

## CHINA AND BANGLADESH

## On a transformational journey

FOUNDER EDITOR  
LATE S. M. ALI

DHAKA MONDAY OCTOBER 10, 2016, ASHWIN 25, 1423 BS

## Defeating militancy

## Fresh recruitments must be stopped

IN separate raids across Dhaka and its surrounding areas, 12 suspected militants were killed on October 8, 2016. Among the dead was Faridul Islam Akash, commander of the Neo JMB according to the Bangladesh Counter-Terrorism and Transnational Crime unit following the death of the Gulshan attack mastermind — Tamim Ahmed Chowdhury. We congratulate the law enforcers for successfully identifying the militants which shows much improvement in their human intelligence gathering capabilities. We commend them for successfully carrying out so many simultaneous raids on the same day.

Despite the success, law enforcers must be on their guard. And so must society in general. An important lesson to take from this is that militant groups are somehow still gaining fresh recruits; as evident from the fact that in the encounters where seven militants were killed, three had allegedly joined the ranks only recently. How are they still recruiting even after being under pressure from the security forces and the awareness campaign? Law enforcers must be wary of this and realise that the only way to defeat this menace is to end the recruitment of new members. Society too has a major role to play in this.

Another aspect law enforcers should address is how these organisations are being funded. Weapons collected from the dead militants suggest that they are indeed receiving substantial assistance from somewhere. If the source of their support can be identified and neutralised, police can deal a substantial blow to their activities.

We call on everyone to remain vigilant against militancy which has no place in a civilised society and must be combated in all possible manners.

## Overtime bills of Wasa employees

## Who pays ultimately?

MORE than three thousand lower-tier employees of the Wasa are having a ball at work, drawing twice or even thrice the amount of their basic salaries as overtime while the residents of Dhaka put up with acute water-logging, open manholes and sewerage lines in the middle of busy streets and irregularities in billing. During the 2015-16 financial year they drew Tk 56 crore in overtime charges against their basic salaries of Tk 27 crore. And this they did using the power of collective bargaining, ignoring an objection from the Ministry of Finance. What role did the management play?

Overtime pay is a worker's right. But an employee has to work extra hours after work to be eligible for it. In this case, many pump operators billed Wasa double or triple their basic salaries without actually putting in the hours. Some officers also contributed to such a fat chit by making their drivers work long hours after work. The problem, of course, is that it is the taxpayers who will have to pay at the end of the day. The Wasa points to a severe shortage in manpower for the mess. If that's the case why isn't it employing more people?

Many residents of Dhaka already suffer from insufficient supply of water. The city is overpopulated; ground water-level is falling rapidly. Instead of spending crores on undue overtime bills, Wasa should deploy its resources on protecting the city's drainage system, canals and retention ponds and improving the water quality. By all means, the organisation needs better regulation.

## LETTERS TO THE EDITOR

letters@thedailystar.net

## The country needs self-education

4th year student Badrul Alam's gruesome attack on Khadiza raises the question of how educated he was. According to the police, the act was instigated because of a rejection to his proposal. It tells us that the people of our country are in need of more than traditional schooling — they need self education.

I hope our land is soon free of such brutality through proper education.

Limon K.T.K  
On email

## Airport terminals need connecting tunnels

All paths between the domestic and international terminals at Hazrat Shahjalal International Airport are currently blocked due to security reasons. This is very inconvenient for passengers catching connecting flights after a long journey from abroad or vice-versa. They have to walk through the traffic-ridden road with their luggage, children and even elderly relatives, putting both themselves and motorists at risk. The situation gets worse when it rains.

If an underground tunnel or an air-bridge could be built to connect these 2 terminals, it would make lives for travelers a lot easier and safer. I hope the authorities will look into the matter seriously.

Aminur Rahim  
Mohakhali

FAHMIDA KHATUN

CHINA has been taken a strong place in the global economic landscape with its large GDP and rapid economic growth. Although in the last three decades, the growth of the Chinese economy has slowed down from a rate of 10 percent GDP growth to 6.9 percent in 2015, it was the largest economy in the world in terms of purchasing power parity last year. In 2015, China's contribution to global economic growth was 51.3 percent compared to 30.9 percent of the USA.

The impressive economic growth of China, one of Bangladesh's large Southern neighbours, has important implications for our development. Bangladesh can advance further through connecting with China through trade, investment, foreign aid, and exchange of people and intellectual pursuits. China is now Bangladesh's largest trading partner. In 2015, Chinese export to Bangladesh was USD 13.9 billion. Foreign direct investment from China and Hong Kong together stood at USD 859 million in the same year.

Economic ties between China and Bangladesh have been strengthened in the last four decades. However, there are much more opportunities for China to contribute towards the development of Bangladesh. China is a minor export destination for Bangladesh, making bilateral trade deficit between Bangladesh and China very high. In 2015, Bangladesh's export to China was USD 804 million, which was equivalent to only about 3 percent of Bangladesh's total exports to the global market. To address the growing trade imbalance, China offered duty-free access to 4,788 products from Bangladesh under the Asia-Pacific Trade Agreement. However, because of non-diversified export basket and supply side constraints, Bangladesh cannot take full advantage of this offer. Bangladesh also needs more favourable rules of origin

(RoO) for increasing its exports to China.

The size of China's investment across the globe is increasing steadily towards making it a leading economic power. In Africa, Latin America and Asia, China is investing tens of billions of dollars. This is not only on infrastructure, but also on several other sectors, including natural resource extraction, financial service, power generation, textiles, home appliances and real estate. In Bangladesh, Chinese investment has not been particularly noteworthy yet. Until 2010, Bangladesh did not get much priority from China for investment in Bangladesh. Of course,



significant increase of Chinese FDI in Bangladesh was observed from 2010 onwards. China's contribution to Bangladesh's FDI profile has been growing faster than that of India over the last couple of years. Low investment indicates that Chinese investment in Bangladesh has not been linked to its trade with the country.

Traditionally, Chinese investment projects involved infrastructure and service sectors. In recent times, the focus of Chinese investment in Bangladesh has shifted towards the manufacturing sector, specifically to the ready-made garments sector. It has also expressed interest in

making investment in priority sectors such as commerce, agriculture, industry, energy and infrastructure. Higher investment from China can in fact help reduce bilateral trade deficit. Given the large and growing domestic market of China, Bangladesh has the potential to increase its exports to the country. With rising wages in the country, China may take advantage of competitive wage by shifting some of its sunset industries to Bangladesh. This will create employment here and the opportunity to increase exports. This requires massive improvement in infrastructure including

power and energy, and also availability of land. The Bangladesh government is planning to have land bank to facilitate large investments. Large Chinese investments can be an opportunity for technology transfer which can contribute to productivity improvement through skills upgradation. Chinese contribution, as development assistance to Bangladesh, was negligible till the recent past. Chinese assistance has been mainly for infrastructure development. The Asian Infrastructure Investment Bank (AIIB), established with the initiative of China in 2015, has created opportunities for Bangladesh. Indeed,

China's transformational journey during the last three decades with high economic growth has made it an economic powerhouse, not only in the region but across the globe. Through several rounds of reforms since 1978 and following its membership in the World Trade Organisation in 2001, China has gone through major structural change as well. As a result, China has achieved the power to influence the course of development of other countries. Even at a phase when Chinese growth has slowed down, it is trying to consolidate its progress through modernisation and reforms. The inclusion of Chinese currency Renminbi in the Special Drawing Right (SDR) valuation basket of the International Monetary Fund indicates progress in reforms in China. It is also an attempt to deepen its integration with the global economy. The quality of growth has now caught the attention of Chinese policymakers. It is also investing heavily on green economy, as at the G20 meeting in Hangzhou in September 2016, China highlighted the issue of green financing.

The future growth prospect and reorientation of growth pattern within China will shape the development path of its partners to a large extent. Despite challenges, there will be newer opportunities for developing countries which are directly linked with Chinese prosperity. As a long term economic partner, Bangladesh will have to prepare itself to benefit from this opportunity.

The writer is Research Director at the Centre for Policy Dialogue.

## Expanding the Bangladesh-China trade frontier

DR MAHFUZ KABIR

CHINESE President Xi Jinping will be visiting Dhaka for an official visit on October 15, 2016. This is happening three decades after Chinese President Li Xiannian visited Bangladesh in March 1986. This high-profile visit has already triggered considerable optimism in all quarters due to the fact that China is the biggest trade partner and one of the most trusted friends of Bangladesh since formal diplomatic relations were established in mid-1970s. Both the countries are ready with a number of agreements worth billions, covering trade, investment and developmental cooperation, to sign during President Xi Jinping's visit.

Bangladesh-China bilateral trade has been increasing significantly over the years, both in terms of absolute amount and percentage change among Bangladesh's top trade partners. As per the statistics of Export Promotion Bureau of Bangladesh, the country's total merchandised export to China was USD 808.14 million in the year 2015-16, which was only USD 319.66 million in 2010-11. Thus, Bangladesh's export to China grew at an annual average of 30 percent in the last five years. Nevertheless, the recent export growth has been quite slow, only 6 and 2.2 percent in 2014-15 and 2015-16,

*Despite positive developments in bilateral trade, there are certain gray areas and constraining factors disfavoursing Bangladesh in optimising mutual gains from trade.*

respectively. The share of exports to China was merely 2.4 percent of the total export in the immediate past fiscal year.

On the other hand, merchandised imports from China have been the highest for quite some time. The extrapolated data of Bangladesh Bank shows that import from China was worth about USD 9.8 billion in 2015-16, which was USD 5.9 billion in 2010-11. However, the growth of import was considerably lower than export during this period, on average 13 percent per annum. Conversely, the share of imports of China is growing quite well; from 20.7 percent in 2013-14, it has become about 24.1 percent of the total merchandised imports from the country in 2015-16 as per Bangladesh Bank data. Together, Bangladesh's trade with China is now about 26.5 percent of its total trade



Bangladesh Prime Minister Sheikh Hasina with Chinese President Xi Jinping.

PHOTO: AFP

with the world, which is the highest with a rising trend. If this rate prevails, the total bilateral trade would be USD18 billion in 2021, when the country would celebrate its 50th anniversary.

Bangladesh mainly imports raw materials for its textiles and clothing from China, such as cotton, yarn, fabrics, staple fibers and accessories for its readymade garments (RMG) industry, which is nearly 35 percent of total imports. The latest data of Bangladesh Bank reveals that the country imported cotton, cotton yarn/thread and cotton fabrics (19.6 percent); man-made staple fibres and knitted or crocheted fabrics (10.1 percent); man-made filaments, strip and the like of manmade textile materials (3.8 percent); and other fabrics and apparel accessories (2.8 percent). The other notable import items are boilers, machinery, mechanical appliances and their parts (16.4 percent); electrical machinery and equipment and parts (12.2 percent); and fertiliser, plastic, chemicals, and iron and steel (13.1 percent). The country also imports some food items from China.

On the export side, the top five items constituted about 80 percent of total exports in 2015-16, of which 42.2 percent is woven and knit garments as per the double-digit harmonised code. The main items are woven garments (24.5 percent), leather products and travel items (17.9 percent), knitwear (17.8 percent), paper yarn and woven fabric (12.6 percent), and raw leather (6.5 percent). Fish and

footwear are also getting prominence (8.5 percent) in the export basket. Thus, a complementarity is evident in the export and import items, which is believed to create synergy especially in Bangladesh's export-oriented RMG industry. Bangladesh is basically sourcing raw materials and machinery for its textiles and clothing sector.

Despite these positive developments in bilateral trade, there are certain gray areas and constraining factors disfavoursing Bangladesh in optimising mutual gains from trade. The first and foremost is very high amount of negative trade balance of Bangladesh, which is currently 85 percent of total bilateral trade. It is mainly due to low export value and its very slow growth in recent years. A slightly encouraging fact is that relative trade deficit has been on the decline — it was 90 percent of total bilateral trade in 2010-11. The declining ratio of trade deficit is perhaps due to duty-free access of around 5,000 Bangladesh items to the Chinese market under the Asia Pacific Trade Agreement (APTA). Bangladesh, however, needs zero-tariff access of 99 percent items, including RMG products. If China grants this concession, it would significantly help reduce gigantic trade deficit, and bilateral trade would be much larger in the foreseeable future.

Further strengthening of value chain is imperative to benefit the textiles and clothing sector of Bangladesh. China is a cheap source of raw materials, which is being utilised to maintain trade

surplus with the European and North American countries. Cost of importing garment inputs from China could be reduced in two ways: reducing time of clearance in sea ports by improving capacity of Chittagong port and extending Chinese production base of non-cotton RMG inputs by constructing relevant factories in Bangladesh. Though the earlier option is immediately required, the latter would help China's costly and declining industries to locate a gainful place and strengthen the bilateral value chain.

Finally, Chinese involvement in Bangladesh's two special economic zones (SEZs) and establishing a dedicated export processing zone (EPZ) for China would help boost bilateral trade and increase Bangladesh's exports to the global market. Even though the SEZ Authority is on the fast track in offering China's desired SEZs in Chittagong and Mongla, the sites have been far from ready in the last two years. There will also likely be complications in constructing EPZ as can be inferred from the experience of the Korean EPZ. Therefore, both parties should come together to assess the ground reality and expedite the process to operationalise the SEZ. The joint communiqué of Prime Minister Sheikh Hasina and President Xi Jinping should cover these issues.

The writer is Acting Research Director at Bangladesh Institute of International and Strategic Studies (BISS). E-mail: mahfuzkabir@yahoo.com.