

Bangladesh Foreign Policy Watch

CGS Centre for Governance Studies



A Bi-Weekly Roundup of Key Events

June 18

Gunfire, Shelling in Myanmar Rattle Teknaf Again

Teknaf upazila in Cox's Bazar experienced intense firing and explosions from the Myanmar side as fighting resumed in Rakhine state after a two-day pause. Sounds of mortar shells and grenades caused panic among residents of 27 villages near the border, with visible smoke from Rohingya-inhabited areas. Locals reported shaking buildings and sightings of warplanes, indicating the severity of the nearby conflict. The Bangladesh Border Guard (BGB) and Coast Guard have intensified patrols to monitor the situation and prevent unauthorized entry.

June 20

Indian Railways Plans to Enhance North East Connectivity Through Bangladesh and Nepal

Indian Railways plans to connect the North East with the rest of India through Bangladesh and Nepal, aiming to reduce travel time. The project includes bypassing the narrow Siliguri corridor in West Bengal, with a sanctioned Final Location Survey for new routes totaling 1,275.50 km. Approximately 500 km of new lines will be laid in Bangladesh, 367 km of gauge conversion, and new lines in Nepal and the North East. The initiative is expected to enhance trade connectivity and improve passenger services in the region.

June 17

SDG Index: Bangladesh Slips 6 Notches

Bangladesh ranks 107th on the Sustainable Development Goals (SDG) index for 2024, dropping six places from the previous year. Despite this, the country still ranks ahead of India, Pakistan, and Afghanistan in South Asia. Bangladesh has achieved 29.7% of the SDG targets, with 39.2% showing limited progress and 31.1% worsening. Notably, the country has achieved the climate action goal. Significant challenges remain in achieving goals related to poverty, hunger, health, education, and infrastructure. Efforts towards peace, justice, and strong institutions have also declined. While Nordic countries lead in SDG achievement, East and South Asia have shown the most progress since 2015. Globally, only 16% of SDG targets are on track for 2030.

Surge in India's Cotton Exports to Bangladesh for 2023-24 Season

India's cotton exports for the 2023-24 season are projected to increase by 67.7% due to high demand from mills in Bangladesh, reaching 26 lakh bales. Delays in US and Brazilian shipments have prompted Bangladeshi mills to turn to Indian cotton, with 1-1.5 lakh bales exported monthly. The Cotton Association of India (CAI) has revised pressing estimates to 317.70 lakh bales, up from 309 lakh bales in February, driven by Central Indian farmers off-loading old stocks. However, the current season's pressing figures remain slightly lower than last year's 318.9 lakh bales.

June 21

EU Ambassador Praises Bangladesh's Economic Growth and Skill Development Initiatives

Charles Whiteley, Ambassador and Head of Delegation of the EU in Bangladesh, commended the country's impressive economic growth and emphasized the importance of a skilled workforce to sustain this progress. The EU supports Bangladesh's transition towards LDC graduation by partnering in reforms and enhancing technical and vocational education training (TVET). Whiteley highlighted the importance of strategic investments, capacity building, and policy support, applauding the achievements in skills development over the past 15 years. He recognized the significant role of collaboration with the International Labour Organization and reaffirmed the EU's commitment to fostering a skilled, resilient, and prosperous Bangladesh.

Bangladesh Warns Myanmar of Retaliation for Cross-Border Fire

Bangladesh has warned Myanmar against further military incursions, stating it will retaliate if fired upon. The Arakan Army has reportedly taken control of areas in Arakan state, causing members of Myanmar's Border Guard Police to flee to Bangladesh. The poor navigability of the Naf River near Saint Martin's Island forces Bangladeshi boats into Myanmar waters, sometimes resulting in being fired upon. The situation has improved with Myanmar withdrawing two ships from the Naf River, reducing incidents of gunfire.

World Bank Approves \$900 Million to Improve Economic, Urban Resilience in Bangladesh

The World Bank has approved \$900 million in loans to support two projects aimed at strengthening fiscal and financial sector policies and enhancing urban infrastructure for sustainable and climate-resilient growth in Bangladesh. The Second Recovery and Resilience Development Policy Credit program, valued at \$500 million, focuses on reforms in fiscal and financial sectors to foster sustainable growth and resilience against future shocks, including climate change.

The Resilient Urban and Territorial Development Project, with a \$400 million loan, aims to improve urban management and infrastructure in seven city clusters, promoting climate-resilient and gender-responsive development.

June 22

Rohingyas Possibly Enter Bangladesh Amid Recent Myanmar Clashes

Escalating violence in Rakhine state, Myanmar, has potentially driven more Rohingya to seek refuge in Bangladesh, despite Bangladesh's stance on not accepting more refugees. The breakdown of a ceasefire with the Arakan Army has intensified conflicts, with the group capturing towns and planning further offensives, affecting the Rohingya population. Nearly a million Rohingya are housed in refugee camps in Cox's Bazar, Bangladesh, with new arrivals reportedly seeking refuge unofficially.

Bangladesh and India Agree on Teesta River Management and Enhanced Bilateral Cooperation



Bangladesh and India have agreed to work collaboratively on the conservation and management of the Teesta River within Bangladesh, with assistance from India, as part of a mutually agreed timeframe. This agreement was outlined in a 14-paragraph document titled "Shared Vision for Future: Enhancing Connectivity, Commerce and Collaboration for Shared Prosperity," issued following talks between Prime Ministers Sheikh Hasina and Narendra Modi in New Delhi.

Recognizing the critical importance of water resource management in their bilateral relationship, the two countries committed to prioritizing the exchange of data and formulating an interim water-sharing framework based on the Joint Rivers Commission's recommendations. The document welcomed the formation of a Joint Technical Committee to initiate discussions on renewing the Ganges Water Sharing Treaty of 1996.

As part of sub-regional connectivity initiatives, India will extend transit facilities for Bangladesh goods to Nepal and Bhutan through its railway network. The two countries will commence a goods-train service from Gede-Darshana through Chilahati-Haldibari up to Hasimara via the Dalgaon railhead, enhancing regional trade connectivity.

The document also emphasized continued collaboration in power and energy sectors, with plans to develop intra-regional electricity trade. This includes the construction of a 765kV high-capacity interconnection between Katiyar-Parbatipur-Bornagar with Indian funding to anchor grid connectivity.

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Additionally, Bangladesh and India agreed to expedite the construction of key infrastructure projects and enhance skill development programs. India will support Bangladesh in supplying essential commodities based on availability.

The two countries reaffirmed their commitment to peace, stability, and harmony in the region, emphasizing the modernization of the Bangladesh Armed Forces and exploring defense industrial cooperation. They plan to expand multifaceted military engagements, including exercises, training, and capability development.

Prime Ministers Hasina and Modi underscored the deep historical, cultural, and economic ties between their countries, rooted in shared values and mutual aspirations. They articulated a shared vision for a transformative partnership aimed at promoting connectivity, commerce, and collaboration for mutual benefit and regional prosperity.

June 23

\$12.2 Billion Export Proceeds Pending Abroad in Nine Months of FY24

Bangladesh's export proceeds have a significant gap, with \$12.2 billion pending abroad, causing the gap between export receipts and shipment value to reach a historic high in FY 2023-24. The discrepancy has led to a record deficit in the financial account of \$9.2 billion for July-March, reflecting in trade credit. The Bangladesh Bank is investigating the mismatch between reported export data and actual export proceeds to determine if there are issues with repatriation or reporting. Some exporters are delaying the repatriation of export proceeds to benefit from currency devaluation, with the central bank issuing circulars to address this issue.

June 24

IMF Board Approves Third Tranche Loan for Bangladesh

The IMF has approved a \$1.15 billion tranche for Bangladesh, despite the country not meeting certain financial targets. This funding aims to support Bangladesh's balance of payments and increase foreign exchange reserves to nearly \$21.89 billion by the end of June.

However, Bangladesh continues to face economic challenges, including rising debt and a steady decline in reserves. The IMF advises fiscal policy consolidation focused on revenue and urges preparedness for policy tightening if external and inflationary pressures escalate.

US Condemns Intimidation of Journalists in Bangladesh, Calls for Press Freedom

The US has strongly condemned the harassment and intimidation of journalists in Bangladesh, underscoring the importance of a free and independent media. The Police Service Association criticized media reports as a smear campaign against police members, amid an investigation into the assets of former inspector general of police Benazir Ahmed. Bangladesh ranked 165th among 180 countries in the 2024 World Press Freedom Index, reflecting a decline from previous years.

June 25

Mamata Banerjee Criticizes Modi for Exclusion from Water-Sharing Talks with Bangladesh

West Bengal Chief Minister Mamata Banerjee has criticized Prime Minister Narendra Modi for excluding her from water-sharing discussions with Bangladesh's Prime Minister Sheikh Hasina. In a letter, Banerjee emphasized the critical importance of the Ganges and Teesta rivers for West Bengal, highlighting the adverse effects on the state's people and environment if water-sharing agreements are made without state consultation. She cited past successful collaborations with Bangladesh and expressed concerns about the renewal of the Indo-Bangladesh Farakka Treaty, urging Modi to involve the state government in all future discussions.

Bangladesh's Debt Dynamics: A Mixed Picture

As of March, Bangladesh's total public and private sector debt reached \$99.30 billion, according to Bangladesh Bank data. The country's external debt had peaked at \$100.64 billion in December. By March, private sector debt decreased to \$20.29 billion from \$20.94 billion in December. Government foreign debt also fell slightly, from \$79.69 billion at the end of 2023 to \$79 billion in March. The private sector's short-term foreign debt declined by \$750 million to \$11.04 billion, while long-term external debt decreased to \$91.53 billion from \$92.56 billion in December.

Remittances Surpass \$2 Billion in First 23 Days of June

Expatriates sent over \$2 billion to Bangladesh in the first 23 days of June, coinciding with the Eid-ul-Adha festival. In May, remittances saw a 38% increase from the previous year, surpassing \$2 billion. This marks the third consecutive month where remittances have exceeded \$2 billion. April's remittances through banking channels were \$2.04 billion.

ADB's 4-Year Loan Program Prioritizes Bangladesh's Graduation from LDC Status

The Asian Development Bank (ADB) has introduced a four-year financing plan for Bangladesh, focusing on the challenges associated with its transition from least developed country (LDC) status. The plan proposes loans for 88 projects totaling \$18 billion. As Bangladesh graduates from LDC status, it will lose preferential market access, potentially impacting exports, particularly in the ready-made garment industry. To attract foreign direct investment (FDI) and achieve development goals, Bangladesh needs to improve its investment climate, streamline business processes, and enhance institutional capacities. The ADB's funding will support infrastructure projects, skill development programs, banking sector reforms, and secondary education to bolster Bangladesh's economic growth post-LDC graduation.

We'll Accept What is Beneficial for Us: PM on Teesta Project

Prime Minister Sheikh Hasina addressed proposals from China and India for the Teesta project, emphasizing the selection of the most advantageous option for Bangladesh. She discussed the longstanding issue of Teesta River water sharing with India, expressing a preference for an Indian-led project to simplify negotiations. The Ganges water-sharing treaty with India, set to expire in 2026, has provisions for continuation. Sheikh Hasina highlighted her balanced diplomatic approach with both India and China, reflecting Bangladesh's foreign policy of "Friendship to all, malice to none."

Chinese Dream, Sonar Bangla Dovetail Each Other, Can Enable Each Other's Success: Minister Liu

At a dialogue hosted by the Chinese Embassy at the Renaissance Hotel in Dhaka, discussions focused on the multifaceted relationship between China and Bangladesh and their shared aspirations for a prosperous future. The talks emphasized aligning the Belt and Road Initiative with Bangladesh's Vision 2041. The significance of Prime Minister Sheikh Hasina's upcoming visit to China was highlighted, underscoring the potential to strengthen Bangladesh-China relations and explore new areas of cooperation. Minister Liu detailed the strategic partnership, noting major infrastructure projects under the Belt and Road Initiative that have benefited both countries.

He praised Prime Minister Hasina's contributions to China-Bangladesh relations, expressing confidence in further enhancing the relationship during her visit.

June 26

Record \$3 Billion Foreign Debt Repaid in 11 Months

Bangladesh has repaid \$3.068 billion to its development partners in the first 11 months of the current fiscal year, marking the highest repayment ever for the country. The commencement of principal repayments for several mega projects and high global interest rates have driven annual foreign debt servicing above \$3 billion for the first time. The Secured Overnight Financing Rate (SOFR) has risen to over 5% due to the Ukraine-Russia war, leading to higher market-based loan costs for Bangladesh. Debt repayments are expected to increase, with an estimated \$3.2 billion due next fiscal year, raising concerns about the sustainability of borrowing to repay debt.

June 27

IMF Recommends Regular Asset Inventories for Government Officials to Combat Corruption

The IMF recommends annual inventories and regular updates of assets owned by government employees to reduce corruption. Despite missing certain targets, the IMF has approved a \$1.15 billion loan tranche for Bangladesh. The IMF emphasizes the importance of governance, transparency, and strengthening the policy framework to improve the business environment. Progress in digitalizing government services and modernizing anti-money laundering supervision is highlighted as crucial for enhancing transparency and reducing corruption.

Trade Agreements with India and Myanmar

Bangladesh is preparing to sign agreements with India and Myanmar to import essential goods, aiming to ensure a steady supply. The Trading Corporation of Bangladesh will sign the agreements on behalf of the government to provide relief to the public. The state minister emphasized that the market prices of products like potatoes and onions are stable, attributing this to adequate supply and market dynamics. The government has opened several land ports and initiated border markets to improve facilities for people in remote border areas.

Chinese Envoy in Hong Kong Anticipates Strengthened Relations from PM Hasina's Upcoming Visit

Bangladesh Prime Minister Sheikh Hasina is scheduled to visit China from July 8-11 to strengthen bilateral relations. The meeting highlighted the benefits of the partnership between China and Bangladesh in trade, culture, technology, and people-to-people contact. The visit is expected to enhance cooperation and open new avenues, with Bangladesh highly valuing its relationship with China. Bangladesh seeks China's support for the safe repatriation of displaced Myanmar nationals and aims to celebrate the golden jubilee of diplomatic relations with China in Hong Kong.

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