



Chinese investment and its impact on China-Bangladesh relations: A comprehensive analysis

Al-Mamnur Rashid

Department of Law, Zhongnan University of Economic and Law, China, Mohammadpur Dhaka, Bangladesh

Abstract

This study looks at the intricate workings of Chinese investment with a particular emphasis on the bilateral ties between Bangladesh and China. This study delves into the historical evolution, legal frameworks, obstacles, and prospects, providing valuable perspectives for augmenting economic collaboration and advancement. This study examines Bangladesh's growing economic alliance with China, examining its dynamics and implications for geopolitical, diplomatic, and commercial relations, given China's growing global influence.

The study adopts a multidisciplinary approach, encompassing economics, geopolitics, and international relations. The analysis explores Chinese investment in infrastructure, energy, telecommunications, and manufacturing sectors, examining motivations and strategies to strengthen collaboration between China and Bangladesh. This analysis examines the impact of Chinese investment on Bangladesh's economy; including infrastructure development, job creation, and technological transfer, while also examining its diplomatic and strategic dynamics.

The study uses a mixed-methods approach to assess the impact of Chinese investment in Bangladesh, contributing to the Belt and Road Initiative discourse and understanding China's evolving role in South Asia. This study examines the impact of Chinese investment on China-Bangladesh relations, focusing on the BCIM Economic Corridor. It highlights the need for a balanced approach to address political and sovereignty concerns. The research offers crucial insights for policymakers, diplomats, and analysts to navigate international relations, channel Chinese investments for economic growth, address political, social, and environmental concerns, and promote sub-regional cooperation.

Keywords: Legal frameworks, Investments, obstacles, Infrastructure development

Introduction

1. Background and Significance

China's rapid economic growth and global expansion have drawn significant attention, particularly with regard to its investments in various countries. Bangladesh, a South Asian nation with a growing economy, has been a recipient of Chinese investment and engagement through the Belt and Road Initiative (BRI) and other bilateral agreements. This section discusses the importance of understanding Chinese investment in Bangladesh, focusing on its impact on China-Bangladesh relations. It highlights the economic benefits, challenges, and risks associated with these investments, highlighting the significance of research. China's Belt and Road Initiative (BRI) has expanded its influence in South Asia, including Bangladesh. Research can help assess the geopolitical implications of these investments, such as how they affect regional dynamics, the balance of power, and regional security concerns.

China and Bangladesh are two countries that have experienced remarkable economic growth and transformation. China, with its status as the world's second-largest economy and a major global investor, has played a pivotal role in reshaping the contours of international investment. Bangladesh, a growing economy and emerging industries, seeks foreign investment to fuel development. The relationship between China and Bangladesh is influenced by international investment dynamics, making research on Chinese investment crucial for informed decisions.

2. Research Objectives

The research objectives for a comprehensive analysis of Chinese investment and its impact on China-Bangladesh relations would typically involve a multifaceted approach that delves into various aspects of this relationship. Determine the total amount of Chinese investment in Bangladesh, including infrastructure projects, loans, and foreign direct investment (FDI). Identify the sectors in which Chinese investment is concentrated (e.g., infrastructure, energy, manufacturing, etc.). Investigate the geopolitical, economic, and strategic motivations that drive China's investment in Bangladesh. Explore the role of the Belt and Road Initiative (BRI) in shaping Chinese investment decisions in Bangladesh. Evaluate the economic benefits of Chinese investment for Bangladesh, such as job creation, GDP growth, and trade.

Bangladesh and China to maximize the benefits of their economic relationship while addressing potential challenges and risks. Suggest ways to ensure sustainable and equitable development in Bangladesh through Chinese investments

3. Methodology

The methodology research on the impact of Chinese investment on China-Bangladesh relations should outline the approach and methods will use to address research objectives.

The study will adopt a mixed-methods research design to provide a comprehensive analysis of the topic.

It will involve both quantitative and qualitative data collection and analysis. Collect relevant data from government reports, official statistics, and databases, including information on trade, investment figures, and

economic indicators. Conduct surveys to gather data on public perceptions and opinions regarding Chinese investments in Bangladesh. Conduct interviews with key stakeholders, such as government officials, business leaders, experts, and representatives from local communities affected by Chinese investments. Analyze media reports, academic literature, and official documents to understand the discourse and narratives surrounding Chinese investments in Bangladesh.

4. Literature Review

Chinese investment in developing countries has gained significant attention in recent years due to the country's growing economic influence and the ambitious Belt and Road Initiative (BRI). Scholars such as Dreher and Fuchs (2015) have analyzed China's motivations for investing in emerging economies, highlighting strategic interests, resource acquisition, and the desire to expand its global economic footprint. As China's investment footprint expands, it has important implications for the economic and political dynamics of recipient countries.

The relationship between infrastructure development and economic growth is a critical focus in the literature. Building on the works of Aschauer (1989) and Calderón and Servén (2010), scholars have investigated the impact of infrastructure investments on a country's economic performance. For Bangladesh, which has received significant Chinese investment in infrastructure projects, such as the Padma Bridge and the Dhaka-Chittagong Highway, this is of particular relevance.

The expansion of trade relations is a core aspect of China's investments in various countries. Research by Zhang and Li (2019) has examined the trade implications of the BRI, highlighting the increased connectivity and trade opportunities for participating countries. For Bangladesh, being a significant trading partner with China, understanding how Chinese investment impacts bilateral trade is crucial.

Chinese investments have been associated with environmental and social concerns in several recipient countries. Researchers like Buckley et al. (2018) have emphasized the need to assess the environmental sustainability and social implications of Chinese projects, particularly in the context of infrastructure development. Such considerations are relevant to ensure that investments contribute positively to the socio-economic development of Bangladesh.

Public perception and media coverage of Chinese investments in Bangladesh can significantly shape the narrative surrounding this relationship. Research by Zheng et al. (2019) on the media portrayal of BRI projects underscores the importance of analyzing how these investments are depicted in the public discourse and how they affect public opinion in both countries.

The literature explores the influence of government policies and multilateral organizations on Chinese investments, with studies examining the impact of AIIB and Bangladeshi policy frameworks. This research explores the impact of Chinese investments in developing countries, including infrastructure development, trade dynamics, environmental and social consequences, public perception, policy frameworks, and geopolitical considerations.

Historical Overview of China-Bangladesh Relations

The China-Bangladesh investment relationship has evolved over the years. Historically, China has been a significant source of foreign investment in Bangladesh. Several factors have contributed to the growth of this relationship, including political goodwill, infrastructure development projects, and geographical proximity. The China-Pakistan Economic Corridor (CPEC), part of China's Belt and Road Initiative (BRI), has been a crucial driver of Chinese investment in the region.

The historical development of China-Bangladesh investment relations reflects a deepening economic partnership driven by mutual interests. As China continues to invest in Bangladesh's infrastructure, industries, and energy sector, the relationship is likely to become increasingly significant in shaping the economic and geopolitical landscape of the region.

1. China's Major Investment Project in Bangladesh

Chinese investment in Bangladesh, driven by the country's economic growth and global expansion, has become a significant force in the international economic landscape.

China seeks to diversify its investments and generate economic returns by investing abroad. Chinese companies look for opportunities to expand their markets and acquire foreign assets. China's investments in resource-rich countries aim to secure access to critical raw materials, such as oil, minerals, and agricultural products. Investment provides a means for China to expand its global influence, forming alliances and partnerships through economic engagement.

Legal Framework Governing Chinese Investment in Bangladesh

The legal framework governing Chinese investment in Bangladesh is a crucial aspect of the bilateral economic relationship. The legal framework includes various laws, agreements, and regulations that guide and regulate Chinese investments in Bangladesh. China and Bangladesh have signed an IPPA, which provides the legal basis for promoting and protecting Chinese investments in Bangladesh. The IPPA outlines the rights and protections afforded to Chinese investors, including provisions on dispute resolution and compensation in case of expropriation.

This act provides the legal framework for foreign investments in Bangladesh, including those from China. It sets out the rules and regulations governing foreign investments and includes provisions for dispute resolution and repatriation of profits.

Laws related to land acquisition and leasehold rights are important for Chinese investors, especially in infrastructure and industrial projects. Chinese investors may acquire land through leases or purchase, and Bangladesh has specific laws governing land transactions.

Foreign investments can have significant political and strategic implications for both the host country and the investing country. These implications can shape diplomatic relations, influence national security considerations, and impact foreign policy decisions. Foreign investors, especially state-owned enterprises (SOEs), can exert geopolitical influence by aligning with the host country's political interests or contributing to its economic development.

Geopolitical Considerations

Geopolitical considerations play a significant role in shaping the foreign policies and international relations of countries. Geopolitics refers to the interplay of geographical factors, power dynamics, and strategic interests in global affairs. A country's geographical location can be a major geopolitical factor. Nations positioned near important trade routes, key allies, or potential adversaries often have heightened strategic significance. For example, countries bordering major bodies of water, such as the Strait of Hormuz or the South China Sea, play pivotal roles in global trade and security.

Access to and control over valuable resources, such as oil, natural gas, minerals, and water, can be a driving force in geopolitical decisions. Competition for these resources can lead to conflicts or cooperation. Countries often collaborate on addressing global challenges, such as climate change, terrorism, and pandemics, in recognition of shared interests and concerns.

Governments and businesses conduct geopolitical risk assessments to evaluate the impact of geopolitical factors on their operations, investments, and international strategies.

Geopolitical considerations are integral to international relations and foreign policy. Understanding the complex interplay of geographical, economic, military, and strategic factors is crucial for policymakers, diplomats, and analysts when navigating the global political landscape and making informed decisions.

Bilateral Investment Treaties (BITs)

Both China and Bangladesh have signed several Bilateral Investment Treaties (BITs) with other countries. BITs are a common mechanism for providing legal protection to foreign investors. They typically address issues related to expropriation, dispute resolution, and fair and equitable treatment. These treaties play a significant role in shaping the investment landscape. BITs often include provisions that encourage and promote investment by nationals or companies of one country in the other. These provisions can address topics such as non-discrimination, fair and equitable treatment, and the establishment of investment promotion agencies. BITs establish legal protections for foreign investors to ensure their investments are treated fairly and equitably. This can include guarantees against expropriation without compensation, protection from discrimination, and the right to repatriate profits and capital.

Multilateral Investment Treaties

China and Bangladesh are parties to various multilateral investment treaties and conventions. These include the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. These international agreements facilitate the resolution of investment disputes and promote the enforcement of arbitral awards.

International Centre for Settlement of Investment Disputes (ICSID)

China and Bangladesh are both members of the ICSID, an arbitration institution that facilitates the resolution of investment disputes between states and foreign investors. Chinese investors in Bangladesh and vice versa could potentially use the ICSID as a forum for dispute resolution.

ASEAN-China Free Trade Area (ACFTA)

Bangladesh is not a member of the Association of Southeast Asian Nations (ASEAN), but China's participation in ACFTA indirectly affects its trade and investment relations with countries in the region, including Bangladesh. ACFTA aims to promote trade and investment liberalization among member states, which could indirectly benefit Chinese investors in Bangladesh.

Belt and Road Initiative (BRI)

The BRI is a China-led initiative with a multilateral dimension, involving infrastructure development and connectivity projects across Asia, Africa, and Europe. While not a traditional investment treaty, the BRI's projects can significantly impact China's investments in Bangladesh and the broader South Asian region.

Challenges and Opportunities

Chinese investment has supported infrastructure projects in Bangladesh, there are challenges in terms of project delays, quality control, and environmental concerns. Ensuring that infrastructure projects meet high standards and are completed on time is critical. As Bangladesh receives financial support for infrastructure development, concerns about debt sustainability and repayment capacity arise. Striking a balance between financing development and managing debt is a challenge. Political instability and evolving regulatory environments can create uncertainty for investors. Consistency and predictability in policies are essential for fostering a conducive investment climate. In sectors like manufacturing, competition from Chinese companies can pose challenges for local industries. Balancing foreign investment with the growth of domestic businesses is a complex task.

Opportunities

Chinese investment offers opportunities for Bangladesh to upgrade its infrastructure, improve transportation networks, and enhance energy generation capacity, which can boost economic growth and connectivity. Chinese investments in energy projects, including power generation and natural gas exploration, address Bangladesh's energy security needs and reduce power shortages. Enhanced infrastructure and trade connectivity can help Bangladesh export goods more efficiently, providing access to the vast Chinese market and other international markets. Collaborations in sectors like telecommunications and manufacturing facilitate technology transfer and skills development, potentially boosting domestic industries and innovation. Participation in the BRI provides Bangladesh with access to a vast network of infrastructure and economic projects, potentially increasing its regional and global connectivity.

Case Studies

Certainly, here are a few case studies that illustrate different aspects of international relations, diplomacy, and global affairs

1. The Iran Nuclear Deal (Joint Comprehensive Plan of Action)

The Iran Nuclear Deal, signed in 2015, is a significant case study in diplomacy and international relations. It involved Iran, the United States, the United Kingdom, France, Germany, Russia, and China. The deal aimed to curb Iran's

nuclear program in exchange for sanctions relief. The negotiations, the deal's implementation, and its subsequent withdrawal by the U.S. in 2018 demonstrate the complexity of multilateral diplomacy and the challenges of maintaining international agreements.

2. The South China Sea Dispute

The South China Sea dispute is a long-standing geopolitical case study involving multiple countries, primarily China, the Philippines, Vietnam, and other Southeast Asian nations. It centers on territorial claims, freedom of navigation, and access to natural resources in the South China Sea. The case illustrates the complex dynamics of maritime disputes, international law, and the role of great powers in regional conflicts.

3. The Arab Spring

The Arab Spring was a series of uprisings and protests across the Middle East and North Africa that began in late 2010. This case study highlights the interconnectedness of global affairs and the role of social media in mobilizing movements for political change. The events had far-reaching consequences for regional politics and international relations.

4. The Syrian Civil War

The Syrian Civil War, which began in 2011, is a complex and ongoing conflict involving multiple internal and external actors. It illustrates the challenges of humanitarian crises, international intervention, and diplomatic efforts to find a peaceful resolution.

5. Brexit

The United Kingdom's decision to leave the European Union, known as Brexit, has significant implications for the UK, the EU, and the broader international community. It highlights the complexities of negotiating exit agreements, trade deals, and the political and economic consequences of such decisions.

6. The Bangladesh-China-India-Myanmar (BCIM) Economic Corridor

The Bangladesh-China-India-Myanmar (BCIM) Economic Corridor is a sub-regional cooperation initiative aimed at enhancing connectivity, trade, and economic integration among the four participating countries. The corridor seeks to promote economic development, infrastructure development, and people-to-people exchanges in the region. Here's a case study of the BCIM Economic Corridor:

Goals and Objectives

The primary objectives of the BCIM Economic Corridor are to promote regional cooperation, connectivity, and economic growth in the sub-region. The corridor aims to facilitate the efficient movement of goods, services, and people, stimulate trade and investment, and foster cultural exchanges.

Challenges

Geopolitical Issues: The BCIM corridor passes through sensitive areas, and there have been concerns about political and security challenges, including border disputes and regional instability.

Logistical and Environmental Challenges: Developing infrastructure in the challenging geographical terrain of the region is a logistical and environmental challenge.

Coordination and Implementation: Coordination among the four participating countries can be complex, and ensuring the timely implementation of projects is a key challenge.

Economic Disparities: There are economic disparities within the BCIM corridor region, and addressing these disparities while fostering inclusive growth is a challenge.

Benefits and Opportunities

Economic Growth: The corridor has the potential to spur economic growth, create jobs, and reduce poverty in the participating countries.

Trade Expansion: Improved connectivity can increase trade volumes, stimulate cross-border commerce, and encourage economic diversification.

Cultural Exchange: The BCIM Economic Corridor aims to boost economic cooperation among Bangladesh, China, India, and Myanmar despite facing geopolitical, logistical, and coordination challenges. Successful implementation requires ongoing collaboration, effective project management, and resolution of tensions, highlighting the potential benefits of sub-regional cooperation.

Conclusion and Recommendations

In conclusion, international investment law plays a vital role in shaping the relationship between China and Bangladesh. Both countries have significant opportunities for economic development through foreign investment, while also facing legal and regulatory challenges. The analysis of international investment law and its impact on China-Bangladesh relations underscores the complex and evolving nature of foreign investments between these two nations. Both China and Bangladesh have embarked on a path of economic cooperation and development that hinges on foreign direct investment, underpinned by a network of bilateral investment treaties, multilateral agreements, and domestic regulations.

The China-Bangladesh investment relationship is shaped by China's Belt and Road Initiative and Bangladesh's infrastructure development. Legal frameworks, such as BITs and multilateral agreements, influence investment dynamics. Research on the BCIM Economic Corridor highlights complex international relations. Chinese investment has become a significant factor in shaping the relationship between China and Bangladesh, with implications for trade, infrastructure development, and economic growth. Meanwhile, the BCIM Economic Corridor exemplifies the potential benefits and challenges of sub-regional cooperation, underlining the need for diplomatic and geopolitical considerations in the pursuit of economic integration.

Despite the opportunities presented by foreign investments, the China-Bangladesh relationship faces challenges, such as legal uncertainties, environmental and labor concerns, and the need for regulatory harmonization. Overcoming these

challenges and maximizing the benefits of international investment will require a concerted effort from both countries.

Recommendations

Enhance Regulatory Harmonization: China and Bangladesh should work together to harmonize their investment laws and regulations, making it easier for investors to navigate the legal landscape in both countries.

Environmental and Labor Standards: Strengthen the incorporation of robust environmental and labor standards into investment agreements to ensure that investments adhere to sustainable and socially responsible practices.

Promote Bilateral Dialogue: Foster an open and ongoing dialogue between the governments, businesses, and civil society of both China and Bangladesh to ensure that investments align with national development goals and interests.

Dispute Resolution Mechanisms: Continue to maintain a robust dispute resolution mechanism, potentially through the International Centre for Settlement of Investment Disputes (ICSID) or international arbitration, to safeguard investor rights and ensure swift conflict resolution.

Economic and Impact Assessments: Conduct comprehensive economic and environmental impact assessments for large-scale infrastructure projects, taking into account potential risks and benefits.

Promote Local Partnerships: Encourage partnerships between Chinese and Bangladeshi businesses to maximize the benefits of foreign investments while building local capacity and expertise.

Regional Cooperation: The international investment relationship between China and Bangladesh is crucial for their economic development. Cooperation, strategic planning, and mutual benefit are needed to navigate complexities, address challenges, and seize opportunities, fostering long-term economic growth and prosperity.

Strengthen Bilateral Diplomatic Relations: Both China and Bangladesh should continue to invest in their bilateral diplomatic relations. Enhancing dialogue and cooperation can help manage any challenges that arise from Chinese investments in Bangladesh and promote mutual understanding.

Reference

- Islam MS. China-Bangladesh relations: contemporary convergence. *Daily Star*, 2012, 25.
- Quiyum DMJ. Bangladesh-China Economic Relations, 1975-2000: An Overview. *South Asian Studies*, 2021, 2(35).
- Sarker NM. Bangladesh-China relationship at the dawn of the twenty-first century. *Peace and Security Review*, 2014;6(11):72-96.
- Kamruzzaman M. Bangladesh-China Bilateral Relations: Current Trend Analysis. *International Journal of Social Science And Human Research*, 2021;4(04):603-612.
- Foysal QO. The China-Bangladesh Relations: From Eternity to Modern Era. *Society & Change*, 2014, 8(4).
- Wahid ME, Sultana, A, Chakrovorty A. Belt and road initiative of China: perspective of Bangladesh. *Innov Soc Sci Res*, 2020;5:95-101.
- Ranjan A. The Making of Bangladesh-China Relations. *Jindal Journal of International Affairs*, 2017;5(1):40-52.
- Saimum R. The prospect of Belt And Road Initiative in the context of Bangladesh. *China Report*, 2020;56(4):464-483.
- Choudhury RN. China in Bangladesh: Developing Infrastructure or Deepening Influence. In *Mapping Chinese Investment in South Asia*, 2023, 65-93. Singapore: Springer Nature Singapore.
- Razzaque MA, Rahman J, Akib H. Bangladesh-China Trade and Economic Cooperation: Issues and Perspectives, 2019.
- Quiyum MJ. Bangladesh-china economic relations: investment, projects, and partnerships. *Institute of regional studies Islamabad*, 2020;38(3):49-72.
- Gallagher KS, Bhandary R, Narassimhan E, Nguyen QT. Banking on coal? Drivers of demand for Chinese overseas investments in coal in Bangladesh, India, Indonesia and Vietnam. *Energy Research & Social Science*, 2021;71:101827.
- Rahman MW, Luo J. Regulation of microfinance service provider in China and Bangladesh: An approach to strengthening the regulatory environment. *African Journal of Business Management*, 2012;6(3):1019-1033.
- Mujeri N, Mustafiz S, Mosabbir F, Sanjida SMTJ, Zulkarnine A. *Foreign Direct Investment in Bangladesh: Analysis of Policy Framework, Impact and Potential*, 2021.
- Rahman MW, Luo J. Comparison of Microcredit Models in China and Bangladesh: The Implication for Institutional Sustainability. *World Applied Sciences Journal*, 2011;14(2):245-255.
- Haque SN. *India-China Rivalry and Strategic Options for Bangladesh* (Doctoral dissertation, Fort Leavenworth, KS: US Army Command and General Staff College), 2013.
- Hossain D, Islam MS. Understanding Bangladesh's relations with India and China: dilemmas and responses. *Journal of the Indian Ocean Region*, 2021;17(1):42-59.
- Sarker NM. Bangladesh-China relationship at the dawn of the twenty-first century. *Peace and Security Review*, 2014;6(11):72-96.
- Kamruzzaman M. Bangladesh-China Bilateral Relations: Current Trend Analysis. *International Journal of Social Science And Human Research*, 2021;4(04):603-612.
- Hassan M. India's Concern and Policy over China-Bangladesh Relations. *International Journal of Social, Political and Economic Research*, 2018;5(1):57-71.
- Ahamed A, Rahman MS. China-Bangladesh Geopolitical Relations: A Study of Some Geostrategic and Geoeconomic Issues in the Context of the Bay of Bengal. *Journal of Community Development Research (Humanities and Social Sciences)*, 2021;14(3):10-17.
- Hossain MB, Yeon ALB, Aziz ASBA. Screening of Foreign Investments and the Bilateral Investment

- Treaties of Bangladesh. *Society & Sustainability*,2021:3(2):37-53.
23. Hossain MB. Significance of protecting environment through the Bilateral Investment Treaties of Bangladesh: A Comparison with Netherlands. *Journal of Asia Pacific Studies*, 2022, 6(4).
 24. Islam R. Features of the Investor State Dispute Settlement (ISDS) Provisions under Bilateral Investment Treaties (BITs) of Bangladesh: An Overview. *Dhaka Univ. LJ*,2020:31:85.
 25. Razzaque MA, Rahman J, Akib H. Bangladesh-China Trade and Economic Cooperation: Issues and Perspectives, 2019.
 26. Yasmin L. India and China in South Asia: Bangladesh's opportunities and challenges. *Millennial Asia*,2019:10(3):322-336.
 27. Tunviruzzaman R, Tahera T, Zannat T. Economic & geopolitical opportunities and challenges for Bangladesh: One Belt-One Road (OBOR). *International Journal of Research in Business and Social Science* (2147-4478),2021:10(4):506-511.
 28. Karim MA. China's proposed maritime silk road: Challenges and opportunities with special reference to the Bay of Bengal Region. *Pacific Focus*,2015:30(3):297-319.
 29. Pieper M. An Iran nuclear deal without the United States? Chinese, European, and Russian interests and options after the US Withdrawal from the Joint Comprehensive Plan of Action. *Contemporary Issues in International Political Economy*, 2019, 35-53.
 30. Guan AC. The South China Sea Dispute Revisited. *Australian Journal of International Affairs*,2000:54(2):201-215.
 31. Hong Z. The South China sea dispute and China-ASEAN relations. *Asian Affairs*,2013:44(1):27-43.
 32. Deepak BR. Bangladesh, China, India, Myanmar Economic Corridor (BCIM-EC): Security Dilemma Rider to Regional Economic Integration. *China's Global Rebalancing and the New Silk Road*, 2018, 51-68.
 33. Islam NI, Matin S, Hossan MM. Bangladesh, China, India and Myanmar Economic Corridor (BCIM-EC): Next Window for Economic Development in Asia, 2015.d