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Belt and Road Initiative

What Are Bangladesh's Interests?

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Centre for Policy Dialogue (CPD) was established in 1993 as a civil society initiative to promote an ongoing dialogue between the principle partners in the decision-making and implementing process. Over the past 28 years, the Centre has emerged as a globally reputed independent think tank, with local roots and global reach.

A key area of CPD's activism is to organise dialogues to address developmental policy issues that are critical to national, regional and global interests, with a view to seeking constructive solutions from major stakeholders. The other key area of CPD's activities is to undertake research programmes on current and strategic issues.

CPD's research programmes are both serviced by and intended to serve, as inputs for particular dialogues organised by the Centre throughout the year. Major research themes are: macroeconomic performance analysis; poverty and inequality; agriculture; trade; regional cooperation and global integration; infrastructure; employment, and enterprise development; climate change and environment; development governance; policies and institutions, and the 2030 Agenda for Sustainable Development.

As a continuation of its work, CPD has collaborated with various eminent networks, i.e., World Economic Forum (WEF), South Asia Economic Summit (SAES), Bangladesh, China, India and Myanmar (BCIM) Forum, South Asia Centre for Policy Studies (SACEPS), etc. CPD hosts the secretariat of the *LDC IV Monitor*, an independent global partnership for monitoring the outcome of the Fourth UN Conference on the LDCs. CPD was also the initial convener and founding host of the Southern Voice on Post-MDGs, a network of 50 think tanks from Africa, Asia and Latin America. CPD was the Secretariat of Southern Voice during January 2013–June 2019. At the national level, CPD hosts the Secretariat of the *Citizen's Platform for SDGs, Bangladesh*, a civil society initiative that includes more than 100 Partner organisations, founded with an objective to contribute to the delivery and implementation of the Sustainable Development Goals (SDGs). In recognition of its track record in research, dialogue and policy influencing, CPD has been selected as an awardee of the Think Tank Initiative (TTI) for two consecutive terms.

Dissemination of information and knowledge on critical developmental issues is another important component of CPD's activities. Pursuant to this, CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has been bringing out **CPD Working Paper Series** on a regular basis. Research work in progress, background papers of dialogues, investigative reports and results of perception surveys which relate to issues of high public interest are published under this series.

The present paper titled *Belt and Road Initiative: What Are Bangladesh's Interests?* has been authored by *Dr Fahmida Khatun*, Executive Director, CPD (fahmida@cpd.org.bd) and *Mr Syed Yusuf Saadat*, Senior Research Associate, CPD (saadat@cpd.org.bd).

Series Editor: *Dr Fahmida Khatun*, Executive Director, CPD

In the aftermath of the Global Financial Crisis of 2007, growth slowed down in the economy of China, as well as in the world economy. In response to this, China unveiled a grand strategy of opening up to the world. The centrepiece of this strategy was the Silk Road Economic Belt and the 21st Century Maritime Silk Road, later known as the Belt and Road Initiative (BRI). As a truly global endeavour, the BRI has ramifications far beyond the borders of China. Bangladesh has been part of the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor, which was subsequently included as one of the six economic corridors under the BRI. Hence, it is important to investigate how the BRI affects Bangladesh. This study analyses the BRI from Bangladesh's perspective and aims to uncover what interests the country may have in participating in this initiative. Bangladesh's role in the BCIM Economic Corridor is briefly discussed, and the five types of connectivity proposed under the initiative are examined from Bangladesh's viewpoint. The possible challenges related to the BRI which are pertinent to Bangladesh are highlighted, and the Chinese response to these challenges is also noted. A number of recommendations are made for guiding future research on the topic.

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Acronyms

AIIB	Asia Infrastructure Investment Bank
B2B	Business to Business
BCIM	Bangladesh-China-India-Myanmar
BRI	Belt and Road Initiative
BRICS	Brazil-Russia-India-China-South Africa
CEIZ	Chinese Economic and Industrial Zone
CPD	Centre for Policy Dialogue
CPI	Corruption Perception Index
CSIS	Centre for Strategic and International Studies
DOTS	Direction of Trade Statistics
DSF	Debt Sustainability Framework
ERD	Economic Relations Division
FDI	Foreign Direct Investment
G2G	Government to Government
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIP	Green Investment Principle
GoB	Government of Bangladesh
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
ITC	International Trade Centre
K2K	Kolkata to Kunming (Car Rally)
NDB	New Development Bank (China)
PPP	Public-Private Partnership
SCO	Shanghai Cooperation Organisation
SDG	Sustainable Development Goal
SEZ	Special Economic Zone
USA	United States of America
USD	US Dollar

1. INTRODUCTION

The Chinese President Xi Jinping launched both the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiatives in 2013. Afterwards, these were termed the Belt and Road Initiative (BRI). Also known as the New Silk Road, the BRI is an ambitious infrastructure project which stretches from East Asia to Europe. The initiative's objective is to build connectivity and cooperation across six main economic corridors. These are: (1) New Eurasia Land Bridge; (2) China-Mongolia-Russia Economic Corridor; (3) China-Central Asia-West Asia Economic Corridor; (4) China-Indochina Peninsula Economic Corridor; (5) China-Pakistan Economic Corridor; and (6) Bangladesh-China-India-Myanmar (BCIM) Economic Corridor.

Through the BRI, China intends to engage in the global economy mainly through investments in infrastructure. China plans to rebuild the land network connecting China to Europe via Central Asia ('One Belt') and the maritime route from China to Southeast Asia, South Asia, the Middle East and Eastern Africa ('One Road'). By the end of July 2019, 136 countries and 30 international organisations had signed 194 cooperation documents with China to build a "Belt and Road" cooperation document (China Belt and Road Network, 2019).

The Silk Road Economic Belt and the 21st Century Maritime Silk Road span across the territories of 72 countries, which covered 66.09 per cent of the world population and 33.65 per cent of the global gross domestic product (GDP), as of 2018. The BRI has generated a lot of discussion and speculation across the world. Many least developed and developing countries which are in need of infrastructures—such as roads, railways, ports and other infrastructures—have welcomed BRI investments. Though the BRI aims to promote regional cooperation through investment, it is considered as China's plan to strengthen its influence in the region. There is opposition in some participating countries as costs of many proposed projects have risen substantially.

Institutions that finance BRI include China Development Bank, Export-Import Bank of China (Exim Bank of China), Agricultural Development Bank of China, Industrial and Commercial Bank of China, Bank of China, Silk Road Fund, China Construction Bank, New Development Bank (NDB), China Export and Credit Insurance Cooperation, and Asia Infrastructure Investment Bank (AIIB). Following the BRI announcement, the Chinese government established the Silk Road Fund in December 2014 with USD 40 billion. The AIIB was established in January 2016. The AIIB approved USD 1.73 billion by the end of 2016. By the end of 2015, China Exim Bank had provided more than USD 80 billion to 49 countries for BRI related projects. China Development Bank had supported 37 countries for BRI projects totalling an amount of USD 110 billion by the end of 2015. The AIIB has been co-funding projects with international funding organisations such as the World Bank and the Asian Development Bank.

The remainder of this paper is structured as follows: Section 2 compares BRI vis-à-vis other international development agendas such as the 2030 Agenda and the Paris Agreement; Section 3 discusses Bangladesh's role in BRI; Sections 4 to Section 8 describe each of the five types of connectivity in BRI in context of Bangladesh; Section 9 identifies a number of challenges in implementing BRI; Section 10 outlines China's response to BRI challenges; and finally Section 11 ends the paper with a few concluding remarks.

2. BRI AND INTERNATIONAL DEVELOPMENT AGENDA

Although conceived in China, the BRI has a lot in common with the mainstream international development agenda. Such commonality testifies that BRI is China's attempt at building a "community of shared interests and mutual benefit" (Jinping, 2019). Chinese President Xi Jinping proposed that the BRI would be advanced as a road of peace, road of prosperity, road of opening up, road of innovation and a road connecting different civilisations (Jinping, 2017). The five roads of BRI are reminiscent of the 5 P's of the 2030 Agenda, which are people, planet, prosperity, peace and partnership (United Nations, 2015). In fact, peace and prosperity appear both in the five roads of BRI and the five Ps of the 2030 Agenda. The road of opening up and the road connecting different civilisations may be likened to the Ps of people and partnership. Finally, the road of innovation resembles the P of planet, since innovation holds the key to preservation of our planet. The five types of connectivity envisioned in BRI (Jinping, 2019), namely, policy coordination, infrastructure connectivity, unimpeded trade, financial integration and understanding between people are directly or indirectly linked with all 17 Sustainable Development Goals (SDGs) (Table 1) (Hong, 2017).

Table 1: Direct and indirect links between BRI and SDGs

BRI Connectivity	Directly Linked SDGs	Indirectly Linked SDGs
Policy coordination	17	
Infrastructure connectivity	1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 13, 17	10
Unimpeded trade	1, 2, 8, 9, 17	12, 14, 15
Financial integration	17	
Understanding between people	3, 11, 17	16

Source: Authors' compilation based on Hong (2017).

Contrary to the common ground between BRI and the SDGs, there seems to be a gap appearing between BRI and the Paris Agreement on climate change. China is a signatory of the Paris Agreement on climate change. It is gradually aiming to move towards a more sustainable infrastructure. It has taken the lead in international discussions on climate change by committing to fulfil the Paris Agreement. China has also heavily invested in solar and wind power industries. As a result, in the past decade, global prices of renewable energy had fallen sharply. However, reliance on fossil fuel to implement BRI projects may be contradictory to its climate commitment. Two leading Chinese banks, namely the China Development Bank and the Exim Bank of China have invested about USD 244.2 billion globally and USD 186.3 billion in the BRI regions in energy between 2000 and 2018; approximately three-quarters of this went to oil, coal and gas. China can use more special funds to green opportunities, which would bring in positive impact on green growth in the BRI countries. A study by World Resource Institute estimated that just 25 per cent of BRI special funds would be equivalent to more than USD 28 billion additional dollars for climate finance in BRI countries. This will make China a major player for low carbon development in the BRI regions.

3. BANGLADESH IN THE BRI

Bangladesh is connected with the BRI initiative through the BCIM economic corridor which was formally endorsed during the first inter-governmental study group meeting in Kunming held in December 2013. The corridor covers 1.65 million square kilometres, and includes about 440 million people. It connects China's Yunnan province, Bangladesh, Myanmar, and Kolkata in India through road, rail, water and air linkages.

It may be mentioned here that economic cooperation within the BCIM region was promoted by *Professor Rehman Sobhan*, Chairman of the Centre for Policy Dialogue (CPD), Bangladesh. His pioneering ideas eventually led to the development of the platform in the 1990s, known as the “Kunming Initiative” which later on came to be known as the BCIM Forum. Under his leadership, CPD later on pursued various activities to promote greater collaboration in the region. During the 11th BCIM Forum organised by CPD in Dhaka in 2013, a car rally was held which started in Kolkata and completed in Kunming, popularly coined as Kolkata to Kunming (K2K) Car Rally.

Indeed, research conducted at CPD at least 14 years before the BRI showed that there existed significant economic complementarity between Yunnan province of China and the South Asian countries of Bangladesh, India and Myanmar. Two of the earlier books by Professor Rehman Sobhan are the following: 1) *Rediscovering the Southern Silk Route* (Sobhan, 2000); and 2) *Transforming Eastern South Asia: Building Growth Zones for Economic Cooperation* (Sobhan, 1999). These studies found that improved infrastructure connectivity and increased international trade would be mutually beneficial for all countries in the region.

BCIM had the ambition to build regional cooperation through building economic corridor connecting the sub-regions of South Asia, Southeast Asia and East Asia. Connectivity through the BCIM economic corridor has the potential to benefit North East Indian states through trade with Yunnan province. Bangladesh can also benefit through linkages with the North East Indian region and Yunnan. BCIM has also has the potential for benefitting from the blue economy and international maritime trade through the Bay of Bengal, the Indian Ocean, and the Andaman and Nicobar Islands.

For BRI to be successful, operationalisation of the BCIM is crucial. With India outside the BRI implementation of BCIM is uncertain.

A number of measures have been rolled out to materialise the ideas embedded in the BRI. During the Chinese President's visit to Bangladesh in October 2016, an understanding was reached regarding the implementation of various government to government (G2G) and business to business (B2B) projects. In total, China promised about USD 40 billion investment in Bangladesh. USD 24.45 billion was in bilateral assistance for infrastructure projects and USD 13.6 billion in joint ventures. In addition, USD 20 billion in loan agreements was committed. In 2016, Bangladesh and China signed eight projects costing more than USD 9.45 billion financed by China. These include the Padma Bridge rail link worth USD 3.3 billion; the power plant in Payra worth USD 1.9 billion; digital connectivity worth USD 1 billion; and power grid network strengthening project worth USD 1.32 billion.

Bangladesh's first toll road project was signed on 6 December 2018. The Government of Bangladesh (GoB) had signed a contract with a China-Bangladesh consortium to upgrade the 48-kilometres Dhaka Bypass Road to a dual carriageway. The objective was to improve connectivity between the north and northwest parts of Bangladesh and the Chittagong Port. This toll road is only one of the many transportation projects that China is investing in Bangladesh. During the 2009–2019, China has invested an estimated USD 9,750 million in various transportation projects in Bangladesh.

Large Chinese foreign direct investment (FDI) is observed in the power sector of Bangladesh. China has invested around USD 11,510 million in the power and energy sector of Bangladesh between 2009 and 2019. Investment in coal power constituted of USD 6,390 million or 55.52 per cent of

the total Chinese investment in the power and energy sector of Bangladesh. The Zhejiang Jindun Pressure Vessel Co Ltd of China has proposed to invest USD 5 billion in one zone to build up heavy industry in Chittagong, including the establishment of a 2.6-gigawatt power plant.

As part of Bangladesh government's initiative to establish a Special Economic Zone (SEZ), Chinese Economic and Industrial Zone (CEIZ) is being developed in Anwara Upazila of Chittagong district on a 783 acre land. State-run China Harbour Engineering Company holds 70 per cent share in the joint venture. CEIZ will be the first specialised G2G economic zone (Bangladesh Economic Zones Authority, 2018; The Daily Star, 2018a).

Agreement has been reached among the Dhaka Stock Exchange (DSE), Shanghai Stock Exchange and the Shenzhen stock exchange; DSE will sell 25 per cent stake to the Shanghai and Shenzhen Stock Exchange for USD 119 million in May 2018. The Chinese consortium also agreed to provide technical support equivalent to USD 37 million.

4. POLICY COORDINATION

Policy coordination is a quintessential component of BRI and is viewed as a vital instrument for implementing the initiative. Multi-level inter-governmental policy coordination through macro-economic policy exchange and economic development strategy integration can accomplish shared interests, enhance mutual trust and support the implementation of large-scale projects (Sheng, 2019a). Since the BRI countries are diverse in terms of language, religion and culture, and are also currently at different levels of economic development, policy coordination can ensure that a consensus on international cooperation is reached. Policy coordination through multi-stakeholder dialogue and prudent diplomacy can bridge the differences between countries so that they can successfully pursue mutually beneficial goals.

Policy coordination has three main objectives: i) "to eliminate all aspects of interference, establish mutual political trust, focus on development issues, and reach a consensus on the concept, model and direction of development"; ii) to encourage greater synergy between the national development strategy of individual countries and BRI, "establish an all-directional, multi-layered and wide-ranging cooperation mechanism, and enlarge the depth and breadth of institutional integration"; and iii) "to reduce the cost of trade and investment, improve corresponding laws and regulations, explore the market potentials of participating countries, enhance the efficiency and effectiveness of economic cooperation, and truly realise a virtuous cycle of extensive consultation, joint contribution and shared benefits" (Sheng, 2019a).

Active and effective policy communication between countries can greatly simplify the complex process of transnational infrastructure planning, construction and financing, and thus facilitate infrastructure connectivity. Coordination of policies may lead to the establishment of free trade zones, deepening of industrial cooperation and settlement of trade-related disputes, which collectively will be conducive towards promoting unimpeded trade. Policy coordination among the BRI countries can aid in strengthening financial regulation and maintaining currency stability which would ease financial integration. If the BRI countries work hand-in-hand and coordinate their policies, then it would strengthen the mutual understanding between people. Thus, policy coordination is the key stone that cements the four other types of connectivity in BRI.

5. INFRASTRUCTURE CONNECTIVITY

The “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” states that “On the basis of respecting each other’s sovereignty and security concerns, countries along the Belt and Road should improve the connectivity of their infrastructure construction plans and technical standard systems, jointly push forward the construction of international trunk passageways, and form an infrastructure network connecting all sub-regions in Asia, and between Asia, Europe and Africa step by step” (National Development and Reform Commission, 2015). Under BRI, infrastructure connectivity refers to improved road, railway, sea and air transport networks, as well as cross-border cooperation on matters such as energy and telecommunications.

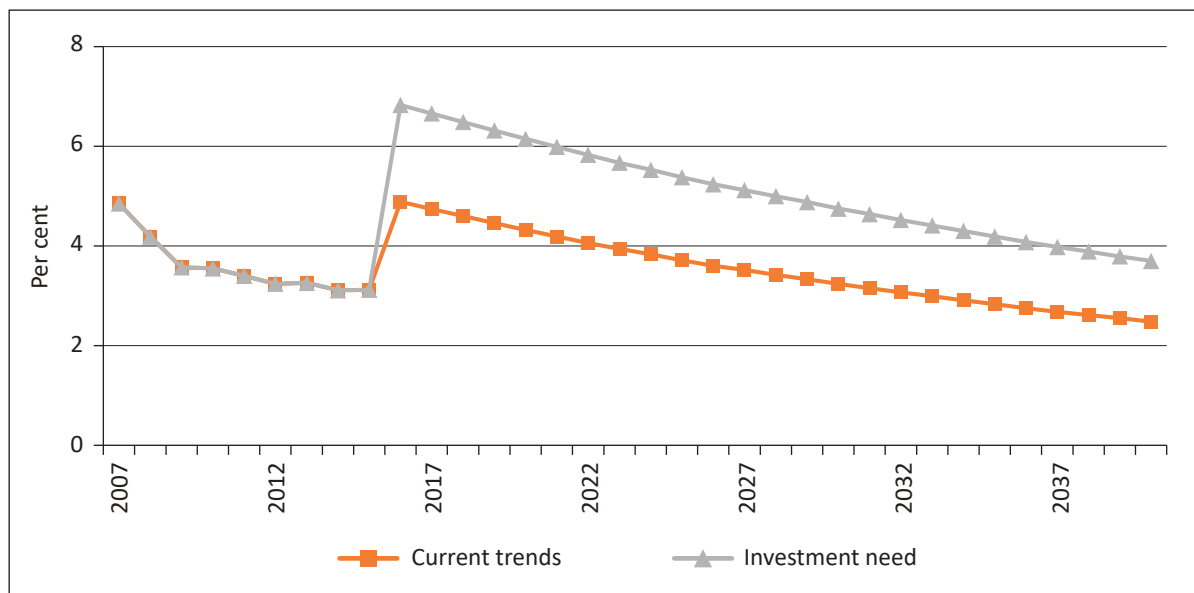
Infrastructure is the launching pad for economic take-off. Historically, lack of infrastructural facilities has stifled economic growth in many developing countries. Most countries along the Belt and Road are lagging behind in terms of basic infrastructural facilities and have huge unmet demand for infrastructure. The BRI promises to bring in massive infrastructural development to its participating countries which will result in accelerated industrialisation, higher economic growth, increased international trade and other manifold returns. Since China has the largest expressway and high-speed railway networks in the world, its experience and expertise make it the ideal country to lead the infrastructure connectivity alongside the Belt and Road.

Due to the rapid pace of growth of the Bangladesh economy, the infrastructure investment need as a percentage of GDP is expected to fall in the coming years. However, the difference between the infrastructure investment need and the current trends of infrastructure investment in Bangladesh is predicted to be more than 1 per cent of GDP (Figure 1).

Sectoral decomposition of infrastructure investment needs shows that the greatest need for investment in Bangladesh are in the energy and transport sectors. Predictions show that, in 2040,

Figure 1: Infrastructure investment in Bangladesh, current trends vs. need

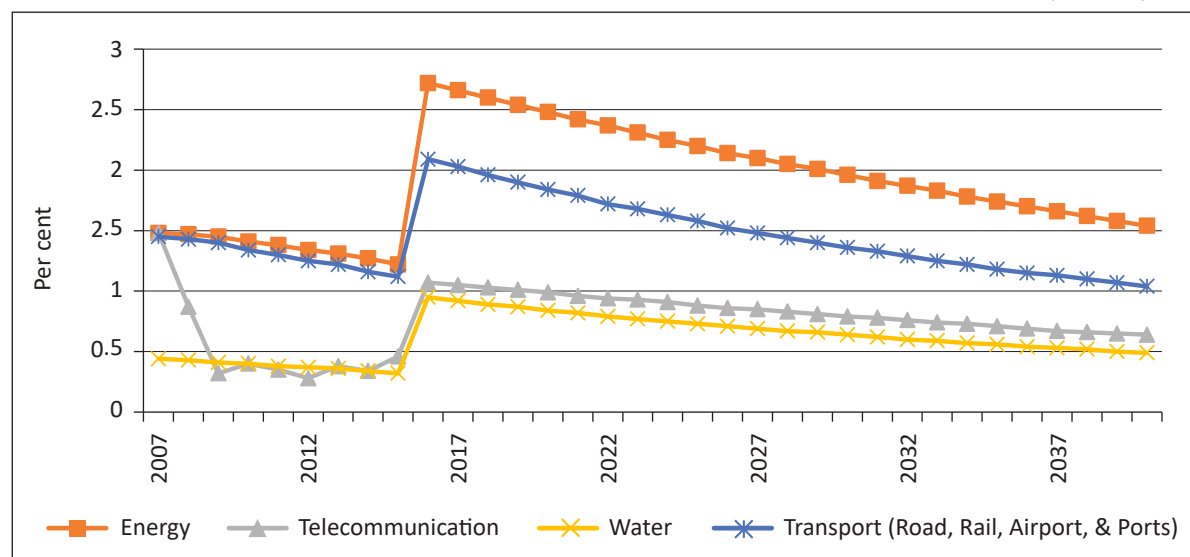
(per cent of GDP)



Source: Authors’ illustration based on data from Global Infrastructure Hub, 2019.

Figure 2: Sector-wise infrastructure investment need

(per cent of GDP)

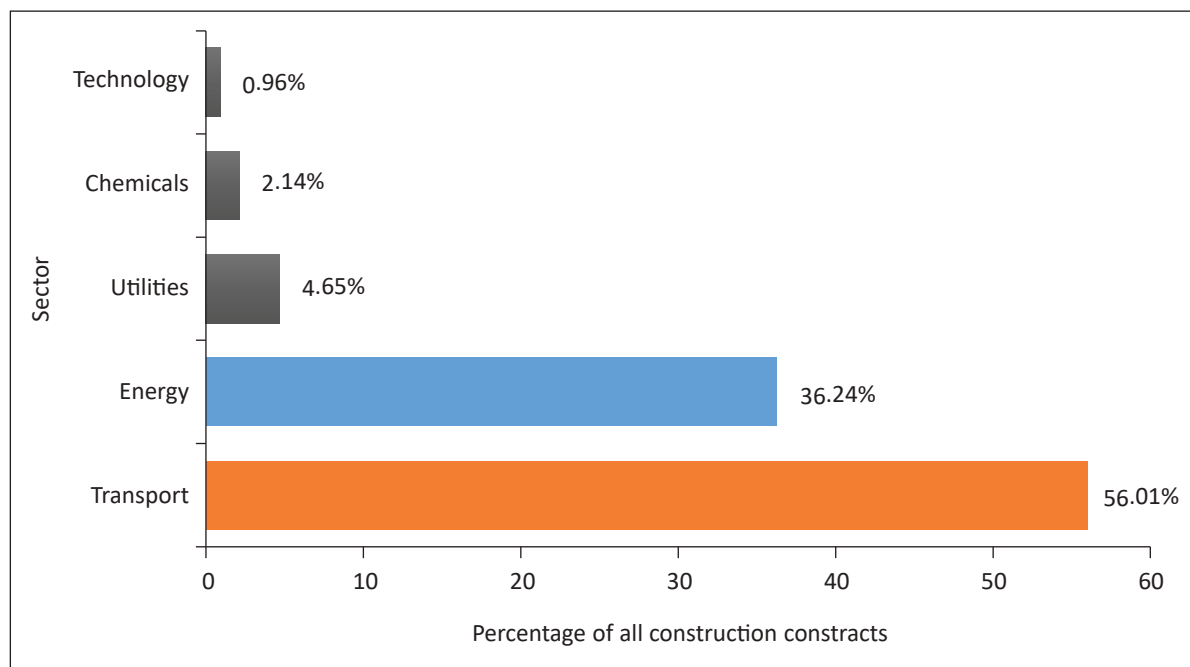


Source: Authors' illustration based on data from Global Infrastructure Hub, 2019.

infrastructure investment needs of the energy and transport sectors will be around 1.5 per cent and 1 per cent of GDP (Figure 2) (Global Infrastructure Hub, 2019).

The largest proportion of the BRI projects in Bangladesh are in the energy and transport sectors (Figure 3). Thus, BRI effectively and efficiently fills in the infrastructure related gaps in Bangladesh.

Figure 3: Sector-wise BRI construction contracts in Bangladesh (as per cent of total investment), 2009–2019



Source: Authors' illustration based on the data from China Global Investment Tracker (American Enterprise Institute, 2019).

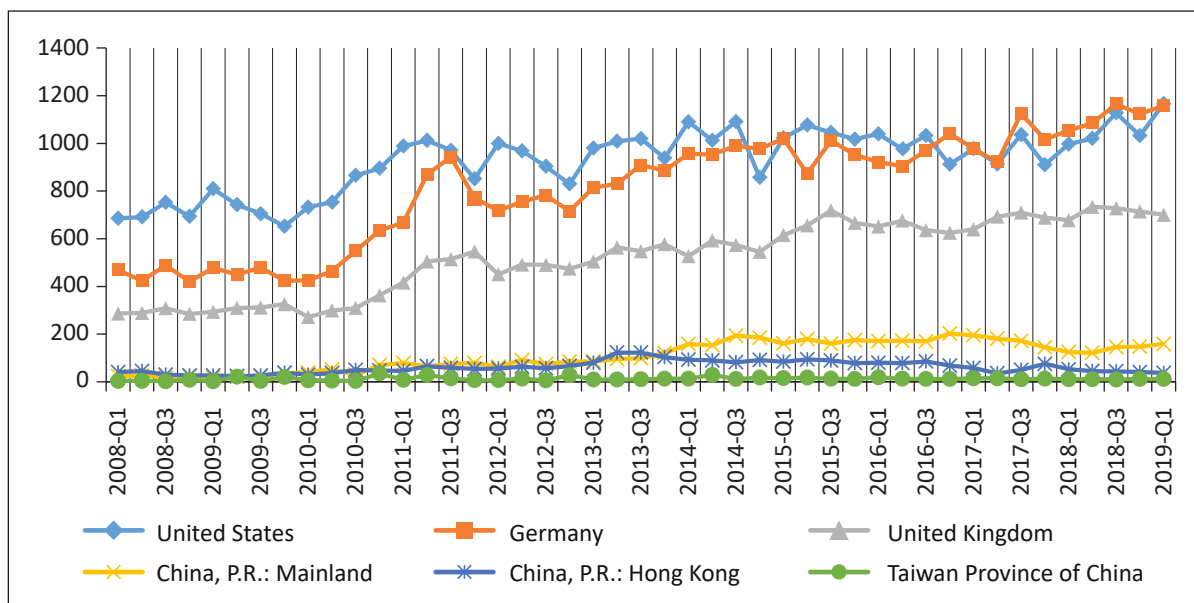
6. UNIMPEDED TRADE

The “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” states that “We should strive to improve investment and trade facilitation, and remove investment and trade barriers for the creation of a sound business environment within the region and in all related countries” (National Development and Reform Commission, 2015). A rules-based international multilateral trading system which is free and inclusive, tends to benefit less developed countries. On the other hand, when international trade tends to become ad hoc and bilateral, the poorest countries tend to suffer the greatest losses. China has called upon the BRI countries to facilitate unimpeded trade and uphold the Silk Road spirit. As a leading trading partner of many of the countries along the Belt and Road, China is in a favourable position to be the torch-bearer of free trade in BRI. In order to promote trade connectivity, China has promised to: i) hold China International Import Expo; ii) promote bilateral and multilateral free trade negotiations; iii) sign economic and trade cooperation agreements; iv) establish economic and trade cooperation zones; and v) help participating countries implement the United Nations 2030 Agenda for Sustainable Development (Minghui, 2019b).

The slowdown in the world economy, in the aftermath of the Global Financial Crisis of 2007, has resulted in adverse impacts on the trade and growth of many developing countries. The BRI countries now look upon China to reverse and offset this disconcerting trend and restore the virtuous cycle of the trade-development nexus. In order to ensure that the economic development is dynamic, inclusive and sustainable, unimpeded trade is crucial. Thus, the promise of trade connectivity under the BRI represents a unique opportunity for the participating countries to ride the wave of trade liberalisation.

Over the past 10 years, Bangladesh’s exports to the USA have grown slower than exports to Germany. As a result, exports to Germany in Q1 of 2019 was almost as high as exports to that of the United States of America (USA) (Figure 4). China had not been one of the traditional markets for Bangladeshi exports. China was in the 10th position in case of Bangladesh’s export destination.

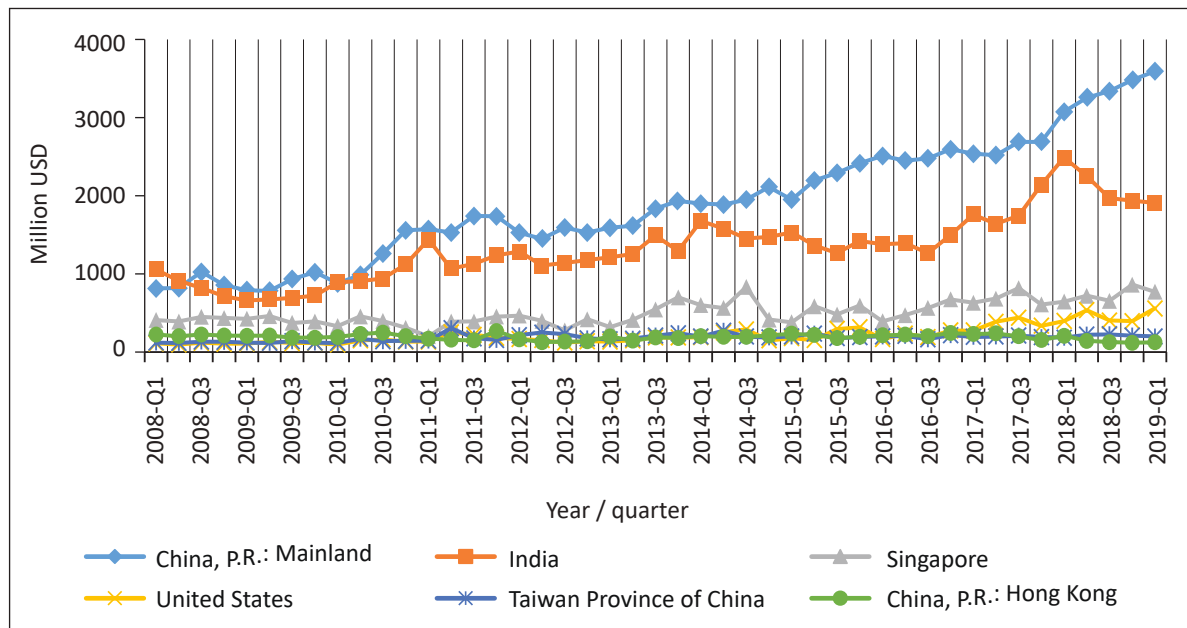
Figure 4: Bangladesh's exports (free on board) to partner countries, in million USD



Source: Authors’ illustration based on data from Direction of Trade Statistics (DOTS) (IMF, 2019).

Since Q3 of 2010, China has become the biggest import partner for Bangladesh, overtaking the place previously held by India (Figure 5) (IMF, 2019).

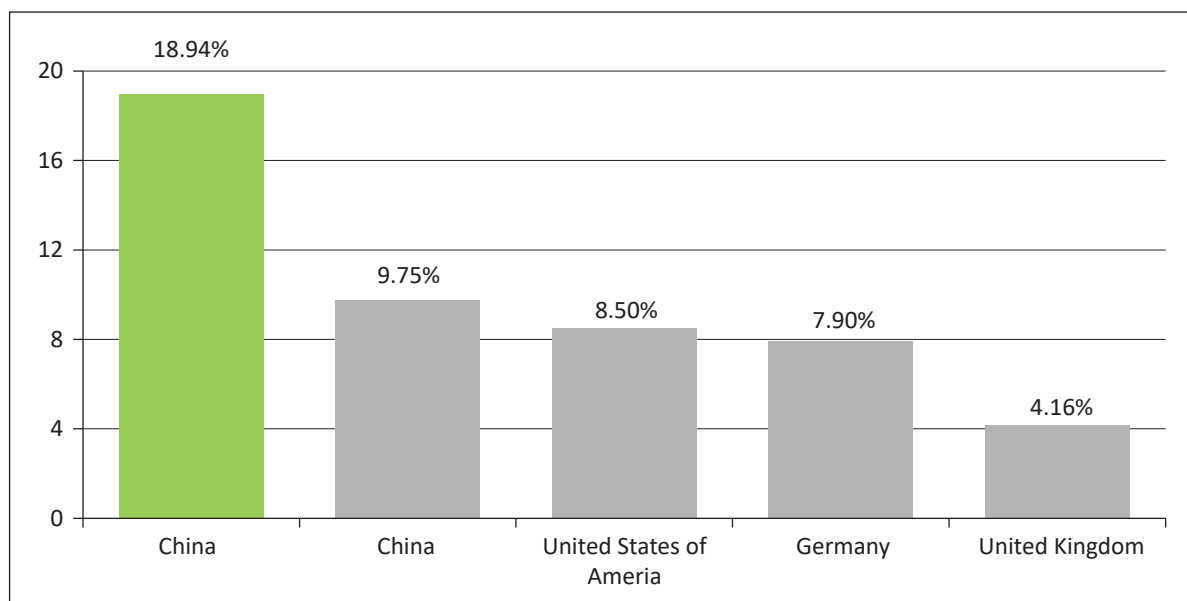
Figure 5: Bangladesh’s imports (cost, insurance, and freight) from partner countries, in million USD



Source: Authors’ illustration based on data from DOTS (IMF, 2019).

In 2018, China was the largest trading partner of Bangladesh with a share of 18.94 per cent of total trade (Figure 6). This was almost double the amount of trade with India and more than the trade with the USA and Germany combined.

Figure 6: Largest trading partners of Bangladesh in 2018



Source: Authors’ illustration based on the data from International Trade Centre (ITC) Trade Map (ITC, 2019).

7. FINANCIAL INTEGRATION

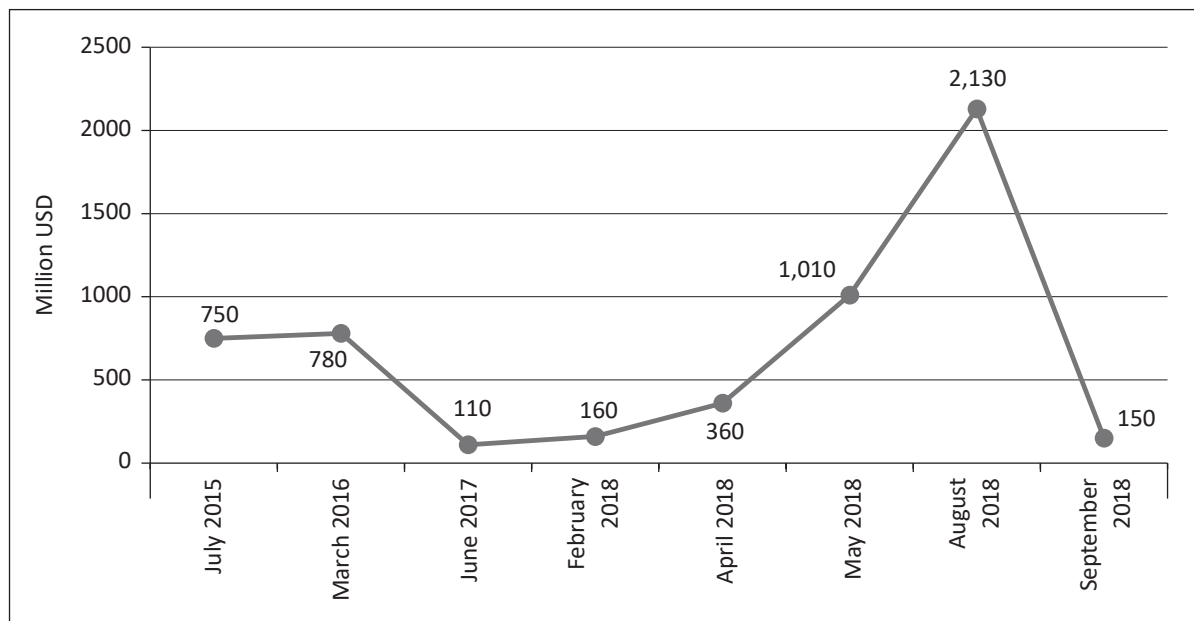
The “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” states that “We should deepen financial cooperation, and make more efforts in building a currency stability system, investment and financing system and credit information system in Asia” (National Development and Reform Commission, 2015). Financial integration under BRI aims to deepen financial cooperation, strengthen financial stability, keep risks under control, build a diversified financing system and establish a multi-tiered capital market (Minghui, 2019a). Under BRI, financial integration is expected to foster financial innovation and lend support to both large-scale projects and small and micro enterprises.

Given the massive funding requirement of the proposed infrastructure connectivity under BRI, financial integration is likely to be a major area of cooperation within the initiative. Through setting up financial platforms such as the AIIB, the Silk Road Fund, Brazil-Russia-India-China-South Africa (BRICS) Development Bank, Shanghai Cooperation Organisation (SCO), China has taken the lead in terms of financing and investment within BRI. However, China does not intend to establish financial hegemony. Instead, it welcomes collaborative financing and investment that includes participation from governments and multilateral financial institutions in order to improve the efficiency and quality of financial integration, as well as to share the responsibilities, risks and benefits. A critical component of financial integration under BRI is the globalisation of the Chinese currency, the Renminbi. China intends to promote widespread use of the Renminbi within BRI so that costs of currency exchange are reduced and the use of the US dollar is initially minimised and later avoided.

In FY2018–19, Bangladesh witnessed a record high net FDI inflow of USD 3232.89 million between the months of July–March (Bangladesh Bank, 2019). This surge in FDI was largely driven by Chinese investment. During the period of January–March 2019, Chinese net FDI inflow amounted to USD 396.99 million, which was 38.34 per cent of total net FDI inflow into Bangladesh during that period (Bangladesh Bank, 2019). In April 2018, Alipay, a concern of China’s e-commerce and tech giant

Figure 7: Total Chinese investment in BRI projects in Bangladesh

(in million USD)



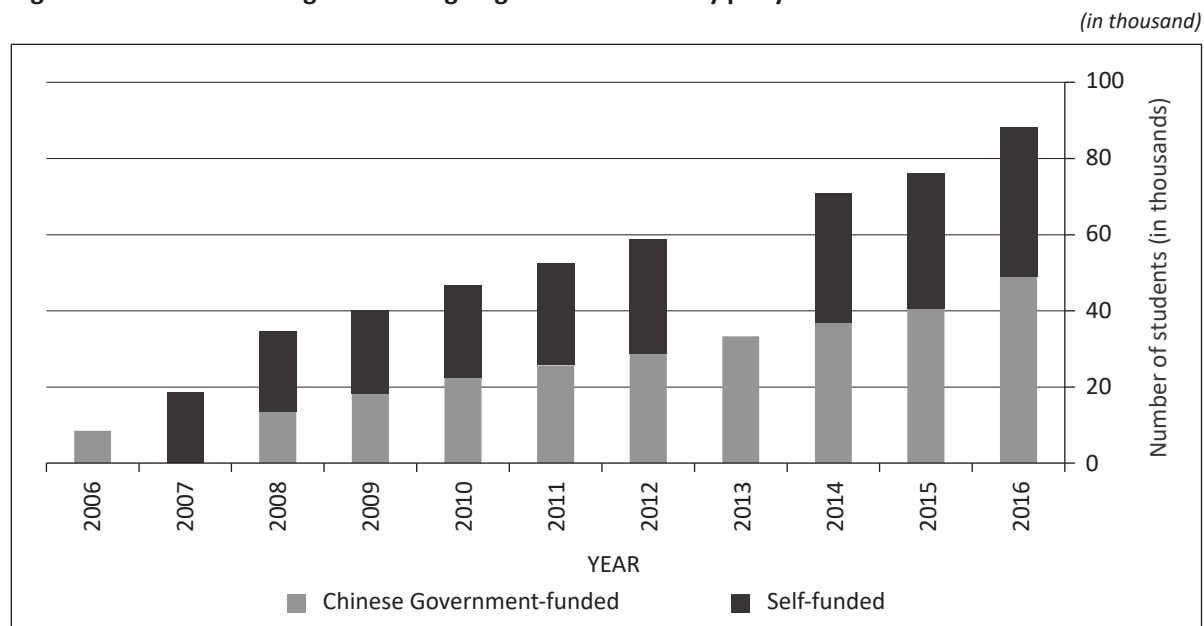
Source: Authors’ illustration based on data from China Global Investment Tracker (American Enterprise Institute, 2019).

Alibaba Group, bought 20 per cent stakes in bKash, Bangladesh’s largest mobile financial service provider (The Daily Star, 2018b). China’s investment in BRI projects has usually been in the range of USD 100 million to USD 1 billion. The only exception to this was in August 2018, when USD 2.13 billion was invested in BRI projects in Bangladesh.

8. UNDERSTANDING BETWEEN PEOPLE

Understanding between people, through means of strengthening of people-to-people bonds is one of the five components of BRI. The “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” states that “We should carry forward the spirit of friendly cooperation of the Silk Road by promoting extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services, so as to win public support for deepening bilateral and multilateral cooperation” (National Development and Reform Commission, 2015).

Figure 8: Number of foreign students going to China for study per year



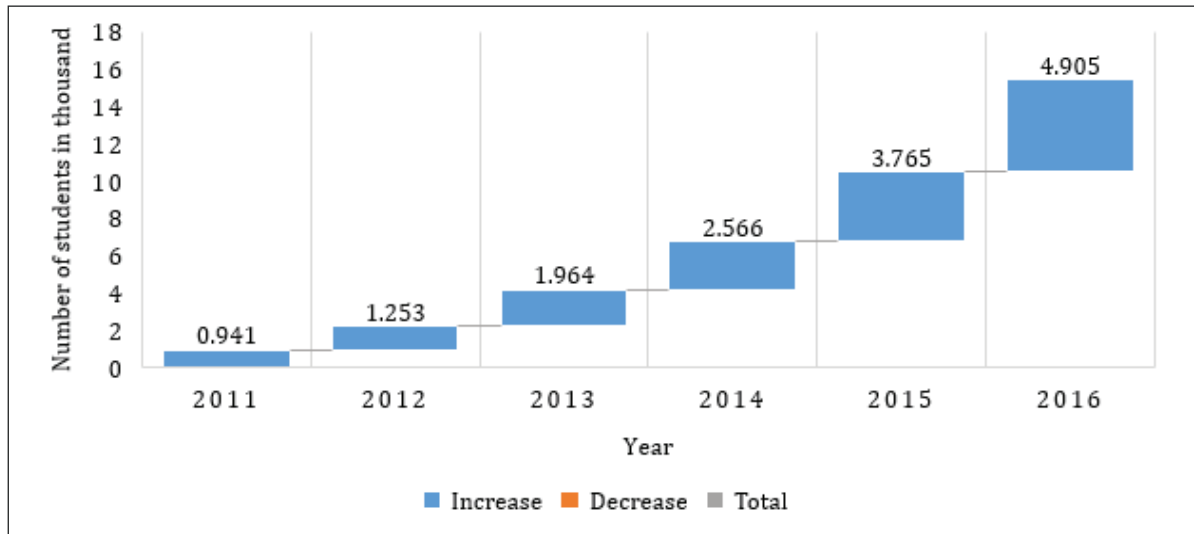
Source: Authors’ illustration based on the data from Centre for Strategic and International Studies (CSIS) (CSIS, 2021).

China intends to nurture greater understanding between the people in the BRI countries in six main ways: i) cultural and academic exchange; ii) tourism cooperation and sports exchange; iii) disease control and medical cooperation; iv) sci-tech cooperation and personnel training; v) double-track communication between political parties and think tanks; and vi) non-governmental exchanges and media cooperation (Sheng, 2019b). China provides 10,000 government scholarships to the countries along the Belt and Road every year (National Development and Reform Commission, 2015). Since the declaration of BRI in 2013, there has been a steady increase in the number of foreign students going to China for study per year (Figure 8).

Since the inception of BRI, the number of Bangladeshi students pursuing higher education in Chinese universities has grown rapidly over the years. For example, 4,905 more Bangladeshi students went to study in China in 2016, compared to 2015 (Figure 9). Chinese government scholarships are offering lucrative higher education opportunities to students from Bangladesh.

Figure 9: Number of Bangladeshi students going to China for higher education per year

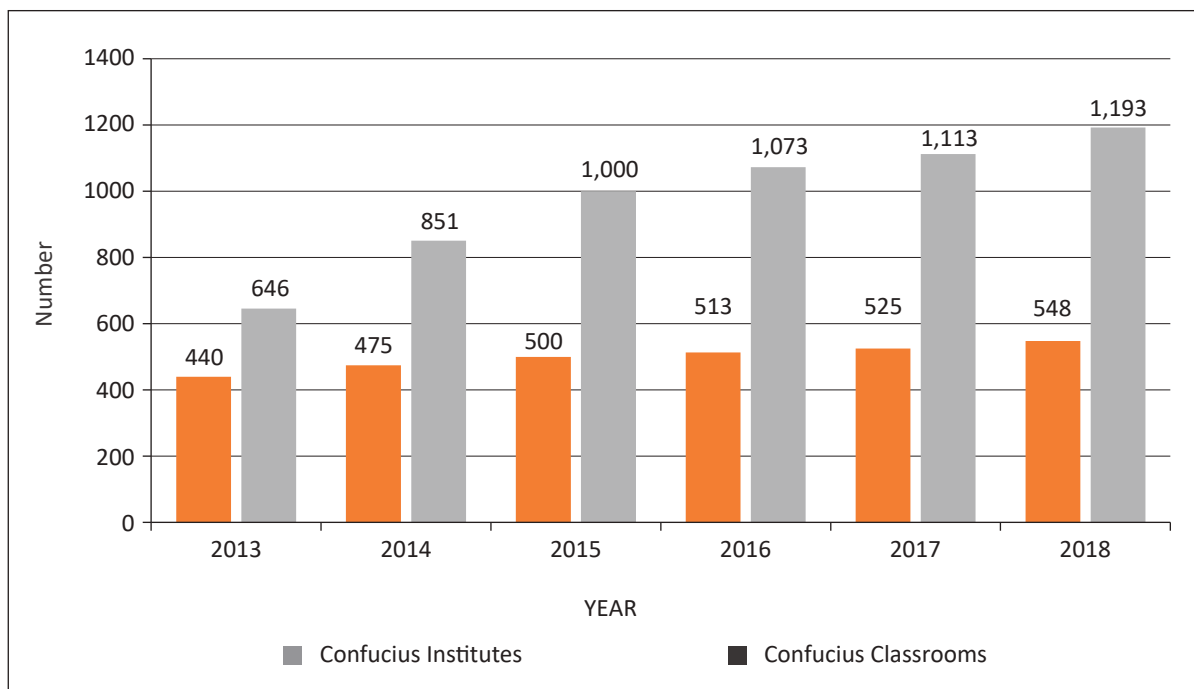
(in thousand)



Source: Authors' illustration based on data from Centre for Strategic and International Studies (CSIS, 2021).

Understanding between people is the social foundation of BRI, and will help eliminate barriers, encourage brotherhood and restore consensus among the diverse BRI countries (Sheng, 2019b). This understanding will create mutual respect, which is a prerequisite for working together and building a shared future. China insists that “telling China stories and spreading China voices” is the key to strengthening people-to-people bonds within the aegis of BRI. In this regard, Confucius institutes can play a vital role. Since the start of BRI, the number of Confucius institutes all over the world has increased from 440 in 2013 to 548 in 2018. On the other hand, the number of Confucius classrooms has increased from 646 in 2013 to 1,193 in 2018 (Figure 10) (Statista, 2019). The increase

Figure 10: Number of Confucius institutes and classrooms worldwide



Source: Authors' illustration based on data from Statista (2019).

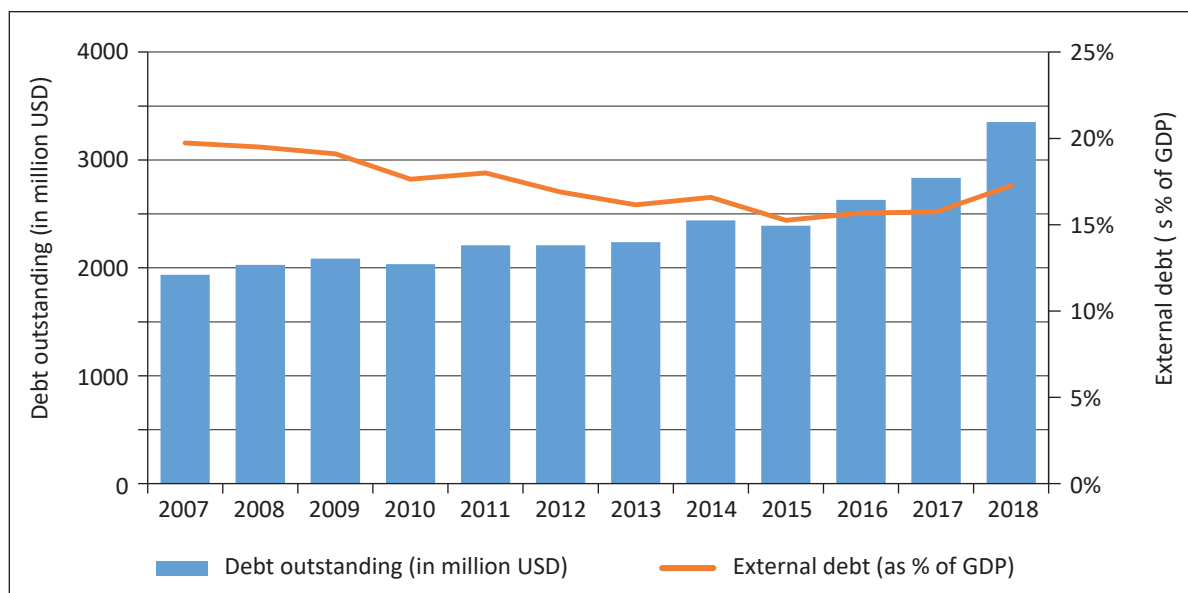
in the demand for learning Chinese language has been driven not only through cultural exchange, but also through other components of BRI, such as trade and investment.

9. CHALLENGES

Sustainable financing of the BRI projects in the participating countries is an important issue. Hence, dealing with debt sustainability is also a priority for the Chinese government. The Chinese government has provided debt relief to countries which have been suffering from debt distress, on a case-by-case basis. Major official creditors actively participate in multilateral mechanisms dealing with sovereign defaults, in particular the Paris Club. China is not a member but an observer at meetings of the Paris Club. There are several examples of how China has approached debt issues in various countries. According to the International Monetary Fund (IMF), China was a creditor to 31 of the 36 heavily indebted poor countries (HIPC), and it provided relief in at least 28 of them, including 100 per cent forgiveness for several countries (for example, Burundi, Afghanistan and Guinea). In case of Sri Lanka, China agreed in July 2017 to a debt-for-equity swap for USD 8 billion loan and a 99-year lease for managing the Hambantota Port.

The external debt of Bangladesh fell from 20 per cent of GDP in 2007 to 15 per cent of GDP in 2015, but rose again to 17 per cent of GDP in 2018. The absolute amount of outstanding external debt has also increased from USD 19354.81 million in 2007 to USD 33511.83 million in 2018 (Figure 11).

Figure 11: External debt of Bangladesh

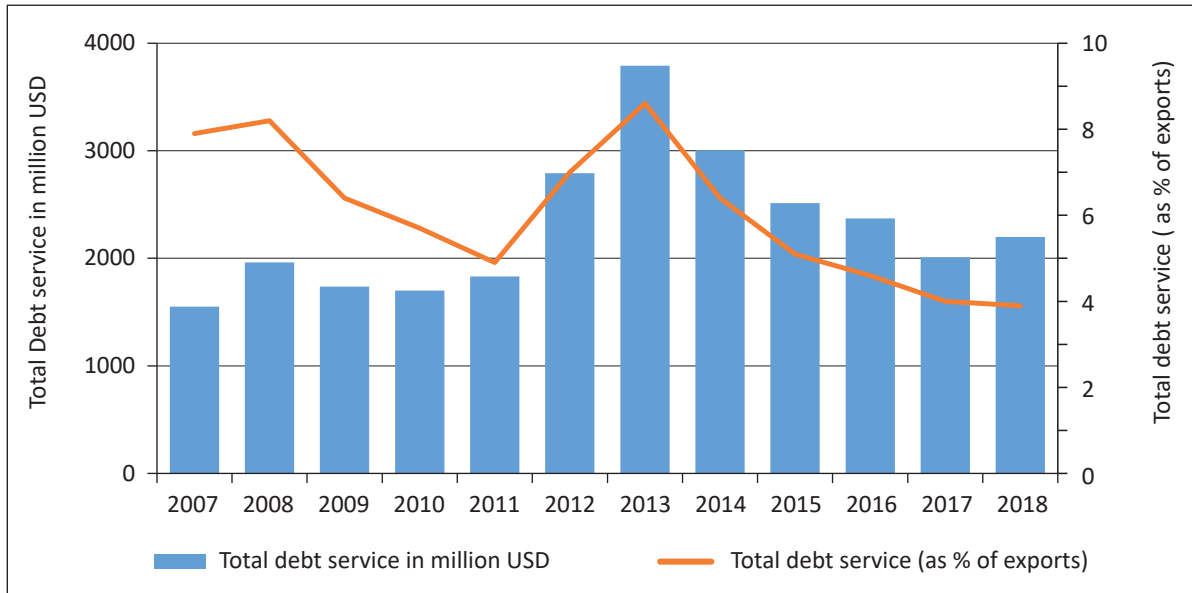


Source: Authors’ illustration based on data from Economic Relations Division (ERD) (2019).

Despite the recent trend of increasing external debt, Bangladesh’s good debt servicing record has ensured that external debt has not piled up. The total debt service as a percentage of total exports decreased from 8.6 per cent in 2013 to 3.9 per cent in 2018 (Figure 12) (ERD, 2019).

While the BRI has the potential to bring in positive economic development, it may cause irreversible damage to the environment as infrastructure may threaten the ecosystems and the livelihoods of the people who depend on environmental resources surrounding them. It is feared that with China’s focus on higher-value goods and services and adoption of stricter emission standards, high-

Figure 11: Debt servicing record of Bangladesh



Source: Authors' illustration based on the data from ERD, 2019.

emission manufacturing industries and unsustainable technologies may be moved to developing BRI countries. Construction and operation of infrastructure including power, transportation and building contribute to approximately 70 per cent of global greenhouse gas (GHG). Hence, it is crucial for the BRI countries to adopt green and low-carbon projects in order to achieve the goals of the Paris climate agreement. However, China is the world's leading producer of renewable energy products (e.g., PV cells, windmills, etc.). BRI has already helped export of USD 8 billion of solar goods in 2017. This put China on the top, surpassing Germany as an exporter of environmental goods and services. China's own national sustainability commitments could be used across the whole of BRI. Making its environmental guidelines mandatory overseas, China can improve local standards in the developing countries where they work. President Xi Jinping's concept of "ecological civilisation" could help China to contribute to environmental governance. China is developing its green financing system. The green "One Belt, One Road" demonstrates China's responsibility and responsibility for global ecological security and sustainable development.

A positive sign is that 58.3 per cent of BRI transport sector construction contracts are in railways, which are relatively environment-friendly, compared to other modes of transportation. However, 38.05 per cent BRI construction contracts in the energy sector are in coal, which is highly damaging to the environment (Figure 13).

Around 56 per cent of China's total investment in Bangladesh is in the energy sector, and more precisely—in coal (Figure 14) (Global Infrastructure Hub, 2019). Such large investment in coal-based energy sector projects may have adverse impacts on the environment. BRI is partly responsible for the soaring investment in renewable energy worldwide. So it is strange that there was not enough BRI investment in renewable energy in Bangladesh.

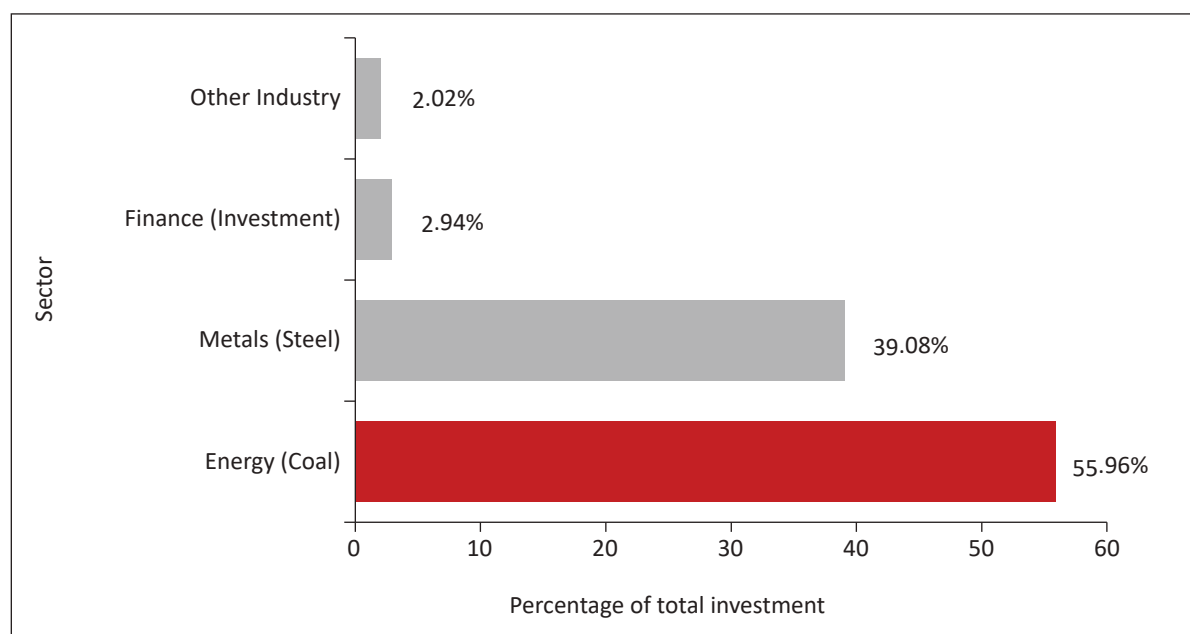
The social dynamics of BRI can also be significant as people may be affected in various ways. Moreover, the impact could be disproportionate on different sections of the society. Infrastructure requires large pieces of land, which are acquired through clearing forests or acquisition from people. Such actions increase GHG emission and pollutes the environment. Also, people are often displaced

Figure 13: Subsector-wise BRI construction contracts in Bangladesh (as per cent of total investment), 2009-2019



Source: Authors’ illustration based on the data from Global Infrastructure Hub (2019).

Figure 14: Sector-wise Chinese investment in Bangladesh, 2015-2018 (as per cent of total investment)



Source: Authors’ illustration based on the data from Global Infrastructure Hub (2019).

from their roots involuntarily in exchange of compensation. Transport investment projects require movement of people and labour. For large projects, labour force has to be brought from outside the locality. Others also follow to look for opportunities. These put pressure on the natural and physical resources leading to price hikes, social conflicts, spread of diseases and insecurity. Thus, vulnerability of the poor may increase with BRI projects.

Lack of open, transparent and competitive procurement process can lead to poor performance of projects in terms of missing timeline, cost overrun, and low-quality services. Implementation of the BRI has been associated with concerns regarding governance, which are voiced internationally. Due to the lack of transparency, financial risks and benefits of projects cannot be evaluated, corruption cannot be curtailed and environmental and social sustainability cannot be ensured. The Corruption Perception Index (CPI) score of the World Bank indicates that the perceived corruption in Belt and Road corridor economies is higher than the global average and higher among lower middle and low income countries (Transparency International, 2019). Increased transparency in procurement process and other compliance can benefit BRI projects in terms of co-financing by other financial sources including the multilateral development agencies.

10. CHINA'S RESPONSE TO CHALLENGES

In response to accusations that China lacked transparency, facilitated corruption and that some projects contributed to pollution, a number of initiatives were announced at the 2nd Belt and Road Forum in Beijing held in April 2019. President Xi Jinping pledged that the BRI will be “open, green and clean”. He also promised that everything should be done in a transparent way, and we should have zero tolerance for corruption.

The Beijing Initiative for Clean Silk Road has been launched. This calls for international cooperation to promote transparency and integrity and to combat corruption. The Initiative urges for implementation of the BRI in line with the spirits of the United Nations Convention against Corruption and other international rules and legal frameworks.

President Xi Jinping also added “We may launch green infrastructure projects, make green investment and provide green financing to protect the Earth which we all call home.” The “Green Investment Principles (GIPs) for the Belt and Road” call for environment friendly, climate resilient and socially inclusive investments under the new BRI projects.

The Ministry of Finance of People's Republic of China had published a Debt Sustainability Framework (DSF) for Participating Countries of the BRI in April 2019. BRI-DSF aims to promote economic and social development by ensuring debt sustainability. However, results of this initiative are yet to be observed because countries are not bound to use BRI-DSF since, at present, it is a non-mandatory policy tool. They are only “encouraged to use this framework to conduct debt sustainability analysis and manage debt risks”.

11. CONCLUSIONS

BRI promises to deliver physical and soft infrastructure in order to foster connectivity and economic development across its corridors. For Bangladesh, too, BRI provides an opportunity to seize benefits, particularly in areas of trade, investment, connectivity, education and tourism, through strong ties with countries particularly in the Southern Asian region, more specifically, with China and India. K2K corridor can reduce costs of transport and benefit Bangladesh through enhanced trade and investment. In turn, this will create opportunities for employment and income. Bangladesh's enhanced competitive strength through BRI will help Bangladesh to be better integrated into the global economy. Bangladesh needs formidable resources to build the required transport infrastructure to be connected with the BCIM corridor. Realisation of the BRI objectives will also help Bangladesh in achieving the SDGs.

Implementation of BRI projects will require trade facilitation reforms. Some of these measures include standardisation and harmonisation of procedures and regulations across countries, improvement of trade facilitation and logistics at the border, cross-border electronic data exchange, and speedy customs clearance, and customs cooperation and measures to ensure security of people, vehicles and cargo on the move. Formidable resources will need to be mobilised to build the needed transport infrastructure. Bangladesh has to mobilise domestic resources through tax reform and public-private partnerships (PPP). Selection and planning of BRI projects should be sound with a full understanding of the economic and social benefits that will be created through such projects. In order to address the challenges associated with the BRI projects, GoB should implement the BRI projects through open, transparent and competitive contracting and procurement process in order to ensure the quality of the projects.

For timely completion of projects and minimisation of cost overrun, public disclosure of BRI projects, terms and conditions of project finance and monitoring, reporting and anti-corruption measures should be in-built in the project implementation mechanism. Debts should be managed well and debt sustainability issue should be closely monitored in order to avoid any possible debt traps. For green and clean governance mechanisms in the BRI projects, financing and environmental information should be disclosed in advance, and on a continuous basis. Social and environmental impact assessments of projects should be done through meaningful and informed participation and engagement of local people. On the whole, while the BRI projects hold high promises for economic development, the outcome will be determined by the way Bangladesh plans and executes these high value projects.

At the 2nd Belt and Road Forum, “Belt and Road Studies Network” was launched. The objective of the network is to bring together think tanks in the BRI countries to carry out research on different aspects of the initiative and make policy suggestions. Bangladeshi and Chinese think tanks can undertake collaborative research on a number of issues. These are also applicable for think tanks in other BRI countries. Seven areas of research are suggested here.

1. Revisiting the trade patterns with China and suggesting how to minimise the trade imbalance and receive larger market access for Bangladeshi products in China.
2. Understanding the focus of the BRI projects; how the projects are prioritised; and how they are aligned with national objectives and policies.
3. Estimating the economic, social and environmental benefits of the BRI projects and their financial viability.
4. Scrutinising the fiscal risks due to cost overrun and delays of BRI mega projects.
5. Evaluating the impact of BRI projects on debt sustainability and fiscal risks; examining the terms and conditions of loans and strength of the existing fiscal framework of the country.
6. Assessing the social and environmental impacts of BRI projects; exploring whether the impacts of BRI project fall disproportionately on the marginalised and vulnerable people.
7. Analysing how BRI projects can help achieve global goals at the country level; to what extent BRI investments align with the SDGs and green priorities of the recipient country.

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