

Bangladesh-China Economic Relations, 1975-2000: An Overview

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ABSTRACT

Bangladesh and China have been passing through the sweetest time of their relationship. They are enjoying boosting trade, investment, cooperation in project and partnership. Measuring their importance to each other, both of them have taken numerous initiatives to further their engagement. But the situation was not as same at the beginning of their relationship as it is today. To achieve this success, both sides had to make a lot of efforts for mutual benefit and at the same time had to overlook as well as sacrifice a lot of things that could have created complexities in Bangladesh-China economic relations and could be fatal for economic benefit. But Bangladesh and China have successfully overcome all those things and have established a trustworthy relation. The paper basically discusses how Bangladesh and China have overcome the initial complexities in their relationship and established a strong economic bonding between them which have gradually helped develop their economy in a balanced way.

Key words: Bangladesh, China, Economic, Initial, Regime.

Introduction

At present Bangladesh-China economic relations have reached to a new height. In order to achieve this level, both countries had to go a long way. By this time several steps were taken by these two countries to strengthen their economic cooperation and friendship. The paper explores the history of economic relationship between Bangladesh and China since the very initial stage of their relationship. It widely covers the gradual evolution of economic relationship of these two countries under various regimes of the post-independent Bangladesh. An attempt has been made in this paper to point out the major developments in different sectors of economy. It also highlights the major steps taken by both countries to ensure strong and friendly relations. The paper also narrates how the initial steps of these two countries have given a basis for a trustworthy relation between them later and become favorable for both.

Though Bangladesh-China relations started after the independence of Bangladesh, its root can be traced back long before. There was a rapport between Chinese leaders and the then Bengali leaders. Bengali leader of Pakistan

Mohammad Jahirul Quiyum

Mohammad Ali Bogra and Hussain Shaheed Suhrawardy had excellent bond with Chinese Premier Zhou Enlai. A major leader of national independence and unity, the founder of Awami League, and later on of National Awami Party (NAP), Maulana Abdul Hamid Khan Bhasani, also maintained an extraordinarily good knot with the Communist Party of China (Foysal, 2014, p. 71). The founder of the first diplomatic ties with China was Hussain Shaheed Suhrawardy, the then Prime Minister of Pakistan (Mannan, 2004, p. 120). After that Bangladesh (the then East Pakistan)-China relation moved ahead with a number of state visits of country representatives. Chinese Premier Zhou Enlai paid visit to Pakistan in 1956 and then Bangabandhu Sheikh Mujibur Rahman made an official visit to China in 1957 (Uddin, 2011, p. 8). These historical background helped Bangladesh build a formal relationship with China after independence. After the War of Liberation of Bangladesh, on October 4, 1975, Peoples Republic of China (PRC) officially recognized Bangladesh. Soon after the recognition of China, Bangladesh tried hard to strengthen the relationship with China. According to Sreeradha Datta “the determination of China to strictly follow non-interference in the domestic affairs of Bangladesh resulted in bipartisan support for a closer relationship with Beijing” (Uddin, 2011, p. 2). Bangladesh developed this relationship considerably through different economic agreements, trade policies, and joint economic commission and with gradual expansion of cooperation in different fields. Resultantly, Bangladesh-China relationship has grown thoroughly and smoothly.

Bangladesh-China relationship during the Mujib era, 1971-1975

As Sheikh Mujibur Rahman was a farsighted leader, long before independence, he made some efforts to build a good relationship with China. His visits to China in 1953 and in 1957 were a part of these efforts. In almost all cases, a newly independent country, like Bangladesh, goes through financial difficulty and Bangladesh was no exception to that. It was not possible for Bangladesh to build its war-ravaged economy without external assistance. The Mujib government was concerned about and aware of this reality. To overcome the situation, Sheikh Mujibur Rahman made several diplomatic efforts to secure recognition, closer relationship, and assistance from China as an important power in Asia (Nasrin, 2011, p. 43). Bangladesh was longing for setting up diplomatic ties with the Asian giant but China didn't respond. Moreover, China vetoed against Bangladesh's bid for the membership of the United Nations.

After 1972, Bangladesh took a strategy to come closer to China, reduce the gap and build cooperative relationship with China. For this purpose, Bangladesh cautiously kept itself away from making critical commentary about China. Bangladesh appointed diplomat K.M Kaiser as an ambassador to Beijing who had excellent links with Chinese leaders, sent delegates to do business and to establish an economic link through trade, investment, assistance, etc. After making a lot of efforts, China gave an optimistic hints for warming the relations and moved away from her previous anti-Bangladesh stance (Foysal, 2014, p. 74). During this time,

Bangladesh-China Economic Relations, 1975-2000: An Overview

Bangladesh and China had no diplomatic-political link and, consequently, there was no possibility for direct trade for which most of the deals were carried out through the third country. Unofficial delegation was sent to China to participate in trade fairs to explore possibilities for the expansion of commercial ties. That was also a way to maintain connectivity with China (Mannan, 2004, p. 12). Besides, state of affairs between Bangladesh and China was limited in high-level official visits. In October 1974, at the time of natural disaster, many people became homeless and were passing through an inhumane life. China extended its helping hand at that time. Chinese Red Cross Society sent 5,000 tons of wheat, 40,000 cotton blankets, and other warm clothes along with 2, 00,000 Yuan to help the flood victims (Nag, 2012, p. 64). A year later, Bangladesh participated in the Canton Trade Fair on an invitation from China and the agencies of both governments signed four contracts. On the 28th of April 1974, Bangladesh, Pakistan, and China signed a tripartite agreement (Nasrin, 2011, p. 43). Chinese perception of Bangladesh took a new direction with the recognition of Pakistan and both countries settled to send back the Pakistani prisoners of war through mutual accord (Haider, 1991, p. 75). Later, China stayed away from using her veto power and Bangladesh became a member of the United Nation approved by Security Council in 1974. China also helped Bangladesh to join the World Health Organization (Foyosal, 2014, p. 74). Since that time Bangladesh-China relationship has moved ahead smoothly. At that time Bangladesh asked China to purchase jute and jute goods from Bangladesh. According to the estimation, probable informal trade between the two countries was around US\$ 30,000 (Nasrin, 2011, p. 43).

During that period, China diversified her purchase of key commodities or raw materials like raw jute, jute goods, jute yarn, leather, shrimp, frozen fish, textile fabrics, leather goods, tobacco, fertilizer, tea, etc. which helped Bangladesh to export new products to raise its export market. China was also interested in the non-traditional items. On the other hand, Bangladesh's key import products from China were electrical machinery, medicines, chemical products, coal, light industrial products, road-building equipment, scientific and medical equipment, textile, etc. The majority of the dealings were done by Barter/exchange transactions (Nasrin, 2011, p. 46). Bangladesh, at that time, was slowly moving toward a one party presidential form owing to several troubles created by opposition. To create a positive environment for Bangladesh-China relation, Bangladesh adopted a foreign policy based on close political and economic relations. To ensure this, they focused on import-substituting industrialization (ISI) and on the agricultural sector (Gurung, 2015, p. 37). However, in the post-1975 regimes' relationship with China in the economic field developed positively and China began to come into sight as an assistance contributor as well as a business collaborator. In addition to politico-strategic factors, Bangladesh was more and more pulled by Chinese economic support which was measured as exceedingly significant to the desires of emerging countries.

Bangladesh-China relationship during Zia regime, 1975-1981

After the rise of Ziaur Rahman to power in November 1975, relations between Bangladesh and China began to flourish. He liberalized economy and took the strategy to drop ceiling on investment and promote foreign direct investment, reduced tariffs and offered incentive packages for the emergence of ready-made garments (RMG) sector (Gurung, 2015, p. 37). The foundation of the Bangladesh-China economic cooperation was laid with the first official visit of the then President Ziaur Rahman from 02 to 06 January 1977 (Peking Review, 1977, p. 4). According to the then Chinese Vice President, Li Xiannian, China and Bangladesh had profound traditional friendship for more than a thousand years (The Bangladesh Times, 1977, January 3). He termed the visit of President Ziaur Rahman as a new contribution to the development of friendly relations between these two Countries. This trip was pretty much imperative for Bangladesh from multiple perspectives and opened a new chapter in the field of international relations. For Bangladesh, which was a newly independent country and was facing complexity due to its domestic insurgencies and natural catastrophe, this visit eased a way out for Bangladesh by getting help, aid, and assistance to soothe its war-ravaged economy. Another important thing is that, through this visit, Bangladesh got a chance to play the “China Card” in opposition to her giant neighbor India to keep it away from its “Big Brotherly” attitude (Nag, 2012, p. 66). Chinese Vice President Li Xiannian visited Bangladesh in March 1978 and said that the friendship and cooperation between Bangladesh and China will be strengthened and eternal (The Daily Ittefaq, 1978, March 22). Bangladesh and China signed an Economic and Technical agreement under which China facilitated US\$ 58.3 million or BDT 580 million interest-free loans payable over 10 years (Haider, 1991, pp. 76-77). Analysts also thought that Bangladesh-China friendly Economic tie was a significant development for mutual cooperation as it was supposed to bring positive results and great success (The Bangladesh Times, 1977, January 4). China also agreed to give technical assistance and signed Agreement on Cooperation in Defense, Economy, Science and Technology. It also extended technical support in the field of Science and Technology and helped Bangladesh for considerably better trade relation (Gurung, 2015, p. 38). China also widely increased its assistance to reconstruct the infrastructure of Bangladesh. Another long-term trade Agreement (LTTA) was also signed in March 1980 for the period of 1989-'90 which replaced the previous Trade and Payment Agreement (TPA) of 1977. Under this agreement, China agreed to provide US\$ 250 million each year for the exchange of goods (Mannan, 2004, p. 122). Ziaur Rahman, in exchange, tried to link up China with the Muslim World. He visited China once again in 1980. He succeeded in winning several agreements with the Chinese authorities in the fields of trade, defense, and economic cooperation. On contrary, Bangladesh committed herself to “one China” policy. At that time, the two governments signed the Agreement of Aviation Transportation for enhancing trade relations between Bangladesh and China. The principal export products from Bangladesh to China at

Bangladesh-China Economic Relations, 1975-2000: An Overview

that time were Jute, Jute goods, newsprint, hides, and leather. Among others, Bangladesh used to import mechanical equipment, coal, light industrial products, steel, billets, and cement (Mannan, 2004, p. 122).

In the 1980s, Bangladesh-China relation experienced the period of expansion, deepening and prosperity. Bangladesh received infrastructure developmental projects from China like the construction of the deep-sea port in Chittagong to build a regional support base for trade and commerce. To make the project successful, both Dhaka and Beijing took cooperative steps. During this time aid disbursement was significant though it was quite dissimilar with the amount committed aid. From 1974-'75 to 1981-'82, China promised US\$ 80.125 million in aid. Bangladesh actually received US\$ 27.014 million. Then again for the period from 1982-'83 to 1989-'90, China committed to give US\$ 96.091 million of which Bangladesh actually received US\$ 79.689 million (Hossain and Selim, 2006, p. 342).

Table 1: Chinese Foreign Aid Disbursement from 1975 to 1982 (In Million US\$)

Year	Food Aid Disbursement			Non-Project Aid Disbursement			Project Aid Disbursement		
	Grant	Loan	Total	Grant	Loan	Total	Grant	Loan	Total
1975-78	1.000	2.000	3.000	1.900	-	1.900	-	-	-
1978-80	-	4.000	-	4.000	-	4.000	-	-	-
1980-81	-	-	-	-	-	-	-	8.514	8.514
1981-82	-	-	-	-	2.667	2.667	-	11.347	11.347

Source: Quazi Abdul Mannan, 2004, p. 122

Though aid disbursement by China was smaller, yet, Bangladesh-China trade relation was significant. From 1979 to 1982, Bangladesh's total imports from China was US\$ 284.52 million while overall export from Bangladesh to China was US\$ 65.98 million. Thus, balance of trade was US\$ 218.54 million for China (Ahmed, 1992, p. 277).

Table 2: Proportion of Import from and Export to China during the Zia Regime (1975-1981) in Relation to Bangladesh's Total Global Trade (In %)

Year	Import	Export
1975-76	0.85	1.15
1976-77	2.16	1.62
1977-78	2.21	3.81
1978-79	4.70	4.56
1979-80	4.55	4.31
1980-81	5.71	3.74
1981-82	3.86	3.48

Source: A. T. Salahuddin Ahmed 1992. P. 279.

Table 2 above indicates that in the immediate aftermath of independence, the export-import ratio was very low but eventually the export-import flow was augmented though export was relatively lower than import (Ahmed, 1992, p. 277). For the duration of that time, the chief import products of Bangladesh were coal, cement, liquid industrial products, metals, and minerals while it used to export raw jute, jute goods, leather, leather products, etc. in China (Nag, 2012, p. 68).

Bangladesh-China relationship during the Ershad regime, 1982-90

In March 1982, General Hussain Mohammad Ershad came to power through a coup. By liberalizing the domestic economy, he paved the way further for Bangladesh-China economic relation. He visited China five times during his rule and, in exchange, Chinese President Li Xianian also paid official visits to Bangladesh in 1982 and in 1986 and Premier Li Peng visited Bangladesh in November 1989 (Mannan, 2004, p. 124). Bangladesh-China relationship was intensified through these visits in the 1980s. These visits were noteworthy for the fastest and strongest financial collaboration between Bangladesh and China. In 1983, Bangladesh and China set up a Joint Economic Commission (JEC) to coordinate cooperation in economic, scientific and technical sectors between the two countries. The Commission (JEC) played a significant role in identifying potentials for mutual cooperation, implementation of different projects, and looking after the performance of linked protocols and reviewed protocols (Hossain and Selim, 2006, pp. 340-341). To augment the economic cooperation, in 1982,

Bangladesh-China Economic Relations, 1975-2000: An Overview

Prime Minister Zhao Ziyang declared, “We are highly satisfied with the development of friendly relations between the two countries and are determined to continue with our intensive and fruitful cooperation in the fields of economy, trade, technology, and culture (Khan, Holiday, 1982, December 4). Moreover, China had agreed to substantially help development efforts of Bangladesh and promised to make joint investment with the private sector of Bangladesh for setting up sixteen industries and also to give suppliers’ credit and technical assistance for these (Holiday, 1985, July 12). China further agreed to finance the construction of a bridge over the river Buriganga and proposed to construct Jamuna Bridge at Shambhu Ganj in Mymensingh. In 1985, both countries extended well-built trade dealings and settled to attain frequent benefit through joint trade. Bangladesh and China signed an Agreement on Mutual Exemption of Visas for enhancing cordial trade relations. Another Agreement on Trade was signed in 1989 during the goodwill visit of Chinese Premier Li Peng in late 1989 on the after the Tiananmen Square. (Beijing Review, 1989, November 20-26).

Numerous projects in Bangladesh were funded through Chinese government money during this time such as Urea Fertilizer Factory, Ruggong North Water Conservatory Project, Bangladesh-China Friendship Bridge, Sundarban Cotton Textile Mills, and the Thermal Power Plant in Chittagong. In the private sector, some of the China-Bangladesh joint venture projects included the Bangladesh Iron and Steel Products Ltd, the China Fulgidh Shah Wood Pencil Factory, the Bangladesh-China Sheet Glass Industry Ltd., the Cock Brand Mosquito Coil Co. Ltd., the Magura Paper Mills, and the Eastern Pulp and Paper Mills (Hossain and Selim, 2006, p. 342). Of all these projects, Bangladesh-China Friendship Bridge was the largest where BDT 1080.00 million was funded by China (Mannan, 2004, p. 124). The entire tenure of General Ershad had witnessed a vigorous increase in the size of trade between Bangladesh and China and China became an important trade partner of Bangladesh.

Table 3 Major Trading Partners of Bangladesh, Fiscal Year 1986

Country	Exports (In Million TK)	Imports (In Million TK)	Total (In Million TK)	Percentage of Total Trade
Belgium	1,015	347	1362	1.5
Britain	1569	2360	3929	4.3
Canada	453	2260	2713	3.0
China	747	2370	3117	3.5
India	76	3038	3114	3.4
Iran	959	1078	2037	2.2
Italy	1488	336	1824	2.0
Japan	1946	8233	10179	11.3
Malaysia	99	1277	1376	1.5

Mohammad Jahirul Quiyum

Netherlands	477	1106	1583	1.8
Pakistan	1464	2045	3509	3.9
Saudi Arabia	190	1716	1906	2.1
Singapore	1272	9071	10343	11.5
South Korea	235	3700	3935	4.4
United Arab Emirates	195	3222	3417	3.8
United States	6862	5088	11950	13.2
West Germany	716	2623	3339	3.7
Other	7633	13059	20692	22.9
Total	27396	62929	90325	100.0

Source: Bangladesh: A Country Study, Federal Research Division, September 1988, p. 360.

Table 4 Import from and Export to China from 1983-'84 to 1988-'89 (In Million BDT)

Year	Imports Under Cash & Barter	Imports Under Loans & Grants	Total Imports	Total Exports	Balance
1983-84	1687.70	446.00	2133.7	313.4	(-)180.3
1984-85	2077.90	256.1	2334.4	230.8	(-) 2103.2
1985-86	2155.65	-	2155.65	727.10	(-) 1428.55
1986-87	1912.85	-	1912.85	527.54	(-) 1357.31
1987-88	2555.58	-	2555.58	701.69	(-)1853.80
1988-89	2700.86	-	2700.86	871.56	(-) 1829.27
	13090.54	702.10	13792.64	3382.12	(-) 10410.52

Source: Jaglul Haider, 1991, p. 80

From 1983 to 1991, Bangladeshi imported from China the good worth BDT 13792.64 million taka while export was worth BDT 3382.12 million (Haider, 1991, p. 80). As the balance of trade had always been an uncomfortable experience for Bangladesh, so, both countries have always tried hard to reduce the gap. During this period, six barter protocols were signed which resulted in a large portion of trade being conducted in barter terms (Mannan, 2004, p. 124). Throughout the Ershad regime, China disbursed a huge amount of aid in different sectors. China committed to giving US\$ 96.091 million as foreign aid during 1982-'90 but the actual disbursement was US\$ 79.689 million of which the majority of the aid was on foodstuff, commodity and project assistance (Ahmed,

Bangladesh-China Economic Relations, 1975-2000: An Overview

1992, p. 286). The Table 5 below indicates the total Chinese aid disbursement during this period.

Table 5 Chinese Foreign Aid Disbursement, 1982-1987 (In Million US\$)

Year	Disbursement of Non-Project Aid			Disbursement of Project Aid		
	Grant	Loan	Total	Grant	Loan	Total
1982-83	-	2.862	2.862	-	16.010	16.010
1983-84	-	3.771	3.771	-	19.040	19.040
1984-85	-	-	3.627	-	6.238	6.238
1985-86	3.627	-	-	-	1.539	1.539
1986-87	0.537	-	0.537	34.258	-	34.258

Source: Quazi Abdul Mannan, 2004, p. 125

Here, the total disbursement ratio compared to the total commitment is 82.93 percent while the total ratio of disbursement of commodity and project aid was respectively 42.53 and 84.86 percent respectively (Ahmed, 1922, p. 287).

Bangladesh-China economic relations, 1991-2000

Bangladesh and China have developed wide-ranging mutual cooperation in the 1990s. The post-1990 period is an innovative period for the history of economic relations, especially, in trade between Bangladesh and China. China intended to make broader economic cooperation after the Cold War to expand its economic diplomacy. For this, China was looking for a peaceful peripheral atmosphere. Moreover, strategically, China wished to have a multi-polar world order which would have expanded its economic connectivity with South Asian countries and Bangladesh. As a south Asian country, Bangladesh considers China as a huge potential marketplace (Nag, 2012, p. 108). So, to reinforce mutual collaboration, official visits by the representatives of Bangladesh and China played an important role. A number of agreements, MoUs, and deals were signed as a result of these visits. Numerous political visits indicate eagerness for vigorous dealings between the two countries.

After 1990, a huge political change took place in Bangladesh. During that time President Yang Shangkun hoped that the two countries will continue with their close co-operation on the basis of mutual respect, equality and mutual benefit

Mohammad Jahirul Quiyum

(Beijing Review, 1991, July 1-7, p.6). As a result of these, the relationship between Bangladesh and China moved to a new stage. Bangladesh initiated wide-ranging trade reforms in the early 1990s that included considerable reduction of tariffs, elimination of quantitative margins. Bangladesh also moved to an integrated and liberally balanced exchange rate system to boost its export performance (Arjuman and Rahman, 2011, pp. 1-15). Bangladesh received cooperation from Chinese Government during this phase and Sino-Bangladesh relation mainly aimed at developing trade, investment, infrastructure, and connectivity. China's continuous economic ascendance and Bangladesh's economic liberalization policy in the 1990s resulted in healthier trade relations between the two countries.

Bangladesh-China relationship during Khaleda regime, 1991-1996

In 1991, Bangladesh Nationalist Party-BNP led by Khaleda Zia came to power. Throughout her tenure as Prime minister (1991-1996), she settled on for trade and industrial teamwork with China. She visited China after a few months of becoming Prime Minister in June 1991. During this visit, Chinese Premier Li Peng shared his observations on global state of affairs with her. Peng expressed his concern about world situation as it was a volatile period at that time. He focused on improving North-South relation, lessening the monetary breach and all countries' contribution to the foundation of a just and reasonable new international order (Beijing Review, 1991, July 1-7, p. 6). This visit was incredibly momentous as Chinese President Yang Shangkun expressed greater value to China's relationship with Bangladesh. He assured Bangladesh that any alteration in the global situation will not bring any modification in their bilateral relations. He also hoped for closer cooperation on the basis of mutual respect, equality and benefit (Beijing Review, 1991, July 1-7, p. 6).

Bangladesh appreciated China's warm support and Khaleda Zia expressed her heartiest appreciation for Chinese support to Bangladesh in the Hurricane of 1991. Throughout this visit, Bangladesh and China signed capital agreements for the 13th barter protocol, economic and technical cooperation and supply of 200 power tillers as gift to Bangladesh intended for further development of the future relationship between the two countries (JPRS Report 1991, August 13, p. 17). According to the barter protocol, the projected trade volume was US\$ 31 million per day. As per this protocol, main export goods from Bangladesh were jute goods, jute yarn, carpets, raw jute, crest and finished leather, tea, tobacco, urea, wires, cables and GI pipe, etc. in contrast to China's export goods such as pig iron, light industrial products, dyes and chemicals, machinery equipment and spares of power tillers and diesel engine. China also committed herself to provide with 60 million Yuan of which 50 percent as commodity and the rest as project aid. Bangladesh had to repay this loan within 10 years from 2001 to 2011 (JPRS Report 1991, August 13, p. 17). Following this visit, Begum Khaleda Zia mentioned that China was an extremely developed country with its remarkable

Bangladesh-China Economic Relations, 1975-2000: An Overview

economic and technological development. Bangladesh was able to make proper use of Chinese experience in its development activities (JPRS Report 1991, August 13, p. 18). According to the Asian Development Bank Report 1991, China which was moving ahead for a continuous and steady upward development and maintained a GDP of 4 percent, 5 percent, and 5.7 percent in 1989, 1990, and 1991 correspondingly with expected 6 percent growth rate in 1992. Bangladesh can use Chinese experience and get advantage from it by utilizing it in different areas like flood management, population control, communications, rural development, industry, and infrastructure (JPRS Report 1991, August 13, p. 17). In order to improve Bangladesh's trade strategy with China, the Bangladesh Tariff Commission (BTC) played a vital role in 1992. The Commission recommended the government on trade associated matters, as well as to guard industrial sector encouraging competition in the production of industrial commodities along with the expansion of export-oriented industries (Gurung, 2015, p. 40). On February 26, the then Chinese Vice-Premier and Foreign Minister Qian Qichen came to Bangladesh in an official visit. During this visit, an economic and technical cooperation agreement was signed under which China assured US\$ 8.5 million interest-free loan as project assistance (Nag, 2012, p. 111).

Afterward, in 1995, Begum Khaleda Zia once again visited China. Moreover, a number of mutual visits also took place to make stronger the political and economic relation. Trade liberalization, export encouragement policy, tax reductions, duty-free and quota-free market access were the most significant policy reforms carried out by Bangladesh and China at that time. Over the years, China became the leading trade destination for Bangladesh. The table below indicates the bilateral trade during that time.

Table 6 Bangladesh-China Bilateral Trade from 1991-1995 (In Million US\$)

Year	Bangladesh's Import from China	Bangladesh's Export to China	Balance of Trade
1991	146.91	21.2	-125.71
1992	215.05	16.33	-198.72
1993	204.07	6.45	-197.6
1994	299.32	11.94	-287.38
1995	600.6	18.31	-582.29

Source: M. Kumar Nag, 2012

The trade volume of Bangladesh with China enhanced for the period. According to the World Bank estimation, Bangladesh-China trade during the second half of the 1990s GDP growth was 5.2 percent as a yearly standard. Export wages amplified progressively from 7 percent of the GDP in 1991 (Gurung, 2015, p. 40).

Bangladesh-China relationship during the regime of Sheikh Hasina, 1996-2001

In 1996 Awami League came to power and Sheikh Hasina became the Prime Minister. She tried to maintain a good relationship with all the countries. During her administration, Bangladesh made a lot of structural changes to ensure better trade performance. On 12 September 1996, Sheikh Hasina paid a six-day official visit to China on an invitation of Chinese Premier Li Peng. This visit was significant as it generated four agreements- the Chinese Grant of 30 million Yuan; 100 million Yuan Chinese soft loan for Bangladesh; agreements on encouraging and protecting each other's investment; and avoidance of double taxation. During this visit, Sheikh Hasina asked China to import more so that the trade gap could be reduced and also asked for more financial investment (Mannan, 2004, p. 126). To open new dimensions of cooperation between Bangladesh and China, the then Prime Minister Sheikh Hasina (1996-2001) tried to consolidate Dhaka-Beijing political, defense, trade, and economic relations. In response, China guaranteed all probable Chinese assistance and cooperation to attain peace, stability, and economic progress in Bangladesh. Sheikh Hasina also urged Chinese investors to invest more money on joint venture projects for common benefits of both countries (The Bangladesh Observer, 1996, September 15). During her tenure, she gave utmost importance on economic relation and cooperation with China and appreciated that Bangladesh was getting Chinese help and cooperation for various development projects. In response, Li Peng, the then Chairman of the Chinese National People's Congress had assured continued assistance and cooperation for economic development of Bangladesh.

In 1996, Bangladesh-China trade volume rose to US\$ 690 million though in 1998 it slightly declined and stood at US\$ 687 million due to the East Asia financial crisis. After that, it again started to recover (Holiday, 2002, January 11). During Sheikh Hasina's rule, particularly in 1997-'98 fiscal year, China agreed to give US\$ 24.145 million as project aid but the actual disbursement was US\$ 2.240 million. (Nasrin, 2011, p. 46) China also approved US\$ 24 million interest-free loan to build a Convention Centre in 1998 to hold the NAM summit conference in Dhaka in 2001 (Nag, 2012, p. 79). In 1997-'98, the government of Bangladesh initiated a five-year export strategy along with a supplementary five-year import strategy with the intention of gaining a constructive trade balance and steady enhancement in the foreign exchange reserve circumstances. These plans were to boost export growth to get rid of the anti-export prejudice rampant in the economy (Rahman, 2007, p. 30). Moreover, the government also modernized and cut down the tariff rates. The tariff rates were reduced considerably. The mean tariff on all products stood at 22 percent in 1999 from 114 percent in 1989 while the weighted mean tariff stood at 19 percent from 114 percent over the same period. Through these policies, Bangladesh hoped to attain a healthy export-import growth in economy (Rahman, 2007, p. 30). Yet, in 1998-'99 fiscal year Bangladesh exported merely US\$ 11.749 million worth of goods to China in contrast to its import of

Bangladesh-China Economic Relations, 1975-2000: An Overview

US\$ 538.728 million worth of good from China. Thus, Bangladesh's export to China in 1998 and 1999 stood at 0.94 and 0.20 percent respectively. The ratios of both export and import between the two countries remained less than 5 percent of Bangladesh's total global trade (Nasrin, 2011, p. 47). The chief export goods from Bangladesh to China were raw jute, leather, and frozen seafood while import goods were iron and steel products, machinery, chemicals, rubber goods, textiles, fabrics, and yarn mineral products (Holiday, 2002, January 11). On the other hand, Bangladesh and China signed the Agreement on Economic and Technical Cooperation in 1999 and this agreement was aimed at improving the economy and technology of both countries for friendship and trade development. Realizing the potential benefits of economic cooperation, both countries were trying to enhance mutual economic engagement with each other in various new promising sectors which helped to maintain a steady and strong economic relation at that time as well as in the later period.

Conclusion

Observing the history of Bangladesh-China economic relation, it is very much evident that economic cooperation between these two countries was rising rapidly since the beginning of their relationship. The initial attempts that were taken by both sides have taken Bangladesh-China relation to a new height. Bangladesh and China are now enjoying the benefits of their long lasting friendship. This fact is very much evident in the fact of the gradual development of trade, investment, projects-partnership and other economic sectors in the twenty-first century. Till 2002 China provided 1.8 billion Yuan in economic assistance including aid, interest-free loans and other forms of assistance. Moreover, 20 Chinese enterprises invested in Bangladesh and the total committed investment was over US\$ 15 million (Holiday, 2002, January 11). In 2004, Bangladesh's trade volume increased by 43.5 percent from the previous year and reached US\$ 1.96 billion. In the same year, China experienced 42.8 percent growth in exports from the previous year resulting in US\$ 1.9 billion while Bangladeshi export stood only US\$ 57.01 million with an increase of 70.7 percent (Aneja, 2006, p. 5). In 2005, for the first time, China overtook India and ranked number one as its export to Bangladesh rose to US\$ 495.5 million in 2005-2006 fiscal year while India's export to Bangladesh amounted to US\$ 416.6 million (Aneja, 2006, p. 6). But in 2002-2003 fiscal year, the picture was different. In 2002-2003 fiscal year India was the top source of Bangladesh's import and this trend continued in 2003-2004 fiscal year also. But after that China gradually overtook India and became the number one trading partner of Bangladesh (Alam, et.al. 2009, p. 27.). Not only that, China boosted its bilateral trade with Bangladesh which stood at US\$ 3.19 billion in 2006, 28.5 percent higher than the previous year (The Hindu, 2007, July 24). By 2009, China directly invested US\$ 88 million according to the capital registration of 186 Chinese enterprises while in 2010 it reached US\$ 320 million (Rahman and Uddin, 2011, p. 54). Then, in 2011 fiscal year, China again invested

Mohammad Jahirul Quiyum

US\$ 200 million. It was the third largest investor of Bangladesh after Saudi Arabia and South Korea in the year 2009-2010. The Export Promotion Bureau (EPB) estimated that in the 2010-'11 financial year Bangladesh's total export to China was US\$ 319 million while its import was worth US\$ 5918 million (The Financial Express, 2012, July 27). In Fiscal Year (FY) 2012-'13, Bangladesh's import from China was around US\$ 6500 million, whereas the country's export to China was calculated to be around US\$ 460 million (Sarkar, 2014. p. 79). Bangladesh's export to China increased more than four times and stood at US\$ 746.19 million in 2013-'14 from US\$ 178 million in 2009-'10 (Gurang, 2015, p. 45). But in the 2005-'06 fiscal year, the total export of Bangladesh to China was worth US\$ 64.35 million only and in 2015-'16 FY, it was worth US\$ 808.14 million. While we talk about all the positive impacts of Bangladesh-China economic relation, it is also true that no one should deny the threat of increasing trade deficit. Though trade between Bangladesh and China have expanded in various new areas, yet, trade deficit is increasing and it has increased more than five times in a decade. In this situation, it is a hopeful news that in the last decade, the total export to China has increased almost 13 times and import has increased around 5 times. China has invested more than US\$ 370 million in different sectors of Bangladesh during 1977-2015. It provided US\$ 105 million in aid as loans and grants from the independence to 2014-'15 fiscal year (Prothom Alo, 2016, October 14). China-Bangladesh bilateral trade volume has increased from US\$ 450 million in 2009 to US\$ 13 billion in recent years (Chang, Jugantor, 2016, October 15). It is assumed that new horizons have been unveiled in Bangladesh-China relations and it will be further widened and deeper in future. The foreign policy of Bangladesh is based primarily on security and development. As China seldom interfered in any country's internal affairs, soon after the beginning of their relationship, China became a trustworthy friend of Bangladesh. China is the world's second largest economy and one of the strongest and fastest growing powers of the world. So, strong economic and commercial relations with such a probable superpower is expected to help Bangladesh's economy sooner or later. Moreover, China has expressed its commitment to continue with its assistance and support for economic and social development of Bangladesh. So, both sides are very much hopeful about their continuous mutually beneficial involvement with each other in the coming days.

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Bangladesh-China Economic Relations, 1975-2000: An Overview

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