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China's Investment and Trade in Bangladesh: Local Realities and Global Implications

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Abstract

In the wake of its burgeoning outward foreign direct investment (FDI) and export activities over the past decades, China's presence in the global economy has attracted considerable attention. This discussion is witnessed just as much in Bangladesh, the main subject of this paper. Especially after the 2013 launch of the ambitious Belt and Road Initiative (BRI), Chinese economic footprint has noticeably increased in the South Asian country. Yet, this development has thus far not been analyzed in detail. To shed light on the matter, this paper provides a detailed, longitudinal study of two important metrics: FDI and trade. It also contextualizes China's economic performance in relation to those of US, India and Japan. The paper finds that, although Chinese FDI entering Bangladesh is increasing, FDIs from the other three countries are also proliferating. More importantly, US FDI inflow and stock position remain far ahead of those of China, India and Japan. When it comes to trade, Bangladesh enjoys trade surplus only with the US, suffering deficit with the rest of the countries. Overall, China's FDI and trade linkages in Bangladesh, despite their fairly rapid growth, are still relatively modest.

Keywords: *Bangladesh, China, South Asia, Foreign Direct Investment, International Trade, Political Economy.*

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1. Introduction

China's economic rise, since it became a World Trade Organization (WTO) member in December 2001, has been nothing short of miraculous (Grosse et al., 2021; Nolan, 2013; Xing, 2021). In 2010, it even overtook Japan to become the world's second-largest economy. Given its economic gravity, China's export and outward foreign direct investment (FDI) has been the subject of intense debate (Breslin, 2013; Hang, 2017; Jenkins, 2019; Shifrinson, 2018). This is especially so since 2013, when the Belt and Road Initiative (BRI) – an ambitious program to more meaningfully connect Europe and Asia – was announced by Chinese President Xi Jinping. However, the discussion has not always been conducted rationally, with fear and impartiality driving much of the dialogue (Lim, 2019).

While such apprehension has existed for some time, it arguably boiled over during the tenure of US President Donald Trump (2017-2021). His administration foisted a series of sanctions on the Chinese economy, citing reasons ranging from national security, industry injury, technology theft, to unfair trading practices (see Di, Luft, and Zhong 2019; Wei 2019). The Joe Biden administration, taking over from Trump in early 2021, has broadly persisted with these foreign policies (Johnson, 2022). Like-minded European nations have seemingly followed suit. For example, the UK government declared in late 2020 that it would ban Huawei – one of China's most technology-intensive companies – from competing in the provision of its 5G network infrastructure. It justified such a move as a direct response to US sanctions targeting the firm (Perrigo, 2020).

In the Global South, Chinese investment and trade have not been entirely insulated from such skepticism either. Initial warmth soon gave way to project-related concerns as well as old, if unspoken, fears that China is "buying the world" through a spate of "debt trap diplomacy" (see Camba 2022; Lim 2019). During the Indonesian Presidential election of April 2019, the Jakarta-Bandung High-Speed Rail project, arguably the most well-known BRI project in the Southeast Asian nation, was singled out for its alleged threat in channeling China's Communist ideology to Indonesia, thereby impacting its strategic autonomy (Liu & Lim, 2023). A similar dynamic is observed in South Asia. During the Munich Security Conference of 2022, taking part in a panel discussion, Indian External Affairs Minister Subrahmanyam Jaishankar supposedly warned Bangladesh about the potential negative externalities of some Chinese investment, urging a

"rethink about impractical projects" (Haidar, 2022). This comment did not go down well with Bangladeshi Foreign Minister Abul Kalam Abdul Momen, who rejected claims about a Chinese "debt trap". His comments were echoed by Li Jiming, the Chinese Ambassador to Bangladesh (Daily Star, 2022).

Regardless of the public brickbat, one cannot ignore the growing presence of Chinese FDI and trade in the Bangladeshi economy. Between 2011 to 2021, FDI inflow from China has proliferated, making it one of Bangladesh's foremost investors. Flourishing bilateral trade has also seen China solidify its position as the South Asian nation's top trading partner, outcompeting traditional players such as the US and India (Anwar, 2022). Such economic heft has received varied response across different segments of society. While some laud the growing opportunities, fears and doubts have been voiced regarding China's supposed economic domination. One of the most circulated involves the aforementioned "debt trap diplomacy". While such allegations have been debunked in more rigorous studies (see, for example, (Brautigam, 2020; Jones & Hameiri, 2020; Singh, 2020), they continue to resonate widely among the general populace. Parallel to these allegations are concerns about Dhaka's overdependence on Chinese FDI to propel growth. Some commentators claim that too much Chinese investment might crowd out investors from other nations (Ahmed, 2019). Another concern is Bangladesh's gaping trade imbalance with China (Anwar 2022). Bangladeshi export to China is far behind its import from the latter, resulting in a trade deficit ratio of about 1:20. Although China grants duty-free access to 97% of Bangladeshi products, Bangladeshi firms have found it challenging to increase their market share in the Chinese market (Parvez, 2023). In contrast, Chinese products have gained a large following in Bangladesh since China gained WTO membership in the early 2000s. Chinese import has grown even further since the BRI was announced in 2013.

With the above as a backdrop, this paper seeks to add depth to the issue at hand by addressing the following research questions: How are Chinese FDI and trade actually taking shape in the Bangladeshi economy in relation to its traditional partners i.e. the US, India and Japan? Should Bangladesh fear Chinese FDI and trade then? In so doing, this paper investigates FDI and trade data over an extended period, going beyond what popular rhetoric suggests. To present a more nuanced and fine-grained perspective, the paper also contextualizes China's economic performance vis-à-vis Bangladesh's

traditional partners i.e. the US, India and Japan. Much of the statistical information is retrieved from the Bangladesh Bank, the country's central bank. This paper mainly draws upon statistical figures for the last five to 10 years, although older data has also proven useful. To increase the robustness and consistency of data, reports published by international agencies, government documents, and newspaper essays were also studied.

Several arguments are made here. Firstly, Chinese firms have most certainly grown their market share in Bangladesh, but so too have their counterparts from the three other economies. Related to this is the predominance of US FDI compared to Chinese, Indian, and Japanese FDI. Secondly, Bangladesh enjoys trade surplus only with the US, recording deficit against the other three economies. More interestingly, trade deficit incurred against China has outstripped that of India, South Asia's traditional hegemon. If there was a risk of trade dependency or other types of vulnerabilities, then Bangladesh is likely to have erred on the side of caution by "spreading" it across multiple countries (e.g. China) rather than "concentrating" it in the hands of a regional hegemon. The overall prognosis is that Chinese FDI and trade performance in Bangladesh is considerably less sensational than what rhetoric tends to suggest. The fundamental reality, which often goes unmentioned, is China's status as a latecomer to the South Asian as well as international economy. In addition to their lack of operational experience across borders, Chinese firms also must displace the entrenched presence of better resourced firms (such as the US and India). This "incumbency effect" is likely to hold sway, at least for the foreseeable future.

The paper begins by critiquing the existing literature. Subsequently, Section 3 studies FDI entering Bangladesh from the US, China, India and Japan. Both the *flow* and *stock* of FDI, representing the short-term and long-term business dynamics, will be examined. Section 4 focuses on Bangladesh's trade performance vis-à-vis its four economic partners. Section 5 discusses the findings, with the objective of cross-fertilizing the scholarship on FDI and trade. The paper concludes with a summary of the main argument and suggests some avenues for future research.

2. A Review of China's Investment and Trade

Much has been written about how China's investment and trade patterns are remolding the regional and global political economic architecture. The implicit understanding driving much of the scholarship, especially popular

in international political economy and related disciplines, hinges on the extent to which China can be incorporated into a US-dominated international system (see, for example, Ji 2022; Rana and Pacheco Pardo 2018). Within this broad umbrella, two strands of opinion can be discerned. Scholars within the first strand argue that China's rapid growth has generated pressure on other economies, both advanced and developing. This imbalance, if poorly managed, is likely to destabilize Western/Japanese institutions and the preexisting political economic order (Naim, 2007; Shifrinson, 2018). There is also belief that China's economic rise is linked to its military and political motive. For example, Shifrinson (2018) views China's rise as a clear-cut challenge to American interest. One of his main policy prescriptions is to deploy military capacity to keep China's expansion in check, while strategically cooperating with the Chinese on other issues of global importance.

Analysts within the first group particularly harp on investment from Chinese transnational corporations (TNCs), singling it out for critique. According to Godement et al (2011), Chinese TNCs are exploiting the open European economy, capturing market share in public procurement, stockpiling government bonds, and buying up valued European companies, resulting in a "scramble for Europe". They further argue that the largesse offered by Chinese TNCs are increasingly splitting the continent into two blocs: "frustrated market-openers" and "cash-strapped deal-seekers" (p.7). This sentiment arguably fueled Italy's decision to distance itself from the BRI in mid-2023. The southern European nation seemingly was under the impression that closer Chinese relations would help fulfil its investment needs to jumpstart its ailing economy. However, since signing up to the BRI in 2019, Chinese investment in other European markets has far outstripped its investments in Italy (Sacks, 2023).

On the contrary, several scholars have challenged the above view. They argue that even in spite of China's rapid expansion of export and outward FDI in the global economy, it is unlikely for it to significantly change the existing political economic order, at least within the short to medium term. In particular, trade economists stress the need to scrutinize global value chains (GVCs), rather than traditional trade metrics. Kam (2017), for example, argues that conventional trade measurement records only products crossing national boundaries in gross values. This classification implies that economies which specialize in assembling goods (e.g. China and several

Asian countries) might record rather high trade figures, but contribute only modest amounts of value-added. To this can be added Xing (2021), who explains that modern trade has increasingly shifted from trade of finished goods into that of specialized tasks. This phenomenon is in turn driven by international TNCs that expanded into China after its economy liberalized in 1978. Through the example of the iPhone, Xing demonstrates that while it is "made/assembled in China", much of the product's value-added came from critical components and services such as memory chip and branding. These are almost exclusively the domain of TNCs from advanced economies, meaning that value-added contributed by Chinese firms are considerably smaller than what the headlines usually suggest.

Tangential but important to the GVC discussion is the notion that China is "buying the world". For Nolan (2013), Western/Japanese TNCs have been at the forefront of global merger and acquisition for at least a few decades before China's rather recent "Going Out". These firms have also long invested into China, thereby giving them substantial influence in dictating the resultant GVCs. As a result, Chinese export of high-technology, branded goods have been largely driven by such global lead firms. While China has certainly tried to groom its own cohort of "national champions", teething success can only be found in highly regulated, non-tradable industries such as utility, infrastructure, and trade (Nolan, 2014).

Chinese corporate weakness is highlighted even more when its national firms venture abroad. In its "near abroad" that is Southeast Asia, Tong (2021) shows that Chinese FDI has generally not been able to usurp more established investors such as those from the Global North. Notwithstanding some high-profile projects like the Jakarta-Bandung High Speed Rail, Chinese firms can only be considered a significant source of FDI in Cambodia, Laos, and Myanmar, three lower middle income regional states which liberalized their once centrally planned economies relatively late. In a similar vein, Lim (2019) argues that Chinese FDI entering Southeast Asia has been driven largely by tertiary sector business activities such as real estate development and wholesale and retail trade. Unlike manufacturing driven by the other Global North economies, these tertiary activities are unlikely to stimulate upgrading and foster linkages because they offer little positive spillover to the local stakeholders. While there are indeed highly skilled services, the reality is that services, relative to manufacturing, tend not to be very dynamic and internationally tradable. In addition, their scale

is often modest, meaning that labor cannot be absorbed sufficiently, at least compared to manufacturing (Rodrik, 2015).

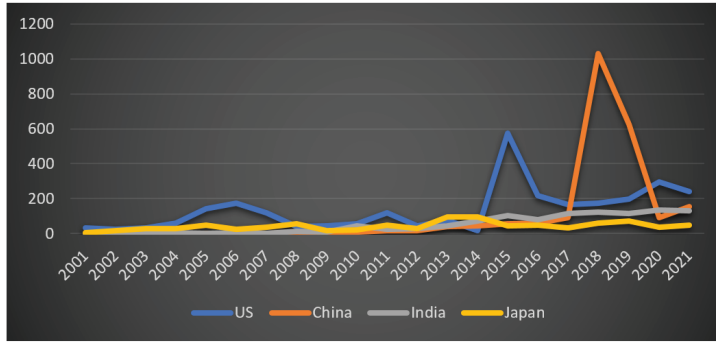
Additionally, Chinese firms' relative weakness in the secondary sector (i.e. manufacturing) means that they are unable to compete with better-known (Western/Japanese) players that have long established their operations in Southeast Asia. Common examples include the automobile and consumer electronic industries (Harwit, 2013; Ngo, 2017). This paper fosters dialogue with such research, providing empirical evidence to analyze the manifestations of Chinese FDI and trade in Bangladesh. Of particular significance is its illumination of Chinese performance in comparison to that of the US, India and Japan.

3. Foreign Direct Investment Analysis of Bangladesh

3.1. Country-by-Country Foreign Direct Investment Distribution, 2001-2021

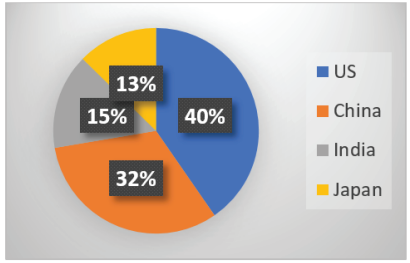
Figure 1 shows the flow of FDI by the US, China, India and Japan into Bangladesh from 2001 to 2021. FDI inflow from all four countries has been increasing steadily for most of the period, barring a sudden rise and decline from the US and China in 2015 and 2018 respectively. Chinese FDI has not grown significantly for much of the period. It is only after 2010 that Chinese FDI becomes comparable vis-à-vis FDI from the other three countries. Figure 2 shows that the FDI inflow from the US is always bigger compared to China, India and Japan over the period analyzed. More accurately, it amounted to 40% of the total FDI contributed by the four countries.

Figure 1. Foreign Direct Investment Inflow from the US, China, India and Japan, 2001-2021 (Million US$)



Source: Bangladesh Bank

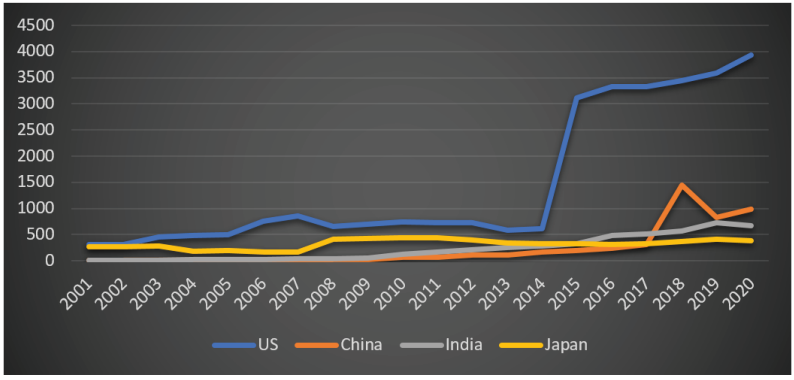
Figure 2. Foreign Direct Investment Inflow from the US, China, India and Japan, 2001-2021 (%)



Source: Bangladesh Bank

Figure 3 shows that Chinese FDI stock position has been rather minuscule during the first decade of the period analyzed, but it began to grow from US$62.3 million in 2010 to close to US$1 billion in 2020. In addition, the value of Chinese FDI stock was smaller than that of other three investors until 2017, after which it climbed above those of India and Japan. One of the primary factors contributing to China's comparatively modest FDI stock is its status as a latecomer economy. Perhaps more interestingly, the US remains the most important player in terms of FDI stock. It far outweighs the other three economies analyzed here.

Figure 3. Foreign Direct Investment Stock Position of the US, China, India and Japan 2001-2020 (Million US$)



Source: Bangladesh Bank

3.2. Sector-by-Sector Foreign Direct Investment Distribution, 2011-2021

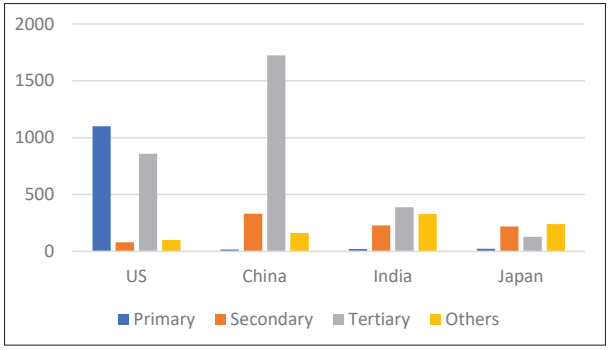
Table 1 depicts a sectoral (primary, secondary, tertiary and others) overview of FDI inflow from the US, China, India and Japan between 2011 and 2021. Relative to China, India and Japan, the US is an anomaly because of its strong focus on the primary sector (see Figure 4). Additionally, US FDI entering the secondary sector is noticeably muted, unlike the other three economies. All four FDI providers display a noticeable preference towards tertiary activities. For China, tertiary FDI has been especially huge, although this outperformance seems to be a one-off event and shall be contextualized in the subsequent paragraphs.

Table 1: Sector-By-Sector Foreign Direct Investment Inflow, 2011-2021 (Million US$)

Country	Sectors	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
US	Primary	98.46	13.6	5.1	0.01	320.87	138.56	95.86	90.73	99.99	99.31	137
	Secondary	1.94	3.46	6.32	9.36	6.27	6.56	6.49	8.07	7.89	11.52	12.29
	Tertiary	14.25	23.36	47.97	18.53	236.66	64	59.61	61.81	82.21	170.46	78.82
	Others	3.09	3.38	16.56	5.77	9.97	8.62	4.69	13.64	7.43	15.06	12.09
	Total	117.74	43.8	75.95	33.67	573.77	217.74	166.66	174.25	197.52	296.35	240.20
China	Primary	0	3.35	10.97	1.55	0	0.02	0	0.06	0.05	0.04	0.04
	Secondary	14.7	11.72	24.04	33.77	43.52	20.33	40.55	41.05	36.28	28.4	36.5
	Tertiary	0.16	0.19	0.33	1.47	1.66	5.84	14.19	970.37	572.74	49.47	106.85
	Others	3.79	2.53	4.64	6.27	11.61	35.21	35.38	18.42	16.85	13.43	12.11
	Total	18.65	17.89	39.98	43.06	56.79	61.40	90.12	1029.90	625.92	91.34	155.50
India	Primary	0	1.97	0.72	0.34	2.21	2.55	1.81	5.1	1.52	0.29	2.59
	Secondary	14.67	9.11	21.09	21.01	28.89	23.04	22.5	22.77	17.86	21.41	26.19
	Tertiary	7.93	10.25	8.78	24.64	40.61	28	59.57	46.67	47.2	62.51	50.46
	Others	3.14	7.1	9.42	21.83	30.99	25.61	30.77	46.92	49.41	50.38	51.93
	Total	25.74	28.43	45.01	67.82	102.70	79.20	114.65	121.46	115.99	134.59	131.17
Japan	Primary	0.01	0.92	0.22	0	0.31	0	0.27	-4.38	11.91	6.1	6.49
	Secondary	40.44	17.54	19.14	25.54	26.13	9.32	6.31	18.85	20.04	13.79	21.7
	Tertiary	0.01	6.11	34.13	12.37	9.6	10	13.53	20.5	8.64	5.49	7.2
	Others	6.09	5.51	40.88	57.80	9.33	28.94	10.82	23.43	31.74	9.68	14.48
	Total	46.55	30.08	94.37	95.71	45.37	48.26	30.93	58.40	72.33	35.06	49.87

Source: Bangladesh Bank

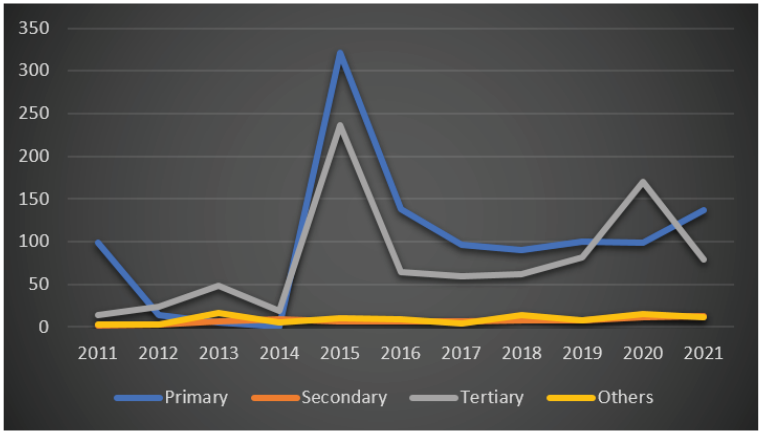
Figure 4. Snapshot of Sector-by-Sector Foreign Direct Investment Inflow, 2011-2021 (Million US$)



Source: Bangladesh Bank

US TNCs have largely invested in primary and tertiary activities between 2011 and 2021 (see Figure 5 and Table 2). In particular, US investors channeled over 50% of their FDI towards the primary sector. Much of this largesse went towards mining (gas and petroleum) businesses. For tertiary industries, US FDI has largely financed power, insurance and banking.

Figure 5. Sector-by-Sector US Foreign Direct Inflow, 2011-2021 (Million US$)



Source: Bangladesh Bank

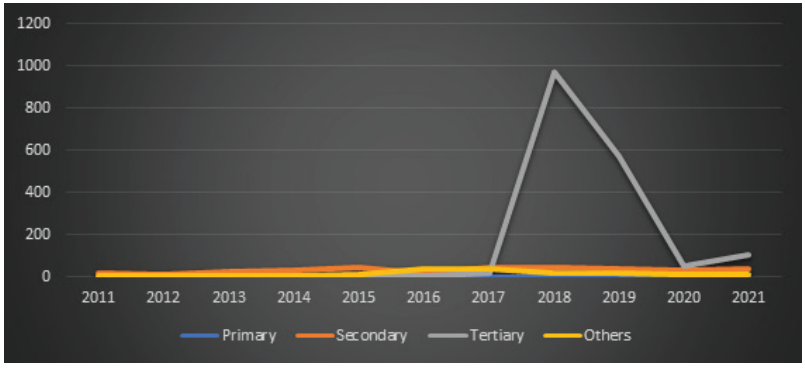
Table 2. Detailed Breakdown of US Foreign Direct Investment Inflow, 2011-2021 (Million US$)

Sectors	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary											
Agriculture & Fishing		0.15	0.17	0.01	-	0.14	0.63	0.28	0.21	0.17	0.37
Mining (Gas & Petroleum)	98.46	13.45	4.93		320.87	138.42	95.23	90.45	99.78	99.14	136.63
Sub-Total	98.46	13.6	5.1	0.01	320.87	138.56	95.86	90.73	99.99	99.31	137
Secondary											
Textile & wearing	1.94	2.53	5.05	8.74	5.70	6.40	6.37	7.91	6.68	10.74	11.70
Food		0.18	0.06	0.37	0.59	0.16	0.01	0.15	1.23	0.74	0.48
Chemicals & Pharmaceuticals		0.75	1.21	0.25	-0.02	-	0.11	0.01	-	-	0.08
Metal & Machinery products				0.00					-0.04		
Leather & Leather Products				0.00	-	-		-	0.02	0.04	0.03
Cement				0.00	-	-	-		-		-
Vehicle and Transport Equipment					-						
Sub-Total	1.94	3.46	6.32	9.36	6.27	6.56	6.49	8.07	7.89	11.52	12.29
Tertiary											
Banking	8.96	14.92	45.84	12.95	14.23	1.99	18.05	18.78	18.22	17.22	10.24
Telecommunication	1.15	0.48	0.55	0.93	0.32	0.29	0.15	0.05	-0.05	-0.01	0.03
Construction				0.27		0.69	0.59	0.03	-	-	
Trading			0.11	1.00	0.37	3.64	1.79	14.06	14.93	13.76	24.98
NBFI		0.24		1.43				0.12			
Computer Software & It		0.59	1.33	1.38	1.62	1.49	3.73	11.99	17.66	3.86	5.05
Insurance	4.12	7.08			21.46	26.52	35.09	27.48	32.67	38.15	35.71
Power	0.02	0.05	0.14	0.57	198.66	29.38	0.21	-10.70	-1.22	97.48	2.81
Sub-Total	14.25	23.36	47.97	18.53	236.66	64	59.61	61.81	82.21	170.46	78.82
Others	3.09	3.38	16.56	5.77	9.97	8.62	4.69	13.64	7.43	15.06	12.09
Total	117.74	43.8	75.95	33.67	573.77	217.74	166.66	174.25	197.52	296.35	240.20

Source: Bangladesh Bank

For the Chinese TNCs, the sectoral distribution has been generally even between 2011 and 2021 (see Figure 6 and Table 3). However, there were two huge spikes in FDI entering the tertiary sector in 2018 and 2019. This drastic increase is likely linked to big-ticket infrastructure projects such as Payra Powerplant, Padma Rail Link, and Karnaphuli Tunnel. Virtually all of these are considered BRI projects. If the large jump in tertiary sector FDI for 2018 and 2019 were isolated, the overall picture would change rather drastically. In other words, a significant portion of Chinese FDI would have flown towards the secondary sector.

Figure 6. Sector-by-Sector Chinese Foreign Direct Investment Inflow, 2011-2021 (Million US$)



Source: Bangladesh Bank

Table 3. Detailed Breakdown of Chinese Foreign Direct Investment Inflow, 2011-2021 (Million US$)

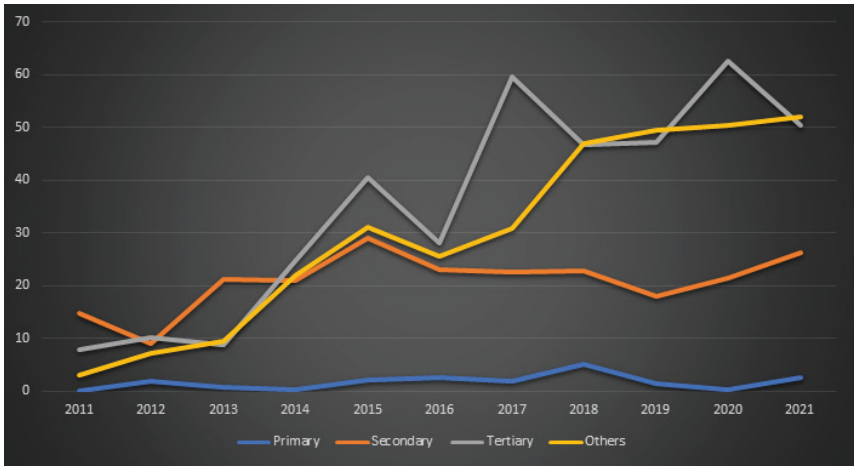
Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary											
Agriculture & Fishing		3.35	10.97	1.55	-	0.02	-	0.06	0.05	0.04	0.04
Mining (gas & petroleum)					-	-	-	-	-	-	-
Sub-Total	0	3.35	10.97	1.55	0	0.02	0	0.06	0.05	0.04	0.04
Secondary											
Textile & wearing	14.69	11.53	21.38	29.40	37.11	16.46	38.07	39.56	29.94	25.19	36.24
Food				0.60	-	-	-0.10	0.03	0.97	0.76	0.64
Chemicals & Pharmaceuticals				0.02	0.63	-0.83	0.04	0.04	3.72	-0.01	0.07

Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Metal & Machinery products				0.29					0.09	-	
Leather & Leather Products	0.01	0.19	2.65	3.46	5.78	4.70	2.54	1.42	1.56	2.46	-0.45
Cement				0.00	-	-	-				-
Vehicle and Transport Equipment			0.01		-						
Sub-Total	14.7	11.72	24.04	33.77	43.52	20.33	40.55	41.05	36.28	28.4	36.5
Tertiary											
Banking				0.00	-	-	-	-	-	-	-
Telecommunication				0.00	-	-	-	-0.12	-	-	-
Construction				0.35		0.10	3.36	8.62	4.83	4.62	5.34
Trading		0.19		0.43	1.41	5.33	9.96	14.67	5.65	3.27	3.11
NBFI				0.00				113.07			
Computer Software & It			0.06	0.00	-	-	0.34	-	0.20	-	-
Insurance					-	-	-	-	-	-	-
Power	0.16		0.27	0.69	0.25	0.41	0.53	834.13	562.06	41.58	98.40
Sub-Total	0.16	0.19	0.33	1.47	1.66	5.84	14.19	970.37	572.74	49.47	106.85
Others	3.79	2.53	4.64	6.27	11.61	35.21	35.38	18.42	16.85	13.43	12.11
Total	18.65	17.89	39.98	43.06	56.79	61.40	90.12	1029.90	625.92	91.34	155.50

Source: Bangladesh Bank

Despite some fluctuation, India has invested predominately in tertiary and other industries (see Figure 7 and Table 4). Key tertiary activities include banking, power, and trading. Although not as significant as tertiary and other industries, the secondary (manufacturing) sector still accounted for a fairly sizeable portion of Indian FDI. Much of this secondary sector FDI (nearly 90%) has been financed by three specific undertakings: textile and wearing, chemicals and pharmaceuticals. Overall, Indian FDI seems to resemble that of Japan, which will be discussed next.

Figure 7. Sector-by-Sector Indian Foreign Direct Investment Inflow, 2011-2021 (Million US$)



Source: Bangladesh Bank

Table 4. Detailed Breakdown of Indian Foreign Direct Investment Inflow, 2011-2021 (Million US$)

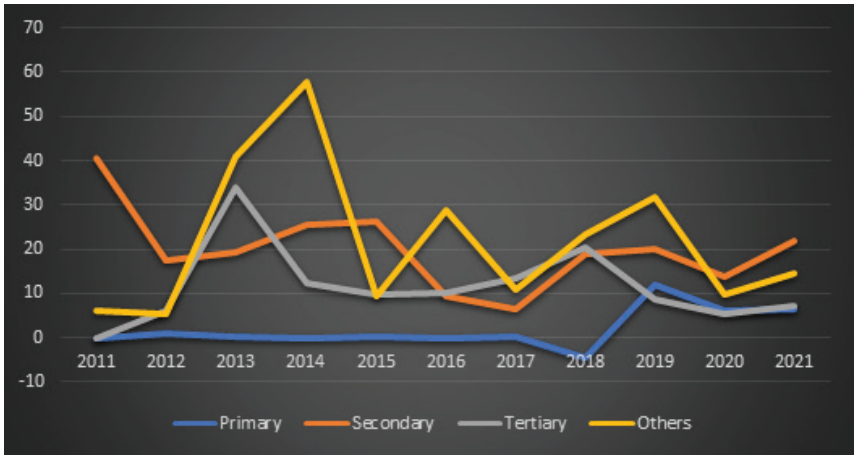
Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary											
Agriculture & Fishing		1.97	0.72	0.34	2.21	2.55	1.66	1.40	1.52	0.54	2.74
Mining (Gas & Petroleum)					-	-	0.15	3.70	-	-0.25	-0.15
Sub-Total	0	1.97	0.72	0.34	2.21	2.55	1.81	5.1	1.52	0.29	2.59
Secondary											
Textile & wearing	12.23	6.54	16.94	9.12	20.36	17.42	14.73	14.65	10.76	10.69	15.92
Food	0.72	1.66	0.95	1.54	2.75	2.25	2.62	0.52	2.71	1.29	1.32
Chemicals & Pharmaceuticals	1.67	0.91	1.89	10.22	3.02	3.32	5.15	6.08	6.38	7.26	6.72
Metal & Machinery Products	0.05			0.06					-2.74		
Leather & Leather Products			1.31	0.07	0.06	0.05	-	1.52	0.75	0.85	0.91
Cement				0.00	-	-	-			1.32	1.32
Vehicle and Transport Equipment					2.70						
Sub-Total	14.67	9.11	21.09	21.01	28.89	23.04	22.5	22.77	17.86	21.41	26.19

Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Tertiary											
Banking	7.86	9.8	7.99	16.83	23.71	10.99	34.34	12.67	12.09	13.05	10.20
Telecommunication		0.02	0.01	0.49	0.18	0.19	4.52	14.91	5.05	2.27	-
Construction				0.00		-	0.04	0.08	0.01	-	-0.72
Trading		0.19	0.77	6.24	3.96	5.90	6.74	3.93	8.04	6.36	5.75
NBFI		0.24		1.03				-			
Computer Software & It			0.01	0.05	0.27	1.21	3.83	0.98	1.26	0.58	0.06
Insurance					6.38	-0.25	0.24	0.37	0.47	0.45	0.70
Power	0.07			0.00	6.11	9.96	9.86	13.73	20.28	39.80	34.47
Sub-Total	7.93	10.25	8.78	24.64	40.61	28	59.57	46.67	47.2	62.51	50.46
Others	3.14	7.1	9.42	21.83	30.99	25.61	30.77	46.92	49.41	50.38	51.93
Total	25.74	28.43	45.01	67.82	102.70	79.20	114.65	121.46	115.99	134.59	131.17

Source: Bangladesh Bank

Japanese FDI in all the sectors, except primary sector, has been generally trending downward (see Figure 8 and Table 5). Much like Indian FDI, Japanese FDI has largely financed the tertiary and other sectors. Although manufacturing FDI occasionally occupied the top spot in certain years, it has – on balance – trailed those of the tertiary and other sectors. This is a rather surprising observation as Japan has groomed some of the world's most sophisticated manufacturers, many of whom have found it advantageous to locate their labor-intensive operations to developing countries with a lower input cost. On the other hand, primary sector investment has been kept at a relatively low level, but it did show a modest step-up since 2018.

Figure 8. Sector-by-Sector Japanese Foreign Direct Investment Inflow, 2011-2021 (Million US$)



Source: Bangladesh Bank

Table 5. Detailed Breakdown of Japanese Foreign Direct Investment Inflow, 2011-2021 (Million US$)

Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary											
Agriculture & Fishing	0.01	0.92	0.22	0.00	0.31	-	0.27	-5.50	-0.09	0.02	0.22
Mining (Gas & Petroleum)					-	-	-	1.12	12.00	6.08	6.27
Sub-Total	0.01	0.92	0.22	0	0.31	0	0.27	-4.38	11.91	6.1	6.49
Secondary											
Textile & wearing	31.28	12.17	13.05	3.06	4.50	3.99	1.38	3.64	3.62	1.36	2.62
Food		0.78	0.11	0.32	0.27	1.19	-	-0.06	2.00	1.45	1.31
Chemicals & Pharmaceuticals	9.04	4.35	5.9	18.82	19.04	3.55	4.08	14.83	12.88	10.46	16.72
Metal & Machinery Products				0.71					0.80		
Leather & Leather Products	0.12	0.24	0.08	2.63	2.31	0.59	0.85	0.44	0.74	0.52	1.05
Cement				0.00	-	-	-			-	-
Vehicle and Transport Equipment					0.01						
Sub-Total	40.44	17.54	19.14	25.54	26.13	9.32	6.31	18.85	20.04	13.79	21.7

Sector	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Tertiary											
Banking			1.27	0.00	0.21	0.13	0.21	0.35	0.56	0.34	0.59
Telecommunication	0.01	5.04	10.09	4.76	2.47	0.90	1.17	3.75	1.27	0.57	-
Construction				0.15		2.32	4.33	12.10	1.67	1.62	2.09
Trading		0.64	0.71	3.13	2.03	2.46	4.52	1.93	2.33	0.39	0.97
NBFI				0.00							
Computer Software & It		0.43	0.65	0.26	0.29	0.18	0.45	0.43	0.59	0.52	0.82
Insurance					-	-	-	-	-	-	-
Power			21.41	4.07	4.60	4.01	2.85	1.94	2.22	2.05	2.73
Sub-Total	0.01	6.11	34.13	12.37	9.6	10	13.53	20.5	8.64	5.49	7.2
Others	6.09	5.51	40.88	57.80	9.33	28.94	10.82	23.43	31.74	9.68	14.48
Total	46.55	30.08	94.37	95.71	45.37	48.26	30.93	58.40	72.33	35.06	49.87

Source: Bangladesh Bank

4. Trade Analysis of Bangladesh

4.1. Overall Import Performance, 2011-2020

Overall, Bangladesh's import from China and India has grown steadily from 2011 to 2020 (see Figure 9). Chinese import, in particular, more than doubled from a little over US$6 billion in 2011 to about US$13 billion in 2020. Indian import, while not as impressive as that of Chinese import, still saw a heavy expansion over the same period. By contrast, the value of imported goods from the US and Japan has been overshadowed by those of China and India. Figure 10 presents Bangladesh's import market share from another perspective. China alone accounts for more than 50% of the entire market, with India occupying the second spot with a 34% share. Japan and the US collectively command only a modest 14% of the market. For additional context, the aggregate weight of these two economies is only about one-fourth of that controlled by China.

Figure 9. Import of Goods and Services from the US, China, India and Japan, 2011-2020 (Million US$)

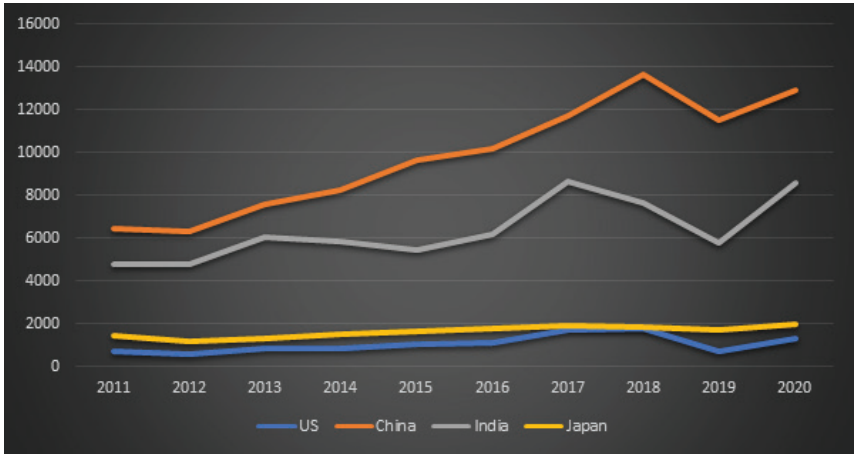
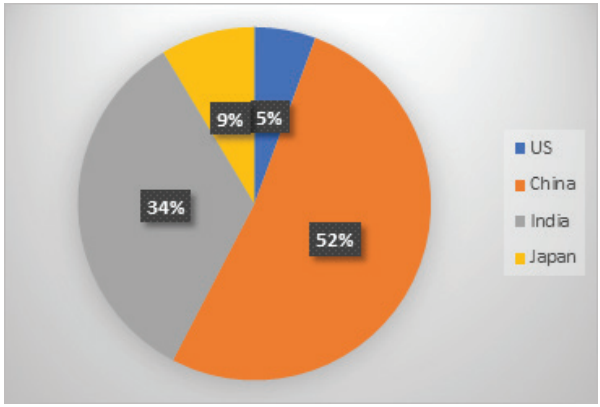


Figure 10. Import of Goods and Services from the US, China, India and Japan, 2011-2020 (%)



Source: Bangladesh Bank

4.1.1.Sector-by-Sector Import Performance, 2011-2021

Bangladesh, because of its developing nation status, is bound to import a substantial amount of secondary (manufactured) goods from more developed nations. Such trade dependence is reflected in Table 6 and Figure 11. Its dependence on Chinese secondary goods is most obvious, followed by those originating from India, Japan, and the US.

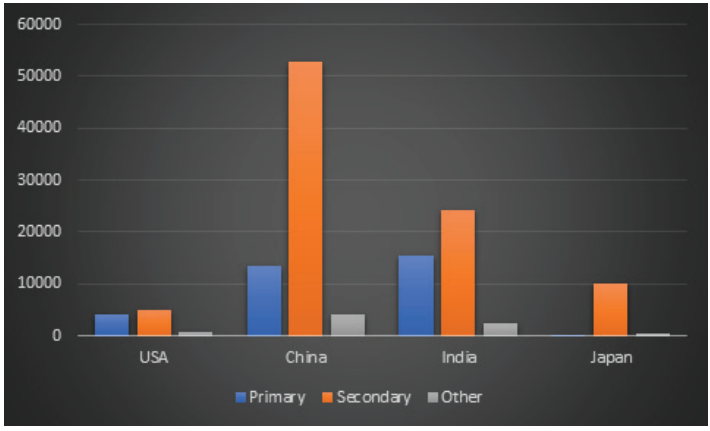
Import of primary goods, the second-most popular sector, clearly lags that of secondary goods. Perhaps unsurprisingly, import of Japanese primary sector goods has been very insignificant, owing to Japan's low endowment of natural resource.

Table 6. Sector-by-Sector Import from the US, China, India and Japan, 2015-2020 (Million US$)

Country	Sector	2015	2016	2017	2018	2019	2020	Total
US	Primary	355.7	536.6	715.8	761.3	888.7	1003.6	4261.7
	Secondary	561.8	507.7	831.8	881	1107.2	1140.8	5030.3
	Other	90.1	86.3	157.1	134.4	130.2	123.8	721.9
China	Primary	2139.9	2200.8	2514.5	2444.1	2086	1989.1	13374.4
	Secondary	6738.7	7208.3	8645.2	10781.8	8832.7	10486.9	52694
	Other	1179.5	1031.8	532.6	413	571.1	449.3	4177.3
India	Primary	2204.1	2398.8	2697	2617.4	2174.9	3231.7	15323.9
	Secondary	2849.3	3351.2	5415.22	4525.97	3170.2	4817.5	24129.39
	Other	386.0	393.9	427.1	412.2	368.2	432.7	2420.1
Japan	Primary	11.6	12.9	16.4	24.2	30.3	26.3	121.7
	Secondary	1518.1	1629	1770.5	1754.9	1603.6	1915	10191.1
	Other	113.9	93.3	82.7	67.2	86.8	59.9	503.8

Source: Bangladesh Bank

Figure 11. Snapshot of Sector-by-Sector Import from the US, China, India and Japan, 2015-2020 (Million US$)

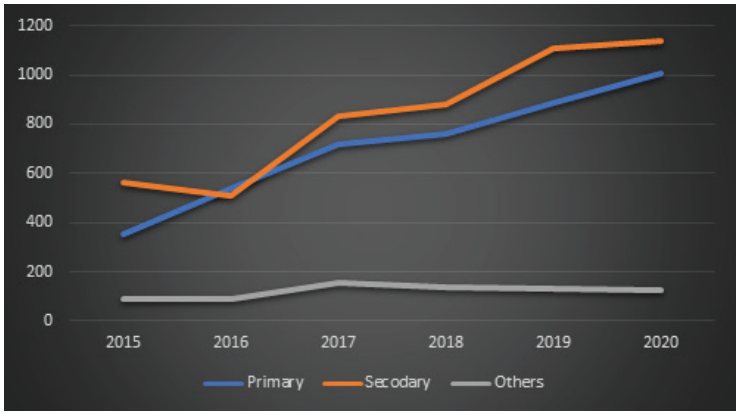


Source: Bangladesh Bank

4.1.1.1. Import from the US

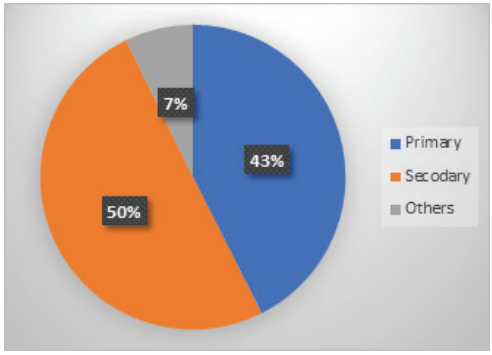
Figure 12 shows that import of primary and secondary products from the US has generally grown. The import value of both sectors has also kept pace with each other throughout the period analyzed. As a result, goods from both the primary and secondary sector command about 93% of the import market share (see Figure 13). Their robust performance stands in stark contrast to the import value of the other sector, be it in absolute value or growth rate.

Figure 12. Sector-by-Sector Import from the US, 2015-2020 (Million US$)



Source: Bangladesh Bank

Figure 13. Sector-by-Sector Import from the US, 2015-2020 (%)



Source: Bangladesh Bank

A closer examination reveals that, for primary goods, Bangladesh mainly imports seeds, grains, and plants, contributing close to 55% of the value of total primary goods brought in (see Table 7). This is followed by cotton, which takes up about another 40% of the pie.

As for secondary items, electric and electronics machinery, and metal products are the two most valuable products imported from the US. They collectively cover more than 60% of the value of secondary goods imported.

Table 7. Detailed Breakdown of Import from the US, 2015-2020 (Million US$)

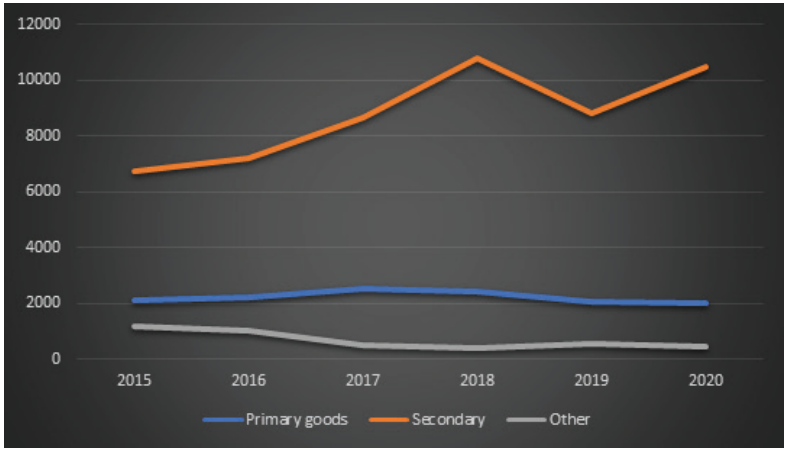
Sector	2015	2016	2017	2018	2019	2020	Total
Primary goods							
- Cotton	88.7	224.6	310.7	368.0	387.1	314.1	1693.2
- Mineral fuels & Oil			21.4	27.5	53.2	159.0	261.1
- Fruits							
- Vegetables							
- Seeds, grains & plants	267.0	312.0	383.7	365.8	448.4	530.5	2307.4
- Coffee, tea & spices							
- Salt, Sulphur…							
Sub Total	355.7	536.6	715.8	761.3	888.7	1003.6	4261.7
Secondary Goods							
- Food	29.2	56.2	56.3	91.3	97.6	75.3	405.9
- Electric & Electronics machinery	244.3	134.1	308.2	257.4	399.9	351.8	1695.7
- Textile	10.2	3.9					14.1
- Chemicals	17.9	20.7			30.5	29.4	98.5
- Metal Products	42.2	90.1	247.0	309.1	339.4	433.7	1461.5
- Transport	52.4	8	41.9	18.9	9.3	29.2	159.7
- Pharmaceutical and Medical goods	62.6	81.8	59.1	68.4	88.4	70	430.3
- Plastics and articles thereof	15.7	15.8	16.1	34.8	47.4	42.1	171.9
- Paper & Pulp	10.6	22.4	23.5	23.1	25.0	14.2	118.8
- Rubber and articles thereof							
- Glass and glassware							
- Footwear & articles thereof							
- Ceramic products							
- Miscellaneous manufactured articles	76.7	74.7	79.7	78.0	69.7	95.1	473.9
Sub Total	561.8	507.7	831.8	881	1107.2	1140.8	5030.3
Others	90.1	86.3	157.1	134.4	130.2	123.8	721.9
Grand Total	1007.6	1130.6	1704.7	1776.7	2126.1	2268.2	10013.9

Source: Bangladesh Bank

4.1.1.2 Import from China

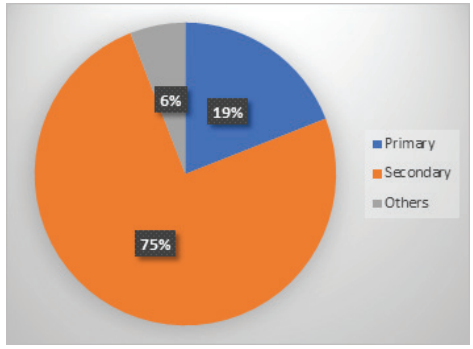
Figure 14 illustrates the import trends of Chinese goods. It is obvious that the import of secondary goods far outweighs other types of import. The overall increase of the secondary goods brought into Bangladesh is unmistakable, despite a slowdown in 2019. Figure 15 provides an alternative perspective. Secondary import accounts for 75% of the total import share. Its nearest competitor, import of primary goods, stood at only 19%.

Figure 14. Sector-by-Sector Import from China, 2015-2020 (Million US$)



Source: Bangladesh Bank

Figure 15. Sector-By-Sector Import from China, 2015-2020 (%)



Source: Bangladesh Bank

Table 8 presents a fuller elaboration of Chinse import. For secondary products, the chief components are electric and electronics machinery and textile. For primary products, a significant portion is driven by cotton. Cotton's importance, in addition to that of textile, suggests that Chinese firms have found Bangladesh a rather viable destination for the manufacture and eventual export of readymade garments. This will be more fully explored in the subsequent sections.

Table 8. Detailed Breakdown of Import from China, 2015-2020 (Million US$)

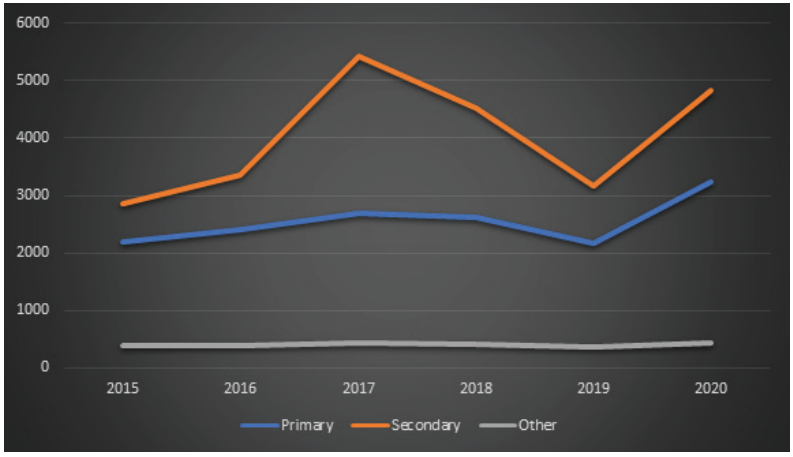
Sector	2015	2016	2017	2018	2019	2020	Total
Primary goods							
- Cotton	1780.0	1829.9	2053.1	2198.6	1702.0	1541.0	11104.6
- Mineral fuels & Oil	152.6	197.0	294.9	90.6	180.1	261.9	1177.1
- Fruits	74.2	83.3	95.6	71.3	102.1	107.9	534.4
- Vegetables			39.4	34.9	101.8	78.3	254.4
- Coffee, tea & spices			31.5	48.7			80.2
- Salt, Sulphur…	133.1	90.6					223.7
Sub-Total	2139.9	2200.8	2514.5	2444.1	2086	1989.1	13374.4
Secondary goods							
- Electric & Electronics Machinery	2738	3186	3611	4561	3429	3533	21058.4
- Textile	1715.8	1788	2184.5	2768.7	2526.6	2907.1	13890.7
- Chemicals	819.1	725.5	796.2	1025.4	900.6	1185.8	5452.6
- Metal Products	611.3	579.2	831	950.1	698.6	963.5	4633.7
- Transport	252.1	258.6	266.3	360.7	227.7	261.1	1626.5
- Pharmaceutical and Medical goods	93.5	120	122.7	110.1	150.1	182.4	778.8
- Plastics and articles thereof	213.6	238.7	297.9	385.2	417.5	861.5	2414.4
- Paper & Pulp	118.4	130.3	173.9	215.3	165.7	212.0	1015.6
- Rubber and articles thereof	73.7	63.8	74.7	80.5	83.0	102.0	477.7
- Glass and glassware			45.5	70.9	47.8	60.7	224.9
- Footwear & articles thereof			49.7	59.5	54.2	54.2	217.6
- Ceramic products			53.4	43.5			96.9
- Miscellaneous manufactured articles	103.2	118.2	138.4	150.9	131.9	163.6	806.2
Sub-Total	6738.7	7208.3	8645.2	10781.8	8832.7	10486.9	52694
Others	1179.5	1031.8	532.6	413	571.1	449.3	4177.3
Grand Total	10058.1	10440.9	11692.3	13638.9	11489.8	12925.3	70245.7

Source: Bangladesh Bank

4.1.1.3. Import from India

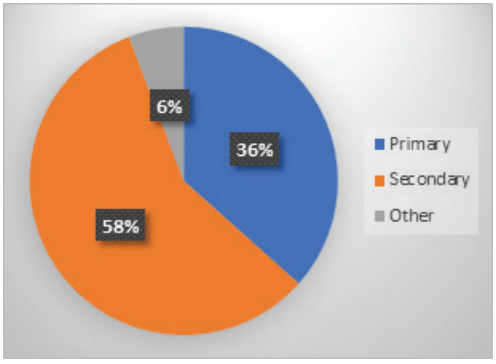
As mentioned earlier, like Chinese import, Indian import into Bangladesh has also been gathering pace. Figure 16 illustrates particularly the growth trajectory of primary and secondary products, even if there was some underperformance between 2017 and 2019. Import of secondary products occupies the largest market position (58%) (see Figure 17).

Figure 16. Sector-by-Sector Import from India, 2015-2020 (Million US$)



Source: Bangladesh Bank

Figure 17. Sector-by-Sector Import from India, 2015-2020 (%)



Source: Bangladesh Bank

Table 9 presents a more detailed analysis of imported Indian products from 2015 to 2020. For secondary goods, India mainly exports transport equipment, electric and electronic machinery, and chemicals to Bangladesh. These three secondary goods account for more than 50% of the total secondary goods imported from India. For primary goods, cotton has been the most important component. It contributes as much as 60% of the value of total primary goods imported.

Table 9. Detailed Breakdown of Import from India, 2015-2020 (Million US$)

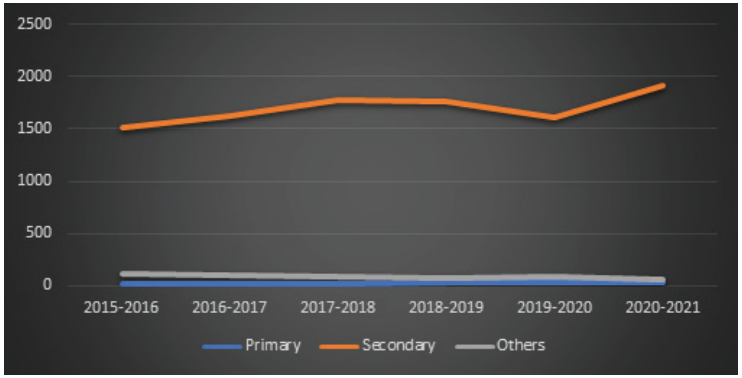
Sector	2015	2016	2017	2018	2019	2020	Total
Primary goods							
- Cotton	1468.0	1585.7	1729.9	1583.4	1343.2	1997.7	9707.9
- Mineral fuels & Oil	100.7	103.9	181.4	221.4	166.4	365.4	1139.2
- Fruits	67.7	96.9	93.0	142.7	95.0	160.6	655.9
- Vegetables	260.8	200.9	341.9	232.9	137.1	124.6	1298.2
- Seeds, grains & plants	32.2	41.6					73.8
- Coffee, tea & spices	116.4	172.6	154.9	184.1	189.4	291.5	1108.9
- Ores, slag and ash	34.8	38.4	44.8	75.3	65.9	80.8	340
- Salt, Sulphur…	123.5	158.8	151.1	177.6	177.9	211.1	1000
Sub-Total	2204.1	2398.8	2697	2617.4	2174.9	3231.7	15323.9
Secondary Goods							
- Food	313.9	146.3	1369.4	304.6	174.2	1174.3	3482.7
- Electric & Electronics machinery	591.6	669.7	931.9	909.4	572.3	637.2	4312.1
- Textile	218.6	238.5	221.2	269.4	178.7	187.9	1314.3
- Chemicals	463.9	531.2	637	681.9	648.6	844	3806.6
- Metal Products	361.3	432.8	509.12	618.27	472.6	497.7	2891.79
- Transport	510.3	736.5	983.8	1001.7	592.2	669.5	4494
- Pharmaceutical and Medical goods	0	0	30.5	38.5	12.9	78.4	160.3
- Plastics and articles thereof	158.0	193.9	221.0	259.0	213.1	250.6	1295.6
- Paper & Pulp	24.8	34.9	56.0	58.0	54.8	89.2	317.7
- Rubber and articles thereof	73.7	83.8	84.2	98.9	108.0	135.5	584.1
- Glass and glassware							
- Footwear & articles thereof							
- Ceramic products							
- Miscellaneous manufactured articles	133.2	283.6	371.1	286.3	142.8	253.2	1470.2
Sub-Total	2849.3	3351.2	5415.22	4525.97	3170.2	4817.5	24129.39
Others	386.0	393.9	427.1	412.2	368.2	432.7	2420.1
Grand Total	5439.4	6143.9	8539.32	7555.57	5713.3	8481.9	41873.39

Source: Bangladesh Bank

4.1.1.4. Import from Japan

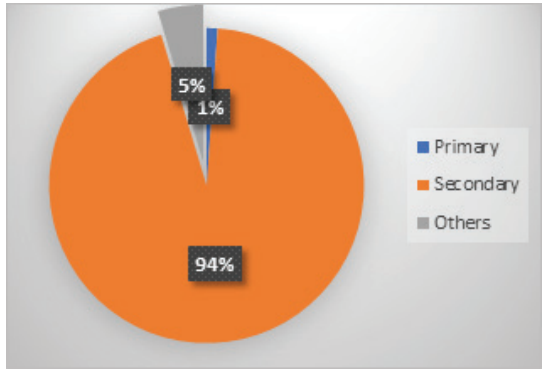
Compared to Chinese and Indian import, the value of Japanese import is noticeably more modest. It is also apparent that Japanese import has been largely driven by secondary goods, although the rate of increase has been somewhat modest (see Figure 18). Figure 19 presents an alternative perspective of secondary goods dominance. By itself, it is worth 94% of the total value.

Figure 18. Sector-by-Sector Import from Japan, 2015-2020 (Million US$)



Source: Bangladesh Bank

Figure 19. Sector-by-Sector Import from Japan, 2015-2020 (%)



Source: Bangladesh Bank

Table 10 unpacks the distribution of Japanese products brought into Bangladesh. Three items account for over 90% of the total value of secondary goods imported. In order of importance, they are transport equipment (43%), metal products (26.5%), and electric and electronics machinery (21.7%) respectively. The prominence of Japanese transport equipment is most easily observed in the streets of major Bangladeshi cities as Japanese vehicles remain popular choices amongst Bangladeshi consumers.

Table 10. Detailed Breakdown of Import from Japan, 2015-2020 (Million US$)

Sector	2015	2016	2017	2018	2019	2020	Total
Primary goods							
- Cotton							
- Mineral fuels & Oil	0	0	3.5	8.2	0	0	11.7
- Fruits							
- Vegetables							
- Seeds, grains & plants							
- Coffee, tea & spices							
- Ores, slag and ash	0	0	12.9	16	16.8	19.1	64.8
- Salt, Sulphur…	11.6	12.9	0	0	13.5	7.2	45.2
Sub-Total	11.6	12.9	16.4	24.2	30.3	26.3	121.7
Secondary goods							
- Food							
- Electric & Electronics machinery	313.1	444.8	495.4	361.1	302.9	290.2	2207.5
- Textile	23.1	25.5	28.3	32.4	35.6	34.8	179.7
- Chemicals	37.5	34.1	29.5	26.7	28.8	63.5	220.1
- Metal Products	345.9	402.8	427.1	343.4	563.2	620.2	2702.6
- Transport	704.3	651.7	717	898.9	598.8	819.3	4390
- Pharmaceutical and Medical goods	29.7	36.4	40.7	62	42.2	50.5	261.5
- Plastics and articles thereof	49.8	24.3	22.3	17.7	15.4	17.1	146.6
- Paper & Pulp							
- Rubber and articles thereof	14.7	9.4			6.4	7.9	38.4
- Glass and glassware							
- Footwear & articles thereof							
- Ceramic products							
- Miscellaneous manufactured articles			10.2	12.7	10.3	11.5	44.7
Sub-Total	1518.1	1629	1770.5	1754.9	1603.6	1915	10191.1
Others	113.9	93.3	82.7	67.2	86.8	59.9	503.8
Grand Total	1643.6	1735.2	1869.6	1846.3	1720.7	2001.2	10816.6

Source Bangladesh Bank

4.2. Overall Export Performance, 2011-2020

Bangladesh's export structure is not as diversified as that of more developed nations (in this paper, they are the US, China, India and Japan). According to Table 11, it specializes only in relatively simple goods, including readymade garments, jute manufactures, leather and leather products. Amongst the four trade partners, Bangladeshi export is best-received in the US. The total value exported to the US, garnered between 2011 and 2020, is worth a total of US$41 billion. This amount dwarves the combined export to the three other countries during the same period (see Figure 20). More specifically, Figure 21 shows that Bangladesh exports only around 10% of its goods to China, Japan, and India respectively.

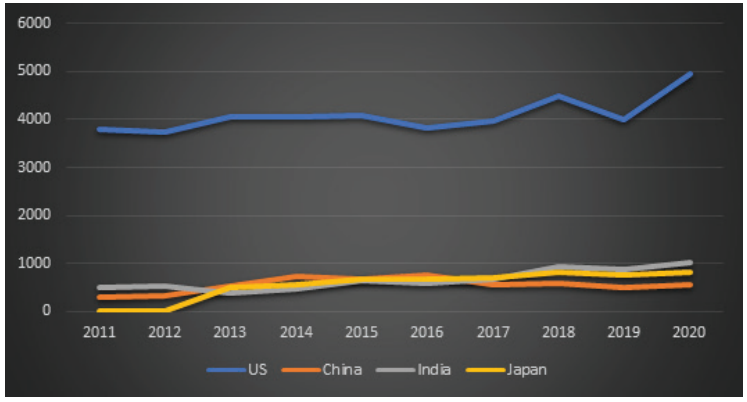
Table 11. Detailed Breakdown of Bangladesh's Export to the US, China, India and Japan, 2011-2020 (in Million US$)

Country	Commodity	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
US	Readymade Garments	3455	3487	3847	3838	3861	3626	3755	4246	3721	4590	38426
	Fish, Shrimps, Prawns	56	36	52	36	47	44	22	25	18	36	372
	Home Textile	-	48	36	44	36	32	30	23	30	58	337
	Jute Manufactures	16	17	17	18	18	14	19	18	15	21	173
	Leather & Leather Products	9	11	12	14	15	17	19	32	41	63	233
	Raw Jute	2	1	2	2	2	1	2	1	1	1	15
	Handicraft	1	1	1	2	2	2	2	3	3	4	21
	Others	254	122	95	98	99	102	116	144	155	173	1358
	Total	**3793**	**3723**	**4062**	**4052**	**4080**	**3838**	**3965**	**4492**	**3984**	**4946**	**40935**

Country	Commodity	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
China	Readymade Garments	59	90	157	244	280	296	257	351	265	213	2212
	Fish, Shrimps, Prawns	6	10	13	12	12	8	9	19	25	5	119
	Home Textile	-	5	6	10	18	6	6	5	5	6	67
	Jute Manufactures	48	50	71	90	70	89	102	85	79	114	798
	Leather & Leather Products	29	59	164	238	218	227	104	39	29	49	1156
	Raw Jute	57	34	25	17	13	19	18	16	17	15	231
	Handicraft	0	0	0	0	0	0	0	0	0	0	0
	Others	111	93	97	109	77	105	67	75	79	164	977
	Total	**310**	**341**	**533**	**720**	**688**	**750**	**563**	**590**	**499**	**566**	**5560**
India	Readymade Garments	43	59	72	92	104	94	156	282	258	238	1398
	Fish, Shrimps, Prawns	73	38	22	20	19	19	24	26	32	76	349
	Home Textile			3	2	2	2	3	0	0	0	12
	Jute Manufactures	97	129	89	105	190	127	99	122	124	106	1188
	Leather & Leather Products	4	7	9	15	14	8	9	14	15	25	120
	Raw Jute	81	74	23	18	82	76	47	26	44	30	501
	Handicraft	0	0	0	0	0	0	0	0	0	0	0
	Others	218	233	178	211	225	255	350	461	393	533	3057
	Total	**516**	**540**	**396**	**463**	**636**	**581**	**688**	**931**	**866**	**1008**	**6625**
Japan	Readymade Garments			341	417	511	525	556	676	613	675	4314
	Fish, Shrimps, Prawns			15	16	22	28	19	13	15	16	144
	Home Textile			20	18	23	23	29	26	26	33	198
	Jute Manufactures			6	5	4	4	4	4	4	5	36
	Leather & Leather Products			93	99	90	67	84	80	69	62	644
	Raw Jute			0	0	1	0	0	0	0	0	1
	Handicraft			0	1	0	0	1	1	1	1	5
	Others			28	17	25	23	23	25	27	34	202
	Total	**0**	**0**	**503**	**573**	**676**	**670**	**716**	**825**	**755**	**826**	**5544**

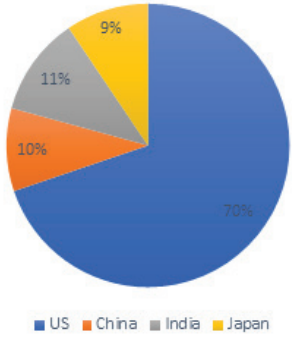
Source: Bangladesh Bank

Figure 20. Bangladesh's Export to the US, China, India and Japan, 2011-2020 (Million US$)



Source: Bangladesh Bank

Figure 21. Bangladesh's Export to the US, China, India and Japan, 2011-2020 (%)



Source: Bangladesh Bank

The overall picture is that Bangladesh has enjoyed trade surplus with the US. However, it records trade deficit with China, India and Japan. The trade deficit with China especially presents a conundrum to Bangladesh. Comparing Figures 10 and 21, one gets the magnitude of this trade deficit. This trade deficit has even outstripped that of India, Bangladesh's huge neighbor-cum South Asia's hegemon. However, as with any instances of surplus/deficit, there is considerable nuance undergirding this dynamic. The subsequent section offers a more encompassing angle to this situation.

5. Discussion

Numerous discussion points can be had. As far as foreign investment – both flow and stock – is concerned, US firms continue to enjoy predominance in Bangladesh. Their strength derives from a unique combination of factors. Oft-cited examples are access to deep and liquid financial markets, established leadership in major industries, and a well-educated talent pool. Such advantages, when combined, are unparalleled and not readily replicated elsewhere, especially by transition economies such as China. Consequently, the US has ranked among the world's largest investors for decades. On the contrary, Chinese firms, despite their ascendance over the last decades, do not seem to significantly out-invest their Indian and Japanese counterparts in Bangladesh, let alone those from the US. While Chinese FDI inflow spiked in 2018 and 2019, it appears to be an anomalous, one-off event, as far as one can tell from the most available data. Chinese FDI inflow also appears to fluctuate more than that of the three other economies.

Although the exact reasons behind China's fluctuating FDI in Bangladesh falls outside the remit of this paper, it is still possible to draw some tentative implications from the analysis thus far. One plausible cause is the nature of such FDI flows. For starters, it is important to note that US investors typically prefer primary industries, not least mining activities (see Table 2). By contrast, Chinese TNCs mostly finance tertiary industries, including power generation, construction, and communication (see Table 3). Within the tertiary sector, power generation occupies the largest share (90%). The preference for tertiary activities could be due to Chinese firms' structural weakness in the manufacturing sector, as Nolan (2013; 2014) has demonstrated. More importantly, the fact that a significant portion of Chinese FDI in the tertiary sector has financed power generation in Bangladesh suggests the former's complementary relationship with the host nation's wider development efforts. The reality is, developing nations often face energy deficit, especially in power-intensive industries such as mineral processing, when they pursue more rigorous forms of industrialization. This observation contradicts research on Chinese FDI elsewhere. It counters Lim's (2019) study about how China's tertiary sector-heavy outward FDI has truncated long-term industrialization efforts in Southeast Asia, for example. Unlike the approach taken in this paper, his assertion is based on a region-wide analysis, which lacks granular depth vis-à-vis research focusing on a single economy.

What about Indian and Japanese FDI then? Although Indian and Japanese investors have also financed tertiary business activities, it is also clear that a relatively sizable portion of their money has gone towards the manufacturing sector. Their heavier emphasis towards manufacturing likely brings about greater FDI continuity, which is reflected in a smoother FDI trajectory entering Bangladesh. Nevertheless, this remains a conjecture, however interesting, unless further exploration is conducted.

The overriding lesson derived from the examination of FDI patterns is that investors from the four economies are all looking for something different in Bangladesh. While Chinese FDI has grown, the same also can be said of FDI from the US, India and Japan as they find opportunities to expand their respective market share in Bangladesh. The subtext here is that there is a "rising tide lifts all boats" effect at play – *all* four investors target niches where they have a competitive advantage in. They have all benefited from Bangladesh's continued economic expansion, which in turn creates investment demand across different industries. This finding contradicts the long-held assumption, popular in international political economy and related circles, that China is necessarily locked in a zero-sum competition with the other (US-led) economies in the international system.

When it comes to trade, the reality is that Bangladesh is still at a relatively underdeveloped stage, which means that it would have to import virtually all types of sophisticated products. By the same token, there exists plenty of scope to export goods that it possesses comparative advantage in such as garments and agriculture products. This is inferred from Bangladesh's export and import with the US, China, India and Japan – they have all increased over the last decade. While it is easy to bemoan the trade deficit incurred against China, India and Japan, it is just as important to recognize Bangladesh's trade surplus with the US. In practical terms, Bangladesh is becoming more attractive as a manufacturing center. This is evident in the goods it exports to the US, largely readymade garments (see Table 11). These readymade garments are likely the outcome of foreign TNCs establishing operations in Bangladesh, along with the processing of raw materials brought in from other countries within the supply chain.

A reexamination of Table 8 offers further insight. The data indicates that electric and electronics machinery, textile, and cotton are three of the most commonly imported items from China. Some of the machinery would be deployed in garment factories where textile and cotton are processed,

manufacturing the latter into finished, readymade garments popular among US consumers. To a smaller extent, this "Factory Asia" business model – which involves importing and enhancing inputs from other Asian economies before selling the final products to the US – can also be inferred by studying the portfolio of goods imported from India and Japan (see Tables 9 and 10). This discovery supports Xing (2021) and Kam (2017), who argue that global trade has increasingly shifted from trading finished products to trading specialized tasks. This shift offers developing nations like Bangladesh, with ample low-cost labor, an opportunity to participate in the production networks of (Global North) TNCs. However, it also means that crucial knowledge and expertise remain in the hands of these TNCs instead of local firms in the host economies. Until and unless the latter pushes for wider and deeper know-how localization, this dynamic will not likely change substantially.

For Bangladesh at least, it is imperative to craft industrial policies to more effectively leverage the current "sweet spot" that it is in. The country's economic strategy is primarily centered around its cost advantage in labor-intensive industries, which has served it well thus far. However, this advantage is poised to diminish in the years ahead. The key, instead, lies in progressively nudging the South Asian economy towards more sophisticated activities that yield higher value-added. It is thus crucial to heed the development lessons from some of East Asia's tiger economies, particularly Malaysia and Thailand (Sen & Tyce, 2019). These nations, during their high-growth era between the 1970s and the 1990s, relied heavily on low labor costs and a fairly conducive business environment. However, they have since struggled in transitioning towards higher value-added activities which require increasingly complex technologies and higher quality human capital (see also (Wang & Lim, 2023).

Additionally, a more geopolitical interpretation of the above development can be postulated. First and foremost, should there be fear regarding Bangladesh's growing trade deficit with the Chinese? If the answer is yes, then should not there be just as much fear when it comes to trade deficit with other nations, especially India? As demonstrated earlier on (see Figure 9), Indian import – while not as large as that of Chinese import – still ranks second in the portfolio. More to the point, India is South Asia's hegemon and possesses sufficient heft to sway Bangladeshi sentiment across different spheres. For example, there has been some disquiet regarding the

pro-Indian stance of the incumbent Awami League government (Rahman, 2009). If there was indeed a risk of trade dependency or other types of vulnerabilities, then Bangladesh is prudent to err on the side of caution by "spreading" it across multiple countries (especially China) rather than "concentrating" it in the hands of a regional hegemon like India. By the same token, it would make sense to court Chinese FDI to ensure that Bangladesh is not overly reliant on a single country for investment capital.

6. Conclusion

The paper has compared and contrasted China's economic presence in Bangladesh vis-à-vis that of the US, India and Japan. By examining FDI and trade statistics, a series of findings have been unearthed. Firstly, although Chinese FDI is growing in Bangladesh, at least after the early 2010s, FDI from the three other economies has also expanded. Interestingly, both flow and stock of FDI from the US is distinctively dominant vis-à-vis the three other economies over the period examined. It is also important to note that US firms mostly funded primary industries. Chinese firms mainly financed tertiary activities, while their Indian and Japanese counterparts have devoted considerable amount of FDI towards the secondary industries.

Secondly, as it is still an industrializing economy, Bangladesh must import virtually all its capital goods, while exporting several agricultural goods and labor-intensive manufactures (e.g. readymade garments). This means that it is bound to record trade deficit against most industrialized economies. To this end, this paper has illustrated Bangladeshi trade deficit against China, India and Japan. The South Asian nation enjoys trade surplus only with the US, driven by garments export. More interestingly, trade deficit incurred against China has outstripped that of India, South Asia's traditional hegemon. This implies some risk "spreading" or "de-risking" as Bangladesh has usually incurred very large trade deficit against India. By the same token, overdependence on China can be avoided through promoting trade ties with India and other economies.

Going back to the paper's introduction section, should there be fear or anxiety about China's growing investment and trade presence in Bangladesh? Phrased differently, are there clear evidences of China dominating the Bangladeshi economy? On the basis of the evidence presented thus far, the answer is in the negative as far as FDI is concerned. If anything, it is the US investors which exert the most influence in Bangladesh, outcompeting

investors from the other three economies by a huge margin. When it comes to trade dynamics, the prognosis is similar. It is true that Bangladesh records a huge trade deficit against China, but this is also the case for its bilateral trade with India (and to a smaller extent, Japan). The fundamental reality, which often goes unmentioned, is China's status as a latecomer to the South Asian as well as international economy. This means that Chinese firms face an uphill task in displacing firms from more developed nations (e.g. Japan and the US) in expanding their activities across borders. This "incumbency effect" is likely to hold sway, at least for the foreseeable future. Relatedly, Bangladesh's flourishing economic progress over the last decade or so has generated a growing middle class and budding industrial sector. This indirectly creates a "rising tide lifts all boats" effect for economic partners such as the US and China. Virtually all of them have captured niches within the Bangladeshi market. Put together, there is little to substantiate the fearmongering discourse commonly seen in certain circles.

In future research, prospective analysts are encouraged to more rigorously test hypotheses sparked by this paper's findings. The current statistical database provided by the respective governmental agencies, while useful, is not sufficiently fine-grained for researchers to perform more comprehensive examination of Chinese FDI and trade in Bangladesh than what this paper has done. Additional spotlight on how increased Chinese presence is impacting diverse economic, political, ethnic interests would likely extend this paper's findings. Another fruitful research agenda could also be had, for example, by comparing and contrasting the performance of one to several industries where Chinese economic presence is significant. In either case, there is merit in conducting detailed interviewees with representatives from the government as well as private sector. An understanding of their viewpoints would help to untangle potentially unobservable mechanisms linking industrial transformation with the influx of particular types of TNCs.

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