
Trend of Growing Trade between Bangladesh and China in the Twenty- First Century



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Abstract

Bangladesh-China relations have rapidly improved, especially in bilateral trade, which has increased significantly in recent years. Since the starting of Bangladesh-China relations, interaction has expanded through agreements, trade, investment, projects, and partnerships. However, trade is the most important sector, which has expanded remarkably in the 21st century. China is the largest trading partner of Bangladesh and Bangladesh's trade with China accounts for 26.5 per cent of the total trade of Bangladesh, which is the highest and still growing.¹ The paper is going to explore the gradual development of trade between the two countries. It will also discuss the major sectors of export and import and their contribution to increasing trade between the two countries. Throughout this research, it is also found that despite the increasing trade relations, both sides are still anxious about the rising trade deficit. So, the paper is also going to discuss the current situation of trade imbalance and ways to reduce it.

Keywords: *Bangladesh, China, trade, economic relations*

Bangladesh-China Trade in the Twenty-First Century

From the very inception of the 21st century, Bangladesh and China have been experiencing steady and continuous development in their bilateral trade. Although the development was noticed before the start of the twenty-first century, a rapid change is being noticed in the trade volume since the onset of the twenty-first century. While in 2002 trade between Bangladesh and China was \$1.1 billion, in 2005 it was around \$3 billion, and in 2006 it reached \$3.19 billion, and in 2008 it stood at \$4 billion.² In 2009, with its increasing trend, it reached \$4.5

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billion and in 2011 it increased by 17 per cent compared to 2010 and in 2012 again it surpassed \$8 billion.³ In 2014 the two-way trade reached \$12.5 billion, with an increase of 21.98 per cent over the previous year. In recent years, export to China has increased and export growth stood at 40 per cent while import growth stood at 20 per cent. It is projected that Bangladesh-China bilateral trade would surpass \$30 billion in 2021.⁴ To encourage bilateral trade between the two countries, thirteen Bangladeshi companies and seven Chinese companies have jointly signed a trade agreement worth \$186 million in 2016 and expressed their willingness to import more Bangladeshi products. Besides that, considering the Free Trade Agreement (FTA) possibilities, Bangladesh and China have a huge prospect of improving trade relations. If Bangladesh signs the FTA, it will be able to export 10 out of 50 export products and will also be able to import a large number of necessary goods, which will boost Bangladesh-China bilateral trade. According to the benchmark discussion, around 42 countries are identified as natural trading partners of Bangladesh. All these countries give duty-free access to Bangladeshi products, while some of them offer preferential tariff facilities.⁵ China is one of the major countries that gives Bangladesh duty-free access. Bangladesh has been enjoying this facility since 2003. According to Bangladesh Garments Manufacturers and Exporters Association (BGMEA), as a least developed country under the duty-free quota-free program, Bangladesh has been enjoying zero facility in certain products. Both Bangladesh and China have always given importance to ensuring mutual interest. So, considering the overall situation, this FTA can bring bright prospects for Bangladesh-China economic relations.

Bangladesh-China Export Scenario

Bangladesh lags far behind China in terms of export growth. By exporting \$2.14 trillion worth of goods each year, China is the largest exporter in the world. On the other hand, every year, China imports around billions of dollars' worth of goods from different countries of the world, while in 2015 it imported only \$840 million

worth of goods from Bangladesh.⁶ Although Bangladesh imports mostly from China, its exports to it are meagre. But the hopeful sign is that in the last decade Bangladesh's exports have increased by more than 13 times in contrast to China's exports, which have increased almost five times. It means that the demand for Bangladeshi products in the Chinese market is increasing.⁷ Bangladesh is hopeful that China will import more from Bangladesh in future especially readymade garments, medicine, cottage industries, ceramics, leather products, fish, etc.

Table 1

**Bangladesh's Total Export to China from
2000-01 to 2015-16 (In Million US\$)**

Year	Export Amount (In million US\$)
2000-01	11.67
2001-02	18.92
2002-03	19.50
2003-04	45.65
2004-05	56.07
2005-06	64.35
2006-07	92.97
2007-08	106.95
2008-09	97.62
2009-10	178.63
2010-11	319.66
2011-12	401.94
2012-13	458.12
2013-14	746.20
2014-15	791.00
2015-16	808.14
2016-17	949.41

Source: Export Promotion Bureau, Final Book 2015-16 and Textile Today, 27 July 2017.

Export of Readymade Garments

In recent decades, RMG has been the biggest sector of the export basket. Bangladesh entered the RMG sector in 1978 with nine units with their earnings of \$0.069 million. But, due to the policy support of government and hard work of both entrepreneurs and

workers, it has now become the largest export sector with unique growth.⁸ Bangladesh had the cheapest labour at \$68 as minimum wages. In terms of labour cost, it lagged behind India by \$3, Vietnam by \$10, China by \$70. Comparatively lower cost, 24 hours electricity facilities in EPZ areas, own seaport, easy and well-connected transportation by air and road, special investment facilities such as 5-year tax holidays, exemption from tax on foreign loan, 3-year multiple entry visa, and duty-free import of raw materials and machinery make RMG as an attractive trading sector because of which the numbers of RMG units are on the rise.⁹

Table 2 below shows that in FY2016-17, total exports from Bangladesh to China stood at \$949.41 million, a big jump from FY2010-11 when it was only \$319.66 million. Bangladesh's total exports grew by 17.49 per cent over the previous year.¹⁰ In FY2017 (July-March) Bangladesh's export to China fetched up to \$736.92 million from \$558.01 million, an increase of 32.06 per cent over the previous year.¹¹ Bangladesh's exports to China in the last five years grew at an annual average of 30 per cent. But the export growth is very slow and stood at 6 per cent and only 2.2 per cent in the fiscal year 2014-15 and 2015-16 respectively. It is estimated that among the total exports of Bangladesh, the contribution of exports to China is a negligible 2.4 per cent.¹² Although Bangladesh's total exports to China are not noteworthy, some sectors have the potential to increase Bangladesh's exports to China. In 2015, Bangladesh exported \$3 million worth of knit and woven garments, \$140 million worth of leather goods, and \$11 million worth of jute and jute goods. Moreover, the export of cotton also witnessed an upward trend.¹³ In FY2015-16, five major export items covered almost 80 per cent of its total exports, of which woven and knit garments comprised 42.2 per cent. These five major export items are woven garments 24.5 per cent, leather products and travel items 17.9 per cent, paper yarn and woven fabric 12.6 per cent, knitwear 17.8 per cent, raw leather 6.5 per cent. Besides,

fish and footwear sectors are also gaining importance and have the potential to constitute almost 8.5 per cent share of the total export.¹⁴

Table 2

**The Number of RMG Units and Employees
in Bangladesh from 2001-2016**

Year	Number of Garment Factories	Employment in Million Workers
2001-02	3,618	1.80
2002-03	3,760	2.00
2003-04	3,957	2.00
2004-05	4,107	2.00
2005-06	4,220	2.20
2006-07	4,490	2.40
2007-08	4,743	2.80
2008-09	4,925	3.50
2009-10	5,063	3.60
2010-11	5,150	3.60
2011-12	5,400	4.00
2012-13	5,876	4.00
2013-14	4,222	4.00
2014-15	4,296	4.00
2015-16	4,328	4.00
2016-17	4,482	4.00

Source: Bangladesh Garments Manufacturers and Exporters Association, 2016.

According to the information provided in Table 2 above, 4,482 units are active in the RMG sector at present which is creating employment opportunities for 4 million people of whom 80 per cent are women. Knit garment and woven products are exported to 148 and 132 countries, respectively. The total export earnings have crossed \$20 billion and are projected to be doubled by the year 2020.¹⁵ Currently, Bangladesh is the second-largest RMG exporter after China. RMG covers over 82 per cent of the total annual export and stood at \$28.09 billion in 2015-16.¹⁶

Table 3**Comparative Statement on Export of RMG and
Total Export of Bangladesh during 2001-2017**

Year	Export of RMG (In Million US\$)	Total Export of Bangladesh (In Million US\$)	% of RMG's to Total Export
2001-02	4,583.75	5,986.09	76.57
2002-03	4,912.09	6,548.44	75.01
2003-04	5,686.09	7,602.99	74.79
2004-05	6,417.67	8,654.52	74.15
2005-06	7,900.80	10,526.16	75.06
2006-07	9,211.23	12,177.86	75.64
2007-08	10,699.80	14,110.80	75.83
2008-09	12,347.77	15,565.19	79.33
2009-10	12,496.72	16,204.65	77.12
2010-11	17,914.46	22,924.38	78.15
2011-12	19,089.73	24,301.90	78.55
2012-13	21,515.73	27,027.36	79.61
2013-14	24,491.88	30,186.62	81.13
2014-15	25,491.40	31,208.94	81.68
2015-16	28,094.16	34,257.18	82.01
2016-17	28,149.84	34,655.92	81.23

Source: Bangladesh Garments Manufacturers and Exporters Association, 2016.

Looking at Table 3, it can be found that during 2001-17, RMG sector accounted for the maximum share of the total annual export and from FY2013-14, its share of Bangladesh's total exports crossed 80 per cent. Not only this, Bangladesh is gradually extending its share in the global clothing market. The continuous rise in the global clothing market is evidence of a huge opportunity for Bangladesh in the RMG sector.

Figure 1
Global Market Share of Bangladesh in RMG from 2011-2016



source: Dhaka Tribune, 2 August 2017.

Figure 1 indicates a gradual rise of Bangladesh in the global textile market share. While in 2011 it controlled 4.8 per cent market share, in 2016 it captured 6.4 per cent, which is an increase of 0.50 per cent over the previous year.¹⁷ For this huge amount of RMG export share, China is becoming an attractive destination. The duty benefits and lower wages of Bangladeshi garment workers as well as a lower production cost in comparison to China, the Chinese consumers are attracted to Bangladeshi products as they can save at least 15 per cent if products are imported from Bangladesh. While in China the average wage is \$500, in Bangladesh it is between \$70 and \$100. The rising wage rate and production costs of China are providing Bangladesh with an opportunity to capture the Chinese market.¹⁸ According to the projection of the International Textile Manufacturers Federation (ITMF), by 2020 China will have to extend the production of its garments from \$300 billion to \$750 billion both for export and domestic use equally, while currently 80 per cent of its garment products are produced for local consumption only. It means that China’s market size will expand much more than the present market size.¹⁹ The World Bank projected that if Bangladesh could capture 20 per cent of China’s market, it would accelerate Bangladesh’s yearly garment exports more than twice and would create around 5.4 million

employment opportunities. Moreover, the trade deficit would also be reduced.²⁰ The increasing demands of 1.35 billion people have pushed China to explore the alternative market and the ultimate result is Bangladesh's overall export including RMG sector to China is going to increase.

Table 4

**Bangladesh's Woven and Knit Export to China
from 2014-2016 (In Million US\$)**

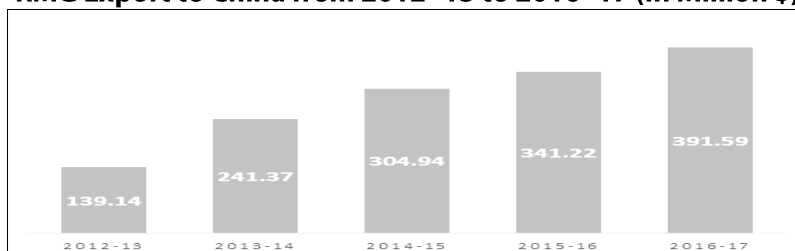
Year	Woven	Knit	Total
2014	147.73	120.04	267.77
2015	174.69	130.80	305.48
2016	221.63	172.07	393.70

Source: Bangladesh Garments Manufacturers and Exporters Association, 2016.

Although Table 4 describes the upward trend of woven and knit export of Bangladesh to China since the FY2014-15, Bangladesh has been experiencing this rising trend since even before 2014. Bangladesh's RMG exports were worth \$110.09 million from July to December in 2013 while in 2012 they were \$68.60 million. Both woven and knit exports increased significantly from \$42.36 million and \$26.24 million to \$65.95 million and \$44.15 million, respectively, from July to December 2013 and 2014. The export of woven and knit garments jumped by 55.67 per cent and 68.26 per cent than the previous year and the total RMG exports to China rose by 60.49 per cent in FY2013-14.²¹

Figure 2

RMG Export to China from 2012-'13 to 2016-'17 (In Million \$)



Source: Textile Today, 27 July 2017.

Figure 2 represents the rising RMG export to China which stood at \$391.59 million in FY2016-17. Bangladesh has witnessed around 14.77 per cent annual rise of about \$400 million in FY2016-17. China's policy to shift its production focus from basic items to high-end products is making Bangladesh hopeful about its continuous increase of RMG export. It is expected that Bangladesh will be able to export \$1 billion worth of RMG products within a few years.²² Both China and India are growing economies with their gigantic market size and have become attractive destinations of export for Bangladesh. But Bangladesh is facing negative export growth with India due to India's domestic production and various non-tariff barriers, while in the case of China, Bangladesh is optimistic about export growth. In FY2016-17 (July-March), Bangladesh experienced a 27 per cent increase in RMG export to China, which reached \$285.07 million from \$224.26 million of FY 2016-17. At the same time, nearly 8 per cent decrease in exports to India took place. Exports to India came down to \$96.99 million from \$105.25 million of FY2016. Again, the export of leather and leather products to China grew by 27.11 per cent, standing at \$214.23 million from \$168.43 million in the previous year while with India the major export product, i.e., jute and jute goods, fell by 17.08 per cent, coming down to \$142.14 million from \$171.41 million in the previous year.²³ To continue with the upward trend of exports to China, Bangladesh government has taken initiatives to set up several economic zones and paying attention more and more to maintain it.

Bangladesh-China Import Scenario

Bangladesh is a densely populated country and depends on foreign countries for several import items. Bangladesh imports several goods from China and, in recent years, it has been the highest. Currently, Bangladesh imports 70 per cent of its goods from China. Bangladesh receives some advantages with regard to the import of goods from China. Affordable price, quality product, easy transportation, and early and timely shipment and delivery compared

to India and any other country make China the main (the largest) import source of Bangladesh. Presently, Bangladesh imports 84 per cent of its goods from its top 20 importing countries of which China tops the list.²⁴

Table 5

Import Payment under (Cash Buyer's Credit+IDB/ITFC+Loans and Grants) of Bangladesh with Top Twenty Countries

Year		2014-15	% of Total	2015-16	% of total
Sl. No.	Major Countries	In million \$		In million \$	
1.	People's Republic of China	76,160.4	26.4	9,669.1	26.3
2.	India	42,685.4	14.8	5,452.9	14.8
3.	Singapore	15,069.2	5.2	1,925.1	5.2
4.	Japan	12,869.7	4.5	1,643.6	4.5
5.	Indonesia	9,667.4	3.4	1,235.5	3.4
6.	Korea, Republic of	8,970.2	3.1	1,145.0	3.1
7.	United States of America (USA)	7,881.4	2.7	1,007.6	2.7
8.	Malaysia	7,493.2	2.6	956.7	2.6
9.	Brazil	7,457.3	2.6	952.3	2.6
10.	Hong Kong	6,380.5	2.2	805.1	2.2
11.	Germany	6,250.1	2.2	798.0	2.2
12.	Taiwan	6,039.6	2.1	771.1	2.1
13.	Canada	5,691.3	2.0	726.6	2.0
14.	Thailand	5,255.1	1.8	669.1	1.8
15.	Saudi Arabia	4,572.5	1.6	590.1	1.6
16.	Kuwait	4,434.8	1.5	556.4	1.5
17.	Australia	3,972.1	1.4	507.5	1.4
18.	Pakistan	3,716.7	1.3	474.7	1.3
19.	Uzbekistan Other Countries	4,439.3	15.4	574.9	15.5
	Total	288142.1	100.0	36809.8	100.0

Source: Annual Import Payments 2015-16, Statistics Department, Bangladesh Bank.²⁵

In FY2015-16, China supplied 26.3 per cent goods among the total imported goods, which were worth \$9,669.1 million. If we look at the statistics provided by the Bangladesh Bank, we can see that from

2002-03 to present, China has become the top importer to Bangladesh.

Table 6

**Top Import Supplier of Bangladesh
from 2002-03 to 2015-16**

Year	Top Import supplier
2002-03	India
2003-04	India
2004-05	India
2005-06	China
2006-07	China
2007-08	India
2008-09	China
2009-10	China
2010-11	China
2011-12	China
2012-13	China
2013-14	China
2014-15	China
2015-16	China

Source: Annual Import Payments 2015-'16, Statistics Department, Bangladesh Bank.

During 2002-05 India was the top source of Bangladesh's imports. But in 2005-07, China took over India as to the top supplier. In FY2007-08, India regained its position as the largest source of imports to Bangladesh. But after that, from FY2008-09, China has constantly maintained its top supplier position.

Although this is evidence of strong bilateral trade relation between Bangladesh and China, it is also the principal reason for the huge trade imbalance between both the countries as exports from Bangladesh to China are relatively smaller in amount to meet up the huge trade gap. In the annual import payments, it is very clear that Bangladesh imports a large number of goods from China and every year it is increasing.

Table 7

**Import Payments from Bangladesh to China
from 2000-01 to 2015-16 (in Million US\$)**

Year	Cash	Loans & Grants	Other Unclassified Imports	Total
2000-01	354,942	27,044	561	382,547 (\$708.94 m)
2001-02	368,764	134,425	1,327	504,516 (\$657.78 m)
2002-03	452,107	91,057	90	543,254 (\$779.50 m)
2003-04	667,628	37,471	1,054	706,153 (\$1,132.72 m)
2004-05	990,520	17,555	161	1,008,236 (\$1,643.77 m)
2005-06	1,375,123	17,443	2,023	1,394,589 (\$2,078.99 m)
2006-07	1,752,325	23,041	513	1,775,879 (\$2,572.62 m)
2007-08	2,129,214	21,619	947	2,151,780 (\$3,136.70 m)
2008-09	2,350,466	23,657	487	2,374,610 (\$3,451.47 m)
2009-10	2,622,348	17,317	2,514	2,642,179 (\$3,819.28 m)
2010-11	4,207,963	6,949	1,736	4,216,648 (\$5,912.55 m)
2011-12	5,053,815	33,028	1,827	5,088,670 (\$6,433.21 m)
2012-13	5,041,350	9,956	3,193	5,054,499 (\$6,324 m)
2013-14	5,860,850	3,187	4,017	5,868,054 (\$7,559.00 m)
2014-15	6,348,915	39,791	5,854	6,394,560 (\$ 8,232.99 m)
2015-16	7,556,306	7,584	5,215	7,569,105 (\$9,745.33 m)

Source: Annual Import Payments 2015-16, Statistics Department, Bangladesh Bank

In 2016, one-fourth of Bangladesh's total imported goods came from China.²⁶ While in FY2010-11 total imports from China were worth \$5.9 billion, in FY2015-16 they reached \$9.8 billion with an average growth of 13 per cent per annum. As a result, there is a growing trend in import share representing 20.7 per cent in 2013-14 to 24.1 per cent in 2015-16.²⁷ Though the list of import items is long, raw materials for textiles and clothing occupy a prominent position. Bangladesh mostly imports fabrics, cotton, yarn, staple fibres and accessories for its readymade garments industry. Besides this, Bangladesh imports electric machinery, equipment, fertilizer, plastic, iron and steel, chemicals, food items, etc.²⁸

Table 8

**Commodity-Wise Import Payments of China
(under Cash+Buyer's Credit +IDB/ITFC+Loans and Grants):
From 2014-15 to 2015-16 (Taka in Crore)**

SL	Commodity Group	2014-15		2015-16	
		Amount	% of Total	Amount	% of Total
1	Cotton (all types), cotton yarn/thread and cotton fabrics	12501.8	19.6	13934.2	18.3
2	Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	10460.3	16.4	11316.5	14.9
3	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers and parts and accessories of such articles	7826.3	12.3	10116.8	13.3
4	Man-made staple fibres	3545.1	5.5	4129.5	5.4
5	Iron and Steel	2928.2	4.1	4121.6	5.4
6	Knitted or crocheted fabrics	2970.4	4.6	3199.5	4.2
7	Man-made filaments	2420.9	3.8	2896.8	3.8

8	Fertilizers	1517.2	2.4	2207.2	2.9
9	Plastics and articles thereof	1690.8	2.6	1672.4	2.2
10	Organic chemicals	1417.2	2.2	1372.1	1.8
11	Mineral fuels, mineral oils, and products of their distillation bituminous substances; mineral	856.3	1.3	1195.5	1.6
12	Articles of apparel & cloth accessories, not knitted/crocheted	977.8	1.5	1065.8	1.4
13	Salt; sulphur; earth and stone; plastering materials, lime, and cement	640.0	1.0	1042.8	1.4
14	Ships, boats and floating structures	667.0	1.0	1034.0	1.4
15	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or isotopes	1121.5	1.8	998.3	1.3
16	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; Paints and Varnishes; Putty and other mastics; Inks	946.3	1.5	996.2	1.3
17	Special woven fabrics; tufted text. Fabrics; lace; tapestries; trimmings; embroidery	842.5	1.3	979.1	1.3
18	Arms and ammunition; parts and accessories thereof	648.5	1.0	973.5	1.3
19	Vehicles other than railway or tramway Rolling stock, and parts and accessories thereof	810.1	1.3	937.6	1.2

20	Paper and paperboard; articles of paper pulp, of paper or paperboard	730.8	1.1	926.8	1.2
21	Miscellaneous chemical products	832.1	1.3	838.2	1.1
22	Miscellaneous manufactured articles	656.8	1.0	808	1.1
23	Impregnated, coated, covered textile fabrics, etc.	581.5	0.9	737.6	1.0
24	Optical, photographic, cinematography, measuring, checking, precision, medical or surgical instruments, and apparatus; parts and accessories thereof	462.5	0.7	732	1.0
25	Articles of Iron and Steel	547.7	0.9	663.1	0.9
26	Others	5587.5	8.9	7266.3	9.3
	Total	63887.1	100.0	76160.4	100.0

Source: Annual Import Payments 2015-'16, Statistics Department, Bangladesh Bank.²⁹

According to the information in Table 8, payment of all of these commodities have increased in FY2015-16 over FY2014-15. While in FY2014-15 Bangladesh imported 22 per cent of all of its imports, she imported 26.4 per cent of its total imports in FY2015-16 from China.³⁰ After considering the import items of Bangladesh, an increasing trend was noticed in the major import goods, i.e., textile and textile articles, machinery and mechanical appliances, electrical equipment, vehicles, aircraft, vessels, associated transport equipment, miscellaneous manufactured articles, etc. while a decreasing trend was noticed in mineral products, chemical products, vegetable products, live animals, animal products, prepared foodstuffs, raw hides and skins, leather, foreshins, etc.³¹ Although Bangladesh is trying to reduce its import expenses to balance its trade deficit with China, most of its import goods still come from China. In comparison to this, China's imports from Bangladesh are not noteworthy and the ultimate result is a growing trade imbalance.

Coping with Trade Imbalance: An Alarming Concern for Bangladesh and China

The increasing trade deficit is a huge concern for both Bangladesh and China. At the initial stage in the 1990s, the Bangladesh-China trade deficit was around \$5.5 billion. In FY1990-91 Bangladesh's export to China were around \$2 billion. After that, only in FY1993-94 and FY1997-98, Bangladesh's exports to China increased while in other fiscal years they decreased while imports from China were increasing. Both countries are trying to reduce the trade imbalance. Although in recent years Bangladesh's total export to China is increasing yet, Bangladesh is facing a huge trade deficit.

Table 9

Bangladesh's Trade Deficit with China from 2000-01 to 2015-16 (in Million US\$)

Year	Export	Import	Trade Deficit	Trade Ratio
2000-01	11.67	708.94	-697.27	1: 60.75
2001-02	18.92	657.78	-638.86	1: 34.77
2002-03	19.50	779.50	-760	1: 41.79
2003-04	45.65	1,132.72	-1087.07	1: 24.81
2004-05	56.07	1,643.77	-1587.7	1: 28.58
2005-06	64.35	2,078.99	-2014.64	1: 32.31
2006-07	92.97	2,572.62	-2479.65	1: 27.67
2007-08	106.95	3,136.70	-3029.75	1: 29.33
2008-09	97.06	3,451.47	-3354.41	1: 35.56
2009-10	178.63	3,819.28	-3640.65	1: 21.38
2010-11	319.66	5,912.55	-5592.89	1: 18.49
2011-12	401.94	6,433.21	-6031.27	1: 16
2012-13	458.12	6,324	-5865.88	1: 13.8
2013-14	746.2	7,559.00	-6812.8	1: 10.13
2014-15	791.00	8,232.99	-7441.99	1: 10.41
2015-16	808.14	9,745.33	-8937.19	1: 12.05

Source: Dhaka Chamber of Commerce and Industry (DCCI) and Author's Calculation

Bangladesh and China experienced a huge trade gap from the year 2000 to 2016. In recent years, Bangladesh's export to China has experienced a relative increase compared to the early twenty-first century. Thus, the trade gap has also reduced from that of the earlier

time. Still, however, it is huge and the trade ratio is almost 12 times higher. In FY2013-14, while Bangladesh-China trade gap was worth \$6.80 billion in FY2014-15 it was \$7.43 billion, which was an increase of 9.2 per cent.³² In FY2015-16, it crossed \$8 billion. In FY2016-17, Bangladesh had trade relations with 198 countries all over the world, among which Bangladesh had a trade deficit with 71 countries. In this case, Bangladesh experienced the highest trade deficit with China, which was worth \$6,881.47 million, the second-highest was with India which was \$3,998.16 million, and the third-highest was with Singapore worth \$1,575.21 million.³³

According to expert knowledge and analysis, there are several reasons behind the gigantic trade imbalance with China of which limitations of diversification on export products is prominent. Lack of export products diversification is creating obstacles for Bangladesh to attract Chinese consumers to its products. Although Bangladesh is enjoying zero tariff facilities, it failed to utilise this facility fully as a result of its limitation in product diversification and ultimately trade deficit with China is continuing to rise in recent days.³⁴ Besides, political instability, the failure of various governments to maintain a stronger strategic relationship with China, and lack of appropriate efforts to control the huge trade deficit are also responsible for the rising trade deficit. So far, China has taken several initiatives and has planned to take serious efforts to reduce the trade gap. China has given zero-tariff treatment to certain products from 41 Least Developed Countries under Duty-Free Quota-Free Program. As a less developed country, Bangladesh is enjoying this facility. According to the commerce ministry officials, because of being a less developed country, China has been giving duty-free access to many Bangladeshi products since 2003. Under APTA, since 2010, China was giving duty-free access to 4,700 goods. In 2014, Bangladesh was offered duty-free access of 7,800 commodities by China as a goodwill gesture to enhance economic ties.³⁵ Bangladesh has received duty-free access of

5,054 Bangladeshi commodities in 2016. But still, Bangladesh's export to China is not noteworthy. Bangladesh mainly exports RMG products and leather and leather goods to China. Bangladesh cannot use the benefit of the duty-free access fully and is hoping that in future it will take the maximum advantage of the offer. To reduce the trade imbalance, China is opening up its market slowly and is dropping the duty rate on imported goods to China. While it was 15.3 per cent in 2002, it is 9.8 per cent now which is the lowest among the developing countries.³⁶ It is also working to trim down the tax on the trade of jute and textiles, which are Bangladesh's major export products.

From the very beginning, Bangladeshi Prime Minister Sheikh Hasina has given importance to mutual negotiation through dialogue between the two countries' business enterprises for greater duty-free access of more Bangladeshi products to the Chinese market. Mentioning youth power, cheap labour, cost and huge trade imbalance, she expects a duty-free market facility for all Bangladeshi products.³⁷ She expects that China will import more jute and jute goods, leather and leather goods, frozen fish, ceramics, and pulses from Bangladesh, which will help Bangladesh to deal with the vast trade gap to a large extent. The Prime Minister's office instructed the commerce ministry to give more attention to the issue so that more and more Bangladeshi products can be included in the duty-free and quota-free lists for the Chinese market. They have also planned to set up a fashion design institute along the Chinese model to boost the export market for RMG in China. Moreover, they also took a free trade agreement under consideration for review and continuation.³⁸ To narrow down the yawning trade gap, importance was also given to free trade agreement through which both countries will get duty free facility and can ensure export growth. The then commerce minister, Tofail Ahmad, was hopeful about the export growth, as in the recent years export growth has been increasing and if it continues Bangladesh might be able to expand its export to China and the

projected export amount could reach \$2 billion within two or three years.³⁹ Bangladesh wants to be a middle-income country by 2021 and wants to expand its business with Chinese enterprises. Bangladesh has to diversify its export products to increase export growth and to increase her share of the Chinese market. Mustafizur Rahman, Executive Director of the Centre for Policy Dialogue (CDP), thinks that increasing trade deficit is a bad sign in comparison to China's trillion-dollar imports from all over the world and very low import from Bangladesh. Recently readymade garment, leather, and footwear exports were continuing the growing trend, though it is quite unsatisfactory because, in the context of China's huge demand, Bangladesh's export share is negligible. He urged the government to invest more in the production of these goods as well as to diversify Bangladesh's export products. Besides, local exporters can also play an important role in this regard. Government's recent step to set up a special economic zone is a hopeful initiative to decrease the trade deficit.⁴⁰ To make China a beneficent trading partner Abdus Salam Murshedi, the former president of Bangladesh Garment Manufacturers Association, BGMA, suggested increasing Chinese investment in Bangladesh to fight the trade gap.⁴¹ Shahjahan Mridha, General Secretary of Bangladesh Chamber of Commerce and Industry suggested infrastructural development for expanding trade as well as to reduce the trade imbalance. He is hopeful that by taking effective measures Bangladesh-China trade imbalance can be reduced. In recent years, Bangladesh's exports to China have increased by 25 per cent and it is a good start to contain trade gap. For easier trade and banking transactions, he thinks both countries should set up their banking branches in each other's countries. If Chinese banks arrive in Bangladesh and vice versa, direct banking transactions will be easier and ultimately boost the bilateral trade and may contribute to the reduction of the trade gap. He was also optimistic about the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC) and

hopes that the implementation of this project would bring about a positive impact on the entire trade relation. Transportation would be easier and less in cost than the previous system when goods used to be delivered by waterway. It would also save time because it took around one month for goods delivery while after the implementation of BCIM-EC it would take roughly 48 hours. Moreover, strategically it would be more balanced for our security.⁴²

Conclusion

Due to the liberal trade policies of Bangladesh and China, trade between the two countries has increased more rapidly than ever before in the last decade. With the start of the 21st century, mutual friendship and cooperation between the two nations have increased further, which has led to continuous growth in bilateral trade. To expand trade, Bangladesh and China have discovered different new areas of trade and new avenues for mutual benefits. As a result, Bangladeshi exports to China have increased 13 times. Not only that, a growing trend has been noticed in the overall trade volume. Although Bangladesh's exports to China have increased far more than before, the export amount is meagre compared to the import, which has raised the concern of trade deficit. Proclamations of taking concrete initiatives for improving economic cooperation, expanding bilateral trade, and increasing investment flow have come out as hopeful signs for reducing the trade imbalance.

Bangladesh is trying to export more products to the Chinese market. Besides, Bangladesh has already been trying to increase its trade in the world market with the help of China and trying to upgrade herself to a middle-income country. To achieve its goals, Bangladesh is strengthening its relation through increasing economic cooperation with China. As Bangladesh is concerned about the trade deficit with China, so it is trying to explore the Chinese market and export more products which will help reduce the trade gap. Noticing the trade gap, China is also increasing its investment in Bangladesh hoping that

friendship and cooperation between them will reduce the trade imbalance. Believing in the bright prospect of their economic cooperation, both nations are now giving more attention to exploring the potential sectors of economic development, such as ready-made garments, pharmaceuticals, blue economy, agriculture and food production, human resources development, infrastructure development, etc.

In Bangladesh, the readymade garment is still the country's largest export sector. To maintain this position, Bangladesh needs to diversify the products of the ready-made garment industry more comprehensively. Value-added clothing will help capture the greater share of the global garment market. As China is the world's largest textile and clothing exporter, it is helping Bangladesh in the textile sector. According to Bangladesh Bank, the Chinese government's investment in Bangladesh reached \$56.79 million in 2015, of which 65 per cent is in the textile sector.⁴³ For convenience in textiles and clothing, it is very important to increase standard chains. China is an available source of raw materials, which is used to sustain trade surplus in European and North American countries. Bangladesh imports ready-made garments goods every year from China. As trade imbalance is a major challenge for Bangladesh and China, so with China's help, Bangladesh can manufacture these products by herself and can export it to the overseas market. Even, these products can be exported to China to reduce the trade deficit. China is a big country with a huge population. So, the internal market of China is a big hope for Bangladesh to reduce the trade imbalance.

Bangladesh is also hoping to get duty-free access for all products to the Chinese market. According to the policy of the World Trade Organization (WTO), as an LDC country, Bangladesh is entitled to duty-free access for all products in China. Bangladesh mainly imports raw materials and industrial equipment from China. So, because of the increasing demand for these products, there is no scope for import

reduction of these goods. So, the only choice open for Bangladesh is, increase its export to China, diversify her export items and reduce the trade deficit.

So, observing the overall situation, it can be said that, though Bangladesh and China are fighting against the increasing trade deficit, various new fields of trade and investment are being identified which will help Bangladesh and China to move forward in a balanced manner. The growing trend in the fields of trade, investment, economic ties, projects and partnership will be a big opportunity for Bangladesh to cope up with trade imbalance and maintain a constant and stable economic development.

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