Bangladesh & Regionalism: ‘Taking Two to Tango’, or Lingering in Limbo?

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Abstract

Why have Bangladesh’s regional integrative efforts sputtered more than resonate? Will its sought-after Southeast Asian trade linkages stem from what is on the table than off of it?

A structured-focused study, utilizing methods both case and comparative, applies neo-functional and regional integration tenets, to the country’s diplomatic neighbourhood forays, before probing possible future trajectories.

Preliminary findings elevate exogenous (not necessarily external) constraints and interdependent relations, more than endogenous and integrative. Among the constraints: (a) Bangladesh’s export rigidities and the stubbornness to diversify consumption patterns; (b)

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infrastructural deficiencies impeding the necessary flows for regional growth; (c) security considerations impinging progress, limiting partner possibilities; and (d) mostly the absence of any south-south exchange weltanschauung to fall back upon.

**Back to the Regional Trade Future?**

Intra-Asia trade may be on a roll in this 21st Century, but still-footed Asian regional trading arrangements expose how residual restraints were not washed when the Cold War ended. Breaking post-colonial trading agreements, many Asian countries have built other partners after World War II. Japan and South Korea epitomized this with the United States, China followed suit from the 1980s (just when Japan and South Korea began prioritizing Asia).

Post-independence fears of the same pre-independence political/economic subjugation, as the core-periphery literatures of the 1960s-80s depicted, fed nationalistic alternatives. A third angle, export-led growth (ELG), caught more Asian attention than Latin import-substitution industrialization (ISI). Yet ISI unilateralism also caught on across Asia, especially among each other. These patterns only intensified competitiveness over cooperation.

Japan’s pre-World War II “flying-geese” asymmetrical trading pattern among neighbors could not be reproduced afterwards: U.S. partnership got in the way. With Japan still recovering from a recession that began in 1989, regional trading arrangements may open new windows.

Adding these and perhaps other impediments up, Asia’s late (or retarded) “trade regionalism” bloom remains largely unexplored: like policy-makers, analysts also await the regional trade whistle to blow. Even if the idea proves attractive, not many regions may fare well against China’s Belt Road Initiative (BRI) global campaign today: East Asia countries see more
tension, given the South China Sea square-offs with China; South Asia has not been able to progress beyond first-base after turning east (turning its back on Pakistan); the Middle East remains raw with battles or battle-scars, and Central Asia remains too small a component of global trade to make a difference. Only Southeast Asian countries lend themselves to any formal grouping, as they did from the very outset of the globe’s regional interest in the early 1960s.

In the half-century since, we see more nationalistic drives than regional, even more lop-sided inter-governmental than supranational arrangements, and countries evidently more content with upholding the status quo than exploring new frontiers. This last point distinguishes Asian economic and political leaders today from their West European counterparts of the 1950s (who got that part of the world off into the most historically successful and populated regional trading bloc). Rebounding off of European experiences helps introduce the very theoretical tenets capable of identifying or labeling Asia’s missing pieces. If European integration then could free-ride U.S. security, why cannot Asian countries also rebound off China?

Should Asian regionalism unfold naturally, will it go whichever way local impulses go, or should it mirror Europe’s attempts? A weighty literature on West European integration,\(^{10}\) as too another equally bubbling stock inside the Americas (North, Central, and South, from north to south),\(^ {11}\) may appeal to academics, but will popularly-elected governments or slow-moving bureaucracies care? Will regional exchanges enter “Main Street” consumption and mindset?

Navigating this terrain carries as many pitfalls as promises, but navigating it we must to get one-step ahead. Asia’s visible, prodigious, and enviable progress demands trade (and investment) to eventually shift from the Americas or Europe towards Asia, at least to a greater degree than before. Fueling this is a secular, more macro and non-commercial dynamic: envious growth-rates have pushed more than a handful of Asian
countries from their lowly traditional or less-developed rankings towards the economic sky. As calls for regional trade grow, should the critical opening salvos not happen now, given the intensity of competitive trade, might it be too late to salvage the planet’s largest continent from its self-help addiction?

Asia has not been as lethargic, disinterested, or uninvolved as the alluded passages suggest, but shifting from a security mooring might be pivotal. The Association of South East Asia Nations (ASEAN) was built primarily for security purposes in 1967. It was driven by Cold War military imperatives, which overshadowed any economic integration initiatives.

This subordinates neo-functionalist takeaways to interdependence theoretical interpretations. Even within the neo-functional paradigm, intergovernmental interpretations challenge supranational counterparts. Only after the Cold War evaporated was a security cloud lifted: the ASEAN group institutionally prioritized economic transactions through the 1992 ASEAN Free Trade Agreement (AFTA), which actually began when the Common Effective Preferential Tariffs (CEPT) instrument was first adopted in 1977, then given more teeth in 1987 by Manila Summit decisions to maximize intra-ASEAN economic transactions.

Although bilateral deals have been made across Asia, they have only institutionalized asymmetry. For reasons of climbing costs, Japan’s flying-geese model, had to open a value-chain stairway whereby declining industries were relocated from the most successful countries to the next most promising candidate. Though begun belatedly (after the 1980s), this Japanese rethinking was not only maligned by its pre-World War II authoritarian and imperial climate, but also found fewer takers: global competition undermines the purity of patterned trade behaviour.

Asia’s poor regional trade agreement history and performances could be easily compensated if trickle-down growth could be
nurtured further. Significant domestic policy changes, such as building infrastructures, divert resources and attention from building new foreign relations. Besides, China’s infrastructure-building BRI crusade seems to have usurped this option for even Japan to enter the fray. But if BRI investments build the infrastructures needed for successful regional trading networks, local economic growth could spawn brand new and independent external trading patterns.

Visible BRI ramifications include: (a) building necessary infrastructures whose survival depends only on transactions expansion, thus pushing host countries to add new neighbouring trading partners to veteran distant partners; (b) opening Asian outlets, even if China’s, only to dilute the hitherto western dependence; and (c) liberating consumers sufficiently for them to transact beyond the China-based ambit, a spillover effect too slow to make immediate impacts. Other studies could investigate how China's advent as a global player might jettison theoretical propositions drawn from European/American experiences more profitably into explaining Asian integrative performances.

**Theoretical Framework**

Understanding that what works in one part of the world may not perform as well, or at all, is a start. Discerning three other dynamics also helps: the necessary integrative conditions, actual processes themselves, and what kind of outcomes anticipated and branded. Integration theories go deep on these, while also distinguishing economic components from the non-economic. For Asia this would be crucial, since, like West Europe in the 1940s, when meaningful integration began, political and security considerations also impinged the purely economic start-ups (so much so that one of the most powerful explanation of regional economic integration actually was from security community theories, which better captured the coexistence of the 1949 North Atlantic Treaty Organization security institution
and the European economic integrative thrusts that began with the European Coal and Steel Community in 1950).

In a nutshell, David Mitrany’s 1943 *A Working Peace System: An Argument for the Functional Development of International Organization*, written idealistically for a post-war European scenario, proved too economic to fit the still sour and heavily politicized post-World War II public moods to facilitate cross-border relations. Treating each category of transitions as a function, he basically laid the bases for a non-state outgrowth from World War II ashes.

Though Mitrany’s exuberant idealism would be trimmed even within the economic realm, that is, by excluding political inputs and influences, Bela Balassa’s theory of economic integration got regionalism off with a sunny early-1960s start. He identified five stages to complete integration.12 Beginning with a “free-trade agreement” (FTA), which means reducing and eventually eliminating all barriers between aspiring countries, the parties ascend to the “customs union” second stage when they adopt a common external tariff. This paves the way for building common fiscal (taxation) and monetary (interest rates) policies, all in the third stage, by which time the FTA bondage becomes more communitarian (like the European “Community”). In the fourth stage, a single currency must emerge, the most politically sensitive moment, but once crossed, as the European Community did with the 1992 Maastricht Treaty, the “community” yields to a “union” (as the European Community transforming into the European “Union” shows). Moving from a free-trade zone into an economic community, thence to a higher/deeper “economic union phase”, where it is situated today, the European experiences stopped one gigantic leap short of full economic integration when 9/11, the Great Recession, and Brexit intervened.13

If it took Europeans half-a-century to share similar cultural traits, could the still-scarred Asians take all the 21st Century to get there? A starter would be a simultaneously sprouting
common intention. Only domestic interests, instruments, and institutions could trigger that.

One must recall how nationalism was at its heights across West Europe at the time of the articulation of these theories. Latin America’s ISI strategy was even more nationalistic, but also very successful; while newly-independent colonies across Africa and Asia where tribalism and nationalism would respectively grow ferociously for at least a generation after independence, the regional thrust has been of a relatively lower order. Recent African genocidal and U.N. peacekeeping deployments, as well as alluded to Asian tensions, divisions, and conflicts parallel European circumstances of the 1940s.

When the dust settled, the promise of economic integration was married to the politics of statehood. One consequence: functionalism became neo-functionalism, spearheaded by the energetic intellectual explorer, Ernst B. Haas, whose detailed work on the foundational European integration attempts became a global bible. Entitled *Uniting for Europe*, it drove many of Haas’s students and followers to spell out the rubrics over the next decade or two. How he crossed the stubborn state obstacles presented by equally legendary academics, like Stanley Hoffmann, became the stuff of academic discourse that would ripple across the intellectual world.

This combination helped capture ambiguous ground-level dynamics better. France’s foot-dragging and nationalistic orientation against European integration, led no less than by President Charles de Gaulle, contrasted the dynamic growth of the Federal Republic of Germany, from the time of Konrad Adenauer all the way down to Angela Merkl, from one economic miracle (by 1950) to another (1980s). Such a tug-of-war setting produced tussling institutions: the Council of Ministers (COM), anchoring state rights, and the European Commission (COMM), proposing and scoping new extra-national boundaries. Asia’s regional economic integrative schemes could (and can) learn lessons from these. Still, pieces being put into place, such as the
BIMSTEC (Bay of Bengal Multi Sector Technological and Economic Cooperation) outfit in South/Southeast Asia, need to be encouraged simply because they face stubborn and more entrenched odds.

Joseph S. Nye’s structural preconditions for *neo-functionalism* could help soften such political obstacles to permit fuller integrative economic processes. He identified seven such procedures (four borrowed from his mentor, Haas), each performing admirably in explaining how the Treaty of Rome was implemented from 1958.

Nye’s first structural precondition is about irreversibly symmetrical economic movements. That West European countries were actually “developed”, with six ECSC members from 1950 helps the South and Southeast Asian countries to be inspired today, given that many of them have “developed” (Singapore), and if not, at least “upward-bound”, like “emerging” (Malaysia, Indonesia, and Thailand);\(^\text{16}\) or “frontier” (like Bangladesh and Vietnam) economies.\(^\text{17}\)

Complementary elite relationships, measuring individual leadership will be necessary all along, like a Jean Monnet or Jacques Delors of West European experiences. This is a domain where Asian technocrats must step up. They already exist, but not as yet in full public view. Pluralism is the third. It remains the sticky point for non-Europeans because democracy often comes in conjunction with inherited patronization or poverty to permit independent thinking to all voters. Non-Europeans also possess a watch-dog tradition, like military rule or property-holding aristocracy, and so forth. The final such structural precondition is adaptive and responsive capacity, that is, can we Asians turn the other cheek without burning inside in a very sensitively subjected moment, or land a punch with a smile, parachute, and, at worse, moderate repercussions? In other words, can we look beyond the here and now to future generations in reaping benefits and allocating costs?
If these can be crossed (for which at least a generation of teaching new, more cosmopolitan leaders is imperative), seven-odd processes greet us, not at all in sequential terms. Whereas the first four were borrowed from Haas, Nye sifted the relevant literatures for the remaining three. Haas’s four include functional linkages (traceable even to Mitrany), that is sectors embraced each other across national boundaries; rising transactions, without which, of course, no regional integration proposal can ever be made; relationships and coalitions, thus opening cross-border spaces for other social groups and business sectors to hold trans-national hands, even inviting consumers across boundaries to do likewise; and the formation of groups at the emerging regional level, that is, interest groups of any one sector in any country banding with counterparts in other countries. To these Nye added involvement of external actors, the first signal of a regional entity being how collectively the members interact with non-members; building regional identity and ideology, two possibilities if all of the above come through successfully; and elite socialization, that is a camaraderie bonding all leaders symmetrically.

What looks a piece of cake on paper actually needs long-term trials and errors, with lots of give and take, at least until a pattern emerges and prediction becomes more accurate. West Europeans managed, given centuries of continent-wide camaraderie dictating the positive outcome. Still we see many cases of disjuncture, as Brexit glaringly exposed, speed-bumps, like the CAP adoption over a generation; and near-breakdown moments, like when Greece went bankrupt (first in 2009-10, with fiscal deficit hitting 15% of GDP by 2011, then public explosion in 2015 against European Union austerity measures). It will be a taller Asian task, but one whose trimming can only happen if the process begins first.

**Intergovernmental versus Supranational Behaviours**

Two patterns dominate regional behaviours and mindsets: an *intergovernmental*, which is more rooted, like the European
Council of Ministers indicates; and supranational, that is, those policy-makers with sky-scraping, frontier-exploring skills, as the European Community is generally included to towards. Andrew Moravscik’s microscopic West European comparisons identifies the five pillars distinguishing them clearly: the key actors, key interests, nature of bargaining, nature of agreement sought, and the theoretical fit most relevant to explain these. It is in the discourse of these two patterns that we can comment on the five features.

**Interdependent Behaviours**

If in case sturdy enough integrative efforts cannot be chalked out, countries do not want to slam the door on each other. There exist half-way houses, or mongrels, for the lack of a better term, to capture mixtures. Robert O. Keohane and Joseph S. Nye (again) created this fallback cushion at a time when international negotiations were breaking down more frequently than being constructed, in the early 1970s. They simply call it interdependence, and its most mature stage, complex interdependence. It has its own distinguishing features, having multiple channels of interaction; the absence of a hierarchy; and military subordination. A generation later they refined these, with priority-formation added. Whereas intergovernmental is state-centric and supranational goes “beyond” the state, interdependence pushes outwards from the former playing-field without reaching, or even wanting to reach, the latter arena.

**Bangladesh's Regional Engagements**

What follows is an overview of Bangladesh’s regional experiences, not as a case study of any one of them, but as a general test of how fit Bangladesh is for regional economic integration. That fitness is only theoretical, and the theory involved are simply the ones just described (neo-functionalism and interdependence), with such off-shoot considerations (intergovernmental versus supranational behaviours). It is
hooped other studies will examine each empirical case far more microscopically along theoretical lines.

On a scale of easy-to-hard Asian regional integration, Bangladesh falls closer to the “hard” end, in spite of its enormous economic strides over 50-years. From being at the bottom of the heap of even the most hopeless countries (a “bottomless pit” becoming its infamous birthmark), it stands on the first rung of a “less developed country” in 2021, credibly targets a “developing” country climb by 2026, and thereafter a “developed country” outcome during the 2040s. Bangladesh’s September 2021 decision to formally apply to join the Regional Comprehensive Economic Partnership (RCEP) shows not only a defined regional target, but also how the urgency to get there is climbing as its economic growth also erases many benefits it previously enjoyed (like favourable quota and duty terms, and the Generalized System of Preferences). Much of its forward-charge steam has stemmed from growth in its ready-made garments (RMG) sector from the late-1970s into the third largest RMG exporting country today: China had 30.8% of the global market in 2019, Bangladesh 6.8%, followed by Vietnam and India, in that order, closely behind then (Bangladesh’s second largest export market, the European Union, is being discounted from this ranking because it is a collection of countries). Vietnam and Bangladesh now exchange rankings.

Every success story carries messages and hints of limits. For example, pandemic-driven factory closures from early 2020 exposed how stoppages could cripple the country. Pushed too far or too long, they could hasten automated alternatives to low-wage workers. Bangladesh rebounded but is not out of the woods: it grimly competes with Vietnam for the second slot among RMG exporting countries, after China, but upwardly-creeping wages could erase its comparative advantage against the automation threat. If per capita income pushes the country into the LDC category by 2025, poverty-laced commercial provisions (quota benefits and subsidized prices) would vanish and automation would enter.
Perhaps the most crucial observation may be neither technological alternatives nor the absence of a RMG Plan-B for the country, but the very idea of regional economic integration. The very presence of Vietnam, and other low-wage exporting countries in South and Southeast Asia reveals how regional trading arrangements presently remain an inherent misfit: these potential regional trading partners have too similarly structured economies, job-profiles, and production ranges to significantly expand mutual transactions. On the other side of the coin is the nature of the transacted products: neither primary products nor low-wage manufacture of primary goods cultivate robust long-term anchors for meaningful integration; but cultivating sectors higher up the value-chain has also not been prioritized throughout Bangladesh’s RMG age.

**Groundwork**

Utilizing the Asian Development Bank’s depository of all free/preferential trade agreements (FTSs/PTAs), under the Asian Regional Integration Center, Table 1 informs us of the initiatives currently under way. Negotiations can be very protracted (a) the more so the newer the would-be partners in any arrangement, (b) the less developed those partners happen to be, and (c) the wider the panoply of sectors being discussed since any sector-specific regional integration carries an unbalancing trait (there is no Asian counterpart to West Europe’s coal and steel catalysts in the 1950s). Since Bangladesh’s 1993 Privatization Act, there have been 14 such FTA/PTA initiatives, with India dominating a bulk of them, Southeast Asia entering the fray only more recently, with Latin America somewhere in between.
Table 1:
Bangladesh’s Family of FTA/PTA Engagements

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<thead>
<tr>
<th>Name</th>
<th>Status</th>
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<tbody>
<tr>
<td>Bangladesh-Sri Lanka FTA</td>
<td>Proposed; under study</td>
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<td>Bangladesh-Turkey FTA</td>
<td>Proposed; under study</td>
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<tr>
<td>Bangladesh-People’s Republic of China FTA</td>
<td>Proposed; under study</td>
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<tr>
<td>Bangladesh-Brazil FTA</td>
<td>Proposed; under study</td>
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<td>Bangladesh-India FTA</td>
<td>Proposed; under study</td>
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<td>Bangladesh-Thailand FTA</td>
<td>Proposed; under study</td>
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<tr>
<td>Bangladesh-Malaysia FTA</td>
<td>Proposed; under study</td>
</tr>
<tr>
<td>BIMSTEC</td>
<td>Negotiations launched</td>
</tr>
<tr>
<td>Bangladesh-Pakistan FTA</td>
<td>Negotiations launched</td>
</tr>
<tr>
<td>Trade Preferential System of the Organization of Islamic Conference</td>
<td>Signed, but not in effect</td>
</tr>
<tr>
<td>Bangladesh-Bhutan PTA</td>
<td>Signed, but not in effect</td>
</tr>
<tr>
<td>Asia-Pacific Trade Agreement</td>
<td>Signed, and in effect</td>
</tr>
<tr>
<td>Preferential Tariff Arrangement Group of Eight Developing Countries</td>
<td>Signed, and in effect</td>
</tr>
<tr>
<td>South Asian FTA</td>
<td>Signed, and in effect</td>
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One immediately notices how the spanned initiatives got the ballgame moving in the golden age of *neo-liberalism,* the 1990s: it was the first decade after the commerce-stultifying Cold War, which significantly circumscribed markets for many (but not all) Asian countries; and it was the start of massive and rapid technological developments globally which demanded more open borders for any country to thrive in. India, for example, restructured its age-old, actually century-old, nationalistic preferences by adopting trade openness. As the only South
Asian economic heavyweight, its FTA/PTA shift accelerated South Asian regional trade initiatives.

Needless to say, Bangladesh, Bhutan, Nepal, and Sri Lanka aligned according to this emergent trend, given the enormous Indian proportion of both imports and exports of each. Under a rare civilian government, Pakistan, too, hopped on board, thus paving the way for the January 2006 South Asian Free Trade Agreement (SAFTA), first agreed upon two years earlier in the 12th SAARC (South Asia Association for Regional Cooperation, established in 1985 just as the Cold War evaporated) Summit, held in Pakistan’s capital, Islamabad. SAFTA success was, is, and will remain in the foreseeable future pinned upon India-Pakistan amity and cooperation, which has not thus far taken the Franco-German rapprochement turn of the late 1940s.

Security considerations remain bedrock: 9/11 (in which Pakistan was centrally targeted for terrorist associations, particularly by India after the May-July 1999 Kargil Himalayan skirmish), and even a decade later by the 2008-11 Great Recession curbing the globalizing effects of trade and investment. A SAFTA next-step remains increasingly and structurally difficult to envision. Preferential trade arrangements at the South Asian level were absent in the first place, thus the first rung of regional trade integration as per Balassa, is absent.

Two relevant consequences include South Asian trading compacts without Pakistan; and some confidence-building pre-integration measures, particularly in non-trade sectors, given India’s skewed trade profile, especially with Bangladesh. Whereas the Pakistan issue was rightly shoved to the back-burner, the confidence-building front-burner steps dominated. BIMSTEC initiation in June 1997, with Bangladesh, India, Sri Lanka, and Thailand as members, first crossed the technical “South Asia” perimeter into Southeast Asia. When Myanmar joined later that year, however, the same BIMSTEC acronym actually stood for the first alphabet of each of these members,
yet when Bhutan joined in 2004, the acronym reverted to its originally form.

BIMSTEC negotiations have been tedious, addressing non-trade multilateral (or, in this case, regional) issues, but exposing why theoretical structural preconditions and processes remain raw. Bangladesh benefited, for many reasons. First, excluding Pakistan, the South Asian tilt to the east elevated Bangladesh’s political stock-market value, in fact, making the Bay of Bengal the platform rather than, say India, and opening windows of collective action. For instance, military interests from near and far have also converged into the Bay of Bengal for developments not anticipated in the 1990s, led no less by China. Its BRI footholds in and around the Bay (in Myanmar’s future port, Kyaukpyu), rival India’s Sittwe port, also in Myanmar. Climbing non-military interests, from setting maritime jurisdiction differences to climate-change environmental pressures, with refugee flows and pollution, also thicken the Bay interest.

A second BIMSTEC spillover merges South Asian borders with Southeast Asian countries, since the Bay laps the shores of both regions. For Bangladesh this needs opens commercial windows. Progressive trade transactions have crucially launched free-trade negotiations.

Thirdly, the BIMSTEC shift corresponded better to global economic and technological circumstances. It coincided when the computer-based Third Industrial Revolution had matured (but arriving to many South and Southeast Asian countries belatedly), and/or the AI (artificial intelligence) Fourth Industrial Revolution had begun, in fits and starts, across Asia’s southern rim east of India. These underscore competitions over merchandise trade, and with it, endanger manufacturing production, elevate service-trade, and promote *software* flows and production over *hardware* counterparts.

One must never underestimate the delicacy of non-trade negotiations in the global political economy. *Software*, for
example, can be developed to decipher national security interests. Commercial transactions have themselves been historically more stubbornly fractious: the ups-and-downs in developing rules, regulations, provisions, and safeguards litter 70 years of multilateral trade far more than even the fewer and trickier service-sector counterparts (Huawei’s 2019-20 standoff demonstrated this).

Thrown against that background, Bangladesh’s 50-year trading patterns permit even more food for thought. Four observations demand attention. First, its exports drive its trading interests far more than other considerations, exposing four features: (a) partly a product of its undeveloped origin, thus exposed to fewer items of trade, trading partners, and relative inexperience in both trade negotiations and trade-supporting staff and institutions, we see developmental transitions in those transactions, for examples, the bulky and momentous shift from a farm produce, jute, to assembly-line items, as ready-made garments, that is, from a “traditional” background to “pre-take-off” stage of development; (b) RMG exports only marginally modified the historical structure of Britain dominating Bangladesh’s jute exports, as West European markets dominate all others, though less asymmetrically; (c) the larger the exports grew, the larger net imports also became, with growing net trade deficits against two political antagonists, India and China, indicating the fragile regional trade-relation-ship footing; and (d) with export concentration determining the dominant trading partners Bangladesh’s trade restructuring needs may prove instrumental to forging viable regional economic integration.

Second, with both historical and contemporary exports predominantly tapping its prodigious low-wage pool (male-dominated agriculture for jute, urban and gender-balanced for RMG production), Bangladesh’s necessary restructuring cannot but climb the value-chain towards such higher-ends of low-wage production as ship-building, auto-assembly, and software
production. The pace of this transition permits integrative ripples to become more meaningful.

Third, exogenous developments also complicate matters: with competitive neighbours like India over jute in the early 1970s, and more recently with India, Indonesia, Malaysia, Sri Lanka, Thailand, and Vietnam over RMG exports, negotiations will harden. Manufacturing newer items not already fetching export-income for potential partners in this region is one way to overcome this, as just alluded to. Negotiations typically proceed from, and succeed when the “marbles” are on the ground, not up in the air (as potentials).

Finally, and coincidentally, since Bangladesh’s graduation from “undeveloped” into “less developed” country-ranking was not solely because of its exports (micro-financing also chipped in to liberate traditional household-centered women for the job-market), some sort of skills-enhancement becomes a part and parcel of any trade restructuring, hence strengthening regional economic integration credentials. One manifestation of this would be the upgrading of sorts of education and technical training: we do see action on this front presently, but it is too early to tell what skills-enhancement will be upgraded or when this might become feasible.

When all is said and done, Bangladesh must first enter the regional economic integration ballpark to do well within it. That is why many countries cannot enter such a ballpark, while others will not. If they possess monopoly over any globally traded commodity (oil, for example), it does not make sense to enter any regional trading bloc, unless, of course, it is about exporting that product, depicting how the market monopolizing instinct is part of our guts. Bangladesh’s RMG exports carry a slight taint of this monopoly trait. How best to navigate to newer ballparks (traded commodities), may be a task better left to think-tanks. Think-tanks can be high-yielding, as in developed countries (Brookings Institution in the United States), or the low-yielding ones, as in Bangladesh, since their policy proposals
usually compete with the many other considerations, influencing policy-makers.

Restructuration must go beyond the commodity being transacted externally, the nature and composition of the workforce behind that industry, and the financial institutions that get intertwined by the size of those transactions. From European/American experiences, we know it must go into the professional domain, to academics, research laboratories, and innovation springboards. Regional economic integration begins at home, in an office, or from an intellectual domain (the mindset, succinctly), to make waves in more than one country simultaneously. Only when the integrative machine has been spun can the integrative experiences prosper, typically in at least two ways: increasing turnovers, from expanding transactions; or from mistakes, lessons learned, or dead-end circumstances. Again, both European and American examples illustrate: farm integration halted expanding and deepening European integration for quite a long while, and only when newer members entered from Central and East Europe could France’s grip be amply loosened. Likewise, in the Americas, commercial agreements inevitably get screened by post-9/11 U.S. security interests. After a promising start, the North American Free Trade Agreement languished under 9/11 (and other endogenous) constraints.

At the same time, several exogenous and secular dynamics have also been clearing the regional integration pathways for Bangladesh. First of all, growing travel abroad, whether for medical, vacation, shopping, academic, or business reasons, facilitates the growth of that integrative mindset in locations, home and destination. For increasingly purse-filled Bangladeshis, India, Malaysia, Singapore, and Thailand have been, among many other regional neighbours, like Bhutan, Nepal, and Sri Lanka, choice travel destinations. One broader policy extractable from this could be visas/travel negotiations to lubricate the pathways.
Second, the new flurry to build think-tanks (in particularly Dhaka) can also be given more incentives and direction. Any ministry-level tableau could announce negotiations underway, the tradeable items playing a central role in those negotiations in each specific case, what Bangladesh can export and import, and so forth, and all of these as a stepping stone to building favorable caucuses within the country, facilitating their own communications with counterparts abroad, and furnishing joint reports to galvanize expected policy shifts.

Finally, all of the above assume free-flows in just about everything one can think about: corporations to invest and innovate; consumers to benefit from imports through reduced or eliminated tariffs; producers to be subsidized in promising arenas until the take-off is well consolidates; and information from anywhere about anything of commercial value to any person. Making that a part of the mindset could be a pivotal regional trade-building ingredient.

**Sowing Southeast Asian Seeds**

At least two viable features feeding regionalism can be drawn from Bangladesh’s economic ascendency: it is not an innovator, but a late-comer; and its endurance capacity is high. Being individually innovative in a collective often sows seeds of fissures; but when the endurance capacity of a member, let’s say RMG performances spill over to the regional body, chance of institutionalizing ripple-effects increase.

Bangladesh’s broader transition begs economic diversification. If not now, Bangladesh cannot but move on from its RMG addiction: earnings from that sector have whetted consumer demands in many others, not only pushing up imports, but also raising questions why they cannot be locally produced, exemplified by shifting up the value-chain from the low-technology RMG sector to lightly-higher-technology bicycle production, or still higher to assembly-line automobile or ship production. Diversification is inevitable, but timing matters: the
later the transition, the higher the expected integrative costs, especially because of climbing wages.

By the time European concessions disappear in 2027, Bangladesh has to work out reciprocal arrangements with other countries. Since proximity is central to any regional trading venture, Bangladesh must now dig into those areas far-flung from its RMG gravity-centres. It has been netting persisting commercial deficits, and with prospects of facing more competitiveness than complementarities, it cannot but furiously negotiate Southeast Asian solutions.

India was, until recently, Bangladesh’s largest trading partner in a relationship so skewed towards India that, had not RMG surpluses intervened, bilateralism might have resembled Albert O. Hirschman’s trailblazing dependency study. He discovered that in a study of skewed East European relations with Germany before World War II (his study actually launched dependencia theoretical argumentation after World War II).21 Bangladesh’s compensating action against such a development would be to search for partners in Southeast Asia, in turn smoothen its RCEP application. RCEP members include 10 Southeast Asian countries, as well as Australia, China, Japan, New Zealand, and South Korea signed up—the key areas of 21st Century trade or economic growth. Earning below 1 billion USD from exports to ASEAN members, Bangladesh could see that picture change drastically with membership and open-ended facilities,22 with RCEP membership lubricating the way.

Hopes for Bangladesh’s regional growth are high, since they are so low presently. Just with South Asia, Bangladesh’s trade proportion of its aggregate was just under 9% at the start of the century, but climbed to only about 11% by today, even with India as its largest trading partner worldwide. Southeast Asian countries did not provide any silver lining either, a commensurately glacial shift from about 8% to 9% over those twenty-odd years.23
Primary products constitute a large proportion of trade with India (mostly cotton and fuels, as well as growing finished manufactured products, like vehicles and machines commensurate with the growth of Bangladesh’s economy). A similar picture prevails with Singapore, Bangladesh’s largest Southeast trading partner (with fuels, increasing capital machinery and mainly intermediates goods added), where also deficits show no signs of reversing. What is a striking contrast in the two cases, and perhaps an eye-opener for future trade agreements is the impact of Bangladesh’s labour migrants: to the Indian mindset, they are illegal, which is one of the toughest mental roadblocks to cross in forging free-trade arrangements; but the largely recruited worker-pool in Singapore remit over 600 million USD annually, which more than doubles the export earnings. Together with trade, the remittances help narrow deficits significantly, passing the way for a smoother pathway to any trade arrangement.

A third factor playing into free-trade agreements is the role of investment. Here, too, India is far ahead of any Southeast Asian country, its 18 projects dwarfing Singapore’s 7 and Malaysia’s 2. In terms of money, India’s miniscule 23 million USD is no match for Malaysia’s 1.2 billion USD and Singapore’s 168 million USD. Expected post-Covid-19 surges in all these arenas, demand cross-border negotiations now.

Southeast Asian countries have also been scoping out new partners. Table 2 profiles some of these ongoing/unfolding negotiations.

Table 2: Status Of Southeast Trade Negotiations/Opportunities
<table>
<thead>
<tr>
<th><strong>Possible Bangladesh’s trading partners</strong></th>
<th><strong>Status of negotiations</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indonesia:</strong></td>
<td>*PTA &amp; duty-free exchanges targeted; *MOUs in the making &amp; bilateral fishing being explored *Bangladesh seeks RMG outlets *tourism bilaterally promoted *Passport restrictions relaxed (dubbed “free”)</td>
</tr>
<tr>
<td><strong>Malaysia:</strong></td>
<td>*FTA target from at least January 2015, indicating hitches to be somewhat stubborn *Malaysia’s FTA experiences go back to 2006, with Japan; then with Australia, Chile, India, New Zealand, Pakistan, &amp; Turkey—again suggesting hitches in Bangladesh’s way FDI of 1.2b USD with 2 projects</td>
</tr>
<tr>
<td><strong>Maldives, The:</strong></td>
<td>*Summit March 2021 4 MOUs signed; PTA targeted</td>
</tr>
<tr>
<td><strong>Singapore:</strong></td>
<td>*Third largest import partner for Bangladesh (yet PTA prevails with India and Sri Lanka, not Bangladesh) *FDI worth 168m USD and 7 projects</td>
</tr>
<tr>
<td><strong>Thailand:</strong></td>
<td>*New Thai envoy Makawadee Sumitmor proposed FTA upon arrival in September 2021</td>
</tr>
<tr>
<td><strong>Vietnam:</strong></td>
<td>*Joint Trade Committee formed December 2019 *restrictions high; tourism promotion sought *Bangladesh seeks to export potatoes and pharmaceuticals; and invite Vietnam to invest, join Hi-tech parks and special economic zones</td>
</tr>
</tbody>
</table>

Bangladesh’s Regionalism & Theoretical Fittings
Bangladesh’s regional gaps may be best illustrated throughout theoretical lenses. Table 3 captures how the Bangladesh case fits into Nye’s theoretical framework (structural pre-conditions and procedure-based features).

**TABLE 3:**
Bangladesh-India Integration

**Toughest Nut to Crack or Most Golden Opportunity**

<table>
<thead>
<tr>
<th>Structural preconditions &amp; procedural (Nye’s neo-functionalist features)</th>
<th>Half-century of Bangladesh-India Relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>economic asymmetry</td>
<td>inherently absent</td>
</tr>
<tr>
<td>complementary elite relationship[</td>
<td>very strong generally</td>
</tr>
<tr>
<td>pluralism</td>
<td>commitment in both countries; and progressing farther and faster than alternatives</td>
</tr>
<tr>
<td>adaptive &amp; responsive capacities</td>
<td>bonds have held even with different party in power</td>
</tr>
<tr>
<td>functional linkages</td>
<td>on a growth pattern</td>
</tr>
<tr>
<td>expanded transactions</td>
<td>valid, in spite of persistent and yawning asymmetry favoring India</td>
</tr>
<tr>
<td>coalition formation</td>
<td>These have evolved at both state and societal levels</td>
</tr>
</tbody>
</table>

With structural preconditions (first four Table 3 dimensions), Bangladesh is found with one foot sufficiently inside to pull the
other one in: a little bit of ministerial-level homework and societal-level cross-national engagements would smoothen the way for industrialists or business persons of other stripes to slide in. Without these facilitative gestures, initiating regional economic integration will not be vetoed, but the going could become more uphill than expected.

Clearly the first of the four does not, and cannot, exist in the setting under consideration. Economic symmetry across South Asia seems impossible with India a part of the plan, though this yawning gap could be considerably softened between Southeast Asian countries and India given the higher upper-echelon stature of Malaysia, Singapore, and to a great extent Thailand. South Asia’s is not a fatal gap: the Federal Republic of Germany had developed so remarkably by 1950 (from its abject 1945 military defeat), that the still-traditional France then really looked like a “developing” country in spite of advanced sectors, as in steel and iron-ore. ECSC formation that year was possible in spite of the huge gap, suggesting how Bangladesh’s superior growth-rate from the early 1990s than India’s keeps it an attractive trading partner for India.

That it leads all South Asian countries in many social indicators, such as literacy rates, gender emancipation, and so forth, helps loosen the second and fourth structural pre-conditions. The former (complementary elite relationships), has been strong since the very birth of Bangladesh, and has percolated down the policy-making command-chain so today a bustling Bangla-India caucus has emerged in every arena, from politics to business to social groupings to academia. In turn, these facilitate the fourth factor: building adaptive and responsive capacities in every area, from business transactions to medical facilities, think-tanks, and society.

Both above structural pre-conditions partly facilitated the third component, pluralism. Neither Bangladesh nor India can claim to be perfectly democratic today, but that both democracy is a “work in progress” sustains the hope of democracy becoming
institutionally dominant over rival claims. Once better footed, it harmonizes with liberalized trade policies, particularly shifting from robust nationalistic sentiments and sectors (the public sector industries) to privatizing entrepreneurship.

Bangladesh and India must be a crucial, even necessary, building block for South Asian regionalism, but only a sufficient component of any Bangladesh Southeast Asian compact. None of the four structural pre-conditions will pose identical promises and pitfalls with Bhutan, the Maldives, Nepal, Pakistan, and Sri Lanka because of how and where they are located, their own strategic interests, and each of the different needs from the outside world, indeed how the “external” world is interpreted. Yet, none of them impose any burden stiffer than India’s: environmentally sensitive Bhutan already being on-board; Nepal poses fewer problems given its smaller wish-list (owing to far smaller population), and, in fact, better relations with China have taken their toll on relations with India, thus boosting Bangladesh relations as a safeguard against India; and with Sri Lanka being more maritime than any of the others, thus more externally oriented than nationalistic, it shares similar concerns as Bangladesh, Bhutan, and Nepal of not leaving India scot-free in bilateral relations.

Nye’s seven procedural features fuel optimism. Functional linkages have evolved into mature levels (fifth dimension), transactions have expanded wildly (sixth), with India long being Bangladesh’s top trading partner until China came barging in from 2006. Both linkages and coalitions have formed (seventh), matured, and command independent recognition.

The next four features follow suit. Evolving regional-level groups happen to be mostly inter-governmental, but the scattered social or other non-governmental groups sow more hopes. None of these approaches the supranational stage of institutional development, but how so many of the inter-governmental exchanges happen to be on trade suggests greater likelihoods of economic integration than not.
As evident in Table 1.3, many of the ADB (Asian Development Bank) initiatives go beyond a “regional” nexus, showing how multilateral engagements have also accumulated ample mileage. Whether it is the APTA (Asia Pacific Trade Agreement) or the OIC (Organization of Islamic Countries) group, plenty of external engagements prevails where it really matters prevail. These have sowed the seeds of regional identity and interests, though, given populism and the 2020-21 pandemic-driven introversion much more work is needed on this front. Nevertheless, elite socialization grows given the top-level flurries of meetings and conferences. If anything, how these dynamics trickle-down to Main Street levels could signal some sort of a clincher for inevitable regional economic integration. Thumbs must be upped on this front, given the transition of Bangladeshi and Indian citizen to looser visa application processes and applicants, and the increasing travel flows with all of the other countries under purview.

Conclusions

What conclusions can we draw? First, we are not there as yet; but we are not on the back-seat either. Second, once blown, opportunities will be harder to come by in an increasingly competitive world. Third, trade and investment need other complements. Finally, we have no choice but to go more than one-hundred per cent to make interdependent relations more integrative.
Notes


Ernst B. Haas, *Uniting of Europe: Political, Social and Economic Forces, 1950-57*, South Bend, IN: Notre Dame University, 1958.


According to the International Monetary Fund’s World Economic Outlook, 39 economies qualify as being called “advanced” for possessing the following factors: high per capita income, exports of diversified goods and services, and greater integration into the global financial system. Another 40 have an “emerging market and middle-income” economy, as measured by the IMF Fiscal Monitor. An “emerging economy” is measured by 3 factors: systemic presence (GDP-based economic size; population; and share of global exports); market access (external debt as proportion of global debt; recognition by international institutional investors; and frequency of international bonds usage); and income levels (GDP per capita). Accordingly the following 20 countries were identified in the 2010-20 period as emerging: Argentina, Brazil, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Iran, Malaysia, Mexico, the Philippines, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey, and the United Arab Emirates. They accounted for 34% of global nominal GDP, and 44% of global purchasing parity. Calculations made by Francisco Arizala and Di Yang of the IMF Strategy, Policy and Review Department. From Rupa Duttagupta and Ceyla Pazarbasioglu, “Miles to Go”, *Finance & Development*, June 2021, https://www.imf.org/external/pubs/ft/fandd/2021/06/pdf/the-future-of-emerging-markets-duttagupta-and-pazarbasioglu.pdf, accessed on 01 September 2021.

These economies “combine huge potential with big risks”, according to IMF’s Min Zhu. Two clusters belong here, those “deepening their financial markets” (Bangladesh, Kenya, Nigeria, Mozambique, and Vietnam), and those which can “tap the international capital markets” (Bolivia, Ghana, Honduras, Mongolia, Nigeria, Senegal, Tanzania, Vietnam, and Zambia). High growth-rate, inflation controls, and portfolio attraction helped these countries get where they are. See Zhu, “The New Frontier: Economies on the Rise”, *IMF Blog*, 19 May 2014, https://blogs.imf.org/2014/05/19/the-new-frontier-economies-on-the-rise/, last consulted September 1, 2021.
