

## BANGLADESH: ARE GEOPOLITICAL PLATES SHIFTING IN SOUTH ASIA?

By Mariam Qureshi

Sheikh Hasina Wajid, the longest-serving female head of government, resigned on 5 August 2024 following widespread demonstrations and unrest in Bangladesh. The political upheaval, which brought an end to the fifteen-year-long rule of Awami League, is paving the way for an alternative approach to government. While an interim government has been formed under Muhammad Yunus, it is certain that this shift will have lasting implications for regional and international stability.

Bangladesh's development has historically been a remarkable success story. After independence in 1971, U.S. Undersecretary of State for Political Affairs Ural Alexis Johnson termed it an '[international basket case](#)' due to its bleak economic outlook following the Bangladesh Liberation War. Bangladesh defied the odds, improving its economic and human development indicators and performing remarkably well within the region. According to the World Bank, the [female literacy rate](#) stood at 74% as of 2021, higher than both India (69%) and Pakistan (46%). [Life expectancy](#) is 74 years, surpassing India (68) and Pakistan (66) once again. The total [female labor force participation rate](#) is 32%, considerably higher than both India (29%) and Pakistan (23%). Bangladesh has also performed relatively well in its degree of [urbanization](#). In 1960, only 5% of its population lived in urban centers, lower than India (18%) and Pakistan (22%). By 2023, 40% of the Bangladeshi population resides in urban centers, higher than both India (36%) and Pakistan (38%). Its economy has maintained an average [growth rate](#) of almost 6% since the 1990s.

With a GDP of \$460 billion, Bangladesh is the 35<sup>th</sup> largest economy in the world and is projected to become the 28<sup>th</sup> largest by 2030, with hopes of exiting from the [UN's list](#) of least developed countries by 2026. Bangladesh's some 165 million population makes it the 8<sup>th</sup> most populous country in the world, with a [median age](#) of nearly 29.6 years, comparable to India (29.8 years) but slightly higher than Pakistan (22.9 years). The youth bulge presents an opportunity to harness labor potential and boost economic growth. Despite an overall moderate [unemployment](#) rate of 5.2% in 2022, youth unemployment has surged to more than 15% a year later. The Bangladeshi government faces the challenge of [youth labor underutilization](#) where the supply of recently graduated youth surpasses job opportunities available. Compounding these issues is a rising [inflation rate](#): it nearly doubled between 2022 and 2023, worsened by the post-pandemic cost-of-living crisis, fuel and electricity price hikes, and frequent power cuts. These have fueled an increasingly discontented youth population.

This phenomenon is not uncommon in developing countries. It is argued that Bangladesh's overreliance on raw materials and disproportionate reliance on the textile industry prevents the economy from expanding to create job opportunities in other sectors. However, it may be viewed as a phase in the [industrialization process](#), where industries slowly expand from consumer goods to capital goods, following a trajectory of initially importing, then producing locally, and eventually exporting. But of course, these challenges are magnified when the government is accused of rampant corruption in key sectors, such as the judiciary, bureaucracy and armed forces, which stifle development. For example, when corruption became evident in the building of the [Padma Bridge](#), the World Bank pulled out its \$980 million loan. The recent 2024 elections were allegedly rigged by the Awami League, with accusations of voter suppression and low turnout. Questions regarding the fairness and legitimacy of democratic processes have driven public resentment, as many felt that their sentiments (and taxes) were not adequately addressed.

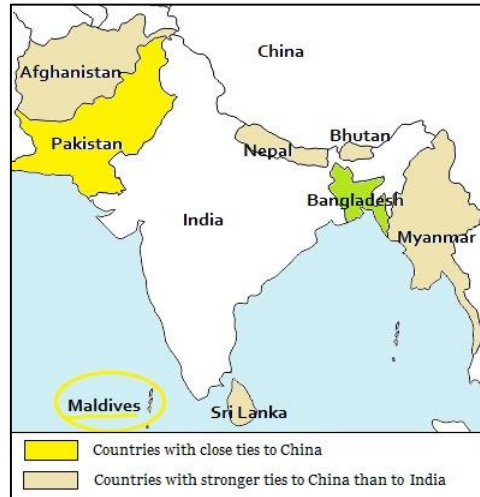
### **Wajid's Ouster**

Recent policies ostensibly aimed at consolidating the ruling party's power have done more harm than good. When the court [decided to reinstate](#) a controversial condition on the quota system for public sector jobs, students took to the streets to protest. A 30% quota reserved for families of the "freedom fighters" who participated in the 1971 Liberation War is said to disproportionately benefit members of the Awami League – Sheikh Hasina's party which, under the leadership of her father Sheikh Mujib Ur Rehman, was the frontrunner in the war against West Pakistan. The Supreme Court's decision to lower the quota to 25% did not quell protests, as the students demanded Wajid's resignation. They held her responsible for the country's economic turmoil, expressing dissatisfaction with her policies, questioning the legitimacy of the government following dubious elections, and her pro-Indian stance. Finally, with the military shifting support, Wajid was forced to resign, opening an opportunity to realign Bangladeshi regional and international foreign policy.

### **Bangladesh-India Friendship in Crisis?**

Smaller nations within India's regional sphere of influence are caught in a power competition between India and China. Despite India's "Neighborhood First" policy, New Delhi's support for the small states in its backyard pales compared to Beijing's massive military and economic aid, which pushes these states – once closer to India – to now strengthen their diplomatic ties with China. India views the states in its immediate neighborhood as vassal states and attempts to increase its dominance by reducing their autonomy. China, on the other hand, benefits from the anxieties of these small states by offering economic development and security with room for political maneuvering. With China as a less threatening alternative to acquire military and economic support, these countries now balance between the two powers to reduce their dependency.

This has become evident in recent years: a pro-Chinese government in [Nepal](#), rising anti-Indian sentiments in the [Maldives](#) alongside a growing Chinese presence in its exclusive economic zones and the oceanic boundaries, and Bhutan's recognition of China's stake in the [Doklam dispute](#). In Afghanistan, the Taliban stronghold has limited opportunities for Indian influence, and a politically vulnerable Bangladesh is at risk of aligning more closely with China.



Awami League had enjoyed a close relationship with India due to cultural, geographic and historical ties. India provided arms and financial assistance to Awami League and the Mukti Bahini (freedom fighters) during the 1971 Liberation War and housed [12-15 million Bengali refugees](#) in the Indian states of Assam and West Bengal. The huge influx of Bengali Muslim refugees caused alarm to the [indigenous Assamese](#) population who feared the refugees would distort the demographic composition of the region. This has led to persecution of Bengali-speaking Muslims over the decades. They are mockingly called 'Bangladeshis' or treated as illegal immigrants – even though some of them have been living in India since its partition in 1947 or are legal immigrants.

Tensions have also led to anti-Indian terrorist activities in these provinces, with terrorists finding safe havens across the border in Bangladesh. Wajid's government has always extended support to India in this regard: curbing anti-Indian activities occurring on Bangladeshi territory and [extraditing](#) leaders of anti-Indian movements who were found operating from Bangladesh. It was also Wajid's attempt to portray herself as a secularist who was staunchly committed to fighting Islamist elements on her country's soil. However, maintaining this goodwill is increasingly difficult as dissatisfaction grows within both states.

Persecution of Bengali Muslim refugees and illegal Bangladeshis has resulted in social discord. Indian border guards are [accused](#) of killing undocumented Bangladeshis. The severity of this situation has intensified a contentious issue in Indian domestic politics. To address this issue and fulfil a major electoral promise, the Modi government created the

[National Register of Citizens \(NRC\) in 2019](#). The NRC was used as a political tool by Modi's government to threaten the deportation of all Indian Muslims, regardless of ethnicity, who are unable to produce satisfactory legal documents. This, together with the [anti-Muslim](#) rhetoric of the Modi government, has spurred anger within the Bengali-speaking Muslim majority population of Bangladesh. Assaults on the minority Hindu community in Bangladesh have occurred, despite the protection provided under the Awami League's rule. With Wajid ousted, the Hindu community is more vulnerable to attacks by [angry mobs](#). Since her resignation on 5 August, [Hindu](#) households, [reports](#) show that temples and businesses have been targeted in at least 200 attacks across 52 districts in Bangladesh.

The political turmoil has created an opportunity for the Awami League's rivals, the controversial Jamat e Islami and Bangladesh National Party (BNP), who have been historically aligned more closely with Pakistan than with India. In fact, the leader of the BNP, Khalida Zia – who was released from house arrest immediately after Wajid's resignation – [stated](#) that cordial relations between India and Bangladesh could be jeopardized if India continues to harbor Wajid. These issues, which could be a bone of contention for Bangladesh and India, are seen as strategic opportunities ready to be exploited by China.

### **An Opportunity for China**

In principle, Beijing is usually displeased when a government is overthrown by a popular uprising. However, in this case, the potential benefits of the situation in Bangladesh may outweigh their concerns. China has worked to [improve its strategic partnership](#) with Dhaka. Over the past decade, India and China have made a series of investments and offered loans for infrastructure and development in Bangladesh, with China's economic might outmatching Indian offers. [In 2016](#), when India offered a \$2 billion credit to Bangladesh, China countered the offer with a [\\$40 billion investment](#), of which \$24 billion was a development loan. Similarly, when India failed to uphold its promise of delivering COVID-19 vaccines, China stepped in to fill the gap.

30% of Bangladeshi's [imports](#) are from China, compared with 14% from India. China granted duty-free access to its markets for 97% of Bangladeshi products. It has also increased its military hardware supplies and direct [investments in the country](#). Both countries are now deepening engagements so Bangladesh could benefit from China's Belt and Road Initiative (BRI) projects. Nine infrastructure projects, including the Padma Bridge project, are included in China's BRI. Bangladesh erred on the side of caution by negotiating a low [interest rate](#) of 1.23% and balancing Chinese investment loans with those received from India and Japan. The development of Bangladeshi ports and an overland economic corridor will also provide China with access to the Bay of Bengal and the Indian Ocean. This access, which could serve as an alternative to the Strait of Malacca, holds significant geostrategic importance, heightening India's concerns.



The tug-of-war between India and China over economic investments in Bangladesh does not always benefit Bangladesh. Dhaka has been forced to shelve or suspend many projects. The Sonadia [deep-sea port project](#) in the Bay of Bengal in 2020 was suspended over India's security concerns that it may give China closer access to Indian territory. More recently, India and China's efforts to invest in the Teesta River – which originates in India and flows into Bangladesh before merging with the Brahmaputra River (which originates in Tibet and runs through the three states) – have placed Dhaka in a difficult position.

Historically, Dhaka and New Delhi have had disagreements over the river. Dhaka accuses New Delhi of usurping its riparian rights, leaving it vulnerable to drought and floods. In 2016, China offered \$1 billion to enhance water storage and management and mitigate flood risks along the Teesta River. In 2024, India counter-offered – putting Dhaka in a tough spot. Although Indian investment comes with the opportunity to collaborate over a contested issue between neighbours, it also risks jeopardising relations with China. With Bangladesh's political future uncertain, such decisions could chart the course of future regional engagements with both powers.

### **Bangladesh between the U.S.-China Competition**

Growing Chinese influence in Bangladesh unsettles the United States. The U.S. [raised concerns](#) over censorship, restriction on free and fair elections, politically motivated arrests,

disappearances and extra-judicial killings during Wajid's tenure. Robust steps were taken to push for a more democratic approach. Sanctions were given to the anti-terrorism and anti-crime unit of Bangladeshi Police and the Rapid Action Battalion (RAB). A policy to impose visa restrictions on individuals found interfering with the 2024 Bangladeshi elections was adopted

At the same time, the [U.S. sees Bangladesh](#) as vital for its Indo-Pacific Strategy, primarily due to Bangladesh's geostrategic location, which serves as a [connection between](#) South and Southeast Asia. The Quad – comprising United States, Japan, India, and Australia – was specifically built to counter Chinese influence in the region. [China views](#) the Quad as a “military alliance aimed against China's resurgence” and warned Bangladesh that its sympathy for the American Indo-Pacific region could create difficulties for the China-Bangladesh relationship.

Bangladesh has formally maintained its neutral stance. But in March 2023, Dhaka released its own Indo-Pacific Outlook, a document which tacitly mirrored U.S. objectives for a free, secure and peaceful region and most significantly stressed coordinated efforts for economic, technological growth and development. The United States is Bangladesh's top export destination, accounting for 18% of its total exports, with Washington's allies – Germany and the United Kingdom accounting for 24% as of 2022. Japan is Bangladesh's [top development partner](#) and a major source of FDI. [In 2022](#), Japan agreed to a \$1.23 billion investment in metro rail projects and over \$100 million in other development projects. Bangladesh's exports to Japan amounted to \$1.7 billion in 2022. Bangladesh's Indo-Pacific Outlook is a welcome first step in engagement with the U.S. For example, the U.S. needs Bangladesh's cooperation regarding the Myanmar refugee crisis as Dhaka plans to repatriate Rohingya refugees to their homes.

While Bangladesh seeks trade and investment opportunities with the U.S. and its allies, it may not be ready to risk its relationship with China. It remains to be seen how willing new leadership will be in oscillating towards India in the region. Nonetheless, this marks only the beginning of a new political process. While the resignation of Sheikh Hasina Wajid is a turning point in Bangladesh's own future, it is deeply connected to the rapidly shifting geopolitical tectonic plates in the wider region.

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