

A Recent Development in US-Bangladesh Trade Relations

Anowar Zahid

Faculty of Law, Universiti Kebangsaan Malaysia (National University of Malaysia),
43600 Bangi, Selangor, Malaysia

Abstract: On 25th November 2013, the United States of America (USA) and Bangladesh signed an agreement “Trade and Investment Cooperation Framework Agreement” (TICFA) to remove barriers to and explore opportunities for bilateral trade and investment. This note provides a summary of the agreement along with a brief background. It further reflects on the merits of this development in the context of both countries geo-political and economic interests.

Key words: United State of America, agreement, trade, development, Malaysia

INTRODUCTION

Background; floatation of US-Bangladesh working group for bilateral economic relation: In 2010, the US-Bangladesh working group was launched at the US Chamber of Commerce. Primarily, its aim is to promote bilateral dialogue between business and government leaders (Overby, 2013) with a view to improving bilateral relationship in trade and investment. It is asserted that this will help Bangladesh achieve a middle income nation status through mutual business called the “Vision 2021”. At the same time, the US will gain corporate growth, job creation and acceleration of export business. The working group identified a number of issues for Bangladesh to address and put forward necessary recommendations for policy reforms that include the following:

- Improvement of the rule of law and regulatory system ensuring safe foreign investment and trade and efficient contract enforcement and dispute settlement
- Ensuring efficient and transparent bidding for procurement of infrastructure-aviation, energy, rail, health care, water which are essential for people’s quality life
- Implementing domestically the Cape Town Treaty 2001 and the related Aircraft Protocol which Bangladesh has acceded to for easy financing of the ownership of aircrafts as that will earn her foreign currency by promoting tourism
- Providing equal footing to all original equipment manufacturers to participate in tenders for oil and gas related projects and amelioration of deep water terms

- Extending assistance to Insurance Development Regulatory Authority (IDRA), the newly created body to build regulatory capacity for the implementation of the Insurance Act 2010 by drafting and issuing regulations under it and thereby to improve the insurance industry
- In tandem with regulations that permit foreign companies to remit funds outside the country for print and mass media advertisement, allowance of the same for internet advertisement
- Reduction of tariffs to regional standards and adoption of internationally accepted testing procedures for imported products
- Upgrading workplace health and safety laws and implementing them in collaboration with the national and local governments, garment manufacturers, the international labor organization and other stakeholders
- Expansion of trade between Bangladesh and the US which will bring positive change in the former’s citizens instead of constricting the trade

TICFA: A BILATERAL AGREEMENT TOWARDS TRADE AND INVESTMENT COOPERATION

Side by side of the policy reforms, the working group suggested for the establishment of two dialogue forums-one between Bangladesh-US business communities and the other between the two governments to discuss the opportunities and barriers in the field of bilateral trade and investment. The second proposed forum came into being on 25th November 2013 when Acting Deputy US Trade Representative Ms Wendy

Cutler and Bangladesh Secretary of Commerce Mr Mahbub Ahmed signed the “Trade and Investment Cooperation Framework Agreement” (TICFA) in Washington (Office of the US Trade Representative, 2013a, b). TICFA in its preamble, seeks a mechanism of dialogue a forum that will consist of representatives from both sides to undertake the abovementioned interaction for economic cooperation toward bilateral interests.

TICFA contains seven articles. Article 1 expresses the parties (US and Bangladesh) desire to create an attractive investment environment in both jurisdictions. It also asserts to enlarge the trade by increasing the market size as well as the number of products and services. Articles 2, 3 and 4 form the core of TICFA. Article 2 establishes the desired forum “United States-Bangladesh Forum on Investment and Trade”. The Bangladesh side will be chaired by the Ministry of Commerce while the US counterpart by the Office of Investment and Trade. Article 3 enumerates a number of duties of the forum. First of all, they shall oversee the trade and investment relations between the two countries and then look for their further expansion. Then, as part of their plan to expand the market, the forum shall take into consideration specific matters of interest in this given field. In doing so, they may come across issues hindering the attainment of their goal. They are obligated to identify those hindrances and strive for their removal. To accomplish their research, the forum must consult the private sector and civil society where appropriate. TICFA further provides (in Article 4) that either party may bring up a matter related to bilateral business for consideration by the forum. In that case, the forum shall deal with it immediately. If however, a party takes an action with regard to a matter and it may adversely affect the other party’s interest, the first party is under obligation to put up the matter to the forum for consideration.

Thus, TICFA is a legally binding document toward the facilitation of international trade and investment between the US and Bangladesh. This is in line with similar agreements the US has signed with many other states such as Algeria, Angola, Bahrain, Egypt, Ghana, Liberia, Mauritius, Nigeria, Oman, Qatar, Saudi Arabia, Switzerland and United Arab Emirates. Though the names of these agreements are different, all have the same purpose, namely “improving cooperation and enhancing opportunities for trade and investment” (<http://www.ustr.gov/trade-agreements/trade-investment-framework-agreements>). In this view, TICFA may be considered as an important initiative for economic cooperation between the US and Bangladesh.

CONCLUSION

China is an emerging economic power and a competitor for the US. The former may expand its influence in the Asia-Pacific region which the US may not want to happen. For this reason, she has developed a friendly relationship with India. And Bangladesh being the closest neighbor of and geographically surrounded by India from three directions (East, West and North), neither India nor US may want Bangladesh to be a trade partner of China or any other competing power. Though, TICFA is basically a bilateral dialogue-treaty to promote investment and trade, it legally creates obligations for both sides to discuss opportunities and concerns in this respect and to find ways to address issues and enhance their relationship. In this way no third state has any opportunity to enter into a deal that may go against the interest of these two parties. This will of course, hamper the promotion of multilateralism which was advocated by the US herself at the aftermath of the second world war. However, given her present geo-political and strategic interests, the US may not make any compromise in this respect.

On the other hand, Bangladesh given her geographical location, should have friendly relation with India. In addition, Myanmar has not proved herself, so far as a good neighbor for Bangladesh. Under the military rule especially, there has been genocide against her Muslim population. A great number of them has been pushed into Bangladesh alleging that they were of Bangladesh origin. In the recent past with a number of alleged casualties, Myanmar army was on ready-to-fight state along the border with Bangladesh (Aung, 2014). This is of course, an independent topic by itself. At this backdrop, Bangladesh must have India and the number one super power, the US, beside her. This may be another reason for Bangladesh to sign the treaty in addition to the economic and commercial benefits.

However, the benefits in question are not above critique: who, Bangladesh or the US, would be more benefitted from this treaty than the other? (Khan, 2013; Rashid, 2013).

REFERENCES

- Aung, S., 2014. Burma plays diplomatic card to diffuse Bangladesh dispute. June 1, 2014. <https://www.dvb.no/news/burma-plays-diplomatic-card-to-resolve-bangladesh-clashes-myanmar/41137>.
- Khan, M.T., 2013. TICFA US bilateralism and Bangladesh. Dhaka, November 13, 2013. <http://kathakata.com/archives/1036>.

- Office of the US Trade Representative, 2013a. Agreement between the Government of the United States of America and the Government of the People's Republic of Bangladesh on trade and investment cooperation forum. <https://ustr.gov/sites/default/files/US-Bangladesh%20TICFA%20November%2025%202013%20English.pdf>.
- Office of the US Trade Representative, 2013b. Trade and investment framework agreements. <https://ustr.gov/trade-agreements/trade-investment-framework-agreements>.
- Overby, T., 2013. The United States and Bangladesh toward the future: Policy recommendations to strengthen the U.S.-Bangladesh commercial relationship. US Chamber of Commerce. https://www.uschamber.com/sites/default/files/legacy/international/files/020706_Bangladesh_Report_final.pdf.
- Rashid, H.U., 2013. Merits and demerits of TICFA for Bangladesh. <http://www.dhakacourier.com.bd/?p=14860>.