



## Chinese President's visit to Bangladesh

*Dr. Amit Ranjan\**

On October 14, 2016 Chinese President Xi Jinping landed at Dhaka airport for a 22-hour state visit to Bangladesh. His visit to Bangladesh is the first one by any Chinese President in the last three decades, though as a Vice-President of China, Xi had already been to Bangladesh in June 2012. The last Chinese President to visit Dhaka was Li Xiannian in March 1986. This visit signifies enhanced bilateral cooperation between China and Bangladesh. As the visit has its implications for South Asia, it attracted attention and multiple interpretations.

### Strengthening Bilateral Ties

Prior to Xi Jinping's visit on October 14-15, Bangladesh's Prime Minister Sheikh Hasina, in an interview to Chinese media 'Xinhua', said that the relations between the two countries are underpinned by "the five principles of peaceful co-existence, spirit of good-neighbourliness, mutual trust, confidence and non-interference into each other's internal affairs".<sup>i</sup>

In his pre-visit speech, published in a Bangladeshi newspaper 'Daily Star', Chinese President mentioned "China is now the largest trading partner of Bangladesh and Bangladesh [is] China's third largest trading partner and third-largest project contract market in South Asia. Bilateral trade soared from USD\$900 million in 2000 to US\$14.7 billion in 2015, registering an annual increase of around 20%".<sup>ii</sup> He also informed that China is ready to synergize its 13<sup>th</sup> Five-Year Plan with Bangladesh's Seventh Five-Year Plan with a view to leveraging our respective comparative advantages, increasing economic exchanges and trade building key projects in areas such as infrastructure, production capacity, energy, electricity, transportation, information, telecommunications and agriculture, strengthening practical cooperation under the BCIM Economic Corridor and delivering to our people tangible benefits of our cooperation".<sup>iii</sup>

During the visit, the two countries inked a total of 40 agreements and Memorandum of Understandings (MoUs) worth more than USD\$25 billion, though the government of Bangladesh is yet to reveal the official figures.<sup>iv</sup> They signed 27 agreements and MoUs involving the two

governments. Out of 27, 15 are agreements and MoUs and 12 are for loan and mutual agreements.<sup>v</sup> Chinese state-owned and private entities also signed 13 agreements mostly with Bangladeshi private enterprises. 13 projects over which China signed deals with 11 Bangladeshi private enterprises and two government entities mainly cover infrastructure, communication, power and energy and sports are worth USD\$13.6 billion. The tenure of the MoUs would be two years, and it would be automatically renewed for two more years unless any of the two sides writes to the other for terminating it six months prior to its expiry date. The tenure of MoU may be extended further if both countries want so.<sup>vi</sup>

These MoUs and Agreements will boost trade which will have its influence on political relationship between Bangladesh and China. At present, Bangladesh's trade with China is about 26.5 percent of its total trade, which is on an upward swing. If this rate prevails, the total bilateral trade would reach USD 18 billion in 2021.<sup>vii</sup>

Sector wise, China agreed to finance \$5.52 billion for eight projects in the power and energy sector, \$6.64 billion for five rail projects, \$6.65 billion for four projects under Roads and Bridges Division, \$1.31 billion for five livelihood projects and 1.15 billion for four projects in the ICT.<sup>viii</sup> To attract Chinese investment, Bangladesh has already allocated two zones at Gazaria and Anwara in Chittagong to China. Apart from MoU, a loan framework was signed for three projects that involve purchase of six ships from China with a loan of \$184 million and setting up of Dashkerkandi Water Treatment Plant with a loan of \$280 million.<sup>ix</sup> Although some of the projects are new, many of them, as discussed below, were agreed in 2014 during Sheikh Hasina's visit to China. Hence, the financial grant on many of those projects during Xi's visit to Dhaka is a part of phase wise economic aid agreed by China during Hasina's visit to Beijing in 2014.

After signing of the MoUs and other Agreements, Chinese President Xi Jinping said, "We agreed to elevate China-Bangladesh ties from a comprehensive partnership of cooperation to a strategic partnership of cooperation". "We have agreed to increase high-level exchanges and strategic communication so that our bilateral relation will continue to move ahead at a higher level," he said.<sup>x</sup> The Chinese president also mentioned that the two countries agreed to establish institutionalised cooperation in maritime affairs and efforts towards counter-terrorism. The two countries have also agreed to declare 2017 as the year of exchange and friendship – that will be highlighted by a number of cultural exchanges and programmes. Noting that China is striving for its "two-centenary goals", while Bangladesh is pursuing its "Sonar Bangla" dream of national strength and prosperity, Xi added that the China-proposed Belt and Road Initiative can dovetail with Bangladesh's cooperation strategies with the outsideworld.<sup>xi</sup>

He added, "The "two-centenary goals" refer to China's aspiration to finish building a moderately prosperous society in all respects by the time the Communist Party of China celebrates its centenary in 2021 and turn the People's Republic of China into a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious by the time it celebrates its centenary in 2049".<sup>xii</sup>

Hasina said the traditional friendship between Bangladesh and China, forged by the two countries' leaders of the older generation, enjoys deeply-rooted public support in Bangladesh. Bangladesh admires China's economic achievement, and is ready to strengthen cooperation with China, while pursuing its "Sonar Bangla" dream, said the prime minister.<sup>xiii</sup> Bangladesh, she added, is willing to actively work with China within the framework of the Belt and Road Initiative and support the building of an economic corridor linking Bangladesh, China, India and Myanmar, so as to push forward development in various fields, such as electricity, energy, technology, agriculture, water resources, investment, transportation infrastructure and connectivity.<sup>xiv</sup> Bangladesh resolutely adheres to the one-China policy and is ready to maintain mutual understanding and support with the Chinese side on issues involving each other's core interests and major concerns, she said.<sup>xv</sup>

The two leaders vowed to strengthen the synergy of their development strategies, fully tap the potential for bilateral cooperation, and jointly push forward the Belt and Road Initiative. To further strengthen people-to-people exchanges so as to further boost the traditional China-Bangladesh friendship, the two leaders designated 2017 as the Year of China-Bangladesh Friendly Exchanges in a bid to expand cooperation in cultural and education areas, boost tourism and facilitate exchanges between their media organization, youth, women organizations and local governments.<sup>xvi</sup>

The joint statement released after the visit of Xi Jinping to Dhaka uses the word 'Strategic Partnership of Cooperation' in the title. This is different from what was used in 2014 when Sheikh Hasina visited China. At that time the joint statement used the phrase 'Deepening the Closer Comprehensive Partnership of Cooperation' in title.<sup>xvii</sup> This change indicates the graduation and maturity in the bilateral relationship between Bangladesh and China. Some of the projects which China has agreed to finance in Bangladesh during the visit of Xi Jinping had been agreed in 2014 itself. In joint statement of 2014, Bangladeshi side proposed for undertaking the following projects in accelerating Bangladesh's development: i. Development of National Infra Network for Bangladesh Government Phase III (Expanding IT Connectivity up to Union Level: Info Sarker Phase 3). ii. Rajshahi WASA Surface Water Treatment Plant Project. iii. Construction of 2nd Railway cum Road Bridge across the River Karnaphuli at Kalurghat Point near the Existing Railway Bridge. iv. Construction of New Single Track Dual Gauge (DG) Railway Line from Chittagong to Cox's Bazar via Ramu and Ramu to Gundum near Bangladesh-Myanmar Border. v. Eastern Refinery Unit-II and the Single Point Mooring (SPM ) Project.<sup>xviii</sup> The 2014 visit of Sheikh Hasina to China also witnessed the signing of the following MoUs/agreements/Letters of Exchange between the two countries<sup>xix</sup>:

i Memorandum of Understanding between the Ministry of Commerce of the People's Republic of China and Bangladesh Economic Zones Authority of the People's Republic of Bangladesh on Cooperation in the Establishment of the Chinese Economic and Industrial Zone in Bangladesh.

ii. Memorandum of Understanding on Jointly Promoting the Construction of the Multi Lane Road

Tunnel Project under the River Karnaphuli between the Ministry of Commerce of the People's Republic of China and the Ministry of Communication of the People's Republic of Bangladesh.

iii. Joint Venture Agreement between China National Machinery Import & Export Corporation and North-west Power Generation Company Limited on the Establishment of a 1320 MW Coal Based Ultra Super Critical Power Plant at Kalapara Upazilla, Patuakhali

Acting swiftly, soon after the visit by the Chinese President, the Cabinet Committee on Economic Affairs had selected three Chinese firms to implement three mega projects with an estimated \$2.76 billion of Chinese soft loan. Two of the projects are under the railway ministry and one is under the shipping ministry.<sup>xx</sup> These are among the 28 projects for whose financing a primary agreement was signed during the Chinese President's October 14-15 state visit. It is being estimated by the Bangladesh's Economic Relations Division that Dhaka would get \$21.5 billion in soft loan from Beijing in the next five years.<sup>xxi</sup> China Railway Construction Bridge Engineering Bureau Group Co Ltd will upgrade the 176km metre-gauge railway track from Akhaura to Sylhet to dual-gauge track. The initial estimated cost of the project is \$1.87 billion, of which China will provide \$1.76 billion and the rest will come from the Bangladesh government.<sup>xxii</sup> Dual-gauge provides two separate track gauges. Normally, a dual-gauge track consists of three rails, two "vital" (or gauge) rails, one for each gauge, plus a "common rail"-- although sometimes commonality is not possible and four rails are required.<sup>xxiii</sup> China Civil Engineering Construction Cooperation has been selected for constructing a 173km dual-gauge double-line rail track from Joydevpur to Ishwardi. Of the estimated cost of \$941 million, China will provide \$753 million. The government of Bangladesh will pay the rest.<sup>xxiv</sup> The job of expansion and modernisation of Mongla Port facilities has been awarded to China National Complete Engineering Corporation for an estimated cost of \$550 million. China's assistance in this project has been estimated at \$249 million while the rest will come from the government fund.<sup>xxv</sup> Under the present policies, China offers soft loan through its Exim Bank at 2 percent interest. The commitment charge is 0.2 percent and management fees 0.2 percent. The loan repayment period is 20 years including five years of grace period.<sup>xxvi</sup>

### **Implications for India**

The visit by the Chinese President to Bangladesh had been closely watched by India because of its imminent implications. On the Chinese President's visit to Bangladesh, and its impact on India, Hu Weijia in his piece in *'Global Times'* maintains "There have been misconceptions in India that China may feel unhappy if South Asian countries, such as Bangladesh forge close ties with India and that China feels the need to build closer ties with Bangladesh. Chinese President's upcoming visit to Bangladesh is seen by some in India as a trip to snatch the South Asian country from the embrace of New Delhi.....Bangladesh's geographic location makes it an irreplaceable link connecting India and China, and efforts to boost the local economy and improve infrastructure in Bangladesh could bring development momentum for the Bangladesh-China-India-Myanmar Economic Corridor".<sup>xxvii</sup> On India's reaction Hu writes "India will not need to be jealous of an increasingly close relationship between Beijing and Dhaka, because the improvement of local infrastructure and the overall economic ecology in Bangladesh will create favourable external

conditions for connecting with markets in India, China and Southeast Asia”.<sup>xxviii</sup>

The Foreign Minister of Bangladesh Abul Hasan Mahmood said that his country does not believe that Chinese President’s visit will impact on relations with India. He said Bangladesh is still following the foreign policy principle set by the country’s founding father Bangbandhu Sheikh Mujibur Rahman, which was “friendship to all, malice to none”.<sup>xxix</sup>

Yet the agreement to sell six Chinese ships to Bangladesh, mainly for defence purposes, has worries for India. The sailing of those ships in the Bay of Bengal, though under Bangladeshi command, raises a few security-related challenges to India.

## Conclusion

China was one of the last countries to recognize Bangladesh in 1975, that also after the assassination of Sheikh Mujibur Rehman on 15 August 1975. But, over the decades, the two countries have given up their bitterness, and have forged a deep economic and political relationship. The architect of China-Bangladesh relationship was General Zia ur Rehman, but later on, the Awami League, too, attracted China to serve its national interest and maintain continuity in the foreign policy of Bangladesh.

One of the major reasons why Bangladesh seeks to attract China is that the country needs heavy investments in its infrastructure sector. Therefore, China, with its high investment capability, attracts the Bangladeshi leadership. During the visit of Xi, most of the MoUs and agreements were signed to improve infrastructure in Bangladesh. This economic dependency of Bangladesh has its impact on the political relationships between the two countries.

India may be cautious about the growing closeness between Bangladesh and China, but it has to understand that its relation with Bangladesh falls under different bracket than Bangladesh’s relation with China. The contiguous borders, cultural links, ethnic bondage and shared history make Bangladesh closer to India than to China.

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\* Dr. Amit Ranjan is a Research Fellow at Indian Council of World Affairs, Sapru House, New Delhi.

Disclaimer: The views expressed are that of the Researcher and not of the Council.

## End Notes

<sup>i</sup>Retrieved from <http://www.thedailystar.net/frontpage/china-trusted-friend-1298557>

<sup>ii</sup>Retrieved from <http://www.thedailystar.net/frontpage/china-bangladesh-cooperation-will-bear-golden-fruits-1298536>

<sup>iii</sup>Ibid.

<sup>iv</sup> Retrieved from <http://www.thefinancialexpress-bd.com/2016/10/13/49214/BD,-China-set-to-sign-over-25-MoUs,-deals>

<sup>v</sup>Retrieved from <http://bdnews24.com/bangladesh/2016/10/14/bangladesh-china-sign-27-deals-as-president-xi-visits-dhaka>

<sup>vi</sup>Retrieved from <http://www.thedailystar.net/frontpage/high-hope-chinese-investment-1298539>

<sup>vii</sup> Kabir, Mahfuz (10 October 2016) ‘Expanding the Bangladesh-China trade frontier’ *Daily Star*

<sup>viii</sup> See <http://www.thedailystar.net/frontpage/high-hope-chinese-investment-1298539>. Also See <http://mofa.gov.bd/media/joint-statement-people%E2%80%99s-republic-china-and-people%E2%80%99s-republic-bangladesh-establishing>

<sup>ix</sup> Ibid.

<sup>x</sup> Retrieved from <http://www.globaltimes.cn/content/1011533.shtml>

<sup>xi</sup> Ibid.

<sup>xii</sup> Ibid.

<sup>xiii</sup> Ibid.

<sup>xiv</sup> Ibid.

<sup>xv</sup> Ibid.

<sup>xvi</sup> Ibid. Also See <http://mofa.gov.bd/media/joint-statement-people%E2%80%99s-republic-china-and-people%E2%80%99s-republic-bangladesh-establishing>

<sup>xvii</sup> <http://mofa.gov.bd/media/joint-statement-between-peoples-republic-bangladesh-and-peoples-republic-china-deepening>

<sup>xviii</sup> Ibid

<sup>xix</sup> Ibid

<sup>xx</sup> Retrieved from <http://www.thedailystar.net/frontpage/quick-move-execute-3-projects-1301407>

<sup>xxi</sup> Ibid

<sup>xxii</sup> Ibid

<sup>xxiii</sup> Ibid

<sup>xxiv</sup> Ibid

<sup>xxv</sup> Ibid

<sup>xxvi</sup> Ibid

<sup>xxvii</sup> Weijia, Hu (12 October 2010) 'India has nothing to fear from closer relationship between China and Bangladesh' *Global Times* Retrieved from <http://www.globaltimes.cn/content/1010843.shtml>

<sup>xxviii</sup> Ibid.

<sup>xxix</sup> Retrieved from <http://www.observerbd.com/details.php?id=38103>