

Bangladesh's Engagement with ASEAN *Retrospect and Prospect'*

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Abstract: *As part of its reorientation of economic and foreign policy, Bangladesh adopted 'look east' policy to engage with the countries to the east (ASEAN+3) to increase trade and investment relations with them. Geographical proximity with ASEAN entertains Bangladesh of a greater scope of mutual cooperation with these countries. These 13 nations have achieved a higher degree of economic development in the last three decades and experts believe that these countries will continue to register higher economic growth in the next three decades as well. It is assumed that Bangladesh's engagement with East Asia will economically benefit the country and enhance mutual cooperation. Seemingly, the 'look east' policy has made a boom in the imports of Bangladesh from the ASEAN countries. But its exports to these countries have remained unchanged. Bangladesh needs to diversify its export items ensuring better quality products to increase exports to ASEAN. The country should seek interim concessionary trade arrangement with ASEAN for reducing the existing huge trade gaps that at present favour the ASEAN countries. On the other hand, integration with the ASEAN economies should be a long-term policy aim of Bangladesh. Bangladesh shares common historical and cultural heritage with the ASEAN nations. Its overall economic and social indicators are not bad compared to those of the new members of ASEAN. Bangladesh's economy is almost equal to the size of the combined economies of the new members of ASEAN and so does the size of its population. Moreover; the country links up ASEAN with a comparatively vast market of South Asia. Therefore, ASEAN should consider some collaborative arrangements with Bangladesh with a view to making a future bridge between the two historical sub-regions of Southeast Asia and South Asia.*

1.0 Introduction

1.1 Background

The demise of the Cold War followed by the emergence of the World Trade Organization (WTO) had oriented many countries towards a liberal economic policy in the early nineties of the last century. Collapse of the communist bloc opened up the avenue for

¹ This article is a shortened form of an MA thesis report of the writer. The thesis report was submitted to Chulalongkorn University, Bangkok, Thailand for his MA degree in Southeast Asian Studies.

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the spread of capitalism - market driven economy. The WTO provided the forum for multilateral negotiations and facilitated liberalization of world trade. In this changed international relations Bangladesh also reoriented its economic interests and quickened the opening up of her economy to the external world. During the early years of independence Bangladesh followed a socialist form of economy. Its foreign and economic policies were dictated by aid dependency. The country had to follow a balanced relationship between the western world and the Islamic world. In response to the fast changing global scenario, Bangladesh also readjusted and adapted its priorities over the last decade. Very recently the country has put emphasis on engaging economically with East Asian countries in general and ASEAN in particular. To this effect, Bangladesh has adopted a "Look East" policy, in terms of greater cooperation in trade, investment, technology and employment in pursuance of her rapid economic development. This "Look East" policy is defined, in the words of the Foreign Minister of Bangladesh, as "a focused diversification of ... relations with countries in the East and Southeast Asia ... [to] build partnerships for development and human security" . He described this policy as having three components - political, economic and cultural. Politically it signifies cooperation for international peace and security. Economically it denotes tapping the potentials of greater cooperation in trade, investment, and technology. Culturally it encourages greater interactions among the people of this region through mutual exchange programmes in various fields.

The policy makers explain this new approach to economic relations as a result of the global move towards a market-oriented economy. Some leading scholars and analysts in Bangladesh partially attribute the new policy approach to the slow progress of the South Asian Association for Regional Cooperation (SAARC) compared to ASEAN³. Bangladesh is a leading founder member of SAARC. SAARC was formed in 1985 and since then has always been a

³ M. Morshed Khan, Foreign Minister of Bangladesh, in an address on "The Look East Policy of the Government of Bangladesh" at the Institute of Defence and Strategic Studies (IDSS), Singapore, 12 November 2003. For details please visit <http://www.mofabd.org/statements/fm14.html>

victim of endless squabbles between India and Pakistan over Kashmir. Bangladesh is also frustrated with the Indian dominance in South Asian regional politics. India had made a series of accusations against Bangladesh that the country provides shelter to the secessionist insurgents from northeastern states of India, which have angered the present government of Bangladesh. With other bilateral problems Bangladesh also incurs huge trade deficits of over US\$ 1 billion against India. But the Government of Bangladesh denies any link of 'look east' policy with the India issue. Geographically Bangladesh enjoys a strategic position between South Asia and Southeast Asia. This country lies to the eastern periphery of the South Asian sub-continent, but it links up with the Southeast Asian countries through a common border with Myanmar. The country also shares a common geographical, historical and cultural heritage with the Southeast Asian countries. Bangladeshi policy makers believe that strategic and geographic proximity of Bangladesh with Southeast Asia offers each other comparative advantages that can be tapped for mutual benefits. Construction of modern railroads and highways connecting Bangladesh with Southeast Asia through Myanmar will help utilize the natural and human resource endowments of both South and Southeast Asia. Owing to these facts, Bangladesh seeks greater engagement with ASEAN. To this end Bangladesh wanted membership in ASEAN Regional Forum (ARF) and became a participant (member) of the ARF on 28 July 2006 during its ministerial meeting held in Kuala Lumpur. Thrust of the 'look east' policy is, therefore, to engage with the East and Southeast Asia to harness the benefits of trade and investment.

As part of diplomatic efforts, high officials from Bangladesh including the Prime Minister have visited most of the ASEAN countries very recently. Thai Prime Minister Thaksin Sinawarta, Myanmar Prime Minister General Than Shwe, Indonesian President Megawati Sultarnoputri, Vietnamese President Tran Duc Luong and Singaporean Prime Minister Goh Chok Tong also have made

³ Dr. C. R. Abrar, professor of International Relations, University of Dhaka, in an interview with the BBC World Bangla Service on 2nd January 2003. For details please visit http://news.bbc.co.uk/1/hi/world/south_asia/2621947.stm

official visits to Bangladesh from 2002 to 2004. It seems that since then trade and investment cooperation has increased between Bangladesh and ASEAN countries. Establishment of air links between Chittagong and Chiang Mai signifies the pace of increasing cooperation. This study is an effort to examine the basis and trends of Bangladesh's economic engagement with the ASEAN countries. In doing so, the study addresses only the economic component of Bangladesh's 'look east' policy. It focuses on the trend of the commodities that Bangladesh imports from the present ASEAN 10 countries and also the commodities that the country exports to these countries.

1.2 Rationale of the study

Bangladesh with a surface area of about 144 thousand square kilometre houses nearly 140 million people. With a population density of over 1,000 persons in every square kilometre the country ranks 2nd, in the world in terms of density of population, just behind Singapore. To survive with a large number of populations comparatively in a small territory, in a highly competitive world, Bangladesh needs to expand its economic activities as well as it needs to search for new markets. The country is desperate to eradicate its poverty, reduce its aid dependency and thereby to have a self-drive economy. The country needs to explore new partners, new markets and thereby broaden its external economic relations to benefit from trade and investment. Southeast Asian countries appear to be prospective to this end where Bangladesh can diversify its export market and encourage more investments that can provide jobs for the unemployed Bangladeshis. For instance, trade between Bangladesh and Myanmar is still a trickle although the same can increase much in volume to the benefit of both countries. Myanmar is a major producer of raw materials for different industries that Bangladesh may like to import at competitive prices. Bangladesh has consumer products, which it should be able to successfully market on a long lasting basis to Myanmar. Thus, there exists scope for increasing the bilateral trade for mutual benefit. Bangladesh needs to increase its economic relationships not only with Myanmar but needs market access

through Myanmar to Thailand and other resourceful ASEAN countries for its products. ASEAN has appeared as a successful regional grouping among the developing countries. Success of the 'look east' policy will depend on how far Bangladesh can appeal to ASEAN countries as a destination for investment or joint venture scheme. The areas of investment will have to be precisely identified and promoted tenaciously.

An analysis of the trend of Bangladesh's trade and investment relations with ASEAN will help evaluate the thrust of Bangladesh's 'Look East' policy. Such a study has not only an academic value but also has practical implications for future action. No study has been found in the available literature on the economic dimension of Bangladesh's engagement with ASEAN. It is expected that the study will contribute to the scholarly and political discourse on Bangladesh's engagement with Southeast Asia and provide incentives to the future researchers of the field of regional economic cooperation.

1.3 Objectives

In broad terms this study aims at examining the trend of Bangladesh's engagement with the ASEAN countries in terms of trade and investment. Specific objectives of the study are to -

- I. Examine the basis of Bangladesh's initiatives to engage with ASEAN; and
- II. Explore the prospect of cooperation between Bangladesh and ASEAN.

1.4 Scope of the Study

This study focuses mainly on the economic aspect of Bangladesh's engagement with the ASEAN countries. Economic engagement here implies trade and investment in the past and present from both sides. Trade data date back to the 1990-1991 period and move on to the 2003-2004 period. For an analysis of trade and investment relations between Bangladesh and ASEAN, an analysis of trade and investment policies of these countries was necessary. ASEAN

countries refer to the present 10 members of the organization, namely Brunei, Cambodia, Indonesia, Peoples Democratic Republic of Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Thereby, the political and cultural dimensions of the "Look East" policy have not been addressed here in details. However, the historical background of the ASEAN countries as well as Bangladesh has essentially come under the purview of this study. In addition, other countries of the East beyond ASEAN are outside the purview of the research.

1.5 Methodology

This is a qualitative study. To attain the objectives, trade policies of Bangladesh and ASEAN countries have been analysed in a descriptive way. Data were collected from secondary sources. Data on Bangladesh's political relations with ASEAN have been collected from the available literature on the subject. These include books, journal articles, newspaper reports, Internet etc. In addition, information has been collected from the Southeast Asia Division of the Ministry of Foreign Affairs of the Government of Bangladesh during my stay in Bangladesh from May 20, 2005 to July 6, 2005. For an analysis of the trade and investment policies of the said countries related books and documents have been consulted. In many cases the Internet has been an essential source for collecting information on the trade policies. The WTO trade policy review reports on the individual countries covered by this study have been particularly important for trade policy analysis.

To understand the trend of Bangladesh's export products to the ASEAN countries and its import products from the same, export-import data have been collected from the Bangladesh Bank (the central bank of Bangladesh) during the period mentioned above. The Bangladesh Bank annually publishes two books compiling its export-import data. These two books are: 'Annual Import Payments', and 'Annual Export Receipts'. These two publications compile Bangladesh's export and import data using 97 chapters of the international Harmonized System (HS) of commodity coding and commodity descriptions. Therefore, the HS chapter-wise

volume of imports from the present ASEAN 10 countries since 1990/1991 up to the fiscal year 2003/2004 has been collected from the 'Annual Import Payments' stored in the Bangladesh Bank Library. Similarly, the HS chapter-wise export volume to the same countries during the aforesaid period has been collected from the 'Annual Export Receipts' stored in the same place. Investment related information has been collected from the Board of Investment of Bangladesh.

Export and import data have been processed through the Microsoft Excel programme of the computer. Statistical Package for Social Sciences (SPSS) programme has been used to run simple statistical analysis and for making graphs and charts. The export-import documents in Bangladesh are arranged in accordance with a Bangladeshi fiscal year, which begins on 1st July and ends on 30th June. As the value of the export-import transactions in the said documents is in the Bangladeshi currency Taka, necessarily data processing has been conducted using this local currency. The value of the export-import commodities for a particular country for a particular period has been converted into US dollar using the total value of export/import for the particular period that is given in both currencies i.e., Bangladeshi Taka and US dollar.

The study was intended to interview relevant policy makers and analysts during the data collection period in Bangladesh. But because of some limitations (see section 1.8 below) this could not happen. However, content analysis has been adopted instead. The opinions and views of the prospective policy makers and analysts that appeared in the newspapers or other electronic media have been picked up for analysis.

1.6 Definitions and Symbols

Definitions:

Engagement: means Bangladesh's trade and investment relations with the ASEAN countries.

ASEAN: means the present 10 members of the organization

namely Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Fiscal Year: means a Bangladeshi fiscal year, which begins on 1st July and ends on 30th June.

Taka: means Bangladeshi currency.

Symbols:

..: means that data are not available or that aggregates cannot be calculated because of missing data in the years shown.

0 or 0.0: means zero or less than half the unit shown.

/: in dates, as in 1990/1991, means that the period of time, usually 12 months, straddles two calendar years and refers to a crop year, a survey year, or a fiscal year.

\$: means US dollars.

1.7 Review of Literature

Affordable sources of literature do not provide any information of existence of any study on or related to the subject of this study. However, sporadic newspaper reports and analysts' opinion relating to the topic of the study have appeared in the consulted sources. Some other kinds of study not directly related to the present research have been found. The faculty members of the Bangladesh Institute of International and Strategic Studies (BISS) conducted a research in mid-1987 whose outcome was published by the institute in the form of a book named *"ASEAN Experiences of Regional and Inter-regional Cooperation: Relevance for SAARC"* in 1988. This study focuses on the dynamics of ASEAN as an organization and also the dynamics of SAARC and the relevance of ASEAN experiences for SAARC. It seeks to find out the possibilities of cooperation between ASEAN and SAARC at the organizational level.

Another book titled *"Conflict Management and Sub-Regional Co-operation in ASEAN: Relevance for SAARC"* published by

the BIISS in August 2000 was an outcome of two studies. These two studies were conducted by two faculty members of the BIISS under a programme called **Research Fellowship in Bangladesh-Southeast Asian Relations** funded by the Ford Foundation. A.K.M. Abdus Sabur conducted his research at the Institute of Southeast Asian Studies (ISEAS), Singapore under the title of **Managing Intra-Group 'Conflicts in ASEAN: Relevance for SAARC** during December 1996 - February 1997 and Mohammad Humayun Kabir conducted his research titled **Growth Triangles in ASEAN: Relevance for Sub-Regional Co-operation in South Asia** during October - December 1997 at the ISEAS. These two studies focus respectively on conflicts management and sub-regional co-operation within ASEAN. A third book was published by the BIISS titled **Bangladesh-Southeast Asia Relations: Some Insights** in 2002. This recent book edited by Shaheen Afroze is a compilation of eight articles written by eight scholars: seven Bangladeshi and one Thai. None of them deals with economic engagement of Bangladesh with the Southeast Asian countries.

1.8 Limitations

This study has many limitations. Firstly, available time and resources were not sufficient for such a study. However, endeavour has been sought to use the limited time and resources in an efficient way to bring the best possible result. Secondly, intended interviews could not take place because of the shortage of time. The data collection period in Bangladesh was not enough to make appointments with the intended analysts and policy-makers. However, abortive endeavour was made to this effect. In addition to that, June is the last month of a Bangladeshi fiscal year. Naturally officials keep themselves busy for closing the fiscal year in June. This was another reason for not getting appointments with the targeted persons. Thirdly, the WTO trade policy review reports on the individual countries covered by this study are based on different years. So there remains a time inconsistency in the trade policy analysis of the studied countries.

1.9 Hypothesis

Engagement with ASEAN will economically benefit Bangladesh and enhance mutual cooperation.

1.10 Organization of the Article

The next section puts Bangladesh and ASEAN in their historical perspectives. It will be seen here that the people of these countries share the same history and cultural heritage. Bangladesh between South Asia and Southeast Asia has been a connecting land. Similarities between the people outweigh the dissimilarities. After the decolonisation period, these countries faced the same problem of nation building. In this process cooperation among them was necessary. Memberships to different sub-regional, regional and international organizations provided forums to them for perpetuating their cooperation. This section also focuses on the recent developments in their mutual cooperation. Lastly it lists some statistics pertaining to their economy, geography and developments.

The third section presents the findings of the study. It begins with an overall trade performance by Bangladesh and ASEAN. A summary of trade performances from the fiscal year 1990/1991 to the fiscal year 2003/2004 is presented here. Then the chapter moves on to discuss Bangladesh's trade relations with the ASEAN 10 countries separately. Tables and graphs have been used to analyse trade relations from different perspectives. Lastly, the chapter ends with a brief discussion on investment relations between Bangladesh and ASEAN. Forth section concludes the report with a summary of the findings and forwards some recommendations to the concerned authorities.

Appendices and bibliography have been attached to the end of the article. Appendix-A shows the HS commodity sections, commodity chapters, and chapter descriptions. The bibliography includes some of the books, articles and documents that have been read in the previous two semesters of my study although some of them do not directly help the writing of this report.

2.0 Bangladesh and ASEAN in Historical Perspective

2.1 Bangladesh in the Historical Backdrop

The territory today known as 'Bangladesh' was under British rule as a part of British India colony from 1757 to 1947. When the British withdrew from the Indian subcontinent, Bangladesh became a wing of Pakistan in the name of 'East Pakistan'. Bangladesh became an independent country in the world map in 1971 through a nine-month long devastating liberation war. The 190 years of British occupation and another 24 years of Pakistani rule virtually exploited the resources of the country. The British colonial masters and the Pakistani rulers did a little for economic emancipation of the people of this land. Rather during the 1971 war of liberation all infrastructures of the country were damaged. After independence, the people of this land worked hard to build the infrastructures and are trying to come out of poverty. In pursuance of rapid economic development, the country tried to consolidate its position in the international community through its diverse foreign and economic policies during different regimes of the country's administration. The first regime of Bangladesh followed a socialist mode of production through nationalizing all enterprises of the land and was tilted to the Soviet bloc during the hot period of the Cold War politics. The first democratic regime was overthrown by a section of the Bangladesh Army in August 1975. Since then the country had been under military and autocratic regimes until 1990. A massive uprising in 1990 unseated the autocratic regime of Bangladesh who came from the military. Since then democratic rule has been institutionalised in the country if not in the literal meaning of the word. Democratic institutions of the country are getting strengthened gradually. The country adopted a policy of deregulation and privatisation of the state owned enterprises (SOEs) during the late 1970s and early 1980s. In the early 1990s these deregulation and privatisation processes gathered momentum following the reintroduction of democratic rules in Bangladesh. Now Bangladesh has fully opened up its market to the external world. In pursuit of free market economy it offers all possible incentives to foreign investors to attract foreign direct investment (FDI).

Bangladesh, from the position of a war-ravaged country, has progressed considerably within the past 33 years of independence. The country has by this time seen many success stories. Bangladesh has overwhelmingly increased its food grain production. In last few years its food production was able to feed its nearly 140 million populations. But natural disasters often destroy its capability to attain food self-sufficiency. There has been a considerable reduction in the growth rate of population in Bangladesh. Improvements in some social sectors like healthcare and sanitation, life expectancy at birth, infant mortality rate, literacy rate, GDP growth have surpassed many developing countries. For example infant mortality rate and under-five mortality rate in every 1000 in 1980 were 129 and 205 respectively. These two rates are today 51 (in 2001) and 69 (in 2002). Life expectancy at birth in 1980 was 49 years which is today over 62 years (in 2003). Literacy rate, access to improved water source and access to improved sanitation facilities have increased considerably. There has been an average annual GDP growth of about 5% over the last 12 years in Bangladesh. Diversifying manufactured consumer goods and services overwhelmingly replacing traditional agricultural products in the export basket. The development of oral rehydration therapy that saves millions of lives across the world is a contribution of Bangladesh. Micro-credit approach in reducing poverty, which is now been implemented across the world, is an invention of Bangladesh.

2.2 ASEAN in the Historical Backdrop

The Southeast Asian countries share the same history of colonization, as do the South Asian countries. All countries of Southeast Asia were colonized by the European powers by the 1800s except Siam. Indonesia was under the Dutch colonial rule for more than three centuries. The Japanese occupation of Southeast Asia during the Second World War ended Indonesia's colonial rule. Republican forces led by Sukarno proclaimed independence of Indonesia on 17 August 1945. But the country formally got independence from the colonial power in December 1949. The present territories of Malaysia, Brunei, Singapore and Myanmar

were parts of the British colony. The Japanese occupation of Burma during the Second World War helped Burma gain independence in 1948. As part of its colonial policy of 'divide and rule' the British administratively divided the 'Malay World' into the Straits Settlements, the Federated Malay States, and the Unfederated Malay States and continued their rule until 1957 when Malaya became independent. Singapore left Malaysia in 1965 while Brunei retained the British protection until 1984. The Philippines had undergone as a colony of the Spaniards and the Americans until 1946. The Indo-Chinese states of Cambodia, Laos and Vietnam had been under the colonial rule of the French until 1954. European and American colonial rule, the Vietnam War, and internal conflicts in Southeast Asia thwarted economic development in this region for a long time.

The internal conflicts in Southeast Asia soon were converted into cooperation. At the initial stage of their independence, the stimulus for cooperation among the Southeast Asian nations came from outside. Because of a fear from the possible effect of the domino theory, in an abortive effort the Philippines, Thailand and Malaya formed the Association of South East Asia (ASA) in 1961 to **organize** themselves. But this organization could not last long. In the mean time the region had become a hotly contested Cold War zone. Even before ASA was formed East-West confrontation led to the formation of the South-East Asia Treaty Organization (SEATO) in 1954. While the SEATO was a military organization, ASA was a political and economic cooperation organization. In addition, the SEATO was not purely a Southeast Asian organization. Some of its memberships were from beyond the territory of Southeast Asia. Continued cooperation among the Southeast Asian nations resulted into the creation of the Association of Southeast Asian Nations (ASEAN) in 1967 with Indonesia, Malaysia, Singapore, the Philippines and Thailand as its founding members. Though the initial stimulus to associate came from the external sources, ASEAN leaders soon used their mutual cooperation as a tool for economic development. Today ASEAN has appeared as the most successful regional grouping among the developing countries not

only in the management of regional disputes but more importantly as a successful regional economic bloc. ASEAN has witnessed rapid economic development in the last decade of the last century. The ASEAN countries have achieved high GDP growth in the decade from 1990-2001 despite the East Asian financial crisis. ASEAN has increased its intra-bloc trade considerably. In 1990 intra-ASEAN exports and intra-ASEAN imports were 20.1% of the total and 16.2% of the total respectively. In 2001 they increased to 23.5% of the total and 22.8% of the total respectively. From 1990-2001 the average annual share of the ASEAN countries in the world merchandise exports was 20.1%.⁴

Table-2.1: GDP growth (in%) of the ASEAN countries

	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
1980-1990	..	6.1	3.7	5.3	0.6	0.6	6.7	7.6	4.6
1990-2001	5.0	3.8	6.4	6.5	7.4	7.4	7.4	3.8	7.7

Note: Statistics on Brunei is not available.

Source: World Development Indicators 2003, USA: the World Bank, 2003

2.3 Bangladesh versus Southeast Asia

With the enlargement of ASEAN, Bangladesh became a bordering nation of the organization. Bangladesh shares 288-kilometre long common border with Myanmar. Thus, Bangladesh links up the South Asian Association for Regional Cooperation (SAARC) with the ASEAN. The bilateral relations of Bangladesh with the ASEAN countries are more cordial and friendly than that with the SAARC countries. Bangladesh has some outstanding problems with its two giant counterparts in SAARC: India and Pakistan. It has many problems with its immediate big neighbour India, which are unresolved for years. Among them are: water sharing of 54 common rivers, huge trade deficit in favour of India, push-in and push-back of Bengali-speaking people into and outside the territory of Bangladesh, unresolved border disputes, accusations of harbouring separatist guerrillas from both sides and many more. Bangladesh has two main unresolved problems with its former colonial master Pakistan. They are: sharing of common resources

⁴ International Trade Statistics 2002, France: the World Trade Organization, 2002

of the period prior to the 1971 liberation war, and repatriation of stranded Pakistanis from Bangladesh to Pakistan.

Compared to SAARC countries Bangladesh has no bilateral problems with the ASEAN countries except the Rohingya refugee problem with Myanmar. In 1991-92 some 250,000 Muslim Rohingyas minority from Burma's Arakan State fled across the border into Bangladesh because of discrimination, violence and the imposition of forced labour practices by Burmese authorities. Most of these refugees returned between 1993 and 1997 under a repatriation program arranged through the auspices of the United Nations High Commissioner for Refugees (UNHCR). Repatriation of the remaining 22,000 Rohingyas in the refugee camps in Bangladesh is in the process. A similar exodus took place in 1978 when around 250,000 Rohingya were forcibly pushed into the territory of Bangladesh by the authority in Myanmar. Bangladesh-Myanmar bilateral relations, however, is not affected by it. The political relations between Bangladesh and Myanmar have always been friendly and cordial. Myanmar recognized Bangladesh as an independent country within a month of achieving independence from Pakistan. Since then the two countries have enjoyed good relations of peaceful coexistence.

Bangladesh's relations with the other countries of ASEAN beyond Myanmar have been cordial and friendly too. Bangladesh shares many common values and cultural similarities with these countries. In the dialects of Thailand many Sanskrit and Bengali words are used. It indicates that hundreds of years ago people of this region would intermingle for religious and business purposes. Buddhism spread to Southeast Asia from South Asia through the eastern part of South Asia now constituting Bangladesh. In fact, Goutom Buddha was born in Orissa (now a state in India), which was hundreds of years ago, a part of Greater Bengal. The newly formed sub-regional grouping, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), has been a forum where Bangladesh regularly interacts with two members of ASEAN - Myanmar and Thailand - who are members of the group.

Bangladesh shares common Islamic heritage and values with the Muslim majority countries of Southeast Asia, namely Indonesia, Malaysia and Brunei. All are members of the Organization of Islamic Conference (OIC) and the Non-Aligned Movement (NAM). Malaysia, Brunei and Singapore have employed a large number of Bangladeshi workers and white-collar professionals. These Bangladeshi workers and professionals are contributing to the economic development of these countries. Singapore has been Bangladesh's the largest trading partner in Southeast Asia. Interactions with the other members of ASEAN have not flourished significantly though there remains opportunity in this regard. Bangladesh-ASEAN potentialities have never been tapped to the fullest.

The Bangladesh Institute of International and Strategic Studies (BISS) has been a pioneer think tank in Bangladesh, which has conducted a few studies on South and Southeast Asian affairs. Little exchange programmes have taken place between the BISS and the similar institutions of Southeast Asia. Dialogue series were conducted with the Jakarta-based Centre for Strategic and International Studies and Kuala Lumpur-based Institute of Strategic and International Studies (ISIS). The BISS had concluded an agreement with the Singapore-based Institute of Southeast Asian Studies (ISEAS) and the Ford Foundation in 1996. Under this agreement a three year-programme called Research Fellowship in Bangladesh-Southeast Asian Relations was arranged which allowed ten scholars from Bangladesh to conduct research at the ISEAS with funding from the Ford Foundation. Under this programme four scholars from the Southeast Asian countries had visited Bangladesh. Except this programme, no other exchange programme has been known from the available literature.

2.4 Recent Developments in Bangladesh-ASEAN Relations

Bangladesh is committed to engagement with Southeast Asia. This commitment is reflected on its efforts to form BIMSTEC in 1997. BIMSTEC has been a linkage between ASEAN and SAARC. Bangladesh's desperateness to engage with ASEAN can be

understood from the intensity of the official visits made by the leadership of Bangladesh to the ASEAN countries and also visits made by the ASEAN leaderships to Bangladesh since the adoption of the 'look east' policy by the Government of Bangladesh. Table-2.2 shows the visits made by the major ASEAN leaderships to Bangladesh. From July 2002 to June 2004, six Heads of State/Heads of Government from Myanmar, Thailand, Vietnam, Singapore and Indonesia had paid official visits to Bangladesh. It is an indication of more than normal interactions between Bangladesh and ASEAN.

Table-2.2: Recent Visits to Bangladesh by Southeast Asian Leaders

Country	Leader	Designation	Date
Thailand	Thaksin Sinawatra	Prime Minister	July 2002, January 2004
Myanmar	General Than Shwe	Prime Minister	December 2002
	General Khin Nyunt	Prime Minister	April 2004
Indonesia	Megawati Sukarnoputri	President	June 2003
Vietnam	Tran Duc Luong	President	March 2004
Singapore	Goh Chok Tong	Prime Minister	June 2004
Malaysia	Mahathir Mohammad	As a former Prime Minister	December 2004

From December 2002 to June 2005 the present Prime Minister of Bangladesh had paid official visits to Myanmar, Thailand, Vietnam, Malaysia, Singapore, Indonesia and Brunei. During these mutual visits some agreements and memorandum of understandings (MOU) have been concluded covering a wide range of issues. These recent visits and agreements have cemented the bonds between Bangladesh and the ASEAN countries and have accelerated cooperation.

As a result of the increased cooperation between Bangladesh and ASEAN countries fuelled by the 'look east' policy, Myanmar has taken up steps for rapid repatriation of the remaining 22,000 Rohingya refugees now living in the refugee camps in Bangladesh. A memorandum of understanding (MOU) for establishing direct road link between Bangladesh and Myanmar was signed in April 2004 between two countries. Establishment of direct road link

between Bangladesh and Myanmar will open up possibilities to physically connect Bangladesh with other ASEAN countries. Following the visits Thailand has granted duty free access to 229 categories of Bangladeshi products to the Thai market while Indonesia has given such facility to 23 Bangladeshi products to the Indonesian market. This duty free access facility to ASEAN markets is essential for Bangladesh because Bangladesh incurs a huge trade deficit with the ASEAN countries. Malaysia and Brunei have withdrawn their moratorium imposed on imports of manpower from Bangladesh. These developments can be seen as results yielded by the recent initiatives taken by Bangladesh.

3.0 Trade and Investment Relations between Bangladesh and ASEAN

3.1 Bangladesh-ASEAN: Overall Trade Performance

Bangladesh opened up its economy rapidly and extensively, which is reflected in its export-import relations with the ASEAN 10 countries. The data on mutual trade dating back to 1990/91 up to 2003/04 show that Bangladesh's imports from the ASEAN countries progressively went up over the years. Table 3.1 shows Bangladesh's imports from the ASEAN 10 countries from the fiscal year 1990/91 to the fiscal year 2003/04. In the fiscal year 1990/91, Bangladesh imported commodities from the ASEAN countries of a value worth US\$ 424 million, which accounted for 12 per cent of Bangladesh's total imports from the world. The following three years, the volume of imports from the ASEAN 10 countries went down slightly. For these three years average imports were US\$ 368 million. But from the fiscal year 1994/95, the volume of Bangladesh's imports from the ASEAN 10 countries began to rise progressively and rapidly until recent times. In the fiscal year 1994/95, Bangladesh's imports from ASEAN jumped from an average US\$ 368 million to US\$ 483 million. The following years witnessed a progressive rise in this trend. In the fiscal year 2003/04, Bangladesh's imports from the ASEAN 10 countries reached to a peak point of US\$ 1,666 million. This figure accounted for 15 per cent of Bangladesh's total imports from the world.

Table 3.1: Imports of Bangladesh from ASEAN: from 1990/91 – 2003/04

(In million US\$)

Year	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	ASEAN	% of Total
1990/91	0.04	0	34.79	0	31.64	0.30	2.80	333.85	20.74	0	424.15	12.22
1991/92	0.50	0	40.19	0	40.80	0.13	0.81	274.47	23.62	0.20	380.73	10.99
1992/93	1.81	0.10	59.55	0.33	52.55	2.48	0.93	204.23	38.68	0.66	361.31	9.06
1993/94	0.40	0.11	54.62	0.11	56.52	6.70	0.37	198.06	41.21	3.02	361.11	8.87
1994/95	0.40	0.16	63.75	2.09	40.99	9.10	2.23	275.04	85.85	3.68	483.29	8.57
1995/96	0.52	0.25	71.72	1.39	68.54	1.85	2.48	343.26	61.52	0.48	552.03	8.34
1996/97	0.43	0.43	127.42	0.82	195.10	3.75	1.51	294.31	76.87	2.00	702.64	10.49
1997/98	1.51	0.34	164.24	0.60	168.88	8.55	2.22	321.41	107.03	5.53	780.31	11.10
1998/99	0.92	0.13	183.28	0.40	80.73	15.44	2.50	509.77	134.30	7.25	934.71	11.66
1999/00	1.05	1.54	161.65	0.63	107.50	13.09	2.41	697.63	153.87	5.03	1144.41	13.62
2000/01	1.25	0.42	189.17	0.61	147.25	24.70	9.62	812.01	199.53	7.32	1391.88	14.91
2001/02	0.25	0.24	173.61	0.57	145.07	16.94	11.32	840.47	158.91	2.86	1350.25	15.81
2002/03	0.24	0.08	187.61	0.33	169.19	35.94	18.74	919.30	176.90	3.27	1511.60	15.65
2003/04	0.29	0.08	241.50	1.18	254.46	26.53	13.05	887.62	238.86	2.74	1666.30	15.28

But the situation in Bangladesh's exports to the ASEAN 10 countries shows a very dismal picture. The data on mutual trade dating back to 1990/91 up to 2003/04 show that Bangladesh's exports to the ASEAN countries stranded at an average of US\$ 70 million per year. Table 3.2 shows Bangladesh's exports to the ASEAN 10 countries from the fiscal year 1990/91 to the fiscal year 2003/04. In the fiscal year 1990/91, Bangladesh exported commodities to the ASEAN countries of a value worth US\$ 49 million, which accounted for 3 per cent of Bangladesh's total exports to the world. In the Fiscal year 2003/04, Bangladesh's exports to the ASEAN 10 countries were US\$ 82 million. This figure accounted for 1 per cent of Bangladesh's total exports to the world. Although, the volume of exports by Bangladesh to the ASEAN 10 countries increased by a little margin, in percentage terms, the share reduced progressively over the years from 3 per cent in 1990/91 to 1 per cent in 2003/04.

Table 3.2: Exports of Bangladesh to ASEAN: from 1990/91 - 2003/04

(In million US\$)

Year	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	ASEAN	% of Total
1990/91	0.13	0	1.32	0.19	1.78	0.19	0.04	35.70	3.30	6.07	48.72	2.92
1991/92	0.15	0	8.22	0.06	5.85	0.59	3.25	32.55	8.75	0.33	59.73	3.14
1992/93	0.05	0	13.96	0.01	7.36	6.73	6.19	50.52	13.80	14.60	113.22	5.29
1993/94	0.19	0	10.01	0	6.38	10.41	4.26	33.99	11.72	0.23	77.19	3.29
1994/95	0.60	0	7.52	0.06	12.06	5.07	6.72	25.83	4.26	31.53	93.65	3.06
1995/96	0.04	0	2.64	0.32	6.85	1.67	1.87	18.23	11.37	2.51	45.52	1.46
1996/97	0.58	0.02	9.98	0.54	9.80	0.51	2.20	16.32	7.24	3.73	50.93	1.45
1997/98	0.14	0	8.80	0.16	15.20	0.30	1.03	17.25	9.04	5.66	57.59	1.46
1998/99	0.04	0	4.02	0	4.65	1.29	1.25	19.87	21.40	4.99	57.50	1.33
1999/00	0.18	0.03	7.02	0.12	7.11	0.64	0.93	17.97	37.35	6.55	77.90	1.57
2000/01	0.41	0	5.28	0.14	6.12	0.71	0.85	30.42	22.31	9.79	76.04	1.27
2001/02	0.81	0.04	5.11	0	6.10	0.82	0.46	25.70	12.14	11.85	63.03	1.17
2002/03	1.12	0.13	7.61	0	3.72	1.51	2.59	41.50	13.77	6.76	78.71	1.37
2003/04	0.29	0.83	7.41	0	6.24	2.80	6.77	29.90	12.43	14.85	81.51	1.18

Bangladesh's imports from the ASEAN 10 countries have increased by 393 per cent from the fiscal year 1990/91 to the fiscal year 2003/04. On the other hand, its exports to the same countries increased by only 167 per cent during the same period. In 1990/91, Bangladesh earned a trade deficit of US\$ 375 million with the ASEAN 10 countries. By 2003/04, this trade deficit increased by four-fold and became US\$ 1585 million. Figure 3.1 shows a comparative picture of Bangladesh's trade with ASEAN. The bulk of the total imports of Bangladesh from ASEAN come from Singapore. In 1990/91, Singapore supplied 79 per cent of Bangladesh's total imports from ASEAN, while Indonesia 8 per cent, Malaysia 7 per cent, Thailand 5 per cent and the Philippines 1 per cent. Singapore's share in Bangladesh's total imports from ASEAN gradually reduced, and the share of Indonesia, Malaysia and Thailand went up by a small margin. But still it is more than half of the total. In 2003/04, Singapore constituted 53 per cent of Bangladesh's total imports from ASEAN while Indonesia and Malaysia's share were 15 per cent each, and Thailand's share was 14 per cent. Myanmar and the Philippines were 2 per cent and 1 per cent respectively. Figure 3.2 shows country-share in Bangladesh's total imports from ASEAN in 1990/91 and 2003/04.

On the other hand, Singapore again is the principal destination of Bangladesh's total exports to ASEAN. In 1990/91, 73 per cent of Bangladesh's total exports to ASEAN were destined for Singapore. In this year Vietnam was the second recipient of Bangladesh's exports to ASEAN and the share was 13 per cent. Thailand received 7 per cent, Malaysia and Indonesia received 4 per cent and 3 per cent respectively. Singapore's share progressively reduced while others' share increased over the years. Thus, in 2003/04, Singapore consumed 38 per cent of Bangladesh's total exports to ASEAN. Still Vietnam continued to be the second largest recipient of Bangladesh's exports to ASEAN and her share was 18 per cent in the same year. Thailand also increased its share to 15 per cent. Indonesia's share was 9 per cent, Malaysia and the Philippines' shares were 8 per cent each, while Myanmar and Cambodia's share were 3 per cent and 1 per cent respectively. Figure 3.3 depicts country-share of Bangladesh's total exports to ASEAN in 1990/91 and 2003/04.

Figure: 3.1: Bangladesh' trade with ASEAN: 1990/91-2003/04

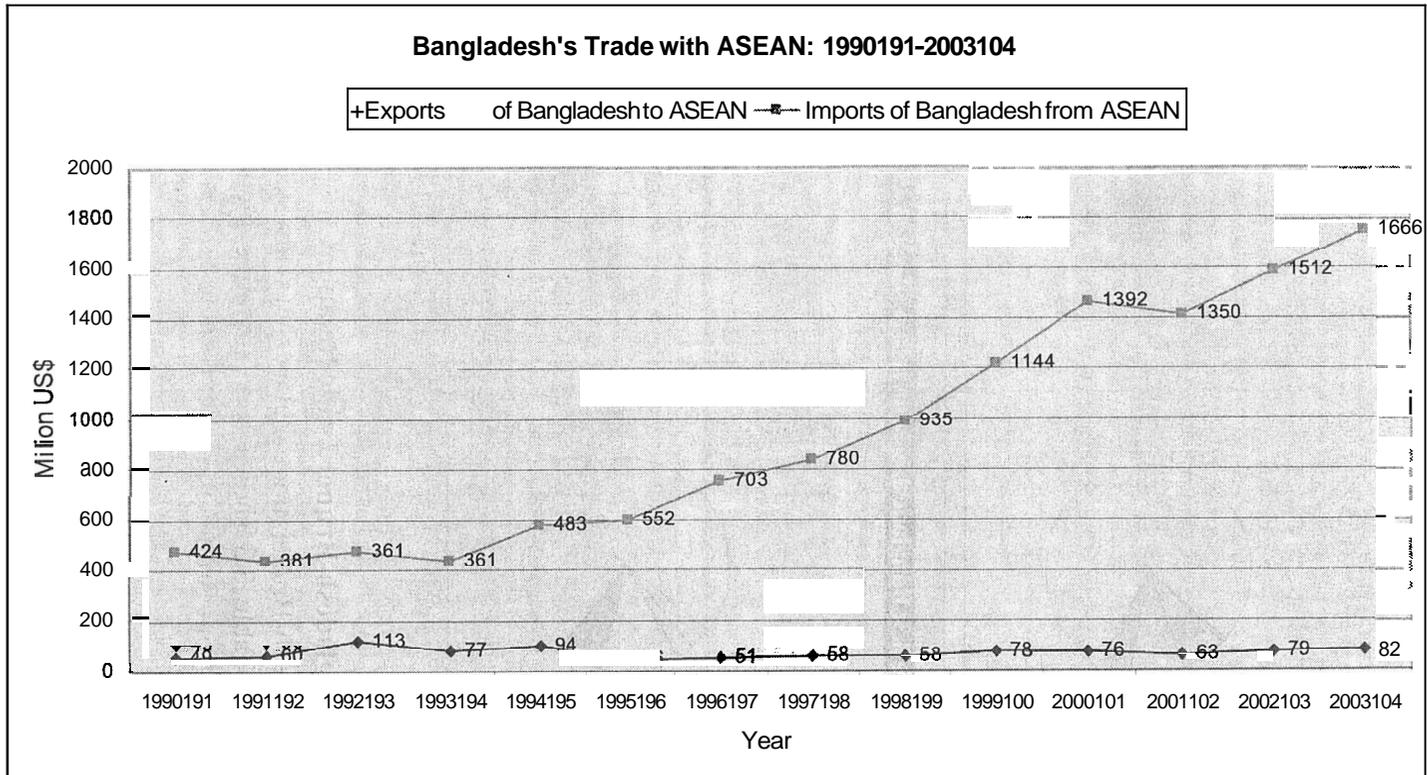


Figure 3.2: Bangladesh's imports from ASEAN in 1990/90 and 2003/04

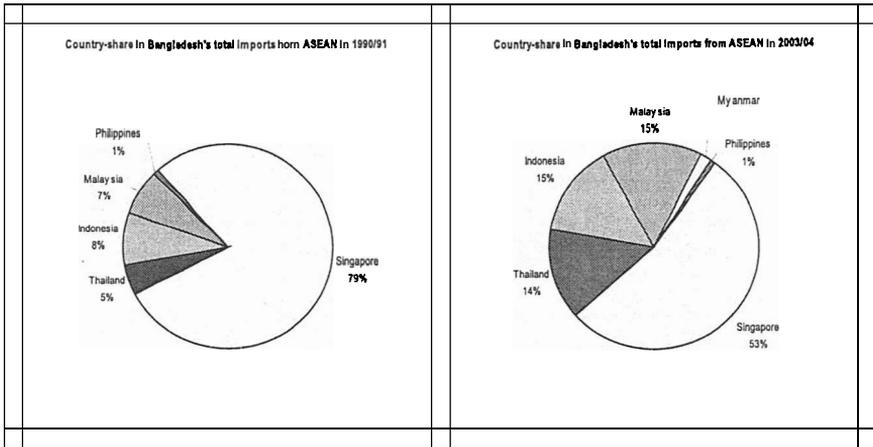
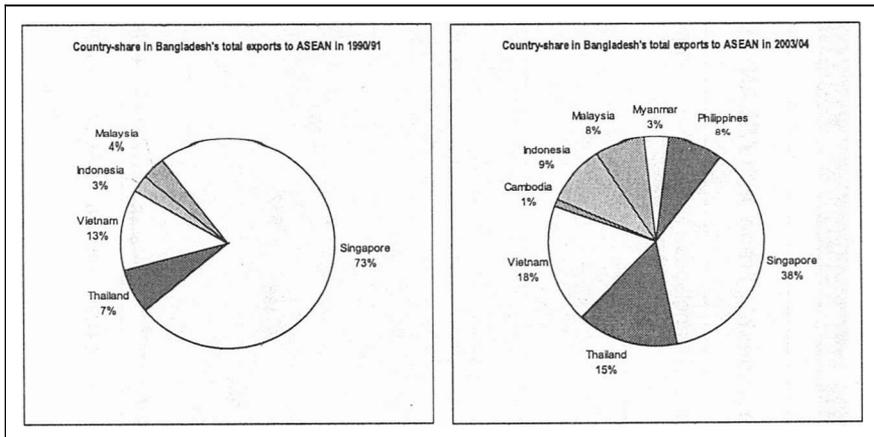


Figure 3.3: Bangladesh's exports to ASEAN in 1990/90 and 2003/04



3.2 Bangladesh-Brunei Trade Relations

Bangladesh-Brunei trade balance has always been in favour of Brunei. Table 3.3 shows a comparative picture of Bangladesh's imports from Brunei and its exports to the same.

Table 3.3: Bangladesh's Trade with Brunei

(In million US\$) From the

Year	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total	fiscal year 1990/91 to 1994/95, Bangladesh imported commodities from Brunei worth of US\$ 0.63 million
Imports from Brunei	0.63	0.89	0.58	9.61	
Exports to Brunei	0.22	0.20	0.66	4.73	
Balance	(-) 0.41	(-) 0.69	(+) 0.08	(-) 4.88	

on the average per year. But during the same period, Bangladesh exported commodities to Brunei worth US\$ 0.22 million on the average per year. In these five years, Bangladesh fetched an average trade deficit of US\$ 0.41 million with Brunei per year. During the next five years i.e., from fiscal year 1995/96 to 1999/2000, average trade deficit of Bangladesh against Brunei increased to US\$ 0.69 million every year. In these five years, Bangladesh's average exports dropped to US\$ 0.20 million per year while imports from Brunei increased to US\$ 0.89 million per year. However, the table shows that in the subsequent four years, i.e., from the fiscal year 2000/01 to 2003/04, the trade gap reduced by a large margin. During these four years, average trade gap stood at US\$ 0.08 million per year in favour of Bangladesh. In this period, Bangladesh's exports to Brunei increased almost three-fold from the first five years mentioned in the table. Yet, there is a yawning trade gap in the total trade between the two countries, which is in favour of Brunei. From the fiscal year 1990/91 to 2003/04, Bangladesh imported commodities from Brunei worth US\$ 9.61 million in total. On the other hand, Bangladesh exported commodities to Brunei worth US\$ 4.73 million in total during the same period. Thus, the total trade gap in these years stood at US\$ 4.88 million in favour of Brunei.

The most traded commodity items between Bangladesh and Brunei were textile and textile articles (commodity group code 'K' in our research, see appendix-A). Fourteen items of products are included

in this commodity group. This commodity group accounted for 29 per cent of the total imports of Bangladesh during the study period. Bangladesh imported mostly cotton (HS code '52') and man-made staple fibres (HS code '55') included in this commodity group, which constituted the bulk of total imports from Brunei. These two items formed 12 per cent and 10 per cent respectively of the total imports in the said period. The commodity group 'P' (machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers; and parts and accessories of such articles) made up 25 per cent of the total imports of Bangladesh from Brunei in the same period of which nuclear reactors, boilers, machinery and mechanical appliances; parts thereof alone constituted 24 per cent.

Bangladesh exported other vegetable textile fibres, paper yarn and woven fabrics of paper yam (HS commodity code '53') to Brunei every year, which constituted the bulk of the total (87 per cent of the total exports to Brunei in the study period). The other most traded items of this commodity group were articles of apparels and clothing accessories, knitted or crocheted (HS commodity code '61'); and articles of apparel and clothing, accessories, not knitted or crocheted (commodity code '62'). The next most exported commodity item was raw hides and skins (other than furskins), and leather (HS commodity code '41'), which constituted 7 per cent of the total exports to Brunei in the study period.

3.3 Bangladesh-Cambodia Trade Relations

In terms of volume of trade, Cambodia is the last number country in the list of partners in Southeast Asia. A total of US\$ 4.93 million trade took place between Bangladesh and Cambodia during the period of our study. Bangladesh started imports from Cambodia since the fiscal year 1992/1993. But exports to Cambodia have been sporadic (see table 3.2). The first exports to Cambodia took place in the fiscal year 1996/1997; four years after imports from Cambodia had begun. The second exports occurred in 1999/2000. There was a gap of two years between the first and the second exports by

Bangladesh to Cambodia. Again the following year there was no export to Cambodia, while imports from the country by Bangladesh continued uninterrupted. However, since the fiscal year 2001/02 exports to Cambodia seems to be stable. However, balance of trade is in favour of Cambodia. From the fiscal year 1990/91 to the fiscal year 1994/95, Bangladesh imported commodities from Cambodia worth on the average US\$ 0.12 million, while Cambodia's import from Bangladesh was nil during this period. During the second five years of our studied period, Bangladesh fetched an average trade deficit of US\$ 0.51 million per year (see table 3.4). But during the last four years of our studied period Bangladesh earned a trade surplus with Cambodia of a value of US\$ 0.12 million per year.

Table 3.4: Bangladesh's Trade with Cambodia

Year	(In million US\$)			
	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total
Imports from Cambodia	0.12	0.54	0.21	4.54
Exports to Cambodia	0.00	0.03	0.33	1.05
Balance	(-)0.12	(-)0.51	(+)0.12	(-)3.49

Y e t , Bangladesh had an overall trade deficit of US\$ 3.49 million in total in the fourteen years studied period of this research.

During the studied period, Bangladesh imported mostly cotton (HScode '52') from Cambodia, which constituted 39 per cent of the total. The second important items were salt, sulphur, earth and stone; plastic materials; lime and cement (HS code '25'). This commodity group made up 10 per cent of the total imports of Bangladesh from Cambodia in the same period. Silk (HS code '50') was third in rank in the import items while special oven fabrics; tufted textile fabrics; lace; tapestries; trimming; embroidery (HS code '58') were fourth in volume. In the export baskets of Bangladesh to Cambodia, raw hides and skins (other than furskins) and leather (HS code '41') was on the top of the list. These category products constituted 73 per cent of the total exports to Cambodia.

The second important items were articles of apparels and clothing accessories, knitted or crocheted (HS code '61'), which made up 6 per cent of the total. The third item was cotton, which formed 5 per cent of the total.

3.4 Bangladesh-Indonesia Trade Relations

Table 3.5: Bangladesh's Trade with Indonesia

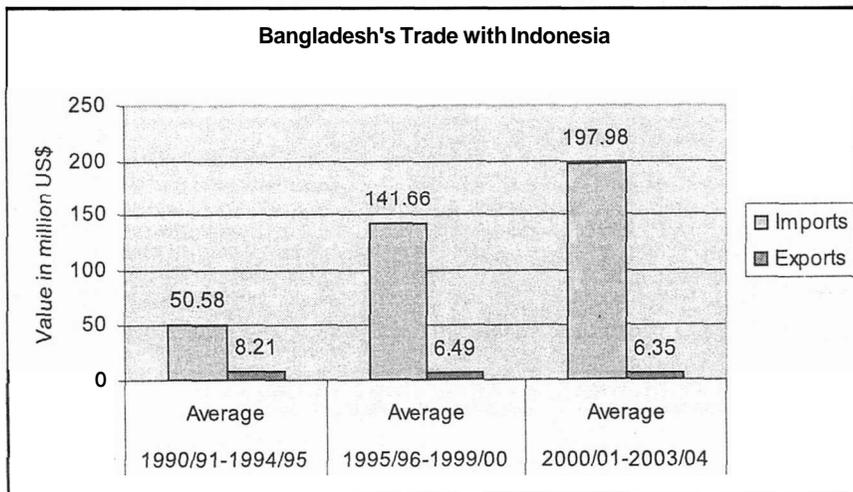
Year	1990191- 1994/95 Average	1995196- 1999100 Average	2000101- 2003104 Average	1990191- 2003104 Total
Imports from Indonesia	50.58	141.66	197.98	1753.11
Exports to Indonesia	8.21	6.49	6.35	98.90
Balance	(-)42.37	(-)135.17	(-)191.53	(-)1654.21

(In million US\$)

Table 3.5 shows a comparative picture of Bangladesh's trade with Indonesia. This country has been the second largest trading partner of Bangladesh in ASEAN. Bangladesh and Indonesia had exchanged commodities worth a total of US\$ 1852 million during the studied period of this research. Of which Bangladesh imported commodities from Indonesia whose value is US\$ 1753 million. Bangladesh exported only US\$ 99 million. With Indonesia, Bangladesh incurred a trade deficit of US\$ 1654 million. The table 3.5 shows that Bangladesh's imports from Indonesia progressively increased over the years, while exports to Indonesia followed a reversed course. During the first five years of the studied period, Bangladesh imported on the average more than US\$ 50 million worth commodities from Indonesia per year. The next five years this average imports jumped to US\$ 142 million per year. During 2000101-2003104, this average imports further increased and stood at US\$ 198 million per year. On the other hand, exports by Bangladesh to Indonesia followed the opposite direction. During the first five years annual average exports were only US\$ 8 million. The next five years the average exports reduced to US\$ 6.49 million. During 2000/01-2003/04 the annual average exports further reduced and stood at US\$ 6.35 million per year. The huge

trade deficits against Bangladesh can be easily understood from the figure 3.4. During the first five years average trade deficit of Bangladesh with Indonesia was US\$ 42 million per year. The next five years average trade deficits jumped to US\$ 135 million per year. During 2000/01-2003/04, average trade deficit rose to its peak of 192 million per year. In total Bangladesh incurred a trade deficit of US\$ 1654 million over the studied years.

Figure 3.4: Trade deficits of Bangladesh against Indonesia



Bangladesh imported a wide range of commodities from Indonesia from 1990/91 to 2003/04. Out of 97 commodity groups, Bangladesh imported commodity items that belong to 95 commodity groups. The most imported items were mineral products that belong to HS code '25' i.e., salt; sulphur; earths and stone; plastering materials; lime and cement. These items made up 18 per cent of the total imports from Indonesia. The second most imported items were animal or vegetable fats and oils and cleavage products; prepared edible fats; animal or vegetable waxes (HS code '15'). The third and fourth imported items were commodity groups '55' (man-made staple fibres) and '52' (cotton) respectively. In the export basket of Bangladesh to Indonesia only a few commodities have been found. Out of 97 commodity groups, Bangladesh exported commodities that belong to only 36 commodity groups. The most exported items from Bangladesh to Indonesia were 'other

vegetables textile fibres; paper yam and woven fabrics of paper yam (HS code '53'). These items constituted 50 per cent of the total exports to Indonesia by Bangladesh. The second and third exported items made up 31 per cent and 6 per cent respectively of the total. These two commodity groups are '63' (other made up textile articles; sets; worn clothing and worn textile articles; rags) and '41' (raw hides and skins (other than furskins) and leather) respectively. Only three commodity groups formed 87 per cent of the total exports of Bangladesh to Indonesia.

3.5 Bangladesh-Lao PDR Trade Relations

As a trading partner in Southeast Asia, Lao PDR is comparatively a new one. In terms of volume of trade Laos is the second from the bottom. Total trade between Bangladesh and Laos during the studied period amounted to only US\$ 10.66 million. Bangladesh started imports from Lao PDR since the fiscal year 1992/93. But exports to Lao PDR had started before imports began. In spite of this, trade balance is in favour of Lao PDR.

Table 3.6: Bangladesh's Trade with Lao PDR

Year	(In million US\$)			
	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total
Imports from Lao PDR	0.84	0.77	0.70	9.16
Exports to Lao PDR	0.08	0.29	0.14	1.60
Balance	(-)0.76	(-)0.48	(-)0.56	(-)7.56

Up to the fiscal year 2003/04, Bangladesh imported commodities from Lao PDR worth US\$ 9.16 million. Although exports began earlier than imports, the total exports up to the fiscal year 2003/04 stood at a value of US\$ 1.6 million, thus, leaving a total trade gap of US\$ 7.56 million in favour of Laos. Table 3.6 shows data on Bangladesh-Lao PDR trade relations. Bangladesh's average exports to Laos had increased a little during the fiscal years 1995/96 - 1999/2000 than the average exports of the previous five years. But

since the fiscal year 2000101, exports to Laos had stopped while imports from the country have been continuing uninterruptedly.

Bangladesh imports from Laos mostly cotton, machinery and mechanical appliances, and knitted or crocheted fabrics. From the fiscal year 1990191 to the fiscal year 2003104, cotton made up 41 per cent of the total imports from Laos. Nuclear reactors, boilers, machinery and mechanical appliances; and parts thereof (HS code '83') constituted 11 per cent of the total imports. Knitted or crocheted fabrics (HS code '60') occupied the third position in the imports basket from Laos. Man-made staple fibres (HS code '55') and impregnated coated, covered or laminated textile fabrics; textile articles of kind suitable for industrial use (HS code '59') have taken the fourth and fifth positions respectively with a contribution of 6 per cent each in the imports basket. Another 40 commodity groups fill the rest of the imports basket with 28 per cent contribution. On the other hand, Bangladesh exported only 7 commodity groups out of 97. Raw hides and skins (other than furskins) and leather (HS code '41') formed 48 per cent of the total exports of Bangladesh to Laos. Commodity code '53' (other vegetable textile fibres; paper yam and woven fabrics of paper yarn) was second in rank, which constituted 42 per cent of the total. Articles of apparels and clothing, accessories, not knitted or crocheted (HS code '62'), and fish and crustaceans, molluscs and other aquatic invertebrates (HS code '3') made up 4 per cent and 3 per cent respectively of the total exports to Laos.

3.6 Bangladesh-Malaysia Trade Relations

Malaysia is the fourth largest trading partner of Bangladesh in Southeast Asia. Since the fiscal year of 1990191 to the fiscal year 2003104, a value of US\$ 1658 million trade took place between Bangladesh and Malaysia. But the bulk of this total trade was imports from Malaysia. During this period, Bangladesh imported commodities from Malaysia of a value of US\$ 1559.30 million. But exports to Malaysia were only US\$ 99.22 million during the studied period. As a result, a huge trade gap had developed over the years in favour of Malaysia. Bangladesh's trade deficits against

Malaysia during this period were US\$ 1460.08 million. If we look at table 3.7, we find that Bangladesh's imports from Malaysia have progressively increased over the years. On the other hand, exports to Malaysia have declined. Thus, while the average imports from Malaysia during the fiscal years 1990/91 to 1994/95 was a value of US\$ 44.52 million, exports were only of a value of US\$ 6.69 million on the average.

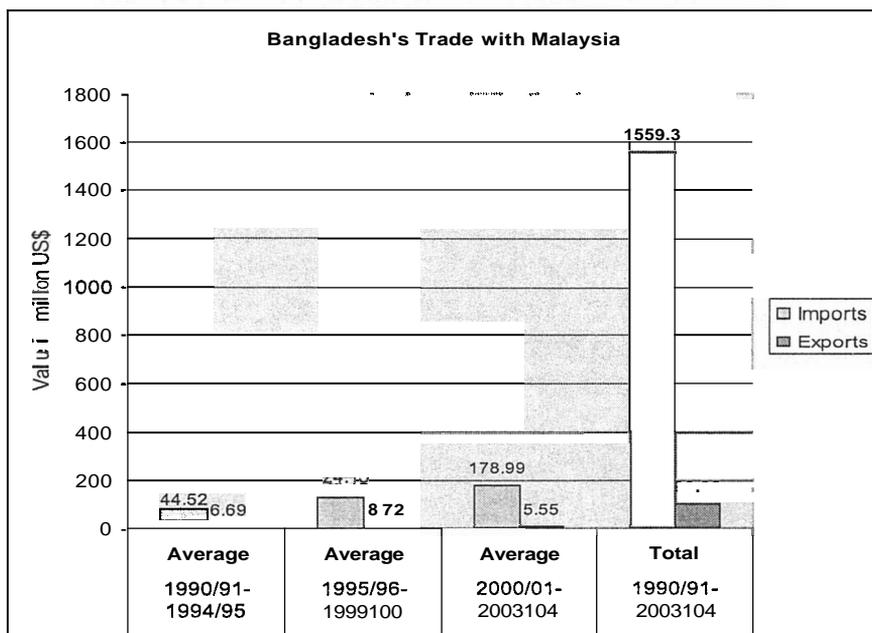
Table 3.7: Bangladesh's Trade with Malaysia

Year	(In million US\$)			
	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total
Imports from Malaysia	44.52	124.15	178.99	1559.30
Exports to Malaysia	6.69	8.72	5.55	99.22
Balance	(-)37.83	(-)115.43	(-)173.44	(-)1460.08

During these five years, trade deficits of Bangladesh against Malaysia were US\$ 37.83 million. During the next five years, Bangladesh's average imports from Malaysia jumped to US\$ 124.15 million per year, while exports were only US\$ 8.72 million per year. During this time trade deficits of Bangladesh against Malaysia, thus, rose to US\$ 115.43 million per year. During the next four years, imports further jumped to US\$ 178.99 million per year. But most interestingly, exports declined to US\$ 5.55 million per year during the same period. As a result, trade deficits of Bangladesh further deteriorated. During these four years trade deficits of Bangladesh increased to US\$ 173.44 million per year. Figure 3.5 shows Bangladesh's trade deficits against Malaysia during the fiscal years 1990/91 - 2003/04.

A wide range of commodities is imported from Malaysia by Bangladesh. Out of 97, Bangladesh imported 93 commodity groups from Malaysia. Animal or vegetable fats and oils and cleavage products; prepared edible fats; animal or vegetable waxes (Hs code '15') filled up 33 per cent of the total imports basket of Bangladesh

Figure 3.5: Trade deficits of Bangladesh against Malaysia



from Malaysia during 1990/91 - 2003/104. Plastics and articles thereof (HS code '39') and mineral fuels, mineral oils and products of their distillation, bituminous substances; mineral waxes (HS code '27') were second and third in the import items' list from the top. They contributed 8 per cent each to the imports basket. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (HS code '83'), and salt; sulphur; earths and stone; plastering materials; lime and cement (HS code '25') were fourth and fifth in rank with 6 per cent and 5 per cent contributions respectively.

On the other hand, out of 97 commodity groups, Bangladesh's exports to Malaysia belonged to 53 groups. The main export items in the exports basket of Bangladesh to Malaysia were fish and crustaceans, molluscs and other aquatic invertebrates (HS code '3'), which formed 28 per cent of the total. The second important commodity group was mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes (HS code '27'). The share of these commodities in the exports basket is 14 per

cent. But exports of these commodities of the group do not happen every year. They had appeared sporadically. Out of 14 years of our studied period, they were exported only 7 years. The third important items that were exported 13 years out of the 14 years covered by our study, were other made up textile articles; sets; worn clothing and worn textile articles; rags (HS code '63') with 8 per cent contribution in the exports basket: Other two commodity groups also had 8 per cent share each in the exports but they are exported sporadically. For example, fertilizers (HS code '31') had a share of 8 per cent but were exported only 4 years out of 14. Yet, fertilizers had the fourth position in the total exports to Malaysia. Man-made staple fibres (HS code '55') also shared 8 per cent in the total exports and had its place in the fifth position. But they were exported 8 years out of 14. The commodities belonging to code '53' (other vegetable textile fibres; paper yarn and woven fabrics of paper yarn) with 7 per cent contribution to the total exports ranked the sixth position. But these commodities were exported every year.

3.7 Bangladesh-Myanmar Trade Relations

For Bangladesh, Myanmar is an important country in ASEAN. Because Myanmar is the—country through which Bangladesh physically connects with ASEAN. It is not only that, Myanmar is also important because Bangladesh shares its boundary with two countries and Myanmar is one of them. But Bangladesh's trade with Myanmar has not flourished up to the potentials. Bangladesh's imports from Myanmar comprise 32 commodity groups out of 97. The volume of trade is also meagre keeping in mind its geographical position. With a total trade value of US\$ 198.74 million, Myanmar is the fifth largest trading partner of Bangladesh in ASEAN. Table 3.8 shows data on Bangladesh-Myanmar trade relations.

Table 3.8: Bangladesh's Trade with Myanmar

Year	(In million US\$)			
	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total
Imports from Myanmar	3.74	8.54	26.03	165.50
Exports to Myanmar	4.60	0.88	1.46	33.24
Balance	0.86	(-7.66)	(-24.57)	(-132.26)

During the first five years of our studied period from the fiscal year 1990/91 to the fiscal year 1994/95, Bangladesh had an average trade surplus with Myanmar by a small margin of US\$ 0.86 million annually. During these five years Bangladesh annually exported commodities worth US\$ 4.6 million on an average, and it imported commodities worth US\$ 3.74 million annually on the average. During the next five years Bangladesh's imports rose to US\$ 8.54 million on the average per year. But during the same time, exports to Myanmar fell down drastically. Annual average exports were recorded US\$ 0.88 million only. As a result, Bangladesh fetched a trade deficit of US\$ 7.66 million per year. During the last four years of our studied period, from 2000/01 to 2003/04, imports from Myanmar jumped to US\$ 26.03 million on the average per year. On the other hand, exports to Myanmar were only US\$ 1.46 million per year on the average. Thus, trade deficits of Bangladesh against Myanmar also jumped to US\$ 24.57 million on the average per year. From 1990/91 to 2003/04 Bangladesh imported commodities from Myanmar a total of US\$ 165.5 million. But Bangladesh exported to Myanmar during the same period of a total value of US\$ 33.24 million creating a trade deficit of US\$ 132.26 million in favour of Myanmar.

Bangladesh imported mainly wood and articles of wood, wood charcoal (HS code '44') from Myanmar uninterruptedly during the 14 years of our study. This commodity group filled 53 per cent of the basket of the total imports from Myanmar. The second important commodity group was cereals (code '10'). The third

important commodities were edible vegetables and certain roots and tubers (code '7'). These two commodity groups formed 29 per cent and 9 per cent respectively. They also were imported uninterruptedly almost every year. On the other hand, 31 commodity groups had been found in the exports basket of Bangladesh to Myanmar. Fertilizers (code '31') had been found to top the list of exports to Myanmar filling 54 per cent of the exports basket. But this was not a frequently exported item. Fertilizers were exported only 3 years out of 14 of our studied period. Pharmaceutical products formed the second largest volume in the exports list. These products had a share of 14 per cent and were frequently exported to Myanmar. Articles of iron and steel (code '72'), and other made up textile articles; sets; worn clothing and worn textile articles; rags (code '63') were third and fourth largest items respectively with each 9 per cent contributing to the total exports. Other vegetables textile fibres; paper yarn and woven fabrics of paper yam (code '53') were listed in the fifth position with 4 per cent contribution to the total exports to Myanmar.

3.8 Bangladesh-Philippines Trade Relations

The Philippines was the seventh largest trading partner of Bangladesh in ASEAN in terms of volume of trade. A total of US\$ 109.4 million were traded during our studied period. Like Myanmar, initially Bangladesh had a trade surplus with the Philippines. During the first five years of our studied period, Bangladesh had a trade surplus of US\$ 2.66 million on the average every year (Table 3.9). Bangladesh had exported on the average US\$ 4.09 million per year to the Philippines in these five years. Imports were on the average of a value of US\$ 1.43 million per year. But during the next five years, from 1995/96 to 1999/2000, average imports from the Philippines rose to US\$ 2.22 million per year, while average exports fell down to US\$ 1.46 million per year. This created an average trade deficit of US\$ 0.76 million per year.

Table 3.9: Bangladesh's Trade with the Philippines

Year	(In million US\$) Average			
	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total
Imports from Philippines	1.43	2.22	13.18	70.99
Exports to Philippines	4.09	1.46	2.67	38.41
Balance	(+)2.66	(-)0.76	(-)10.51	(-)32.58

imports from the Philippines jumped by a large margin to US\$ 13.18 million per year during the last four years of our studied period, from 2000101 to 2003104. By contrast, average exports to the Philippines were only US\$ 2.76 million per year, which created a big gulf in the trade balance. Bangladesh this time earned an average trade deficit of US\$ 10.51 million per year. The total trade deficits during the 14 years stood at US\$ 32.58 million with imports from the Philippines of a value of US\$ 70.99 million, and exports to the Philippines of a value of US\$ 38.41 million.

In the imports basket of Bangladesh from the Philippines' 60 commodity groups had been found out of 97. In terms of value of the imported items salt; sulphur; earth and stone; plastering materials; lime and cement (HS code '25') had been found to top the list. But these products had been imported since the fiscal year 2000101. Still their contribution to the total imports is 48 per cent. Oil seeds and oleaginous fruits miscellaneous grains, seeds and fruit, industrial or medicinal plants; straw and fodder (code '12') had been found in the second position with 7 per cent contribution to the total imports. Man-made staple fibres (code '55'), and iron and steel (code '72') were in the third and fourth positions respectively with 6 per cent contribution by each product group to the total imports. Fertilizers (code '31'), and nuclear reactors, boilers, mechanical appliances; parts thereof (code '83') had fifth and sixth positions respectively with 5 per cent contribution by each commodity group to the total imports from the Philippines.

On the other hand, 31 commodity groups out of 97 had been found in the exports basket of Bangladesh to the Philippines. Bangladesh had exported fertilizers to the Philippines from the fiscal year 1991/92 to the fiscal year 1994/95. Bangladesh no longer exports fertilizers to the Philippines. Yet, in terms of value fertilizers constituted the largest part of the total exports to the Philippines with 44 per cent contribution. It should be noted here that Bangladesh imported fertilizers from the Philippines from the fiscal year 2001/01 to the fiscal year 2003/04. Bangladesh exported articles of stone, plasters, cement, asbestos, mica or similar materials (code '68') only two years in 2002/03 and 2003/04. But still these products occupied the second position in terms of value with a contribution of 23 per cent in the exports basket to the Philippines. Raw hides and skins (other than furskins) and leather (code '41') had been exported to the Philippines uninterruptedly during the studied period. This product group with the third position formed 12 per cent of the total exports to the Philippines. Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn (code '53') contributed 6 per cent to the total exports to the Philippines and were placed in the fourth position. Bangladesh also exported iron and steel (code '72'), which made up 4 per cent of the total and had the fifth place in the exports list.

3.9 Bangladesh-Singapore Trade Relations

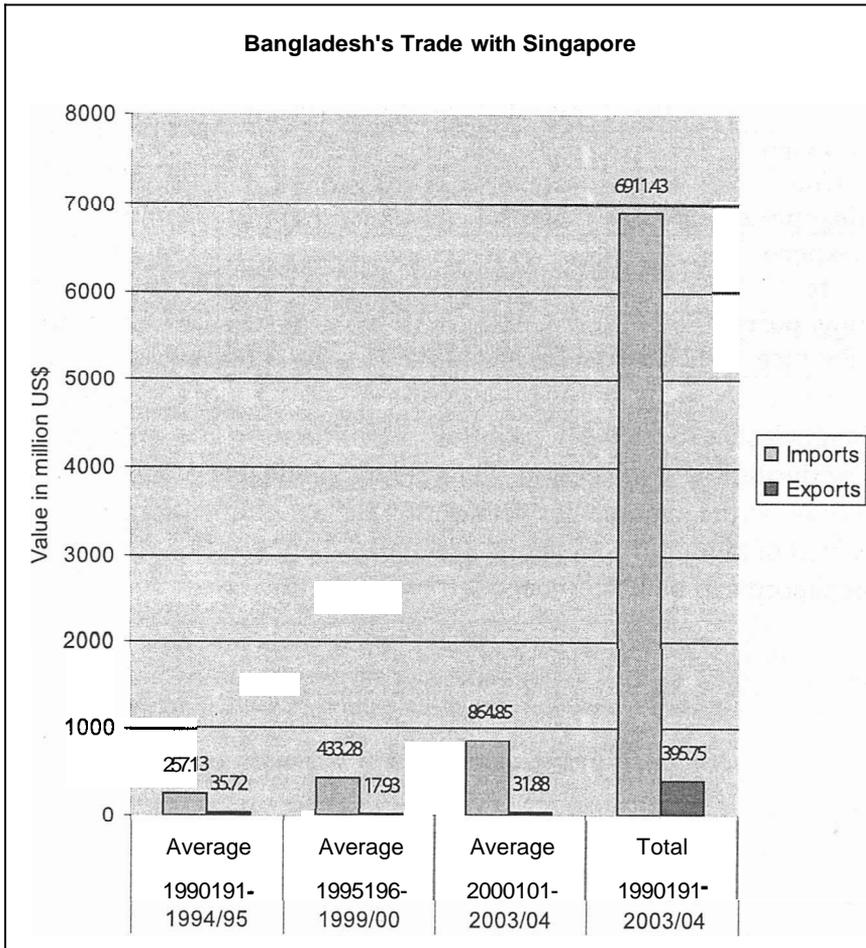
Singapore is the largest trading partner of Bangladesh in ASEAN. From 1990/91 to 2003/04, a total of US\$ 7307.18 million trade took place between Bangladesh and Singapore. In percentage terms, 56 per cent of the total trade with ASEAN happened with Singapore. Every item of the total of 97 commodity groups had been imported from Singapore. As the volume of trade between Bangladesh and Singapore is the largest in ASEAN, so is the trade gap between the two countries. Imports by Bangladesh from Singapore are on the ever increase. Table 3.10 shows a summary of the trade that took place between Bangladesh and Singapore in the studied period.

Table 3.10: Bangladesh's Trade with Singapore

Year	(In million US\$)			
	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total
Imports from Singapore	257.13	433.28	864.85	6911.43
Exports to Singapore	35.72	17.93	31.88	395.75
Balance	(-)221.41	(-)415.35	(-)832.97	(-)6515.68

During the first five years of the studied period, average imports from Singapore by Bangladesh were US\$ 257.13 million per year. On the contrary,

Bangladesh exported only US\$ 35.72 million on the average per year during the same period. Thus, a huge trade gap of US\$ 221.41 million on the average per year during the above-mentioned period existed in favour of Singapore. Trade gaps between Bangladesh and Singapore can be best understood by the figure 3.6.

Figure 3.6: Trade deficits of Bangladesh against Singapore

During the next five years, from the fiscal year 1995/196 to 1999/2000, average imports from Singapore almost doubled. By contrast, exports became half than the previous five year. In this period, Bangladesh imported US\$ 433.28 million on the average every year. But exports to Singapore fall to half to US\$ 17.93 million on the average every year. As a result, also trade deficits of Bangladesh against Singapore became doubled. In this period, average trade deficits against Singapore were US\$ 415.35 million per year. In the last four years of your studied period, average imports from Singapore again became doubled than the average of

the previous five years. This time average imports from Singapore were US\$ 864.85 million per year. On the other hand, average exports were only US\$ 31.88 million per year. Finally, the average trade deficits stood at US\$ 832.97 million per year. During the 14 years of our studied period, total trade gap stood at US\$ 6515.68 million with total imports from Singapore of a value of US\$ 6911.43 million, and total exports to Singapore of a value of US\$ 395.75 million.

Bangladesh imported a wide range of commodities from Singapore during the studied period. Mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes (HS code '27') constituted the largest part of the imports basket. This commodity group made up 38 per cent of the total. Animal or vegetable fats and oils and cleavage products; prepared edible fats; animal or vegetable waxes (code '15') contributed 11 per cent of the total imports with the position of second. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (code '83') were in the third position and made up 9 per cent of the total imports. Plastics and articles thereof (code '39') had the fourth position and contributed 5 per cent of the total imports. Ships, boats and floating structures (code '88') had the fifth position with a contribution of 4 per cent. Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (code '84') had the sixth position and contributed 3 per cent of the total imports from Singapore.

On the other hand, Bangladesh exported 78 commodity groups to Singapore out of 97. As in the case of imports from Singapore, mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes (HS code '27') took the first place in the case of exports to Singapore as well. This commodity group made up 40 per cent of the total exports to Singapore. Other vegetables textile fibres; paper yarns and woven fabrics of paper yam (code '53') were the second in rank and contributed 14 per cent of the total exports. Fish and crustaceans, mollusks and other aquatic invertebrates (code '3') were the third mostly exported items

which formed 10 per cent of the total exports. Knitted or crocheted fabrics (code '60') were the fourth largest export items being 6 per cent of the total exports. Raw hides and skins (other than furskins) and leather (code '41') were the fifth largest commodities and were 5 per cent of the total exports from 1990/91 to 2003/04.

3.10 Bangladesh-Thailand Trade Relations

Thailand is the third largest trading partner of Bangladesh in Southeast Asia. From 1990/91 to 2003/04 a total of US\$ 1706.77 million were traded between Bangladesh and Thailand. As usual, a huge trade gap existed between the two countries in favour of Thailand. Table 3.11 summaries trade data on Bangladesh and

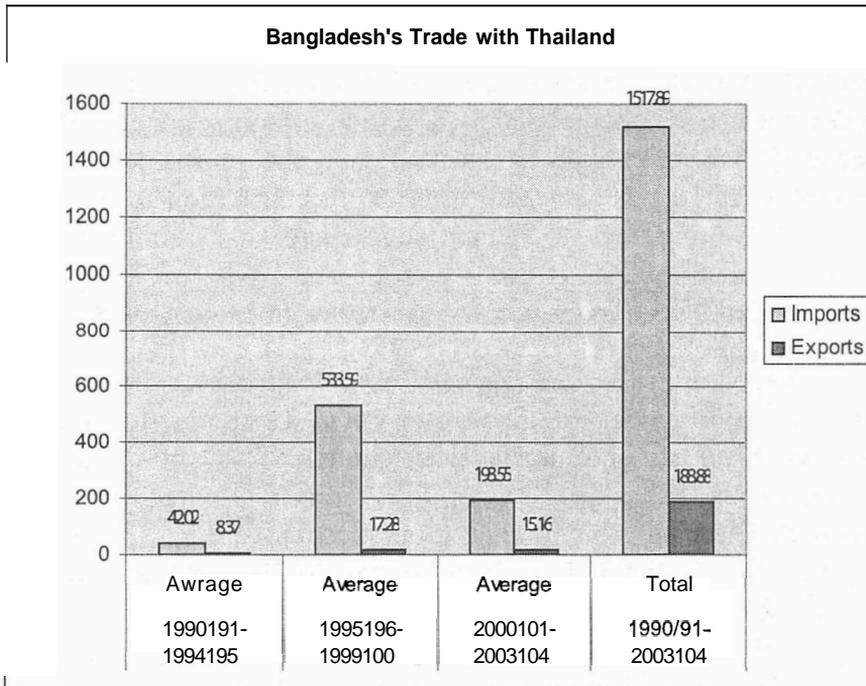
Table 3.11: Bangladesh's Trade with Thailand

(In million US\$)

Year	1990/91- 1994/95 Average	1995/96- 1999/00 Average	2000/01- 2003/04 Average	1990/91- 2003/04 Total
Imports from Thailand	42.02	533.59	193.55	1517.89
Exports to Thailand	8.37	17.28	15.16	188.88
Balance	(-) 33.65	(-) 516.31	(-) 178.39	(-) 1329.01

Thailand. From 1990/91 to 1994/95, Bangladesh imported on the average US\$ 42.02 million per year from Thailand. But Bangladesh's average exports to Thailand during this period were US\$ 8.37 million per year. So there existed a trade deficit against Bangladesh of a value of US\$ 33.65 million. Figure 3.7 illustrates Bangladesh's trade deficits against Thailand.

Figure 3.7: Trade deficits of Bangladesh against Thailand



During 1995/1996 to 1999/2000, Bangladesh's average imports from Thailand drastically jumped to US\$ 533.59 million per year. On the other hand, average exports to Thailand were only US\$ 17.28 million per year. Thus, a huge trade gap of average US\$ 516.31 million existed against Bangladesh per year during the same period. During 2000/2001 to 2003/2004, average imports from Thailand went down to US\$ 193.55 million per year. Also average exports to Thailand went down to US\$ 15.16 million per year during the same period. As imports were reduced, average trade deficits also reduced to US\$ 178.39 million per year. However, total trade deficits against Bangladesh during the studied period stood as high as US\$ 1329.01 million. Total imports of Bangladesh from Thailand were US\$ 1517.89 million and total exports to Thailand were US\$ 188.88 million.

Imports of Bangladesh from Thailand comprise 94 commodity groups out of 97. The most imported items were plastics and articles thereof (Hs code '39'). This commodity group constituted

16 per cent of the total imports form Thailand. Also salt; sulphur; earths and stone; plastering materials; lime and cement (code '25') made up 16 per cent of the total imports but were ranked the second. Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (code '83'), and man-made staple fibres (code '55') were ranked as the third and the fourth commodity groups with 10 per cent and 9 per cent contribution to the total imports. Cotton (code '52'), and sugars and sugar confectionary (code '17') were ranked in the fifth and sixth positions and contributed 7 per cent and 5 per cent of the total imports respectively.

On the exports side, Bangladesh exported 41 commodity groups out of 97. Fish and crustaceans, molluscs and other aquatic invertebrates (HS code '3') were recorded in the top of the export items to Thailand. This product group occupied 56 per cent of the total exports basket. Other vegetables textile fibres; paper yam and woven fabrics of paper yam (code '53') were the second largest commodity group with a contribution of 27 per cent in the total exports to Thailand. Raw hides and skins (other than furskins) and leather (code '41') had the third position and contributed 5 per cent in the exports basket. These three commodity groups were noticed as the items exported every year. The other 38 commodity groups that were exported to Thailand were sporadic in appearance. None of them was exported on a continuous basis.

3.11 Bangladesh-Vietnam Trade Relations

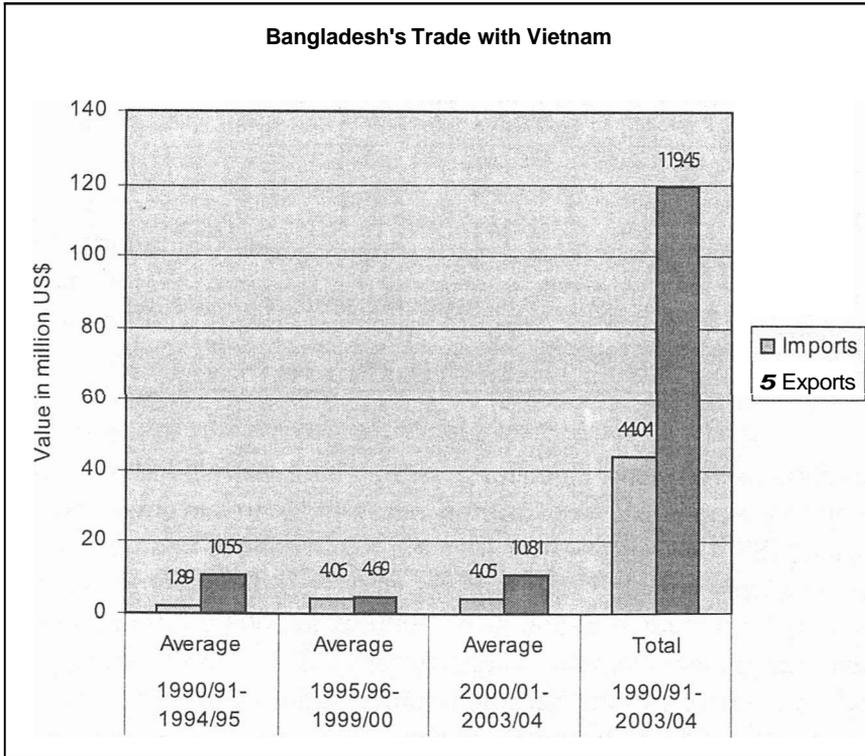
Vietnam is the sixth largest trading partner of Bangladesh in ASEAN. Vietnam is the only country in Southeast Asia with whom Bangladesh enjoys a trade surplus. From 1990 to 2003 a total of US\$ 163.49 million trade took place between Bangladesh and Vietnam. During the first five years of our studied period, Bangladesh's average imports from Vietnam were US\$ 1.89 million per year, while average exports were US\$ 10.55 million per year. Thus, during these five years, Bangladesh enjoyed a trade surplus of US\$ 8.66 million per year. Table 3.12 summarizes trade data on Bangladesh versus Vietnam.

Table 3.12: Bangladesh's Trade with Vietnam

Year	(In million US\$)			
	1990191- 1994195 Average	1995196- 1999100 Average	2000101- 2003104 Average	1990/91- 2003104 Total
Imports from Vietnam	1.89	4.06	4.05	44.04
Exports to Vietnam	10.55	4.69	10.81	119.45
Balance	(+) 8.66	(+) 0.63	(+) 6.76	(+) 75.41

During the next five years from 1995196 to 19991200, average imports from Vietnam increased more than double, but average

exports to Vietnam reduced to less than half. Bangladesh's average imports were US\$ 4.06 million per year, while average exports were US\$ 4.69 million per year. Still Bangladesh had an average trade surplus of US\$ 0.63 million each year. During the last four years of our studied period, from 2000101 to 2003104, Bangladesh's average imports remained constant at US\$ 4.05 million per year, while average exports became doubled again - US\$ 10.81 million every year. Thus, during these four years, Bangladesh gained an average trade surplus of US\$ 6.76 million each year. In total, during these 14 years Bangladesh imported commodities from Vietnam of a value of US\$ 44.04 million, and exported commodities of a value of US\$ 119.45 million. The overall trade surplus was US\$ 75.41 million in favour of Bangladesh. Figure 3.8 depicts Bangladesh's trade balance with Vietnam.

Figure 3.8: Bangladesh's Trade Balance with Vietnam

Bangladesh's imports from Vietnam fall in 61 commodity groups. Cereals topped Bangladesh's imports from Vietnam (HS code '10') and its contribution to the imports basket was 34 per cent. But cereals were not imported every year. Out of the 14 years covered by this study cereals were imported in 6 years. Silk occupies the second position in the imports basket. It had a contribution of 16 per cent and was imported in almost every year. Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (HS code '84') had the third position and contributed 8 per cent of the total imports from Vietnam. Since 1996/97, these products had been imported on a continuous basis. Cotton (code '52') was placed in the fourth

position in the imports list and 6 per cent of the total imports. Cotton also was imported almost in every year. Oil seeds and oleaginous fruits, miscellaneous grains, seeds and fruit, industrial or medicinal plants; straw and fodder (code '12'), and nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (code '83') had been discovered in the fifth and sixth positions respectively with 4 per cent contribution by each group.

In the exports basket of Bangladesh to Vietnam 30 commodity groups out of 97 such groups had been found. Raw hides and skins (other than furskins) and leather (code '41') with a contribution of 47 per cent to the exports basket were placed in the first position. These commodities had been exported continuously since 1993/94. Fertilizers (code '31') were exported in only five years. Yet they had been found in the second place with a contribution of 36 per cent to the total exports to Vietnam. Pharmaceutical products (code '30'), and fish and crustaceans, molluscs and other aquatic invertebrates (code '3') were accorded the third and fourth positions respectively with a contribution of 5 per cent by each group to the total exports. Other vegetables textile fibres; paper yarn and woven fabrics of paper yarn (code '53'), and wood and articles of wood, wood charcoal (code '44') were in the fifth and sixth positions respectively each group separately contributing 2 per cent to the total exports to Vietnam.

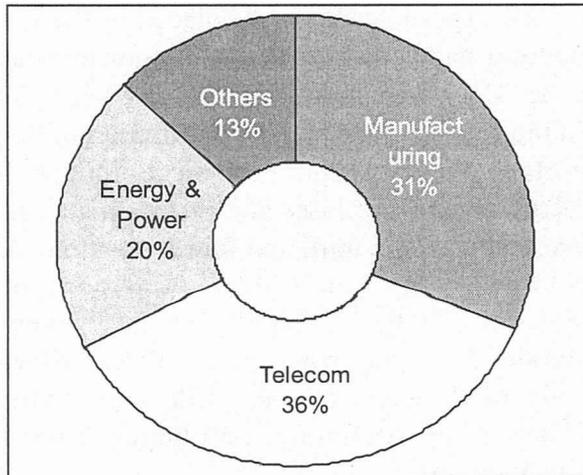
3.12 Bangladesh-ASEAN: FDI Relations⁵

We have already seen in the previous chapter while analyzing trade and investment policies of Bangladesh that the country offers foreign investors every possible incentive to attract more and more foreign direct investment (FDI) in Bangladesh. 'The 15th Survey of Investment-Related Cost Comparison in Major Cities and Regions in Asia' conducted in March 2005 by the Japan External Trade Organization (JETRO) noted that investment cost in Bangladesh has become cheaper compared to the last year and Bangladesh succeeded to develop herself as more competitive than other

This section is based on the 4th FDI Inflow Survey report titled FDI in Bangladesh During 2004, conducted by the Board of Investment, Bangladesh, June 2005.

countries which are potential from the investment point of view to foreign investors. This comment by the JETRO reflects the investment policy development in Bangladesh. The 4th FDI Inflow Survey by the Board of Investment (BOI) Bangladesh found that during the calendar year 2004, actual FDI inflow into the country had grown to US\$ 660.8 million, which is 49.7 per cent higher than the previous year. The service sector drew the bulk of the FDI in 2004. Figure 3.9 shows Sectoral distribution of FDI in 2004.

Figure 3.9: Sectoral Distribution of FDI in 2004



Source: BOI, Bangladesh

From ASEAN, three countries had made investment in Bangladesh in 2004. These countries are Malaysia, Singapore and Thailand. They had invested a total of US\$ 660.81 million in 12 projects. This investment is 7.66 per cent of the total FDI in Bangladesh in 2004. Table 3.13 shows FDI in Bangladesh from the ASEAN countries in 2004 in comparison with the world. Investment from the ASEAN countries in Bangladesh could not be known before the year 2004.

Table 3.13: FDI Inflow in Bangladesh in 2004 from ASEAN Countries

Country	No. of Projects	Investment In million US\$	Country Share %	Country Rank
Malaysia	8	44.93	6.80	5
Singapore	3	5.59	0.85	14
Thailand	1	0.06	0.01	30
ASEAN	12	50.58	7.66	-
World	222	660.81	100.00	-

Source: BOI, Bangladesh

Bangladeshi entrepreneurs are also coming to the ASEAN countries with FDI. Such entrepreneurs had invested in some projects in Myanmar and Cambodia. But the number of projects and the invested amount could not be known because of lack of reliable source.

4.0 Conclusion and Recommendations

4.1 Conclusion

Bangladesh is undergoing a change in the pattern of its economic development. Industrialization has been taken place over the years. As a result, share of agriculture in the GDP has now reduced to around 23 per cent and that of industry, manufacturing and services has increased considerably. Its integration into the world economy has helped her reduce aid dependency. Poverty reduction now dominates the economic policy of the country. Bangladesh's 'look east' policy (see chapter one) is directed to this end - to 'build partnerships' with the East and Southeast Asian countries 'for development and human security'. As globalization does not permit countries to live alone, Bangladesh seeks new partners of development in the East. Globalization asks for opening up national markets to foreign products. But the LDCs like Bangladesh and the developing countries also need to protect their national industries and thereby create employment opportunities. Therefore, these countries face a dilemma of compromise between these two needs. Products of the poor countries cannot compete with those of the

developed ones. The industrialized North controls the process of globalization and is the driving force behind the global economic system. Thus, a need for South- South cooperation arises. Bangladesh's 'look east' policy may be explained as a part of this South-South cooperation globally and 'Asian brotherhood' regionally⁶.

Bangladesh and the countries of Southeast Asia share the same historical background. These countries were colonized by the same parasitic powers that now decide the shape of the multilateral trading system. Bangladesh shares the same cultural heritage with the Southeast Asian countries. Thus, mutual cooperation of these countries is to the benefits of themselves. Because the level of economic development of these countries does not differ greatly with each other as they do with the developed countries. While some of them have achieved a higher degree of industrialization like Singapore, Malaysia and Thailand, the others also are in the race. Trade and investment policies of these countries also are aimed at harnessing benefits from the globalizing trends without making big sacrifices to the rich countries at the cost of national interests. Most countries of Southeast Asia except the Indochinese ones have been integrated into the globalizing world economy since the Uruguay Round of the WTO. The collapse of communism has induced the Indochinese countries too to reorient their economies from centrally planned system to a market driven one. Thus, the new members of ASEAN are lagging behind the old members in terms of economic development. Bangladesh's economy falls between these two trends in ASEAN.

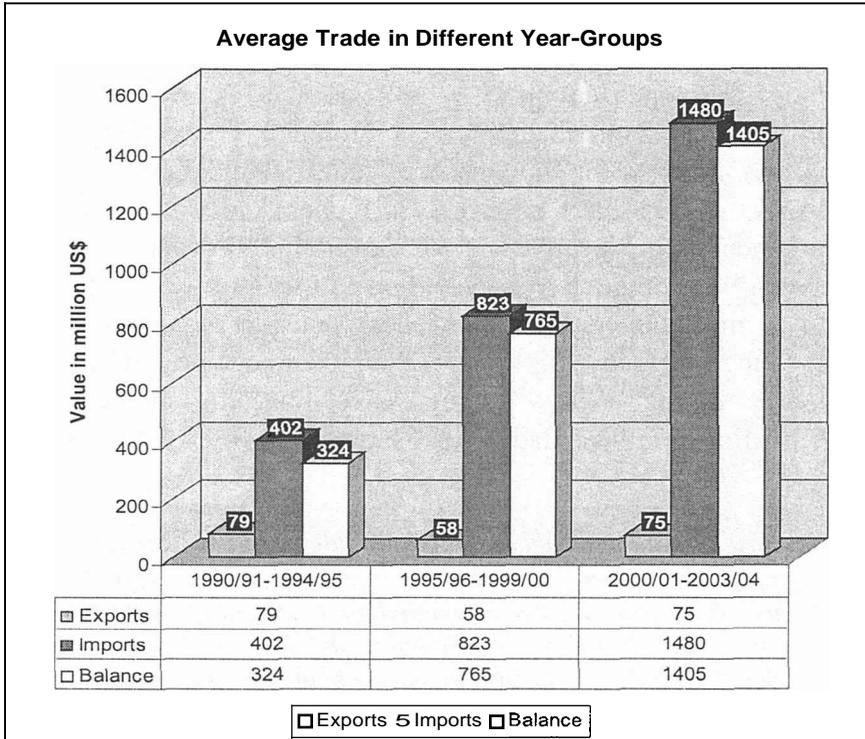
The 'look east' policy of Bangladesh is aimed at strengthening the bonds that exist between the peoples and integrating her economy with the economies of the East. Bangladesh believes that the mutual cooperation among the ASEAN members has helped them

⁶ Foreign Minister of Bangladesh, M. Morshed Khan, in an address on 'The Look East Policy of the Government of Bangladesh' at the Institute of Defence and Strategic Studies (IDSS), Singapore, on 12 November 2003, explained that Bangladesh's engagement with much of Asia, including Southeast and East Asia was built on an idealistic conception of Asian brotherhood. For details please visit <http://www.mofabd.org/statements/fml4.html>.

achieve a higher degree of economic growth, which will be on the continuous rise in the new century. Thus, an integration of Bangladesh's economic interests with the countries to the East is to the benefits of Bangladesh's economy. Bangladesh needs FDI from the more developed countries of the East that can contribute to solving its persistent unemployment problem. The country also needs new markets for its consumer goods. Bangladesh sees the ASEAN countries that have achieved higher degree of economic development as prospective investors of FDI, and destinations for its diversifying products. The adoption of the 'look east' policy is hoped to meet the both as Bangladesh considers East Asia and Japan to the future driving force of the global economy, where the economies of the West will progressively become smaller. The Foreign Minister of Bangladesh on the prospects of East Asia noted that -

East Asia has arrived on the world stage and its sheer economic weight has given it a voice and a role. As recently as 1960, Japan and East Asia together accounted for 4 percent of world GNP, while the United States, Canada, and Mexico represented 37 per-cent. Today, both groups have about the same share of the world's GNP (some 24 percent each), but, with more than half the world's economic growth taking place in Asia in the 1990s, the economies of North America and Europe will progressively become relatively smaller⁷

The Government of Bangladesh (GOB) launched the 'look east' policy in 2001/2002. The policy is aimed at increasing Bangladesh's trade and investment relations with the countries to the East. Trade data, however, show that imports from the ASEAN countries have increased since the policy was launched. The figure 4.1 depicts a summary of Bangladesh's trade with ASEAN.

Figure 4.1: A Summary of Bangladesh's Trade with ASEAN

Average imports from the ASEAN countries during the fiscal years from 2000101 to 2003104 have increased by 180 per cent. But average exports during the same years are even lower than the average exports during 1990191 to 1994195. Average trade balance against Bangladesh from 1990191 - 1994195 to 1995196 - 1999100 had become more than doubled. Again the average trade balance had become doubled during the next four years. Average imports were 14 times of average exports during the five fiscal years stretching between 1995196 to 1999100. During the next four years stretching between 2000101 to 2003104, average imports had become 20 times of average exports. So the 'look east' policy has made a boom in imports from the ASEAN countries. The policy could not improve the negative trade balance that exists between ASEAN and Bangladesh, although four years are not enough to judge impacts of such policy. The 'look east' policy is still in the

campaign stage. An increase in the imports of Bangladesh from the ASEAN countries may be described as the cost for yielding more benefits later.

Over the 14 years covered by this study, Bangladesh imported from ASEAN commodities mostly belong to mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes (HS code '27'). These commodities constituted 23 per cent of the total imports of Bangladesh from ASEAN during these 14 years. The second important commodities belong to animal or vegetable fats and oils and cleavage products; prepared edible fats, animal or vegetable waxes (code '15'). This second group forms 12 per cent of the total imports during the same period. Both of these two commodity groups are primary product groups. The third and fourth commodity groups are nuclear reactors, boilers, machinery and mechanical appliances; parts there of (code '83'); and plastics and articles thereof (code '39'). These two commodity groups belong to manufactured product groups and made up 8 per cent and 7 per cent to the total imports respectively.

Bangladesh during those 14 years exported to ASEAN mostly fish and crustaceans, mollusks and other aquatic invertebrates (HS code '3'), which constituted 19 per cent of the total exports. Mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes (code '27') were in the second position in the exports basket, which made up 18 per cent of the total exports. These products are exported mainly to Singapore, Thailand and Malaysia. Also other vegetables textile fibres; paper yam and woven fabrics of paper yam (code '53') with the third position formed 18 percent to the total exports. Raw hides and skins (other than furskins) and leather (code '41'); and fertilizers (code '31') were in the fourth and fifth positions respectively with 10 per cent contribution by each group. Bangladesh's exports to ASEAN are mainly primary products. Table 4.1 summarises the top ten import and export commodity groups of Bangladesh from and to ASEAN in descending order (see Appendix-A for meaning of Codes).

Table 4.1: Top 10 Import and Export Groups of Bangladesh from and to ASEAN

Country	Imports (HS code)	Exports (HS code)
Brunei	83, 15, 52, 55, 48, 4, 39, 27, 29, 62	53, 63, 62, 41, 61, 46, 56, 64, 30, 39
Cambodia	52, 25, 50, 58, 83, 86, 30, 84, 48, 55	41, 61, 52, 58, 55, 53, 63, 62, 72, 56
Indonesia	25, 15, 55, 52, 72, 48, 39, 70, 54, 31	53, 63, 41, 3, 31, 56, 58, 60, 52, 95
Lao PDR	52, 83, 60, 55, 59, 58, 62, 72, 87, 50	41, 53, 62, 3, 63, 56
Malaysia	15, 39, 27, 83, 25, 29, 55, 52, 12, 84	3, 27, 63, 31, 55, 53, 52, 62, 41, 61
Myanmar	44, 10, 7, 23, 17, 12, 9, 83, 3, 52	31, 30, 72, 63, 53, 41, 42, 39, 84, 29
Philippines	25, 12, 55, 72, 31, 83, 39, 48, 52, 38	31, 68, 41, 53, 72, 84, 3, 30, 60, 95
Singapore	27, 15, 83, 39, 88, 84, 52, 25, 10, 29	27, 53, 3, 60, 41, 62, 61, 63, 52, 71
Thailand	39, 25, 83, 55, 52, 17, 72, 60, 54, 76	3, 53, 41, 31, 52, 54, 27, 62, 73, 61
Vietnam	10, 50, 84, 52, 12, 83, 59, 39, 29, 9	41, 31, 30, 3, 53, 44, 72, 63, 60, 5
ASEAN	27, 15, 83, 39, 25, 52, 55, 88, 84, 72	3, 27, 53, 41, 31, 63, 60, 62, 52, 30

The hypothesis of this research is neither nullified nor supported. The research data shows that the hypothesis is conditional. If Bangladesh can conclude special trade agreements with ASEAN or can any way increase its exports to the ASEAN countries and thereby reduce the trade deficits only then the hypothesis will be proved. Otherwise it would be nullified. But this is not the right time to opine for either of them. Engagement with ASEAN can economically benefit Bangladesh only when it will be able to boost exports to ASEAN and attract more FDI from this region to Bangladesh. But engagement with ASEAN will enhance mutual cooperation.

4.2 Recommendations

4.2.1 Recommendations to GOB

1. **Product Diversification:** Bangladesh needs to diversify its manufactured products. While Bangladesh's imports from the ASEAN countries fall into a wide range of commodity groups, its exports fall into only a few commodity groups. Bangladesh needs to replace primary products by adding more values to them.
2. **Quality Improvement:** Product diversification alone would not be enough to boost exports. They must be competitive. Best

quality products should be supplied at comparatively low cost. Otherwise they will not be able to survive in this age of regional integration and globalization.

3. **Strengthening Diplomacy:** Bangladesh has to strengthen its present diplomacy to engage with ASEAN. Special trade agreement with ASEAN can be an interim solution whereby Bangladesh can gain easy market access for its products to the ASEAN trade bloc, while its pursuit for membership in ASEAN should be a long term policy aim. Interim collaborative arrangement should be supportive to the long term policy aim.
4. **Continuation of Policy:** It is an experience of Bangladeshi politics that policies change with the change of government in the country. The policy of engagement with ASEAN should be continued irrespective of changes in the Government of the country. The major political parties in Bangladesh should reach a consensus on viewing the East Asia so that changes in the government do not affect the policy aim.
5. **Infrastructure Development:** Bangladesh needs to develop its infrastructure for physical connection with ASEAN. Bangladesh's road and rail links with Myanmar should be an urgent aim and an essential part of the 'look east' policy. Establishing good quality road and rail links with Myanmar will foster achieving the country's 'look east' policy aim.
6. **People to People Contact:** The government of Bangladesh should find out the ways and means of increasing people to people contact between Bangladesh and ASEAN. Visa exemption, cultural exchange programme, fellowship exchange programme should be under taken to increase and strengthen the existing people to people bond.

4.2.1 Recommendations to ASEAN

ASEAN should consider Bangladesh's membership in the organization itself. The organization has already decided in its

Vientiane Summit held in July 2005 to accord Bangladesh membership in the ASEAN Regional Forum (ARF). This decision of ASEAN is applauded. But Bangladesh's membership in the ARF is not enough. That Bangladesh has some geographic and strategic value should be reckoned by ASEAN. This country is posited between the two sub-regions of South Asia and Southeast Asia. South Asia had a market larger than Southeast Asia. South Asia had a population of 1 billion and 350 million and its combined GDP was of US\$ 604 billion in 2001. Southeast Asia had a population of 521 million and the combined GDP of US\$ 552 billion in 2001. ASEAN can consider Bangladesh as a conduit for it to the SAARC countries. SAARC has signed a free trade agreement, which will begin implementation from 2006. Bangladesh is the bridge for ASEAN to reach a prospective big free trade market of South Asia. Let alone the prospective big market of South Asia, Bangladesh alone has a population and an economy almost equal to the combined population and economies of the new members of ASEAN (see the table below). Bangladesh's membership in ASEAN would not be any economic burden to the organization. Rather it would open the avenue for ASEAN to a vast market of South Asia. In fact, Bangladesh's dual memberships in SAARC and ASEAN can make a permanent bond between the two historical sub-regions.

Table 4.2: Bangladesh and ASEAN New Members

Country	GDP Million US\$	Year	Population Million	Year
Cambodia	4005	2002	13	2003
Lao PDR	1680	2002	6	2003
Myanmar	9135	2002	49	2003
Vietnam	32723	2001	81	2003
CLMV	47543	-	149	2003
Bangladesh	47563	2002	138	2003

Source: International Trade Statistics 2004, World Development Indicators 2003

In the interim period, ASEAN should give some trade concessions to Bangladesh. Bangladesh incurs a huge trade deficit against ASEAN every year. ASEAN may consider any special trade arrangement with Bangladesh to help reduce the trade deficits of Bangladesh. Some trade concessions to Bangladesh by ASEAN will help prepare the country a level playing ground that may lead to a possible accession to the organization. ASEAN should stretch a helping hand to Bangladesh to prepare the future bridge for the Southeast Asian region to connect it with the SAARC countries.

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Appendix A: Commodity Sections, HS Chapter Code, and HS Chapter Name

Commodity Section. HS Chapter Code		HS Chapter Name		
A	Live Animals; Animal Products	1. Live Animals		
		2. Meat and Edible meat offal		
		3. Fish & Crustaceans, mollusks & other aquatic invertebrates		
		4. Daily produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included		
		5. Products of animal origin, not elsewhere specified or included (nesoi)		
B	Vegetable Products	6. Live trees & other plants; bulbs, roots & the like; cut flowers & ornamental foliage		
		7. Edible vegetables & certain roots & tubers		
		8. Edible fruits & nuts; peel of citrus fruits or melons		
		9. Coffee, tea, mate & spices		
		10. Cereals		
		11. Products of the milling industry; malt; starches; insulin; wheat gluten		
		12. Oil seeds & oleaginous fruits miscellaneous grains, seeds & fruit, industrial or medicinal plants; straw & fodder		
		13. Lac; gums. resins & other vegetable saps & extracts		
		14. Vegetable plaiting materials vegetable products nesoi		
		15. Animal or vegetable fats & oils & cleavage products; prepared edible fats animal or vegetable waxes		
C	Animal or Vegetable Fats & Oils & their Cleavage Products; Prepared Edible Fat; Animal or Vegetable Waxes			
		D	Prepared Foodstuff, Beverages, Spirits & Vinegar. Tobacco & Manufactured Tobacco Substitutes	16. Preparation of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates
				17. Sugars and sugar confectionary
				18. Cocoa & cocoa preparations
				19. Preparation of cereals, flour, starch or milk, pastry cooks products
				20. Preparations of vegetables, flour, starch or milk, parts of plants
				21. Miscellaneous edible preparations
				22. Beverages. spirits & vinegar
				23. Residues & waste from the food industries; prepared animal fodder
				24. Tobacco and manufactured tobacco substitutes
E	Mineral Products			25. Salt; sulphur; earths & stone; plastering materials; lime & cement
		26. Ores. slag & ash		

Commodity Section, HS Chapter Code		HS Chapter Name	
F	Products of the Chemical or Allied Industries	27.	Mineral fuels, mineral oils & products of their distillation bituminous substances; mineral waxes
		28.	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes
		29.	Organic chemicals
		30.	Pharmaceutical products
		31.	Fertilizers
		32.	Tanning or dyeing extracts, tannins & their derivatives; dyes, pigments & other colouring matter; paints & varnishes; putty & other mastics; inks
		33.	Essential oils & resinoids; perfumery, cosmetic or toilet preparations
		34.	Soap; organic surface-active agents, washing preprns. Lubricating preprns, artificial waxes, prepared waxes, polishing or scouring preprns. Candles & similar articles, modeling pastes, "dental waxes" & dental preprns, with a basis of
			Albuminoidal substances; modified starches; glues, enzymes
		36.	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
		37.	Photographic or cinematographic goods
		38.	Miscellaneous chemical products
		G	Plastics & Articles Thereof; Rubber & Articles thereof
40.	Rubber & Articles thereof		
H	Raw Hides & Skins, Leather, Furskins & Articles thereof; Saddlery & Harness; Travel Goods, Handbags & Similar Containers; Articles of Animal Gut (Other than silk worm gut)	41.	Raw hides & skins (other than furskins) & leather
		42.	Articles of leather; saddlery & harness; travel goods, handbags & similar containers; articles of animal gut (other than silk-worm gut)
		43.	Furskins & artificial fur: manufactures thereof
I	Wood & Articles of Wood, Wood Charcoal; Cork & Articles of Cork; Manufactures of Straw, of Esparto or of Their Plaiting Materials: Basketware & Wickerwork	44.	Wood & Articles of Wood, Wood Charcoal;
		45.	Cork & Articles of Cork;
		46.	Manufactures of Straw, of Esparto or of Their Plaiting Materials: Basketware & Wickerwork
J	Pulp of Wood or of Other Fibrous Cellulosic Material; Recovered (waste & scrap) Paper or Paperboard; Paper & Paperboard & Articles thereof	47.	Paperboard
		48.	Paper & Paperboard; Articles or paper pulp or of paperboard
		49.	Printed books, newspapers, pictures & other products of the printing industry; manuscripts, typescripts & plans

Commdity Section. HS Chapter Code		HS Chapter Name
K	Textiles & Textile Articles	50. Silk
		51. Wool, fine or coarse animal hair; horsehair yam & woven fabric
		52. Cotton
		53. Other vegetables textile fibers; paper yam & woven fabrics of paper yam
		54. Man-made filaments
		55. Man-made staple fibers
		56. Wadding, felt & nonwovens; special yams; twine, cordage, ropes & cables & articles thereof
		57. Carpets & other textile floor coverings
		58. Special oven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
		59. Impregnated coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use
		60. Knitted or crocheted fabrics
		61. Articles of apparels & clothing accessories, knitted or crocheted
		62. Articles of apparel & clothing, accessories, not knitted or crocheted
63. Other made up textile articles; sets; worn clothing & worn textile articles; rags		
L	Footwear, Headgear. Umbrellas, Sun Umbrellas, Walking-sticks, Seat-sticks, Whips, Riding-crops & Parts thereof; Prepared Feathers & Articles made therewith; Artificial Flowers; Articles of Human hair	64. Footwear, gaiters & the like; parts of such articles
		65. Headgears and parts thereof
		66. Umbrellas, Sun Umbrellas. Walking-sticks, Seat-sticks. Whips. Riding-crops & Parts thereof
M	Articles of Stone, Plasters, Cement, Asbestos, Mica or Similar Materials: Ceramic Products; Glass & Glassware	67. Prepared feathers & down & articles made of feathers or of down artificial flowers; articles of human hair
		68. Articles of Stone, Plasters, Cement. Asbestos, Mica or Similar Materials
		69. Ceramic products
N	Natural or cultured pearls, Precious or semi-precious stones, precious metals, metals clad with precious metal & articles thereof; imitation jewellery; coin	70. Glass and glassware
		71. Natural or cultured pearls, Precious or semi-precious stones, precious metals, metals clad with precious metal & articles thereof; imitation jewellery; coin
O	Base Metals and Articles of Base Metal	72. Iron and steel
		73. Articles of iron and steel
		74. Copper and articles thereof
		75. Nickel & articles thereof
		76. Aluminium & articles thereof
		77. Lead articles thereof

Commodity Section, HS Chapter Code		HS Chapter Name	
	78.	Zinc & articles thereof	
	79.	Tin and articles thereof	
	80.	Other base metals; cermet; articles thereof	
	81.	Tools, implements, cutlery, spoons & forks, of base metal; parts thereof of base metal	
	82.	Miscellaneous articles of base metal	
P	83.	Nuclear reactors, boilers, machinery & mechanical appliances; parts thereof	
	84.	Electrical machinery & equipment & parts thereof; sound recorders & reproducers, television image & sound recorders & reproducers, & parts & accessories of such articles	
Q	85.	Railway or tramway locomotives, rolling-stock & parts thereof; railway or tramway track fixtures fittings & parts thereof; mechanical (incl. Electro-mechanical) traffic signaling equipment of all kinds	
	86.	Vehicles other than railway or tramway rolling-stock, & parts & accessories thereof	
	87.	Aircraft, spacecraft & parts thereof	
	88.	Ships, boats & floating structures	
R	89.	Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical or Surgical Instruments & Apparatus; Parts & Accessories thereof	
	90.	Clocks & Watches & Parts thereof	
	91.	Musical Instruments; Parts & Accessories of such articles	
S	Arms & Ammunition; Parts & Accessories thereof	92.	Arms & Ammunition; Parts & Accessories thereof
T	Miscellaneous Manufactured Articles	93.	Furniture; bedding, mattresses, mattress supports, cushions & similar stuffed furnishings, lamps & lighting fittings nesoi; illuminated signs, illuminated name plates & the like; prefabricated buildings
		94.	Toys, games & sports requisites; parts & accessories thereof
		95.	Miscellaneous manufactured articles
U	Works of Art. Collectors' Pieces & Antiques	96.	Works of Art. Collectors' Pieces & Antiques
		97.	Miscellaneous National Provisions