

# Indo-Bangladesh Relations: Viewed through the Lens of China's Growing Presence in Bangladesh

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## **Introduction:**

India and Bangladesh have had long-standing socio-cultural, religious, and linguistic relations. In 1971, India was instrumental in Bangladesh's independence<sup>1</sup>. As a result, Bangladesh became a natural ally of India. Both countries established diplomatic relations after signing the Treaty of Friendship on March 19, 1972<sup>2</sup>. Bangladesh continues to be a crucial playing partner for India in the Indo-Pacific region. Maintaining stability in its northernmost part is critical as a bridge to Southeast Asia. Over the last five decades, the two countries have strengthened their political, economic, trade, and cultural ties while also establishing a comprehensive institutional framework to promote bilateral relations.

Instead of diversified connections with Bangladesh, India is now seeing a shift in Bangladesh's priorities toward its ties. Dhaka wants to have good relations with India, but it is afraid of the shadow of its western Big Brother. As a result, Bangladesh has welcomed China as one of its most important partners. Though the two nations had a tense relationship during Bangladesh's independence campaign and soon following, the association has subsequently improved to the point where many Bangladeshis see China as an "all-weather ally." On October 4, 1975, the People's Republic of China and the People's Republic of Bangladesh established diplomatic relations<sup>3</sup>. Since then, the two countries' friendly relations and cooperation have grown steadily and smoothly. Cooperation in politics, economy, military, and culture, among others, has been fruitful. Both countries have essentially identical positions on most international and regional issues, and they work closely together in the international arena.

## **China's Assistance:**

Development cooperation is an essential component of the China-Bangladesh relationship. In the last few years, Chinese investment in Bangladesh has grown significantly. Between the end of 2011 and 2019, total Foreign Direct Investment (FDI) stock increased by 10.9 times. Bangladesh received \$1.159 billion in net FDI from China in FY19<sup>4</sup>, making it one of the largest recipients in South Asia. In recent years, the energy sector has received the most

Chinese investment. China has completed some power-related projects. China is also investing in green energy, with several projects already underway, including a 310-megawatt solar power plant proposal. Bangladesh has also formed a \$400 million joint venture with a Chinese company to build 500 megawatts of renewable energy projects by 2023<sup>5</sup>.

### **Cooperation in Power Sector:**

The power grid is another important strategic area in the power sector where China is working. China is working on a power grid network strengthening project with a US \$1.32 billion investment and an expansion and strengthening of the power system network, which is supposed to aid in the intelligent operation of the power grid in Bangladesh with a US \$ 2.04 billion investment<sup>6</sup>. Since India declined to join the Belt and Road Initiative (BRI), China's plans to build an oil pipeline from Bangladesh have fallen through. Despite this, China maintains a substantial strategic presence in Bangladesh. In 2017, Chinese companies purchased three natural gas fields in Bangladesh. China is also contributing to and assisting Bangladesh in constructing a 220-kilometre pipeline and a single mooring point, which will allow for direct offloading of imported oil at the Chittagong refinery<sup>7</sup>. The Chinese intend to transport oil from here to storage facilities on the Chinese mainland.

### **Infrastructure Development:**

Aside from the energy sector, infrastructure is another area where China has made significant investments. Bangladesh's ports are one of the most strategically important investments. Chinese investments in infrastructure and port development aim to solidify Beijing's vision of a maritime corridor connecting the South China Sea to the Indian Ocean via the Bay of Bengal. This corridor will aid in resolving the Malacca Dilemma by reducing reliance on the narrow Malacca Straits, through which 80 percent of China's oil supplies transit. In this context, China is financing and building the Payra Deep Sea Port, which is expected to cost between \$11 billion and \$15 billion<sup>8</sup>. Bangladesh granted China access to two of its largest seaports, Chittagong and Mongla, in 2019.<sup>9</sup> Significantly, Chittagong is close to Kyakpiu, a Myanmar port from which an oil pipeline to Kunming is being built. Suppose an oil pipeline is built from Chittagong. In that case, it will run parallel to the Myanmar energy transit route that begins in Kyakpiu and ends in Sittwe, thereby expanding a valuable energy corridor for China<sup>10</sup>. Bangladesh, too, wishes to improve its infrastructure. Dhaka has asked China for help in building a highway through Myanmar. China's offer to Bangladesh to manage and restore the Teesta River, which flows from India, is a significant project with enormous strategic implications for India. The plans include building dams along the river near the Indian border, which is expected to cost \$1 billion, with China providing 85 percent of the funding as a loan<sup>11</sup>. Chinese companies have indicated an interest in developing and running projects, including the Dhaka-Chittagong High-Speed Rail Project, the Sylhet Airport extension, and numerous motorways and rail linkages, including the \$3.3 billion Padma Bridge Rail Link Project<sup>12</sup>, etc.

### **Stock market and Information Technology:**

China has also made inroads into other sectors of the Bangladeshi economy, including the stock market and information technology, among others. Shanghai and Shenzhen's Chinese stock

exchange consortium acquired a 25% stake in Bangladesh's leading stock exchange<sup>13</sup>. In information and communications technology, China and Bangladesh have solid collaborative ties. China has contributed to the development of 'Info-Sarker' phase 2, a national infra network for the Bangladesh government, and is also assisting in the development of phase 3 of this project by providing US \$1 billion<sup>14</sup>. Bangladesh also requested Chinese funding for its "Modernisation of Telecommunication Network for Digital Connectivity" project, which aims to bridge the rural-urban divide in this field. In the same project, Chinese conglomerate Huawei is attempting to provide 5G technical support<sup>15</sup>.

### **Defense Cooperation:**

Since the start of diplomatic relations, China and Bangladesh have maintained extensive military cooperation. Bangladesh and China have a close strategic partnership under President Ziaur Rahman's administration<sup>16</sup>. China is Bangladesh's largest supplier of defence supplies. Bangladesh possesses Chinese tanks in its army, Chinese frigates and missile boats in its navy, and Chinese fighter aircraft in its air force, including 16 F-7 BG fighter planes. The two countries inked a "Defense Cooperation Agreement" in 2002, which encompasses military training and defence production. It was Bangladesh's first such arrangement with another country<sup>17</sup>. In 2006, China sent police equipment to Bangladesh as part of a joint effort between Bangladesh's Ministry of Home Affairs and China's Ministry of Public Security<sup>18</sup>. Between 2008 and 2017, China sold \$1.86 billion worth of weapons to Bangladesh, accounting for 71.9 percent of the country's total military procurement. As a result, China is by far Dhaka's top weapons supplier.<sup>19</sup> Bangladesh is also receiving Chinese assistance in constructing and establishing its first submarine facility, which will contain Chinese-built submarines and feature barracks, ammo depots, and a repair dock. Bangladesh paid \$205 million to China for two submarines in 2016. Poly Technologies Inc., a Chinese state-owned business, has also been tasked with building a submarine facility, which is expected to cost roughly \$1.2 billion, according to Indian intelligence.<sup>20</sup>

China also helps Dhaka modernise its military to contain its once-stalwart ally, Myanmar. A strong military presence at the border will aid in preventing the large refugee influx from Myanmar. The land and maritime border disputes between Myanmar and Bangladesh are causing friction for more than just political reasons. Energy security is a significant motivator; Bangladesh has discovered massive energy reserves in its waters, which extend into the disputed territory. As a result, in the context of Myanmar, Beijing is an essential source of maritime security for Dhaka. China is also interested in Bangladesh's 15.51 trillion cubic feet of oil and gas reserves<sup>21</sup>. The incentive for utilizing these reserves has prompted China to go beyond simply providing a defense component to contain the conflict. China has also acted as a go-between for Bangladesh and Myanmar.

### **Bangladesh-China Trade Relations:**

Bangladesh and China are two of the region's most important commercial partners. Since 1975, bilateral economic and commercial cooperation between China and Bangladesh has grown dramatically, with new spheres of collaboration being added on a regular basis.

**Table 1: Trade Volume of Bangladesh with China starting from (FY 2005-06 to FY 2012-13) (in million \$US)**

Fiscal Year	Export to China	Import from China	Trade Gap with China	Amount of Total Trade
2005-06	64.35	2078.99	2014.64	2143.34
2006-07	92.97	2572.62	2479.65	2665.59
2007-08	106.95	3136.70	3029.75	3243.65
2008-09	97.06	3451.47	3354.41	3548.53
2009-10	178.63	3819.28	3640.65	3997.91
2010-11	319.66	5912.55	5592.89	6232.21
2011-12	401.94	6433.21	6031.27	6835.15
2012-13	458.12	6324.00	5865.88	6782.12

Source: Bangladesh Bank (2013)

However, while looking at the highlighted segments of Bangladesh-China bilateral trade, during FY 2012-13, total trade volume amounted US\$6782.12 billion with an increase of 216.43% from 2005. China and Bangladesh's bilateral trade is substantially tilted in China's favour. In 2019, their trade imbalance was \$16.27 billion, a 16-fold rise over the preceding two decades. In 2019, China accounted for 31.1 percent of Bangladesh's imports, more than twice the imports of the next largest partner<sup>22</sup>.

China is Bangladesh's top import destination, having surpassed India as the country's leading import source.

**Table 2: China's and India's Trade with Bangladesh (in million US\$)**

Year	China's Export	India's Export	China's Import	India's Import
2005	2403	1613	79	69
2006	3090	1720	99	104
2007	3350	1668	114	224
2008	4556	2064	132	233
2009	4441	3243	141	330
2010	6789	2177	269	234

Source: The World Integrated Trade Solution (WITS), World Bank (2011).

Bangladesh's imports from China totaled US \$6789 million in 2010, while imports from India totaled US \$2175 million. Frozen foods, cotton textiles, seafood, tea, chemical products, soap, raw jute, knitwear, and other goods are China's most essential imports from Bangladesh. Textiles, equipment, electrical items, cement, fertilizer, rubber, maize, organic chemicals, coffee, spices, organic foods, silk fabrics, and other products are among the primary exports<sup>23</sup>. Under the auspices of the Asia-Pacific Free Trade Agreement (AFTA), China has abolished tariff barriers on 84 categories of imported goods from Bangladesh and has been trying to lower tariffs on jute and textiles, Bangladesh's main domestic products<sup>24</sup>. Furthermore, as a "goodwill gesture" in 2010, China granted duty-free access to 5,000 Bangladeshi products to strengthen commercial links

between the two nations. Restorative materials, leather, lumber, textiles, ready-to-wear clothing, and poultry products are available<sup>25</sup>.

## Conclusion:

In these circumstances, progress on several fronts is required to improve India-Bangladesh relations. The military alliance between China and Dhaka is a source of immediate concern. China's pursuit of energy security may lead India to strengthen its oil exploration and extraction capabilities to enter into energy treaties with Bangladesh. India can follow China's lead and enter into nuclear and space cooperation with Bangladesh. In terms of strategy, India must recognise that Bangladesh has legitimate concerns that drive its relations with China. Delhi, too, can acknowledge and address these concerns by providing the assistance that a developing country like Bangladesh requires. Significantly, Dhaka appears to have recognised the importance of being wary of a China whose military modernization and rapid growth could cast an indelible shadow over Bangladesh. As a result, Bangladesh is now collaborating with India on defence. India and Bangladesh have already conducted joint air force exercises. This can be increased by participating in the proposed increase in defence trade. The two countries can also conduct military exercises at Sonadia Island's air force base. It will help to balance China's naval dominance.

Another potential collaboration area is assisting Bangladesh in developing its infrastructure, particularly in maintaining international safety standards in factories. It will directly contribute to putting Bangladesh on the map of the textile industry. This, in turn, will aid in the reduction of Bangladesh's trade deficit with India. Notably, China has initiated several development projects at the request of Bangladesh. It demonstrates that Dhaka prefers Chinese involvement over Indian involvement, as the former meets its targets on time. However, compared to China, India cannot complete any project within the specified time frame. India must improve its capabilities to complete development projects on time and revitalise its proactive approach to achieve Delhi's and Dhaka's interests.

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