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RESEARCH ARTICLE

# Chinese Investment in Bangladesh

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**Conflicts of Interest**
There are no conflicts to declare.

## ABSTRACT

The COVID-19 is a global epidemic that has infected the world and killed millions of people. Apart from human expenses, the economic and societal consequences of COVID-19 are substantial for most countries on the globe. The persistence of the disease has generated worries about several economic and strategic problems that will significantly impact the world order. This article explores the potential for a global economic recession or depression. The research shows that there may be more effort in the world to minimize China's over-dependence on the global supply chain's operation and reverse globalization and restructure the industrialization strategy. It is possible to fight the rising Chinese national and global governance model against the West's ruling global order and capitalism. The essay claims that many emerging trends will focus more on China. All these developments also have management consequences. The essay follows a qualitative method that gathers and analyzes data using the grounded research technique for theory to create and explain developing short and long-term economic and strategic global challenges.

This article examines the BRI from Bangladesh's standpoint. The essay examines the geo-economic foundations of China's economic participation in Bangladesh. The purpose and motive for China's engagement in Bangladesh's economy are examined, as are the political and economic problems arising from Bangladesh's participation in the program. This study uses a qualitative method and collects data from sources. It finds that Chinese investments through BRI might benefit Bangladesh's economy in the long run if the regional and economic concerns linked with the project are appropriately addressed. It also implies that the initiative's success in South Asia, including Bangladesh, will require regional cooperation on issues like commerce and connectivity.

**Keywords**: BANGLADESH, FDI, TRADE AND INVESTMENT, ONE BELT ONE ROAD, EPIDEMIC, CHINA

## Introduction

### Bangladesh's increasing importance in South Asia

Bangladesh's economy has grown at a strong clip in recent years, and it has become a development engine in

South Asia. The South Asian country expanded at an astounding 8.4 percent in 2019, for example. Per capital income in the country increased by 9% in 2020-2021 (to an anticipated USD 2,227) and exceeded India's GDP per capital in 2020-2021 (USD 1,947) during that period (Haider 2018).

Since Bangladesh's remittance flows have exceeded expectations, the World Bank raised its GDP growth estimates for 2020-2021 to 3.6 percent. The International Monetary Fund expects a faster rate of economic growth in the South Asian nation. Global GDP is expected to rise by 6.0% in real terms in 2021 and 4.4% in 2022, according to the International Monetary Fund." As compared to Bangladesh, where their estimate is 5% in 2021 and 7% in 2022," the minister added (Kakwani 1997).

With an emphasis on social service indicators and policies that enhance Bangladesh's manufacturing sector, Bangladesh's economic success has been ascribed to this comprehensive economic strategy.

**Chinese and Bangladesh's current economic situation**

In recent years under the Chinese investment, the overall level of Bangladesh's economic development has shown a steady growth momentum, and the main economic indicators such as GDP, fiscal revenue, foreign exchange reserves, exports and foreign investment have increased. However, Bangladesh's economic development is restricted by three major problems: fierce confrontational politics, heavy dependence on foreign aid and product structure. In the next few years, in view of the relatively stable guarantee of the main sources of Bangladesh's economic income: export of textile industry, overseas remittance, agriculture, leather and new dream become from IT. Bangladesh's economic development prospect is relatively bright, and the GDP growth rate of 7% can be guaranteed. However, its economic development is still suffering from political conflict and uncertainty, imbalance in industry structure, as well as a poor recovery in terms of global economic. All in all, the economic development in Bangladesh within next 5 years can be promising, an annual GDP growth rate of 7.5% can be expected. Bangladesh just recently agreed to swap 200 million dollars worth of its currency with Sri Lanka for three months. China provided financial support to Sri Lanka in the form of a $1 billion loan and 1.5-billion-dollar currency exchange. The development of Bangladesh's economy is not the only reason for this desire to improve the country's image but also increase the economy situation day by day.

**Figure: Yearly Growth Rate of GDP at Constant Price for FY2006 to FY2016**

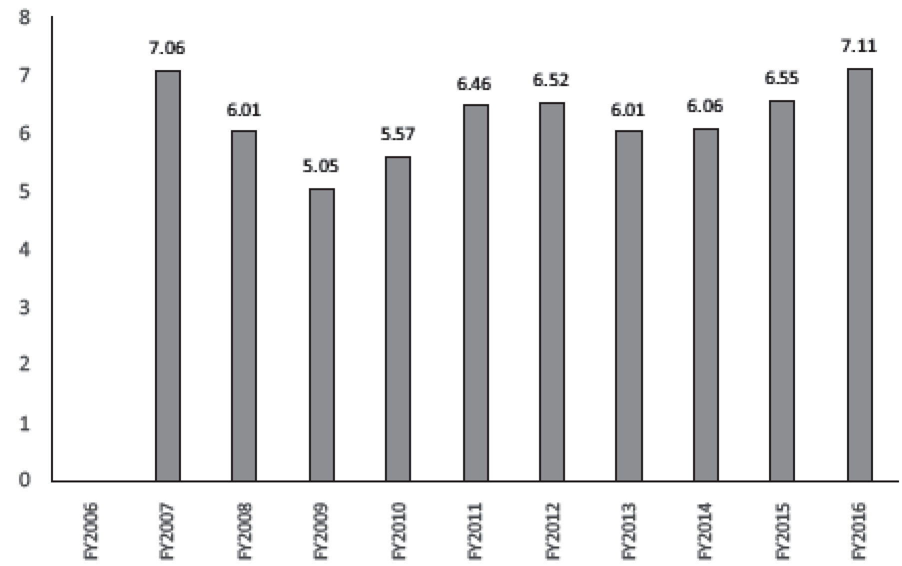



**Figure: Year-to-Year Growth of Export and Import in Bangladesh**


China frequently tried to mention Bangladesh, particularly in South Asia, for China's the trade and investment. The problem is that mentioned ignore the boundaries and eventually the capabilities of Bangladesh. These paternal tales include an obsolete vision of Bangladesh, threatening to alienate a country that has become a model of economic progress. China has boosted its tariff-free export rate to China from 60% to 97% of its tariff line by Bangladesh. The concession of China falls within its LDC preferential tariff programme, which was launched in 2002 and applied to 40 other nations (Love & Chandra 2005).

The main reason for this was that Bangladesh chose under the Asia Pacific Trade Agreement (APTA) for tariff reductions, which offered less rigorous rules of origin than the LDC program. The choice by Bangladesh to migrate into the LDC program indicates its goal in expanding its exports, rather than a charity, a trap or a one-sided win. Bangladesh's trade imbalance with China will probably not diminish, but it will not damage and might stimulate investment from firms that seek to relocate the supply chain away from China while maintaining market access. However, Bangladesh is also distinguished for its investments from China.

The investment plans revealed in Chinese in October 2016 are exemplary. China and Bangladesh have signed 27 Memoranda of Understanding, valued at 24 billion dollars for Bangladesh, with 13 Joint ventures (JVs) entered into by Chinese and Bangladeshi firms, valued at 13,6 billion dollars. In April 2015, China was busy in the neighbours, with Pakistan committing $46 billion and India promising $22 billion in May 2015. Nevertheless, many international observers started to regard Bangladesh as a possible debt trap or strengthening China's hold over Bangladesh. Although dealings under China's Belt and Road Initiative – including Bangladesh – are opaque, just five of the 2016 Memoranda of Understanding were executed by the end of 2019. Bangladesh discontinued one project – the Dhaka-Sylhet motorway worth $1.6 billion – for attempting to bribe authorities after the contractor Chinese Harbor and Engineering Company (CHEC) blacklisted the project. Moreover, CHEC developed Hambantota in Sri Lanka, which experts frequently refer to as an example: Sri Lanka has leased its debt servicing fees to China for 99 years.

Figure 2 **Ratio of Export and Import (in %) to GDP of Bangladesh**


Table 1 **Rates of Growth and Share from FY1994 to 2016 in Exports of Bangladesh**

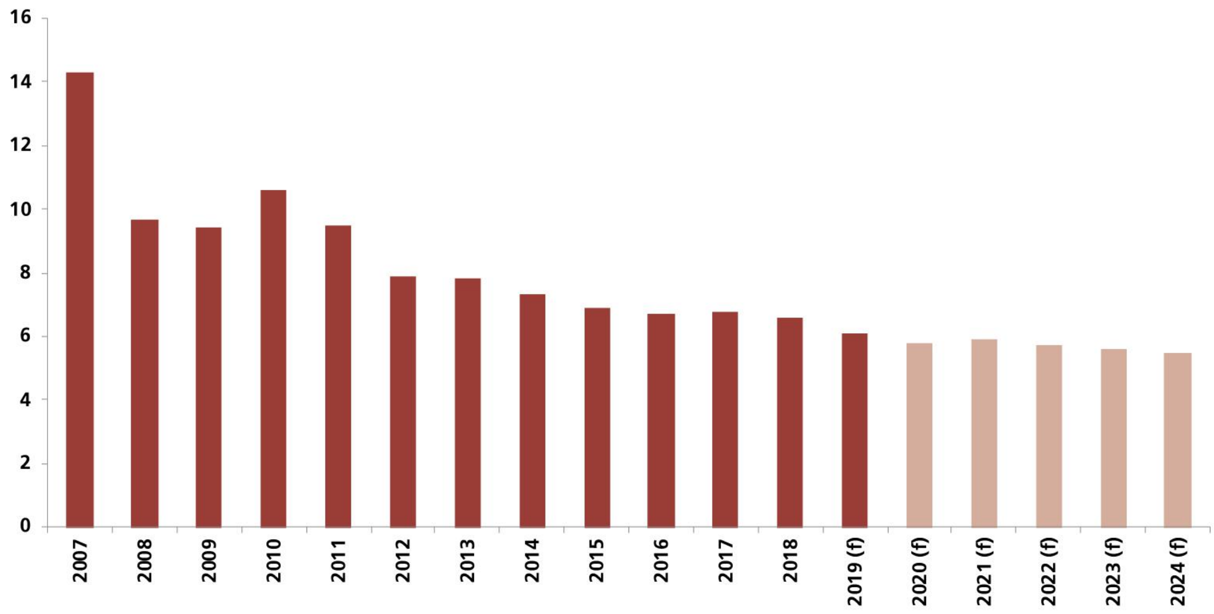
| *Export Items* | *Growth Rate (%)* | *Share in Export (%) in FY1994* | *Share in Export (%) in FY2016* | *Growth of Share to Export (%)* |
|---|---|---|---|---|
| RMG | 17.06 | 57.62 | 68.88 | 0.82 |
| Jute | 9.1 | 12.37 | 2.94 | -6.04 |
| Fish & Shrimps | 6.46 | 10.34 | 1.27 | -8.31 |
| Leather | 8.57 | 6.45 | 0.9 | -6.5 |
| Tea | -10.2 | 1.79 | 0.006 | -22.66 |
| Export from EPZ | 20.34 | 4.2 | 17.98 | 3.68 |

Source: Author's calculations based on data from Bangladesh Bank (2017).

China has changed from the inflow of international capital into a powerful international capital outflow country and already has become the second largest foreign direct investment country in the world. China's economy will grow 6% in 2021, which slower than 6.1% in 2019, according to estimates by the Organization for Economic Co-operation and Development (OECD)1.

That's consistent with the 'L-shaped recovery' and have been expecting for some time. That's because China's government has supported the economy with tax and interest rate cuts during the past year.

China: Real Economic Growth YoY (%), 2007-2024 (f)




Source: Organisation for Economic Co-operation and Development, November 2019

Meanwhile, China spent just $981 million of the planned $24 billion by July 2019. A Bangladeshi finance official informed the media that the loans had been delayed via discussions, the restricted capacity of Exim Bank of China and lobbying by Chinese companies. If projects are not renegotiated, the whole money raised in 2016 seems unlikely to materialize — the original agreements expired in 2020. Bangladesh has decades of international assistance and loans management experience with several bilateral and multilateral funding agencies. The history of financial restraint and careful borrowing in the country, for example, is part of why, four years ago, the Economist Intelligence Unit forecast adequately that it was only likely to implement a portion of the transactions inked in 2016.Here Bangladesh can hardly fathom achieving a planned $50 billion investment in Chinese by 2035, let alone a debt trap or rental infrastructure for China.

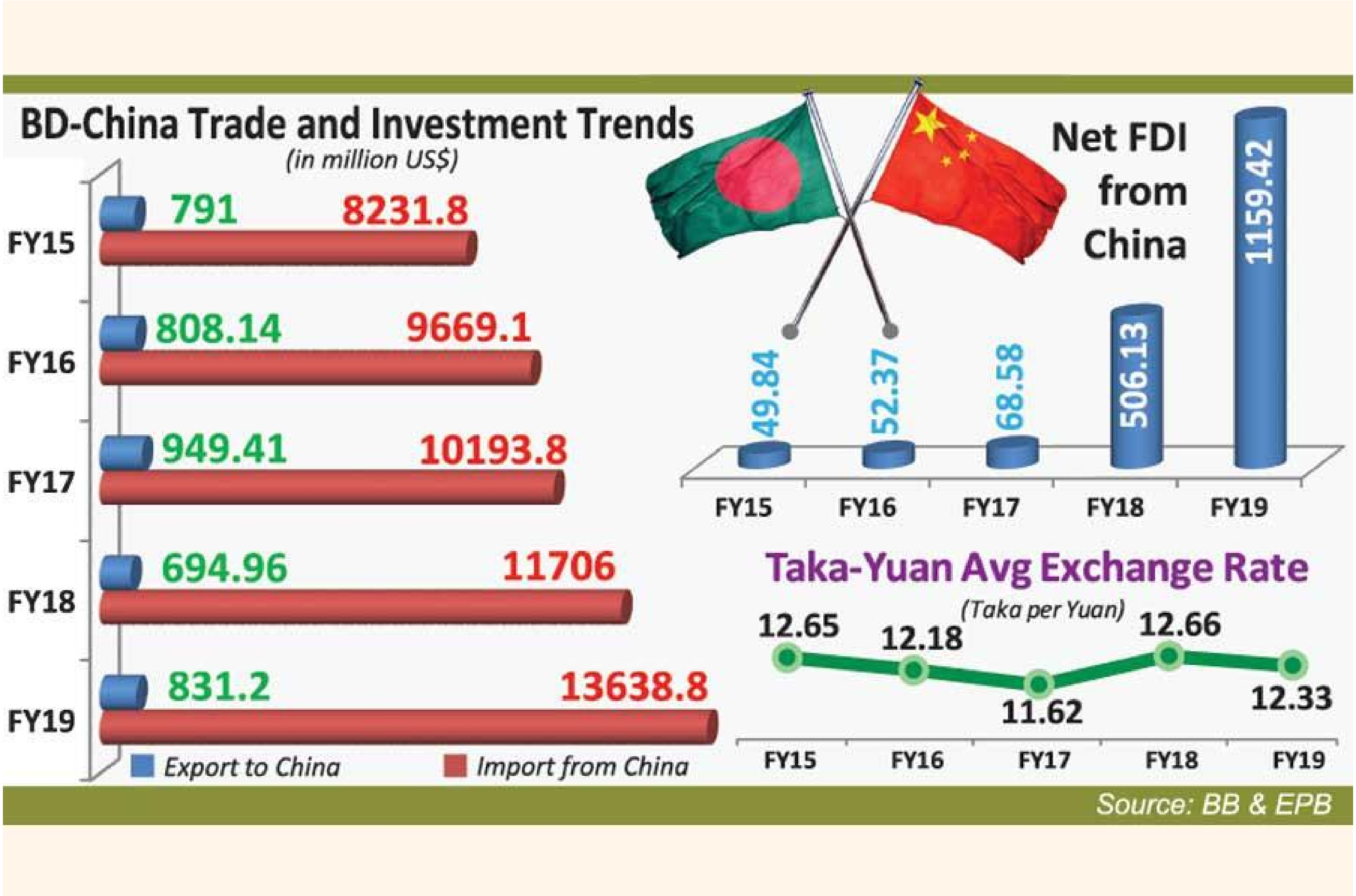
Multilateral creditors own most of the country's debt. Even with the COVID-19 economic hit, the International Monetary Fund (IMF), despite the country's foreign debt remains manageable 14.7% of GDP, classified Bangladesh's debt as "sustainable."Perhaps, however, it is better to concentrate instead on the degree of Bangladesh bondage on how Chinese investment can impact the business climate in Bangladesh. Bangladesh is a challenging and royal business environment. Businesses in the nation have among their most essential difficulties access to financing, corruption and political stability. Meanwhile, Chinese corporations are become the large transparent in the world and become governed by free anti-corruption in the same manner as many Western firms.

Some of problems have led to the blocklisting of CHEC in Bangladesh. After 2007, the regulators watched

CHEC and the alleged bribe leading to the blocklisting of the CHEC in 2010 was purportedly when the company was trying to double the cost of its first estimate, and Chinese authorities were supporting bilateral negotiations. China's investment in Bangladesh is mainly divided into manufacturing, agriculture and fishery, energy, services, construction, commerce and other industries. Among them, the manufacturing industry occupies an absolute dominant position, and increased from 65% in 2013 to 80% in 2015. The amount of investment is increasing and the proportion of investment is also rising. On the whole, the investment categories in 2013 were not very rich, and the investment was mainly concentrated in manufacturing and agriculture and fishery. By 2014, the energy, construction and trade industries in inland China had increased significantly. Recent year the following highlights in the partnership might be in the power and financial services sectors, which are the best targets for Chinese investment together with textile products. The electricity regulator suggested last year that Bangladesh stop new plant licenses. Existing plants are projected to fulfill demand by 2030, and payments for excess capacity look excessive. This may be an issue for Chinese investors who invested stock in 15 projects - 76 percent of which were under planning in 2019.

Bangladesh has cancelled one project: the $430 million 350 MW coal-fired hot spring thermal facility in Gaza Strip. It followed claims that $19 million a month will be paid to the 1320 MW coal-fired thermal plant in Payra by Bangladesh, a project struck by a fatal fight between JV Chinese and Bangladeshi workers last year. Another cause of tension may be increasing rivalry in financial services - China is its biggest foreign investor. Alipay, now Ant Financial, from China, bought a 20 percent interest in bKash, a mobile monetary system also sponsored by the International Finance Corp. (IFC) and the Bill & Melinda Gates Foundation, in 2018.

However, concerns have developed over unequal playing fields for state-sponsored fintech players and other foreign finance recipients. For example, bKash must retain lower transaction limits, more significant cash-out fees and more compliance with the Know Your Customer (KYC) system than Nagad, a postal service-backed mobile money system.




**Major Exports from China to Bangladesh: Industry-wise Analysis**

On the Oct 16th in 2021, the signing ceremony of cooperation between Sinopharm and Bangladesh production COVID-19 vaccine was held by video in Beijing and Dhaka, at the capital of Bangladesh. Sinopharm and Bangladesh jointly signed a memorandum of cooperation on sub packaging of COVID-19 vaccine. According to the agreement, it is preliminary planned that the monthly production capacity will reach 5 million doses of vaccine.


Picture: CCTV News

According to the agreement, Sinopharm will cooperate with Eastar pharmaceutical company of Bangladesh to sub package semi-finished vaccine products in Bangladesh. At the beginning, 5 million doses of new crown vaccine will be sub packaged every month, and the production capacity is expected to reach 15 million doses per month in the future.

China has donated 2.1 million doses vaccines to Bangladesh. Through the who's COVID-19 vaccine program, China will provide about 3.4 million doses of vaccine to Bangladesh, and 8 million will be entering the country through commercial procurement.

In additional to Bangladesh, the United Arab Emirates, Egypt, Indonesia and Brazil are also the first countries to cooperate with China in the production of vaccine. China has donated vaccines to more than 100 countries and is exporting vaccines to more than 60 countries, with a total of more than 800 million doses, which is ranking first in the world. This year, China have plan to provide 2 billion doses of vaccine to the world.

At the dis-aggregated level, Cotton textiles are the most extensive product for both Chinese and Indian exports in the textile sector. Most Chinese exports to Bangladesh are focused on cotton textiles and synthetic filament woven fabrics, whereas cotton and cotton are concentrated in Indian exports. This implies that woven cotton textiles and yarn of synthetic staple fibres from India face harsh Chinese competition. The data presented above, taken from UNCOMTRADE (2008), demonstrate that, although India has almost similar or greater comparative advantages in both goods during the referred period, China exported five times more than India in 2006.

A detailed examination of the compatibility of Chinese and Indian Textile Exports to Bangladesh's local textile market demand shows that China's emphasis on the export of fabrics is more compatible with the demand of Bangladesh's textile sector. As a raw material for the ready-made garment (RMG) sector, Bangladeshi textiles need to import tons of cotton and woven fabrics, which fuels Bangladeshi exports. Some of these items have grown in Chinese exports, replacing Indian cotton textile (from 7% in 1992 to 50% in 2006) and knitting or crocheted fabrics (3.3% in 1992, to 54% in 2006).

Cotton fabrics, followed by cotton yarn and cotton thread, are the main elements of cotton textiles. Today, Chinese exports of cotton and cotton textiles are far more significant than those of India. It currently supplies 70% of all cotton products worldwide to Bangladesh, compared with India's meagre 5% stake.

India, however, remains a significant supplier of Bangladeshi cotton yarn and cotton threads, which provide about 60 and 30 percent worldwide exports of these items to Bangladesh correspondingly. If the overall textile cotton sector is considered, over half of Bangladesh's demand for cotton fabrics currently comes from China, while India accounts for only 20%. Another significant part of the demand in Bangladesh's textile sector is man-made filaments, yarns, and textiles.

Again, Chinese exports in this area are high (47% of world exports) than Indian exports (7.2 percent). Therefore, it cannot be legitimate for Bangladeshi traders to complain that India (not China) is flooding its commodities on their market, which damages its local businesses.

Exploring RMG exports with composites from Bangladesh to India and China15, we can find Bangladesh exported RMGs and composites to India for $22.1 million, about three times as many as they are to China ($7.7 million). For Bangladeshi made-ups, India is a more affordable market than China. Nevertheless, if we examine ready-made textile clothes and accessories, China seems to be more accessible than India as China provides complete concessions to several ready-made Bangladeshi clothing lines, while India prefers to restrict similar goods. India recently solved this controversial problem by permitting ready-made duty-free clothing from Bangladesh to a specific limit. However, the repercussions of such hesitant liberalization can only be evident in the coming years (Kabir, R. 1988).

Chinese exports even exceed Indian exports in silk to Bangladesh, while Indian silk exports have a higher IRCA level (IRCA = 10.9) than China.

However, in products such as raw silk (IRCA = 9.0) and silk yarn (IRCA = 10.1) China has competitive advantages, equating Chinese exports of these products to Bangladesh in recent years to entire global exports from these products two articles. Given the comparative benefit of the Chinese exports in these two goods, the success of the Chinese exports in this area is not surprising compared to the Indian exports.

China has a substantial worldwide comparative advantage in the machinery and mechanical appliances business. Chinese exporting to Bangladesh is centred on radio and TV transmission systems; electronic telephone, telegraphic, fax machines; textile fiber machines manufactured, and fridges, freezers, and other electric products. Chinese radio and TV exports were outstanding, increasing from $0.006 million in 1992 to $151,740 million in 2006, compared to India's $1,569 million in 2006 for similar exports. In this area, Indian exports to Bangladesh are predominantly electrical transformers and the automatic processing of data and magnetic materials, accounting for 24% of Indian exports to Bangladesh in that industry (Kakwani, N. 1997).

While India sold more automated data processing and magnetic machinery to Bangladesh in 2006 than China, China has overtaken India in recent years in its electrical transformers and static converters. Overall, China exports more in volume and share of key articles in the machinery and mechanical appliances industries than India, which were formerly major articles in terms of their proportion of the overall imports into Bangladesh. China also has a more significant global comparative advantage over the reference period in most products than India's RCA.

While India has a comparatively higher RCA than China, China's industrial exports outweigh India's exports to Bangladesh. Fertilizers, synthetic organic colours, sodium hydroxides and peroxide, are the main exports from China to Bangladesh; mineral/chemical fertilisors; carbonates, peroxocarbonates and antibiotics. Phosphorus and nickel mineral-chemical fertilizers and synthetic organic colouring material combined account for approximately 39% of Chinese exports in this industry. Since 1992, Chinese exports in the sector and these essential commodities have grown steadily.

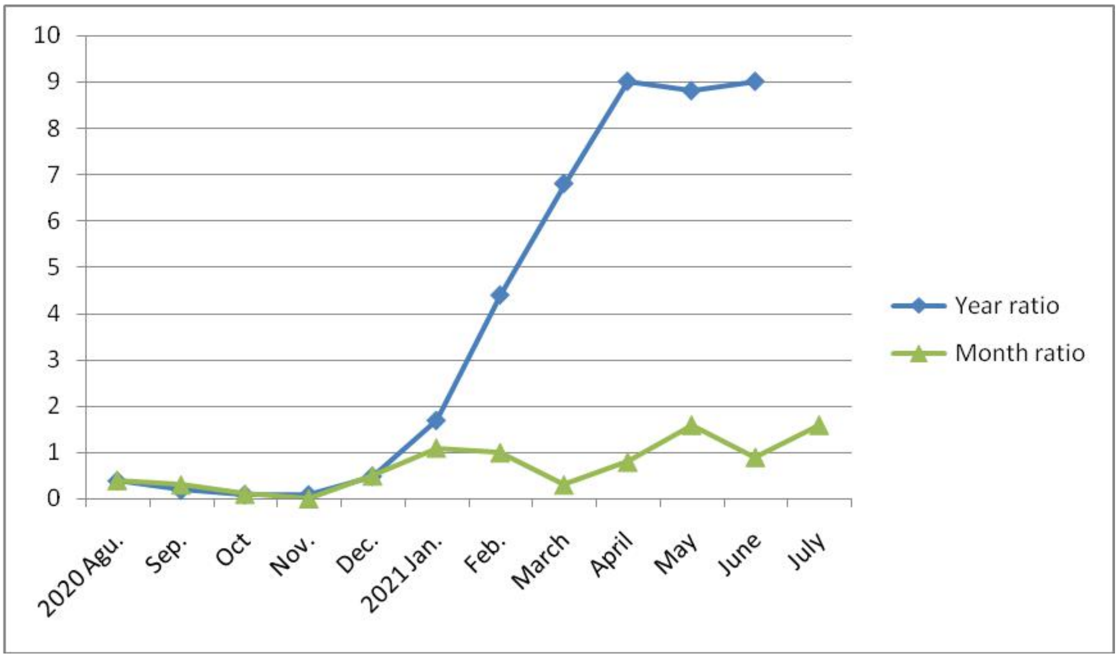
In this sector, Indian exports are mainly focused on organic compounds, such as human blood, animal blood, antisera and synthetic organic colouring, which account for around 43% of Indian exports in this industry collectively. Significant Indian exports are also facing solid Chinese competition in this field. While Indian exports of such items remained greater than Chinese exports till 2004, Chinese exports have subsequently been higher than Indian exports. While China and India both exhibit worldwide and bilateral comparative advantages, Chinese exports have gone beyond Indian exports, while Indian exports have decreased.

China also sells to Bangladesh weapons and ammunition, spares and accessories. The figures show the military character of the relations between these two countries. Arms and munitions exports from China to

Bangladesh fluctuate as predicted. These exports seem crucial for Bangladesh, though, as Chinese exports have accounted for 90% of world exports in a few years (Kravis, I.B. 1970).

**COVID-19 impact in manufacturing industry and raw materials**

Impact of COVID-19 Since 2021 year, the price of raw materials and transportation cost has risen in worldwide and less power problem is the new difficult for manufacturing in the world. According to the data on the website of the National Bureau of statistics (China) in July 2021, the ex factory prices of national industrial producers increased by 9.0% in this year and increase 0.5% per month. Among the price of raw materials industry increased by 17.9%, and the price of processing industry increased by 7.5%. From January to July in 2021, the average ex factory price of industrial producers increased by 5.7% over the same period last year, and the purchase price of industrial producers increased by 7.9%.




With upstream inflation and downstream deflation, most of them manufacturing industry is facing the severe challenge of dangerous beaches before and thorns after. However, this challenge does not entirely come from the rise in raw material prices, but enterprises urgently need to find a new way to seize consumers.

To be sure, this is a disaster for those long-term price oriented brands, For example take the smart phone industry with the continuous warming of competition and the continuous emergence of homogenization, many enterprises turn their heads on price and cost when their innovation reaches the top. This round of raw material price increases is tantamount to blocking their last way: if they follow the price increases, it is likely to decline in reputation and reduce sales, investment and international business opportunity.

In fact, the price itself is not right or wrong, but enterprises can't over bind products with price and ignore the pursuit of quality. Just like Huawei, Apple's products, even if the price rises, it does not worry about sales, precisely because the product is strong. In the field of domestic manufacturing, there are many enterprises pursuing science and technology, high-end and quality. The "flameout" of the price war just brings them new opportunities for sales, investment and international business opportunity.

For Chinese small and medium manufacturing enterprises, it is rare to establish advantages and prepare for risks in advance. But even if the rain has fallen, we can't lie flat with our hands tied - it's never too late for manufacturing enterprises to stick to quality, explore high-end and deepen innovation. After all, there is a saying that "the best time to plant a tree is ten years ago, followed by now".

So it seems that the cyclical rise and fall of raw material and transportation cost is really not a bad thing. The drastic changes in the environment have once again sounded the alarm for Chinese small and medium manufacturing enterprises should not only become bigger, but also become stronger. Scientific and technological innovation, brand value and quality service are the key leaping factors from big to strong. And facts have also proved that when enterprises really grasp and do these, they can firmly grasp consumers no matter how the industry changes. It is not only a significant challenge but also good opportunity for Chinese investor and manufacturing industry.

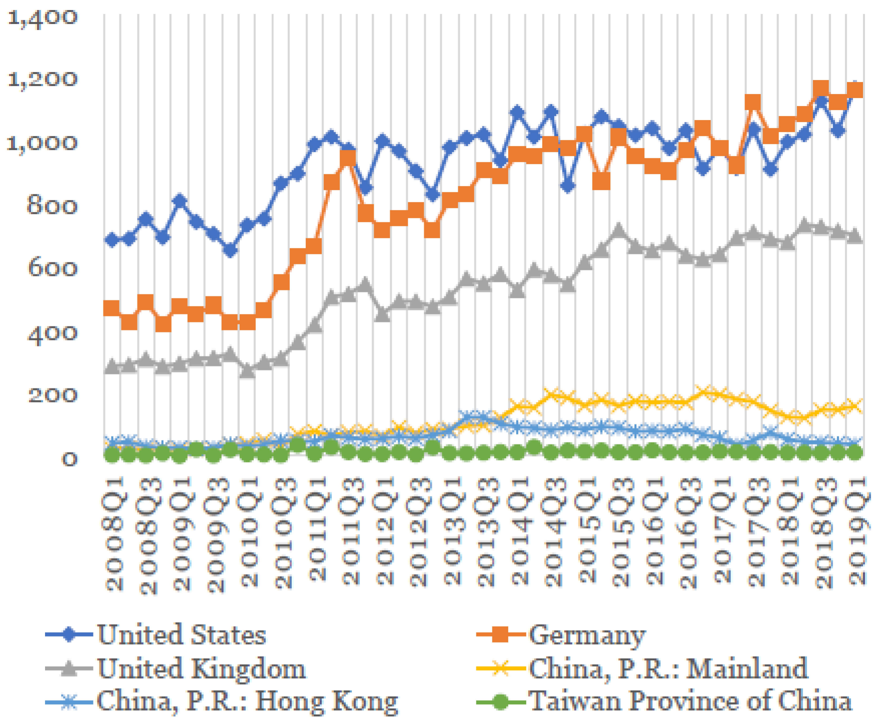
**One belt and one road**

China's economy is shifting its growth pattern from investment-led exports to consumer-led domestic demand growth. It is no longer merely a way of getting foreign cash and technology but a way for China to strengthen its influence in global governance as an economic giant. This article seeks to analyze the possibilities of Bangladesh's Belt and Road Initiative. This research mainly aims to explain how BRI is seen in Bangladesh and how BRI helped enhance Chinese soft power. The theoretical section defines the Bangladeshi view of China in the context of the ties between Bangladesh and China. The global BRI phenomenon is characterized in this perspective. This account of the activities of the ground describes what new BRI has brought to China's image. The practical portion analyzes how the views and attitudes of the Government of Bangladesh and its people are based on the Belt and Road Initiative.

China's fast expansion and increasing importance in the international arena are exceptional. During President Xi's trips to Central and Southeast Asia in 2013, China announced the Belt and Road Initiative (BRI) (Gibson and Li, 2018; Sarker et al., 2018e). The BRI is a strategic strategy for trade and investment flows based on the connectedness idea, as embodied in the historic Silk Road. China's growth in the international environment and its international openness, both economically and politically, have attracted worldwide attention (Dunford and Liu, 2019; Sarker et al., 2018c). Retrospectively, it appears apparent that there has been a significant transformation in China's connection to the globe. The correct attitude to a new actor and the procedure mechanisms chosen in conjunction with the most populous state in the world was one of Bangladesh's most challenging problems to negotiate future bilateral cooperation with China (Colombage and Edirisinghe, 2018). Bangladesh despite the backing relation of most governments worldwide and was officially admitted to the United Nations in 1974. After the military coups started in Bangladesh in 1975, the situation altered radically, leading Bangladesh to remove itself from the Indo-Soviet Cold War Axis in South Asia. In January 1976, China and Bangladesh established diplomatic relations. Bangladesh, however, is currently a key participant of BRI and, during President XiJinping's October 2016 visit to Dhaka, has signed multiple Infrastructure Construction and Economic Cooperation Memoranda totalling $40 billion. As Bangladesh is an important maritime nation at an important geostrategic position on the Belt and Road, Bangladesh plays a leading role in geo-economic and geo-connectivity vision known as the BRI. The former BCIM Corridor (Bangladesh, China, India and Burma), which started the Kunming project, is one of the six economic corridors of BRI. It will indeed become one of BRI's two main economic marine corridors (Sarker et al., 2018a). With its core connection concept, the BRI aims to physically and economically, socially, and digitally connect areas. It seeks to create an inclusive forum to coordinate member nations' development objectives, seek complementary advantages and build a dialogue between mutual interests (Sarker et al., 2018f). The goal of this essay is to explore the possibilities of Bangladesh's Belt and Road Initiative.


Bangladesh opportunities in the BRI initiative The Belt and Road Program of China is a game-changing initiative. It is the greatest effort of its type in global history and, if well managed, may transform Eurasia's geopolitical landscape. In order to link the Eurasian mass with the Chinese mainland, the BRI was announced by the Chinese Government. It is a multi-infrastructure mega-project effort to restore the old Silk Road, consisting of two trade routes and six trade corridors. As we know, Bangladesh formally joined the BRI in 2016 when Chinese President Xi Jinping inked multiple projects totalling $21.5 billion in two nations. China has previously indicated an interest in constructing a deep maritime port in Bangladesh under the Silk Road plan of the 21st century. Memoranda of Understanding (MoU) has been signed for cooperation, maritime cooperation, a joint free-trade feasibility study, a new ICT framework, counter-terrorism cooperation, capacity building and information sharing, climate risk addressing, regional and international cooperation and cooperation in the power and energy sectors.

Cooperation (Khan et al., 2018; Nasrin et al., 2019; Sarker et al., 2018d). However, Bangladesh should regard BRI as giving many more opportunities than merely addressing our infrastructure deficit, which is crucial. The â Visions and Actions â White Paper released by the Chinese Government in 2015 is a fantastic reference and resource for looking at more excellent prospects. It shows that BRI has always intended to be a larger vision from the beginning and not just a network connection infrastructure programme. BRI's Bangladesh regional connectivity focuses on the extension of the economic corridor of BCIM (Bangladesh, China, India and Myanmar) or what began as a Kunming project presented by Professor Rehman Sobhan in 1999. However, the Indians' hostility to BRI was obvious in doubts about China's geopolitical aspirations in South Asia and the sensitivity of Chinese Pakistan's controversial CPEC (China Pakistan Economic Corridor). More recently, the Rohingya issue has swept across ties between Bangladesh and Myanmar. It poses a further difficulty, especially in terms of physical connection, because Bangladesh does not have a shared border with China and is thus dependent on transit via India or Myanmar. Hopefully, India will realize the economic benefits of improving relations with China over time. As the latter will soon become the world's greatest economy, other factors predominate. Likewise, the economic growth of Myanmar will depend on further global integration, which seems only to be feasible when a Rohingya crisis solution is found that is acceptable to both nations and the refugees themselves (Rahman et al., 2018; Sultana et al., 2017). Bangladesh should speed up the establishment between Bangladesh and China of a Twin Trade and Financial Corridor. As far as trade is concerned, while China is Bangladesh's most fabulous trading partner, with 26% of imports, Bangladesh also has a trade imbalance of 10.9 billion dollars with China. The disequilibrium is partly overwhelmed by the fact that imports from China are dominated by industrial machinery and raw materials required by Bangladesh's second-largest RMG export industry in the world. However, there is still a considerable opportunity to grow our exports to China itself, now Asia's largest consumer sector.




**Source:** Authors' illustration based on data from Direction of Trade Statistics (DOTS). Available at: https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85

**COVID－19 affect Chinese investment in Bangladesh**

Indeed, the global economy is returning to its collapse in the first six months of this year because of easier lock-downs and the quick deployment of policy assistance to an unprecedented extent by central banks and governments around the world (Gopinath, 2020). This raises the optimism that the world's economies will recover quite soon. The IMF's global growth forecast for 2020 and 2021 is presented in Appendix Table A1. Ceteris Paribus, the world economy, will suffer a significant decline in growth in 2021 when most of the world's largest economies are projected to see good growth. This includes the USA (3.1%), France (6.0%), Spain (7.2%), the United Kingdom (5.9%), Germany (4.2%), India (8.8%), ASEAN 5 (6.2%). With an 8.2 percent growth rate, China will naturally improve its recent growth record. Asia's emerging and developing economies will remain the world's most vigorous growth drive.

| Year | Month | Investor or Builder | Country | Amount | Type |
|---|---|---|---|---|---|
| 2020 | August | Jiangsu Yabang | Bangladesh | 300M | Investment |
| 2020 | July | China State Shipbuilding | Bangladesh | 120M | Construction |
| 2020 | June | Shanghai Electric | Bangladesh | 180M | Construction |
| 2020 | March | Beijing Urban Construction | Bangladesh | 260M | Construction |
| 2020 | March | Power Construction Corp. (PowerChina) | Bangladesh | 130M | Construction |
| 2020 | February | Shandong Gaosu, Power Construction Corp. (PowerChina) | Bangladesh | 860M | Investment |

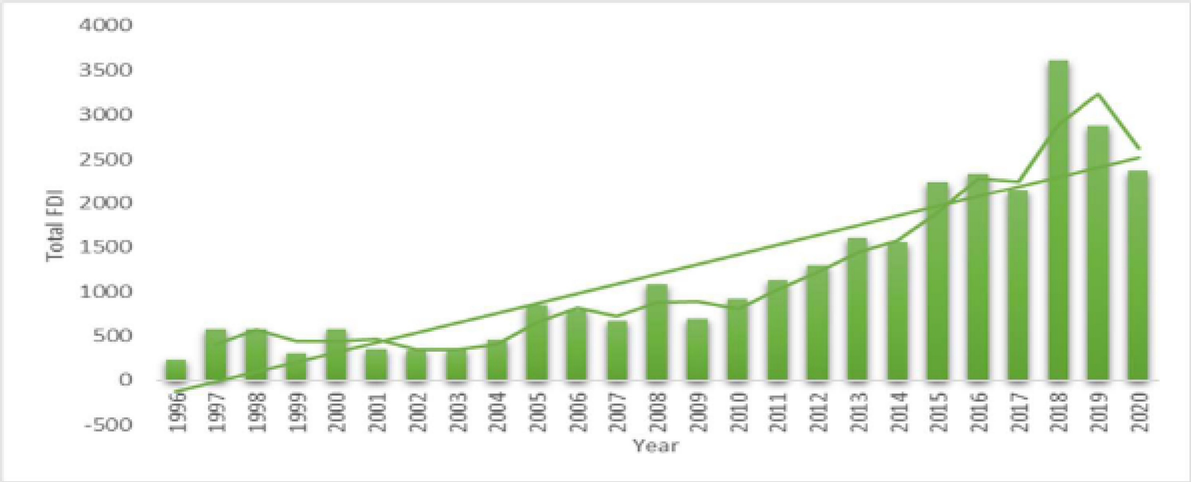
| | | | | | |
|---|---|---|---|---|---|
| 2019 | November | Harbin Electric | Bangladesh | 100M | Construction |
| 2019 | October | Power Construction Corp. (PowerChina) | Bangladesh | 2360M | Construction |
| 2019 | September | China Railway Engineering | Bangladesh | 240M | Construction |
| 2019 | July | Shanghai Greenland, China General Technology (Genertec) | Bangladesh | 230M | Construction |

McCartney, M. (2015)


**Chinese investment analysis (FID)**

The growing patterns in Chinese investments in Bangladesh need to be analyzed from the perspective of Chinese FDI. As economic reforms began in the late 1970s, China began to invest abroad. At first, capital amounts were restricted, and external investment was dominated by state-owned businesses (SOEs). China opened not just its economy in the late 1980s, embracing international cash, technology and experience, but also pushed its businesses to venture outside. "Investment abroad became one of the most important aspects in [China's] economic growth plan..." (Wu & Chen: 1236-37, 2001). Increasing numbers of Chinese companies have been investing abroad since 1991 in "developing new markets, increasing exports and using local advantages and gaining resources" (Wu and Chen 2001: 1237).

Although almost null in the early 1970s and early 1980s by the end of 2010, more than 13.000 Chinese businesses had set up around 178 countries with accumulated FDIs of US$317.21 billion in external operations (Ministry of Commerce, PRC 2011: 79).




Source: Bangladesh central bank

The number of Chinese investments in Bangladesh is not especially significant; before 2010, Bangladesh has received little consideration. Between 1977 and 2010, China invested just 250 million dollars, but only around 200 million dollars in 2011. (Imam 2012). (The phrases "outward FDI" and "outward direct investment" are applied interchangeably in this article) Although it is still not a considerable number, it is nevertheless a significant statistic in Bangladesh.
In this context, there are several fascinating questions: Does China regard Bangladesh as a significant investment place? If so, what drives China to invest in Bangladesh and in what sectors does it invest?
How does Chinese investment see Bangladesh?

Table 1 : China's outward FDI in Bangladesh 2004-10 (US$ millions.)

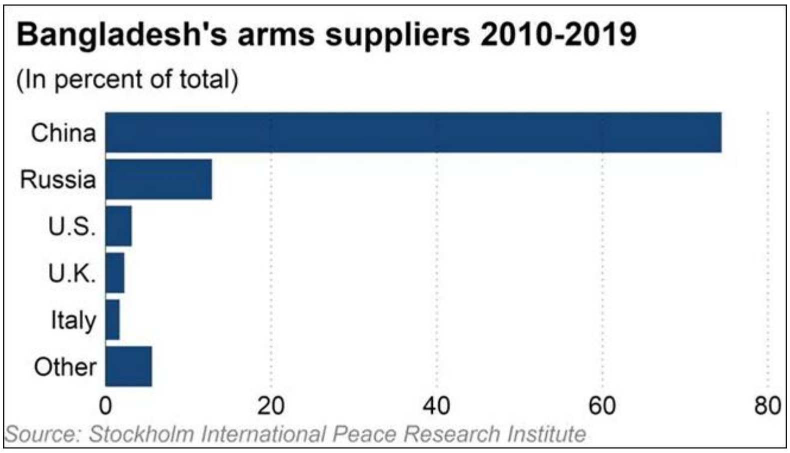
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Total Chinese FDI in World | 5497.99 | 12261.17 | 17633.97 | 26506.09 | 55907.17 | 56528.99 | 68811.31 | |
| Bangladesh | 0.76 | 0.18 | 5.31 | 3.64 | 4.50 | 10.75 | 7.24 | 200 |

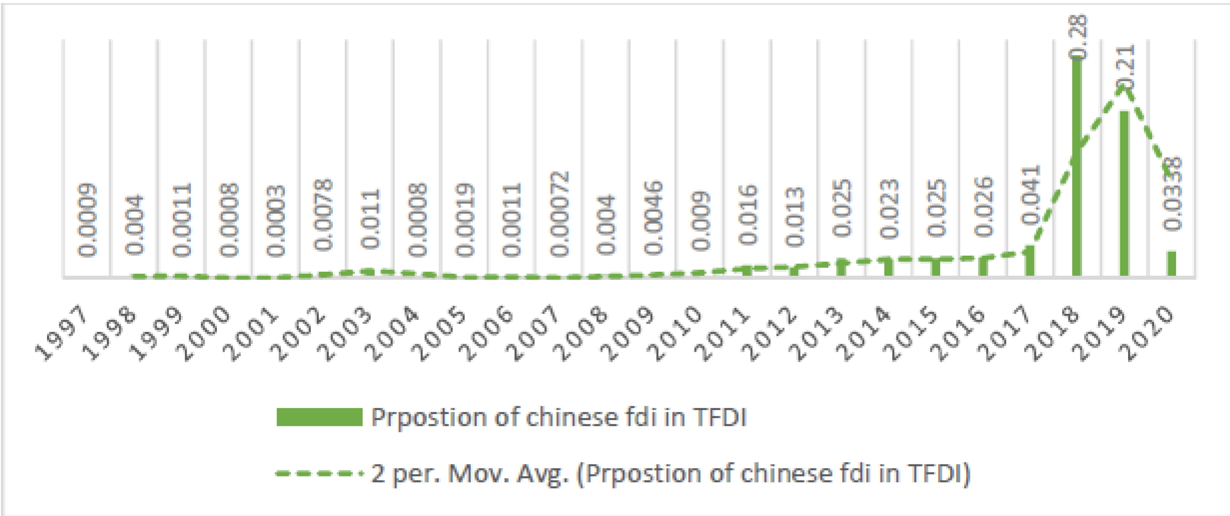
Source: Ministry of Commerce, PRC 2011: 82. For 2011 data, see, Imam 2012.

TABLE 2 : China's Outward FDI stock in Bangladesh, 2004-2010 (US $ million)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|
| Total | 44777.26 | 57205.62 | 75025.55 | 117910.50 | 183970.71 | 245755.38 | 317210.59 |
| Bangladesh | 8.66 | 32.96 | 39.66 | 43.30 | 48.14 | 60.30 | 67.58 |

Source : Ministry of Commerce, PRC 2011: 88.

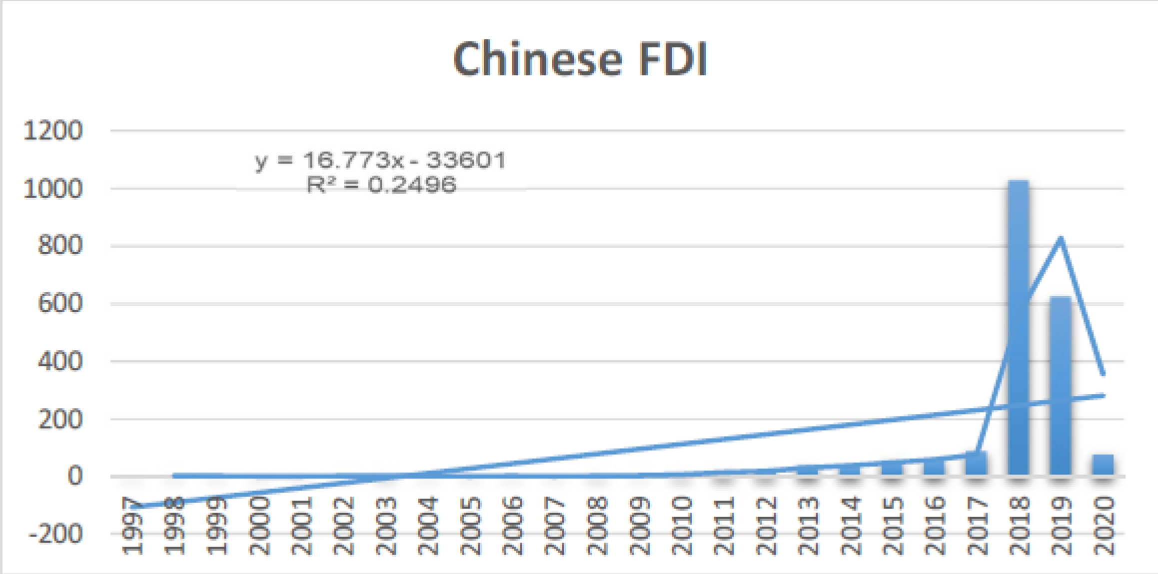



Source: Bangladesh central bank

Chinese investment in Bangladesh has a variety of obstacles, including inadequate infrastructure and political instability. The shortage of power and gas is Bangladesh's primary obstacle to international investment. According to World Bank's Doing Business 2012, Bangladeshi foreigners took 185 days, worsening to 2011; similarly, in 2011, electrical connections in businesses were more than a year (372 days) required (quoted in UnnayanOnneshan 2012: 15; see Table 4). The political risk factor is another significant determinant for FDI. The nation of origin wants to ensure that the host countries are politically stable so that production disturbances, property damage, personal threats etc., are prevented. According to the Global Investment Report 2012, South Asian nations are among the country's most crucial policy-risk assessment services risk guides (see UNCTAD 2012b:47 for details); this has discouraged FDI inflows.

For example, Bangladesh is witnessing regular hartals or strikes and political violence.




| Variables | Level | | First Difference | |
|---|---|---|---|---|
| | Constant & Trend | Result | Constant & Trend | Result |
| GDP | -3.94 | I(1) | -3.97 | I(0) |
| Chinese FDI | -4.23 | I(1) | -14.15 | I(0) |
| FDI | -3.97 | I(1) | -7.25 | I(0) |
| OPENESS | -2.22 | I(1) | -4.29 | I(0) |
| variables | Level | | First Difference | |
| | Constant & Trend | Result | Constant & Trend | Result |
| GDP | -2.14 | I(1) | -3.83 | I(0) |
| Chinese FDI | -4.23 | I(1) | -5.13 | I(0) |
| FDI | -4.36 | I(1) | -6.62 | I(0) |
| OPENESS | -1.32 | I(1) | -4.131 | I(0) |

4 Regional geopolitics and Bangladesh's internal political dynamics are other problems. Like India, China is also regularly utilized for political advantages as a trump card in Bangladeshi politics. The local political issue directly affect Chinese investment in BD, For example, The Awami league and Bangladesh National Party(BNP) sometimes change their political movement. In this situation difficult to continue the investment target for Chinese side. So Bangladesh side need to continue and build up a good international relation for more investment. Bangladesh political leader trying to build up good relation with China, Although Chinese investments in Bangladesh are challenged, there are still numerous prospects. As Bangladesh has great inexpensive labour, notably in the RMG industry, China should use it, but Chinese firms should also guarantee minimum pay for workers to be a win-win situation. Although FDI inputs fell 11 percent during the first half of 2012 in developing Asia and 40 percent in South Asia, a strong interest in the production of foreign investors, particularly garments, helped maintain FDI inflows to Bangladesh at a relatively high level, at approximately US$430 million in the first two quarters of 2012. (UNCTAD 2012a: 3-4). China's investment in the energy industry may be another option as China's energy demand is increasing and Bangladesh's energy resources are abundant. "Bangladesh has shown reserves of 5 trillion cubic feet (tcf) of

natural gas with the ability to fulfill growing energy demands in Asia," according to the Energy Information Administration (cited in Singh 2010: 273). This large amount of energy reserves can, of course, represent a chance for additional Chinese investments.

Another possible way to involve China is at Sonadia, Cox's Bazar, where the Government in Bangladesh planned to develop a deep seaport. This deep-sea harbour can provide both nations with a win-win situation, as it might serve both China and Bangladesh's geopolitical and economic interests as a regional trading centre. During her final visit to China in March 2010, Sheik Hasina solicited Chinese investments in Sonadia, which China reacted favourably to (Financial Express 2012). Other ways to involve Sino-Bangladeshi include the agricultural, pharmaceutical and power industries.

The purpose of this study was to ascertain the causal and short- and long-run relationships between Chinese FDI and the country's economic development. We discover a short-run and long-run link between the dependent and independent variables using time series data from 1997 to 2020. Our empirical approach VECM indicates that while CFDI, TFDI, and OPEN trade have a long run effect on economic development, there is no causal or short-run link between these variables in the short term. Though Islam, Fei, and Kumar (2020) establish a positive association between CFDI and economic growth using OLS regression, our estimates indicate that CFDI and other independent variables have a short-run negative influence on GDP and a long-run positive impact on GDP. Additionally, we conducted diagnostic tests on the variables and discovered that they are structurally stable and regularly distributed.

Given that our VECM model indicates a long-term relationship between Chinese FDI and Bangladesh's GDP growth, we propose that the Bangladesh government enhance foreign direct investment-friendly policies, knowledge and trade-friendly policies, and the most effective use of FDI and CFDI, which may be the best instrument for Bangladesh's economic development. Increasing transportation, electricity, and land area can also help attract Chinese investment, and as we all know, China is critical to our economic development for geopolitical reasons. That is why we must look forward to developing our policy and diplomatic approach to building a strong relationship with China. The study's drawback is the small sample size. We anticipate that with more research, they will discover a vast number of time series variables. Therefore, if we place a premium on this problem and collaborate with China, Chinese investment via our nation may help accelerate our country's economic growth.

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