

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Bangladesh is undergoing a change in the pattern of its economic development. Industrialization has been taken place over the years. As a result, share of agriculture in the GDP has now reduced to around 23 per cent and that of industry, manufacturing and services has increased considerably. Its integration into the world economy has helped her reduce aid dependency. Poverty reduction now dominates the economic policy of the country. Bangladesh's 'look east' policy (see chapter one) is directed to this end – to 'build partnerships' with the East and Southeast Asian countries 'for development and human security'. As globalization does not permit countries to live alone, Bangladesh seeks new partners of development in the East and thereby reduces dependency on the West. Globalization asks for opening up national markets to foreign products. But the LDCs like Bangladesh and the developing countries also need to protect their national industries and thereby create employment opportunities. Therefore, these countries face a dilemma of compromise between these two needs. Products of the poor countries can not compete with those of the developed ones. The industrialized North controls the process of globalization and is the driving force behind the global economic system. Thus, a need for South- South cooperation arises. Bangladesh's 'look east' policy may be explained as a part of this South-South cooperation globally and 'Asian brotherhood' regionally¹.

¹ Foreign Minister of Bangladesh, M. Morshed Khan, in an address on 'The Look East Policy of the Government of Bangladesh' at the Institute of Defence and Strategic Studies (IDSS), Singapore, on 12 November 2003, explained that Bangladesh's engagement with much of Asia, including Southeast and East Asia was built on an idealistic conception of Asian brotherhood. For details please visit <http://www.mofabd.org/statements/fm14.html>.

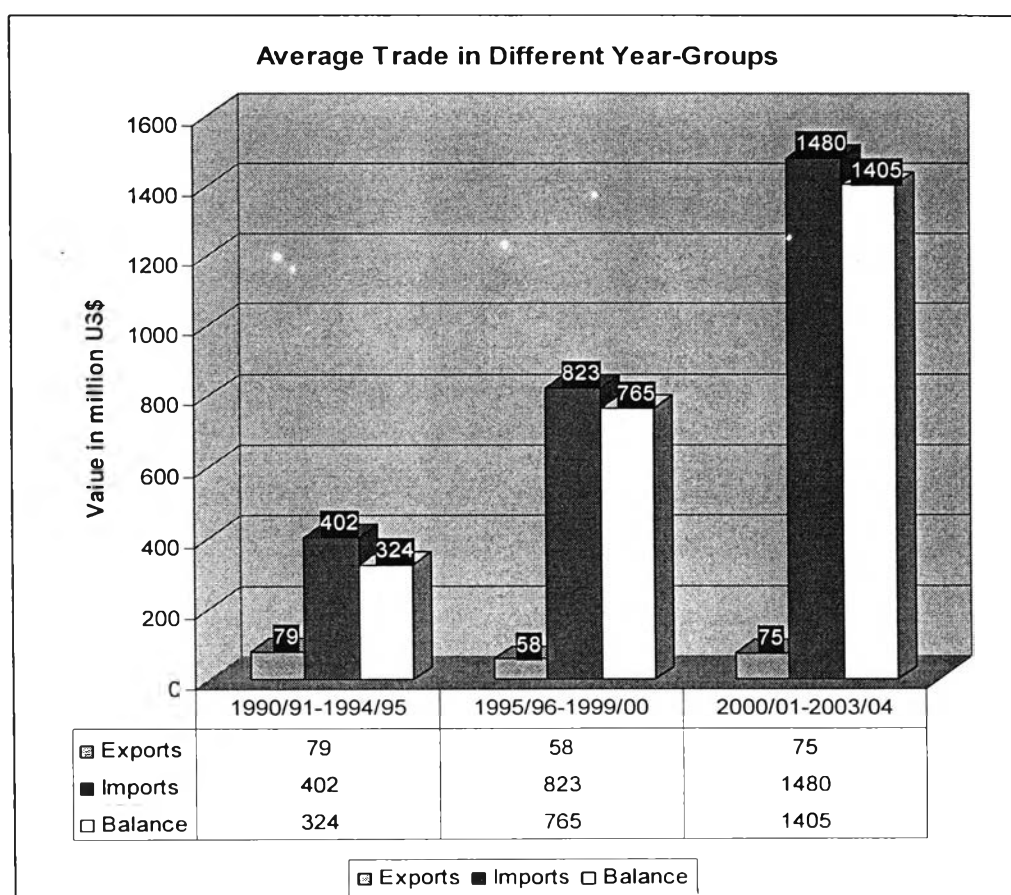
Bangladesh and the countries of Southeast Asia share the same historical background. These countries were colonized by the same parasitic powers who now decide the shape of the multilateral trading system. Bangladesh shares the same cultural heritage with the Southeast Asian countries. Thus, mutual cooperation of these countries is to the benefits of themselves. Because the level of economic development of these countries do not differ greatly with each other as they do with the developed countries. While some of them have achieved a higher degree of industrialization like Singapore, Malaysia and Thailand, the others also are in the race. Trade and investment policies of these countries also are aimed at harnessing benefits from the globalizing trends without making big sacrifices to the rich countries at the cost of national interests. Most countries of Southeast Asia except the Indochinese ones have been integrated into the globalizing world economy since the Uruguay Round of the WTO. The collapse of communism has induced the Indochinese countries too to reorient their economies from centrally planned system to a market driven one. Thus, the new members of ASEAN are lagging behind the old members in terms of economic development. Bangladesh's economy falls between these two trends in ASEAN.

The 'look east' policy of Bangladesh is aimed at strengthening the bonds that exist between the peoples and integrating her economy with the economies of the East. Bangladesh believes that the mutual cooperation among the ASEAN members has helped them achieve a higher degree of economic growth which will be on the continuous rise in the new century. Thus, an integration of Bangladesh's economic interests with the countries to the East is to the benefits of Bangladesh's economy. Bangladesh needs FDI from the more developed countries of the East that can contribute to solving its persistent unemployment problem. The country also needs new markets for its consumer goods. Bangladesh sees the ASEAN countries that have achieved higher degree of economic development as prospective investors of FDI, and destinations for its diversifying products. The adoption of the 'look east' policy is hoped to meet the both as Bangladesh considers East Asia and Japan to the future driving force of the global economy, where the economies of the West will progressively become smaller. The Foreign Minister of Bangladesh on the prospects of East Asia noted that –

East Asia has arrived on the world stage and its sheer economic weight has given it a voice and a role. As recently as 1960, Japan and East Asia together accounted for 4 percent of world GNP, while the United States, Canada, and Mexico represented 37 percent. Today, both groups have about the same share of the world's GNP (some 24 percent each), but, with more than half the world's economic growth taking place in Asia in the 1990s, the economies of North America and Europe will progressively become relatively smaller.²

The Government of Bangladesh (GOB) launched the 'look east' policy in 2001/2002. The policy is aimed at increasing Bangladesh's trade and investment relations with the countries to the East. Trade data, however, show that imports from the ASEAN countries have increased since the policy was launched. The figure 5.1 depicts a summary of Bangladesh's trade with ASEAN.

Figure 5.1: A Summary of Bangladesh's Trade with ASEAN



² *Ibid.*

Average imports from the ASEAN countries during the fiscal years from 2000/01 to 2003/04 have increased by 180 per cent. But average exports during the same years are even lower than the average exports during 1990/91 to 1994/95. Average trade balance against Bangladesh from 1990/91 – 1994/95 to 1995/96 – 1999/00 had become more than doubled. Again the average trade balance had become doubled during the next four years. Average imports were 14 times of average exports during the five fiscal years stretching between 1995/96 to 1999/00. During the next four years stretching between 2000/01 to 2003/04, average imports had become 20 times of average exports. So the ‘look east’ policy has made a boom in imports from the ASEAN countries. The policy could not improve the negative trade balance that exists between ASEAN and Bangladesh, although four years are not enough to judge impacts of such policy. The ‘look east’ policy is still in the campaign stage. An increase in the imports of Bangladesh from the ASEAN countries may be described as the cost for yielding more benefits later.

Over the 14 years covered by this study, Bangladesh imported from ASEAN commodities mostly belong to mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes (code ‘27’). These commodities constituted 23 per cent of the total imports of Bangladesh from ASEAN during these 14 years. The second important commodities belong to animal or vegetable fats and oils and cleavage products; prepared edible fats, animal or vegetable waxes (code ‘15’). This second group forms 12 per cent of the total imports during the same period. Both of these two commodity groups are primary product groups. The third and fourth commodity groups are nuclear reactors, boilers, machinery and mechanical appliances; parts there of (code ‘83’); and plastics and articles thereof (code ‘39’). These two commodity groups belong to manufactured product groups and made up 8 per cent and 7 per cent to the total imports respectively.

Bangladesh during those 14 years exported to ASEAN mostly fish and crustaceans, mollusks and other aquatic invertebrates (code ‘3’), which constituted 19 per cent of the total exports. Mineral fuels, mineral oils and products of their distillation bituminous substances; mineral waxes (code ‘27’) were in the second

position in the exports basket, which made up 18 per cent of the total exports. These products are exported mainly to Singapore, Thailand and Malaysia. Also other vegetables textile fibres; paper yarn and woven fabrics of paper yarn (code '53') with the third position formed 18 percent to the total exports. Raw hides and skins (other than furskins) and leather (code '41'); and fertilizers (code '31') were in the fourth and fifth positions respectively with 10 per cent contribution by each group. Bangladesh's exports to ASEAN are mainly primary products. Table 5.1 summarises the top ten import and export commodity groups of Bangladesh from and to ASEAN in descending order (see Appendix-A for meaning of Codes).

Table 5.1: Top 10 Import and Export Groups of Bangladesh from and to ASEAN

Country	Imports	Exports
Brunei	83, 15, 52, 55, 48, 4, 39, 27, 29, 62	53, 63, 62, 41, 61, 46, 56, 64, 30, 39
Cambodia	52, 25, 50, 58, 83, 86, 30, 84, 48, 55	41, 61, 52, 58, 55, 53, 63, 62, 72, 56
Indonesia	25, 15, 55, 52, 72, 48, 39, 70, 54, 31	53, 63, 41, 3, 31, 56, 58, 60, 52, 95
Lao PDR	52, 83, 60, 55, 59, 58, 62, 72, 87, 50	41, 53, 62, 3, 63, 56
Malaysia	15, 39, 27, 83, 25, 29, 55, 52, 12, 84	3, 27, 63, 31, 55, 53, 52, 62, 41, 61
Myanmar	44, 10, 7, 23, 17, 12, 9, 83, 3, 52	31, 30, 72, 63, 53, 41, 42, 39, 84, 29
Philippines	25, 12, 55, 72, 31, 83, 39, 48, 52, 38	31, 68, 41, 53, 72, 84, 3, 30, 60, 95
Singapore	27, 15, 83, 39, 88, 84, 52, 25, 10, 29	27, 53, 3, 60, 41, 62, 61, 63, 52, 71
Thailand	39, 25, 83, 55, 52, 17, 72, 60, 54, 76	3, 53, 41, 31, 52, 54, 27, 62, 73, 61
Vietnam	10, 50, 84, 52, 12, 83, 59, 39, 29, 9	41, 31, 30, 3, 53, 44, 72, 63, 60, 5
ASEAN	27, 15, 83, 39, 25, 52, 55, 88, 84, 72	3, 27, 53, 41, 31, 63, 60, 62, 52, 30

The hypothesis of this research is neither nullified nor supported. The research data shows that the hypothesis is conditional. If Bangladesh can conclude special trade agreements with ASEAN or can any way increase its exports to the ASEAN countries and thereby reduce the trade deficits only then the hypothesis will be proved. Otherwise it would be nullified. But this is not the right time to opine for either of them. Engagement with ASEAN can economically benefit Bangladesh only

when it will be able to boost exports to ASEAN and attract more FDI from this region to Bangladesh. But engagement with ASEAN will enhance mutual cooperation.

5.2 Recommendations

5.2.1 Recommendations to GOB

1. *Product Diversification*: Bangladesh needs to diversify its manufactured products. While Bangladesh's imports from the ASEAN countries fall into a wide range of commodity groups, its exports fall into only a few commodity groups. Bangladesh needs to replace primary products by adding more values to them.
2. *Quality Improvement*: Product diversification alone would not be enough to boost exports. They must be competitive. Best quality products should be supplied at comparatively low cost. Otherwise they will not be able to survive in this age of regional integration and globalization.
3. *Strengthening Diplomacy*: Bangladesh has to strengthen its present diplomacy to engage with ASEAN. Special trade agreement with ASEAN can be an interim solution whereby Bangladesh can gain easy market access for its products to the ASEAN trade bloc, while its pursuit for membership in ASEAN should be a long term policy aim. Interim collaborative arrangement should be supportive to the long term policy aim.
4. *Continuation of Policy*: It is an experience of Bangladeshi politics that policies change with the change of government in the country. The policy of engagement with ASEAN should be continued irrespective of changes in the Government of the country. The major political parties in Bangladesh should reach a consensus on viewing the East Asia so that changes in the government do not affect the policy aim.
5. *Infrastructure Development*: Bangladesh needs to develop its infrastructure for physical connection with ASEAN. Bangladesh's road and rail links with Myanmar should be an urgent aim and an essential part of the 'look east' policy. Establishing good quality road and rail links with Myanmar will foster achieving the country's 'look east' policy aim.

6. *People to People Contact*: The government of Bangladesh should find out the ways and means of increasing people to people contact between Bangladesh and ASEAN. Visa exemption, cultural exchange programme, fellowship exchange programme should be under taken to increase and strengthen the existing people to people bond.

5.2.1 Recommendations to ASEAN

ASEAN should consider Bangladesh's membership in the organization itself. The organization has already decided in its Vientiane Summit held in July 2005 to accord Bangladesh membership in the ASEAN Regional Forum (ARF). This decision of ASEAN is applauded. But Bangladesh's membership in the ARF is not enough. That Bangladesh has some geographic and strategic value should be reckoned by ASEAN. This country is posited between the two sub-regions of South Asia and Southeast Asia. South Asia had a market larger than Southeast Asia. South Asia had a population of 1 billion and 350 million and its combined GDP was of US\$ 604 billion in 2001. Where as Southeast Asia had a population of 521 million and the combined GDP was of US\$ 552 billion in 2001. ASEAN can consider Bangladesh as a conduit for it to the SAARC countries. SAARC has signed a free trade agreement which will begin implementation from 2006. Bangladesh is the bridge for ASEAN to reach a prospective big free trade market of South Asia. Let alone the prospective big market of South Asia, Bangladesh alone has a population and an economy almost equal to the combined population and economies of the new members of ASEAN (see the table below). Bangladesh's membership in ASEAN would not be any economic burden to the organization. Rather it would open the avenue for ASEAN to a vast market of South Asia. In fact, Bangladesh's dual memberships in SAARC and ASEAN can make a permanent bond between the two historical sub-regions.

Table 5.2: Bangladesh and ASEAN New Members

Country	GDP Million US\$	Year	Population Million	Year
Cambodia	4005	2002	13	2003
Lao PDR	1680	2002	6	2003
Myanmar	9135	2002	49	2003
Vietnam	32723	2001	81	2003
CLMV	47543	-	149	2003
Bangladesh	47563	2002	138	2003

Source: International Trade Statistics 2004, World Development Indicators 2003

In the interim period, ASEAN should give some trade concessions to Bangladesh. Bangladesh incurs a huge trade deficit against ASEAN every year. ASEAN may consider any special trade arrangement with Bangladesh to help reduce the trade deficits of Bangladesh. Some trade concessions to Bangladesh by ASEAN will help prepare the country a level playing ground that may lead to a possible accession to the organization. ASEAN should stretch a helping hand to Bangladesh to prepare the future bridge for the Southeast Asian region to connect it with the SAARC countries.