalism and efforts. He hoped for further insights and enlightenment on the matter.

Rear Admiral A S M A Awal (Retd)

Rear Admiral A S M A Awal (Retd), in his remarks, expressed skepticism about the potential of the Matarbari deep-seaport, describing it as overhyped despite the limitations articulated in the presentation. He highlighted the obvious shipping constraints and the lack of industrial development in the Moheshkhali-Matarbari area, noting that the port does not cater directly to India's needs. Rear Admiral Awal expressed gratitude to former Japanese Prime Minister Shinzo Abe for formulating the BIG-B initiative, which seemed to focus on the development of Northeast India. However, he pointed out that Northeast India's economic indicators, such as GDP and per capita income, are far below those of Bangladesh, raising doubts about the Matarbari Port's potential as a facilitator for the region's development.



He emphasised that the Matarbari deep-seaport should function as a commercial port rather than being positioned as a point for geopolitical power struggle. He argued that for the port to operate effectively, key industrial and logistical infrastructures, as well as functional connectivity, must be established to attract shipping and cargo operations—conditions that are currently lacking.

He also questioned the correlation between Japan's FOIP strategy and its focus on Northeast India, given the absence of a clear mention of the BIG-B initiative in this context. Rear Admiral Awal underscored that Bangladesh's strategic partnership with Japan is tied to the BIG-B framework, but Matarbari's development appears disconnected from this vision.

Regarding the possibility of deferring Bangladesh's graduation from LDC status, He highlighted challenges in meeting the income criteria. He argued that while Bangladesh's per capita income officially exceeds the threshold, statistical distortions and adjustments could weaken the country's position. He expressed concern that if Bangladesh undermines its own credibility by disputing its data, it could face greater political risks.

Ms Mansura Amdad

*Lecturer, Department of International Relations
University of Dhaka*



Ms Mansura Amdad, raised an important question during a discussion, addressing both panellists about Bangladesh's performance in the Global Knowledge Index over the past decade. She pointed out that in 2024, Bangladesh ranked 113th out of 141 countries, highlighting a decline from its 112th position in 2023. In contrast, Palestine, despite facing significant challenges, ranked 97th in 2024 and 89th in 2023.

Ms Amdad emphasised several areas where Bangladesh lags, such as higher education (ranking 123rd), research and development (ranking 124th), and the enabling environment for a peace dividend (ranking 125th). She underscored the lack of opportunities for youth integration into an economy that does not enable their growth and thriving.

She then posed two critical questions. First, how can Bangladesh implement reforms to address these shortcomings? Second, how can Japan, with its expertise and strong performance in these areas, assist Bangladesh in improving these crucial sectors?



Ambassador Shahed Akhtar

Ambassador Shahed Akhtar shared a detailed commentary and posed critical questions during the discussion, addressing Mr Tariq A Karim, President of Bay Bengal Institute, as well as other experts. He began by acknowledging the excellent presentations and highlighted the historical significance of the Bay of Bengal, which has been a hub of connectivity for centuries. Reflecting on the last few decades, he noted that the Bay of Bengal has become increasingly important due to its strategic, economic, and scientific value, citing over 40,000 ships navigating the region and India's dominant role in its islands.

Ambassador Akhtar raised concerns about issues plaguing the Bay, including narcotics trafficking, arms smuggling, and resource exploitation by external actors. He referenced Japan's longstanding relationship with Bangladesh, mentioning their involvement in projects such as the Jamuna Bridge feasibility study and oil exploration efforts which unfortunately did not yield significant outcomes. He lamented the existing pollution and the lack of substantial progress in the region, describing it as a persistent dilemma.

He further questioned why more substantial steps have not been taken despite the region's vast potential and pointed out the slow pace of regional organisations like BIMSTEC. He acknowledged that SAARC, while facing challenges at the summit level, continues to function through its various subgroups and has developed significant connectivity among its member states over the decades, even during the COVID-19 pandemic.

On the topic of Bangladesh's transition to a middle-income country, Ambassador Akhtar expressed optimism about the nation's progress while emphasising the importance of sustaining momentum to avoid setbacks that could impact future generations. He also commented on global organisations like the UN, noting their slow progress despite their long history, and reflected on Japan's interest in expanding the Security Council to foster greater peace.

Concluding his remarks, Ambassador Akhtar commended Ambassador Tariq A Karim for chairing the session and expressed confidence in his expertise and knowledge on the subject.

Response from the Panellists



Dr Selim Raihan

*Professor, Department of Economics, University of Dhaka and
Executive Director, South Asian Network on Economic Modeling (SANEM)*

Dr Selim Raihan responded to the discussion by expressing his agreement with the point about the paradigm shift from the Persian Gulf to the Bay of Bengal region, acknowledging the significant opportunities it presents. However, he raised concerns about whether Bangladesh is adequately prepared to capitalise on these opportunities, noting that the country should have started its preparations one or two decades ago to be on track for this growth. He emphasised the increasing complexity of the country's development tasks and the growing demands on the education system to meet these challenges.

Dr Raihan also discussed Bangladesh's limited experience with FTAs, pointing out that the country has only signed a PTA with Bhutan, which covers a very limited scope. He suggested that Bangladesh's approach has been more about seeking preferences rather than negotiating open trade deals. He attributed this to the country's reluctance to open up its economy, partly due to concerns over losing revenue from tariffs, especially since Bangladesh has one of the lowest tax-to-GDP ratios globally. He stressed that without a fundamental shift in the tax structure, Bangladesh would struggle to negotiate FTAs effectively.

Addressing the question of Bangladesh's bilateral relations with its neighbours, Dr Raihan acknowledged the challenges but emphasised the importance of maintaining a positive

approach. He noted that while political issues are inevitable, Bangladesh should strive to resolve these through constructive dialogues. He warned against escalating military expenditures, as seen in neighbouring countries, which divert resources from essential sectors like health and education. He advocated for maintaining a balance to avoid falling into a trap of excessive military spending.

On the topic of regional integration, Dr Raihan spoke about the importance of South Asian cooperation but recognised the difficulties of revitalising SAARC. He suggested that Bangladesh should look beyond smaller regional groupings and engage more actively in larger integration processes, such as the Regional Comprehensive Economic Partnership (RCEP).

Dr Raihan shared his frustration with Bangladesh's lagging performance in the Global Knowledge Index, comparing it to Vietnam's more successful integration of economic reforms with investments in education and health. He argued that Bangladesh's lack of progress in these areas, particularly in education, is a major factor behind its poor performance. He called for urgent reforms in the education sector to improve Bangladesh's standing in the global knowledge economy.

Dr Raihan addressed the topic of Bangladesh's LDC graduation, expressing his thoughts and offering insights into the complexities surrounding the process. He acknowledged the questions raised and deferred on some of the detailed responses of Ambassador Tariq Karim, whom he regarded as an authority on the matter.

Dr Raihan noted that, as mentioned in the white paper report, the proposed timeline for Bangladesh's graduation is set for 2026. However, he emphasised the importance of considering the experiences of other countries that have undergone similar transitions. For instance, he cited Nepal's decision to postpone its graduation following the devastating earthquake and their subsequent request to the Committee for Development Policy (CDP) for a delayed process.

He highlighted that Bangladesh still has two years before the graduation date, and the evolving political and economic landscape in the country will play a critical role in shaping the final decision. He pointed out that within Bangladesh, there is a growing demand from some members of the business community to reconsider the timeline for graduation. While academics like himself might favour proceeding with graduation in 2026, many stakeholders, particularly in the garment industry, have expressed reservations due to potential challenges and uncertainties that might arise in the post-graduation phase.

Dr Raihan further stated that any formal decision to adjust the timeline would depend on discussions in the coming year and a potential government request to the CDP. Ultimately, the CDP would evaluate and decide based on the situation and the request. He concluded by noting the differing perspectives on the graduation process, reflecting the complexity and significance of this transition for Bangladesh's economy and stakeholders.



Mr So UMEZAKI

*Director of Economic Integration Studies Group, Development Studies Center
IDE-JETRO*

Mr So UMEZAKI addressed Japan-specific questions and shared his insights on various economic and development issues. Starting with the relationship between the Matarbari deep-sea port and India's northeastern region, Mr UMEZAKI highlighted Japan's belief in the importance of international division of labour, which has been evident in its economic cooperation with ASEAN countries. He explained that, like landlocked countries in ASEAN requiring access to ports for export promotion, Bangladesh's Matarbari port development must consider expanding the hinterland to generate demand for shipping transport. While Matarbari is not exclusively developed for India's northeastern region, its sea connection can be leveraged by Bangladesh to maximise usage of the port.

On the issue of caregiver migration, Mr UMEZAKI referred to EPA with Indonesia and the Philippines, which enabled Japan to receive caregivers from those countries to address its ageing population's needs. He suggested that similar discussions could form part of future EPA negotiations between Japan and Bangladesh.

Addressing the global knowledge index, he emphasised that Bangladesh must first establish a clear strategy, which Japan is ready to support. He expressed hope that both the interim and incoming governments in Bangladesh would prioritise such strategic planning.

Mr UMEZAKI also provided his perspective on the slow progress of economic development in the Bay of Bengal region. He attributed this to several factors, including India's geographically

biased economic growth favouring its western regions, the impact of Bangladesh's previous LDC status, and the lack of strong regional cooperation. He explained that while Bangladesh excelled as a global leader in the RMG sector, the absence of competitors in neighbouring countries reduced the pressure to upgrade industrial infrastructure. In contrast, ASEAN countries experienced both cooperation and competition, driving their economic momentum.

Finally, he pointed out Myanmar's ongoing challenges as another factor impacting the region's development. He concluded by emphasising the need for a more integrated and strategic approach to address these issues.

Concluding Remarks by the Session Chair



Ambassador Tariq A Karim
*President, Bay of Bengal Institute
Cosmos Foundation*

Ambassador Tariq A Karim commenced his remarks by reflecting on the historical significance of the Bay of Bengal, describing it as a living and thriving regional entity in the mid-19th century and earlier. This vibrant regional dynamic was disrupted by World War II, which fundamentally altered the geography and political framework of the world. The War precipitated the decline of European empires that once held sway over the region, leading to the emergence of multiple new Westphalian states. These newly independent states, unfamiliar with the principles of the Westphalian system, faced divisions and turbulence, having previously been unified under the influence of empires.

Ambassador Karim argued that the rise and fall of the Bay of Bengal as a cohesive region coincided with the rise and fall of the British Empire. When this regional entity disintegrated, the Indian subcontinent, once the most integrated region in the world, became one of the least integrated. This disintegration has remained a persistent challenge, hindering efforts toward regional cooperation and development. He remarked on his tendency to study maps to understand and relate to global trade and geopolitics, noting how the focus of trade has shifted significantly to the Indian Ocean and Asia.

Highlighting the prediction of Admiral Alfred Mahan, a 19th-century American strategic thinker, Ambassador Karim observed that Mahan had foreseen a time when control over Asian waters would determine control over Asia and, ultimately, the world. This prediction resonates today, as the Indian Ocean and the Indo-Pacific region have become central to global trade. He stated that whether termed the Indo-Pacific or the Belt and Road Initiative (BRI), both narratives converge in the Bay of Bengal, which has become a critical hub of international commerce. Ambassador Karim emphasised that engaging proactively with these evolving dynamics is essential for Bangladesh to secure its place in this shifting geopolitical landscape.

Ambassador Karim posed a critical question: how can Bangladesh, a relatively small player, position itself as a significant actor in the Bay of Bengal? He highlighted Bangladesh's historical role as a prosperous and connected region, even before the Mughal and British eras. This historical legacy, he argued, should inspire efforts to redefine Bangladesh's role in the region. He emphasised that Bangladesh's geography positions it as a natural connector between East and West, a role it must reclaim to leverage its strategic advantages. Furthermore, he asserted that being part of this dynamic trade network is essential for Bangladesh to achieve sustainable growth and avoid being left behind in the evolving global economic order.

Discussing BIMSTEC, Ambassador Karim explained its origins during a period of stagnation in the SAARC. He recalled being part of the process in the mid-1990s when SAARC, despite celebrating a decade of existence, had made negligible progress in increasing intra-regional trade. While other regional groupings flourished, SAARC's intra-regional trade stagnated at approximately 5 per cent. In response, the concept of sub-regional cooperation was introduced, aiming to ignite progress in one area to inspire broader collaboration. This approach was designed to bypass the broader challenges of SAARC by focusing on practical and smaller-scale initiatives.

Ambassador Karim elaborated on the formation of BIMSTEC, initially comprising Bangladesh, India, Myanmar, Sri Lanka, and Thailand. To address concerns from smaller nations wary of India's dominance, additional members like Nepal and Bhutan were included, leading to its transformation into the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. This gradual expansion demonstrated the potential for incremental steps to build a larger regional framework. However, he pointed out a significant shortcoming in its composition, highlighting the exclusion of key Bay of Bengal nations such as Malaysia, Indonesia, and Singapore, which diminished the grouping's comprehensiveness.

Despite these limitations, Ambassador Karim emphasised the Bay of Bengal's critical role in connecting trade from the western Indian Ocean to the eastern edges of Asia. He argued that Bangladesh must strive to be part of this vital trade network to avoid being left behind, as history is unkind to those who lag. He stressed the importance of Bangladesh taking a proactive role in fostering regional cooperation, particularly given the vast markets to its east and west, with a combined population exceeding two billion. Securing even 20 per cent of these markets, he contended, would propel Bangladesh towards significant economic growth.

Ambassador Karim urged Bangladesh to move beyond emotional baggage and historical grievances that constrain progress. He acknowledged the presence of differences and challenges

but argued against retreating into isolation. Instead, he advocated for dialogue and collaboration, urging Bangladesh to convince its neighbours to join hands in mutual progress. He stressed that history has not been kind to nations that lag behind, and Bangladesh must seize the opportunity to become an active player in the region's evolving dynamics. By focusing on shared economic and strategic interests, Bangladesh could foster a cooperative environment that benefits all. He further reminded the audience that no nation could thrive in isolation, highlighting the interconnected nature of South Asia and the Bay of Bengal region, where the fortunes of one are inevitably tied to the others.

In conclusion, Ambassador Karim expressed his deep commitment to regional cooperation, a vision he has championed for over three decades. Citing the famous words of John Donne, he reminded the audience that "no man is an island." Just as Europe is diminished when a part of it is lost, South Asia and the Bay of Bengal region are interconnected. The collapse of one nation would inevitably affect others, highlighting the shared destiny of the region. Closing with Donne's poignant line, "For whom the bell tolls, it tolls for thee," he underscored the urgency of fostering unity and collaboration. With these remarks, Ambassador Karim thanked the audience and concluded the session.

Working Session 2

Presentation on

“Connectivity and Economic Growth: Lessons from ASEAN Experiences to South Asia”



Professor KIMURA Fukunari, PhD

*President, Institute of Developing Economies (IDE), JETRO
Professor Emeritus and Senior Professor, Keio University*

At the outset of his presentation, **Professor KIMURA Fukunari**, discussed why connectivity is important, emphasising not only the social aspects of people’s connectivity but also its significant economic implications. He explained that Bangladesh now faces the need to upgrade its industrial structure, especially in light of challenges such as the cessation of the Generalised System of Preferences (GSP) and the ongoing discussions around FTAs. He highlighted that export diversification is becoming increasingly crucial for the country’s economic resilience. To remain competitive, he stressed the importance of innovation, urging Bangladesh to adapt and develop new strategies for growth in the evolving global marketplace. He stated that Bangladesh has a large population but relatively scarce natural resources, which are important initial conditions for the country’s development. Given these factors, it is crucial to identify industries that can generate significant employment opportunities to support the large population.

Additionally, there is a need for industries that can generate foreign currency and foster innovation. This approach distinguishes Bangladesh from smaller or resource-rich countries. He pointed out that one notable strategy for Bangladesh has been its integration into international production networks, particularly in the machinery industry, which can play a key role in the country's economic development.

He discussed the significance of the machinery industry, explaining that it requires numerous parts and components, which inherently connects it to various industries. Due to this interconnectedness, many firms and stakeholders are increasingly involved in the machinery sector. He pointed out that the machinery industry operates under a "task-by-task" division of labour, as opposed to the more traditional industry-based division of labour. To facilitate this task-by-task international division, connectivity is essential. This includes both institutional connectivity, such as free trade agreements, tax reductions, and trade facilitation measures, as well as fiscal connectivity, which focuses on logistics infrastructure and the transformation of industrial frameworks. By fostering this connectivity, other member states have been able to benefit from technology transfer, particularly from multinational companies to local firms, driving productivity growth. He further elaborated on the concept of fragmentation theory, noting that the fragmentation of production processes into distinct blocks is a key factor in global production networks. Before this fragmentation, large factories handled everything from research and development to sales, typically located in developed countries. However, with the globalisation of production, different stages of production can now be located in different countries, depending on the most efficient or cost-effective location. This process, known as the fragmentation of production, allows firms to optimise their operations by distributing production across various regions. He argued that this task-by-task approach to international labour division requires strong connectivity to be successful, enabling firms to break down production into its component parts and spread them across the globe.

After discussing the fragmentation theory, he outlined two essential conditions for successful production blocks. The first condition is the need for production cost savings, which is crucial for the viability of these blocks. In the context of member states, fragmentation began in connection with developed countries, including Japan. The primary reason for this fragmentation, he explained, is the wage differences between regions, which creates a natural incentive for cost-saving in production. However, this is not the only factor. He pointed out that regions with good connectivity can also attract production blocks by reducing transportation and logistical costs. Therefore, in such cases, the cost-saving aspect of production blocks becomes feasible. The second condition involves the remote location of production blocks, which necessitates improved connectivity to reduce service link costs. He emphasised that if the costs associated with transportation, communication, and coordination are too high, the benefits of fragmentation become limited. To address this, member states have significantly reduced service link costs through various measures, such as regularising tariff cuts even before forming FTAs. This approach began in sectors like electronics and export processing zones, leveraging bonded factories and trucks to expand free trade areas. Moreover, industrial estates were established to further lower production costs, especially in industries such as automobiles and iron sticks. These strategies have enabled member states to reduce production costs while promoting regional collaboration and economic growth.



He then discussed the model case for economic infrastructure, focusing on the necessary elements for success in the machinery sector. He highlighted the seriousness with which certain countries have approached this development. Regarding this, his presentation included a graph comparing the proportions of machinery exports and imports over time, spanning the years 1970, 1980, 1990, 2000, and 2010. The chart revealed that by 1990, machinery exports accounted for over 70 per cent of the total trade in some countries, with machinery being the largest component of their export portfolios. This was particularly notable for countries in Northeast Asia, where trade in machinery often included both exports and imports, indicating a strong and interconnected industrial sector. The graph also illustrated that a significant portion of machinery trade consisted of parts and components, emphasising the importance of production

blocks in different countries and the complex international division of labour. He went on to explain the different stages of industrial development and trade practices, pointing out that while some countries had progressed to include parts and components in their trade, others were still reliant on traditional trade in finished products. He specifically mentioned that Bangladesh, at present, remains on the more traditional side of this spectrum, with its machinery trade focused primarily on finished goods. He also noted that India, while somewhat advanced, still occupies a middle ground in terms of industrial trade. In this regard, he stated by noting that India is not yet fully integrated into this advanced industrial network, which is a critical observation for understanding the dynamics of global trade.

He stated that the fragmentation theory plays a crucial role in enabling countries to integrate into international production networks. However, he emphasised that this alone is not sufficient, especially for large countries with substantial populations, such as Bangladesh. To effectively participate in global supply chains, Bangladesh must also focus on fostering industrial agglomeration. This involves creating clusters of industries that are geographically close to each other, allowing for both external linkages and local transactions. These local transactions require geographical proximity, as certain production systems, like just-in-time, demand that components are delivered frequently—every two weeks or even two hours—to reduce costs. To achieve this, industrial agglomeration must occur within a specific geographic radius, such as a 100-kilometer diameter, a model that has proven successful in countries like Thailand and Malaysia.

The development of industrial agglomeration facilitates critical transactions between multinational corporations and local firms, which can only occur in geographically concentrated areas. Trust is a vital element in these transactions, and local firms, which may initially struggle to build trust with multinational corporations, benefit greatly from this proximity. Over time, as the relationship strengthens, technological knowledge is transferred from MNCs to local firms. While MNCs may not initially be willing to share technology, local firms can become more competitive by improving their non-price factors. As this trust and cooperation grows, industrial agglomeration becomes essential for the development of local firms and SMEs. He stated that the collaboration between multinational companies and local businesses need not be viewed as a competitive or hostile relationship but rather as a mutually beneficial arrangement that supports growth and technology transfer.



He then discussed the importance of task-by-task division of labour, focusing on both institutional and physical connectivity. He emphasised that institutional connectivity extends beyond the WTO framework, highlighting the need for trade visualisation to manage increasingly complex production networks. Policymakers often struggle to calculate the necessary components for production, so it is essential to move beyond traditional models. Additionally, he pointed out the significance of trade facilitation, including reducing tariff barriers and addressing Technical Barriers to Trade (TBT). There is a need for services utilisation, especially in manufacturing, to ensure smoother operations. In terms of physical connectivity, he stressed the importance of high-grade infrastructure, such as safe roads, ports, airports, and multimodal connections, which are crucial for development.

He observed that only a few countries, such as certain EU member states, Mexico, and Costa Rica, have effectively implemented such connectivity strategies. For Bangladesh, establishing strong connectivity is vital for enhancing its performance. Moving into the digital age, he noted, the international division of labour could become more individualised, which presents both

challenges and opportunities. While the current financial flow in this context is not large, he sees significant potential. In the future he expressed hope for Bangladesh's involvement in machinery and policy discussions, emphasising that there is a lack of focus on which industries are necessary for future growth. He highlighted the need for more discussions on how connectivity plays a critical role in diversifying and upgrading the industrial structure, supporting further industrialisation and innovation.

In conclusion, he remarked that while the government and industry in Bangladesh are making some innovative strides, these efforts alone are not sufficient for the country to advance from lower middle income to higher middle income status. He emphasised the need for a more structured approach, with clear task divisions and Intellectual Property (IP) advancements, which could drive Bangladesh's growth. He also noted that, in comparison to India, which is progressing slowly in this regard, Bangladesh has significant potential for improvement, particularly in logistics and connectivity. He pointed out that the development of industrial estates in the southern part of the country could serve as a crucial trigger for industrialisation, helping to enhance real connectivity and foster long-term growth.

Panel Discussion Panellist 1



Dr M Masrur Reaz
Chairman & CEO
Policy Exchange Bangladesh

Dr M Masrur Reaz began by expressing gratitude to the organisers for arranging an important dialogue on regional connectivity. He praised Professor KIMURA's presentation, which explored various aspects of global value chains in global production networks and how ASEAN and other Asian countries performed in this context. He highlighted how institutional frameworks guided ASEAN countries in policy formulation and implementation.

Dr Reaz identified three to four critical areas that contributed to ASEAN's success in responding to policy needs and establishing robust frameworks, leading to their economic achievements. First, he emphasised the importance of a shared vision underpinning policy approaches, whether in ASEAN, SAARC, the EU, MERCOSUR (The Southern Common Market), or the East African Community (EAC). Policies, he explained, should not begin with drafts but with a clear understanding of their purpose, importance for stakeholders, and the potential gains or risks for member states.

He noted that ASEAN consistently informed its policy strategies with a solid shared vision, detailing economic gains and risks. For example, their policies prominently featured trade and

investment, contributing significantly to their success. ASEAN has become the world's fifth-largest economy and Asia's third-largest, achieving remarkable growth in trade. Dr Reaz cited figures showing ASEAN's total trade exceeding US\$ 01 trillion in 2023, with US\$ 1.8 trillion in exports. He pointed out their success in intra-regional economic cooperation, with intra-regional exports accounting for 22 per cent of total trade in 2023, compared to less than 5 per cent in South Asia.

He acknowledged Ambassador Tariq Karim's longstanding advocacy for enhanced regional cooperation, including during their shared tenure at the World Bank. Despite such efforts, South Asia's intra-regional trade remains below 5 per cent. Similarly, ASEAN attracted 17 per cent of global FDI in 2023, with intra-regional investments amounting to US\$ 213 billion. In contrast, South Asia's intra-regional FDI constituted less than 01 per cent of its total investment. Dr Reaz emphasised that ASEAN's achievements stemmed from their shared vision.

Dr Reaz continued by highlighting the active platforms ASEAN utilised to facilitate dialogue, build consensus, and execute policies effectively. He cited examples such as the ASEAN Regional Forum (ARF), the East Asia Summit, the ASEAN Economic Community (AEC) established in 2015, and the ASEAN Free Trade Agreement (AFTA), which began in 1992. These platforms, he explained, have led to substantial, tangible benefits for member states and enabled the development of effective policies.

He elaborated on ASEAN's ability not only to formulate and implement policies but also to monitor their progress rigorously. Referring to the AEC, he noted that their latest report indicated 96 per cent progress on specific targets, demonstrating the granularity of their policy approaches.

Dr Reaz also discussed the role of institutional and soft frameworks in ASEAN's success. He remarked that one key factor was the absence of dominance by any single member state. Unlike in South Asia, where regional cooperation has often been hindered by one member's unilateral interests, ASEAN adopted a win-win approach.

He pointed out ASEAN's flexible policy framework, contrasting it with the EU's rigidity. While the EU is considered the most successful regional bloc, its lack of flexibility often limits member states. In contrast, ASEAN allows the leeway needed for successful negotiations. Lastly, Dr Reaz emphasised ASEAN's strong engagement with global powers, including the US, China, Japan, and others, which significantly contributed to the successful implementation of their policies.

Dr Reaz emphasised the need for robust, pro-growth, and effective policies, pointing out the differences between ASEAN and Bangladesh or South Asia. He stated that policy formulation mechanisms and capacities in South Asia, especially in Bangladesh, require significant improvement. He highlighted the importance of strong analytics to provide structured evidence for and against policy movements, decision-support systems within policy-owning ministries or regulatory agencies, and robust coordination mechanisms. He stressed that policies often span multiple ministries or agencies and sometimes even involve multiple governments, making coordination essential.

Using Bangladesh as an example, he mentioned that business environment reforms initiated



several years ago involved 27 ministries and over 30 agencies, but coordination mechanisms were weak and ineffective. In contrast, ASEAN countries like Singapore, Brunei, Thailand, Malaysia, and Vietnam have implemented strong coordination mechanisms, such as Brunei's reforms under the Head of Government's Office and Thailand's "regulatory guillotine" to eliminate outdated regulations.

Dr Reaz also noted the lack of structured public-private dialogue processes in Bangladesh, comparing it to Malaysia, where the Prime Minister's Office regularly engages economic players in detailed reform discussions. He identified three key areas where ASEAN outperformed South Asia: connectivity, productivity, and innovation. He concluded by calling for capacity-building efforts in analytics, coordination mechanisms, and a mindset shift among policymakers, emphasising the importance of viewing FDI as a public good rather than a threat.

Panellist 2



Professor Tsubota Kenmei

*Professor, Department of Regional Development Studies
Faculty of Global and Regional Studies, Toyo University*

Professor Tsubota Kenmei, shared his insights on the historical context of the Indian Ocean region as an economist, tracing developments from the British Indian period to the present.

Professor Kenmei highlighted a significant decline in regional connectivity and trade within the Indian Ocean context, which he attributed to historical events such as the partition of British India. This decline, according to his research on maritime trade, resulted in the transformation of what was once a robust domestic trade network into fragmented international trade systems. He pointed out that during the earlier period, much of the trade within the region resembled domestic trade, but partition and subsequent developments led to its internationalisation, which eliminated some of the seamless integration previously observed.

He underscored the critical importance of establishing regional mechanisms to streamline trade, making transactions as efficient as those of domestic trade. Professor Kenmei stressed the need for regional integration to promote both land and maritime trade, highlighting the importance of developing regional hubs. Drawing parallels with Southeast Asian countries, he pointed out that successful regional integration requires well-equipped ports on both sides of borders,

improved road connectivity, and harmonised institutional frameworks. He noted that these prerequisites for effective integration are still underdeveloped in South Asia.

Professor Kenmei posed an intriguing question: if South Asia achieves deeper regional integration, would it replicate the economic geography of British India, or would it create a new trajectory for the region? He argued that while lessons from the past are valuable, the region has experienced over 70 years of development and growth since its partition. Consequently, the outcomes of future integration should be distinct and reflect this progress. He emphasised the need for all parties involved to focus on building a future that capitalises on accumulated growth and development.

Professor Kenmei he concluded by reiterating the importance of fostering an enabling environment for regional integration and expressed his optimism for the region's potential to shape a prosperous and connected future.

Panellist 3



Mr Shams Mahmud

President, Bangladesh-Thai Chamber of Commerce and Industry

Mr Shams Mahmud, delivered an insightful discussion focused on supply chain resilience and its critical role in enhancing trade connectivity. He emphasised the success of ASEAN in achieving these objectives and highlighted the policy measures that have enabled ASEAN countries to emerge as a global trade hub while ensuring supply chain resilience.

He highlighted the importance of decentralising processes rather than concentrating them in a single location. It was noted that each country within a trade bloc, such as ASEAN, can contribute uniquely to facilitating trade. ASEAN, in principle, is symbolised by two key words: ‘wealth creation.’ All member states actively create and retain wealth within the bloc, strengthening its economic foundation. In contrast, Bangladesh’s trade policies are primarily ‘pass-through,’ which means wealth generated from trade is not retained within the country but instead drained out. This distinction, from a business perspective, underscores a fundamental difference between ASEAN’s trade framework and Bangladesh’s approach.

He observed that ASEAN has successfully facilitated trade and services by addressing both tariff and non-tariff barriers while embracing digitised trade facilitation measures. In contrast, Bangladesh has struggled to keep pace with global advancements, such as AI-driven systems, due to persistent inefficiencies in its trade processes. Key initiatives within ASEAN include Customs Transit Systems, which streamline the movement of goods across borders; the ASEAN

Single Window System, which simplifies trade documentation; and Certification Mechanisms, which ensure standards compliance and ease of transactions. These measures have collectively enhanced supply chain resilience and attracted significant FDI by allowing investors to distribute their operations across multiple countries. This decentralised strategy mitigates risks from political instability or other disruptions in any one nation, further solidifying ASEAN's position as a global trade hub.

Mr Mahmud contrasted this with Bangladesh's experience in the RMG sector. He explained how decentralisation has added value to production processes, enabling collaboration across multiple countries to optimise efficiency and quality. For instance, while Bangladesh handled most of the garment manufacturing for brands like Zara Inditex, final dry processing, which involved advanced robotics for creating specific effects on denim, was conducted in Portugal. The decentralised approach taken in this instance allowed for the production of high-quality, value-added products while leveraging the unique capabilities of different countries. Mr Mahmud emphasised that such collaborative models not only enhance product value but also make supply chains more resilient, as critical processes are distributed across multiple locations, reducing dependency on a single point of production. He suggested that Bangladesh could benefit from further embracing such models to remain competitive in global markets.

He identified seamless integration of financial services as another critical aspect of ASEAN's success which plays a pivotal role in facilitating trade. Bank guarantees issued in one member state are recognised across the entire bloc, enabling smooth transactions and significantly reducing risks for businesses. This financial cohesion enhances trust among investors and supports cross-border activities without the complexities of additional local formalities. However, he lamented the absence of such integration in Bangladesh, where the lack of a unified framework poses a significant bottleneck for investors and businesses, often resulting in delays, increased costs, and lost opportunities. He noted that ASEAN's ability to harmonise policies and present a unified voice not only strengthens its supply chain but also creates an environment conducive to investment and long-term economic growth. This coordinated approach ensures that policies benefit all member states equitably, fostering a culture of shared prosperity. He highlighted that Bangladesh could learn from ASEAN's model by prioritising regional financial integration and policy alignment to attract greater foreign direct investment and achieve sustainable wealth creation.

While discussing specific bottlenecks, Mr Mahmud pointed to the challenges Bangladesh faces in accessing low-cost financing for its green transition, which is an essential component as the country graduates from LDC status and seeks to maintain its export competitiveness in markets like the EU. He emphasised that the green transition will be critical for Bangladesh, particularly in meeting the EU's stringent environmental standards. In contrast, ASEAN countries have implemented a common energy policy, with collective efforts towards achieving net-zero emission targets across the bloc. This unified approach not only streamlines the green transition but also ensures that member states have access to low-cost funds within the region to support sustainable initiatives. These funds enable companies to adopt greener practices without the financial strain of relying solely on expensive local borrowing or external sources like the EU.

He highlighted the lack of such measures in Bangladesh, where regional cooperation on energy and environmental issues is virtually non-existent, and each country operates on an ad hoc basis. This absence of a cohesive strategy has placed Bangladeshi businesses at a disadvantage, making the green transition more costly and challenging. He underscored the need for Bangladesh to adopt a regional approach, akin to ASEAN, to facilitate access to affordable financing and support a more sustainable economic framework.

On elaborating on the topic of decentralisation, he highlighted the growing popularity of a business model known as 'FOC' or free of cost. Under this model, components, particularly for products such as outerwear jackets, are supplied from countries like South Korea, China, or Taiwan. The stitching and value addition to these products are then carried out in Bangladesh before the finished products are exported. He pointed out that this model is especially significant for the outerwear segment, as these jackets are high-value items with premium price points in global markets. Due to their elevated price range, the imposition of duties following Bangladesh's LDC graduation is unlikely to have a significant impact on demand for these products. This makes the outerwear segment an exception in the RMG industry, which is otherwise expected to face challenges as a result of increased tariffs and reduced preferential trade terms post-LDC graduation.

In conclusion, Mr Mahmud stressed that Bangladesh must learn from ASEAN's policy frameworks to enhance supply chain resilience, integrate services, and generate wealth domestically. He called for more cohesive regional initiatives, especially in financing and energy, to ensure Bangladesh remains competitive in the global market.

Panellist 4



Dr YAMADA Eiji

Senior Representative, JICA Bangladesh Office

& Senior Research Fellow, JICA Ogata Sadako Research Institute for Peace and Development

During the panel discussion, **Dr YAMADA Eiji** provided an insightful assessment of the Japan-ASEAN Comprehensive Connectivity Initiative, highlighting its potential as a valuable framework for Bangladesh's learning and application. He emphasised that this initiative, with its comprehensive scope, encompasses critical areas such as transportation, infrastructure, digital and energy connectivity, human connectivity, maritime cooperation, and supply chain integration. Dr Eiji underscored that adopting lessons from this model could significantly enhance Bangladesh's efforts in fostering regional integration and sustainable development through a multidimensional connectivity approach.

Dr Eiji identified that the major objectives of the Japan-ASEAN connectivity initiatives are similar to Japan's ongoing connectivity projects in Bangladesh, such as the Moheshkhali-Matarbari Integrated Development Initiative (MIDI) under the BIG-B, the Mass Rapid Transit (MRT) project, and the Jamuna Railway Bridge Construction Project. He observed that these initiatives align closely in their agenda, focusing on fostering robust connectivity through infrastructure development, economic integration, and improved regional linkages. He noted that such projects reflect a shared vision for enhanced transportation networks, industrial hubs, and regional collaboration, all of which are critical to sustainable

economic growth. He further emphasised the transformative potential of Bangladesh's Matarbari deep-sea port project, describing it as a game-changer for both maritime trade and broader connectivity plans. According to Dr Eiji, the Matarbari Port is poised to play a pivotal role in strengthening supply chains, enhancing maritime cooperation, and driving regional trade dynamics. This landmark infrastructure, he suggested, exemplifies the type of integrated development envisioned under initiatives like the Japan-ASEAN Connectivity framework, offering valuable lessons for advancing connectivity efforts across Bangladesh and beyond.

Dr Eiji further stated that infrastructure development alone is insufficient for advancing connectivity and fostering regional integration. He emphasised the need for Bangladesh to create a more enabling environment for trade and investment and highlighted the importance of institutional connectivity alongside physical connectivity. He noted that before achieving seamless institutional and physical connectivity, Bangladesh must prepare itself to be effectively integrated with other South Asian countries and ASEAN members. He stressed that becoming a more trustworthy investment destination and reliable trade partner should be key priorities for Bangladesh, as these are crucial for enhancing regional collaboration and economic growth. In this regard, he suggested that Bangladesh needs to prioritise developing robust institutional mechanisms to create a more favourable investment climate. He emphasised the importance of consolidating fragmented government authorities and empowering services like One-Stop Services (OSS) for investors. Such measures, he argued, could streamline processes and improve predictability for potential investors and their funding. Dr Eiji pointed out that while Bangladesh offers various incentives to attract investment, the inconsistency in their implementation—often requiring statutory regulatory orders by tax authorities—undermines their effectiveness. This unpredictability in investment incentive schemes, he noted, is a significant concern frequently voiced by investors operating in Bangladesh.

To address these issues, Dr Eiji highlighted promising steps taken by the Bangladesh Economic Zones Authority (BEZA) and the Bangladesh Investment Development Authority (BIDA) in establishing and developing special economic zones. These zones, he argued, could serve as models for enhancing investment predictability and fostering investor confidence. However, he stressed that internal reforms are crucial for Bangladesh to fully leverage the benefits of international connectivity, encompassing both infrastructure development and institutional improvements. By addressing these structural challenges, Bangladesh could position itself as a more reliable and attractive destination for foreign investment, ultimately accelerating its economic growth and integration into regional networks.

In addressing the improvement of Bangladesh's business and investment environment, Dr Eiji identified multiple areas requiring immediate attention. One critical aspect is reducing trade costs, as current inefficiencies significantly impede economic growth. Highlighting data from an OECD report, he noted that Bangladeshi exports face an average wait time of 150 hours, while imports require 200 hours, starkly contrasting with Cambodia or China, where such delays are under 50 hours. To tackle these issues, he proposed two key solutions: first, expediting the implementation of a national single window system, which is already underway within the government, to streamline trade processes. Second, establishing additional customs offices within the country's economic zones is necessary to minimise delays caused by the current

system of customs officers traveling from ports to warehouses. He further emphasised enabling bonded transfers to alleviate bottlenecks and optimise the model for better operational efficiency.

He also reflected on the interplay between human connectivity and business development, comparing it to a ‘chicken-and-egg’ scenario. He argued that human connectivity fosters business relationships, while robust business connectivity drives the development of human networks. To break this cycle, he suggested focusing on those already connected, positioning them as ambassadors for further integration between Bangladesh and the global economy. These individuals should be supported and empowered to amplify Bangladesh’s connectivity and trade potential. He then stressed the importance of institutional reform and regulatory upgrades as foundational elements for improving trade, connectivity, and investment in Bangladesh. In this regard, several actionable insights and recommendations, were suggested by him, for a robust roadmap for policymakers and regional trading partners alike. Another important suggestion from him was about the importance of consistent and coherent policies for effective connectivity and development initiatives. He pointed out that while numerous institutions are involved in similar types of work, their efforts often lack alignment, leading to contradictory outcomes. Highlighting the inefficacy of such disjointed policies, he called for examples of successful coherence to guide future actions. Dr Eiji further underscored the critical role of coordination at multiple levels—among regulatory bodies, ministries, and between the public and private sectors. He also stressed the necessity of cross-border coordination to address transnational challenges and foster seamless regional integration.

In conclusion, Dr Eiji highlighted the significance of robust political consultation, which he noted is often absent at both domestic and regional levels. He argued that meaningful consultation is essential to harmonise policies and align priorities. Moreover, he addressed the need for continuous capacity building as a cornerstone for productivity and innovation. He explained that capacity building is an ongoing process vital for adapting to changing circumstances and embracing innovations. He expressed concern over the lack of sufficient capacity-building initiatives in Bangladesh, urging stakeholders to prioritise learning and efficiency to foster sustainable development. With these insights, he concluded his remarks, leaving the audience with a comprehensive roadmap for addressing key challenges in connectivity and development.

Panellist 5



Tareq Rafi Bhuiyan (Jun)

President

Japan-Bangladesh Chamber of Commerce and Industry (JBCCI)

Mr Tareq Rafi Bhuiyan (Jun) expressed that the topic under discussion was highly relevant and significant, particularly in light of regional connectivity challenges. He noted ASEAN's remarkable success in attracting multilateral funding and highlighted the pivotal roles played by organisations such as the Asian Development Bank (ADB), World Bank, and Asian Infrastructure Investment Bank (AIIB) in financing ASEAN's infrastructure projects. As an example, he mentioned that ADB's ASEAN Infrastructure Fund had mobilised over US\$ 01 billion to co-finance transport and energy projects. He elaborated that this funding was achieved through innovative mechanisms, including guarantees, concessional financing, green bonds, and sustainability-linked loans, which have proven to be effective tools for development.

Turning his attention to South Asia, Mr Bhuiyan observed that the region, despite platforms like SAARC and BIMSTEC, had not been as successful in attracting large-scale infrastructure funding. He attributed this to the absence of the necessary political commitment and noted that unilateral decision-making by certain member states often derailed collective efforts. This lack of cohesion, he explained, undermined the region's ability to secure and implement critical connectivity projects.

Discussing Bangladesh, Mr Bhuiyan pointed out that while multilateral donors such as the World Bank and ADB had been active in funding key initiatives, Japan, through JICA, had been particularly instrumental in driving impactful projects. He highlighted the Matarbari deep-sea Port project as a prime example, stating that it served the interests of both Bangladesh and India. Such projects, he explained, were likely to succeed due to Japan's neutrality, which often made its initiatives more acceptable to the Bangladesh government. He expressed optimism about Japan's continued involvement, emphasising its role in fostering regional connectivity and advancing critical infrastructure development.

Mr Bhuiyan acknowledged contributions from other multilateral donors but emphasised the need for Bangladesh to address key challenges. He noted that while ADB, for example, allocated annual funding for projects, inefficiencies in project management often led to delays and underutilisation of resources. Furthermore, he identified bureaucratic red tape and insufficient spending as major obstacles that hindered the timely completion of projects.

To overcome these challenges, Mr Bhuiyan stressed the importance of improving corporate governance and implementing comprehensive internal reforms. He argued that addressing these bottlenecks would not only ensure more effective project execution but also enhance Bangladesh's credibility with international donors. If these issues were resolved in a timely manner, he believed that Bangladesh could secure increased investments from both multilateral and bilateral donors. He concluded by emphasising that the current period presented an opportune moment to address these systemic issues and unlock the full potential of development funding.

Open Discussion



Ambassador Tariq A Karim

*President, Bay of Bengal Institute
Cosmos Foundation*

Ambassador Tariq A Karim added to the discussion by highlighting ASEAN's adoption of mechanisms inspired by the European model, such as regular political consultation mechanisms. He explained that these mechanisms align political coordination with economic and social integration efforts, something that South Asia severely lacks. He reiterated the point that unless political systems work, nothing else can move forward.

Rear Admiral A S M A Awal (Retd)

Rear Admiral A S M A Awal (Retd) directed a question to Shams Mahmud about the Bay of Bengal's connectivity. He referenced initiatives like the Coastal Shipping Agreement signed in 2021, questioning why progress seemed stalled and seeking an update on the current status and challenges.



Salaud Din Ahmed

*Former Member
Bangladesh Energy Regulatory Commission*

Another question was posed to Dr Eiji from JICA, by **Salaud Din Ahmed**, asking for insights into Bangladesh's investment criteria and the challenges related to the Matarbari deep-sea Port. He sought projections for cargo demand and whether the port could be effectively utilised.



Nusrat Tasneem

Student, University of Dhaka

Nusrat Tasneem, posed a question to Professor KIMURA. She asked how Bangladesh could adopt the fragmentation of production model given the gaps in policy, innovation, and management practices.

Mahira Meherin Khan

*Department of Political Science
University of Dhaka*

Mahira Meherin Khan, asked whether adopting ASEAN's model of regional cooperation was overly idealistic for the Bay of Bengal region, considering historical rivalries and the failures of SAARC.



Abdullah Al Mamun

Student, Jahangirnagar University

Abdullah Al Mamun, emphasised the importance of connectivity and innovation in addressing global challenges. He observed that the industrial revolution is rapidly advancing, yet a significant portion of the workforce lacks the necessary skills to adapt to this transformation. Reflecting on this, he highlighted the need for capacity building, remarking that nations often seek

immediate assistance. However, he stressed the importance of empowerment, comparing it to providing a livelihood options that enables self-sufficiency.

In discussing connectivity within the region, he noted the potential of Bangladesh to become a central hub in the Indo-Pacific region. He underscored the optimism surrounding this opportunity, supported by emerging statistics and strategic considerations.

He further reflected on the rise of the USA as a global power, pointing to the factors that contributed to its success. He also acknowledged Japan's efforts to rebuild and foster strong relationships with the USA and EU countries, which have been instrumental in its post-war development.



Mansura Amdad

*Lecturer, Department of International Relations
University of Dhaka*

Mansura Amdad, a Lecturer in International Relations at the University of Dhaka, posed thought-provoking questions inspired by insights from Mr Shams Mahmud on small and medium enterprises (SMEs) and Dr Eiji on human connectivity. She inquired about the role of regional mechanisms like SAARC, BIMSTEC, or others in fostering bottom-up governance in trade. Highlighting the need for inclusive and grassroots-driven approaches, she urged experts to explore how these mechanisms could enhance regional trade practices.

Additionally, Ms Amdad reflected on the challenges faced by ASEAN during its formative years, particularly its experiences with two major financial crises in 1997 and 2008. She noted how ASEAN relied on external support during these crises and strengthened people-to-people connectivity within the region. Drawing parallels, she questioned how Bangladesh could establish a similar mechanism to mitigate the impact of potential financial crises, emphasising the need for resilience and connectivity strategies.

Sheikh Mohammad Tamim

*Student, Department of International Relations
Bangladesh University of Professionals*

Sheikh Mohammad Tamim, directed his question to Professor Fukunari. He addressed the significant manpower exports from Bangladesh to Middle Eastern countries, noting that much of this workforce lacks specialised skills or training. He queried how Bangladesh could train its workforce to handle task-specific or industry-specific projects. Additionally, he expressed concerns about the feasibility and expense of such training, particularly when projects are short-term and once completed, may not provide sustainable opportunities.



Shahriar Mahmud

*Student, Department of International Relations
Bangladesh University of Professionals*

Shahriar Mahmud, posed two specific questions. The first question, which was inspired by a previous inquiry from another student, pertained to the limited influence of regional blocs such as SAARC and BIMSTEC in creating active platforms for policy discussions. It was asked what policies could be anticipated from Bangladesh to facilitate meaningful dialogues in such platforms. The second question, directed to Masrur Reaz, addressed

Bangladesh's need to establish itself as a trustworthy investment destination, with improvements in trustworthiness being emphasised.

Response from the Panellists



Dr YAMADA Eiji addressed the question about Matarbari deep-sea Port, explaining that the current cargo demand in Bangladesh is around 3 million TEUs annually, projected to grow to 12 million TEUs by 2040. He noted that existing ports like Chattogram and Mongla would not be sufficient to handle this demand. Matarbari, he explained, is the only location capable of accommodating large vessels directly, bypassing Colombo or Singapore. He emphasised the need for complementary infrastructure development, such as roads and railways, to fully utilise the port. He also highlighted ongoing discussions with the government about creating an industrial hub near the port to enhance its utility and support economic growth. Dr Eiji identified reducing non-tariff barriers and trade costs as priority areas for Bangladesh. Recommendations included the establishment of a national single window for streamlined processes and additional custom offices in economic zones to reduce export and import waiting times. Enhancing human connectivity through business relationships and nurturing existing connections was emphasised as a strategy for long-term improvement.



Professor KIMURA Fukunari responded to the question about the fragmentation model, stressing the importance of improving location advantages. He mentioned that industrial estates, access roads, and logistics infrastructure must be enhanced, and transport costs should be reduced. He advocated for initially attracting multinational firms to establish industrial clusters, as seen in Vietnam and Thailand. He emphasised the need for careful planning and execution of industrial agglomerations, drawing lessons from successful examples in other Asian countries. Professor Fukunari also addressed workforce development challenges, particularly the need to transition workers from the informal to the formal sector. He cited examples from Cambodia, where companies provided supplementary educational programs to unskilled workers before integrating them into industrial roles. Similar interventions were suggested for Bangladesh, including industrial estate-sponsored schools to train middle-level engineers and workers. The recent discussion on regional connectivity and economic integration featured valuable insights from various speakers, emphasising the challenges and opportunities for Bangladesh. Professor Fukunari highlighted the recurring failures of economic integration among developing countries, primarily due to a lack of tradable goods and services. He pointed to ASEAN as a success story, where member states first connected with developed countries to establish production networks, enabling trade in parts and components. He stressed the importance of achieving a suitable economic scale, ensuring connectivity, and maintaining openness to FDI as critical factors for successful integration. Professor Fukunari underscored that crises often lead to reforms, drawing examples from ASEAN. Bangladesh was advised to view its current challenges as an opportunity for transformative change by adopting successful practices from neighbouring countries and focusing on impactful projects.



Dr Masrur Reaz addressed the question about the feasibility of adopting ASEAN’s model in the Bay of Bengal region. He acknowledged the challenges but disagreed that it was overly idealistic. He pointed out that ASEAN had faced similar political tensions and diversity in its early days but succeeded through long-term efforts and a focus on common economic goals. He emphasised that political goodwill and a shared vision are key to overcoming these challenges. Dr Reaz also highlighted the importance of external support from trusted partners like Japan, which has been instrumental in facilitating regional integration efforts in ASEAN. Dr Reaz acknowledged Bangladesh’s late adoption of formal economic diplomacy, which officially began only after 2020. He emphasised the importance of developing comprehensive trade and investment strategies, as seen in countries like Vietnam, Thailand, and Malaysia. Dr Reaz pointed to Japan’s JETRO and Singapore’s Enterprise Singapore as exemplary models where governments and private sectors collaboratively pursued targeted economic opportunities. He also highlighted that Bangladesh lacks both a trade strategy and an FDI strategy, recommending systematic identification of opportunities and alignment between trade and investment initiatives. Dr Reaz, addressing the importance of dovetailing economic opportunities with diplomacy, noted that Bangladesh’s efforts in this area have often been reactive rather than proactive. He emphasised the need for a collaborative approach involving both diplomats and business stakeholders to identify and pursue economic opportunities systematically. Finally, Dr Reaz addressed concerns regarding the upskilling of Bangladeshi workers exported to the Middle East, recommending task-specific training programmes to enhance productivity and sustainability. The discussion collectively underscored the need for Bangladesh to adopt strategic, inclusive, and forward-thinking approaches to regional and global economic integration. Dr Reaz emphasised that Bangladesh must prioritise internal reforms to become more open and ready for business. The lack of transparency, fair rules, and outdated regulatory frameworks were cited as major issues. It was urged that rhetoric be replaced with actionable reforms to enhance Bangladesh's investment climate.



Mr Tareq Rafi Bhuiyan added to the discussion by emphasising the potential of the EPA with Japan, a country lauded for its trust and willingness to assist Bangladesh in building negotiation capacities. He urged Bangladesh to prioritise and finalise the EPA, underscoring its importance as a strategic opportunity. Mr Bhuiyan also suggested exploring Bangladesh’s potential inclusion in ASEAN if such an opportunity arises. Mr Bhuiyan stressed the role of multilateral financial institutions in financing infrastructure and promoting sustainable investment through green bonds and sustainability-linked loans. Enhanced collaboration between the public and private sectors, along with reforms in areas like trade and investment, was recommended to attract more foreign investment.



Mr Shams Mahmud elaborated on Bangladesh-Thailand relations, noting that despite progress in discussions on trade and shipping connectivity, challenges remain, particularly the lack of implementation of agreements such as the Memorandum of Understanding (MoU) on shipping. He identified container traffic issues and insufficient follow-through by governmental institutions as key obstacles. Drawing attention to successful BIMSTEC members, he emphasized that these countries first supported their SMEs before opening up to FDI, creating a symbiotic relationship between local businesses and foreign investors. He also argued that Bangladesh must address SME concerns and integrate them into regional economic strategies to ensure sustainable growth. Mr Mahmud highlighted the importance of defining South Asia, particularly in terms of Pakistan's inclusion, for regional integration. The experiences of non-tariff barriers in trading with Pakistan and India, such as delays due to inspections and inefficiencies in border automation, were shared. It was noted that regional cooperation could be advanced by leveraging Pakistan's strategic position with the port of Gwadar and enhancing ties with India. Several other recommendations included automation, trust-building among neighbors, and adopting successful regional models like ASEAN for progress.



Professor TSUBOTA Kenmei reiterated the importance of trade and investment facilitation, extending beyond neighbouring countries to international partners like the EU and Japan. Improved infrastructure and FTAs were identified as critical measures for integrating into global production networks.



Concluding Remarks by the Session Chair



Dr Fahmida Khatun
Executive Director
Centre for Policy Dialogue (CPD)

Dr Fahmida Khatun thanked all the presenters, panel discussants and audience for their session-long fruitful discussion and active engagement. She appreciated the rich discussion on bottlenecks and recommendations that came as a result of this discussion which she feels will be useful for the policymakers of Bangladesh and also the trading partners in the region. In her summarisation of the session, the Chair highlighted the 5Cs, the first one being competent institutions as every speaker highlighted the importance of institutions and then she also pointed out the issue of reform of the regulatory framework. The Chair underscored institutions as the key to upgrading the industrial network, industrial production, connectivity and trade and many other aspects. Hence, competent institutions are one of the most important factors or pillars for going forward in trade connectivity and investment connectivity. The second one is consistent or coherent policies which have been flagged by the speakers. The coherence of policies is absent in many institutions as they are doing similar types of work, but they do not always align with each other. Sometimes the benefits of one institutional policy are negated by another's work. She highlighted the third issue as coordination as this has been highlighted by various speakers. Coordination among the regulatory bodies, ministries and coordination between private sectors and beyond border coordination among countries is imperative. The Chair mentioned the fourth issue as consultation as she highlighted political consultation at the domestic and regional levels is crucial. Finally, she pointed out capacity building as the fifth and final issue which leads towards productivity, efficiency, innovation and endeavour for a never-ending learning process.







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The Editorial Team thankfully acknowledges Research Interns **Shohanur Rahman Shuvo**, **Jannatul Toba Jhumu**, **Faria Labonno**, **Israt Jahan**, and **Samira Sayeed Jeeta** for their assistance in preparing the proceedings

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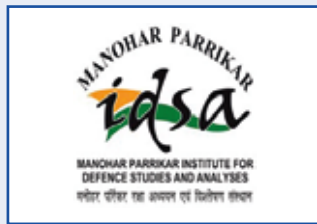
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