

Japan and the BIG-B Plan for Bangladesh: An Assessment

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Date: 21 October 2016

The Bay of Bengal Industrial Growth Belt (BIG-B) plan for shared economic cooperation was announced in September 2014 when Prime Minister Shinzo Abe visited Dhaka. This marked a new era in Japan-Bangladesh relations as both countries moved towards enhanced economic relations.¹ Japan has committed to provide a loan of approximately USD 5 billion to Bangladesh for a period of four to five years.² The foreign aid provided in this plan primarily aims for Bangladesh to improve physical infrastructure, investment climate and connectivity aspects in Bangladesh, which would be economically beneficial for both Japan and Bangladesh. The plan showcases one of the significant components of the increasing ‘Japan-Bangladesh Comprehensive Partnership.’

The aim of this issue brief is to study the different elements of the BIG-B initiative and how it serves to advance Japan’s national strategic interests. The issue brief will further examine the implications for India arising from increased economic cooperation between Japan and Bangladesh.

What is the BIG-B Plan?

The BIG-B plan is primarily based on economic, infrastructure, energy and development imperatives, wherein Japan intends to contribute to the success of developing nations and seeks to be recognized for integration of the Asian region. “The plan envisages reducing poverty by private investment, implementing policy measures to deal with catastrophic risks; and exercising leadership in achieving development goals of the international community.”³

The BIG-B plan considers Bangladesh as a bridge between South Asia and Southeast Asia. It is also seen as a grand design of combining two oceans namely the Pacific Ocean and the Indian Ocean to boost Japan’s economy in an expanded geopolitical space. Access to markets for economic development is key to the concept of BIG-B. The central location of Bangladesh

in the Bay of Bengal is seen as connecting South Asia and Southeast Asia. The geographical positioning of Bangladesh allows it to play a node and hub role in regional as well as inter-regional commercial activity.

This initiative aims to accelerate industrial growth, connectivity, infrastructure and investment beyond the Dhaka, Chittagong and Cox’s belt area. The BIG-B plan aims to develop connectivity between Bangladesh and its neighboring nations of Bhutan, Nepal and India’s northeastern region to become the heart of regional economy. Thus, BIG-B can be seen as compatible with other vital frameworks for regional cooperation such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Mekong-Ganga Initiative (MGC), Bangladesh-China-India-Myanmar Forum for Regional Cooperation (BCIM) and Regional Comprehensive Economic Partnership (RCEP). For Japan, it is an opportunity to implement and enhance ‘Abenomics’, which has been its policy to overcome the long period of economic stagnation.⁴ The plan provides an opportunity for Japanese companies to embed itself in overseas infrastructure projects and gain access to the markets.

The three pillars

The BIG-B plan identifies three main pillars for development, namely (1) industry and trade, (2) energy and (3) economic connectivity by leveraging the strategic location of Bangladesh. Japan plans to execute these pillars through the development of a deep sea port and the establishment of coal power and Liquefied Natural Gas (LNG) plants in Matarbari Island (Bangladesh) (See Figure 1). Since the existing major port Chittagong is not suitable for modern large ship containers, the development of a deep water port at Matarbari will improve strategic connectivity by bridging the Bay of Bengal with the South Asian hinterland consisting of Bhutan, Nepal and India’s seven northeastern states. (See Figure 1).⁵

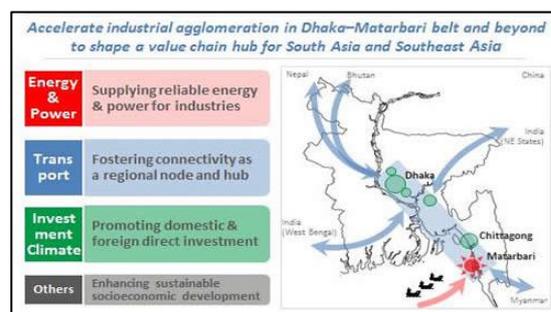


Figure 1. BIG-B Initiative (The Bay of Bengal Industrial Growth Belt)

Matarbari Project

The purpose of the Matarbari Ultra Super Critical Coal Fired Power Project is to cater for the rising demand of power while mitigating greenhouse gas emissions. This project involves the construction of two 600MW units. (See Figure. 2).⁶ The Coal Power Generation Company Bangladesh Limited (CPGCBL) is expected to borrow USD 3.7 billion from the Japan International Cooperation Agency (JICA) at an annual interest rate of 0.1 per cent over 30 years with an initial 10-year grace period.⁷ The energy to be produced here is to branch out to rest of the country as well as to the neighboring nations. The deep sea port will allow Panamax class ships of 80,000 tons to directly enter Matarbari port for unloading imported coal.⁸



Figure.2 Matarbari Port Future Development: Designed for Further Expansion

Japan's developmental philosophy

In executing the BIG-B plan, Japan seems to draw from its own experience of the Pacific Belt extending from northern Tokyo to southwestern Kyushu Island through Osaka in 1960. This was identified as a core plan in 1960 to double economic national income in 10 years (See Figure. 3). The Pacific belt now has 10 major industrial zones which is home to more than 500,000 companies and also produces 80 per cent of Japan's national output and millions of jobs too.⁹ Japan's effort has been to minimize the negative effects of industrial development on the environment at the early stages rather than having to restore it after its deterioration. For instance, during the 1980's to the early 1990's, in Thailand, the development of infrastructure by Japan was coupled with capacity and institutional development. This was done through the construction of industrial parks, highways, railways corridors, skilled labour,

effective and efficient administration institutions, which made it a manufacturing hub in the global supply chain.¹⁰ Thus, Japan has tried to validate its own experience of modernization and development by providing developmental assistance to Bangladesh.



Figure.3 The Pacific Belt, Source: Bluenotes, Metropolis Now ¹¹

Challenges

Japan's investment comes with a set of challenges as Bangladesh has high levels of corruption, unemployment, political inefficiencies and socio-economic development issues. Of late, the scourge of radical terrorism has caused anxieties in Japan as seven Japanese workers were killed in siege of a restaurant in Dhaka.¹² Adaptation to the international trade regime would be another major challenge in the near future, as Bangladesh is likely to move up from the status of a least developing country (LDC) and stands to lose the current preferential trade treatments, and will face stiff competition.

Geo-Strategic significance

While the BIG-B plan focuses primarily on economy, infrastructure and development, there also seems to be a geo-strategic angle to it. It is apparent that Japan is devising plans to enhance its strategic influence in South Asia.

China was invited by Bangladesh to develop Chittagong as a deep sea port but was later denied the same due to diplomatic pressures by India and the U.S.¹³ There were other ports namely Sonadia and Payra where China was hoping to invest, but was unable to do so.¹⁴ Bangladesh has tried to overcome its dependence on China and attract more Japanese investment as Japan has been relatively generous.¹⁵ It is quite evident that Japan's Big-B plan

is targeted towards developing strategic links with those nations in South and Southeast Asia which have inhibitions in engaging with China.

The diplomatic aspect of the aid was evident in Japan seeking the support of Bangladesh for a non-permanent seat for the UN Security Council. Bangladesh was a contender as well, but gave up its candidacy and in turn, backed Japan's bid. Japan was elected as a two-year non-permanent member in January 2016 for a record eleventh term.¹⁶

A significant change is being witnessed in Japanese foreign aid towards Bangladesh, and South Asia as a whole. The nature of foreign aid earlier was focused on poverty alleviation and supporting basic human needs. The current nature of foreign aid clearly indicates a shift towards strategic, political and diplomatic spheres in order to uphold its international stature, strengthening its relations and also fulfilling their national interests.

Implications for India

The BIG-B plan would benefit India substantially as it focuses on economic connectivity, which complements India's Act East Policy. This is so because the plan has potential of increasing connectivity to the northeastern states of India with easier access to sea-borne trade and commodities. This plan significantly supplements multilateral frameworks like the BIMSTEC and MGC for development of the region as a whole as connectivity, trade and technology forms a crucial part of these frameworks.

The maritime benefits would accrue through the possible development of a network of international shipping lanes (ISL), ports and infrastructure which would complement the proposed Vizag-Chennai Industrial Corridor (VCIC). VCIC is a proposed coastal industrial corridor which focuses on integration of the Indian economy with the global value chains in Asia and beyond.¹⁷

The development of new shipping routes in the Bay of Bengal may lead to enhanced security safety and environmental challenges. According to India's Maritime Security Strategy (2015), the Bay remains a primary area of India's maritime interests.¹⁸ This also opens up greater avenues for naval cooperation with Japan and other neighbouring countries, aimed at protecting freedom of navigation and free flow of trade in these vital waters. It may also call for India to engage in building the capacity of neighbouring countries in the areas of maritime law enforcement, security and training.

Conclusion

It is evident that the BIG-B plan goes beyond just economic issues and incorporates geopolitical elements. Japan wishes to replicate its philosophy of sustainable development from its earlier experiences. However, the plan comes with many challenges like administrative inefficiencies, corruption and terrorism which need to be overcome.

The use of foreign aid as a tool has been a significant element of Japanese foreign policy. It is true that any kind of foreign aid fulfills national interests but the aid received in accordance with the BIG-B plan has geopolitical objectives and this has been a marked change in their nature of aid towards Bangladesh. China and Japan are both trying to increase their influence in the region which is emerging as one of the world's largest potential markets.

The BIG-B plan has significant implications for India as it would be beneficial for India's Act East Policy and for multilateral forums like the BIMSTEC and MGC initiative. An increased network of ports and ISL in the Bay of Bengal would benefit the proposed VCIC and lead to greater integration of Indian economy with Asia. Due to possible rising security threats in the Bay region, there is scope for collaboration in capacity building between the India and Japan.

BIG-B is an ambitious project by Japan in Bangladesh to fulfill economic goals and to establish its geopolitical influence in Asia. It promises to further elevate Japan's international stature as a significant contributor of international peace and stability through its ODA plans to underdeveloped and developing nations and fulfilling its national strategic interests at the same time.

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