TAPPING INTO CHINA'S INDUSTRIAL RELOCATION

A golden opportunity for Bangladesh?

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Over the last four decades, China has established itself as the leading hub for manufacturing on a global scale. In the late 1970s and early 1980s, the implementation of economic reforms under Deng Xiaoping facilitated the entry of foreign direct investment (FDI) in China's economy, prompting numerous companies to shift their manufacturing operations to the country. Nonetheless, the persistent difficulties faced by the world's second largest economy, including geopolitical tensions with the United States, environmental regulations and overcapacity in manufacturing have led China to relocate various industries to friendly nations in Southeast Asia, South Asia and Central Asia. It's pertinent to analyse China's industrial relocation and how Bangladesh can benefit from it.

Why are Chinese industries relocating?

First, China is undergoing a significant transformation, influenced by a variety of economic, geopolitical, environmental and policy issues. This transition is driving Chinese companies, especially in low-end manufacturing, to explore alternative regions that provide improved market access with greater outputs. China has been experiencing an upsurge in production wages and production costs in recent times, which has led to a decline in the cost competitiveness, once considered to be the strength of Chinese economy. Furthermore, stringent environmental regulations have led to a shift in compliance expenses that's influencing rendering domestic industry to other regions. Last year, Chinese Premier Li Qiang outlined the yearly economic growth target of five percent during his inaugural working report at the National People's Congress. He emphasised the need for a significant advancement through the acceleration of industry modernisation and the "development of new quality productive forces." The approach that Li Qiang spoke of entails a systematic transition towards high-end, smart and clean manufacturing sectors, with a strategic relocation of several domestic industries to emerging economies in their geographical proximity. In the context of emerging economies, Bangladesh presents itself as a suitable region for attracting these shifting industries.

Additionally, the ongoing tensions in US-China trade and broader decoupling trends are prompting Chinese firms to adopt a "China Plus One" strategy aimed at diversifying their production bases to mitigate geopolitical risks. Southeast and South Asia have emerged as significant relocation centres in response to rising tariffs and intensified trade barriers between China and Western countries. Chinese firms recognise that the developing nations in South and Southeast Asia possess adaptable tariff regulations when engaging with the US and Western markets. In the same scenario, Chinese FDI in Mexico reached a 13-year high in 2023, with capital expenditure surging to $5.6 billion, up significantly from $267 million in 2018. This "near-shoring" move was intended to exploit benefits of exporting goods to the US produced in Mexico under the USMCA agreement.

Moreover, in the context of China's recent five-year plans, it is evident that the country is strategically shifting its focus from its previous role as the "world's factory," which was characterised by the production of low-cost, low-tech goods supported by competitive labour costs and supply chain efficiencies. China's new industrial policy of "Made in China 2025" aims to enhance the manufacturing capabilities of Chinese industries, transitioning from labour-intensive operations to a more technology-driven, sophisticated industrial hub. The focus on high-tech productive forces, including electric vehicles (EVs), artificial intelligence (AI), and cutting-edge semiconductors, is expediting the relocation as well.

Bangladesh as a potential destination

Bangladesh has always been a viable destination for Chinese firms as it offers some significant benefits that Chinese companies enjoy at home. Till date, Bangladesh can offer the most competitive wages compared to other viable destinations in the region. The average monthly wage of an industrial worker still remains below $150 that makes it lucrative for manufacturing industries. Additionally, the young labour force in Bangladesh presents a significant long-term benefit for industrial production. The country boasts a demographic dividend where more than 65 percent of its population is under 35 years old. Moreover, the geographical location of Bangladesh in the crossroad of the Indo-Pacific region makes it a suitable transportation and logistical hub for international shipping of produced goods. As of present circumstances, Bangladesh can offer duty-free access to European markets as well with zero tariffs on EBA (Everything but Arms) scheme and curtailed tariffs on goods exported to the US, Japan, Australia and other countries. Bangladesh also offers dedicated Export Processing Zones (EPZs) and Special Economic Zones (SEZs) for attracting FDI, especially in the coastal region.

PHOTO: CA OFFICE

Chinese Foreign Minister Wang Yi tells Chief Adviser Prof Muhammad Yunus that China wants to invest in the production of solar panels in Bangladesh, on September 25, 2024.

Chinese industries relocating matter for Bangladesh

The Bangladesh Economic Zones Authority (BEZA) has established a structured timeline aimed at operationalising five economic zones within the next two years, out of a total of 100 proposed zones all over Bangladesh. These zones are vital for attracting FDI from Chinese firms aiming to relocate their operations. It is noteworthy that China holds the second position after Bangladesh; 108 companies have invested in EPZs. According to data from the Bangladesh Bank, FDI inflows reached $1.46 billion in FY2023-24, with $424 million of this total attributed to investments in the export processing zones. Ashraful Kabir, who serves as a member for investment promotion at BEZA, highlighted that in addition to RMG products and accessories, 48 percent of the products manufactured in the EPZs have now diversified into other categories. He noted that decreasing dependency on RMG production allows the EPZs to enhance Bangladesh's economic stability by promoting product diversification and expanding export opportunities. Chinese firms invested $283 million in FY2023-24, and China is the third largest FDI source for Bangladesh that stands with $1.56 billion in total as of June 2024.

It is worth noting that the growth in the manufacturing sector has been sluggish compared to the service sector. In 2013, the number of economic units of the industrial sector was 9.2 million, which increased to 1.04 million in 2024. The growth rate has increased by 15.38 percent in a decade. The slow rate of pace in Bangladesh's economy does not end here; the number of unemployed people in the country has increased to 2.66 million, according to the Bangladesh Bureau of Statistics (BBS) for the period of July-September 2024. Bangladesh must feel the urge to attract Chinese industries to invest and increase FDI to overcome this stagnation. The head of the Chinese Communist Party's (CCP) International Department, Liu Jianchau, said to Bangladesh Foreign Affairs Adviser M Touhid Hossain during his recent visit that China is thinking of relocating its industries and they are considering Bangladesh as an option. They also think that exporting the manufactured goods to other countries from Bangladesh and the matter of incentives in exports will be beneficial to China.

Challenges ahead

However, the existing infrastructure presents significant challenges with shortage of energy and port delays contributing to increased expenses and diminished investor trust. The government has initiated large-scale EEZs; however, the pace of project implementation is not satisfactory. It is an undeniable fact that Bangladesh has administrative inefficiency and bureaucratic complexities in attracting foreign investment, which introduces an additional layer of complexity. Policy reforms are needed now to attract Chinese investment despite advantages. Tax concessions, tax holiday, and ease of doing business should be prioritised to attract relocating industries. Bangladesh has a shortage of skilled labour force to propel newly relocated industries. It will continue to be a significant area of concern if no comprehensive action plan from the government is taken.

Foreign investors endure significant challenges in Bangladesh due to intricate, often bureaucratic, approval procedures from various government agencies that must be fixed to harness relocating Chinese industries. Regional competitors like Vietnam and Indonesia have already streamlined their investment frameworks to facilitate the relocation of Chinese industries. Should Bangladesh not implement necessary reforms to its regulatory framework and expedite investment processes, it may face significant challenges in maintaining its competitive edge in international trade.

What to expect from Netanyahu's visit with Trump

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Since Donald Trump returned to the White House for a second term, global, regional and domestic changes have been accelerating at an unprecedented pace. Trump's inaugural speech and his deluge of executive orders exemplify a nationalist rhetoric, which includes barring student visas of those who participated in "pro-Palestinian" protests that shook the country last year. He heralded "a golden age," in his inaugural address, and his policies have put Washington—and the rest of the world—on notice that Trump is determined to turn his campaign promises into reality. His promises come with a liking of openly self-serving agendas. Nowhere is this more evident than in his administration's approach towards the Middle East, which is defined by a complete bias for Israeli expansionism at the expense of Palestinians. The policy not only disregards Palestinian rights but also strengthens Israeli hegemony, offering illusions through hardline figures such as Massad Boulos and Steve Witkoff. Under Trump's first administration, the US showed no interest in supporting the establishment of an independent Palestinian state, further exacerbating Palestinian suffering and pushing towards the dissolution of the cause. This time, evidently, will be no different. Israeli Prime Minister Benjamin Netanyahu's visit and upcoming discussions with Trump raises questions, and mostly concerns, about what lies ahead. The ceasefire is currently in a fragile state, held in the Gaza Strip with the next stage of negotiations expected to enter the second phase that includes a more permanent end to the conflict.

Netanyahu, the first foreign leader to meet Trump at the White House, will undoubtedly try to preserve a dynamic where there would be absolutely no threats to his position as the Prime Minister of Israel, and he would ensure there are no checks and balance for his government—given those members are "loyal" to him. It is the same dynamic that resulted in the Abraham Accords. In this context, it is important to remember that Netanyahu's decision in Israel has not been in the interest of the Israeli public, majority of whom do not approve of him. He dragged the war on for political gains, and got rid of anyone who objected to his decisions, in order to serve his personal interests, starting with the opposition duo Benny Gantz and Gadi Eisenkot, then Defence Minister Yoav Gallant, and finally the chief of staff who was replaced by Netanyahu's most loyal commander.

He closed the gaps that disturbed him and confused his absolute rule under the pretext of achieving absolute victory. When speaking to Trump, Netanyahu's logic that "I am Israel" will inarguably dominate. His expansionist aims will be presented, days after Trump has offered—and been rejected—to relocate Palestinians from Gaza to Egypt and Jordan.

Netanyahu's equation with Trump in his first term doubled Israel's dependency on US financial, armed and political wars, and will remain a constant threat to the Middle East, a region whose map both leaders want to change, and the region where they presume authority to throw around citizens and people across borders.

False promises and intermediary characters

Massad Boulos, a billionaire of Lebanese origin and the father-in-law of Tiffany Trump, played a role in crafting deceptive assurances to the Palestinians, suggesting there was a real opportunity for political relief under the Trump administration. These promises follow a long-standing US pattern of selling illusions to Palestinians, offering grand economic or political solutions without any substantive commitments.

Similarly, Steve Witkoff, US billionaire real estate investor and Trump's Middle East envoy, sought to position himself as a mediator, even reportedly visiting Gaza. However, these gestures will only remain as mere theatrics that fall in line with the administration's broader policies that actively reinforce Israeli occupation, settlement expansion, and annexation projects.

Israeli hegemony as a pillar of US strategy

The US-Israel alliance is deeply rooted in strategic interests, making the idea of an independent Palestinian state fundamentally at odds with Washington's long-term vision of "peace" in the Middle East. Israel serves as the linchpin of US influence in the region, and as such, Trump's policies, including his support for Israeli settlements, the relocation of the US embassy to Jerusalem, and the recognition of Jerusalem as Israel's unified capital confirm that Washington sees the continuation of Israeli hegemony as a long-term strategic goal.

In the same vein, the Trump administration brokered a truce between Hezbollah and Israel that pushed the deadline for the complete withdrawal of the Israeli occupation forces from Lebanon, further extending Israel's military presence in the country. Trump has completely sidelined Jordan from his strategic calculations, seeking to impose an economic blockade to pressure Amman into aligning with his regional agenda, most notably, by forcing Jordan to absorb Palestinians from Gaza. That is a revival of a proposal that Jordan rejected during Trump's first term, which is now being pushed again through economic coercion, including threats to cut aid.

At the same time, US officials such as Ambassador Mike Huckabee and the US ambassador to the UN have openly championed Israel's "biblical right" to the West Bank. Huckabee, a hardline Anglican, refuses to call the Israeli communities in the West Bank "settlements." The US ambassador to the UN has echoed similar sentiments, reflecting the depth of the indoctrinated anti-Palestinian beliefs in US decision-making.

Palestinians transport aid supplies on an animal-drawn cart, amid a ceasefire between Hamas and Israel, in Gaza City on February 3, 2025.

PHOTO: REUTERS

Trump's policies and his supporters

Trump's support for Israel cannot be separated from his electoral base, which largely consists of Zionists and Evangelical Christians. These groups see support for Israel as a religious and ideological duty. For them, the "Greater Land of Israel" is part of their faith. The usage of religion to occupy land, unfairly, played a major role in pushing the Trump administration to adopt policies that serve the entire Israeli occupation project at the expense of Palestinian human rights.

Since assuming office, Trump has lifted sanctions on Israeli settlers, removed bans on bomb shipments to Israel, and endorsed proposals advocating for the forced transfer of Palestinians under the guise of "evacuating areas."

If we look at Trump's policies realistically, it is clear that his administration is interested in pushing for Israeli hegemony,

Trump's transactionalism

Trump approaches international issues, including the Palestinian cause, through the lens of transactionalism. Rather than addressing the political roots of conflicts or seeking justice, he perceives the region as an opportunity for economic profit. His statements referring to Gaza as a "fantastic place" exemplify his reductionist perspective, trivialising the unimaginable suffering of the Palestinians in Gaza for the past year and a half. Similar to Netanyahu, Trump has also reduced the Palestinians' struggle to a mere commercial project and their land to a profit-making machine. These policies, coated in political hypocrisy, only deepen the suffering of the Palestinian people.

Given this stark reality, it is imperative that we Palestinians, and Palestinian supporters around the world, unite according to a clear strategic vision and work to realign internal political and diplomatic priorities to confront the growing challenges. As the ceasefire in Gaza hangs in the air, the Israeli military, for its part, has shifted its focus over the past two weeks to the West Bank, carrying out airstrikes and blowing up 23 buildings in Jenin on Sunday. If Trump and Netanyahu work to foster the problematic US-Israeli equation that has underlined the conflict with Palestine, the Middle East will only plunge into further unrest. The only hope lies in Trump's economic interests with the Arab states and gulf nations overriding his penchant for far-right nationalists like Netanyahu. The coming days will reveal the future of Gaza in the short-term at least, but that itself is the issue: the future of the besieged strip lies in the hands of two men who, above all, care mostly about themselves.