

# ECONOMIC DIPLOMACY AND BANGLADESH FOREIGN POLICY: A DISCOURSE

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## Abstract

*Conceptually, diplomacy and foreign policy are interlinked. The latter is what a country does; the former is how the country does it.<sup>1</sup> Diplomacy may thus be assumed to be a dependent variable of foreign policy. Economic diplomacy focuses on a country's economic relations with other countries to put its foreign policy goals into operation.<sup>2</sup> How a country manages its economic diplomacy relies on how it oversees its foreign policy objectives. Thus, nexus between economic diplomacy and foreign policy is irrefutable. How/whether Bangladesh's economic diplomacy has been reflected in its foreign policy is something to be looked into. This is the key of this paper.*

## INTRODUCTION

Inter-state relations are facilitated by diplomacy and foreign policy. National economic issues are influenced by international economics. Economic diplomacy amalgamates the two. It helps realising global market factors, international trade and investment regime. It also gives a state some directions to take foreign policy initiatives in order to advance its international economic interests. Economic diplomacy values making contact with overseas trade and business institutions, regional and multilateral organisations to boost home country's international economic affairs. These, in turn, help a nation's branding or building its image globally. International contact, cooperation and negotiation facilitate to harmonise external economic issues with foreign policy strategies. Thus, economic diplomacy has been a key aspect of economic globalisation and foreign policy.

Economic diplomacy focuses on a state's international economic relations with other states to put its foreign policy goals into operation. How a country manages its economic diplomacy relies on how it oversees its foreign policy objectives. Thus, nexus between economic diplomacy and foreign policy is irrefutable. Bangladesh and its realisation on economic diplomacy have not been developed for many years. Bangladesh foreign policy, during its different phases, has made attempts to redirect focus from aid to trade, though

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<sup>1</sup> Donna Lee and David Hudson, "The Old and New Significance of Political Economy in Diplomacy," *Review of International Studies*, vol. 30, no. 3, July 2004, pp. 343-360.

<sup>2</sup> School of International and Public Affairs, Columbia University, *Exploring Public and Economic Diplomacy*, Capstone Project Final Report, Spring 2012.

destinations for exports are yet to be diversified. On the contrary, promotion of Bangladesh with a positive image of the country as a destination for Foreign Direct Investment (FDI) inflow is far from satisfactory. Likewise, bargaining between donors and the Government of Bangladesh (GoB) on aid effectiveness and its disbursement continue. Therefore, increasing trade in goods, exporting manpower abroad, receiving sufficient inflows of FDI and Official Development Assistance (ODA) are the priority sectors of Bangladesh's economic diplomacy and its foreign policy.

This paper argues that economic diplomacy has not yet adequately reflected to Bangladesh foreign policy. Though, attempts to receive foreign aid, increase foreign trade, manpower export and inflow of FDI have been crucial for Bangladesh's foreign policy. Bangladesh has to prioritise foreign policy objectives and strategies for the next decade or so in line with the key subject matters of its economic diplomacy. Even a political subject has to be viewed from an economic angle, and so integrating political diplomacy with economic diplomacy in Bangladesh's foreign policy is important.

In order to utilise multilateral regime, Bangladesh foreign policy has to prioritise its economic promotion, which requires practical functioning of instruments and actors of the country's economic diplomacy. Among the instruments, image building, country branding, globalising Bangladesh's success stories and institutionalising public diplomacy in the country's foreign policy are important to project a positive picture of Bangladesh abroad. These call for better inter-ministerial coordination and re-establishing the overarching responsibility of the Ministry of Foreign Affairs (MoFA). MoFA has to open its door to more qualified and competent professionals, while diplomats have to be trained and truly professional in economic diplomacy of Bangladesh.

## **BANGLADESH ECONOMY, ITS ECONOMIC DIPLOMACY AND FOREIGN POLICY: AN OVERVIEW**

Ever-increasing is globalisation of economies. It regards economic diplomacy as a vital part of foreign policy. The latter has to stress on the former for developing an economy. Thus, economy, economic diplomacy and foreign policy of a country are interrelated.

### **BANGLADESH ECONOMY**

Following its independence, Bangladesh maintained for sometimes a socialist structure of economy. It nationalised all production firms. At that time, Bangladesh lost its international jute markets and found its external economic resources very small. Besides, it possessed fragile banking and commercial systems as well as inadequate manufacturing base. All caused a short-term stagnation to Bangladesh economy and it had to look for overseas assistance. Until mid-1970s, Bangladesh continued with such static economy. After that, it took several economic rehabilitation programmes e.g. building up of industrial

base, increasing privatisation of nationalised companies, creating space for private firms to be involved with economic activities, etc.

Since 1985, Bangladesh economy started entering a new phase. Private investments were encouraged. Various public companies were gradually privatised. Annual budget and its guidelines were ordered. Import liberalisation accelerated. In early 1990s, Bangladesh economy became involved with International Monetary Fund (IMF)-led enhanced Structural Adjustment Facility (SAF). Though Bangladesh's economic reforms guided by the SAF did not last long owing mainly to its the then political transition. At the end of the twentieth-century, economic reforms were further embedded but inward FDI decreased abruptly. In order to facilitate economic reforms, IMF under its Poverty Reduction and Growth Facility programme agreed to provide Bangladesh with US\$ 490 million for 2003-2006.<sup>3</sup> At that time, the World Bank (WB) also agreed to provide Bangladesh with US\$ 536 million loans.<sup>4</sup>

Since early twenty-first century, both the donors increased their commitments of loans. Unfortunately disbursement of loans has been erratic till now because of several terms and conditions. For that, economic development as well as reforms of Bangladesh economy started to rely significantly on other development partners e.g. Asian Development Bank (ADB), Islamic Development Bank (IDB), United Nations (UN) bodies, European Union (EU) countries, Japan, USA, Canada, Saudi Arabia, China, Korea, India, etc. Indian government in 2010 provided Bangladesh with US\$ 1 billion loans and recently the former has agreed to provide another US\$ 2 billion line of credit to the latter. All these substantiate that Bangladesh still depends significantly on overseas assistance for its economic development. However, a significant amount of foreign aid already disbursed has been utilised in repaying overseas debt services of Bangladesh.

On trade, exports from Bangladesh after its independence have gradually increased. At the same time, imports to the country have risen several times more than exports. Since worldwide economic recession, exports from Bangladesh for sometimes slightly decreased but rate of the decrease was unpretentious in comparison with that of other low-income states. By contrast, imports to Bangladesh have been ever-increasing. Thus, Bangladesh has traditionally been a trade-deficit country. And the deficit is mostly financed by overseas assistance as well as remittances sent by Bangladeshi migrants. Remittances are still voluminous though some argue that "growth in remittances could slow following an apparent slowdown in numbers of Bangladeshi workers

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<sup>3</sup> Ahmed Salman, "Bangladesh's Economy: Surrounded by Deadly Threats," *International Journal of Social Economics*, vol. 36, issue 1/2, 2009, pp. 138-181.

<sup>4</sup> *Ibid.*