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Bangladesh China Trade and Investment Relation

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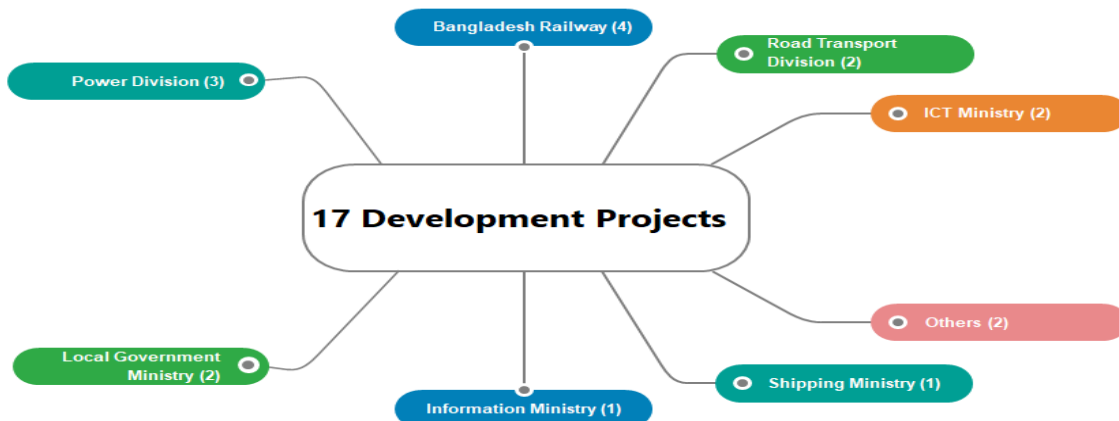
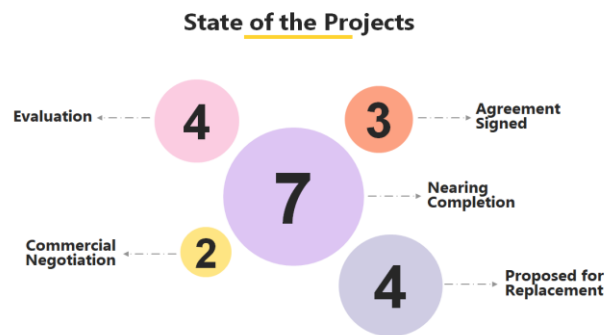
Bangladesh aims to achieve developed nation status by 2041 (United Nations, Bangladesh, 2021). To achieve this target the two main components are infrastructure and communications development. Bangladesh also seeks funding from other developmental partners. However, flow of funding is not prompt from donor organizations and the withdrawal of World Bank funding from the Padma Bridge led the country to lean toward the China-led regional platforms- Asian Infrastructure Investment Bank (AIIB) which aims to improve economic and social outcomes in Asia. China's Belt and Road Initiative (BRI) which is aimed to strengthen regional cooperation, creating economic relations, linking the sub regions of South Asia, Southeast Asia, & the Middle East.

Infrastructure Projects with China

In order to achieve economic development goals, Bangladesh is making ambitious plans surrounding a number of projects being implemented in collaboration with China and several of these works are close to its finishing point. With the aim to generate 40,000MW of power by 2030, Bangladesh government has approved 18 coal-based power plants since 2008. However, due to no progress of the construction works government approved a proposal to scrap 10 of the 18 coal-fired power plants.

Currently, China is investing in at least a couple of coal-fired joint venture projects with Bangladesh which includes the second phase of the Payra Thermal Power Plant (The Daily Star, 2021). Some of the ongoing projects are near completion and some are in evaluation, negotiation, agreement signing stage and some needs reconsideration.

The government has selected a total of 17 development projects worth USD11.5 billion as priority ones for Chinese investment.



Source: The Financial Express (2021)

In 2016, during the visit of Honorable President of China in Bangladesh, a Memorandum of Understanding was signed in which 27 (twenty seven) projects amounting to approximately USD 20 billion had been included.

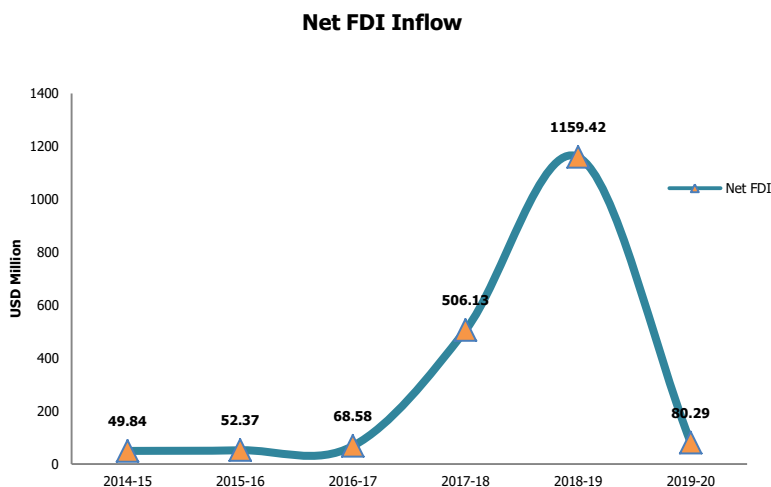
- Among these 27 (twenty seven) projects, Loan Agreements for 07 (seven) projects amounting to USD 6.67 billion has been signed up to June 2020.
- Loan Agreements for 01 (one) project is under process for signing and 05 (five) projects have been initially approved by the Chinese Authority.
- In addition, 06 (six) projects are under evaluation with the Chinese Authority and remaining 08 projects are in different stages such as, project document preparation, approval etc.
- Some loan agreements have been signed under Chinese assistance in 2019-20, these are, Expansion and Strengthening of Power System Network under DPDC Area Project and Power Grid Network Strengthening Project under PGCB.
- 7 Bangladesh-China friendship bridges had been constructed already & 8th bridge is under construction. China also built Bangladesh-China Friendship Exhibition Centre in Purbachal which is worth BDT 675.70 crore.
- Besides, under the signed MoU on Plan of Special Assistance Projects of Disaster Prevention and Reduction, Chinese Government will provide grant assistance to construct National Emergency Operation Center (NEOC) in Tejgaon, Dhaka. (Economic Relation Division, MoF, 2020-21).

Table 1. Ongoing Projects list in FY2020-21

Sl.	Name of project Implementation	Ministry/Division Executing Agency	Commitment (USD Million)	Date of Signing
1.	Padma Bridge Rail Link	Ministry of Railways	2667.94	27.04.2018
2.	Development of National ICT Infra-Network for	Bangladesh Government Phase III (Info-Sarkar) ICTD	151.64	27.10.2017
3.	Construction of Tunnel	Project under the river Karnaphuli Bridge Division	705.80	14.10.2016
4.	Installation of Single Point Mooring (SPM) with Double Pipeline	Energy and Mineral Resources Division	550.67	03.11.2017
5.	Modernization of Telecommunication Network	Digital Connectivity Post and Telecommunication Division	224.96	10.04.2018
6.	Establishment of IV Tier National Data Center	ICT Division	154.00	15.04.2016
7.	Dasherbandi Sewerage Treatment Plant	Local Government Division	280.00	14.10.2016
8.	Expansion and Strengthening of Power System Network under	DPDC Area Project Power Division	1402.93	04.07.2019
9.	Power Grid Network Strengthening	Project under PGCB Power Division	988.68	07.06.2020

Source: Economic Relations Division, Annual Report (2021)

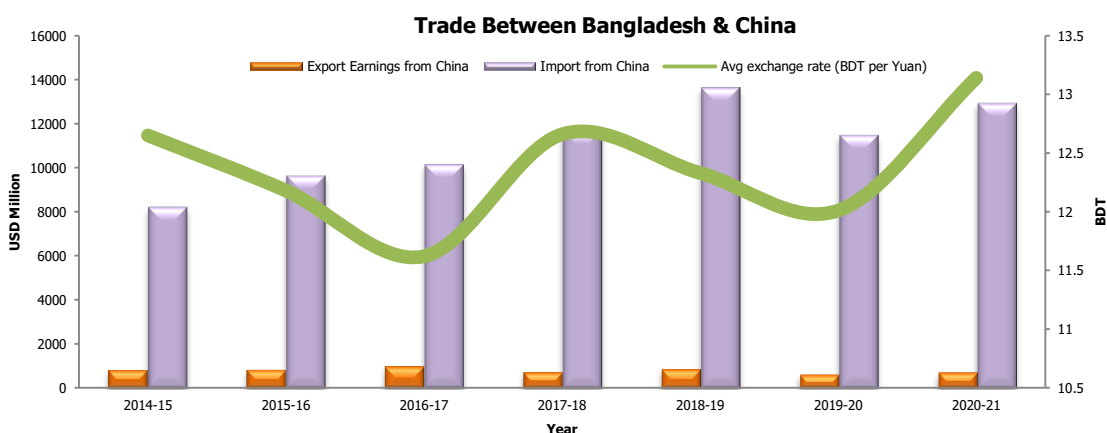
China-Bangladesh Investment



Bilateral trade between China & Bangladesh had been growing over the last decade and incase of mega infrastructure projects, China is one of the largest partners having more than 200 large Chinese companies and 200 Chinese SMEs operating in Bangladesh (United News of Bangladesh, 2021).

China is currently one of the top trading partners of Bangladesh. From 2009 to 2019, China invested an estimated USD 9.75 billion in transportation projects in Bangladesh. The success of BRI projects in Bangladesh is highly dependent on the sustainable financing and economic viability of the projects. (CHINA DAILY.COM.CN, 2021).

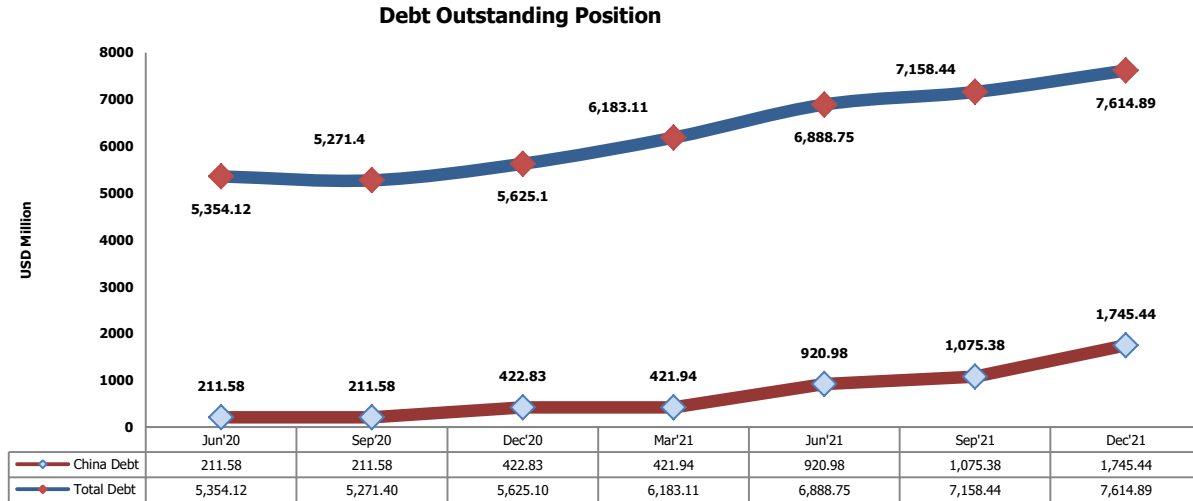
Bangladesh being the largest trading partner of China imports the highest volume of goods and also stands at the second position in receiving China's investment in South Asia after Pakistan. In order to achieve the vision-2041 (Shazzad, 2021), financial assistance and development experience from China to Bangladesh plays a significant role. China has decided to grant duty-free access to 98% of Bangladeshi products through the inclusion of 383 new products, especially leather and leather goods, in the zero-treatment list which will help boost exports. According to the Bangladesh Bank, Bangladesh's imports from China in FY21 amounted to about USD13 billion, which is one-fourth of the country's import expenditure. At the same time, it exported USD681 million worth of goods, up by 13.42% over the preceding year. (The Business Standard, 2022)



Source: Bangladesh Bank (2021); Samsani (2021); Export Promotion Bureau (2021); fx-rate.net (2021)

China's Debt Outstanding Position

After Pakistan, Bangladesh is the second-largest recipient of Chinese loans under BRI in South Asia and Bangladesh has received around USD 10.00 billion infrastructure investments. However, the debt from China to Bangladesh gradually increased in FY2021.



Source: FIIED Management Cell, Statistics Department, Bangladesh Bank (2021)

According to Economic Relations Division (FY2019-20), there has been an increasing trend in the share of bilateral aid since FY2010-11. In Bangladesh, the Debt/GDP (Base: 2005/06, Bangladesh Bank, 2021). Ratio stood at 16.90% in fiscal 2020-21 and according to IMF if debt to GDP exceeds 40% mark then it would be a concerning issue. Nevertheless, the debt portion of China is around 6% of the total debt of Bangladesh.

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About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professional, transparency and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness of discharging its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

Editorial Overview

ECRL Research provides insights, opinions and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio economic issues, industries and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.



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