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## **THE MARINE DIMENSION OF HUMAN SECURITY: IMPLICATIONS FOR BANGLADESH**

### **Abstract**

The paradigmatic shift in the concept of security now puts more stress on human security related to welfare of mankind in several ways. The concept of human security is a theme on which the research in an on-going process. Various political scientists, sociologists, economists, environmentalists, security and defense experts and the like are trying to study it from different angles, all with the purpose of better conceptualizing the concept and as well for finding out the means for making it more operational on ground. Interestingly, the concept is also being studied from a perspective that tries to link it with the other contemporary themes like globalization, human rights regime, environment regime, the phenomenon of collapsed state etc. In this respect, one notices very little efforts being expended to understand the concept from an oceanic perspective, notwithstanding the fact that the issues related to human security in the terrestrial environment find their relevance in the ocean medium too. However, such indifference to the marine dimension of human security cannot remain a long lasting phenomenon as the position of 'global oceans and seas' is currently in a state of crisis with impact on food security, health security, environmental security, personal security, community security of the individuals that depend on the ocean for their livelihood and sustenance. The management of oceanic affairs is a complicated task as ocean is a medium different from that of land. However, ocean governance is crafted in a manner that is capable

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of meeting many challenges that the oceans face at present. From human security perspective, meeting such challenges means prosperity and wellbeing of mankind. Bangladesh as a maritime nation also faces numerous critical human security problems in its maritime zone. It is, therefore, an imperative for the country to confront such challenges in line with the contemporary ocean governance.

**Key Words:** Human Security, Ocean Governance, Marine Environment, UNCLOS, Globalization

### Introduction

In contemporary security discourse, the concept of human security<sup>1</sup> has emerged out of a paradigmatic shift from traditional security to a comprehensive one. While the former relates to an excessive state-centric notion of territorial security from military-defense angle, the latter includes within its fold a wide range of issues related to the well-being and safety of the people. Towards this end, human security, in comprehensive terms, includes protection of human being not only from traditional military threats but also from a variety of economic, social, ethnic, epidemiological and environmental threats.<sup>2</sup> It should be mentioned that the concept of human security is a theme on which the research is an on-going process. Various political scientists, sociologists, economists, environmentalists, security and defense experts and the like are trying to study it from different angles, all with the purpose of not only better conceptualizing the term, but as well for making it more operational and achievable on ground. Interestingly, the concept is also being studied from a perspective that tries to link it with the

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<sup>1</sup> For a comprehensive overview of the concept of human security, see S. Alkire, 'Conceptual Framework for Human Security', Background Document, Commission for Human Security, available online <http://www.humansecurity-chs.org/doc/frame.pdf>, accessed on 30 March 2003. Also see, the Commission for Human Security's documents and publications, available online <http://www.humansecurity-chs.org/doc/index.html>, accessed on 16 February 2003.

<sup>2</sup> Human Security, Center for Global Partnership, available online [http://www.cgpp.org/cgplink.programs/security\\_priorities.html](http://www.cgpp.org/cgplink.programs/security_priorities.html), accessed on 04 April 2002.

other contemporary themes like globalization, governance, human rights regime, terrorism, collapsed state etc. In this respect, one notices very little efforts being expended to understand the concept from an oceanic perspective, notwithstanding the fact that the issues that are related to human security in the terrestrial environment find their relevance in the ocean medium too. While, bits and pieces of works on sustainable development in the oceans, in particular, in the post-Rio period,<sup>3</sup> make allusion to human security in the oceans, a direct comprehensive work on the subject is still lacking.

Any indifference to the marine dimension of human security, however, cannot remain a long lasting phenomenon. This is because various human security issues as identified in the land like food security, health security, environmental security, security against violence, crimes, political disorder and instability etc. also find their presence in the oceanic domain. In this connection, a fresh reappraisal of the importance of oceans is to be made not only in view of its ability to support and sustain the earth life system by providing many vital resources like food, energy, commerce, medicines and recreation, but also in terms of its linkage with the world climate system, the increasing interdependence among the nations and the world security at large.<sup>4</sup> The reappraisal, at the same time, behooves one to take into due consideration several critical factors that are likely to affect the resource base and the carrying capacity of the oceans like the growth in the intensity of ocean activities, the competing and conflicting claims of several users over

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<sup>3</sup> It may be mentioned that the programme area of Chapter 17 of the Agenda 21 of the Rio Summit for the first time talks about integrated marine and coastal planning within a sustainable framework of development with emphasis on various human factors. See for details, Tullio Treves, 'The Protection of the Oceans in Agenda 21 and International Environmental Law', in Luigi Campiolio, Laura Pineschi, Domenico Siniscalco, Tullio Treves (ed), *The Environment After Rio : International Law and Economics*, Trotman/Martinus Nijhoff, London, 1994, pp. 161-171.

<sup>4</sup> It may be noted that in the US, one out of every six jobs is marine related, and one third of the country's GDP is produced in the coastal zone through fishing, transportation, recreation and other industries. The country's national security and foreign trade are also dependent on oceans. *National Ocean Conference*, Naval Post Graduate School, Monterrey, California, June 11-12, 2001.

the same ocean resources, the deterioration in ocean health as a consequence of pollution from different sources, the release or deliberate dumping of extremely hazardous wastes, the increasing pressure on the coastal areas due to increase in population, the possibility of extracting marine resources due to development in science and technology, and finally, the occurrence of various types of crimes in the oceans with adverse impacts on ocean order and stability.

In the light of the above, the relevant questions that may be raised are: Where lies the rationale for applying the human security concept in the ocean medium? What would be the most appropriate human security issues to be applied in the oceans? Does the concept, in the ocean domain, face the same dilemma as in the terrestrial domain with respect to its comprehensiveness? How does the ocean governance meet the challenges arising out of the various human security issues of marine nature? What implications does oceanic perspective of human security have for Bangladesh? An attempt to address these questions will be taken up in the four successive sections in the paper with a conclusion at the end.

### **Section I: Human Security from an Oceanic Perspective: Finding Out its Rationale**

Human security in the oceans has as much relevance as in the terrestrial domain. In this connection, an attempt to transpose the land based human security issues in the oceans would not, probably, be without its rationale as it would reveal a similarity not only in the issues concerned, but as well in the challenges and problems in addressing them. Despite this, human security as an adjunct to the traditional state-centric military and territorial security within specific terrestrial socio-economic, political and cultural conditions has met with very little efforts by the security community in transposing it in the oceans and seas. The reasons for this are not far to seek. *Firstly*, the primary activities of humankind, i.e., political, geo-strategic, economic, social, cultural etc. are essentially land based where the ocean related issues weigh less, notwithstanding the fact that the oceans that cover three-fourth of the planet contribute significantly to the world's economy, determine its climate, and plays an important role in international security. While such

indifference to the oceans may be explained by mankind's basic preoccupation at land, the fact to explain it more concretely is the general tendency of the national states to keep their oceanic affairs at the periphery of their concerns. As Elisabeth Mann Borgese remarks, “ (...) in the majority of countries ocean affairs does not represent a central concern but a matter subsidiary to other activities having higher priority. Thus, its political stature is generally low, which translates into the location of the activity at a low level within the governmental hierarchy as well as into certain patterns of resource allocation (limited personnel and low levels of funding)”.<sup>5</sup> *Secondly*, the concept of security is basically linked with some of the attributes associated with nation-state i.e., sovereignty and territoriality.<sup>6</sup> As a result, each of the nation-states tends to look at its security issues and interests within a well defined geographical space so as to identify, if possible quantify, the magnitude of threats to its security and the means needed to deter it. Thus, an extended version of security to encompass so many issues and problems as well need a spatial demarcation, which in the ocean arena, faces difficulties due to the absence of attributes as understood in Westphalian sense. *Thirdly*, in the oceanic domain, the prevailing concept of maritime security is very traditional in nature and overlooks the fact that various low intensity conflicts can directly or indirectly affect the life and wellbeing of the people. *Lastly*, there is the absence of human factor in the management of marine and coastal resources. This is because the managers and policy fail to incorporate social, economic and political imperatives of the people in their development package. This is explained by no other fact other than their dependence on biological and physical sciences coupled with interest/greed in/for resource only.

The indifference to the marine dimension of human security could not remain a long lasting phenomenon in view of the importance that the oceans and seas bear for mankind. However, in

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<sup>5</sup> Elisabeth Mann Borgese, *Ocean Governance and the United Nations*, Centre for Foreign Policy Studies, Dalhousie University, Halifax, Nova Scotia, Canada, 1996, p. 152.

<sup>6</sup> See for details, 'Ocean Perspectives: Legal', in Elisabeth Mann Borgese, *The Ocean Circle: Governing the Seas as a Global Resource*, UN University Press, New York, 1998, pp.109-131.

the space of only a few decades, the world oceans and seas have become the site for an expanding list of problems. For example, the world fisheries on which about a billion people mainly in developing countries depend for their major source of food, income and livelihood are now in crisis leading to serious adverse conditions for those who depend on it directly or indirectly.<sup>7</sup> Similarly, the contamination of sea water by different pollutants has, in recent years, precipitated a crisis in ocean health with massive global implications.<sup>8</sup> The marine environment is now in crisis with serious threats to its bio-diversity and eco-systems. Also, in recent years, various types of maritime crimes have attained their intensity due partly to modern information technology and other sophisticated means. While these and other issues may have connection to oceans and implications for human security, one needs to take cognizance of certain developments at the operational and institutional level to transpose the concept of human security in the marine domain.

At the operational and institutional level, it is the UNCLOS (1982) that as a constitution of the world's oceans and seas draws out several parameters for preservation and conservation of marine resources, prevention of marine degradation, undertaking scientific and technical research, peaceful use of the oceans etc. From human security perspective, the Convention's greatest contribution is, perhaps, the incorporation of 'Common Heritage of Mankind' as an embodiment of new social, political, economic and philosophical

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<sup>7</sup> The last decade has seen the end of 40 year fishing boom. The worldwide catch increased more than four times over between 1950 and 1989, but has since stayed at around the same level. In 1997, 86 million tones of fish were caught at sea. Then, there was a sudden boom in 2000. According to FAO Report, about 95 million metric tons of fish were caught in 2000. This would be about the same as filling 37,000 Olympic sized swimming pools with fish (Ocean News, Issue 6: Sustainable Fisheries, A Newsletter from the Public Education Program of the Bamfield Marine Center). The boom ended because it went too far. The leveling off is mainly the result of over-fishing resulting therefore in fish crisis.

<sup>8</sup> Crisis in ocean health refers to the disturbance in the normal physical and-biological composition of the oceans and seas needed for sustaining a wide variety of oceanic resources, both living and non-living.

ideas for mankind's welfare.<sup>9</sup> As Elisabeth Mann Borgese remarks, "As a philosophy, it is indeed ancient and universal. It creates a synthesis between individual and community rights and obligations conceiving human not as 'owner' but as 'steward of earthly goods which he/she has the right and the duty to manage in accordance with commonly agreed standards and with due consideration of the interests of the community as a whole, and, in particular the poorer members of the community'".<sup>10</sup> It is relevant to mention some of the dimensions that make the 'Common Heritage of Mankind' more comprehensive or more human security oriented in nature. *First*, the system of governance and management for the oceans must display a special sensitivity to the needs and requirements of groups and individuals who are disadvantaged by geography, by economic and social circumstances, and by their adherence to traditional methods of resource exploitation. *Secondly*, the oceans should be seen as a domain where institutions and arrangements should contribute to accelerating the pace of social and economic development in the developing countries, including those which are still without the capacity to use and benefit from the resources of the sea and those which do not have access to it by reasons of their geography. And, *thirdly*, systems of governance and management must recognize the legitimate interests of future generations, providing for arrangements through which the interests of the unborn can be articulated and safeguarded. All such dimensions lead to a new approach towards the oceans where the principle of equity with its unique humanistic dimension gained prominence.<sup>11</sup>

However, in the face of dominant ideology that stresses the importance of markets and short-term gains over the longer-term rewards, the philosophical and idealistic viewpoints as enshrined in the UNCLOS needed more practical manifestation to demonstrate

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<sup>9</sup> See Section 2 of Part XI of the UNCLOS (Articles 136 to 148). UNCLOS, Division for Ocean Affairs and the Law of the Sea, Office of Legal Affairs, UN, New York, 1997.

<sup>10</sup> Elisabeth Mann Borgese, *Ocean Governance and the United Nations*, *op.cit.*, p. 172.

<sup>11</sup> *The Ocean Our Future*, The Report of the Independent World Commission on the Oceans, Chaired by Mario Soares, Cambridge University Press, 1998, p. 55.

people's interests towards the oceans and seas. It is nearly after ten years that the United Nations Conference on Environment and Development (UNCED) that took place in 1992 and is popularly known as the 'Earth Summit', quite manifestly attached importance to the world's oceans in few of its Conventions and agendas. Two of the Conventions that were adopted at the summit like the Convention on Climate Change and the Convention on Biological Diversity<sup>12</sup> reinforced many of the provisions of the UNCLOS with respect to the linkage of oceans with climate and bio-diversity, and all these for the welfare of people inhabiting the planet. Needless to mention, the Biodiversity Convention has an important ocean component. The larger part of species live in the sea, not on land. Similarly, the Climate Convention can not be implemented without dealing with the ocean/atmosphere interface which largely determines the climate. However, it is Chapter 17 of Agenda 21 of the Rio summit that is specifically devoted to oceans and the seas. The Chapter identifies few major programme areas with a number of objectives like integrated management and sustainable development of coastal areas, marine environmental protection, sustainable use and conservation of marine living resources of the oceans etc.<sup>13</sup> In all such programmes, there is the clear reflection of the global interest in oceans for improving the people's conditions of life. In brief, at the Rio Summit, a bridge was made between the UNCLOS and the UNCED processes leading in the direction of many human security issues linked directly or indirectly with the global oceans and seas. All such developments point towards a new political, social, and economic order of the 21<sup>st</sup> century where ocean would be of significant importance for the entire mankind.

In the post Rio period, the law of the Sea and various international/regional institutions and arrangements act as mechanisms to regulate the oceanic affairs for welfare of the people depending directly or indirectly on the world's oceans and seas. In particular, in Agenda 21 of the Rio Summit, one finds an enmeshing of concerns, both terrestrial and oceanic in nature. In this sense, the problems of ocean and land space are considered to be closely interrelated and need to be considered as a whole. This creates a

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<sup>12</sup> See for details, *Ibid.* pp.55-58.

<sup>13</sup> *Ibid.* pp. 58-63.

sound rationale for extending the concept of human security to marine domain as many issues of human welfare are linked up with activities that are both terrestrial and oceanic in nature. Also from a theoretical angle, if the enlarged version of human security is invested with the characteristics like: it is universal, its components are interdependent, it is best ensured through prevention, it is people-centered etc., then all such elements would find their bearing in the ocean medium as well. What then are the critical human security issues in the oceanic matrix? The succeeding section addresses the question.

## **Section II: Identifying the Human Security Issues in the Oceans and Seas**

Like in the terrestrial domain where the issues that create fear and want to undermine human security, in the ocean domain too, the factors generating both are present quite transparently. This is because there has been a shift in the basic condition of the oceans from one of apparent abundance to one of growing scarcity and from one of accommodation to one of conflict. Scarcity has been caused due to the growth in the intensity of ocean use and in the number and magnitude of activities that impinge on the carrying capacity of the oceans and on levels of sustainable use. Needless to state, the planet at present is in the midst of marine crisis. Earth's coastal and marine resources and the eco-systems upon which they depend are showing signs of collapse as a result of increasing exploitation of fisheries and habitat degradation.<sup>14</sup> To this is added the phenomenon of wastage through by-catch<sup>15</sup>. Equally gloomy is the marine environment that is being polluted by intense human activities both in the land and seas.<sup>16</sup> Conflicts also abound in the oceans due to increasing

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<sup>14</sup> People, Communities and the Coastal Environment: The 2000-2003 Global Strategy of the World Resource Institute.

<sup>15</sup> Much of what is caught- whether fish, shellfish or other marine life – is thrown away. Every year it is estimated that by-catch of unwanted fish including those thrown back into the sea amounts to 27 million tones world wide.

<sup>16</sup> For details on Marine Pollution, see, 'The State of the Waters', UNEP, available at <http://gesamp.imo.org/np 10>, accessed on 27 August 2002.

competition and conflict over scarce resources.<sup>17</sup> Finally, peace and stability in the oceans is at stake due to the presence of a number of maritime crimes.<sup>18</sup> Non-resolution of a number of maritime disputes, in particular with respect to the delimitation of maritime boundaries also keeps the ocean area charged with tension and misapprehension. All such issues have direct implications for human security when considered from the viewpoint of ‘want and fear’, and can only be addressed once policy planners recognize that the underlying causes of such problems are not mere biological and physical in nature, but are social, economic, cultural, political and institutional in nature.

It should be mentioned that none of the issues that exist in the human security catalogue is irrelevant in case of the oceans and seas. For example, take the case of ‘community security’ as envisaged in famous UNDP definition of human security. One would probably notice that the communities in the coastal zones in many parts of the world with their economic, social, cultural and philosophical values linked to the oceans are now under threat due to the massive migration into and new economic activities in the coastal zones – a phenomenon explained by increasing human dependence on marine resources and global increase in population, poverty and hunger.<sup>19</sup> The displaced persons with their historical linkage with the oceans, thus, are deprived not only of their socio-cultural values, but as well

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<sup>17</sup> Conflicts among multiple users of the ocean and coastal areas as well as among government agencies that govern marine resources are one of the problems most often cited by marine managers, user groups and academic observers around the globe. See for details, Biliiana Cicin-Sain, ‘Multiple Use Conflicts and Their Resolution: Towards a Comparative Research Agenda’, in Paolo Fabbri (ed.), *op.cit.*, pp. 280-370.

<sup>18</sup> The Ocean Our Future, *op.cit.* p. 39.

<sup>19</sup> Due to numerous advantages offered by the coastal and near-shore areas, they have since antiquity been among the most intensively used and abused parts of our globe. About one half of today’s population lives on the sea shores or in their immediate proximity; a variety of industries have developed on a large scale along the coast; the coastal zones are a major recreational area and the basis for expanding tourism, harbors etc. See for details, Stjepan Keckes, ‘Protection and Development of the Marine Environment: ‘UNEP’s Oceans and Coastal Areas Programs’ in Paolo Fabbri (ed.), *Ocean Management in Global Change*, Elsevier Applied Science, London and New York, 1992, pp. 344-360.

of their functional link with the ocean medium in terms of livelihood. This is somewhat tantamount to the dislocation of an ethnic minority from its ancestral land, and hence a gross violation of human rights and an encroachment on community security. Also coming to the minutest point of personal security as envisaged in the UNDP, it would be found that it is equally applicable in case of the oceans. The idea of risk management which is now being floated in the context of integrated coastal management is basically an endeavor to ensure personal security.<sup>20</sup> While space limitation would not permit an elaborate discussion on the relevant human security issues pertaining to the oceans, two most serious ones, marine environmental degradation and political disorder in the oceans will be taken up for detailed discussion below in two sub-sections. The *raison d'être* for the selection is their direct relevance to Bangladesh as would be discussed in Section 4.

### ***Marine Environmental Degradation***

In contemporary world, degradation of marine environment has become an issue of serious concern in virtually all the oceans and seas of the world. While in most generic sense, marine pollution is believed to be caused by plastic litter, other litter such as glass bottles and cans, oil and chemical spills or polluted storm-water drains and rivers flowing into the sea, a very approximate estimate of the relative contribution of all potential pollutants from various human activities entering the sea could be summarized as below. This demonstrates that human beings themselves are responsible for diminution of their welfare to be derived from the world oceans.

<b><u>Source</u></b>	<b><u>% Contribution</u></b>
Off-shore production	1
Maritime transportation	12
Dumping	10
Sub-total ocean based sources	23
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Run-off and land based discharges	44
Atmosphere	33

<sup>20</sup> Management of an individual's vulnerability to natural hazards and risks economically, socially and environmentally.

Sub-total land based sources

77

**Total All Sources****100**

The relative contributions from each source are different in different sea areas, as these contributions depend on the degree of industrialization, the density of population, the extent of off-shore activities and other factors. What is, however, important to note is that the oceans can no longer be considered to be existing in isolation from the land. The health of the ocean has deteriorated significantly as a consequence of the pollution caused by land-based activity which is carried to the sea not only by rivers but also by the atmosphere. Of the many thousands of chemicals that are used for different purposes, most end up in the oceans, and overall, around 77% of marine pollution is estimated to have its origins on land, indicating that oceans and lands are closely interlinked. In addition to this traditional way of polluting the marine environment, the oceans are threatened by the release of deliberate dumping of extremely hazardous wasters, such as pesticides, heavy metals and radioactive residues, by risks associated with the carriage of plutonium and dangerous chemicals, and by the possibility of accidents involving nuclear warheads or nuclear powered vessels. All such activities are now being considered as falling within the category of 'eco-terrorism', and are considered not only as crimes against ecology but also against humanity. Many have also termed it as a 'low intensity conflict' in the oceans.

Deterioration in ocean health due to marine pollution has negative impacts in the form of ecological damage, destruction and alteration of marine habitants, loss of fisheries, increasing eutrophication<sup>21</sup> and changes to hydrology and the flow of sediments. Various pollutants decrease the carrying capacity of the oceans and inhibit sustainable use of the oceans. Many fishing grounds that were formerly very productive have now become seriously depleted and

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<sup>21</sup> Eutrophication is the phenomenon observed in the bodies of water that receive large influxes of nutrients due to agricultural runoff or urban waste disposal. It is characterized by blooms of either green or blue-green algae (often noxious smelling) and by a drastic reduction in dissolved oxygen which makes impossible for many species of fish and marine life to live in water.

some habitats have been irreversibly destroyed. Globally, over one billion people rely on fish and other seafood as their main source of animal proteins, and with the growth of world population and the resulting pressure on sea fishes and marine resources in the coming decades, the coastal states are likely to fall in a 'vicious circle of scarcity' causing a decline in human security of those that depend on the seas directly or indirectly. The coastal communities, in particular will be the most vulnerable victims of such scarcity.<sup>22</sup> Needless to state, many such communities that have, for generations, been dependent upon the sea have not only lost their sources of livelihood, but also the meaning to their lives. Doubt and suspicion loom large as to what extent the current trends towards globalization, unfettered liberalization, open markets, consumption pattern *à l'occidentale* etc. would address this problem of true scarcity of resources. More dismaying is the fact that the current world-wide structure of property rights, taxes and subsidies has encouraged overuse of coastal and marine resources thereby placing resources and people under intolerable stress.<sup>23</sup>

From the perspective of human security, it is essential to know that since 71% of the Earth's surface is covered by the oceans and that approximately 60% of the human population lives on or near the coast, ocean health and human health are inextricably related. 'Recently, however, these linkages have become more conspicuous to scientists with the precipitous decline in the health of the ocean themselves'.<sup>24</sup> While the links between human and ocean health often draw the public attention via local events such as beach closures and seafood contamination from sewage, but the geographic

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<sup>22</sup> With the increase in world population, world economy and world trade, there has been a corresponding increase in the demand for marine and coastal resources. According to the World Resources Institute, at least two thirds of the planet's human population lives close to the coastline, the number is expected to reach three quarters by 2025. See for details, John Temple Swing, 'What Future for the Oceans?', *Foreign Affairs*, Volume 82, No. 5, September/October 2003, pp. 139-152.

<sup>23</sup> Abul Kalam Azad, 'Degradation of Marine Environment in Southeast Asia: A Study of Conflict and Cooperation and Lessons for South Asia', *BISS Journal*, Volume 27, No. 2, 2006, p. 118.

<sup>24</sup> 'Ocean Health and Human Health', Guest Editorial, *Environmental Health Perspective*, Volume 112, Number 5, April 2004, pp. 1-2.

scale of the ocean health on human health is global, reaching even remote human populations. This is due to direct consumption of fish and seafood contaminated by various effluents mentioned above. Dependence on a seafood diet is particularly higher in coastal than in inland areas. The consumption of large quantities of fish raises the issue of potential exposure to harmful natural and anthropogenic contaminant in sea food. These toxicants in the aquatic food chain are threatening all fishing communities that still rely on seafood for their subsistence. Therefore, the choice for those people who regularly consume sea food is increasingly a balance between the nutritional versus detrimental aspects of seafood. All around the world, it is estimated that marine contamination related diseases from bathing and seafood consumption are responsible for more than 3 million disability-adjusted years (based on premature death and years of loss of health) per year, with an estimated economic impact of US\$ 13 billion.<sup>25</sup> Some of the diseases caused by intake of contaminated sea food are skin disease, nausea, respiratory problems, memory loss, with fatality rates exceeding 10% in some cases. In the warmer oceans, there is the risk of cholera from consumption of contaminated fishes and other seafood. It is quite ironical that while alarms have been sounding about the health of the oceans for some time, most of the discussions have been limited to marine organisms themselves, as if people were somehow divorced from the ecosystems upon which they depend for their health and well-being.

### ***Disorder and Lawlessness in the Oceans***

At present, most of the world's oceans and seas are experiencing political insecurity with disorder and lawlessness being the order of the day in marine domain with serious consequences for human security. From a logical standpoint, political security in the oceans is an established fact in so far as oceans are meant to be used for peaceful purposes so as to guarantee an equitable public order for governing all human activity in the oceans. Towards this end, the 'peaceful use of the oceans' as an universal idea got its first eloquent

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<sup>25</sup> *Human Health and the Oceans*, A Report by FAO-FI.

expression in the very concept of ‘Common Heritage’,<sup>26</sup> that later on was incorporated in the very Preamble to the UNCLOS in the following words, ‘promoted by the desire to settle, in spirit of mutual understanding and cooperation, all issues relating to the law of the sea and aware of the historic significance of this Convention as an important contribution to the maintenance of peace, justice and progress for all peoples of the world’.<sup>27</sup> However, in a Hobbesian world of conflict that embraces the oceans too, translating the peace, order and stability, as envisaged in the UNCLOS, into a reality has been a daunting task. The great maritime powers had the *carte blanche* in their hands to define their specific security interests in the seas on such grounds as historical claims, geo-strategic interests, commercial interests etc. In the process, maritime security was manipulated by few as being strictly state-centric in nature, and in the circumstances, other aspects of security were more or less neglected. However, a complex set of factors soon caused a change in the traditional outlook towards maritime security. Not only that the concept was more broadened but that concern towards it became more intense.

Thanks to UNCLOS, a significant number of maritime states, even small ones have acquired large adjoining maritime areas as zones of their responsibility.<sup>28</sup> The Convention conferred rights and

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<sup>26</sup> Arvid Prado’s Common Heritage concept put the entire oceanic perspective in a newer form in so far as it introduced the principles of equity and non-property in the oceanic domain. He revolutionized the thinking of politicians, jurists, scientists alike when Seabed and the Ocean floor were declared as Common Heritage to be used and exploited for peaceful purposes and for the exclusive benefit of mankind as whole. Part XI of the UNCLOS entitled ‘Area’ deals with various aspects of Common Heritage in articles 136, 137, 138, 140, 141, 142 complemented by other articles of the Convention.

<sup>27</sup> Elisabeth Mann Borgese, *Ocean Governance and the United Nations*, *op.cit.*, p.182.

<sup>28</sup> Increase in the number of coastal states with maritime interests and the capacity to participate in the international legislative process led both to extension and refinement of coastal state jurisdiction over adjacent seas at the Third UN Conference on the Law of the Sea, a delicate balance being struck among the interests of naval powers, of coastal states, of neighboring states whether landlocked or coastal, and of the international community as

jurisdiction on coastal states for the purpose of managing marine resources in prescribed adjacent maritime zones, and for related economic purposes, and provided for international cooperation in managing marine resources beyond such zones. As a result, keeping the zone free from threats became their new preoccupation that in substance could not be at par with the principle and practices of the great powers. The new jurisdiction over the extended maritime zones also created functional responsibility with due attention to conservation and exploitation of marine resources. The result being that conflicts over resources among multiple ocean users became a new source to threaten ocean political stability. Also, the extension of maritime zones opened up the scope of disputes with respect to delimitation of maritime boundaries. The end of the Cold War also fundamentally altered the context in which the quest for peace and security on the oceans was to take place. As indicated earlier, Chapter 17 of the Agenda 21 of Rio Summit, the UN Secretary General's Agenda of Peace, the Social Summit of 1995 etc. had their respective contribution towards the evolution of new peace concept in the ocean. Perhaps, an important development that most of the states began to witness beginning from the mid-eighties is the new types of threats to political order in the oceans caused mainly by non-state actors.

The above discussion, at least, confirms the broader dimension of maritime security and its shift from the exclusive preserve of few to a vast majority of coastal states. In this context, a new evaluation of the issues affecting political security in the oceans was needed and as well as reconsideration of measures to address them. The relevant questions now are: (i) What then are the destabilizing issues in the oceans?(ii) How to identify them? and (iii) What are their implications for human security?

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a whole, in matters of security, use of the seas for transport and communications for purposes of trade, and marine resources exploitation. See for details, Christopher Pinto, 'Maritime Security and the 1982 United Nations Convention on the Law of the Sea' in *Maritime Security: The Building of Confidence*, UNIDIR, 1992, p.10.

It would be relevant to take into consideration the classification of low intensity conflicts as provided by K.R. Singh.<sup>29</sup> The first is the exploitation of natural resources by unauthorized persons. In this connection, illegal fishing is considered as an act ominous enough to disturb order in the seas. A pointer to the case may be cited by referring to frequent occurrences of illegal fishing in the Bay of Bengal shore of Bangladesh by trawlers from Myanmar. This has not only caused deterioration in the relations between the two states, but in the process caused loss of human lives and property. In effect, illegal fishing is simply one of the facets of illegal exploitation of marine resources. Today, the world's oceans are an open frontier, with everything up for grab by those who possess the biggest and best technologies to extract not only fish, seals or whales, but to exploit oil, energy and other minerals. Such pillage to many critiques is another form of piracy euphemistically terms as post-modern piracy.<sup>30</sup> This has far reaching implications for political security, and hence for human security in the oceans. Pertinent to this, one should take note that since science and technology have largely facilitated the utilization of oceanic resources, the benefits derived from the use of the oceans and from the exploitation of marine resources accrue mainly to nations with the required scientific, technological and financial capacity. This, from a strict human security perspective, raised the issue of equity and highlighted the need for mechanisms that ensure that all nations are able to share in the benefits from the use and exploitation of the oceans for the welfare of their people.

The second form of low-intensity conflict is the deliberate pollution of marine environment, thereby leading to its ecological damage and loss of habitat with serious impact on the ocean health and resources. This has been taken up for discussion in the preceding section. While the two categories of conflicts, as mentioned, may find their occurrence in any segment of ocean starting from territorial sea to the high seas, it is to be noted that even within the territorial

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<sup>29</sup> K R Singh, 'Regional Cooperation in the Bay of Bengal: Non-Conventional Threats - Maritime Dimension', *Journal of Indian Ocean Studies*, March 2000. pp. 1-14.

<sup>30</sup> How a Few Good Pirates can Save the Oceans? available at <http://www.wholeearthmag.com/ArticleBin/175.html> accessed on 25 April 2002.

jurisdiction of a state, conflicts may emerge in the oceanic domain due to quarrel and dispute over numerous resources. In particular, the potential for conflict in the marine environment is more in the limited coastal space due to high population density, diverse marine and terrestrial habitats in close proximity and differing economic and social interests. For example, in many Southeast Asian countries, the rapid introduction of sophisticated fishing technology by private or state controlled companies has seriously disrupted the traditional organizations of small scale fishermen. The over-exploitation of fish stocks by the former has threatened the very survival of the latter as they have lost their traditional fishing jobs and opportunities. Conflict is, therefore, very conspicuous between the two.

The third category is the direct threat to the life and property on board ship or platform or structure in the continental shelf or near the shore. The category has a wide spectrum ranging from ordinary theft to armed robbery, all of which are now placed under the common rubric 'piracy'. While there are several definitions of piracy, it is relevant to look at the concept in the light of article 101 of the UNCLOS and the definition furnished by the International Maritime Bureau (IMB.<sup>31</sup>). It should be mentioned that piracy and armed

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<sup>31</sup> The article defines piracy as consisting of any of the following acts: any illegal acts of violence or detention or any act of depredation committed for private ends by the crew of the passengers of a private ship or a private aircraft and directed. i. on the high seas against another ship or aircraft or against persons or property on board such ship or aircraft, ii. against a ship, aircraft, persons or property in a place outside the jurisdiction of any state, b. any act of voluntary participation in the operation of a ship or of an aircraft with knowledge of facts making it a pirate ship or aircraft. c. any act of inciting or of intentionally facilitating an act described in subparagraph (a) or (b). The IMB has adopted the following definition, 'Piracy is an act of boarding of any vessel with the intent to commit theft or any other crime and with the intent or capability to use force in the furtherance of that act'. See for details, Jayant Anhyankar, 'Piracy Today – An Overview', *Journal of Indian Ocean Studies*, Volume 7, Nos. 2 & 3, March 2000, pp. 140-153. Also see, 'Piracy and Armed Robbery at Sea: The New International Maritime Security Order', Background Paper on Technology Cooperation and Transfer and Piracy and Armed Robbery at Sea, *International Ocean Institute*, Prepared for delivery to UN Opened Ended Informal Consultative Process on Oceans and the Law of the Sea, New York, 7-11 May 2001.

robbery at sea are now new phenomena. What probably makes them dreadful phenomena at present are few of its new elements with serious impacts on human security. *First*, modern piracy is violent, bloody and ruthless. Today, as compared to the days of the sail, it is all the more fearsome because almost invariably its victims are defenseless and far from the protection of the law. *Second*, it is the increasing rate at which such incidents are taking place in the oceans. A quick review of current statistics indicates that piracy has risen 57% between 1999 and 2000, and acts of violence resulting in injury and death have risen, in the same period, from 24 to 99 and 3 to 72 respectively. *Third*, incidents of piracy are increasingly efficient at targeting high value cargo and sometimes vanish with entire vessels. *Fourth*, current acts of piracy leave behind a bounded and gagged captain and crew in the vessel that continues navigating unattended. *Finally*, it is important to note that modern piracy is carried on by organized crime groups. This trend reveals a 'new level of globalization' in the piracy industry as groups increasingly cooperate with each other on all geographic scales and combine various aspects of their activities, including drug trafficking and the smuggling of humans and small arms, in order to rationalize their *modus operandi* as well as penetrate and develop illicit markets.

The fourth category is the direct threat to national peace and security and may include such activities as illegal traffic in arms, ammunitions, explosives and prohibited drugs with direct or indirect potentialities to foster terrorism in the oceans.<sup>32</sup> What can probably be more ominous is the fact that the oceans and seas are also being used for an illegal trade in ozone-depleting chlorofluorocarbons (CFCs) which in some countries are more profitable than trade in heroine or cocaine.<sup>33</sup> The traffic of arms and ammunitions across oceanic waters finds its destination in those areas where insurgency or separatist movements are alive and are in need of arsenals to sustain the movements. These vents, although episodic in nature, have the potentialities to destabilize oceanic peace and order. This is corroborated by events like the insurgency movements in the Filipino island of Mindanao where the separatist movement under the aegis of Moro Islamic Liberation Front (MLF), Autonomous Region of

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<sup>32</sup> K R Singh, *op.cit.*

<sup>33</sup> The Ocean Our Future, *op.cit.* p. 39.

Muslim Mindanao (ARMM) and the Abu Sayyaf are being continually armed from sources, presumably the Middle East, to fight against the regular army of the government.<sup>34</sup> A case further to support this trend is with respect to the Tamil crisis in Sri Lanka where the sources of illegal trafficking of arms and ammunitions was beyond the control of the Sri Lankan government to identify. It is assumed that the Tamil insurgents succeeded in maintaining a formidable oceanic network in different parts of the Indian Ocean for arming their separatist movement. Interestingly, this network was funded by many international terrorist organizations for reasons, more economic than political in nature. The good order in the ocean is also at peril when mercenaries are sent across the ocean waters to destabilize a regime.<sup>35</sup> Regional conflicts do also have negative impacts on oceanic order if such conflicts find their extension from land to sea. The two Gulf Wars (between Iran and Iraq and between Iraq and the Multinational Force) had serious repercussion on oceanic peace and stability when the Persian Gulf in the Indian Ocean became virtually militarized with the potentialities to turn the entire region into a war zone. Maritime disputes can also jeopardize the peace and stability in the region as it leads to many regional and sub-regional disputes over sovereignty claim.<sup>36</sup> The political order in the ocean also implies safety of the asylum seekers, maintaining aboriginal rights in the oceans etc. Lastly, after the 9/11 incident, the concept of maritime terrorism has gained wider currency.<sup>37</sup>

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<sup>34</sup> *Asia Times*, South East Asia, June 10, 2000.

<sup>35</sup> This is particularly true in case of far-flung small islands. This is perhaps better exemplified by the case of Maldives when in 1988, a band of mercenaries was transported to the island to support a *coup d'etat* against the government of President Gayoom staged by few local dissidents.

<sup>36</sup> Numerous regional and sub-regional disputes exist over sovereignty claims. Many involve islands that possess either a symbolic or an economic value. While some have been the subject of disputes for more than a century and others are the legacy of the Cold War, the Law of the Sea Convention provisions for extended coastal state jurisdiction have created a situation leading to conflicts in many cases, which is left to fester would heighten tension in the ocean in future. *The Ocean Our Future*, *op.cit.*, p.46.

<sup>37</sup> The term has mostly been popularized by the US Security Circle implying formidable threat to US naval ships and the civilians and military personnel working in such vessels deployed in different areas of the world's oceans and seas. The threat is compounded by the use of maritime vessels and

### **Section III: Ocean Governance *vis-à-vis* Human Security Issues in the Ocean**

The above discussion clearly reveals that ocean based illicit activities such as piracy and armed robbery, trafficking of human beings, drugs, illegal arms etc, threat to physical security of humans, ships and marine activities, degradation of marine environment in an unbridled manner by different agents etc. have important implications not only for a state's security but as well for all components of human security. The relevant question now is: how to face the challenges of various human security issues in the ocean medium? In this respect, like in the terrestrial domain where good governance is taken to be a convenient approach for resolving multifold human security issues, in the oceanic domain too, the ocean governance is accorded similar importance to deal with all the human security issues like food, health, environment, political security, community security etc

At the outset, it should be mentioned that governance, in contemporary world, is not limited to its mere political meaning of running the state by public institutions in a transparent, accountable and responsive manner. It is more than that. As Elisabeth Mann Borgese remarks, "It includes the ways families are organized, or business or schools or churches are run. It includes traditions and cultures. It is rooted in a philosophy, and in the last analysis, depends on the vision we have of the nature of human beings, which determine the relationships they will have with one another and with the rest of nature".<sup>38</sup> No where other than in the ocean domain that such a broad perspective of governance finds more of its applicability. Given the fact that marine related human security issues fall within the wide spectrum of maritime activities, it is ocean governance that can probably provide more purposeful and responsive policies and programmes for addressing those issues. Without going deep into a detailed discussion on the model

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shipping lanes by criminals who are often in league with terrorists including the group of Al-Qaeda. See for details, *Energy Security*, Prepared by the Institute for the Analysis of Global Security, January 24, 2005, pp.1-9.

<sup>38</sup> Elisabeth Mann Borgese, 'The Philosophy of Ocean Governance, Reading for the Course', *Politics of the Sea*, Dalhousie University, Halifax, Nova Scotia, Canada, 2001.

framework of ocean governance put forward by many experts in the ocean affairs, suffice it to highlight, for the purpose of the paper, its meaning and few cardinal elements. Ocean governance, in its most generic sense, implies “the way ocean affairs are governed, not only by governments, but also by local communities, industries, and all other concerned parties or stakeholders, the concept also includes national and international law, public and private law, as well as custom, tradition, and culture and the institutions and processes created by them<sup>39</sup> A close scrutiny of the definition would bring certain elements crucial to ocean governance. *First*, the Common Heritage of Mankind’ that brought about a fundamental shift from unrestrictive use of the oceans to people’s restrictive management of marine affairs, in effect, constitutes the theoretical basis of ocean governance. *Second*, ocean governance advocates for a holistic approach to the solution of any marine related problem, be it environmental, coastal development, maintaining law and order in the oceans and seas, This is a recognition of the principle as mentioned in the Preamble of UNCLOS that ‘problems of the ocean space are closely interrelated and need to be considered as a whole’. This at the operational level implies that activities in the ocean should not be considered separately or sector by sector, but rather in a ‘trans-sectoral or multi-disciplinary fashion. *Third*, ocean governance provides for actions at the levels national, regional and international, especially in the management of human activities that directly and indirectly have lasting negative impacts on the resources, health, peace, stability and security of the oceans. *Fourth*, ocean governance seeks to bring all marine related problems and their solutions within a legal and institutional framework and suggests tools for implementation. *Finally*, ocean governance has as its components the following principles like peaceful use of the oceans, sustainable development of oceanic resources, appropriate application of ocean science and technology, adherence to the principle of equity, the precautionary principle, and risk management etc.

It should be noted that the Common Heritage is a concept that seeks to restore the regenerative power of the oceans in perpetuity,

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<sup>39</sup> Elisabeth Mann Borgese, *Ocean Governance and the United Nations*, op.cit., p. 18

and hence it is a normative guideline for dealing with marine pollution, exhaustion of marine resources and degradation of coastal environments etc. that influence human welfare in several ways. Towards this end, some of its guiding principles are to be clearly understood: i. the problems of ocean space are clearly inter-related and need to be considered as a whole; ii. the ocean is an indispensable component of our life support system; iii. the ocean is the common heritage of mankind; iv. the ocean should be exploited only after due consideration of the global environment and in a sustainable manner.<sup>40</sup>

The holistic way in which the Common Heritage views ocean governance basically links it with the Law of the Sea Convention, notwithstanding the fact that many provisions of the latter, due to political compromise, contradict the former. For the purpose of the paper, it is relevant to bear in mind that at the heart of ocean governance is the concept of sustainable development which can be understood as ‘a set of development programs that meets the targets of human needs satisfaction without violating long-term natural resource capacities and standards of environmental quality and social security.’<sup>41</sup> In the ocean domain, this recognizes the need for integration of social, economic and environmental aspects of decision making, all for the purpose of meeting the human security issues.

Compared to governance in the terrestrial domain, which remains subject to the independent policies and strategies of governments within their respective national states, and for which there is no appropriate model, ocean governance is free from such geographical inhibition. It is also global in nature drawing its guideline mostly from the international law as envisaged in the UNCLOS and in other soft law arrangements to complement it. More important, it takes into account the appropriate levels at which the policies and strategies *vis-à-vis* the ocean medium need to be implemented. Thus, at the local level, the co-management is being advocated as a management framework for using of local

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<sup>40</sup> Elisabeth Mann Borgese, ‘Ocean Perspectives: Legal’, *The Oceanic Circle: Governing the Seas as a Global Resource*, *op.cit.*, pp. 109-131.

<sup>41</sup> G. Kullenberg, ‘Integrating Sustainable Development and Security’ (Draft), Paper presented at IOI Headquarters, Malta, February 2002.

knowledge, blending of indigenous and new technologies, and introduction of economic incentives etc. At the national level, awareness programme, linkage between people and the oceans, a horizontal and vertical integration between the various ocean related agencies is needed for an *integrated approach* towards ocean management. At the regional level, emphasis is being placed in view of the fact that many ocean resources and uses are inherently trans-boundary in nature, and that not all of these are functionally manageable at a global level. Regional level is preferred also in view of the fact that there are the limitations at the national level in tackling the multifarious ocean related problems.<sup>42</sup> Finally, at the global level, there is the need for support for combating such problems as illegal fishing, unregulated and unreported fishing, assessing economic and social impact of pollution from land-based activities etc.<sup>43</sup>

For meeting the political security challenges, ocean governance is well equipped with legal framework, institutional framework and various tools for implementation.<sup>44</sup> The legal framework which is based on the UNCLOS provides the means for resolving many oceanic conflicts. The Convention includes the requirement of coastal states to promote and cooperate in the establishment, operation and maintenance of an adequate and effective search and rescue service by way of mutual regional arrangements. The institutional framework also helps restore political order and stability in the oceans which include the functions of the International Seabed Authority, the Commission on the Limits of the Continental Shelf, the International Tribunal for the Law of the Sea, with associated arrangements permitting conciliation commissions, arbitral tribunals and the meeting of State Parties. All these bodies are increasingly concerned with the increase in oceanic crimes and they are putting emphasis on more effective implementation, compliance,

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<sup>42</sup> See for details, Abul Kalam Azad, 'Maritime Regional Cooperation in South Asia: Opportunities and Challenges' in Aldo Chircop and Moira McConnell (ed.), *Ocean Year Book 18*, (Elisabeth Mann Borgese Commemorative Volume), University of Chicago Press, 2004, pp. 512-545.

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

enforcement including joint regional enforcement and surveillance mechanisms to curb piracy, armed robbery and other crimes in the oceans.<sup>45</sup>

With respect to several conflicts in the extended maritime zones, a great part of resolutions depend on resource management and conservation. While hundreds of provisions of the UNCLOS provide a legal framework for such efforts, the formidable tasks lies in implementing them through competent international organizations such as IMO, UNEP, and IAEA etc. through global and regional cooperation. Also with respect to the delimitation of maritime boundary, instead of keeping the tension and mistrust alive, the parties to the dispute can go for a joint management of resources- both living and non-living.

However, the comprehensive framework that the UNCLOS provides for dealing with various maritime issues is not always effective due to lack of effective measures on the part of the littoral countries. For example, for fighting illegal fishing, there is the need for guarding, patrolling and surveillance in the exclusive economic zones, territorial sea, high seas with powerful coast guards. However, except a handful of well-to-do countries, most of the developing countries, in particular, in the Indian Ocean (viewed sometimes as Third World Ocean), are incapable of carrying out fully adequate policing. This, despite the fact that under UNCLOS all coastal states have been given ample legal power not only to exploit living and non-living resources in their respective EEZ and the continental-shelf, but also necessary power to use force if necessary to check illegal activities.<sup>46</sup> Interestingly, many such countries do not even undertake efforts to institute cooperative arrangements with their neighbours. If a survey is taken, it would not probably be surprising that most of these countries are bogged down in problems of various natures between and among themselves. Similarly, cooperative arrangement can as well be effective for combating eco-terrorism- a new threat to oceanic political stability and order.

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<sup>45</sup> Abul Kalam Azad, 'Maritime Security of Bangladesh' in Mufleh R Osmany and Muzaffer Ahmad (ed.), *Security in the Twenty First Century: A Bangladesh Perspective*, Academic Press and Publishers Limited, Dhaka, 2003, p. 227.

<sup>46</sup> K. R. Singh, *op.cit.*

It is more pertinent to look into the challenges posed by terrorism as it directly affects the life and property of ordinary citizens, and hence the human security. It is important to note that there is no single comprehensive widely accepted definition of the term 'terrorism' due to two main reasons: i. the term is used to describe a wide variety of acts, and, ii. States have different perceptions of what constitute terrorism.<sup>47</sup> This holds true in case of the oceans too. The result being that there has never been reports on terrorism at sea as such, but instead they refer to piracy and armed robbery. All such criminal acts are sometimes legitimized as politically motivated and hence not criminal. Despite the fact that several international conventions (UN Hostage Convention of 1979) have declared all such acts prejudicial to personal security of life and property, till to date no acceptable method has yet been evolved to contain the armed action of the terrorists either through national legislation or through any arrangement at the regional level. In addition to the financial and technological constraints that, as mentioned earlier, a majority of states face in managing their maritime zones, there are as well inherent inadequacies in the provisions of the UNCLOS dealing with such crimes as piracy and hot pursuit.<sup>48</sup> There is the confusion in jurisdiction where UNCLOS, Suppression of Unlawful Acts against the Safety of Maritime Navigation (SUA) or its Protocol have not been ratified or are otherwise inapplicable. Conflict also arises due to the absence of any provision on national legislation on the coastal, flag, port or home State on terrorism. Similarly, while UNCLOS is explicit in defining the rights and obligations of the coastal state, it is unclear on many points on the question of enforcement. The question of enforcement is closely related to the right of visit and of hot pursuit and the grey areas in this respect are not yet identified, let alone the question of meeting deficiencies in the field.

The socio-economic perspective of oceanic political security should not overlook one's attention. In this connection, an important factor to consider in ocean political security is the linkage between

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<sup>47</sup> Natalino Ronzitti, 'The Law of the Sea and the Use of Force Against Terrorist Activities' in Natalino Ronzitti (ed.), *Maritime Terrorism and International Law*, Martinus Nijhof Publishers, London, 1990, p.5.

<sup>48</sup> K R Singh, *op.cit.*

the ocean criminals and their socio-economic and political conditions. While it is difficult to identify with exactitude the pirates that originate from several quarters in the oceans, at best, the geographical area of their activities does enable one to understand their social-cultural and political milieu. As the current evidences suggest, the occurrence of piracy in South East Asian waters may be viewed to be an indirect spill-over effect of the political happenings in the neighbourhood. Most of the states in the region seem to remain embroiled in internal feuds and rival claims over territory both terrestrial and maritime. Also, the insurgency in the Filipino island of Mindanao is attributed to the economic malaise of the region. As one analyst noted, 'you can not convince the rebels to give up fighting unless they see economic development on the ground. If the rebels remain hungry, they will continue to fight, but if they are satisfied they would never carry a gum'.<sup>49</sup> This probably points to no other aspect other than human development for ensuing human security.

In brief, it can be said that the international community is yet to develop a major institutional capacity for promoting and regulating peace and security in the oceans despite the legal, institutional and financial arrangements at several levels. This is because 'institutional mechanisms for coordination and joint programming at the international level are notoriously weak and sometimes more symbolic than operational in nature'.<sup>50</sup> The reasons for this are not far to seek. International law are not yet clear on the question of responsibility and liability for harm to the marine environment, most of the laws are soft laws that need to be transformed into treaties to become legally binding, standards and recommended practices are not well formulated, and finally, many states are yet to give effect, through law and practice at the national level, to commitments they have already entered into. Thus what is needed is a new perception towards the oceans whereby the oceans are to be viewed as a public trust.<sup>51</sup> Once this is done, management and conservation of marine resources, containment of all prevailing crimes, fighting pollution,

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<sup>49</sup> *Asian Times*, South East Asia, June 10, 2000.

<sup>50</sup> *The Ocean Our Future*, *op.cit.*, p. 147.

<sup>51</sup> Trusteeship is a well established common law concept. It has historical parallels in a number of legal systems. See, *The Ocean Our Future*, *op.cit.*, p. 45.

halting illegal fishing etc. all that affect human security in the oceans would automatically be guaranteed as public trust does no stand for the benefit of an individual but for all. And in the oceanic context, the trust is universal in nature.

#### **Section IV: Bangladesh: An Appraisal of its Marine Related Human Security Issues**

In Bangladesh where human security discourse remains at the apex of the current national security debate, any attempt to de-link it from the ocean or, in other words, any rejection of its marine dimension would bear serious consequences for its people already groaning under several critical human security issues like abysmal poverty, malnutrition and deterioration in health, environmental degradation, soaring unemployment, lack of entitlements, political insecurity, fear of violence and crimes and the like. While this is a reality in the land, the marine matrix of the country is as well not immune from it. Three of the oceanic zones of Bangladesh represent different types of problems, all of which need special attention from the human security perspective. The chapter attempts to highlight these problems with few relevant suggestions in the light of ocean governance.

The first is the coastal zone of Bangladesh which in general sense is identified as a 710 km long stretch of land connected to the Indian Ocean via the Bay of Bengal. The region, therefore, remains under the salinity and tidal effects of the Bay – two important criteria to delineate the region.<sup>52</sup> From the human security perspective, this zone is the most affected one for reasons like fragmented social structure, economic threat, widespread poverty, perennial vulnerability to natural hazards, threatened coastal ecosystem, coastal pollution, multiple and conflicting demands on the coastal resources, absence of political organizations. Each of the points needs little elaboration. While the coastal people have been

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<sup>52</sup> Dr. Monowar Hossain, 'The Greenhouse Effect and the Coastal Area of Bangladesh: Its People and Economy', in Jasha J. Maudud, Harun Er Ershad, Dr. A Atiq Rahman and Dr. Monowar Hossain (ed.), *The Greenhouse Effect and the Coastal Area of Bangladesh*, Proceedings of an International Conference held in Dhaka, Bangladesh, 05 March, 1989, p. 60.

maintaining a harmonious relationship and bondage among themselves since long, a fragmentation is now being created in their society by the intrusion of outsiders who for economic reasons use the innocent and docile coastal people as pawns in their hands. For possession of accreted lands, acquisition of agricultural land for shrimp culture and grabbing of forest resources, the outside agents resort to a policy that divides the society into two – their supporters or non-supporters. In particular, the introduction of shrimp culture in the coastal zone by the outsiders has led to the creation of a group of local touts (called *Mastaans* in Bengali) who are trying to take all possible advantage in the region through unscrupulous means. Many of them remain under political patronage and claim themselves to be a stakeholder in the region's resources by force. The vulnerability of the coastal population vis-à-vis the outsiders is explained by poverty, illiteracy, debt burden, remote habitat, absence of political participation and support from the authority etc. The threat as felt by coastal community is in the form of an encroachment upon their traditional means of livelihood and acquisition of wealth from their local resources by force and coercion.<sup>53</sup>

At the economic front, the threats are multifold. The practice of shrimp culture, although is helping the country to earn foreign exchange, the local population has not been benefited by it. There are indications of resource flight and resource degeneration in the coastal area of the country due to the expansion of shrimp culture with irreversible socio-economic and environmental losses for the region. Some of these are : (i) survival of the traditional farmers, artisanal fishermen, salt producers, landless and marginal populations under threat; (ii) losses of common property resources, i.e., mangrove forest resources, grazing land/pasture, salt fields, open water capture fish etc; (iii) loss of a range of bio-diversity and (iv) unjust distribution of wealth earned from the local resources. In brief, the increased pressure on the existing resources is causing a decline in key common property resources such as marine fisheries, mangrove and fish water resources. In the ultimate analysis, the coastal community will remain to be the worst sufferers economically. They

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<sup>53</sup> See for details, Abul Kalam Azad, 'Integrated Coastal Zone Management in Bangladesh: A Case for People's Management', *BIISS Papers* 20, 2003, pp. 46-49.

as well remain uncertain about any future prospect of income from the exploitation of local resources by government or private agencies. Then comes the issue of poverty which finds its manifestation in the coastal zone in more severest forms for the reasons like : (i) poor level of services and poorly developed infrastructure thereby increasing their isolation from the rest of the country; (ii) changes in land use pattern and poor regulation for land distribution and resettlement; (iii) poor access to technologies; (iv) poorly recognized gender sensitivity; (v) exploitation by the outsiders, both government and private; (vi) poor resource management and finally (vii) marginalization of the poor. Some of the appalling manifestations of poverty in the coastal area are hunger and malnutrition, ill health, unemployment, lack of access to safe drinking water, low access to education and other public services and resources, exclusion, lack of participation, violence etc. In effect, the deplorable economic conditions of the coastal people create an atmosphere of insecurity and uncertainty thereby keeping the population in constant fear and want.

Then comes the factor of perennial vulnerability of the coastal people to natural hazards. This is explained by certain facts: (i) the continuous threat of cyclones and storm surges; (ii) the ongoing process of land erosion and accretion, affecting many people's property and livelihood. The poor are the victims of erosion, whereas the accreted land is grabbed by the people with local influence; (iii) sever water congestion on old accreted land and associated drainage problem; (iv) salinity intrusion and (v) the climate change induced impacts as sea level rise, change in storm surges frequencies and changes in rainfall patterns in the river basin upstream. People's vulnerability to all such hazards is accepted almost as a *fait accompli* as no concrete measures of permanent nature have yet been taken to mitigate them except to respond to episodic crisis. Multiple and conflicting demands on the coastal resources is another serious problem in the coastal zone of Bangladesh. Human population increase coupled with demand for outputs and services and the need for economic development has led to multiple and conflicting demands on the coastal area stemming from both within and outside. For example, land use in the coastal zone is found to be ad-hoc unmanaged which results in misuse in some places and undue exposure of people to cyclone threats in others. In many Thanas,

there are conflicts over land use between sectors as well as between people, e.g., aquaculture use versus mangrove shelter belts and agriculture versus shrimp cultivation. Also confrontations between forestry, livestock, aquaculture and other interests over future uses of newly accreted land are not uncommon. Too often, these conflicts are stirred up by unilateral action of central agencies and local communities end up as helpless victims. Finally, coastal pollution and threatened coastal ecosystems bear immense human security implications for the people of the area.<sup>54</sup>

Next to coastal zone, it is the zone that consists of small off-shore islands (more stable) and chars land masses (less consolidated and hydro morphologically dynamic). These areas are subject to strong wind and tidal interactions throughout the year and are inhabited by a large number of people. For majority of the people, fishing is the main source of livelihood. Being remote from the mainland, development activities go at a slow pace in such areas thereby resulting in perennial problems of unemployment and poverty. Like the inshore coastal zone, this group of off-shore islands remains vulnerable to various natural hazards of oceanic origin. Cyclones which sometimes are accompanied by storm and tidal surges, pose multiple threats to human society with erosion of soils and sea coasts. They destroy property and disrupt normal economic activities of the islanders leading to food shortage and famine. While poverty, malnutrition and health hazards, unemployment and the like mark the daily life of majority of the people inhabiting several off-shore islands in Bangladesh, it is the constant violence that probably is the most serious threat to human security in such remote areas. In effect, chars and off-shore islands are the theatres of various crimes. 'Char land related crime and violence mostly occurs in Barisal, Patuakhali, Noakhali, Bhola and Lakshmipur. Grabbing crops, land grabbing, loot and robbery are main types of crime. Sporadic and autonomous settlements in newly accreted land often lead to factionalism and skirmish. In land disputes and conflicts, many people are harassed, kidnapped, evicted and killed. Reasons are unsettled district boundary dispute, isolation and vested interests of the power brokers. In recent months, Boyer char (Noakhali) hit the

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<sup>54</sup> *Ibid.*

news headline with incidents of rape, looting, house burning and killing'.<sup>55</sup>

Discrimination against women is a common phenomenon in chars and off-shore islands. Harsh nature of oceanic environment prefers masculinity. As a result, violence against women is the order of day in such areas. Violence includes domestic violence, trafficking, rape and sexual abuse, acid throwing etc. 'Family and land disputes, refusal of marriage proposals, rejection of sexual advances, political vengeance, and unmet dowry demand are some of the reasons behind violence against women.'<sup>56</sup>

Next zone is the maritime zone of Bangladesh which as per the UNCLOS endows Bangladesh with 12 nautical miles of Territorial Sea and 200 nautical miles of Exclusive Economic Zone from the seashore. This is a zone infested with crimes of various types which from human security perspective impinge on people's life, means of livelihood, personal security etc. In the trajectory of crimes, piracy takes its place first, and it is on an ascending scale with no sign in its decrease.<sup>57</sup> As a result, nearly 200 coastal ships, 70 fishing trawlers, and over 2000 cargo boats and 6000 fishing boats that ply through the EEZ and the territorial waters remain perennially vulnerable to various forms of piracy acts. It is important to take into account few ominous features that mark the current piracy in Bangladesh's oceanic space with implications for human security like : (i) high degree of violence demonstrated by heavily armed criminals; (ii) money, property of the crew, negotiable goods, cargo and ship's equipments are generally the target items; (iii) targeting ships while at anchor at the ports of Chittagong and Mongla respectively; (iv) most incidents of piracy are reported in the territorial waters of the country. In 2000, out of 90 piracy attacks, 61% (55 attacks) took place in the territorial waters of Bangladesh.<sup>58</sup> (v) attack by pirates

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<sup>55</sup> *State of the Coast, 2006*, Published by Integrated Coastal Zone Management Program, Bangladesh, p. 120.

<sup>56</sup> *Ibid.*

<sup>57</sup> National News – News from Bangladesh, available online <http://bangladesh-web.com/news/jan/01/n01012003.htm>, accessed on 02 April 2003.

<sup>58</sup> Star Magazine, available online *file://c:My documents/maritimeissues/maritime2.htm*, accessed on 15 March 2004.

from neighboring countries is common; (iv) the unarmed coastal fishermen are the common victims

The next crime in the maritime zone of Bangladesh with serious human security considerations is illegal fishing and poaching. Next to agriculture, marine fishery is an important occupation of the coastal people and the sector plays a significant role in the economy by providing 6% of GDP, 9.30% of export earnings, 12% of employment and 80% of animal protein consumption.<sup>59</sup> About 10 to 12 million people are employed in fish marketing and processing, while 1.2 million full time and 10 million part time workers are engaged in fishing in Bangladesh.<sup>60</sup> This sector is, however, under threat due to the intrusion of foreign fishermen into Bangladesh territorial waters mostly from countries like India, Myanmar and Sri Lanka to catch fish with mechanized trawlers and boats.<sup>61</sup> While fish in the Bay of Bengal already stay away from Bangladesh shore due to extreme marine pollution caused by dumping of industrial effluents and waste, oil spillage etc., the frequent stealing of marine fishes has caused a decline in the country's fish stock, both pelagic and demersal, with serious consequences for the nation. Another serious crime in Bangladesh's maritime zone with implications for

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<sup>59</sup> Momtaz Uddin Ahmed, the principal scientific officer of the government's Marine Fishing Department remarked, 'if this menace of pollution and indiscriminate fishing cannot be stopped, the water within our exclusive economic zone in the Bay of Bengal might be left without any fish'. National News-News from Bangladesh, *op.cit.* A survey by the UNDP transmits another alarming signal. The estimated annual sustainable yield (demersal and pelagic fish and shrimp) from the shore to the outer limit of the EEZ is about 3, 89,000 metric tons, out of which about 1, 18,000 metric tons are harvested annually. The loss of the remaining 2, 71,000 metric tons is due to natural mortality and unauthorized exploitation. However, most of the loss as the survey suggests, is due to unauthorized exploitation and poaching by foreign fishing trawlers 'Dipak Kamal, 'Bio-diversity Conservation in the Coastal Zone of Bangladesh', Paper submitted in partial fulfillment of the requirements for the Degree of Master in Marine Management at Dalhousie University, Halifax, Nova Scotia, Canada, 1999, p. 31.

<sup>60</sup> Captain M Farid Habib, 'The Non-Conventional Aspects of Maritime Security: A Bangladesh Perspective, (Individual Research Paper at National Defence College, 2006), p. 22.

<sup>61</sup> National News – News from Bangladesh, *op.cit.*

human security is the trafficking of small arms, drugs, humans, contraband goods etc. In Bangladesh, trafficking of small arms considered to be a non-conventional threat to its security is no longer confined to air and land routes as sea routes are at present being conveniently used for the purpose. Arms originating from Afghanistan, passing through Pakistan mostly enter the country through Cox's Bazar, Chittagong port, and some of the off-shore areas. The same entry points are used when arms come from Southeast Asia via Thailand. The seizure of a large consignment of sophisticated arms at Cox's Bazar in 1997 bears this out'.<sup>62</sup> The country's two important sea ports, Chittagong and Chalna are the most convenient transit points from which the illegal arms find their way either to the local market or to any other place.<sup>63</sup> The Sundarbans forest zone in the south is also used as a transit area for illegal arms from different international sources. Simultaneously, there takes place the traffic in contraband items like prohibited drugs, liquors etc. across the marine waters of Bangladesh. Frequent smuggling of goods like timber, rice, salt, luxury items, diesel etc. in and out of the country is a regular phenomenon in the area.<sup>64</sup> In a gruesome manner, slavery also takes place along the Bangladeshi maritime waters. In this respect, various areas in the coastal zone including few chars (off-shore islands) act as the transit points from where women and children are transported out of the country for destinations like India, Pakistan and the Middle East for employment in various inhumane and immoral activities.<sup>65</sup>

Lastly, a crime of serious magnitude in Bangladesh waters is the pollution of marine environment being caused by national, regional and international sources. At the national level, the causes of pollution are the same as discussed in section II like pollutants washed down directly from land and dumping. In addition, a large number of up-stream rivers and waters that have their origin in the

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<sup>62</sup> The report published in the *Daily Star* of 01 November 1997, and cited by Neila Husain in her article titled, 'Problems of Proliferation of Small Arms in Bangladesh', in Dipankar Banarjee (ed.), *South Asia at Gunpoint*, Regional Center for Strategic Studies, Colombo, 2000, p. 8.

<sup>63</sup> *The Daily Star*, 12 December 2002.

<sup>64</sup> *The Bangladesh Observer*, 13 December 2002.

<sup>65</sup> *Dainik Ittefaq*, 25 November 2002.

countries like India, Nepal, Bhutan and China ultimately empty into the Bay of Bengal with a colossal discharge of pollutants from different sources.<sup>66</sup> Many sector activities like industries, fisheries, transport etc. have their deleterious effects on the coastal and marine environment of Bangladesh. The pollution sources also include oil discharge from ships and mechanized vessels, ship breaking and repairing activities, ballast and bilge water discharge, refinery waste products, handling loss and accidental discharge.<sup>67</sup> There is also huge discharge of sewage from ships in the coastal areas of the country. In addition, rotten food grains, cement dust, fertilizer, torn bags, mats and broken dungarees are frequently dumped into the marine water near the port areas of the country. While the mentioned causes of marine pollution are internal in nature, there are as well the external sources of pollution to further aggravate the problem. Both land-based and coastal activities of the littoral countries contribute to marine pollution for reasons like dumping of solid waste, discharge of chemicals used in agriculture, drainage from port areas, deposit of domestic and industrial effluents, coastal construction and tourism activities etc. Also discharges through out-falls and various contaminants from ships, sea based activities, in marine transportation, off-shore mineral exploration and production activities, and accidental oil spills further exacerbate pollution in the oceanic area of Bangladesh.<sup>68</sup> In this respect, it is relevant here to mention that because of the open nature of the ocean and continuous flow of currents, all the countries of the region feel the effects of pollution. As a result, the common interest in combating pollution should at least be guided by their concern for fisheries and other marine habitat.

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<sup>66</sup> Md. Yousuf Mehedi, 'Controlling Pollution in the Coastal and Marine Zone of Bangladesh: Developing a Management Approach', Paper submitted in partial fulfillment of requirement for the Degree of Master of Marine Management at Dalhousie University, Halifax, Nova Scotia, Canada, 2001, p. 23

<sup>67</sup> *Ibid.* p. 24

<sup>68</sup> ESCAP Report, 1998.

On the basis of above discussion, the following table shows the marine areas of Bangladesh, the human security problems therein and their impacts.

<b>Zones</b>	<b>Human Security Issues</b>	<b>Impacts</b>
Coastal Zone	Threat to traditional means of livelihood, abysmal poverty, poor level of services and poorly developed infrastructures, coastal pollution, natural disasters (cyclones, storm surges, coastal erosion), absence of political organizations, ineffective law enforcing agencies.	Loss of agricultural production (due to shrimp cultivation), perennial unemployment, conflict over scarce resources, loss of human lives and property, damage to health, displacement and sufferings of human population, loss of marine bio-diversity, over exploitation of coastal resources, threats to the poor by the outsiders (investors in shrimp cultivation, private agencies), absence of law and order
Offshore Islands and Chars	Natural hazards of oceanic origin, lack of employment opportunities, various crimes, discrimination against women, ineffective law enforcing agencies	Loss of life and property, sea erosion, abysmal poverty, kidnapping, killing, domestic violence, trafficking, rape and sexual abuse, absence of law and order
Maritime Zones	Piracy, illegal fishing and poaching, smuggling, pollution	Loss of life and property at ships, loss of fishermen lives, looting, loss of fish stocks, increase in poverty of the fishermen, threat to physical security, deterioration in law and order situation, degradation of marine eco and bi-diversity system

What could be the possible measures to address the critical human security issues as identified in three distinct maritime zones of Bangladesh? In consonance with the basic principles of contemporary ocean governance, these problems are to be analyzed at three distinct levels, i.e., national, regional and international.

National Level: Against the background of numerous threats to the coastal zone and the opportunities lying therein, no other approach other than integrated coastal zone management (ICZM) would be the most appropriate and rational one to address the current problems of multifarious nature as being faced by the region. Needless to mention, ICZM is now recognized as an important component of contemporary ocean governance that seeks to improve traditional forms of development planning in four distinct ways, i.e., (i) furtherance of a thorough understanding of the natural resources system which are unique to the coastal areas and their sustainability within the context of a wide variety of human activities; (ii) optimization of the multiple use of the coastal resource system through the integration of ecological, social and economic information; (iii) promotion of interdisciplinary approaches and inter-sectoral cooperation and coordination to address complex development issues and formulate integrated strategies for the expansion and diversification of economic activities and (v) assistance to government to improve the efficiency of capital investment and natural and human resources in achieving economic, social and environmental objectives as well as in meeting international obligations concerning the coastal and marine environment.<sup>69</sup>

With the above objectives in mind, the overall goal of ICZM in Bangladesh should be to create conditions for reducing poverty, developing sustainable livelihood and guaranteeing the physical safety of the people. The rationale behind is rooted in the fact that a large number of people, particularly the poor depend directly or indirectly on natural resources such as land and water for their livelihood. This implies sustainable use of the existing resources and their management for present and future generations. As coastal

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<sup>69</sup> See for details, 'Future Challenges in Ocean Management: Towards Integrated Ocean Policy' in *Ocean Management in Global Change*, *op. cit.*, p. 598.

zones offer physical and biological opportunities for increasing human use, it is the objective of ICZM to find the optimum balance between these uses based on a given set of objectives. In this respect, based on the above goals, the three cardinal objectives, i.e., conservation, protection and development that figure in the ICZM continuum in generally are equally relevant in case of Bangladesh excepting the fact that they have different interpretations in view of the issues that are specific and peculiar to the country. While this may be the scientific approach towards ocean management at the national level, there are other needs like awareness raising among the general people about ocean and its use, augmentation of the navy and other maritime enforcement agencies, strong political will etc.

Regional Level: As indicated, many of the problems in the maritime zone of Bangladesh like piracy, illegal fishing, trafficking in small arms, drugs, human etc. have regional links. As a result, regional cooperation is an essential component of the emerging system of ocean governance. Regional level is the optimum level for the solution of many problems which transcend the limits of national jurisdiction but are not necessarily global in scope. Many aspects of pollution, fisheries management, protection and preservation of the marine environment, marine scientific research, marine safety, enforcement responsibilities, disaster management etc. can be solved through cooperation between and among the littoral states. In this regard, it is relevant to mention that various articles of UNCLOS such as 74, 83, 122, 123, 197, 199, 200, 207, 208, 210, 212, 276 and 277 deal with maritime cooperation in several dimensions.

New ways of enhancing technology development and transfer or integrating sustainable development and human security – essential for the effective implementation of all the UNCLOS/UNCED generated Conventions, Agreements and Programs – can most suitably be introduced at the regional level. It should be borne in mind that in South Asia, regional cooperation on oceanic issues has not made any headway till now due to political tension and mistrust in the region. Thus, few regional organizations like Regional Seas Program under the aegis of UNEP (United Nations Environment Program), FAO initiated Bay of Bengal Program (mostly for fisheries), Indian Ocean Initiative are credited with very little success in their respective areas of operation. For better management of its

marine resources and protection of maritime environment, Bangladesh can go for Joint Management, Joint Surveillance, and Joint Disaster Management Program with her littoral neighbors. This could minimize loss to human life and property and restore peace and order in the ocean for the welfare of the country and its people.

International Level: In contemporary ocean governance, global level is of crucial importance as the entire local, national and regional systems tapers to an apex at this level. At the international level, it is UNCLOS that has set the central regime for ocean governance through a system of treaty and few sub-regimes. The most important of these is the International Maritime Organization (IMO) which based on a number of UNCLOS articles is taking the lead at the global level in formulating and coordinating the fight against piracy and armed robbery at sea. It is important to take note of IMO's efforts in coordinating its activities with the United Nations International Drug Control Program (UNDCP) and the Global Program against Trafficking in Human Beings in combating crimes of such nature, both regional and national. Also at the global level, the Food and Agricultural Organization (FAO), Intergovernmental Oceanographic Commission (IOC) of UNESCO, International Hydrographic Organization (HO), and United Nations Environment Program (UNEP) discharge functions related to the oceans and seas for preserving the ocean's environment, its source of food, regulating its climatic conditions etc. Similarly, Chapter 17 of Agenda 21 provides certain mechanisms for sustainable management of the oceans, protection of its environment and guaranteeing oceanic peace and stability. Few mechanisms of Chapter 17 also work as watch-dogs that nothing wrong goes in the oceans like the International Sea-bed Authority, the Commission on the Limits of the Continental Shelf, the International Tribunal for the Law of the Sea with associated arrangements permitting conciliation commissions, arbitral tribunals and finally the meeting of state parties.

### **Conclusion**

The foregoing discussion clearly reveals that the prospect for imposing human security in the oceanic domain no longer remains in the imagination of the security community. It is now a reality despite a host of problems and challenges on the way. In the final analysis, it

should be borne in mind that effective ocean governance requires expertise, epistemic community, institutional arrangements, legal structures, finance etc. However, given the international dimension of ocean governance, and in particular, the growing human consciousness *vis-à-vis* the oceans, a global perspective in ocean resource development is on the offing. Towards this end, the prospect for meeting many human security issues in the oceans is as bright as in the terrestrial domain. Perhaps, the exceptionality of ocean governance is that it provides solutions to few critical oceanic issues in multi-layered level. If efforts at the national level are insufficient, then the gap can be filled up by regional means. In order to bridge the two, there is the possibility of help and assistance from international level as well. Bangladesh, with its limited capacity, should try to implement the international programmes related to the oceans. The country should take advantage of international assistance in promoting its ocean regime through constructive and effective governmental policies. The expected dividends- economic, political, social, human, psychological etc. of all cooperative endeavors under the guidance as provided by ocean governance would be promising for both the current and future generations of Bangladesh.

*Mohammad Ashique Rahman*

## **SOUTH ASIA IN 2007: A REVIEW**

### **Abstract**

The year 2007 for South Asia has been a mixture of both turmoil and remarkable achievements, making it more talked about in world affairs. Almost all the nations in the region saw domestic political unrest during the period, and perhaps the single most incident that shook the region just by the end of the year was the assassination of Pakistan's ex -Prime Minister Benazir Bhutto. Other significant incidents throughout the year included declaration of the state of emergency in Bangladesh, instabilities in Nepal, stalled peace process in Sri Lanka, and wobbly move towards democratization in Bhutan and Maldives. On a regional plane, there were no significant regional initiatives under the aegis of SAARC, except some regular ministerial meetings and forums, and no initiatives for conflict resolution. For bilateral relationship, India-Pakistan relations maintained the status quo whereas an improvement in Bangladesh-India relationships was evident. Against this backdrop, the paper attempts to provide a review of all these events and issues that occurred in South Asia in 2007, with a focus on their implications for regional peace and security. Moreover, throughout the discussion, an attempt has also been made to assess the argument that the domestic and/or internal factors became prominent in South Asia in the year of 2007.

**Key Words:** South Asia, SAARC, Political Instabilities, Democracy, Maoists, LTTE.

### **1. Introduction**

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In the year 2007, the region of South Asia witnessed both turmoil and remarkable achievements, making the region more talked about in the world affairs, compared to many other regions, in many other preceding years. Almost all the nations in the region saw domestic political unrest during the period, while at the same time, some landmark developments brought the region international laurels. Perhaps, the single most incident that shook the region at the end of the year was the assassination of Benazir Bhutto, Pakistan's ex-Prime Minister for two terms, and the Chairperson of Pakistan People's Party (PPP), and also the first Muslim women Prime Minister in the world. Other significant incidents that marked the year included declaration of the state of emergency in Bangladesh and the ensuing events that took place afterwards, stalled peace process in Sri Lanka, instabilities in Nepal, wobbly move towards democratization in Bhutan and Maldives, and finally compared to all other countries of the region, an appreciable political stability in India. On the regional plane, although there were regular regional initiatives under the aegis of South Asian Association for Regional Cooperation (SAARC), the successes were scanty with almost no progress in South Asian Free Trade Area (SAFTA) agreement, and no regional initiatives for conflict resolution, as well as to address the issues of regional significance viz., the issues of terrorism and climate change. So far bilateral relationships between the countries of the region are concerned, India-Pakistan relations maintained the status quo with routine dialogues under the 'irreversible' composite peace dialogue processes. And in view of the low level of relationship that was prevailing between Bangladesh and India in 2006, an upward improvement in their relationship in 2007 was in the offing. The paper, as its title suggests, attempts to provide a review of all these events and issues that occurred in South Asia in 2007, with a focus on their implications for regional peace and security.

However, given the myriad number of issues relating to the South Asian region in 2007, efforts have been made to limit the discussion to some specific issues and events in individual countries. On the other hand, being confronted with such question viz., what would be the appropriate 'framework of analysis' to review events in

the region – a region which is infuriatingly unpredictable<sup>70</sup> - in terms of ‘levels of analysis’, the paper, before getting involved in the analysis, reflects on the theoretical debate on ‘levels of analysis’ problem in international relations. Moreover, throughout the discussion, an attempt has also been made to reflect on the argument that domestic and/or internal factors became prominent in 2007 in the South Asian countries, rather than bilateral, regional and extra-regional issues. Therefore, the objectives of the paper are threefold. First, to reflect on the theoretical debate of ‘levels of analysis’ problem in international relations with an objective to identify the appropriate ‘levels of analysis’ for reviewing the events that occurred in South Asia in 2007. Second, to assess the ‘pre-dominance of domestic issues in 2007’ argument. And finally, through an appropriate ‘levels of analysis’ framework, provide an articulate and coherent analysis of the region of South Asia in the year of 2007. As such, while the ongoing discussion constitutes Section 1 of the paper, Section 2 discusses the ‘levels of analysis’ problem in international relations. Section 3 highlights the various significant events that occurred in the countries of South Asia in 2007 within a framework of analysis drawn from the theoretical discussion of section two. And finally Section 4 includes some concluding observations.

## **2. The ‘Levels of Analysis’ Problem in International Relations**

The term ‘level’ is an integral feature of contemporary international relations discourse.<sup>71</sup> With the publications of Kenneth Waltz’s celebrated review<sup>72</sup> of the causes of war by reference to three ‘images’, and David Singer’s no less celebrated discussion of *The*

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<sup>70</sup> A diplomat turned academic Ross Masood Husain defined South Asia as such due to its propensity towards instability. See ‘Geo-Strategic Compulsions of Peace Dialogue in South Asia: Possibilities and Problems’, in *National Development and Security*, Vol. XIII, No. 4, Summer 2005, p. 40.

<sup>71</sup> Nicholas Onuf, ‘Levels’, in *European Journal of International Relations*, Vol. 1, No. 1, 1995, pp. 35-58. In fact, the theoretical discussion of this section draws extensively from Onuf’s deliberation.

<sup>72</sup> Kenneth N. Waltz, *Man, the State and War: A Theoretical Analysis*. New York: Columbia University Press, 1959.

*Level-of-Analysis Problem in International Relations*<sup>73</sup>, the ‘levels of analysis’ issue emerged as a methodological problem in international relations literature. Since then, ‘levels of analysis’ schemes have proliferated and deliberation on levels has been ‘all-pervasive’.<sup>74</sup> Waltz’s *Man, the State and War* argued to be corresponding to the level of individual behaviour, the level of state and society, and the level of interstate system. Singer had formulated the levels of analysis problem as a matter of methodological individualism and collectivism, and thus provided a scheme consisting of two levels – the behavioural and the systemic. However, there are a number of proposals put forward to extend or reconstruct Singer’s scheme.

To account for the ‘increasing complexity of world politics’, Ronald Yalem<sup>75</sup> inserted a new level namely ‘a regional subsystem level of analysis’ between Singer’s two levels. Stephen Andriole<sup>76</sup> identified five levels: ‘individual’, ‘group’, ‘composite group (or state)’, ‘inter-and/or multi-state’ and ‘global systemic’, although he neglected to identify distinguishing characteristics of the last two levels, or indeed of any of his five levels.<sup>77</sup> Hans Mouritzen stipulated four levels i.e., ‘decision-making’, ‘domestic’, ‘actor’ and ‘international systemic’, and he pointed out the fact that levels function both as ‘explanans’ and ‘explanandum’, thus an analyst may stay at one level or move between any two levels for specific analytical purposes. Robert North<sup>78</sup> adopted Waltz’s three images conceived as levels – the individual human being, the national

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<sup>73</sup> David J. Singer, ‘The Level-of-Analysis Problem in International Relations’, in *World Politics*, Vol. 14, No. 1, 1961, pp. 77-92.

<sup>74</sup> R B J Walker, *Inside/Outside: International Relations as Political Theory*. Cambridge: Cambridge University Press, 1993, quoted in Nicholas Onuf, ‘Levels’, in *European Journal of International Relations*, Vol. 1, No. 1, 1995, p. 35.

<sup>75</sup> Ronald J. Yalem, ‘The Level-of-Analysis Problem Reconsidered’, in *Year Book of World Affairs*, Vol. 31, pp. 306-326.

<sup>76</sup> Stephen J. Andriole, ‘The Level of Analysis Problem and the Study of Foreign, International and Global Affairs: A Review Critique and another Final Solution’, in *International Interactions*, Vol. 5, No. 2-3, 1978, pp. 113-133.

<sup>77</sup> Nicholas Onuf, *op. cit.* p. 36.

<sup>78</sup> Robert C North, *War, Peace, Survival: Global Politics and Conceptual Synthesis*, Boulder, Westview Press, 1990.

system, the international system, and added a fourth – the global system. Considering the debate, Onuf eventually commented, “there would seem to be as many levels, or as few, as scholars consensually agree. At the minimum they accept Singer’s two levels. Beyond this there is no consensus.”<sup>79</sup>

The levels of analysis problem has become so pervasive in international relations discourse that even the ‘security analysis’ guru of international relations, Barry Buzan, could not remain aloof from the debate. Buzan divided levels into ‘units of analysis’ and ‘sources of explanation’. In the context of explicating Waltz’s structural theory of international politics, Buzan in collaboration with Charles Jones and Richard Little identified two ‘tiers’ in both the ‘structural level of analysis’ and the ‘unit level of analysis’. The first tier was ‘deep structure’ and the second ‘distributional structure’. Unit tiers were ‘process formations’ and ‘unit behaviour’ subject to ‘attribute analysis’. This scheme, Buzan et. al., argued may be extended inserting an ‘interaction level of analysis’ between structural and unit levels that ‘provides the essential third leg of a full system theory (units + interaction + structure).’<sup>80</sup> Now while the levels of analysis schemes are proliferating, the situation becomes further complicated with the scholars being involved in defining the terms of ‘level’ and ‘unit’ interchangeably. Moul<sup>81</sup> decided to use the terms ‘level’ and ‘unit’ interchangeably, and Berkowitz<sup>82</sup> identified three problems of analysis by reference to ‘level’, including the problem of defining the ‘primitive unit’ of analysis. Yurdusev<sup>83</sup> proposed to restrict the term ‘level’ to the differentiation of analytic activities. From level to level – philosophical, theoretical and practical – analytic activity moves from the general to the concrete.

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<sup>79</sup> Nicholas Onuf, *op. cit.* p. 37.

<sup>80</sup> Barry Buzan, Charles Jones and Richard Little, *The Logic of Anarchy: Neorealism to Structural Realism*, New York: Columbia University Press, 1993.

<sup>81</sup> W. B Moul, ‘The Level of Analysis Problem Revisited’, in *Canadian Journal of Political Science*, Vol. 6, No. 3, pp. 404-513.

<sup>82</sup> Bruce D Berkowitz, ‘The Level of Analysis Problem in International Studies’, in *International Interactions*, Vol. 12, No. 3, pp. 199-227.

<sup>83</sup> Yuri A Yurdusev, ‘Level of Analysis’ and ‘Unit of Analysis: A Case for Distinction’, in *Millennium: Journal of International Studies*, Vol. 22, No. 1, pp. 77-88.

On the other hand, Yurdusev refers 'unit' to the object of analytic activity, the 'thing' to be studied, and identified three of such units: 1) the individual human person as actor, 2) the society or groups of individuals (agglomeration of actors), and 3) the universe or humanity (the all-inclusive actor). According to Yurdusev, any level may be used in the analysis of any unit, and levels and units are interwoven.

Reflecting on this contemporary discourse on the 'unit' and 'levels of analysis' problem in international relations, 'state' is embraced as the 'unit' of analysis in the paper, and 'four levels of analysis' framework is adopted for the purpose of discussion. These four levels are: the individual state level to discuss the events that occurred in individual countries of South Asia; the inter-state level where bilateral relations between the regional countries are analyzed; the regional subsystem level to focus on regional initiatives; and finally the regional extra-regional level to identify the developments/changes in the relations between South Asian countries and the sole global superpower i.e., the USA. This selection of 'state' as the 'unit of analysis' and the formulation of 'four-levels of analysis' are intended to provide a complete overview of the region in 2007.

### **3. Review of South Asia in 2007**

#### **3.1. Individual State Level: Review of South Asian Countries in 2007**

The countries of South Asia witnessed a number of tumultuous events in their domestic affairs in the year of 2007. Almost all the countries have gone through political instabilities and uncertainties. The tragic death of Benazir Bhutto shook the region by the end of the year. The stalled peace process in Sri Lanka dismayed the optimists, instabilities in Nepal once again demonstrated that the consolidation of democracy is not an easy endeavour, and Bangladesh failed to hold the National Assembly election and drifted in the state of emergency. All these events at the individual state level are discussed below with a focus on their implications for regional peace and security in South Asia.

### **3.1.1. Pakistan: Political Instabilities throughout 2007**

The most volatile country throughout the year 2007 in South Asia had been Pakistan, the second largest country of the region, with a number of developments, centering mainly on the general and the presidential elections of the country to be held in 2008. Though there was political opposition against the Musharraf regime, and the discontent among the people of Pakistan against the military regime was mounting, political instabilities in Pakistan in 2007 ensued with the dismissal of the Chief Justice of Pakistan Iftikhar Muhammad Chaudhry in March of 2007, by President General Parvez Musharraf, on allegation of misconduct. The event was criticised by the opposition political parties and the lawyers of Pakistan, as an attempt of President Musharraf to undermine the independence of the country's judiciary, and sparked nation-wide violence and stiff protest against the decision. In the face of country-wide protests, the Supreme Court of Pakistan reinstated Justice Chaudhry that in fact, directed a big blow to Musharraf regime. The political crisis deepened with the demand that General Musharraf should not hold two offices – the office of the President of Pakistan and the office of the Chief of Army Staff at the same time as it contradicts the Constitution of the country. Finding the political environment shaky, the two exiled ex-prime ministers of Pakistan, Nawaz Sharif and Benazir Bhutto attempted to return to the country to take advantage of the volatile political atmosphere in Pakistan. On 10 September 2007, former Prime Minister Nawaz Sharif was arrested at Islamabad airport after he attempted to enter Pakistan after seven years of exile, and was deported back to Saudi Arabia. On the other hand, former Prime Minister of Pakistan, Benazir Bhutto returned to her country after eight years of self-imposed exile on 19 October 2007, without any impediments from the government side. About 139 people were killed in an attempted suicide bomb assassination of Bhutto soon after her return to Karachi when she was leading a rally from the airport. In the meantime, General Musharraf designated Lt. General A Kiyani as his successor as Army Chief. In early November, the Supreme Court of Pakistan reconvened to hear challenges whether Musharraf was eligible to stand for re-election by the Parliament on October 6, while he was still an Army Chief. His term was to expire on 15 November 2007.

In addition to these political instabilities, the storming of the Red Mosque (Lal Masjid) by the security forces in July, 2007, followed by recurrent suicidal bombings in various parts of Pakistan particularly in the FATA<sup>84</sup> and NWFP regions as well as in Karachi causing deaths of about 800 people,<sup>85</sup> prompted General Musharraf to impose the state of emergency on 3 November 2007. Later on General Musharraf declared the date for Parliamentary elections on 8 January 2008. But the political process in Pakistan again witnessed a deadlock emanating from the suicidal assassination of Benazir Bhutto on 27 December 2007. This event had serious implications for Pakistan's politics and, for peace and security in the region. Though the leadership of the Pakistan People's Party (PPP) had been regained by Benazir's son and husband, the prospect of democratization in Pakistan became uncertain. Benazir with a background of western education believed to be a follower of democratic principles and norms, and there were expectations among the people that democracy will be restored this time in Pakistan.

### **3.1.2. Sri Lanka: War Defying the Peace Truce**

Sri Lanka is in turmoil for the last three decades and the country paid in colossal at the altar of political expedience, ethnic fanaticism, and religious and language frenzy. Roughly the prolonged ethnic conflict in Sri Lanka cost the lives of over 80,000 people from Sri Lanka and India, displacement and dissipation of orderly lives of more than a million people, and destruction of billions of rupees of national wealth and private property, and ultimately the tragedy continues like serial killings.<sup>86</sup> However, in an incredible turn of events since mid 2006, there had been a sharp increase in hostility and uncertainty. Several developments in the months of 2007 had accumulated to create the present, dangerous flashpoint in this strife-

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<sup>84</sup> Federally Administered Tribal Areas (FATA), North West Frontier Province (NWFP).

<sup>85</sup> 'Chronology of some key political events in Pakistan since March 2007', available at [www.dailyindia.com](http://www.dailyindia.com) accessed on 30 January 2008.

<sup>86</sup> Col. R Hariharan (ret'd), 'SRI LANKA: Caught Between Tweedledum and Tweedledee', *South Asia Analysis Group Paper No. 2566*, 26 January 2008, available online at [www.southasiaanalysis.org](http://www.southasiaanalysis.org) accessed on 27 January 2008.

torn island nation. In fact, hostilities had reached to the level of taking each other at highest political stage as exemplified by the suicide attacks on Douglas Devananda, the Eelam People's Democratic Party (EPDP) leader and Minister of Social Services in Rajapaksa government, killing of Liberation Tigers of Tamil Eelam (LTTE) political commissar Tamilchelvam and reported attack on LTTE chief, Prabhakaran. All these created renewed political crisis and the LTTE had indeed demonstrated its resolve to take on the government of Sri Lanka with the aerial attack on Colombo on March 26th and April 29th of 2007, after its debacle in the east. The failure of the peace process, the indifference of international community towards the LTTE, and the passive support to the Rajapaksa government from various capitals had contributed to a shift in the LTTE's strategy since the Maavilaru crisis.<sup>87</sup> Thus, the Tigers had relentlessly attempted to achieve major gains over the

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<sup>87</sup> Mavilaru sluice gate issue is a civil dispute between the people in the 'uncleared areas', the areas controlled by the LTTE and the government of Sri Lanka (GoSL). The GoSL created the Mavilaru reservoir to benefit government-sponsored Sinhalese settlements in Trincomalee district. During Eelam War III, the government forces lost the area to the LTTE and when the ceasefire agreement (CFA) was signed in 2002, the Mavilaru reservoir fell within the LTTE controlled areas. The recent crisis started with the ADB funded project on drinking water supply to the area along with the use of the reservoir. The tense situation in Trincomalee since early 2006 and the protest from the people of the LTTE controlled areas prevented the project to take off. But when the GoSL announced to go ahead with the project, people from the LTTE area closed the sluice gate, blocking water to some 30,000 acres of ripe paddy fields and 60,000 people. The situation aggravated and escalated into a crisis when the Sri Lankan Army launched 'Operation Watershed', an aerial attack in the areas of Mavilaru & Kathiraveli of Trincomalee on 26 July, 2006. The attack allegedly killed 7 people, all of whom were civilians, injured 8 and displaced nearly 3000 people. For details see, N Manoharan, *Mavilaru Crisis: Implication for Ceasefire Agreement in Sri Lanka*, Article No. 2088, Institute of Peace & Conflict Studies (IPCS), 6 August 2006, available online at <http://www.ipcs.org/whatsNewArticle11.jsp?action=showView&kValue=2103&status=article&mod=b> accessed on 29 January 2008.

Rajapaksa government, particularly to subjugate their ongoing air offensives in the northern areas.

Significantly, the present approach of the Rajapaksa government with its emphasis on militarily crushing the LTTE and the latter's belligerence has pushed the idea of resuming negotiations on the backburner. Furthermore, this approach has relegated the political process of addressing the ethnic question to the future, thus by which the hopes of peace loving civilians have been shattered. Indeed, if the conflict escalates, it would further accelerate the polarization in the Sri Lankan society and further plunge the country deeper into turmoil and strife. Be that as it may, it is imperative that the two warring parties should set aside their rhetoric military posture and spell out in concrete terms on how to proceed further on peace. If there is no constructive transformation of attitudes and approaches between the major protagonists, durable peace in the island nation will remain elusive.

### **3.1.3. Nepal: Instabilities amid the Comprehensive Peace Agreement**

Ever since the Comprehensive Peace Agreement (CPA) came into effect in November of 2006, persisting political volatility as well as insurgent activity continued to increase Nepal's instability throughout the year of 2007. Though the number of insurgency-related fatalities had remained low, subversive activity of the CPN-Maoist continued to grow unchecked across the country. On January 15, 2007, all Members of the Interim Parliament, including 83 Maoist representatives, were sworn in, marking the commencement of a new phase in Nepal's politics. While in Parliament, however, the Maoists used various pressure tactics on the Government to weaken and subdue other parties in the Alliance. Finally, they quitted the Interim Government on September 18, stating that their twin demands – a proportional representation system to be adopted for the Constituent Assembly (CA) elections and the declaration of the country as a Republic by the Interim Parliament before the CA elections – were non-negotiable. The Maoists quitted the Government as no consensus could emerge on their demands even after repeated rounds of talks. On October 21, 2007, Prime Minister G. P. Koirala said that the Nepali Congress was ready for a

'commitment proposal' to announce a republic after the Constituent Assembly election, but was opposed to a fully proportional representation system as demanded by the Maoists. Koirala also stated that the Maoist proposal to adopt a fully proportional representation system would not be accepted by the Nepali Congress under any circumstances.

The much-hyped CA polls, which were originally scheduled for June 2007, and then rescheduled for November 22, were deferred indefinitely after the Eight Party Alliance [the Seven Party Alliance (SPA) plus the Maoists] failed to reach any consensus over the two key Maoist demands. Without any significant initiative in this direction by the Koirala Government, Prachanda issued a '48-hour ultimatum' on December 13, 2007, stating that the Maoists would start a 'new movement' from December 16, 2007, and seek to reshuffle the Cabinet if their demand of abolition of the monarchy was not met. The emergence of armed groups in the volatile Terai region had multiplied the woes of the embattled Government, with sporadic violence and armed activity continuing throughout the year. Killings, abductions, violence, and disruptive political demonstrations, and strikes continued in the region without any sign of relief for its beleaguered people. Moreover, being dissatisfied with the Government, many marginalized groups and ethnicities were demanding their wider spaces in governance, bringing the Government under intense pressure from various indigenous communities. Their major demands included a federal restructuring of the state, based on ethnic lines, the 'right to self determination' and a proportional representation-based electoral system.

In retrospect, the peace process in Nepal hinged on several complex realities most of which were not amenable to solution. Nepal is going through a period of unstable transition. Many issues remained unresolved among the major parties since the postponement of the CA elections. Many groups want their space in the new arrangement and are exerting pressure on the Government. This has not even hesitated to resort to violence to push their demands. While the Maoists will not engage in a good-faith process to ensure long-term peace, the Government remains unable to contain or tackle the insurgents, and fears that the rebels may revert to the insurgency at any stage. So clearly Nepal is on the edge.

Nevertheless, the country capped the year with a momentous decision – the parliament approving the abolition of monarchy. The earlier governments had taken several measures to curtail the King's political and financial powers and facilities, which were highly disproportionate for the small and poverty-ridden country but were unsuccessful. More importantly, from a Hindu Kingdom, Nepal seems to move towards a secular republic.

#### **3.1.4. Bhutan and Maldives: Move towards Democracy**

The move towards democratization in the small Himalayan country of Bhutan is explicit, as the popular King is showing increasing signs of giving up his total grip on power by a long term plan. This is being well received in the calm and peaceful kingdom. The Election Commission released the draft electoral rolls of the country. There will be 303,650 voters out of an approximate total of 600,000 people although this did not take into account the refugees in the six camps in Nepal that numbered 108,744 as per the latest census results in the camps. In the run up to the elections scheduled in February and March 2008, Bhutan's Prime Minister along with six of his cabinet ministers resigned on 26 July, 2007 to join political parties as part of a move towards democracy. The Home Minister had also resigned. A care taker government under the Prime Minister Lyonpo Kinzang Dorji was in place to run the government until a new government is formed under the new dispensation. Besides the ministers, many others in different branches of the government had resigned to join the political parties. The Royal Advisory Council had also been dissolved as it would have no work to do with a care taker government that was in position.

Two major political parties have emerged so far for participation in the elections. As per the new constitution, there could only be two parties finally to contest the elections but at the stage, more could register. The People's Democratic Party (PDP) formally submitted its application for registration to the Registrar of political parties, Thinley Wangchuk on 7 August 2007, thus becoming the first party to do so. The other party DPT (Druk Phuensum Tshogpa) that had emerged with the merger of two parties, the Bhutan People United Party and the All People's Party submitted its application on 15 August 2007 for registration. The DPT elected the former Home

Minister as its President and former Prime Minister who was also the foreign Minister had joined the DPT. However, all the moves by the nation towards democratization raised such question as to whether the country was borrowing too much of foreign ideas or if there would be a unique Bhutanese democracy?

It can be said that the process of democratization in Bhutan had been revolutionary. The country is going to have a major political change from a constitutional monarchy to a democratic polity by the year 2008. Introduction of democracy and political parties with the right to stand for elections and represent the people of their constituencies would affect social and political life of the country. The present social structure in Bhutan with nobles at different hierarchy levels, commoners are bound to get blurred in course of time if not in the present elections but surely in the one that would follow. Whether it is good or bad for Bhutan only time can tell. But, for the present, the movement towards democracy is going ahead without any fault lines except for the refugee question and the emergence of Maoist communist party that is likely to draw its inspiration from the success of the Communist Party of Nepal (Maoist). Moreover, while preparations for conducting nation wide elections in 2008 are going on smoothly and at an even pace, the Bhutan communist Party (Maoist) is making steady inroads in the refugee camps and is poised to make its presence felt in southern Bhutan. This latter development is viewed unfortunate as this would in course of time affect adversely the lives of the remaining Bhutanese of Nepali origin in southern Bhutan, and also likely to slow down the process of third country settlement.

In the tiny Indian Ocean nation of the Maldives, a long serving president is giving up to the demand for multiparty democracy and this too marks growing signs of the strengthening of representative government in South Asia. However, the move towards democracy in Maldives was not smooth enough rather it received occasional shocks and also witnessed roadblocks as were evident from two significant events: the prevailing indecision regarding the form of government, and the failure to meet the deadline in drafting the new Constitution of the country. Moreover, the situation became further complicated with the projected aspiration of President Gaiyoom to run the election as a Presidential candidate that undermined his

willingness to give up power in favour of strengthening and facilitating democratic transition in the country.

### **3.1.5. Bangladesh: Ushered in a New Hope in 2007**

For Bangladesh, the year 2007 has become one of the most significant years since its independence in 1971. By the end of 2006, the country was besieged in political turmoil due to the effort by the departing government of four-party alliance to win the following Parliamentary elections to be held under a Neutral Caretaker Government within 90 days from the dissolution of Parliament. The four-party alliance's effort to get re-elected resulted mainly in the alleged manipulations of the Election Commission by appointing a disputed Chief Election Commissioner (CEC), and the attempt to manipulate the position of the Chief Adviser, Head of the Caretaker Government that was to conduct the election. Opposition political parties, mainly the Awami League resorted to violent protests demanding free and fair election, and finally withdrew from the parliamentary election scheduled to be held on 22 January 2008. The political situation deteriorated to such an extent that the President of Bangladesh, Professor Iajuddin Ahmed dismissed the caretaker government, and declared the state of emergency on 11 January 2007.

After being sworn in to power, the present caretaker government (CTG), following the people's expectations undertook a number of initiatives to address the pitfalls of the political system and the society. The CTG, backed by the army, commenced a stringent drive against corruption in the society. The effort was complemented by re-manning a number of constitutional bodies viz., the Public Service Commission (PSC), the Election Commission and other bodies as well as re-invigorating the Anti-Corruption Commission (ACC). Other positive developments involved institution-building, preparation of national and voter identity card, granting independence to the judiciary, and finally the absence of any political violence in the year of 2007, such as hartals and strikes. However, an exception to the calm political atmosphere has been made by the sporadic event of 22 August 2007, when the Dhaka University (DU) students staged protests and demonstrations following a trivial

incident of tussle between the DU students and some military personnel.

However, the government also had some drawbacks. It was claimed that the government failed to control the price of essentials with appropriate policies, and could not affect reform in the political parties that left scope for drifting again in political instabilities, similar to a situation prior to January 2007. Moreover, the economy also witnessed a downturn. Although, the CTG took initiatives like establishment of the Truth Commission and Better Business Forum, the prospect appears dim as many politicians who are in custody now on allegation of corruption are in fact, two-in-one and general amnesty may create further problem for political reform in the country. The CTG has given a roadmap for holding the National Assembly election with a deadline of December 2008. However, two important issues are creating serious hindrances in attaining the deadline, first, the completion of the voter identity card within the scheduled period and second, ensuring participation of all the major parties in the election.

### **3.1.6. India: An Appreciable Political Stability throughout the Year**

India, the largest country in the region both geographically and economically, suffered the least political instabilities in 2007. Except for some insurgent skirmishes in the peripheral regions of the country, government at the centre remained unaffected by any sort of political activism. The significant issue that attracted attention both internally and externally during the year 2007 was the uncertainty surrounding the US-India civil nuclear deal due to the stringent opposition to such agreement from the leftist parties of India. This opposition had also created the only risk to India's stability as the leftist parties declared that they would withdraw their support from the alliance government if the US-India civil nuclear deal is materialized, on the pretext that the deal may curb India's liberty in deciding its nuclear policy as well as the foreign policy of the country. The government tried to contend the opposition but failed. As a result, it failed to get the approval from the parliament that created uncertainty for the deal itself. However, one would wonder about how far the leftist parties of India would act on their demand

and withdraw from the Congress coalition since any such attempt would leave the space vacant for the Bharatiya Janata Party (BJP) to take the opportunity. So it is on the part of the government as to how it maneuvers with its coalition partner in realizing the US-India civil nuclear deal for which India is hoping a lot.

### **3.2. Inter-State Level: Developments in the Bilateral Relationships**

In this section, developments in the significant bilateral relationships between countries will be analyzed with specific attention to the India-Pakistan, Bangladesh-India and Bangladesh-Pakistan relationships. Reasons for selection of these three relationships are twofold – to limit the scope of the paper, as well as no significant developments are evident in case of bilateral relationships between other countries of the region.

#### **3.2.1. India-Pakistan Relations: The Composite Peace Dialogue Continues**

India and Pakistan maintained the status quo in their relations throughout 2007 with routine bilateral talks and exchanges under the Comprehensive Composite Peace Dialogue Process. Needless to say, India-Pakistan bilateral relations have serious bearing on the regional scenario, which is largely contingent upon the state of their relationship. During 2007, a number of bilateral talks, exchanges, and visits have taken place between Pakistan and India, and there were encouraging outcomes of such exchanges resulting in an improvement in their relations. There were specific decisions for nuclear confidence-building measures and on their disputed issues. No such incident occurred during 2007, like the one in 2006 viz., the terrorist bomb blast on the *Samjhota* train that shook the relations between the two countries. India-Pakistan relations are in the process of normalization and several meetings between the two countries on a variety of bilateral issues were seen as further developments in their often-battered relationship. And obviously, the current state of New Delhi-Islamabad relations provides encouragement to the overall South Asian political milieu.

### **3.2.2. Bangladesh-India Relations: Upward Improvement is in the Offing**

Bangladesh and India share both historic and cultural relations since long. However, since independence of Bangladesh in 1971, a number of outstanding issues between the two countries remained unsettled that are hampering the development of close bilateral ties between the two countries. Being surrounded by India from three sides and the Bay of Bengal to the South where the Indian Navy has a dominant presence, Bangladesh has a geographical compulsion to maintain stable relations with India. However, during the Four-Party Alliance Regime (2001-2006) in Bangladesh both the countries, Bangladesh and India, failed to make substantive developments in their relations. No major attempts have been made during the period to solve bilateral disputes, rather misunderstandings and mistrust between the two countries remained entrenched. Following the political change in January of 2007 in Bangladesh, expectations were raised for strengthening Bangladesh's relations with neighbouring countries.

As the later events demonstrate, the bilateral relationship between Bangladesh and India during 2007 improved. Within few weeks of coming to power, the caretaker government approved the proposal of the Indian state-owned Bharat Heavy Electricals Ltd. to set up a 420 MW power plant at Siddhirganj at a cost of Taka 1.10 crore. It was also decided that Bangladesh will import oil in increased quantity from India through river ways. Moreover, there were also official visits between the two countries. The Indian External Affairs Minister, Pranab Mukherjee visited Dhaka to invite Bangladesh in the 14th SAARC Summit. Though it was a routine visit, his statements and observations have shown keen desire for forging a strong relation with Bangladesh. In a press conference before leaving for New Delhi, he said that both sides agreed to take steps to place bilateral relations on an "irreversible higher trajectory". Moreover, there were official visits of Indian State Minister for Commerce, and Indian Foreign Secretary to Dhaka. Home Secretary level talks between the two countries took place too. Chief Adviser of Bangladesh Dr. Fakhruddin Ahmed and Indian Prime Minister Dr. Manmohan Singh also met in the retreat during the 14th SAARC Summit. Some major decisions taken in the year

2007 concerning the bilateral relationship include granting “duty free access” to eight million pieces of Bangladeshi readymade garments to Indian market, lifting of ban by the Indian authority on Bangladeshi investment in India, decision to provide 0.5 million metric tons of rice to Bangladesh in the post-Sidr disaster management and finally the landmark decision to commence Dhaka-Kolkata train service. All these lead to a sense of optimism concerning the bilateral relationship between Bangladesh and India in the days to come.

### **3.2.3. Bangladesh-Pakistan Relations: Commitment for Cooperation**

The Pakistan Foreign Secretary Riaz Mohammad Khan visited Bangladesh during 29-30 August in 2007. During the visit some important bilateral issues were discussed. Some significant outcomes of the visit include an agreement to raise the annual bilateral trade up to US\$ 1 billion from the current one of less than US\$ 300 million, increased cooperation through Early Harvest Programme which would give duty free access to some products from each country, and restarting shipping line between Bangladesh’s South Eastern Chittagong port and Karachi in Pakistan, which was postponed in 1987. While these decisions are positive and assure both sides’ commitment for increased cooperation, some issues remain unsettled. The repatriation of nearly 250,000 stranded Pakistanis from Bangladesh, and a formal apology from the Pakistani side for the atrocities committed in the Liberation War of 1971 are some of the important issues that need to be settled for a meaningful and strong bilateral relationship between Bangladesh and Pakistan.

### **3.3. Regional Subsystem Level**

Developments at the regional subsystem level in South Asia in 2007 involved developments surrounding the sole regional grouping in South Asia viz., the South Asian Association for Regional Cooperation (SAARC) and its most important initiatives, the South Asian Free Trade Area (SAFTA). Moreover, the issue of terrorism, particularly religious extremism had also become a serious concern for the countries of the region in the year of 2007. These issues are analyzed below.

### **3.3.1. SAARC & SAFTA**

The successful conclusion of the 14th SAARC Summit in New Delhi, India, in April of 2007, augured well for the region, with the next summit scheduled to be held in Sri Lanka in the year 2008. Though the summits of SAARC leaders often suffer postponements, the 14th Summit in April, 2007 remained on the track. Among the major decisions that were agreed upon during the Summit by the Heads of the State and/or Governments included, granting membership to Afghanistan and observer status to United States, China, Japan, South Korea, European Union and Iran, creation of the South Asian Development Fund (SADF), and India's declaration of zero-duty access to least developed (LDCs) countries of South Asian. However, the Summit could not make substantial progress in the areas of regional trade and no significant move was evident for the immediate implementation of SAFTA. Though the importance of implementing trade facilitation measures, especially standardization of basic customs nomenclature, documentation and clearing procedures was stressed, there is a serious need to develop at an early date, a roadmap for a South Asian Customs Union and a South Asian Economic Union in a planned and phased manner. The major deficiency and elements of uncertainty in the SAFTA agreement is that it leaves too many things unsettled which remain critical for the success of the regional FTA. These are the establishment of rules of origin, agreement on the 'sensitive' or 'negative' lists products, the creation of a fund for providing compensation to the LDCs for the loss of revenues due to the elimination of custom duties and the identification of areas for providing technical assistance to the LDCs. Some other important issues that were left undecided by the summit included: (a) ignoring specific time frame work for phasing out sensitive lists which is very important to ensure free trade regime; (b) ignoring transport and infrastructure facilities to increase the pace of trade; and (c) protectionism in trade in service. Success of SAARC undoubtedly hinges to a great extent on the successes of SAFTA.

### **3.3.2. Terrorism and Religious Extremism**

The region of South Asia is experiencing violent activities both armed and suicidal, against its security forces, political leaders and the civilians since the decolonization process of the sub-continent

started in the middle of the twentieth century. For decades, the Kashmir conflict and the ethnic conflict in Sri Lanka created political instabilities and severe security concerns for India, Pakistan and Sri Lanka respectively as well as for the region. The violent armed activities perpetrated by the Tamil guerrillas in Sri Lanka, and by the freedom fighters in the Jammu and Kashmir areas are viewed by the parties as fighting for autonomy and independence, whereas the governments of India and Sri Lanka term them as terrorist activities. In the post-Cold War era, with a worldwide resurgence of ethnic conflicts, the conflicts in Sri Lanka and Kashmir gained new momentum.

The region also did not remain aloof from religious extremism that proliferated in the post-9/11 period. The countries of Pakistan, India and Bangladesh are affected by religious extremism, and terrorist activities created serious challenges for the governments of these countries. In 2007, there were no significant terrorist activities in Bangladesh, after the government's successful anti-terrorism campaign by hanging the six leaders of Jamaatul Mujahideen Bangladesh (JMB). On the contrary, in Pakistan, following the Red Mosque massacre, terrorist incidents have increased drastically. In fact, suicidal terrorism was not very common in Pakistan, but following Red Mosque raid by the security forces that resulted in the staggering deaths of 105 people, suicidal terrorist attacks have become a regular phenomenon in Pakistani life, mostly in the FATA and NWFP region and few other areas of Pakistan. As a South Asian security analyst commented, "the cross-border terrorist attack is getting internalized"<sup>88</sup> in Pakistan. Pakistan has now become a major target of jihadi terrorism.

There were terrorist activities in India, Sri Lanka and Nepal too in 2007. In a statistics provided by the Institute of Conflict Management, India, total deaths due to terrorist activities in India were 2,598 people. In Pakistan 3,599 people died in such attacks; in Nepal 97, and in Sri Lanka, the highest number i.e., 4,377 people died due to ethnic conflict based terrorist activities. Compared to this large death toll in India, Pakistan and Sri Lanka, only eight people

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<sup>88</sup> P R Chari, 'South Asia in November 2007 – An Overview', in *IPCS Strategic Review*, No. 29, December 2007, p.1.

died in Bangladesh in 2007 as reported by that institute.<sup>89</sup> However, the scenario warrants regional initiatives in addition to national initiatives by the government of individual countries. Regional initiatives can be sought under the aegis of SAARC.

### **3.4. Regional Extra-regional Level**

The US - South Asia relations in 2007 maintained continuity and no significant change in the US policy towards South Asia was evident in the year, except some challenges it experienced in case of New Delhi and Islamabad. The US-India relations witnessed challenges due to the opposition of the leftist parties of India to the US-India civil nuclear deal. However, the issue has not been decided yet. In Pakistan, the US policy was confronted with the strongest criticism in 2007, particularly due to its incessant support towards the Musharraf regime. Pakistan is an ally, in fact, a collaborator with the US in the 'war against terrorism' in Afghanistan. In exchange, the US provided support to the undemocratic Musharraf regime. When the government of Musharraf was experiencing severe opposition domestically, all were expecting the US to withdraw its support. However, there was no shift in the US policy towards Pakistan and towards the Musharraf government although there was concern in the Bush administration regarding the increase of suicidal terrorism in Pakistan and at one point it intended for military intervention in Pakistan to curb terrorism. Following this, the Musharraf government took stern steps in countering terrorism and finally, the US did not intervene militarily in Pakistan since there was also serious concern in other countries of South Asia about the military presence of the USA in the region.

On the other hand, there was also no change in the US policy towards Bangladesh following the declaration of the state of emergency in January of 2007. The state department sought a clarification, and afterwards convinced that it is an interim arrangement to facilitate general election in a free and fair manner, and to ensure the level playing fields for all political parties. All the

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<sup>89</sup> *South Asia Terrorism Portal*, Institute of Conflict Management, India, available at <http://www.satp.org/satporgtp/satp/index.html>, accessed on December, 2007.

donor partners including the USA supported the CTG's anti-corruption initiatives and the initiatives needed for political reforms but continuously pressed the government to hold national election in time.

#### **4. Conclusion**

Compared to the last couple of years, the year of 2007 for South Asia has been a turbulent year. It appears that the political environment in the countries of the South Asian region has both happily improved and unfortunately nose-dived in recent times.<sup>90</sup> For some, the year ushered in with new hopes and expectations, and for others the year ended up with a reversal of past achievements. While for Bangladesh the developments are significant and positive, instabilities continue in all other countries of the region except in India. The move towards democratization in the Himalayan country of Bhutan and in the Islands of Maldives is encouraging, whereas the backlash in Nepal by the Maoists and the failure of the nation to sustain the achievements of 2006 frustrated the expectation of the general people. Throughout 2007, India remained stable at the political front, except some occasional uncertainties on the issues of Indo-US civil nuclear deal. The most heartening events occurred in Pakistan with deepening of political instabilities throughout the year that ultimately resulted in defining the country as a 'failed state' and the year ended up with the assassination of another national leader of Pakistan, a mere repetition of South Asian tradition, as almost all the countries of the region witnessed several times the assassination of their national leaders.

However, as it appears, a distinguishing characteristic of the year 2007, for the region of South Asia, is that, the regional and extra-regional issues received less attention or were of less importance compared to the domestic and/or internal issues of the individual countries. The domestic and/or internal political issues particularly, the political instabilities were predominant in the region in the year of 2007.

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<sup>90</sup> Zaglul Ahmed Chowdhury, '2007–South Asia was in focus in contrasting ways', *The Daily Star*, 06 January 2008.

The region – the most densely populated in the world – is fighting to improve the living standard of most of its 1.4 billion people who are mired in abject poverty. Political problems, unbridled corruption and lack of good governance are among the problems that thwart expected progress in South Asia. Nevertheless, on a positive note, the region, evidently, will wait in the New Year for many developments in right directions as a sequel to healthy trends of 2007. Thus, it is also expected that the unhealthy and divisive ones, both nationally and regionally, will take a back seat and be discouraged in the year 2008.

*Razia Sultana*

## **QUEST FOR ENERGY SECURITY IN BANGLADESH: CHALLENGES AND PROSPECTS**

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### **Abstract**

Energy security is one of the major policy concerns for Bangladesh. Currently, the country with its vast population is facing formidable challenges in supplying energy in spite of having some mineral resources and significant amount of renewable resources options. To understand the overall energy scenario of the country, existing reserves of renewable and non-renewable energy resources have been discussed in the paper. In the energy security context, several issues such as export of gas, electricity shortage and high dependency on imported oil are real threats to ensuring supply of energy to meet the growing demand. These issues have been discussed within the conceptual framework of energy security for the country's rapid economic growth. To overcome the challenges, sustainable energy development through intra-regional cooperation with SAARC, BIMSTEC and extra-regional collaboration with the OPEC countries has also been touched upon in the paper.

**Key Words:** Security, Energy, Demand, Supply, Renewable, Non-renewable

### **I. Introduction**

Energy is the lifeblood and dynamic engine of growth in the twenty first century.<sup>91</sup> For Bangladesh, it is a crucial factor for its

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future prosperity. At present, the country has huge energy demand against very limited supply which is growing rapidly. Between renewable (biomass, hydroelectricity, wind and solar energy) and non-renewable energy resources (natural gas, coal and oil), the latter has significant role to play in the country's overall economic growth. Due to the unprecedented demand of these resources, the country now has become heavily dependent on available mono-energy resource (e.g. natural gas) and imported fuels. On the other hand, among the renewable energy resources, biomass is the main source of energy in the rural areas but its unsustainable usage is putting its future in jeopardy. Other renewable resources (solar, wind, and hydroelectricity) cannot be utilized efficiently because of its high price, physical constraints, technological backwardness and an ineffective energy policy. Therefore, the country is now facing formidable energy deficiencies due to these various natural and manmade factors.

However, this scenario leads to two key questions. The first is what are the threats that make the energy sector insecure? The second is how to overcome the challenges to ensure its long term sustainability. It is in this backdrop, the paper tries to address the overall energy scenario, the immediate challenges in this sector and possible ways to ensure long term energy security considering the issues of technologies, environment and regional cooperation. To address these issues, Section II of the paper describes the overall energy situation in Bangladesh. In Section III, the conceptual framework of energy security is analyzed. Some key issues, which are threats for this sector, are also identified in this section. In section IV, an attempt is made to observe the existing intra-regional cooperation in which Bangladesh is a member of regional groupings such as SAARC and BIMSTEC and extra- regional cooperation with the Organization of Petroleum Exporting Countries (OPEC) countries. Finally, Section V offers some policy recommendations towards attaining energy security in the country.

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<sup>91</sup> Peter Meier and Mohan Munasinghe, *Sustainable Energy in Developing Countries: Policy Analysis and Case Studies*, Edward Elgar Publishing Limited, Cheltenham, UK & Northampton, USA, p. 19.

## II. Energy Resources of Bangladesh: An Overview

By and large, Bangladesh is not well endowed with substantial amount of non-renewable energy. In case of renewable energy, biomass, solar energy, and hydropower are important and their usage is predicted to continue to grow. Biomass is the dominant source of energy followed by natural gas, imported oil, and hydroelectricity.<sup>92</sup>

### *a. Non-renewable Energy*

Natural Gas: Owing to its large potential gas reserve of 15.4 Trillion Cubic Feet (TCF) in 2005, Bangladesh is becoming increasingly important to world energy market. However, estimation of gas reserve varies significantly from agency to agency.<sup>93</sup> In addition, experts and officials expect that there may be a possibility to find more gas fields in the country.<sup>94</sup> In 2004, production and consumption of gas were 462.626 Billion Cubic Feet (BCF) and

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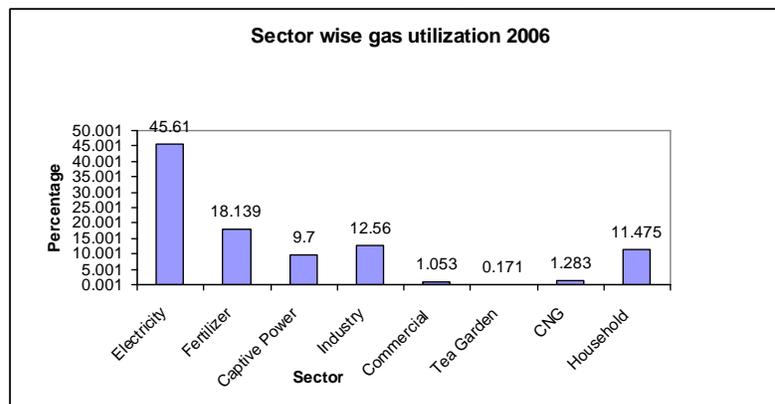
<sup>92</sup> Among the total energy resources, 57.44 per cent is used from traditional fuel or biomass, 24.72 per cent from natural gas, 12.80 per cent from imported oil products, and 0.8 per cent from hydroelectricity. For details, see, ABM Ziaur Rahman, 'Environmental Aspects of Energy Exploration in Bangladesh and the Role of EIA: The Case of the Sunderbans', *BIISS Journal*, Vol. 24, No.3, July 2003, pp. 390-426.

<sup>93</sup> In January 2007, Oil and Gas Journal (OGJ) reported that Bangladesh had only 5 TCF of proven natural gas reserves which is less than previous year, 2006 (15.397 TCF) and other previous estimated reserves. In addition to this, in 2004, Ministry of Finance reported that Bangladesh contains 28.4 TCF of total reserve. For details, see; Country Analysis Briefs: Bangladesh, July 2006, Bangladesh Energy Data, Statistics and Analysis-Oil, Gas, Electricity, Coal, available at <http://www.eia.doe.gov/emeu/cabs/Bangladesh/Full.html>, accessed on 4 May 2008.

<sup>94</sup> In the baffling scenario, the country is trying to discover more new gas fields to meet the additional demand of different sectors. In 2006, the country discovered a new gas field with 500 billion cubic feet (BCF) reserves in block 9 at Gazipur, about 40 km north of Dhaka. Overall, four international companies are engaged in the production, development, and operation of 10 out of the country's 23 hydrocarbon blocks. For details, see, 'Bangladesh Natural Resources News', available at <http://www.skyscrapercity.com/archive/index.php/index.php?t-401751.html>, accessed on 30 April 2008.

462.626 BCF respectively that showed an even disbursement (see, Annex 1). As of FY 2005-2006, production of gas reached at 526.72 BCF and daily production was around 1.66 BCF.<sup>95</sup> At present, consumption of produced gas has increased and has been extensively used in different sectors in spite of having daily shortage of around 100 Million Cubic Feet (MCF). Currently, natural gas constitutes 80 per cent of commercial energy consumption and nearly half of it is produced to meet the rising demand of electricity generation (see, Chart 1).

**Chart 1: Sector Wise Gas Utilization, 2006**



Source: Data Collected from Petrobangla, 2006.

Apart from the onshore blocks, offshore<sup>96</sup> ones are another potential source of energy in Bangladesh. Currently, out of 23 blocks, there are only 5 offshore and the rest are onshore blocks. However, gas reserves were explored from the two offshore fields - Sangu and Kutubdia.<sup>97</sup> Between these two, the country is able to extract gas only from the Sangu field (see, Annex 2).

<sup>95</sup> Reported in *Jugantor* (a Bengali daily), 19 May 2007.

<sup>96</sup> Offshore energy denotes the resources that a country derives from sea not from the mainland. In context of Bangladesh, off shore energy means particularly oil and gas including its other forms such as petroleum, kerosene etc.

<sup>97</sup>In 2005, the total proven and probable reserves of these two fields were 1,031 BCF and 65 BCF respectively. For details, see, Ministry of Finance, *Bangladesh Economic Review* 2005.

Coal: In the north, Bangladesh has 2 billion tonnes of coal reserves (equivalent to 53 TCF of gas) in five different locations.<sup>98</sup> The status of deposits, however, varies by the government and other sources like that of total gas reserves (see, Annex 3). On 24 June 2006, another 105 million tonnes (MT) of quality coal was discovered in the north that is likely to increase up to 600 MT over an area of 12 square km.<sup>99</sup> In the absence of any commercial production, the consumption of this energy remained about 0.4 MT in 2005 that made the country a net importer. However, in January 2006, the first commercial production of 250 MW of electricity began from Barapukuria.<sup>100</sup> Besides, it is estimated that from the second coal fired power plant near Phulbari, the country would be able to generate 3,700 GW/h electricity burning 1.5 MT of coal annually.<sup>101</sup> These are, however, not sufficient to meet the country's ever rising demand of electricity.

### ***b. Renewable Energy***

Renewable energy resources also termed as 'alternative energy systems' has been proved to be cost effective and economically feasible in many countries.<sup>102</sup> In case of Bangladesh, the country is extremely dependent on traditional fuels such as agricultural residues, firewood, and dung. Other fuels such as solar energy, wind power and hydroelectricity constitute a very small proportion of the total energy consumption (see Annex 4). For this reason, the country has adopted some sustainable energy projects and Renewable Energy Technologies (RET) though these are at the initial stage of progress and implementation.

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<sup>98</sup> Shahiduzzaman Khan, 'Asia Energy-Coal and Power for Bangladesh', available at [http://www.advfn.com/stocks/asia-energy-coal-and-power-forbangladesh\\_10615972.html](http://www.advfn.com/stocks/asia-energy-coal-and-power-forbangladesh_10615972.html), accessed on 2 May 2008.

<sup>99</sup> Serajul Islam Quadir, 'Bangladesh Discovers New Coal Reserve' available at <http://www.planetark.com/avantgo/dailynewsstory.cfm?newsid=36993>, accessed on 01 May 2008.

<sup>100</sup> Bangladesh Country Analysis Briefs 2006, *op.cit.*

<sup>101</sup> *Ibid*

<sup>102</sup> Christopher A. Simon, *Alternative Energy: Political, Economic, and Social Feasibility*, Rowman & Littlefield Publishers, INC, USA, p. 42.

i. Biomass: About 98 per cent of the total biomass energy is supplied by the agricultural residues (68 per cent), animal dung (16 per cent), homesteads (14 per cent), and rest of the 2 per cent obtained from the reserved forest.<sup>103</sup> As of 2005, consumption of biomass was 16.6 MT that accounted for 57 percent of the total energy consumption, while it was 70 percent in 1993.<sup>104</sup> The increase of commercial and private energy consumption (e.g. cooking), and declining number of forests in the country are the main causes for the decline. Different public and private organizations have taken various initiatives to reduce the high dependency on traditional fuels.<sup>105</sup> In addition, government is also providing \$120 subsidy to install family-sized biogas plants estimated average capacity of 2.8 m<sup>3</sup> of daily gas production.<sup>106</sup>

ii. Solar Energy: Overall, the country receives an average daily solar radiation of 4-6.5 kWh/m<sup>2</sup> that covers 0.1 per cent of the total

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<sup>103</sup> M. A. R Sarkar, *et al.*, 'Performance of a Stand-Alone PV Home Lighting System', *Bangladesh Renewable Energy News Letter*, Vol. 1, No. 2, Vols. 2 & 3, July 2000-December 2002.

<sup>104</sup> Kuntala Lahiri-Dutt, 'Energy Resources: Will it be the last frontier in South Asia?' ASARCK Working Paper on 'South Asia: Integrating and Looking East?' 25-26 September 2006 available at: [http://rspas.anu.edu.au/papers/asarc/WP2006\\_10.pdf](http://rspas.anu.edu.au/papers/asarc/WP2006_10.pdf), accessed on 19 April 2008.

<sup>105</sup> For instance, Local Government Engineering Department (LGED) and the Institute of Fuel Research and Development (IFRD) have improved some qualitative stoves which save 50-70 per cent of fuel compare to the traditional ones. Besides, Khulna University of Engineering and Technology conducted development work with the assistance of SIDA to install about 19,596 biogas plants. For details, see; A.K.M Sadrul Islam, Mazharul Islam & Tazmilur Rahman, 'Effective Renewable Energy Activities in Bangladesh', available at [http://www.sciencedirect.com/science?\\_ob=ArticleURL&\\_udi=B6V4S-4H5MYGJ2&\\_user=10&\\_rdoc=1&\\_fmt=&\\_orig=search&\\_sort=d&view=c&\\_acct=C000050221&\\_version=1&\\_urlVersion=0&\\_userid=10&md5=316b342b5468c0061cdb49a621a4dbce](http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6V4S-4H5MYGJ2&_user=10&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=316b342b5468c0061cdb49a621a4dbce), accessed on 03 May 2008.

<sup>106</sup> Sk Noim Uddin and Ros Taplin, 'A Sustainable Energy Future in Bangladesh: Current Situation and Need for Effective Strategies, The 2<sup>nd</sup> Joint International Conference on *Sustainable Energy and Environment (SEE 2006)*, 21-23 November 2006, Bangkok, Thailand.

energy resources.<sup>107</sup> The yearly direct solar energy available in the whole country is around 25,610 MT of oil equivalent.<sup>108</sup> For the last 5 years, various researches, development organizations, and institutions with the support of World Bank are working to activate this energy resource.<sup>109</sup> Today, Solar Photovoltaic (PV) is gradually been used especially in remote rural areas for providing electricity to households and small business enterprises. Besides, installations of Solar Home System (SHS) are flourishing due to initial step of micro-credit programme of Grameen Shakti and energy programmes of Infrastructure Development Company Limited (IDCOL).<sup>110</sup>

iii. Wind Power: Currently, wind power is used in coastal areas for generating electricity, though it is in a very preliminary stage. At present 2 MWs of electricity is generated from Kutubdia, one of the offshore areas of country.<sup>111</sup> Besides, using the wind-solar hybrid systems, local government engineering department (LGED) installed 10 kwp schemes located in Saint Martin's Island at the Bay of Bengal. One small unit has also been installed at Kuakata sea beach, an important tourist resort of the country. Besides, in July 2005, the first wind power project was in action on pilot basis at Muhari in Feni that generated 1MW of electricity on a trial basis from four windmills. Despite all, the generation of electricity from wind is as low as 20 kwp in the country.<sup>112</sup>

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<sup>107</sup> Md. Osman Goni 'Solar Electricity at Karimpur, Narsingdhi-Prospects and Problems', *Bangladesh Renewable Energy News letter*, *op.cit.*

<sup>108</sup> J. Hasan 'Energy and Prospect of Alternative Energy in Bangladesh', *Dhaka Courier*, Vol. 19, No. 8, September 2002.

<sup>109</sup> For instance, JAIKA's solar energy project and sustainable rural energy project are gathering solar insulations from different areas to produce electricity.

<sup>110</sup> In 2005, IDCOL installed 50,000 SHS providing about 3 MW of electricity that changed the living standard of people in remote rural areas. For details; see, Ijaz Hossain and M. Tamim, 'Energy and Sustainable Development in Bangladesh', Report on *Sustainable Environment Watch (SEW) 2005-2006*, HELIO International, Bangladesh.

<sup>111</sup> 'Renewable Energy', *The Independent*, 09 May, 2008.

<sup>112</sup> 'Renewable Energy Fact Sheet', *Renewable Energy Information Network (REIN)*, LGED, available at [http://www.lged-rein.org/ret\\_factsheet/factsheet\\_wind.htm](http://www.lged-rein.org/ret_factsheet/factsheet_wind.htm), accessed on 12 June 2007.

iv. Hydropower: Hydropower is not a potential source of energy as Bangladesh has a flat terrain. In 2004, the production and consumption of this resource were significantly even (1.139 billion KW/h). At present, the country is able to get only 230 MW of electricity from Kaptai Lake. In addition to this, a few micro-hydro sites have been constructed in south eastern hilly regions. Furthermore, LGED has recently set up 10 kW micro-hydro plant as an alternative source for local power generation and consumption at Bamerchara in Chittagong.

### **III. Energy Security: Challenges for Bangladesh**

#### ***a. Energy Security – A Conceptual Framework***

Over the last four decades, energy has been a major global security issue. Empirically, the very concept of energy security was changed dramatically since the great oil supply disruptions of the 1970s.<sup>113</sup> Therefore, the traditionalist explained and gave emphasis on security of this resource based on two basic principles, namely ‘physical security’ (i.e. supply and demand).<sup>114</sup> In the context of Bangladesh, it is crucial to explain energy security from these two dimensions as these are core facets to ensure energy security for long term. Since natural gas is the most important non-renewable resource of the country as mentioned earlier, security of energy is closely related to the available supply of this resource in required quantities and at a reasonable price. Besides, access to new reserves and demand projections of the energy resources made from time to time are also very important to meet the rising demand of the people. As shown in Table 1, with an annual growth rate of 4.55 per cent in 2005, natural gas was the fastest growing source of energy among the major fuels and its estimated growth of demand was around 10 per cent a year considering the current gas consumption level (493.61 BCF in the year 2005-2006). In view of the present GDP

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<sup>113</sup> Joseph S. Nye, “Energy and Security” in David A. Deese & Joseph S. Nye (eds.), *Energy and Security*, Ballinger Publishing Company, Cambridge, Massachusetts, p. 3.

<sup>114</sup> On the other hand, insecurity of energy occurs when supply of energy is less than the demand (insecurity=supply<demand). The concept of supply and demand is considered as production and consumption respectively and it was first used by US Energy Information Administration (EIA).

growth rate of 5.5 per cent, demand for gas would go up to 4 BCF per day by 2024-25.<sup>115</sup> Gas could only meet country's demand until between 2016 and 2018. Regarding oil, the projected demand is rising gradually considering 7.4 per cent of growth rate of petroleum products consumption. Due to its limited supply, but high consumption pattern, demand of oil would continue to rise sharply in future. In contrast, the demand of coal resources will be increasing at a slower pace.

**Table 1: Future Energy Demand (4.55 Percent GDP Growth Rate), MTOE\***

Energy Sources	2000	2010	2020	2030	2040	2050
Natural Gas	7.7	14.2	22.9	33.6	45.6	57.1
Oil	3.2	5.9	8.9	12.1	15.4	20.1
Coal	0.3	0.6	1.3	3.0	4.7	5.1
Renewable	0.1	0.2	0.5	0.7	1.3	1.7
Total	11.3	20.9	33.6	49.4	67.0	84.0

\*MTOE: Million Tones Oil Equivalent

Source: Qazi Kholiquzzaman Ahmed *et.al*, *Energy Security in Bangladesh*, Academic Press and Publishers Library, Dhaka, 2005.

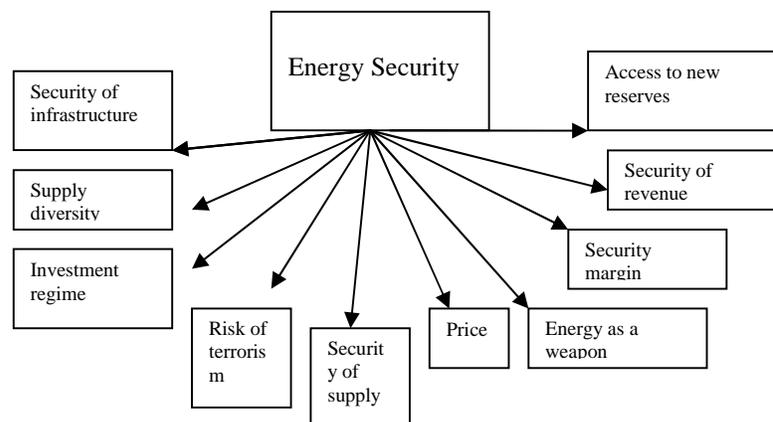
In case of renewable energy, overall demand is in a gradual upward trend but consumption of biomass is slowly decreasing. Regarding electricity, it is projected that maximum demand in 2012, and 2015 would be around 7,732 MW, and 9,786 MW respectively and is expected to increase up to 13,993 in 2020. This baffling scenario of supply and demand shows that the country is facing huge energy inefficiency and the situation would turn into a precarious form in the near future. Thus, based on the predictions of future energy demand and supply in the country after 2030, the country may become fully a net importer.

Apart from the concepts of demand centres and supply sources, three more important aspects were incorporated (geopolitics, market

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<sup>115</sup> Bangladesh approves 20-yr gas sector master plan, asking for fresh exploration" available at <http://www.skyscrapercity.com/showthread.php?t=401751>, accessed on 29 April 2008.

structures and institutions) previously. Nevertheless, in the twenty first century, the concept of energy security is considered from broader perspective and does no longer limit itself with these five traditional elements of energy security. Defining the new energy security paradigm, the term 'energy security' has been articulated in various dimensions. However, in general, the understanding of new energy security is to maintain required access to energy resources without threatening the state's survival at present and in future. As E Bertel pointed out that energy security generally refers to the resource exploration to meet people's demand considering the future generation for a particular period of time including the environmental protection.<sup>116</sup> Likewise, World Energy Council (WEC) emphasizes energy sustainability by asserting environmental impacts. But, keeping away from the issue of environmental protection, Cambridge Energy Research Associates (CERA) defined energy security as an 'umbrella term' encompassing ten key principles which is shown in Figure 1 below.



Source: 'The New Energy Security Paradigm', World Economic Forum, 2006, available at <http://www.weforum.org/pdf/Energy.pdf>, accessed on 05 May 2008.

Among the ten key principles, diversification of energy supply sources is the starting point of energy security.<sup>117</sup> Also, the World

<sup>116</sup> E. Bertel, 'Nuclear Energy and the Security of Supply', *Nuclear Energy Agency*, Vol. 23, No. 2, 2005.

<sup>117</sup> Daniel Yergin, 'Energy Security and Markets', in Jan H. Kalicki and David L. Goldwyn (eds.), *Energy and Security: Towards a New Foreign*

Bank's definition takes into account the socio-economic considerations (e.g. reasonable prices, economic growth and poverty alleviation) and states that "energy security means that a country can steadily produce and consume energy at reasonable prices in order to promote economic growth and, by doing so, to reduce poverty and directly improve the population's living standards by expanding access to modern services in the energy sphere."<sup>118</sup> Thus, based on this analysis, the concept of energy security includes entire social, political, economic and environmental aspects at present.

***b. Challenges for Bangladesh***

Are the above mentioned approaches of energy security pertinent to Bangladesh? It is revealed from the above discussion that considering the traditional aspects, the country possesses inadequate reserves of non-renewable energy resources to meet the demand of present and near future. Furthermore, capacity of production of the renewable energy resources is not in line with the growing requirements of industrial and household sectors. At present, this baffling scenario has further been aggravated from certain modern dimensions such as vulnerability of oil supply disruption to ensure supplies and meet the rising demand at reasonable prices.<sup>119</sup> Thus, in the context of Bangladesh, energy security means combination of both traditional and modern indicators. Taking into account of CERA's ten key principles and other modern approaches of energy security, it is necessary to explain how these factors are relevant and have brought further challenges for the country. However, among the ten key principles, five principles (price, supply diversity, security of supply, access to new reserves and security of infrastructure) as well as WEC's environmental issues are identified as key factors for the country's future energy security, and these are as follows:

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*Policy Strategy*, Woodrow Wilson Press and John Hopkins University Press, 2005.

<sup>118</sup> 'Energy Security Master Plan: Liquid Fuels', Department of Minerals and Energy, Republic of South Africa, available at [http://lnw.creamermedia.co.za/articles/attachments/06457\\_energy\\_security\\_strategy.pdf](http://lnw.creamermedia.co.za/articles/attachments/06457_energy_security_strategy.pdf), accessed on 01 May 2008.

<sup>119</sup> A. S. M Bashirul Huq, 'Energy Security for Bangladesh: The Case of Oil and Gas', Seminar on *Power, Energy, and National Security of Bangladesh*, BIISS and BPC, 20 March 2003.

#### i. Generation, Transmission and Distribution Crisis

According to Jan H. Kalicki and David L. Goldwyn “a reliable energy supply means predictable supplies that are less and less vulnerable to disruption”.<sup>120</sup> In particular, ensuring electricity supply for every citizen has been a great challenge for Bangladesh government over the last few years. Till now, per capita energy consumption is 165 kwh and only 42 per cent of the total population is within the coverage of electricity network.<sup>121</sup> In 2006, daily power generation capacity was 3000 MW which left a shortage of 2000 MW to meet the country’s overall electricity demand.<sup>122</sup> In 2007-2008, about 247.80 billion CFT gas is required for power generation.<sup>123</sup> This figure shows that the country would face a deficit of at least 41 TCF gas in the next 15 years.

#### ii. Dilemma of Exporting Natural Gas

Considering the principle of infrastructural security, it can be said that Bangladesh has very limited infrastructural capacity to explore gas and bear expense of exploration. Demand of gas is sharply increasing at commercial and domestic sectors in the country. Therefore, the question arises, is it possible for the country to export gas without considering its long term sources of energy supply? Conversely, the country is now facing problems in dealing with the multinational companies’ Production Sharing Contracts (PSCs). Although the government signed PSCs with these companies, Petrobangla, a government owned corporation has to purchase gas from the International Oil Companies (IOCs) at a higher rate than the global and domestic markets. Thus, government is now facing huge fund constrains. In this context, it is a great challenge for the government to export gas without confirming the future supply and finding the alternative sources of fuel generation.

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<sup>120</sup> Jan H. Kalicki & David L. Goldwyn, ‘Introduction: The Need to Integrate Energy and Foreign Policy’, in Jan H. Kalicki & David L. Goldwyn (eds.), *Energy & Security: Toward a New Foreign Policy Strategy*, Woodrow Wilson Center Press, Washington, D.C & The Johns Hopkins University Press, Baltimore, 2005, p. 9.

<sup>121</sup> Ministry of Finance, *Bangladesh Economic Review* 2006.

<sup>122</sup> *The Daily Star*, 03 October 2006.

<sup>123</sup> *Bangladesh Economic Review* 2005, *op.cit.*

iii. Issues of Higher Pay for IOC Explored Gas and IPP Produced Electricity

At present, IOCs are providing 52 per cent of Foreign Direct Investment (FDI) in Bangladesh's energy sector.<sup>124</sup> Generally, with the Production Sharing Contracts (PSCs), Petrobangla deals with these companies, purchases gas from them as cost revival and puts up for selling in the local markets. But, in the name of production and supply, the international companies claim a large amount of profits through high payment rate which is really a concern for the government. Similarly, under Private Sector Power Generation Policy (PPGP) in 1996, the government of Bangladesh endorsed private companies formally called as Independent Power Producers (IPPs) based on certain rules and regulations of World Bank to overcome crisis in power sector. However, since the agreement with IPPs, the cost of electricity has become more than two hundred times higher than the price of previous years because of competitive market products, eventually resulting in great loss of public division.<sup>125</sup>

iv. Minimising Loss due to Accidents

Diversification of energy and ample supplies are the main guarantors of energy security of a large number of people. It is a fact that some incidents occurred in Bangladesh regarding gas and coal explorations that are real threats for accessing new reserves. For instance, in the gas sector, the country had to lose a significant amount of gas at Magurchara and Tangratila in Habiganj due to the irresponsibility and negligence of the IOCs. As of April 2007, about

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<sup>124</sup> Monzur Hossain, 'Bangladesh: Natural Gas Export', *South Asian Journal*, July-September, 2005, available at [http://www.southasianmedia.net/magazine/journal/9-Natural\\_gas\\_export.htm](http://www.southasianmedia.net/magazine/journal/9-Natural_gas_export.htm), accessed on 02 May 2008.

<sup>125</sup> Anu Muhammad, 'Bangladesh's Integration into Global Capitalist System: A Study on the Policy Direction and the Role of Global Institutions', in Matiur Rahman (ed.) *Globalization, Environmental Crisis and Social Change in Bangladesh*, available at <http://www.members.shaw.ca/motirahman/Globalization%20and%20Bangladesh/Chapter%205.pdf>, accessed on 16 April 2008.

30 to 35 million cubic feet of gas has been burnt per day within 54 hours to reduce the pressure of gas flow of Titas gas field because of the negligence of staffs and mismanagement of the institution.<sup>126</sup> Besides, in August 2006, Asia Energy Corporation, a UK based company explored coal for commercial production that caused massive relocation, killing and unrest of people at Phulbari in Dinajpur district.<sup>127</sup> However, it is anticipated that Asia Energy's plan to explore coal by open pit method would further dislocate around 40,000 villagers and bring serious environmental impacts on the ground water table of the north-western part of the country.<sup>128</sup>

#### v. Challenges of Globalization

Reasonable and stable price is important as it ensures the ability to buy supply for Bangladesh. In fact, the gradual upsurge of global oil price causes a significant threat to the domestic financial system as it poses a negative impact on industrial growth, add inflationary stress and create pressure on the balance of payments. In other words, it might slow down the country's export and investment process. As the demand of oil is elastic, the country has to compete with global market for short term gains and long term sustainability. If the country exhausts its own natural resources, after 2030, it may have to fully depend on imported fuels with unfavourable terms and conditions. At present, the country spends around 4,000 crore taka to import oil annually.<sup>129</sup> In the fiscal year 2005-06, import cost of petroleum in the country was estimated to jump over US\$ 1 billion than US\$ 650 million of the previous year. In this respect, some of the prime energy security concerns emerge from country's increasing rate of import and sharp rise in global oil price.<sup>130</sup> As a result, it has to face some difficulties to cope with the competitive global market.

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<sup>126</sup> 'Sealing of Titas well may cost \$ 3-4m', *The New Age*, 24 April 2007.

<sup>127</sup> Philip Gain, 'Phulbari Asia Energy and Grassroots Revolt', *Dhaka Courier*, Vol. 6, September 2006.

<sup>128</sup> A K M Shamsuddin, 'Phulbari coal: Hydrological environment not favourable for open pit mining', *The Daily Star*, 29 September 2007.

<sup>129</sup> Md. Khurshed Alam, 'Legal analysis on oil-gas exploration inside Bangladesh territorial waters', *The Daily Star*, 02 July 2006.

<sup>130</sup> On January 2007, the price of oil per barrel was \$49.90 that jumped at \$62.9 on March 2007 at 24.8 per cent rate. Experts believe that there will be

vi. Demarcation of Maritime Boundary

As the security of energy heavily depends on natural gas, ensuring various options of its supply is crucial. In this regard, offshore energy can be an alternative source to ensure energy security. But, the main problem for the country is the border demarcation with its two neighbouring countries - India and Myanmar. To explore oil and gas, Myanmar occupies a vast offshore area of Bangladesh drawing a line which entered into Bangladesh sea area beside block 18. Similarly, India created a number of blocks with the inclusion of Andaman Island and a vast area of Bangladesh offshore islands. Already, Bangladesh has claimed that some of the parts of block D-23 overlaps block 21 in the Bay of Bengal.<sup>131</sup> Currently, the Energy and Mineral Resources Division (EMRD) has been trying to conduct a seismic survey before inviting tenders for hydrocarbon exploration in the offshore areas for ascertaining possible natural gas and oil reserves. But, the main concern is failure to confirm the real energy reserves in the Bay of Bengal.

**IV. Reaching Out: Bangladesh's Quest for Energy Security**

Regional cooperation for ensuring security of supply is one of the significant aspects of a country's economic, foreign, and defence policies. Bangladesh is paying attention to regional countries for energy diversification and long term energy sustainability. Already, few agreements have been signed and some programmes are initiated to strengthen cooperation in this sector.

*i. Bilateral Cooperation*

Bilaterally, Bangladesh has cooperation with some Asian countries. For instance, in April 2005, the country signed an agreement with China on nuclear cooperation.<sup>132</sup> Besides, some of

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insufficient oil to meet the global demand at stable prices. For details, see, Jan H. Kalicki & David L. Goldwyn, *op.cit.*, p.2.

<sup>131</sup> Md. Khurshed Alam, *op.cit.*

<sup>132</sup> Based on this accord, the country is to obtain Chinese support to explore nuclear materials and construct a 600-MW nuclear power plant. For details, see, Mizanur Rahman Shelley, 'Bangladesh Poverty Alleviation Strategy', *South Asian Journal*, Jan-March 2006, available at

the regional energy projects are going on bilaterally. For example, Power grid company of India finished a feasibility study on two 220 kv direct current transmission lines between Bangladesh and India. These two neighbouring countries also promoted a pipeline project from Eastern Bangladesh to India for necessary infrastructure development in energy sector. Besides, Bangladesh took various steps for doing power trade with this country. Following this, India's Power Grid Corporation ended a feasibility study in March 1999 on probable exchange of 150 MW of power between these two countries.<sup>133</sup> Points of interconnection will be in Ishwardi, Bangladesh-Farakka, India and Shahjibazar, and Bangladesh-Kurnarghat.

#### ***ii. Cooperation with the SAARC Countries***

Since its inception in 1985, SAARC has been trying to work as a platform emphasizing on energy cooperation. At the 12th SAARC Summit, different steps were taken by the leaders to reinforce intra-SAARC energy cooperation under SAARC Integrated Programme of Action (SIPA) approved by Council of Ministers. In addition, some recommendations were proposed including setting up of a SAARC Energy Centre in the 24th session of the Council of Ministers meeting. Besides, in the 13th SAARC Summit held in Dhaka in 2005, emphasis was given to establish a SAARC Energy Centre in Islamabad in order to develop energy resources, energy trade and substitute energy options within the region.<sup>134</sup> Finally, in the 14th SAARC Summit held in New Delhi in April 2007, the leaders stressed the need for accelerating development of renewable energy resources including hydropower, bio-fuel, solar, and wind power.

#### ***iii. Cooperation with the BIMSTEC Countries***

The formation of BIMSTEC has opened a new horizon of economic cooperation between the South Asian and South East

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[http://www.southasianmedia.net/Magazine/Journal/11\\_bangladesh\\_poverty.htm](http://www.southasianmedia.net/Magazine/Journal/11_bangladesh_poverty.htm). accessed 0 6 May 2008.

<sup>133</sup> *Ibid.*

<sup>134</sup> Abdur Rob Khan, 'Bangladesh and BIMSTEC, A whole new opportunity, but are we up to it?', *The Daily Star*, 15 February 2006.

Asian countries. As one of the founding members of BIMSTEC, Bangladesh has a lot of potentialities to join in Asian economic union. Like Thailand and India, BIMSTEC is the way for Bangladesh to meet its 'Look East Policy' perspectives conceptualized as 'East Meets West'.

Among the six areas<sup>135</sup> of cooperation, one of the significant areas is energy sector as most of the BIMSTEC countries are looking for new areas of cooperation through traditional energy supply, increasing energy efficiency, fostering regional trade and investment. At the First BIMSTEC Energy Ministers Meeting, held in New Delhi in 2005, decision was taken to form regional cooperation through construction of natural gas pipelines and power transmission lines. At present, there are some important projects (e.g. hydro-projects, cooperation in energy infrastructure, energy information centre and energy trading network) going on in the energy sector led by Myanmar with South Asian countries. Besides, under the banner of BIMSTEC, India, Bangladesh, and Myanmar had signed a trilateral agreement in February 2005 regarding gas pipeline.<sup>136</sup> On February 2007, Myanmar government expressed its eagerness to construct a long route through northeast India bypassing Bangladesh. In this regard, Bangladesh tried to include some bilateral issues including trade imbalance with India. But, the latter denied and expressed that bilateral issue should not be the part of trilateral agreement. However, Bangladesh is trying to pursue its demand and continuing to hold talks about the tri-nation gas pipeline project. Before, as an initiative of further cooperation, a framework agreement was signed on February 2004 to make a Free Trade Area among the BIMSTEC countries covering mainly three sectors such as trade in goods and services, and investment cooperation.<sup>137</sup> Bangladesh would get a refinement period in two phases implemented from 2006 and 2011 in fast track and between 2007 and 2017 in normal track.

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<sup>135</sup> Trade and investment, technology, transport and communication, energy, tourism, and fisheries.

<sup>136</sup> *The Financial Express*, 16 June 2007.

<sup>137</sup> Abdur Rob Khan *et.al*, *BIMSTEC-Japan Cooperation in Energy Sector: Vision and Tasks Ahead*, Centre for Studies in International Relations (CSIRD), Kolkata, 2006, p.1.

#### *iv. Cooperation with OPEC Countries*

OPEC is formed with 12 member countries including Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, the United Arab Emirates and Venezuela which are controlling 40 per cent of the world's oil demand.<sup>138</sup> Therefore, the rising demand of world's oil is heavily dependent on the available oil supplies of these states. However, in Bangladesh, energy security is also dependent on the oil pricing of global market. Therefore, when oil price becomes high in world market, it creates a pressure on country's balance of payment and economic growth. At present, Bangladesh government deals with OPEC suppliers with credit payment. Indeed, this payment policy is significant for ensuring efficient oil supply from these countries as world oil market often disrupts and fluctuates due to sharp increase of price and cartel of oil supply by the OPEC countries. Besides, OPEC Fund for International Development and Industrial Promotion and Development Company of Bangladesh (IPDC) signed an agreement for 'medium-term line of credit' worth US\$ 5 million in 2005.<sup>139</sup> With this agreement, the credit will permit IPDC to enhance support to the private organisations for reforming various sectors including energy. Apart from these, Bangladesh is harnessing various ways to increase greater cooperation with OPEC. However, in the long run, the country has significant prospects of gas trading if it could connect with Iran-Afghanistan-Pakistan-India gas pipeline proposals. Such regional infrastructure connection may provide a new horizon of cooperation as Iran, one of the significant oil producer countries of OPEC is now within the sphere of SAARC.

#### **V. Prospects for Bangladesh**

In Bangladesh, energy development plans mainly cover one fourth of the population who live in urban areas ignoring the energy security of the rural areas. Therefore, ensuring energy security for all is the core issue of discussion. To ensure long term energy for the

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<sup>138</sup> *The Independent*, 19 April 2008.

<sup>139</sup> 'OPEC Fund supports development bank in Bangladesh', available at [http://www.opecfund.org/news\\_press/2005/pr97\\_2005.aspx](http://www.opecfund.org/news_press/2005/pr97_2005.aspx), accessed on 18 April 2008.

entire population, the country needs to consider the following measures at national and regional levels:

*i. National Level*

a. Improve Energy Efficiency

Increasing energy efficiency is the vital issue to enhance sustainable human development. Although it is a matter of apprehension that energy utilization of the country is very poor, there are number of ways to improve energy efficiency in Bangladesh. For captivating effective top down initiatives in this sector, the government can endorse an energy preservation act to give emphasis on energy efficient technologies. In addition, an action plan can be taken for 10 to 15 years by building partnership with the private sectors and stakeholders to promulgate more investment in this sector. Moreover, new mechanisms and equipments can be endorsed and replaced in renewable and non renewable energy sectors considering feasibilities, cost, and locations. On the other hand, equitable energy distribution, empowerment of marginalised people and greater participation in renewable energy sector are crucial for overall human development. To enhance these, technical education<sup>140</sup> can be provided to rural people to familiarise the new technologies and best use of equipments under decentralised energy delivery schemes.

b. Development of Survey and Mining

It is a fact that natural gas is the most important source of energy that offers security of Bangladesh. Therefore, before taking decision to export it, the country needs to confirm how much gas is there underneath the on-shore and off-shore grounds and whether it is enough to meet the ever rising domestic requirements of most of the people. For both short-and long-term energy sector planning and investment, government should develop an acceptable methodology to predict the likely discovered resource base and the existing gas fields. Furthermore, it can develop its own mining expertise, technology, and provision to curtail influence of IOCs. In this regard,

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<sup>140</sup> For example, provide training especially to the poor women to operate solar stoves to reduce biomass fuel crisis.

the role of Bangladesh Petroleum Corporation is particularly important.

#### c. Increase Use of Coal

In 2006, the total estimated world coal reserve was 909,064 MT, half of which are hard coal. Thus, coal contributes 39 per cent of world's electricity and 30-70 per cent of total electricity in many countries.<sup>141</sup> To diversify the sources of energy supply, coal can be one of the best options instead of gas to produce electricity from the latter in the country. But, it is a great concern that till now, only a single coal-fired power plant is in function for generating electricity in the country. Therefore, government should seriously consider the draft national coal policy which was finalised in 2007 based on proper technologies and strategies to extract further coals and increase its energy efficiency.<sup>142</sup> In addition, before going to its full implementation, government can create a regulatory framework taking into account the environmental hazards. To reduce production cost, government can locate the coal projects near the coal mines at different areas. In addition, it should carefully deal with the PSCs of the IOCs and their proposals about exploration methods considering cost benefit analysis, ecological disasters and health hazards.

#### d. Improve RET and Infrastructure

To make the rural energy secured, RET should be improved and government along with different NGOs should take the responsibility. In this regard, RET can be popularised by taking different initiatives in biomass, solar and wind energy sectors. For instance, regarding solar energy, government can take mandatory projects to install the solar panels so that it becomes less expensive. Apart from the initiatives of Grameen Shakti and Bangladesh Rural Advancement Committee (BRAC), Grameen Bank can extend micro-credit to the cooperative society consisting of 10-12 members to store huge amount of solar energy. For ensuring adequate

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<sup>141</sup> BP Statistical Review of World Energy 2007 and Shahiduzzaman Khan, *op.cit.*

<sup>142</sup> Aminul Islam, 'Draft coal policy finalised', *The New Age*, 15 December 2007.

availability of biomass, more energy plants can be restored in a phased manner near the poultry farms especially in rural areas. Regarding wind power, government can properly use this energy from Khulna to Teknaf. Even in the long run, it can join India's wind power industry like Sri Lanka. Also, the country can utilise the marine energy as it has got 710 km long coastal belt along the Bay of Bengal.<sup>143</sup> It can connect between 2 to 8 meters range of pollution free and renewable tidal power using the easy low cost technology of a tidal wheel in the sluice gates for the development of local energy infrastructure.

## *ii. Regional Level*

### *a. Import Gas from Myanmar*

In February 2008, Bangladesh government gave a proposal to Myanmar to import gas from its nearby offshore blocks particularly from block A-1 and A-3 in the Bay of Bengal.<sup>144</sup> But Myanmar could not accept the proposal as it has already committed to export gas to India and China. Also, Myanmar was not interested to further its export of gas until new reserves are discovered. However, it is a great blow for Bangladesh government to meet up the existing energy crisis and implementing tri-nation gas pipeline project that was agreed in 2005. Nevertheless, in the long run, Bangladesh should carefully handle the issue. For this, government needs to take diplomatic strategies and employ technical and efficient professionals in energy sector in order to maintain good relations with Myanmar on the one hand, and India and China, on the other to settle the issue of exporting gas from Myanmar in the long run.

### *b. Claim to International Sea Bed Authority*

Regarding offshore energy resources, Bangladesh should come to an understanding and redraw the base line with Myanmar and India to determine the sea zones in the Bay of Bengal and remove the

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<sup>143</sup> There are mainly 3 types of marine energy resources of our country: (a) Tidal (b) Wave and (c) Oceanic Thermal Energy Conversion.

<sup>144</sup> Khondkar Abdus Saleque, 'Gas Resource of Myanmar-Beyond Bangladesh Reach?', available at <http://www.shwe.org/docs/gas-resource-of-myanmar-beyond-bangladesh-reach>, accessed on 19 April 2008.

overlapping territorial boundaries with the two coastal states. Besides, before going to offshore exploration, Bangladesh needs to have clear policy prescriptions and sufficient data on the possible reserves in its offshore areas for deep sea hydrocarbon exploration in the Exclusive Economic Zone (EEZ) within 200 nautical miles from the coast. In this regard, a seismic survey can be carried out to explore the offshore resources. In addition, the country should submit its claim to International Sea Bed Authority to come to a conclusion as soon as possible.

c. Infrastructural Cooperation with China, Japan, and the European Union

Each year, Bangladesh imports around 3 to 3.5 million tonnes of coal, most of which come from India.<sup>145</sup> But, Indian coal emits a significant amount of sulphur dioxide, sulphur monoxide, carbon dioxide (CO<sub>2</sub>), carbon monoxide, black smokes and other pollutants during combustion. Therefore, to reduce high dependency on India and to make energy environment friendly, the country can explore its own potentialities with the help of China, Japan, and the EU. Additionally, the country can strengthen its ties with China as it is the largest producer in the world and would dominate the world's coal market over the next 25 years.<sup>146</sup> At present, importing coal from China is not feasible and quite expensive due to uneasy transportation system. But, in the long run, Bangladesh can propose China to set up a road link from Dhaka to Kunming through Myanmar reviving the ancient Silk Route to import coal from this country with less cost. On the other hand, Japan and the European countries are very much well off in technological sectors. As they are now the members of SAARC, Bangladesh can receive cooperation from these countries to improve its poor infrastructure and mining capabilities in coal and gas sectors.

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<sup>145</sup> *The New Age*, 29 May 2005.

<sup>146</sup> China produced 114,500 MT of coal which was 38.4 per cent share of world total in 2006. For details, see, BP Statistical Review of World Energy 2007, *op.cit.*

d. Cooperation with India, Nepal and Bhutan

In Bangladesh, ensuring access to electricity for entire population by 2020 is the avowed goal of the government. But, it would be a gigantic task without regional cooperation. Since demand for electricity would be five times greater in 2020 than the existing demand of 5000 MW, discussions have been in progress for few years about the possibility of Bangladesh involving in Sapta Kosi Multipurpose High Dam (SKHD)<sup>147</sup> with India, Nepal, and Bhutan. Although Nepal and India are already in cooperating stage, Bangladesh remains at the planning level. Therefore, the country can involve with the regional grid strategy connecting these countries for making its energy more efficient and cost effective. Besides, for overall financial and technological gains, the country needs to develop its RET manufacturing and sufficient data base of demand and supply of energy. Furthermore, the country can develop some feasible project models either bilaterally or pool based to ensure larger supply during peak times and enhance the varied sources of energy within the region.

**VI. Conclusion**

None of the basic needs can be fulfilled without energy. Therefore, it is closely related to security issues. At present, significant amount of gas, coal, and biomass resources are contributing to the total energy requirements of the country. Considering demand and supply condition, increasing use of gas and declining trend of biomass consumption compared to the previous years, Bangladesh will face formidable challenges in energy sector in the near future. Presently, various challenges relating to export of gas, environmental threats due to several accidents in gas and coal sectors and high oil price in global market have made the scenario more dreadful. Indeed, greater substitution with internal sources of

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<sup>147</sup> SKHD is a proposed world's second highest dam (269 m. high) situated in Koshi River on the eastern part of Nepal. The substantial capacity of electricity generation from this dam is 3000-3500 MW. However, the project can solve the triple problems of Bangladesh, such as reduce shortage of water and hydroelectricity, annual flooding in plains, and salinity. For details, see, Qazi Kholiquzzaman Ahmed, *Potential for Sharing of Common Regional Resources in the Eastern Himalayan Region*, BUP, Dhaka, 2004.

alternatives like bio-fuel, wind power and most importantly solar energy are crucial to reduce stress on foreign reserves. Apart from these, for overcoming typical constraints and balancing the subsistence economy, the country is now looking for harnessing new and renewable sources within and beyond the country. Therefore, potentials of SAARC, BIMSTEC and OPEC countries can be unlocked to serve its future energy demand. Though some initiatives have been taken so far, these are at a nascent stage till now. Thus, certain initiatives at national, regional and extra-regional levels should be taken for the country's long term energy sustainability.

**Annexure**

**Annex 1. Non renewable Energy Scenario of Bangladesh, 2004**

Natural Gas (Trillion Cubic feet)/Year			Coal (Million Short Ton)/Year			Oil (Million Barrel)	Oil (Thousand Barrel Per day)	
Reserve*	Production	Consumption	Reserve	Production	Consumption	Reserve**	Production	Consumption
15.391	462.626 BCF	462.626 BCF	1,054	0	0.771	28	6.2	85

\* Figure as of 2005.

\*\* Figure as of 2006.

Sources: *BP Statistical Review of World Energy*, June 2006, London; and *Oil and Gas Journal*, Energy Information Administration-International Database, February 2006.

**Annex 2: Offshore Gas production (2000-2006)**

Year	Production (Sangu Gas Field) (MMCM)*	Sale (MMCM)*	Value (Million Taka)
2000-2001	1354.933	1063.750	5731.91
2001-2002	1379.748	1024.190	6219.77
2002-2003	1465.786	1160.959	7001.23
2003-2004	1480.421	985.632	5930.62
2004-2005	1341.173	969.033	6110.29
2005-2006(till March)	1211.682	788.270	5375.45

\*MMCM=Million Million Cubic Meter

Source : Petrobangla, MIS Report 2006.

**Annex 3. Total Coal Reserves in 2005 from Different Underground Depth**

Areas	Year of Discovery	Reserves, Million Tonnes (MT)
Jamalganj	1962	1053
Barapukuria	1985	390
Khalaspir	1989	143
Dighipara	1995	400
Phulbari	1997	572
Total		2558

Source: Shahiduzzaman Khan, *op.cit.*, & *The Financial Express*, 27 December 2006.

**Annex 4. Renewable Energy Scenario of Bangladesh, 2004**

Hydro electricity (billion kilowatt- hours, net)		Nuclear Energy (billion kilowatt- hours, net)		Others*(billion kilowatt- hours, net)	
Producti on	Consump tion	Production	Consum ption	Produc tion	Consumption
1.139	1.139	0	0	0	0

\* "Others" include geothermal, solar, wind, and wood and waste electric power generation.

Source: US Energy Information Administration (2005).

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## **BANGLADESH-GULF ECONOMIC RELATIONS: FOCUS ON REMITTANCES, OVERSEAS EMPLOYMENT AND TRADE**

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### **Abstract**

The economic relations between Bangladesh and the oil rich Gulf Cooperation Council (GCC) countries are important for a developing nation like Bangladesh for a number of reasons. The countries of the Gulf, which are considered as one of the fastest growing economic blocs, remain the important sources of crude oil, remittances and overseas employment opportunities for Bangladesh and thus contribute significantly towards its economic development. Also, the Gulf nations have been assisting Bangladesh generously in various activities with aid and grants. In this backdrop, the current article will make an effort to assess Bangladesh's economic relations with the GCC countries. In the process of analysis, the article will look into trends and levels of remittances earned by Bangladesh from the Gulf nations. It will also focus on the current status of Bangladesh-GCC trade relations. Finally, this article will identify some challenges and prospects involved with the Bangladesh-GCC economic relationship.

**Keywords:** GCC, Remittances, Overseas Employment, Trade Deficit, FDI

### **I. Introduction**

The Gulf Cooperation Council (GCC) countries - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates

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(UAE) - occupy a significant place in the external economic relations of Bangladesh. Over the past three and a half decades, countries of the Gulf host a large number of Bangladeshi workers, whose remittances have become the lifeline of the country's economy. While Bangladesh imports petroleum and crude oil from the Gulf to meet its energy needs, the GCC nations have been assisting the country in various developmental activities with aid and grants. Some developments in the GCC nations, however, have suggested that in the days to come manpower export from Bangladesh may dwindle. On the other hand, the GCC markets have still remained by and large unexplored for Bangladeshi commodities, which resulted in considerable trade imbalance against the latter. Relative trade relations with the Gulf, at the same time, have been rather insignificant. Against this backdrop, this article attempts to contest that despite some existing barriers, Bangladesh-GCC economic relationship has a bright future, particularly in trade, investment and overseas employment. The article throws light into trends, levels and few other aspects of Bangladesh's trade links with the Gulf countries, and remittances earned by its migrant work force living in this region.

The article is organised as follows. Section I takes up the introduction. Section II presents a brief overview of economic relations of Bangladesh with the GCC countries, and also looks into the patterns of overseas employment opportunities and remittances, and trade with the Gulf nations. Section III examines the challenges, existing in Bangladesh-GCC economic ties, and further explores the possibilities to enhance Bangladesh's economic relationship with the oil rich GCC countries. And, finally Section IV provides the conclusion.

## **II. Bangladesh-GCC Economic Relations**

Bangladesh's economic ties with the Gulf nations such as Saudi Arabia, the UAE and Kuwait, to date, have remained considerably well. Economic relations of Bangladesh with other countries of this region have been also gradually developing. In the aftermath of the oil price boom in 1973, the GCC nations became capital surplus and

prosperous.<sup>148</sup> The oil revenue earned by the Gulf countries had its trickle down effect on countries like Bangladesh.<sup>149</sup> In the early 1990s, Bangladesh's economic cooperation with the Gulf gathered momentum following its active participation in the coalition forces that was to liberate Kuwait.<sup>150</sup> The Gulf countries, in course of times, have emerged as reliable development allies of Bangladesh in terms of generating overseas employment for its skilled and semi-skilled labourers, and providing a major proportion of country's foreign remittances. In addition, the GCC nations could be turned out as crucial trade and investment partners of the country, though the current scenario of Bangladesh-Gulf trade and investment regime is not up to the mark.

The Kingdom of Saudi Arabia (KSA), the biggest of the GCC states with the highest world petroleum reserve, surfaced as a major donor to the developing countries following the sudden oil price shock in the early 1970s. For Bangladesh, Saudi Arab has become one of the crucial economic allies in spite of the latter's initial reluctance to recognise the former in 1971. Aid and grants together with developmental support, provided by the Saudi government, are of great help for the country for Saudi Arab is not known to have interfered in the internal matters of Bangladesh. ".....In domestic economic policy the Saudis have *no interest at all* since they neither have nor as yet appear to be seeking a commercial stake in Bangladesh....."<sup>151</sup> The Saudi assistance till now, has occupied an important place in external aid for Bangladesh. Between 1971 and 2006, Bangladesh received US\$907.91 million in form of grants and aid from Saudi Arabia.<sup>152</sup> Even before Saudi Arab

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<sup>148</sup> Md. Mainul Islam, "Manpower Export and Bangladesh Economy" in S. R. Chakravarty and Virendra Narain (eds.), *Bangladesh: Global Politics*, Vol. 3, South Asia Studies Series, South Asian Publishers, New Delhi, 1988, p. 106.

<sup>149</sup> Raisul Awal Mahmood, "Bangladesh's External Economic Relations," *BIISS Journal*, Vol. 13, No. 4, October 1992, p. 470.

<sup>150</sup> Syed Muazzem Ali, "Bangladesh and the OIC," *The Daily Star*, 19 February 2006.

<sup>151</sup> Quoted in Abul Kalam, "Bangladesh-Saudi Relations: A Study of Muslim Fraternity," in Abul Kalam (ed.), *Bangladesh: Internal Dynamics and External Linkages*, University Press Limited, Dhaka, 1996, p. 313.

<sup>152</sup> Syed Muazzem Ali, *op cit*.

accorded formal recognition to Bangladesh, it provided the latter with a grant of US\$10 million as emergency relief in 1974-75. Within the next four years, the Saudi government made cash grant of US\$156 million and US\$ 60 million for food aid.<sup>153</sup> Moreover, this Gulf nation has rendered help in various sectors, for instance, fertilizer plant, rural electrification project, and oil and gas drilling project. Further Saudi loan was pledged in railway rehabilitation project, deep tube well project and Teesta barrage project.<sup>154</sup>

The UAE is another important economic partner of Bangladesh. Not only this Gulf nation has become the home of thousands of regular Bangladeshi remitters, but also Bangladesh's trade relations with the UAE are better. However, the country's exports to the UAE have been consistently fluctuating in terms of volume. While between 1998 and 2000, Bangladesh's exports to UAE increased more than two folds from US\$28 million<sup>155</sup> to US\$61.40 million<sup>156</sup>, by the end of 2006 the export amount dropped to US\$26.07 million.<sup>157</sup> To promote bilateral trade and investment, these two countries decided to set up a joint business council when a delegation from the UAE visited Bangladesh in August 2006.

Bangladesh's economic relations with Kuwait, which was improved after the first Gulf War, are also crucial. Through the Kuwait Fund for Arab Economic Development (KFAED), Kuwait channelled its official grants and loans to Bangladesh. By the end of 2007, the KFAED loan assistance for Bangladesh stood at \$ 419.15 million. As many as 19 different projects have been funded by this body. The projects are as follows<sup>158</sup>:

1. Power Supply for Irrigation Schemes Stage I project
2. Manu River Project
3. East West Electrical Interconnector Project
4. Eight Rural Areas Electrification Project

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<sup>153</sup> Abul Kalam, *op cit.*, p. 315.

<sup>154</sup> *Ibid.*, pp. 315-316, 324.

<sup>155</sup> Harun ur Rashid, *Bangladesh Foreign Policy: Realities, Priorities and Challenges*, Academic Press and Publishers Library, Dhaka, 2005, p. 188.

<sup>156</sup> International Monetary Fund (IMF), *Direction of Trade Statistics*, Year Book 2007.

<sup>157</sup> *Ibid.*

<sup>158</sup> Extracted from *The Financial Express*, 25 February 2008.

5. Deep Tube Wells (North Western Region)
6. Ashuganj Thermal Power
7. The North West Tube Well Project
8. Four Rural Areas Electrification Project
9. Sylhet-Tamabil-Jaflong Road
10. Rural Electrification Project in Nilphamari District
11. Rural Electrification Project in Shariatpur District
12. Shaikarpur and Doarika Bridges and Access Roads
13. Shahji Bazar Power Station Project
14. Greater Rajshahi Power Transmission and Distribution Project
15. Greater Chittagong Power Transmission and Distribution Development Project III
16. Bridge Project
17. Sylhet-Jakenshipur Road
18. The Three Bridges Project
19. Third Karnaphuli Bridge Project

In addition to these projects, Kuwait rendered its assistance for initiating feasibility study on constructing a flyover (Rampura-Maghbazar flyover) in Dhaka. Kuwait is also involved with various development works in Bangladesh.

The trade and economic links with other three GCC members, namely, Oman, Qatar and Bahrain, are increasing as the years pass. On 8 August 1992, Bangladesh and Bahrain signed a couple of agreements on economic, commercial and technical relations, and cultural cooperation. Another agreement, valid for a period of five years, was signed between the two countries on 6 February 2007, on trade, agriculture industry, transportation and manpower sector to attain a better economic cooperation and boost trade. It has been agreed that a Joint Committee, which will meet alternatively in Dhaka and Bahrain, would implement this agreement. It was further stipulated that after five years the agreement would be extended automatically, unless either of the countries formally declare it to terminate.<sup>159</sup> The Bangladesh-Bahrain economic ties were given

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<sup>159</sup> Bangladesh Embassy in Bahrain, "Agreement on Economic Commercial and Technical Relations between The Kingdom of Bahrain and The People's Republic of Bangladesh" available at [www.bangladeshembassy.com.bh/bilateral.htm](http://www.bangladeshembassy.com.bh/bilateral.htm) accessed on 25 November 2007.

fresh impetus by Dhaka visit of the Bahrain State Minister for Foreign Affairs, Dr. Nezar Sadiq Al Baharna on June 21, 2007. The visit witnessed, amongst others, the reaching of consensus by the two nations on signing agreements on avoidance of double taxation, investment promotion and protection, and air services to accelerate trade. Dr. Iftekhar A Chowdhury, the Bangladeshi Foreign Adviser, following a meeting with the visiting Minister from Bahrain commented that, “Our relations will be strengthened by the signing of a number of agreements. The two countries will hopefully sign the agreement by the end of this year”.<sup>160</sup> And, according to a Bangladeshi official, this visit was marked as “beginning of a new era” in Bangladesh-Bahrain relationship.<sup>161</sup>

### ***Source of Overseas Employment and Remittances***

For Bangladesh in its post-independence period, international migration for employment had turned out to be an integral part of development as remittances sent by the expatriate Bangladeshi workforce became major catalyst in the growth of the country.<sup>162</sup> The remittances from the migrant labourers not only assisted the country to maintain a stable foreign currency reserve but also reduced Bangladesh’s external aid dependency. Between 1987 and 2006, some 3.8 million professional, skilled, unskilled and semi-skilled Bangladeshis working abroad remitted US\$35.15 billion as remittances to Bangladesh.<sup>163</sup> The remittances sent by the expatriated workers of Bangladesh in 2006 occupied 6.89 per cent of the nation’s total GDP which was equivalent to 45.62 per cent of the total export earnings of the country.<sup>164</sup> Currently, remittances from abroad exceed 10 per cent of the total GDP and are nearly five times larger than the ODA, and ten times higher than the FDI Bangladesh

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<sup>160</sup> *The Daily Star*, 21 July, 2007.

<sup>161</sup> *Ibid.*

<sup>162</sup> Raisul Awal Mahmood, “International Migration, Remittances and Development: Untapped Potentials for Bangladesh”, *BISS Journal*, Vol. 12, No. 4, October 1991, pp. 526-527.

<sup>163</sup> Authors’ own estimation from *Bangladesh Economic Review 2007*, Economic Adviser’s Wing, Finance Division, Ministry of Finance, Government of the People’s Republic of Bangladesh, June, 2007.

<sup>164</sup> *Ibid.*

received in 2007.<sup>165</sup> The Bangladesh government established the Ministry of Expatriates' Welfare and Overseas Employment on 20 December 2001 to ensure the welfare of the migrant labourers and increase the scopes of overseas employment. This ministry has taken some initiatives to reduce cost of migration and fraudulent practices, create conducive environment for the migration process, and to enhance the welfare of the dependants of the Bangladeshi expatriates. Furthermore, to maintain the flow of remittances, the Bangladesh government in recent times has taken a few administrative and incentive measures in the form of establishing computer database system in the manpower office, introducing one stop service and welfare desk at the Zia International Airport (ZIA) to facilitate the overseas workers, and offering special scheme to the wage earners.

The GCC countries, in the past couple of decades, have turned out to be the most important destination for Bangladeshi manpower. The compelling socio economic realities on the home front coupled with job opportunities and attractive remuneration offered by foreign nations induced many job seekers from Bangladesh to migrate in the Gulf nations. On the other hand, labour scarce GCC countries needed cheap workers for their economic development, which was triggered by the oil revenue generated from oil price surge of 1973. Therefore, Bangladesh, with its large pool of surplus workers, found the Gulf nations as the perfect destination to export manpower. The mass exodus of people from Bangladesh for employment to the Gulf and the Middle East took place after mid 1970s.<sup>166</sup> While up to 1976 only 5,559 Bangladeshi migrated to the Gulf and the Middle East, by the end of 1990s the cumulative figure of workers went to this region for employment stood at 816,877.<sup>167</sup> Clearly these one and a half decades witnessed a steady growth in the rate of migration to the GCC countries. However, leading up to the new millennium, the pace of migration to the Gulf nations gathered phenomenal momentum (See Table I and Figure I). It can be observed from Table-I that in 1997 the number of Bangladeshi expatriates to the

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<sup>165</sup> *The Financial Express*, 24 March 2008.

<sup>166</sup> Raisul Awal Mahmood, "International Migration, Remittances and Development: Untapped Potentials for Bangladesh", *op. cit.*, p. 528.

<sup>167</sup> *Ibid.*, p. 529.

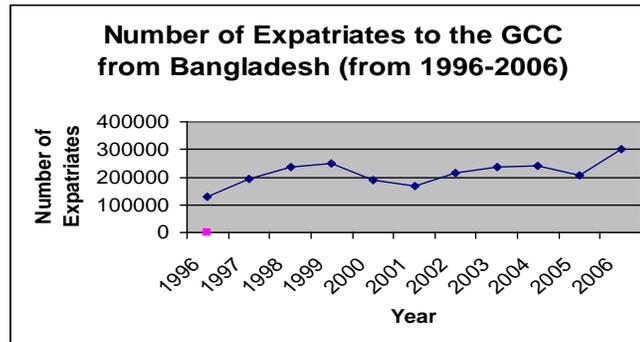
GCC countries was roughly two hundred thousand, whereas in 1999 it touched nearly two hundred fifty thousand constituted about 93 per cent of global expatriates of Bangladesh. And, approximately 95 per cent of the total expatriate workers left for the GCC nations by the end of 2002. Despite the GCC's share of the global expatriates of Bangladesh dropped at 78.62 per cent in 2006, in absolute number nearly three hundred thousand Bangladeshi workers went to this region. It suggests that the number of Bangladeshi workers migrated to other countries were increased in that year. Now if one takes into consideration the total number of expatriated workforce of Bangladesh between 1996 and 2006, then one can find that the Gulf nations during this decade have become the home of around 2.36 million Bangladeshi workers accounting for 81 per cent of the country's total migrant workers (See Table I).

**Table I: Bangladeshi Expatriates to the GCC Countries (excluding Qatar)**

<b>Fiscal Year</b>	<b>Saudi Arabia</b>		<b>Kuwait</b>	<b>UAE</b>	<b>Bahrain</b>	<b>Oman</b>	<b>Total GCC</b>	<b>Global Expatriates</b>	<b>Percentage</b>
1996	72,734	21,042	23,812	3,759	8,691	130,038	211,714	61.42	
1997	106,534	21,126	54,719	5,010	5,985	193,374	381,077	50.74	
1998	158,715	25,444	38,796	7,014	4,779	234,748	267,667	87.70	
1999	185,739	22,400	32,344	4,639	4,045	249,167	268,182	92.91	
2000	144,618	594	34,034	4,637	5,258	189,141	222,686	84.94	
2001	137,248	5,341	16,252	4,371	4,561	167,773	188,965	88.79	
2002	163,254	15,767	25,438	5,370	3,927	213,756	225,256	94.89	
2003	162,131	26,722	37,346	7,482	4,029	237,710	254,190	93.52	
2004	139,031	41,108	47,012	9,194	4,435	240,780	272,958	88.21	
2005	80,425	47,029	61,978	10,716	4,827	204,975	252,702	81.11	
2006	109,513	35,775	130,204	16,355	8,082	299,929	381,516	78.62	

Source: *Bangladesh Economic Review 2007*, Ministry of Finance.

**Figure I**



As far as geographical distribution of Bangladeshis in the Gulf is concerned, Saudi Arabia is the country that usually receives the higher proportion of migrant workforce from Bangladesh followed by the UAE. In accordance with the statistics of 2004, it can be computed that Saudi Arabia alone had around 58 per cent of total Bangladeshi expatriates in the Gulf region. But Saudi Arabia's share of Bangladeshi work force declined at 37 per cent in 2006; while the UAE got 43 per cent of total expatriates from Bangladesh. On the other hand, the number of Bangladesh expatriates in Oman and Bahrain remains relatively modest. However, of late, this number has increased, owing to the creation of new job opportunities in these nations.

**Table II: Bangladesh's Remittances from the GCC Countries (in million US\$)**

Fiscal Year	Saudi Arabia	UAE	Oman	Bahrain	Kuwait	Total GCC	Global Remittances	Percentage
1996	498.2	83.7	81.71	30.08	174.27	867.96	1217.06	71.32
1997	587.15	89.64	94.45	31.52	211.49	1014.25	1475.4	68.74
1998	589.29	106.86	87.61	32.42	213.15	1029.33	1525.42	67.48
1999	685.49	125.34	91.93	38.94	230.22	1171.92	1705.74	68.70
2000	916.01	129.86	93.01	41.8	245.01	1425.69	1949.32	73.14
2001	919.61	144.28	83.66	44.05	247.39	1438.99	1882.1	76.46
2002	1147.95	233.49	103.27	54.12	285.75	1824.58	2501.13	72.95
2003	1254.31	327.4	114.06	63.72	338.59	2098.08	3061.97	68.52
2004	1386.03	373.46	118.53	61.11	361.24	2300.37	3371.97	68.22
2005	1510.45	442.24	131.32	67.18	406.8	2557.99	3848.29	66.47
2006	1696.96	561.44	165.25	67.33	494.39	2985.37	4801.88	62.17

Source: *Bangladesh Economic Review 2007*, Ministry of Finance.

Besides contributing immensely towards the reserve of foreign exchange, the GCC remittances have emerged as primary source of earnings for a number of migrant households across Bangladesh. In 2006, remittances from the Gulf accounted for 5.10 per cent of Bangladesh's GDP and 30 per cent of its export income.<sup>168</sup> The economy of the country had suffered from substantial loss of remittances during the Gulf War of 1990s.<sup>169</sup> Bangladesh, until late 1970s, received a major proportion of remittances from its migrants working in Western Europe. In 1977, more than 75 per cent of the country's remittances were originating from the western parts of Europe.<sup>170</sup> The subsequent years, however, witnessed a significant change of the regional share of total foreign remittances. The relative share of Bangladesh's remittances from the Middle East and the Gulf nations increased by leaps and bounds. Actually, by the end of 1986, the GCC countries generated roughly 80 per cent of the total remittances of Bangladesh.<sup>171</sup> Table II shows the sources of remittances for Bangladesh from the six GCC nations from 1996 to 2006. The table demonstrates that over this period of ten years Saudi Arab sourced the bulk of remittances for Bangladesh, while up to 2003 the second highest remittances came from Kuwait. Afterwards, the UAE took that position. It is further evident from the table that though the GCC's share of the global remittances of Bangladesh declined gradually, since 1996 in absolute number remittances from this part have been increasing dramatically. The Gulf remittances, in fact, soared roughly six times between 1996 and 2006 from US\$ 867.97 million to US\$ 4801.88 million (See Table II and Figure II).

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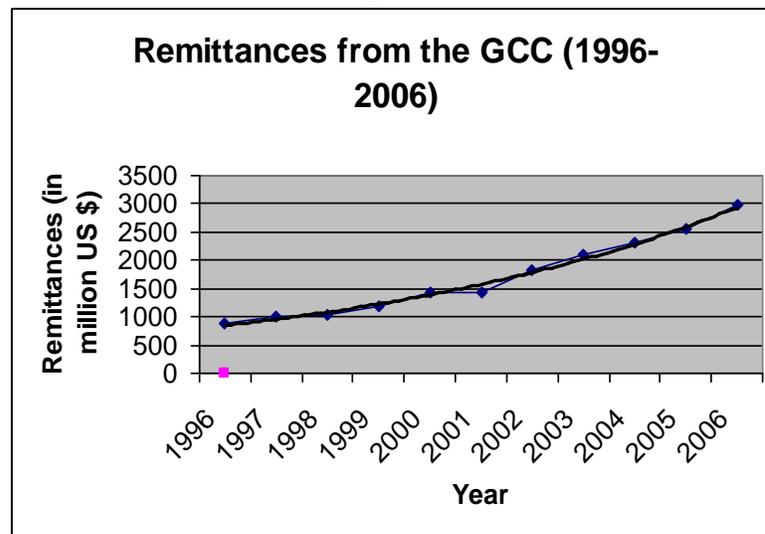
<sup>168</sup> Authors' calculation from *Bangladesh Economic Review 2007*.

<sup>169</sup> A. K. M. Abdus Sabur, "Foreign Policy of Bangladesh: Challenges in the 1990s," *BISS Journal*, Vol. 12, No. 4, October 1991, p. 487.

<sup>170</sup> Raisul Awal Mahmood, "International Migration, Remittances and Development: Untapped Potentials for Bangladesh", *op. cit.*, p. 535.

<sup>171</sup> *Ibid.*, p. 536.

Figure II



### *Trade Relations with the GCC*

Bangladesh-GCC trade remains far from being satisfactory with the balance of trade tilted heavily in favour of the Gulf nations. In stark contrast to its large volume of imports from the Gulf, Bangladesh exports insignificant amount to the GCC nations. Table III and IV clearly demonstrate such scenario that exists in two-way trade between Bangladesh and the GCC. According to Table III, Bangladesh's exports to the GCC in 2006, compared to that in 2000, decreased by US\$ 7.37 million. However, from 2000 to 2006, the imports from the Gulf have grown at a brisk pace as Table IV suggests. In these six years the total exports to the GCC markets stood at US\$ 409.68 million, while its total imports from the Gulf for the same period amounted to US\$ 6851.55 million (computed from Table III and IV). As a consequence, the total trade deficit against Bangladesh became a staggering \$5580.43 million. This ever persisting trade gap is caused by the low elasticity of demand for Bangladesh's export items in the GCC markets along with the

country's dependency on the GCC countries for crude oil and petroleum.<sup>172</sup>

**Table III: Bangladesh's Exports to the GCC Countries (in million US\$) from 2000-2006**

	2000	2001	2002	2003	2004	2005	2006
<b>Bahrain</b>	1.34	1.45	0.90	1.42	1.70	2.11	2.60
<b>Kuwait</b>	3.99	1.76	3.68	2.93	3.67	5.52	6.81
<b>Oman</b>	1.03	0.95	1.12	0.85	0.79	0.67	0.83
<b>Qatar</b>	1.60	1.82	2.31	1.65	2.64	3.19	3.94
<b>Saudi Arabia</b>	10.53	11.78	12.00	11.29	17.91	26.06	32.17
<b>UAE</b>	61.40	50.56	21.88	22.26	20.43	21.12	26.07
<b>GCC</b>	79.89	69.32	41.89	40.40	47.09	58.67	72.42

Source: International Monetary Fund (IMF), *Direction of Trade Statistics*, Yearbook 2007.

**Table IV: Bangladesh's Imports from the GCC Countries (in million US\$) from 2000-2006**

	2000	2001	2002	2003	2004	2005	2006
<b>Bahrain</b>	5.67	4.45	0.05	0.15	0.32	0.99	1.59
<b>Kuwait</b>	28.95	28.06	117.40	173.45	638.59	1178.76	1410
<b>Oman</b>	0.23	0.28	0.29	0.49	0.78	0.77	1.31
<b>Qatar</b>	1.97	4.15	1.72	5.58	10.67	15.09	22.79
<b>Saudi Arabia</b>	272.30	237.32	103.89	199.99	163.56	292.50	348.65
<b>UAE</b>	153.58	112.52	152.18	188.94	217.70	353.24	400.68
<b>GCC</b>	462.70	386.78	375.48	568.60	1031.62	1841.35	2185.02

Sources: International Monetary Fund (IMF), *Direction of Trade Statistics*, Yearbook 2007. Also, *Annual Import Payments 2005-2006*, Bangladesh Bank.

The main exportable items of Bangladesh to the GCC markets consists of edible vegetables and certain roots and tubers, live trees and other plants, bulbs, cut flowers and ornamental foliage, coffee, tea, spices, preparations of cereals, milk, pastry, cooked products,

<sup>172</sup> Around 60 per cent of the energy need of Bangladesh is fulfilled by importing crude oil and petroleum products from the UAE, Saudi Arabia and Kuwait.

fruits, nuts, tobacco, pharmaceutical products, ceramic products, textile and textile articles. On the other hand, besides oil and petroleum, Bangladeshi imports from the Gulf nations include bituminous substances, mineral waxes, base metals and articles of base metals (iron and steel), fertilisers, organic and inorganic chemicals, cotton, salt, sulphur, earths and stone, plastering materials, cement, and plastic articles.

### III. Challenges and Prospects

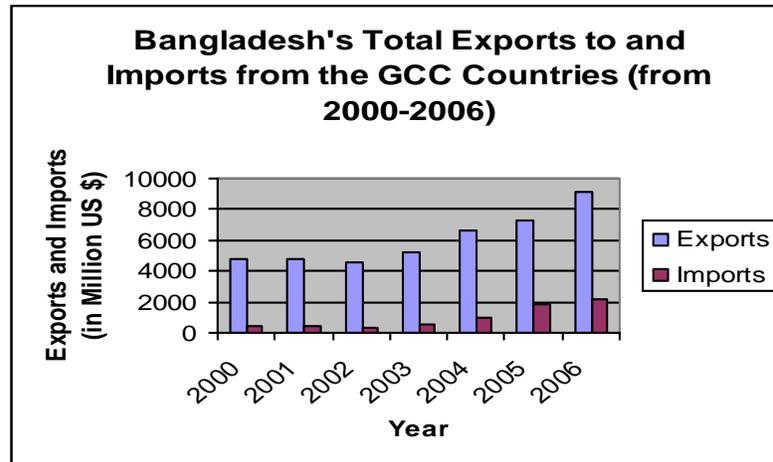
Bangladesh-GCC economic links are currently beset with a couple of challenges. First is the yawning trade gap, mentioned in the preceding section, as well as insignificant trade volume that exists in Bangladesh's trade with the GCC countries. And the second challenge is associated with the export of Bangladeshi manpower to the Gulf nations.

**Table V: Relative Importance of Bangladesh's Trade with the GCC Countries and Trade Balance (in million US \$)**

Fiscal Year	Total Exports to the GCC countries	Total Exports to the World	Percentage of Total	Total Imports to the GCC Countries	Total Imports to the World	Percentage of Total	Trade Balance With the GCC Countries
2000	79.89	4786.50	1.66	462.70	8359.90	5.53	382.81
2001	69.32	4826.00	1.43	386.78	8349.80	4.63	317.46
2002	41.89	4565.70	0.92	375.48	7913.70	4.74	333.59
2003	40.40	5262.70	0.77	568.60	9516.20	5.98	528.20
2004	47.09	6614.70	0.71	1031.62	12599.40	8.18	984.53
2005	58.67	7232.70	0.81	1841.35	12881.00	14.29	1782.68
2006	72.42	9102.50	0.80	2185.02	14746.00	14.81	2112.60

Sources: Authors' Calculation from International Monetary Fund (IMF), *Direction of Trade Statistics*, Yearbook 2007 and *Annual Export Receipt 2005-2006* and *Annual Import Payments 2005-2006*, Bangladesh Bank.

Figure: III



Besides showing the growing trade deficit against Bangladesh, Table V compares total trade of the country with the GCC to its global trade. It has been observed from the table that Bangladesh-GCC trade relations, since 2000, have literally become one way traffic as Bangladesh's imports from the Gulf markets increased many folds against its exports to this region, which never registered any significant growth (See Table V and Figure III). Furthermore, the fluctuating nature of exports of Bangladesh to the GCC can be observed from Table V. All these led to ever widening gap between Bangladesh's import payments and export earnings, which becomes a source of concern for the nation. The trade deficit, in fact, rose by about seven times between 2000 and 2006, as evident from Table V and Figure IV. To improve such deplorable balance of payment situation Bangladesh needs aggressive marketing campaign for its products in the GCC markets. Such activity would help the country boost and diversify its GCC exports.

Figure: IV



Moreover, the turn-over in Bangladesh-GCC trade over the years has been found insignificant compared to Bangladesh's world trade. Even though Bangladesh's imports from the Gulf are considerable in relation to its global imports, the country's exports from the GCC markets have occupied less than one per cent in Bangladesh's global exports (See Table V). Bangladesh's export destinations to the Gulf and import sources from this region are mainly Saudi Arabia, Kuwait and the UAE (See Table III and IV). With Oman, Qatar and Bahrain - the remaining three GCC nations, trade links of Bangladesh are very low key, as evident from Table III and IV. Hence, Bangladesh urgently requires diversifying its trade ties within the GCC region.

Perhaps Bangladesh might face its stiffest challenge in the manpower export to the countries of the Gulf. There are some structural changes in the labour markets of the GCC as well as shift in the policy level of governments in that region, which might pose threat to manpower export of Bangladesh to the Gulf countries. As the numbers of unemployed people among the Gulf citizens have increased, the GCC government took some measures to limit its dependency on its migrant labour force.<sup>173</sup> For instance, quotas for

<sup>173</sup> Andrzej Kapiszewski, "Arab Versus Asian Migrant Workers in the GCC Countries", Paper presented on the *United Nations Expert Group Meeting*

nationals have been introduced in some professions. However, it is Saudi Arabia, which has taken the most drastic measure. The Kingdom's government decided that by 2007 Saudis will constitute 70 per cent of the total workforce.<sup>174</sup> The Saudi Arabian Minister of Internal Affairs and Chairman of Manpower Council, Prince Naif bin Abdulaziz, announced on 2 February 2003, to lower the number of expatriate labour force to a maximum 20 per cent of its own population within the next ten years. He further stressed on to establish a quota system for foreign workers.<sup>175</sup> In October 2004, the Labour Minister of the Kingdom declared the country's plan to reduce the number of foreign workers by 100,000 per year.<sup>176</sup> All these might lead one to assume that in the years to come there could be an upheaval in Bangladesh's manpower export to the GCC countries, particularly in Saudi Arabia. Furthermore, the Bangladeshi semi-skilled and unskilled workforce finds it difficult in getting jobs in the GCC markets because of its growing competitive nature, especially in the private sector. Also, the image of the Bangladeshi workers has been dented as they are alleged to involve in illegal activities in the GCC nations. Their image is further put into bad light by the activities of some manpower recruiting agencies of Bangladesh, which are reported to be associated with smuggling and trafficking of manpower to the Gulf countries.<sup>177</sup>

However, prospects are many in Bangladesh-GCC economic relations. The Gulf region can emerge as one of the potential markets for Bangladeshi goods and commodities because of higher purchasing power of the GCC population. Thus, it is imperative for Bangladesh to identify those products, which have demand in the GCC markets and export them. It might certainly go a long way to bridge the gulf between exports and imports that exist in Bangladesh-GCC economic relations. Besides, non-governmental

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*on International Migration and Development in the Arab Region*, Population Division, Department of Economic and Social Affairs, United Nations Secretariat, Beirut, 15-17 May 2006, p. 5.

<sup>174</sup> *Ibid.*, p. 13.

<sup>175</sup> *Ibid.*

<sup>176</sup> *Ibid.*

<sup>177</sup> Udatta Bikash, "The Woes of Migrant Workers", *Probe*, Vol. 6, Issue. 37, p. 21, March 2008.

organisations from both sides can promote dialogue on trade related issues. For example, to foster trade ties, apex business councils from both Bangladesh and the GCC nations could enter into regular consultations. Also, FTA (Free Trade Area) framework between Bangladesh and the GCC countries is an option to improve the trade regime. However, to pursue an FTA arrangement a joint study by policy makers from Bangladesh and the Gulf is required. If an FTA launches between Bangladesh and the GCC countries, it would open avenue for further cooperation in trade. Such arrangement will also give Bangladesh an opportunity to penetrate the GCC markets with its various products like garments, pharmaceuticals, leather, jute, ceramics, porcelain and agro-items. At the same time, Gulf could be a source of foreign investment for Bangladesh. As Bangladesh government, for foreign direct investment (FDI), offers host of liberal incentives ranging from tax holidays to full working capital loans from the local banks to the investors<sup>178</sup>, the country can become an attractive destination of investment from the GCC investors. Few of the potential sectors for the GCC investment are information and communication, gas and petroleum, telecommunication and pharmaceutical, and agrochemicals sectors. The prospect of investment, particularly in the pharmaceutical arena, has brightened following the recent Dhaka visit of Bahrain State Minister of Foreign Affairs. During his visit, the Bahrain Minister expressed the possibility to import world class Bangladeshi pharmaceutical products at a competitive price.<sup>179</sup> Furthermore, in recent times some progresses have been witnessed in Bangladesh's manpower export to the GCC nations. For instance, on 10 December 2007, the Oman government lifted the ban on Bangladeshi workers and showed interest to import skilled labourers.<sup>180</sup> Also, while visiting Dhaka a proposal was made by a trade delegation of Emirates Trading Agency, a Dubai based organisation, to import labour force in different professions from Bangladesh.<sup>181</sup> Moreover, Bangladesh signed a protocol with Qatar on 6 January 2008 for

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<sup>178</sup> Mahfuz Kabir, "Is Foreign Direct Investment Growth-Enhancing in Bangladesh?", *BIISS Journal*, Vol. 28, No. 2, April 2007, p. 103.

<sup>179</sup> *The Daily Star*, 21 June 2007.

<sup>180</sup> *The Daily Star*, 11 December 2007.

<sup>181</sup> *The Daily Star*, 4 December 2007.

exporting its manpower in the Gulf state. All these suggest that the flow of remittances from the GCC nations will be maintained in the future. Furthermore, to accommodate its manpower in the competitive GCC job markets, the Bangladesh government has taken some initiatives like various training and capacity building programmes to enhance the skills of the country's workforce.

#### **IV. Conclusion**

Bangladesh, since its birth some three-and-a-half decades ago, has been striving hard to diversify its economic relations. Keeping this in view, the country has developed economic ties with the Gulf nations. The remittances, earned by Bangladesh from the GCC countries remain as one of the chief sources of foreign exchange inflow. But, of late, some developments in GCC job markets, previously mentioned, might create obstacles to Bangladeshi workers entering into the competitive GCC job markets. Hence, the flow of remittances could be disrupted. As far as bilateral trade is concerned, Bangladesh's imports from the GCC members have been gaining momentum in the past decades. Exports from Bangladesh to the GCC markets, however, need to be enhanced. In fact, Bangladesh's imports from the GCC far outdistanced its exports and thereby led to a yawning trade gap in favour of the GCC nations. Nevertheless, such situation can be overcome if the Bangladesh government takes measures like effective marketing of export items, surveying the markets and diversifying export destinations within the Gulf. Besides, investors of the GCC countries should be encouraged to come forward to invest in different sectors in Bangladesh. Thus, it is evident that despite the existing hurdles, the GCC countries have offered Bangladesh ample opportunities to accrue further economic dividends.

*Md. Badrul Hasan*

## **PRGF PROGRAMME IN BANGLADESH: AN ASSESSMENT**

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### **Abstract**

Bangladesh, with its low per capita income, has been receiving concessional lending under the Poverty Reduction and Growth Facility (PRGF) programme of the International Monetary Fund (IMF) since 2003. Based on Special Drawing Rights (SDR), the total amount of approved loans is US\$ 347 million that has been already disbursed in different rate of quota. The loans have been a significant source of foreign exchange reserve as well as supportive to the programmes of economic reforms in Bangladesh. As a result, macroeconomic performance of the recipient country has been moving ahead. This, in turn, has contributed to overall economic aspects of Bangladesh. At the same time, some economic factors of Bangladesh, such as, inflation, trade, domestic currency, etc., have been adversely influenced by the loans. A set of conditions associated with the loans are likely to gradually influence Bangladesh's fiscal and monetary policy, tax and trade policy, governance, etc. Against this backdrop, the focus of the present paper is to critically analyse the significant contributions to and the challenges for Bangladesh economy with the concessional lending of the PRGF programme by the IMF.

**Key Words:** IMF, Poverty Reduction, Structural Adjustments, Trade, Unemployment, PRGF

### **1. Introduction**

International Monetary Fund (IMF) is a financial institution that oversees global economic system by observing foreign exchange rate

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and balance of payments. It was established to create an international monetary order that would allow trade to flourish and post-war reconstruction to take place. Since its inception, the IMF has been a significant source of funding for the low-income developing countries. It has been assisting its member nations through disbursing medium-term concessional lending under multi-faceted programmes, such as, Poverty Reduction and Growth Facility (PRGF). The PRGF programme was introduced in 1999. It gives concessional loans for the low-income members of the IMF to reduce poverty and enhance economic growth. Under this programme, loans are disbursed for 10 years with an annual interest rate of 0.5 per cent.<sup>183</sup> The countries associated with the PRGF programme have opportunity to borrow 140 per cent of loans for the first three years. But there is a chance to increase the per cent of loans to 185.<sup>184</sup> The disbursement of loans depends on the followings: country-wise need for stabilising the balance of payments, performance of the structural adjustment programmes by the IMF, and previous utilisation of the disbursed loans.

Since 2003, Bangladesh, with its low per capita income, has been receiving concessional lending under the PRGF programme. Based on Special Drawing Rights (SDR), the total amount of approved loans is of US\$ 347 million that has been already disbursed in different rate of quota.<sup>185</sup> The loans have been a significant source of foreign exchange reserve and supportive to the programmes of economic reforms in Bangladesh. As a result, macroeconomic performance of the recipient country has been moving ahead. This, in turn, has contributed to the overall economic aspects of Bangladesh. At the same time, some economic factors of Bangladesh, such as, inflation, trade, domestic currency, etc. have been adversely influenced by the loans. A set of conditions

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<sup>183</sup> “IMF Approves US\$ 347 Million Three Year PRGF Arrangement for Bangladesh”, available at <http://www.imf.org/external/np/sec/pr/2003/pro392.htm>, accessed on April 26, 2006.

<sup>184</sup> Factsheet - The Poverty Reduction and Growth Facility, available at <http://www.imf.org/external/np/exr/facts/prgf/htm>, accessed on March 25, 2007.

<sup>185</sup> “IMF Approves US\$ 347 Million Three Year PRGF Arrangement for Bangladesh”, *op.cit.*

associated with the loans are likely to gradually influence Bangladesh's fiscal and monetary policy, tax and trade policy, governance, etc.

Against this backdrop, it is essential to find out how far the concessional loans under the PRGF programme have contributed to the economy of Bangladesh. In this context, the focus of the present paper is to critically analyse the significant contributions to and the challenges for Bangladesh economy with the concessional lending. The paper consists of five sections. The ongoing introduction constitutes the Section 1. Section 2 provides an overview of the terms and conditionalities of PRGF. Section 3 attempts to articulate the economic factors of Bangladesh that have been influenced by the loans sourced from the PRGF programme. The economic aspects that have been adversely affected by the various conditionalities of the PRGF programme are discussed in the Section 4. Section 5 attempts to assess critically the output of the PRGF loans on Bangladesh's economy. Finally, Section 6 undertakes an effort to indicate some remarks for the future.

## **2. PRGF: Terms and Conditionalities**

The PRGF programme was introduced to make the objectives of poverty reduction and growth more central to lending operations in its poorest member countries. The PRGF is the IMF concessional lending facility for the low income countries. It has been designed to make the poverty reduction programmes key element of a growth oriented strategy. Through the PRGF, the IMF supports the economic adjustment and reform efforts of its low-income member countries. The PRGF supported programmes are based on country owned poverty reduction strategies adopted through a participatory process involving civil society and development partners and articulated in the Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF supported programmes are consistent with a comprehensive framework for macroeconomic, structural and social policies to foster growth and reduce poverty. Currently, 78 members of IMF are PRGF eligible.

### **2.1. Key Features of the PRGF**

Experience with the PRGF highlights a number of distinctive features which are mentioned below:

*First*, the principle of broad public participation and greater country ownership is central to the PRGF. In this regard, discussions on the policies underlying PRGF-supported programmes are more open, since they are based on the nationally-owned PRSP. With increased national ownership, PRGF conditionalities have become more parsimonious, focused on the fund's core areas of expertise, and limited to measures that have a direct and critical impact on the programme's macroeconomic objectives.

*Second*, PRGF-supported programmes reflect more closely each country's poverty reduction and growth priorities. Key policy measures and structural reforms aimed at poverty reduction and growth are identified and prioritised during the PRSP process, and if feasible, their budgetary costs are assessed. Moreover, fiscal targets in PRGF-supported programmes respond flexibly to changes in country circumstances and pro-poor policy priorities, while ensuring that the strategy can be financed in a sustainable, non-inflationary manner.

*Third*, PRGF-supported programmes focus on strengthening governance, in order to assist countries' efforts to design targeted and well-prioritised spending. Of particular importance are measures to improve public resource management, transparency, and accountability. PRGF-supported programmes also give more attention to the poverty and social impacts of key macroeconomic policy measures.<sup>186</sup>

## **2.2. Terms of the PRGF**

- As of August 2006, 78 low-income countries have been eligible for PRGF assistance.
- Eligibility is based principally on the IMF's assessment of a country's per capita income, drawing on the cut-off point for

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<sup>186</sup>“Factsheet - The Poverty Reduction and Growth Facility” *op.cit.*

eligibility to World Bank concessional lending (currently 2003 per capita gross national income of \$ 895).

- Loans under the PRGF carry an annual interest rate of 0.5 percent, with repayments made semi-annually, beginning 5½ years and ending 10 years after disbursement.
- An eligible country may normally borrow up to a maximum of 140 per cent of its IMF quota under three year arrangement, although this may be increased to 185 per cent of quota in exceptional circumstances. In each case, the amount will depend on the country's balance of payments need, the strength of its adjustment programme, and its previous and outstanding use of IMF credit. The expected average access under the initial three-year arrangement is 90 per cent of quota, and 65, 55, 45, 35, and 25 per cent of quota for second through sixth-time users of the facility, respectively. "Low- access" PRGF arrangements with a standard level of 10 per cent of quota may be used for members with little or no immediate balance of payments need. PRGF-eligible members with per-capita income above 75 per cent of the cut-off for World Bank concessional lending, or members borrowing on commercial terms, may combine PRGF arrangements with lending from the IMF's non-concessional Extended Fund Facility<sup>187</sup>.

### **2.3. IMF Conditionalities for PRGF Programme<sup>188</sup>**

The IMF sets some conditionalities for disbursing concessional loans to Bangladesh under the PRGF programme. These conditionalities consist of a set of reform proposals in the following policy oriented areas:

#### **Monetary and Exchange Rate:**

- Monetary stance needs to be further tightened.
- Devalue local currency to make domestic exports more attractive or sustain the level of exports.

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<sup>187</sup> *Ibid.*

<sup>188</sup> World Bank and IMF Still Pushing Conditions, available at: <http://www.eurodad.org/articles/default.aspx?>, accessed on July 03, 2007.

- Communicate to the broader public for the rationale of policy actions through annual monetary policy statement .
- Maintain the flexible exchange rate regime and confine intervention to counter disorderly conditions and build up reserve as necessary.

**Fiscal and Tax Policy:**

- Reduce the budget deficit.
- Formulate the medium-term fiscal strategy to boost revenue performance.
- Reorientate the expenditure to support growth and achievement of the Millennium Development Goals (MDGs) while protecting fiscal sustainability.
- Contain the government deficit at below 4 per cent of GDP.
- Strengthen tax administration to raise revenue collection.
- Reduce tax exemptions and incentives.
- Simplify tax system and expand the tax base.

**National Commercial Banks:**

- Finalise Rupali Bank's divestment as soon as possible and take further steps toward the divestment of other three state banks.
- Take immediate step towards corporatising the banks to make more autonomous and bring under the regulatory purview of the Central Bank.

**Power Sector:**

- Further fuel price and restructure energy oriented State-Owned Enterprises (SOEs) to adjust government losses.
- Ensure social safety net measures as imperative to mitigate the impact of higher energy prices on the most vulnerable groups.

**Trade Policy:**

- Reduce the administrative and regulatory constraints towards the path of liberalisation of trade.
- Continue to move towards the greater integration with regional and global economies.

**Other Reforms:**

- Further strengthen debt monitoring and management capacity for external debt.
- Cut expenditure on social welfare, in particular, on food subsidies.
- Ensure good governance for improving investment climate and prospects for growth.
- Ensure transparency and accountability in the financial and political arenas.

**3. Bangladesh's Economic Development through PRGF Programme**

As one of the low-income members of the IMF, Bangladesh, since June 20, 2003, has been receiving low-interest loans under the PRGF programme (see Table 1). In seven instalments, the recipient country has received a total amount of US\$ 347 million.<sup>189</sup> While the initial three instalments and the last one continue without augmentation, the rest of the instalments advance with augmentation. In effect, due amount sometimes differs with total disbursement that depends on some conditionalities with a set of structural reforms. The received loans, however, have been witnessing significant development on some economic aspects of Bangladesh.

**Table 1: Schedule of Loans disbursed under the PRGF Programme**

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<sup>189</sup> *Ibid.*

				In SDR US\$ million
Due Amount		Augmentation	Total Disbursement	Disbursed Period
49.5 (9.3% of quota)	of	-	49.5 (9.3% of quota)	June 20, 2003
49.5 (9.3% of quota)	of	-	49.5 (9.3% of quota)	December 15, 2003
49.5 (9.3% of quota)	of	-	49.5 (9.3% of quota)	July 28, 2004
49.5 (9.3% of quota)	of	17.78 (3.33% of quota)	67.28 (12.63% of quota)	June 29, 2005
49.5 (9.3% of quota)	of	17.78 (3.33% of quota)	67.28 (12.63% of quota)	February 15, 2006
15.9 (2.98% of quota)	of	17.78 (3.33% of quota)	33.67 (6.32% of quota)	October 24, 2006
83.6 (15.68% of quota)	of	-	83.6 (15.68% of quota)	June 15, 2007
Total 347(65% of quota)	of	55.33 (10% of quota)	400 (75% of quota)	-

Source: Available at <http://www.imf.org/external/pubs/ft/scr/2006/cr06406.pdf>, accessed on April 26, 2006.

According to the conditionalities of the PRGF programme, Bangladesh takes many reformative activities for ensuring concessional lending. Bangladesh eases both administrative and regulatory barriers to trade liberalisation to minimise import quotas, reduce import tariffs and devalue its currency. This enhances industrial activity, improves revenue collection, and promotes the growth of exports. In line with the prescriptions of the PRGF programme, Bangladesh has also taken reforms on tax policy, such as, setting up of institutional structure, strengthening of audit operation and modernisation of National Board of Revenue (NBR). These reforms have led to the improvement of tax and revenue collection (see Annex I). In 2003, domestic Value Added Tax (VAT)

collection and income tax earnings became 1.2 per cent and 1.5 per cent respectively of GDP, whereas the receipts of the two items stand roughly at 1.5 per cent and 1.7 per cent respectively in 2006.<sup>190</sup> However, functional practices of the reforms have contributed to the smooth disbursement of the PRGF low-interest loans. With a vision of accelerating pro-poor economic growth and human development, the disbursed PRGF loans have been focusing on employment generation in the rural areas. As a result, poverty reduction through increasing income level has been decreasing gradually. This, in turn, has been contributing to the economic growth of Bangladesh with a certain annual rate of roughly 5.5 per cent.<sup>191</sup>

#### **4. PRGF Programme: Challenges for Bangladesh's Economy**

The disbursement of loans under the PRGF programme seems to have some output on Bangladesh's economy. Over the last few years, macroeconomic performance of Bangladesh reveals that concessional lending has made improvements in some aspects of the economy. Structural reforms conditioned by IMF have been contributing to a sustainable growth, while considerable economic progress has been achieved towards meeting the MDGs. But, the set of conditionalities, imposed by the PRGF programme in case of disbursing loans, debt and other financial assistance, seem to be a threat to some economic areas of Bangladesh. The conditionalities that pose various problems are discussed below.

##### ***Trade Issue***

Although the trade policy reforms under the PRGF programme have been integrating Bangladesh with regional and global economies, the volume of imports has been increasing than that of exports due to reduction of tariffs and continuous removal of restrictions on imported items. The nominal protection level of the domestic markets has been hampered. As a result, the overall trade

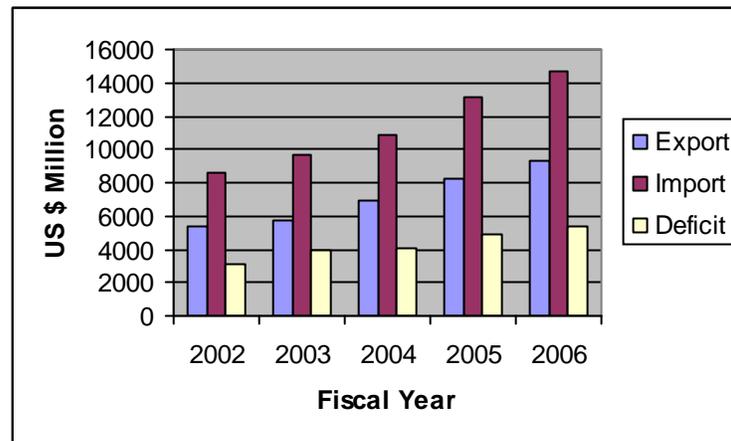
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<sup>190</sup> *Budget in Brief 2006 and 2007*, Ministry of Finance, Bangladesh, 2007.

<sup>191</sup> Author's calculation through observing previous ten years growth rate from National Account Statistics, *Bangladesh Bureau of Statistics (BBS)*, 2007.

situation of Bangladesh has witnessed huge trade deficit (see Chart 1).

**Chart 1: Trend of Balance of Trade (2002 - 2006)**



Source: *Export Receipts and Import Payments*, Bangladesh Bank, 2007

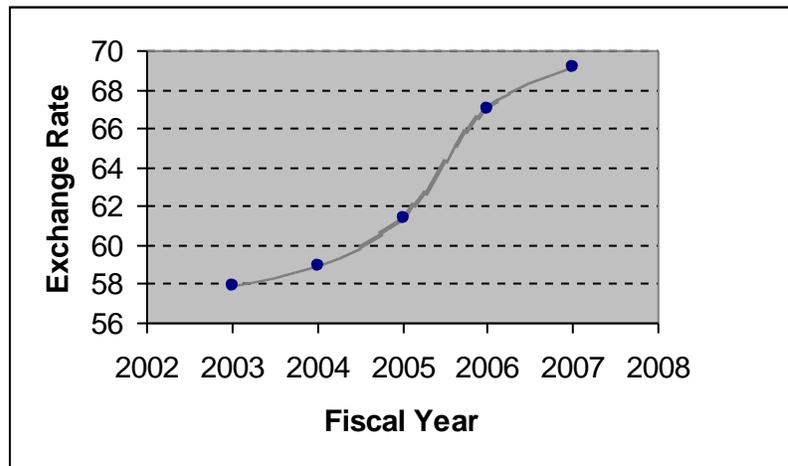
### ***Exchange Rate and Inflation***

For ensuring concessional lending under the PRGF Programme, Bangladesh takes reforms in the monetary and exchange rate policy. With these reforms, Bangladesh Bank has been tightening its monetary policy to keep the rate of inflation at a sustainable rate. This results in high interest rate, which in turn discourages the demand of credit and re-investment opportunity. On the other hand, Bangladesh Bank adopts flexible exchange rate and has been devaluating its currency to make exports more competitive to the developed countries. Bangladesh continues such process to contain inflation and reduce pressure on the balance of payments. Since 2003 Bangladesh steps into fully market-based exchange rate regime, where exchange rate is determined by the demand and supply of currency.<sup>192</sup> This results in upward pressure on the local currency (see Chart 2) due to increasing demand of foreign currency. This is

<sup>192</sup> N.N Tarun Chakravarty, “Impact of Globalisation on Bangladesh Economy”, Paper presented at the 15th Biennial Conference on *Bangladesh in the 21st Century: The Political Economy Perspectives*, in Bangladesh Economic Association (BEA) held on December 8-10, 2004, p. 4.

because of oil price hike in international market and increasing import of iron, fertiliser, crude petroleum, capital machinery and intermediate goods. In effect, macroeconomic situation of Bangladesh, with ever increasing inflation and rampant changing of monetary policies, has been hampered.

**Chart 2: Trend in Exchange Rate (Dollar into Taka)**



Source: *Annual Report*, Bangladesh Bank, 2007.

### ***Unemployment and Others***

With structural adjustment lending, Bangladesh endorses privatisation in loss-incurring State-Owned Enterprises (SOEs), such as, Nationalised Commercial Banks (NCBs), jute mills, etc. This resulted in closing of many enterprises making huge numbers of workers unemployed. Although the intention of the PRGF programme is to create employment opportunity, the conditionalities rather intensified the unemployment problem and increased informal workers both in rural and urban areas. Besides, under the prescriptions of the programme, Bangladesh has been increasing the fuel price to adjust government losses. The consequence of fuel price hike has intensified the hardship of the vulnerable groups of the society. The poor farmers, for example, can not irrigate their cultivated land timely. They are unable to buy adequate diesel due to high price which, in turn, adversely affects the food production. The

price spiral of essentials multiplies the sufferings of the mass people in the society.

## **5. PRGF Programme in Bangladesh: An Assessment**

Since the recognition of the IMF as a member nation, Bangladesh has been receiving frequent financial support, technical assistance and structural adjustment advices to implement economic policies. With a particular vision of poverty reduction and accelerating economic growth, the recipient country since 2003 has been attached to the PRGF programme for acquiring low-interest loans. While the previous experience with the IMF-supported programmes seems to be little enthusiastic economically, the immediate assessment on the new one with a set of stiff conditionalities is not an easy task.

For ensuring smooth disbursement of the PRGF loans, Bangladesh has undertaken reforms on tightening monetary policy and devaluating its local currency. Under the conditionalities of the programme, the recipient country has been maintaining flexible exchange rate, continuing government intervention to counter disorderly conditions and building up of foreign reserve. These reforms have taken sharply positive impact on receiving remittances, export receipts and increasing foreign reserve. At the same time, these have caused problems for the economy. The value of local currency has been decreased. This results in higher interest rate and lower demand of credit and investment opportunity. As a result, the macroeconomic situation of Bangladesh has continuously been facing challenges, which in turn have limited to the expansion of economic growth.

Bangladesh, with the prescriptions of the PRGF programme, has taken both administrative and regulatory initiatives for gradual liberalisation of trade policy. These initiatives are reduction of tariffs on imports and removal of restrictions on the process of free trade. These reforms have been integrating Bangladesh with regional and global trade. At the same time, local markets, having average effective protection level uncontrolled, have been flooded with the foreign products. This results in voluminous level of imports in the domestic market. On the other hand, Bangladeshi products, by and

large lacking quality and competitive price, are being protected in the international markets. So, exports of Bangladesh have been always lesser than the imports, leaving huge trade deficit.<sup>193</sup>

When loans are disbursed, the recipient country needs to maintain the reforms given by the IMF. Under the conditionalities of the PRGF programme, Bangladesh takes reforms on tax policy and administration to promote tax receipts and VAT collection. The undertaken reforms include simplification of tax system and expansion of tax base, reduction of tax exemption and incentives, strengthening of tax administration, etc. These reforms have led to the improvement of tax structure and revenue collection, which in turn has been contributing to the reduction of budget deficit and economic growth of Bangladesh. While such reforms have been effective, the other ones, privatising and corporatising of national banks and State-Owned Enterprises (SOEs), have been harmful to the employed people.<sup>194</sup> With the process of reforms, the institutions along with their employees have been affected. The employees are now in great anxiety with respect to job and employment. If the employees lose their jobs, the on-going unemployment problem of Bangladesh will be worst. This could be a real threat to the economic growth.

As a development partner, Japan disburses loans to Bangladesh at the rate of just 0.01 per cent, but the IMF-supported PRGF loans are disbursed at 0.05 per cent rate.<sup>195</sup> With higher interest rate, the loans are utilised generally in structural reform programmes, rather using in the particular target - poverty reduction and economic growth. In fact, the effectiveness of the loans seems to be

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<sup>193</sup> The amount of trade deficit only with India is worth \$ 1.5 billion and with China is worth \$ 1.2 billion per annum. See, Graham Bird, "IMF Lending to Developing Countries: Issues and Evidence", London, 1995, p. 97.

<sup>194</sup> By receiving financial assistance from the IMF since 1980s many developing countries have been experiencing a collapse in banking sectors that ultimately reduce GDP by 4 per cent or more which become much more than at any previous time in history. See, Tony Killick, *IMF Programs in Developing Countries: Design and Impact*, London, 1995, p. 137.

<sup>195</sup> Ishtiaque Selim and Mohammad Jasim Uddin, "Japan-Bangladesh Economic Relations", *BIISS Journal*, Vol. 28, No. 4, October 2007, p. 401.

unproductive, requiring another type of loans to fulfil previous target. This results in huge burden of debt.<sup>196</sup> This, in turn, poses several complications for the loan recipient country's economy, such as, loan provider's unwillingness to sanction new loans, asking increasing interest rate for further loans, imposing stiff conditionalities on the recipient country, etc.

One of the harshest conditionalities under the PRGF programme to achieve concessional lending is to increase fuel price and restructure price index of energy materials. Although this reform has adjusted the government losses, to some extent, the core people of the rural areas and the timely production have been seriously affected by the initiative. The outcome of the fuel price hike has increased the consequential hardship of the vulnerable groups of the society. On the other hand, the PRGF programme encourages the government of Bangladesh to curtail the expenditure on social welfare and, in particular, on food subsidies. But the spending on food subsidy is essential to protect the poor mass of Bangladesh from the disruptive effects of the rapid socio-economic changes. If the interest of the concessional lending is to reduce poverty, it is essential to continue food subsidies.

The above discussions reveal that the concessional lending under the PRGF programme has assisted to accelerate the economic growth, increase foreign currency reserve and export earnings, collect taxes and revenues, and way of receiving remittances. But the disbursed low interest loans do not pay much attention to the poor people for reducing poverty; rather it has put pressure with a set of conditionalities on the government of Bangladesh to pursue the IMF-driven policies in the financial and banking sectors. As a result, the programme along with huge loans produces more poor people, rather than alleviating acute poverty.<sup>197</sup> On the other hand, inequality and

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<sup>196</sup> In Latin America and Sub-Saharan Africa, we have witnessed a large increase in the use of IMF loans between 1970 and 1980 which led to the huge debt crisis in 1982 and its aftermath. Following the 1982 debt crisis, further use of IMF credits in Sub-Saharan Africa was sustained which consequently led to economic hardship in the region. See, Devesh Kapur, "The IMF: A Cure or A Curse", *Foreign Policy*, No. 108-112, 1997, p. 117.

<sup>197</sup> Whereas the number of poor people was 9.10 crore in 2000, now this number stands at 9.38 crore. Again, the number of extreme poor people now

unemployment are likely to be increased in the country. Taking these points and the previous experience of the IMF-supported programmes into consideration, the output of the PRGF programme with loans seem to be quite limited or little instrumental to the reduction of poverty and fostering economic growth of Bangladesh.<sup>198</sup>

## 6. Concluding Remarks

Bangladesh has been associated with the IMF for more than thirty five years. During this time, Bangladesh has received a substantial amount of loans and economic assistance with versatile conditions and suggestions under different types of programmes: short-term, medium-term and long-term. Most of the programmes focus mainly on ensuring macroeconomic stability, and prioritise on poverty reduction and economic growth through structural adjustment lending. While few programmes have witnessed positive impact on some economic aspects of Bangladesh, the rest ones have achieved little leaving added deficit in the country's total debt. As observed in the previous section, the PRGF programme with low interest loans, in spite of some achievements, has not come up to a level that one may expect in terms of raising living standard of people by lifting them out of poverty circle, generating income level, creating employment opportunity, and sustaining stable macroeconomic situation.

There is no denying the fact that the problems of underdevelopment and widespread poverty in Bangladesh have deep historical, cultural and social roots. If the IMF-supported programmes really want to reduce poverty and unemployment and promote human development through economic growth in Bangladesh, it is essential to undertake more pragmatic and welfare-oriented policies rather than profit-oriented policies. While the recipient country needs to utilise loans and be prudent to implement

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stands at 2.70 crore whereas it was 2 crore in 2000. See, *Annual Report*, Bangladesh Bank, 2001.

<sup>198</sup> An examination of the record of the IMF's performance in low income countries shows far from being satisfactory to the economic instability and poverty. See, M. A. Taslim, 'Monetary Restraints - A Year On', *Financial Express*, June 10, 2006.

the specific target, the programmes could disburse financial assistance at lower interest rate without imposing stiff conditionalities. This is because the tenuous conditions for loans result in a loss of precious time, whether during negotiation or implementation, thereby making a bad situation worse.<sup>199</sup> However, more functional and effective PRGF programme needs harmonisation between conditionalities of the IMF and overall socio-economic conditions of Bangladesh to foster economic growth and reduce poverty. In addition, while Bangladesh needs to ensure good governance to reap the maximum benefits from the concessional lending under the PRGF programme, the IMF should let the recipient country to utilise the loans in the sectors deemed more productive for indigenous economic development.

## **Annex: I**

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<sup>199</sup> Edward Goldsmith, “Development, Biospheres Ethics and a New Year Forward”, available at <http://www.edwardgoldsmith.com/page252.html>, accessed on May 06, 2007.

**Composition of Tax and Revenue Receipts (2005 and 2006)<sup>200</sup>**  
(In billion Taka)

Type of revenues	2005	2006
Tax revenues	319.5	361.8
Values Added Tax (VAT)	106.0	124.0
Import duty	80.0	82.4
Supplementary duty	56.0	63.9
Taxes on income and profit	58.5	69.6
Non- judicial stamps	8.1	9.6
Excise duty	1.5	1.6
Land revenues	3.3	3.8
Taxes on vehicles	2.7	3.3
Duty on narcotics and liquor	0.5	0.5
Other taxes and duties	2.9	3.1
Non- Tax revenues	72.5	86.9
Telegraph and telephone	16.5	17.7
Administrative fees and charges	9.9	11.0
Divided and profits	11.7	12.7
Interest	6.4	7.3
Capital revenue	0.6	0.6
Receipts for services rendered	4.3	4.7
Non-commercial sales	2.6	2.9
Rents, leases and recovers	0.9	1.0
Defence receipts	2.3	6.9
Tolls and levies	1.5	1.5
Fines, penalties and forfeiture	0.7	0.7
Railway	4.8	5.2
Post Office	1.5	1.6
Other non-tax revenue and receipt	8.8	13.1
Total :	392.0	448.7

Sources: *Budget in Brief*, Ministry of Finance, Bangladesh, 2007.  
*BBS Report, 2007.*

## Annex II

<sup>200</sup> Md. Ghulam Murtaza, "How Conducive are WB and IMF Conditionalities to Growth", available at: <http://www.thedailystar.net/2006/06/09/d60609150189.htm>, accessed on September 17, 2007.

<b>Countries Eligible for PRGF as of August 2006</b>	
1 Afghanistan	40 Liberia
2 Albania	41 Madagascar
3 Angola	42 Malawi
4 Armenia	43 Maldives
5 Azerbaijan	44 Mali
6 Bangladesh	45 Mauritania
7 Benin	46 Moldova
8 Bhutan	47 Mongolia
9 Bolivia	48 Mozambique
10 Burkina Faso	49 Myanmar
11 Burundi	50 Nepal
12 Cambodia	51 Nicaragua
13 Cameroon	52 Niger
14 Cape Verde	53 Nigeria
15 Central African Republic	54 Pakistan
16 Chad	55 Papua New Guinea
17 Comoros	56 Rwanda
18 Congo, Democratic Republic of	57 Samoa
19 Congo, Republic of	58 Sao Tome and Principe
20 Cote d'Ivoire	59 Senegal
21 Djibouti	60 Sierra Leone
22 Dominica	61 Solomon Islands
23 Eritrea	62 Somalia
24 Ethiopia	63 Sri Lanka
25 Gambia, The	64 St. Lucia
26 Georgia	65 St. Vincent and Grenadines
27 Ghana	66 Sudan
28 Grenada	67 Tajikistan
29 Guinea	68 Tanzania
30 Guinea-Bissau	69 Timor Leste
31 Guyana	70 Togo
32 Haiti	71 Tonga
33 Honduras	72 Uganda
34 India	73 Uzbekistan
35 Kenya	74 Vanuatu
36 Kiribati	75 Vietnam
37 Kyrgyz Republic	76 Yemen, Republic of
38 Lao, P. D. R.	77 Zambia
39 Lesotho	78 Zimbabwe

Source: <http://www.imf.org/external/np/exr/facts/prgf.htm>

*Rizwan Hussain*

## **INDIA'S RELATIONS WITH IRAN IN THE POST-COLD WAR ERA: A GEOPOLITICAL APPRAISAL**

### **Abstract**

This paper examines India's relations with Iran in the post-Cold War era. The dissolution of the Soviet Union in 1991 and the corresponding end of the bipolar East-West confrontation distinctly affected the pattern of foreign policy perceptions in the two major states of South and West Asia, namely, India and Iran, respectively. The paper analyses the transformation of India's relationship with Iran from being a distant neighbour in the Cold War to a potential regional ally in the post-Soviet era. It also outlines the strategic, political, and economic rationale behind India's attempts to forge strong ties with the Islamic Republic in the twenty-first century. It highlights the potential areas of co-operation between these two states and at the same time indicates the potential obstacles involved in developing a strong multifaceted relationship.

*Among the many peoples and races who have come in contact with and influenced India's life and culture, the oldest and the most persistent have been the Iranians . . . it was out of some common stock that the Indo-Aryans and the ancient Iranians diverged and took their different ways. . . Iran like India, was strong enough in the cultural foundation to influence even her invaders and often to absorb them.*

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(Jawaharlal Nehru, *Discovery of India*, p.112)

**Key Words:** India, Iran, Strategic Co-operation, Geo-Politics.

## **1. Introduction**

The primary goal of this paper is to examine India's relations with Iran during the post-Cold War era. The demise of the Soviet Union in 1991 and the corresponding end of the bipolar East-West confrontation distinctly affected the pattern of foreign policy perceptions in these two major states of South and West Asia, namely, India and Iran, respectively.<sup>201</sup> Located at the juncture of South Asia and the Middle Eastern region, Iran for more than a millennium served as the major conduit for cultural, religious and economic exchanges between India and the Islamic world. This paper will analyse the transformation of India's relationship with Iran from being a distant neighbour in the Cold War to a potential regional ally in the post-Soviet period. The paper examines the strategic, political and economic rationale behind India's attempts to forge strong ties with the Islamic Republic of Iran in the twenty-first century. It highlights the potential areas of co-operation between these two states while at the same time identifies the potential obstacles involved in developing a strong multifaceted relationship. The paper attempts to present a politico-historical analysis of India-Iran relations. It is divided into the following sections: 1. Introduction, 2. Indian-Iranian relations in historical perspective, 3. The end of the Cold War and the strengthening of the India-Iran relationship, 4. Geopolitical and Strategic dimensions of the post-Cold War Indian-Iranian relationship, 5. Indian-Iranian co-operation in the area of energy and trade, 6. The 'War on Terror', Islam and the India-Iran interaction, 7. Regional geopolitics, the United States and the Indian-Iranian relationship, 8. Conclusion

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<sup>201</sup> The terms South Asia and the Indian sub-continent are used interchangeably in this paper. South Asia includes India, Pakistan, Bangladesh, Sri-Lanka, Bhutan, Nepal and Maldives. Recently, Afghanistan has also been included in this region by its membership of the South Asian Association of Regional Cooperation (SAARC). The US State Department also classifies Afghanistan as part of South Asia.

## 2. Indian-Iranian Relations in a Historical Perspective

The cultural and racial ties between north Indian and the Iranian peoples go as far back as the Aryan invasions of South and Western Asia more than two millennium before the advent of the Christian era. The Aryans of India who worshipped according to the *Vedas* and the Iranians who followed *Avesta*, both called themselves Aryans (noble). Old Persian and Avestan (the language of Zoroastrian scriptures) had close affinity with Sanskrit that was the language of the Indo-Aryans. Historical evidence shows extensive Indo-Iranian interaction in the political and economic spheres before and after the rise of Islam. Furthermore, both the nations have influenced each other in the areas of culture, art, architecture and language. Iranian migrants to the Indian sub-continent were to a degree responsible for the dissemination and propagation of Shiite *Asna' Ashari* (twelver) beliefs in the largely Sunni Mughal Empire<sup>202</sup> (1526-1757). Furthermore, the Persian language remained the court language of India during the entire Mughal rule.<sup>203</sup> Until August 1947, India and Iran also shared a common 947 kilometres long border.

The establishment of British rule over the entire Indian sub-continent during the nineteenth century resulted in effectively severing India's links with the Iran and Central Asia. Iran itself became a victim of the imperial 'Great Game'— the Anglo–Russian rivalry for strategic, political and economic control of South–Western and Central Asia in the nineteenth and early twentieth centuries. Iran, along with Afghanistan,<sup>204</sup> remained pawns in the imperial manoeuvres of Britain and Russia for regional domination.

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<sup>202</sup> The Mughal rule over India was practically brought to an end after the British victory at Plassey in Bengal in 1757. After Plassey, political power over most of Mughal India's provinces had shifted to either local Hindu or Muslim rulers or the British East India Company.

<sup>203</sup> Iqtidar Alam Khan, 'The Mughal Empire and the Iranian Diaspora of the Sixteenth Century,' in Irfan Habib (ed.), *Shared Heritage: The Growth of Civilizations in India and Iran*, New Delhi: Sage, 2001, pp. 99-109.

<sup>204</sup> Afghanistan emerged as a loose tribal confederacy with a king as its head in 1747. A factor that was crucial in the formation of the Afghan state was the almost parallel collapse of the Mughul and Safavid regimes that exercised influence on the area that formed Afghanistan.

The Iranian Qajar dynasty remained impotent in the face of these developments which would gradually transform Iran into a virtual semi-colony. The British delineated Iran's entire eastern boundaries with India in the nineteenth century keeping in view their geo-strategic rivalry with Russia. In 1867, Lord Mayo, the British viceroy of India, considered the 'containment' of Persia vital in order to preserve the regional balance of power *vis-à-vis* Czarist Russia. The 1873 Iranian boundary delimitation with India supervised by the British Army officer, Sir Frederic Goldsmid, attempted to check alleged 'Persian expansion' in Baluchistan in accordance with British imperial aims.<sup>205</sup>

From the beginning of the twentieth century to the onset of the Cold War, British policy conditioned Indian sub-continent's ties with Iran. However, the demise of British imperialism ushered in an era of decolonization in Asia during the late 1940s. In 1947, Britain partitioned and then granted independence to India. The partition created two states, the predominantly Hindu India and the Muslim majority state of Pakistan carved out of India's northwestern provinces. Pakistan now became Iran's eastern neighbour. Pakistan's assertion of its Muslim credentials in its conflict with India and a solidly pro-Western foreign policy laid the foundations for the development of friendly ties with the US-installed monarchical regime of Shah Mohammed Reza Pahlavi in Iran. Militarily and strategically, Pakistan became a key American ally in the region by the mid 1950s.

The United States envisaged that Pakistan had the 'greatest current potential, next to Turkey, for contributing to Middle East defense.'<sup>206</sup> In the emerging Cold War between the US and the Soviet Union, Washington supported the establishment of defence relationships between Pakistan, Iran and Turkey as a precursor for a

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<sup>205</sup> Peter J. Brobst, 'Sir Frederic Goldsmid and the Containment of Persia 1863-1873', *Middle Eastern Studies*, Vol. 33, No. 2, April 1997, pp. 197-215.

<sup>206</sup> 'United States Policy toward South Asia' (India, Pakistan, Afghanistan, Ceylon and Nepal) NSC 5409, Secret, February 1954, *Foreign Relations of the United States (FRUS), 1952-54*, Vol XI, Washington D.C.: Government Printing Office, 1983, pp. 1089-1093.

wider anti-Soviet Middle Eastern Defence pact. Pakistan and Iran were to become the core members of CENTO - an American-sponsored alliance system formed in 1959.<sup>207</sup> While the US, to an extent, facilitated the Iran-Pakistan strategic engagement, India, the largest non-Communist state in the 'Third World', under Prime Minister Nehru's leadership turned out to be an advocate of nonalignment in the East-West struggle much to the chagrin of the United States. India's bitter experience as a British colony for over 150 years had inculcated a sense of strong nationalism and anti-colonial mindset in its leadership. Indian decision makers were and continue to be concerned with protecting the two major attributes of sovereignty: territory and independence of foreign policy.<sup>208</sup>

During most of the Cold War era, India's emphasis on non-alignment conflicted with US policy in Asia. Regionally, Indian foreign policy primarily focused on South Asia especially in relation to territorial disputes with Pakistan on Jammu and Kashmir and later with the Peoples Republic of China (PRC) over Aksai Chin and the northeastern borders. Pakistan, China and to some extent the United States were seen as essentially hostile towards India in the 1960s and 1970s. In fact, to offset Pakistan's military alliances with the PRC and the United States, India, under Prime Minister Indira Gandhi (1966-77, 1980-84), turned towards the USSR for military and political assistance.

In geopolitical terms, Iran has remained a major priority state for India since independence. In the Indian perception, Iran is one of the important states located within the 'outer ring' of India's immediate region.<sup>209</sup> Although India established diplomatic relations with Iran

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<sup>207</sup> Central Treaty Organization (CENTO). CENTO was intended to be the Middle Eastern extension of NATO. CENTO was dismantled in 1979.

<sup>208</sup> Kanti Bajpai, 'India: Modified Structuralism' in M. Alagappa (ed.), *Asian Security Practice: Material and Ideational Influence*, Stanford: Stanford University Press, 1998, pp.157-158.

<sup>209</sup> India conceives its security policy in a series of three concentric rings as a device for the analysis of its national security concerns. The 'inner ring' consists of the subcontinent extending entirely to its northwestern and northeastern borderlands and the adjacent waters of the northern Indian Ocean. The 'outer ring' encompasses the extra-subcontinent setting: the Arabian Peninsula, Iran, Afghanistan, Tibet, Southeast Asia and the

in 1950 and signed a peace treaty with Tehran but Iran's ties with Pakistan through alliances with the Western bloc led by the United States complicated the bilateral relationship. In addition, India's friendly ties with the pro-Soviet regime of Egyptian President Gamal Abdul Nasser and Baathist Iraq further strained Indian-Iranian relations. The Shah bitterly opposed Nasser and his advocacy of Arab nationalism while the Egyptian leader was a friend of Nehru and one of the founders of the Non-Aligned Movement (NAM). Notwithstanding these divergent foreign policy orientations, India and Iran tried to establish correct diplomatic and economic relationship. The Shah visited India in 1959 and even supported India during the 1962 Sino-Indian conflict. Furthermore, Iran was one of the first Asian states to accept India's incorporation of Goa (a former Portuguese colony) in the Indian Union in 1961.<sup>210</sup>

Iran gave limited military support to Pakistan in its conflicts with India in 1965 and 1971 on the behest of the United States.<sup>211</sup> However, Tehran had maintained its oil supplies to India regardless of its military support for Pakistan. This indicated a growing trend in the Shah's regional policies to assert Iranian national interests and autonomy *vis-à-vis* the United States by forging economic ties with non-aligned states friendly towards the Soviet Union.<sup>212</sup> Similarly, while annoyed by the Iranian backing for Pakistan, New Delhi was also not dissuaded from developing economic ties with Iran.<sup>213</sup> Iranian interest in developing economic and technical relationship

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southern reaches of the Indian Ocean. The third ring consists of the broader global setting, in particular, the great powers of the world. See Kanishkan Sathasivam, *Uneasy Neighbors: India, Pakistan and US Foreign policy*, London: Ashgate, 2004, p. 14.

<sup>210</sup> See Masarrat Husian Zuberi, *A Voyage through History*, Karachi: Hamdard, 1987, p.182.

<sup>211</sup> See *Foreign Relations of the United States, Iran 1964-1968*, Vol. XXII, Washington D.C.: Government Printing Office, 1999, p. 295.

<sup>212</sup> See Rouhollah K. Ramazani, *Iran's Foreign Policy 1941-1973: A Study of Foreign Policy in Modernizing Nations*, Charlottesville: University Press of Virginia, 1975.

<sup>213</sup> See Richard Edmund Ward, *India's pro-Arab Policy: A Study in Continuity*, New York: Praeger, 1992, p. 33. In 1966, the National Iranian Oil Company (NIOC) collaborated with the Government of India in constructing an oil refinery complex in Madras (Chennai).

with India underscored India's growing importance as an industrial and technologically advanced state of the 'Third World'. India could offer Iran larger market for its energy exports and a source of technical and commercial collaboration. Moreover, India's image as the pre-eminent regional power in South Asia was further given a boost by its military defeat of Pakistan in 1971 which facilitated the emergence of Bangladesh (formerly East Pakistan) and its 'peaceful' nuclear explosion in 1974.

India's ties with Iran entered a new phase with the 1979 Iranian revolution that toppled the Shah's regime. Essentially, India viewed this development as an internal affair of Iran. The Indian political and bureaucratic elite visualised the Iranian revolution as Iran's attempt to become autonomous of the influence of the superpowers and a reassertion of identity and national independence.<sup>214</sup> India sent an unofficial delegation to Iran led by Ashok Mehta to establish contacts with the new revolutionary regime in Tehran.<sup>215</sup> The delegation met Ayatollah Khomeini and extended India's good wishes to Iran. The Iranian leadership also appeared to be 'by and large favourably disposed towards India'.<sup>216</sup> However, India-Iranian relations did not improve significantly in the early years of the Iranian revolution due to Iran's verbal support of the Pakistani position on the Kashmir issue. On the other hand, New Delhi's cordial relations with the Iraqi regime of Saddam Hussein and its sympathetic attitude towards the Soviet-installed Afghan regime contributed to the divergence of views between the two states. Notwithstanding these irritants, India and Iran continued to co-operate with each other economically, especially in the energy sphere and to a lesser extent in the industrial sector throughout the 1980s.

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<sup>214</sup> *Annual Report of the Ministry of External Affairs, 1979-80*, New Delhi: Government of India, 1980, pp. 22-23.

<sup>215</sup> Farah Naaz, 'Indo-Iranian Relations, 1947-2000' *Strategic Analysis*, January 2001, Vol. XXIV, No. 10, p. 5.

<sup>216</sup> A.H.H. Abidi, 'Iranian Perspectives on Relations with India', *International Studies* 32, No. 3, 1995, p. 319.

### 3. The End of the Cold War and the Strengthening of the India-Iran Relationship

The disintegration of the Soviet Union in 1991 made the bipolar geopolitical spatial boundaries of the Cold War irrelevant. For the West led by the United States this historical development meant a propitious chance to refashion the international politico-economic order, in terms of spreading liberal political democracy and free-market economics unhindered internationally. An important element of the post-Cold War United States policy was clearly defined by the Secretary of State, Warren Christopher, as being dependent upon 'our ability to open foreign markets and promote free trade and investment'.<sup>217</sup> In this post-Cold War world, a geoeconomic competition between great powers started to take precedence over the past geopolitical strategic rivalry of the Cold War. In South and West Asia, the Soviet collapse heralded a reformulation of foreign policy objectives in the major states of the region like India and Iran. Most importantly, the Cold War commonality of interest *vis-à-vis* the Soviet Union that had played a vital role in forging Iran-Pakistan relations no longer existed.

In the early 1990s, Iran pursued a pro-active regional foreign policy by improving ties with nearly all of its neighbours. It also improved bilateral relationship with China and India in order to offset the country's rather unstable relations with the West European states allied with the US. The conduct of post-Ayatollah Khomeini foreign policy increasingly reflected a rational calculation of national interest rather than the dictates of the Islamic ideology. Moreover, Iran was keen to establish its politico-economic influence in Central Asia and Afghanistan to offset perceived American moves in the region directed against the Islamic regime. The U.S., since 1990, continued to emphasise the 'containment' of the allegedly 'rogue' regime in Iran and Iraq (Iraqi element in this strategy was eliminated with the Anglo-American occupation of that country in March 2003).

The United States' interest in the economic and strategic penetration of Central Asia coalesced with the Pakistani strategic

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<sup>217</sup> Warren Christopher quoted from Kegley, Charles W. and Wittkopf, Eugene R., *American Foreign Policy: Pattern and Process*, (5<sup>th</sup> Edition), New York, St. Martin's Press, 1996, p. 546.

goal of becoming a regional power by extending its links in that part of the world as well. Pakistan's policy took into account the U.S. antipathy towards Iran's attempts to secure a niche in Central Asia. By the mid-1990s, Pakistan-Iran relationship had become increasingly tenuous and unpredictable despite remaining cordial on the surface. Some of the important factors that acted to create mutual apprehension between Islamabad and Tehran included Pakistan's support for the anti-Iranian Taliban in Afghanistan, growing sectarian violence against Pakistan's Shiite minority by Sunni extremists linked with the Pakistani armed forces' Interservices Intelligence Directorate (ISI) and Islamabad's desire to promote alternative routes for oil and gas pipelines from the Central Asian states through Pakistan which by-passed Iran. Conversely, the regional geopolitical environment tended to favour the strengthening of Indian-Iranian relations. Both Iran and India were apprehensive of Pakistan's involvement in Afghanistan and its attempt to reach out to former Soviet republics in Central Asia.<sup>218</sup>

Indian decision-makers perceived Iran as an important link in the region for enhancement of India's influence in Afghanistan, Central Asia and the Caucasus. India did not have any fundamental conflict of interest in the geopolitical, economic or religious sphere with Iran. In New Delhi's geostrategic calculations, strengthened ties with Iran could have potentially beneficial outcomes in the following areas:

- Iran could serve as an important gateway and transportation route for India's trade with Central Asia and the Russian Federation
- With vast deposits of natural gas and 10 % of world's petroleum reserves,<sup>219</sup> Iran could offer India cheap and relatively easily accessible energy resources.

The basis for enhancing Indian-Iranian relations in the 1990s were laid by a series of high-level contacts between the two countries which culminated in the visits of the Indian Prime Minister Narasimha Rao to Tehran in September 1993 and the then Iranian

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<sup>218</sup> Bhabani Sen Gupta, 'India in the Twenty-first Century,' *International Affairs* (UK), Vol. 73, No. 2, April 1997, p. 308.

<sup>219</sup> United States Energy Information Administration (EIA), *Country Analysis Briefs: Iran*, March 2005.

President Ali Akbar Hashemi Rafsanjani's to India in April 1995. In April 2001, Indian Prime Minister A.B. Vajpayee visited Tehran and stated that a 'new chapter' had opened in the bilateral relationship. The Iranian Foreign Minister Kamal Kharrazi hailed the visit as a 'turning point' in India-Iranian relations.<sup>220</sup> These visits were followed by the visit of the Iranian President Muhammad Khatami in January 2003 to New Delhi at which time the two nations signed a number of agreements including a 'Memorandum of Understanding on the Road Map to Strategic Cooperation'. These high-level contacts underlined the growing convergence of interests between Iran and India in the twenty-first century. They also foreshadowed the emerging linkages amongst countries of South and West Asia and a desire on their part for breaking out of their regional bloc molds. India's relationship with Iran signified the determination of India to focus its interests outside South Asia as one of the elements of its geostrategic policy that seeks to establish its credentials as an emerging power while for Iran this relationship enables it to reap the economic and strategic advantages of allying with the second largest state of Asia. By doing so, it assists Iran in outmanoeuvring US efforts to isolate it in the region.

#### **4. Geopolitical and Strategic Dimensions of the Post-Cold War Indian-Iranian Relationship**

India has been aspiring to project itself as a regional power in the post-Cold War period. Such aspirations are not without basis. The US National Intelligence Council perceives the emergence of China and India as the 'new major global players' in the twenty-first century.<sup>221</sup> In this context, Indian policymaking elite aims to facilitate high economic growth, expand military capability and promote latest technologies. India's confidence in its role in the twenty-first century can be gauged from the remarks of Prime Minister Manmohan Singh to the visiting Chinese Prime Minister in

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<sup>220</sup> *British Broadcasting Corporation (BBC) Summary of World Broadcasts, Middle East Service, 13 April 2001.*

<sup>221</sup> See *Mapping the Global Future: Report of the National Intelligence Council's 2020 Project*, Washington D.C, Government Printing Office, December 2004.

April 2005 that 'India and China can reshape the world order together.'<sup>222</sup>

As an emerging power, India has played a pro-active role in Southwest and Central Asia since the collapse of the Soviet Union. In this regard, India's interests have on occasions converged with Iranian objectives on a variety of regional issues. In South-western Asia, India and Iran remained apprehensive of Pakistan's backing of the Wahhabi-influenced Afghan groups in post-Soviet Afghanistan. New Delhi and Tehran opposed Pakistani support for the Taliban movement in Afghanistan during 1994-2001. India, Iran and Russia were the major supporters of the anti-Taliban Northern alliance in the late 1990s. In the post-Taliban era also India, along with Iran, recognized the US-installed Karzai regime and both countries have developed political and economic relationship with this entity. Similarly, India and Iran participated in Bonn Conference held under the auspices of the US and the UN for establishing a government in Afghanistan after the US-led invasion of that country had resulted in toppling of the Taliban. India pledged US\$ 100 million worth of aid to the Karzai regime while Iran has also pledged its co-operation to assist this entity with economic and commercial incentives.<sup>223</sup>

In Central Asia, India has forged firm political and economic ties with Uzbekistan Tajikistan, Turkmenistan and Kazakhstan. New Delhi has also established military relationship with Tajikistan by establishing a military base in this former Soviet republic. This base is maintained with the co-operation of Russian forces stationed in this country.<sup>224</sup> Iran has been active in Tajikistan by providing the Tajik government with economic assistance.<sup>225</sup> The common geopolitical objectives of India and Iran in Central Asia and Afghanistan include:

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<sup>222</sup> See 'India and China can reshape the world order', *The Washington Post*, 11 April 2005.

<sup>223</sup> *The Statesman*, 20 October 2001 for Indian aid commitment to Afghanistan. For Iran's commitment, see the statement of Foreign Minister Manuchehr Mottaki during his visit to Kabul. *Islamic Republic of Iran News Agency (IRNA)*, 29 December 2005.

<sup>224</sup> *Jane's Defence Weekly*, 10 December 2005.

<sup>225</sup> Visit of the Tajik Parliamentary speaker to Iran, *IRNA*, 02 January 2006.

- A desire to seek a stable government in Afghanistan which is not a threat to its neighbours;
- Strengthening regional co-operation in order to enhance economic and trade relationships in the region. Both India and Iran maintain close ties with Russian Federation and are responsive to accommodating Moscow's interests in Central Asia;
- Iran and India oppose interference by extra-regional powers in the affairs of regional countries. Neither Iran nor India, despite its growing ties with the US, is comfortable with American military presence in Afghanistan and Pakistan. Thus, in geopolitical terms, both states have some commonality of interests as far as the Pakistan-Afghanistan region is concerned.

India and Iran have shared similar perceptions on various international issues. They opposed the Anglo-American occupation of Iraq in 2003. The two countries have emphasized over the inviolability of sovereignty and territorial integrity of states in view of the US interventionist policy in South and West Asia.<sup>226</sup> In the area of defence co-operation, India has been tapped by Iran to provide it with military assistance over the last few years. Iran is militarily much weaker than its immediate neighbours such as pro-US Turkey and Pakistan while Iraq and Afghanistan are under de facto US/NATO occupation. The preponderance of US/Western power in the Southwestern Asian and Persian Gulf regions has motivated Iran to enhance its defence capabilities. It has tried to procure weaponry from diverse sources which include Russia, China and North Korea. There have been reports that India and Iran signed a strategic understanding in 2003 for institutionalising the contacts between the armed forces of the two countries.<sup>227</sup> Indian and Iranian navies conducted joint manoeuvres and exercises in the Arabian Sea in 2003. Such events are particularly important for Iran as most Gulf Arab states and Pakistan are core US allies. By signalling its desire

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<sup>226</sup> See text of 'New Delhi Declaration' 25 January 2003, available on [www.meade.nic.in](http://www.meade.nic.in), accessed on 25 October 2007.

<sup>227</sup> See International Institute of Strategic Studies (IISS), *Military Balance, 2004-2004*, London: Oxford, p. 36; 'Strategic Shift in South Asia', *Jane's Foreign Report*, 30 January 2003, pp. 4-5.

to conduct military manoeuvres with an aspiring regional power like India, Tehran intends to show to its neighbours that it has the capability to breakout of the US 'containment' strategy. The US has established numerous naval facilities on Pakistan's coastline that borders Iran in proximity to the Straits of Hormuz. Moreover, Pakistan is a key US ally in curbing maritime terrorism. It has joined the US/NATO Coalition Maritime Security Force (CMSF) in the Persian Gulf to monitor terrorist movements. The Musharraf regime is also an active participant in the US conceived Proliferation Security Initiative (PSI) that seeks to curb shipment of Weapons of Mass Destruction (WMD) to allegedly 'rogue' states and terrorists. Iran is considered one of the foremost 'rogue' states in the current US perceptions. The Bush administration regards the Islamic Republic as one of the major sponsors of terrorism and a part of the so-called 'axis of evil'. Thus, the growing Pakistani-US nexus in the Persian Gulf may have acted as a factor in motivating India to show greater keenness in having a strategic relationship with Iran. However, it has to be seen whether India's engagement with Iran has solid foundations or it is based largely on symbolic measures. This is especially relevant taking into consideration the potential that this relationship might have in destabilizing the emerging US-India 'partnership.'

### **5. Indo-Iranian Co-operation in the Area of Energy and Trade**

The bilateral commercial and trade relationship between India and Iran has expanded significantly over the last ten years. The two states have formed significant economic and commercial links in the areas of agriculture, information technology, petrochemicals and telecommunications. During President Khatami's visit to India in 2003, Iran proposed a joint investment of \$US 800 million by Indian and Iranian companies to boost bilateral economic links.<sup>228</sup> Bilateral trade between the two countries totalled nearly \$US 2.7 billion in

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<sup>228</sup> 'Iran Proposes Joint Investment of US\$ 800 million,' *Indian Express*, 25 January 2003.

2003-2004. However, most of the trade continues to be dominated by the hydrocarbon sector.<sup>229</sup>

Energy remains a key area in the further development of India's ties with Iran. For India, access to cheap and reliable energy sources is vital if it is to achieve its status as an Asian power. According to the 'New Delhi Declaration,' Iran with its abundant energy resources and India with its growing energy needs as a rapidly developing economy are 'natural partners'.<sup>230</sup> High growth in India's Gross Domestic Product (GDP) is instilling plans for major infrastructure investments to keep up with increasing demand especially in the areas of electric power and natural gas. The Government of India intends to meet the growing demand for energy by enhancing output of nuclear energy coupled with increased imports of natural gas. In this context, Iran is seen as one of the main potential suppliers to meet India's long-term energy requirement for petroleum and natural gas.

India is the world's sixth largest energy consumer.<sup>231</sup> Oil accounts for about 30% of India's energy consumption while consumption of natural gas has risen faster than any other fuel in recent years.<sup>232</sup> From only 0.6 trillion cubic feet (Tcf) a year in 1995, natural gas use was nearly 0.9 Tcf in 2002 and is projected to reach 1.6 Tcf in 2015.<sup>233</sup> Indian crude oil import dependency is projected to rise to about 80% by 2010.<sup>234</sup> The country's domestic natural gas supply is not likely to keep pace with demand. India is therefore seeking external sources to augment its domestic supply. It has

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<sup>229</sup> *India News Online*, 29 March 2004, available at <http://news.indiamart.com/news-analysis/iran-india-trade-to--1435.html>, accessed on 24 November 2005.

<sup>230</sup> Donald Berlin, 'India-Iran Relations: A Deepening Entente', *Special Assessment*, Asia-Pacific Center for Security Studies, Hawaii, October 2004, p. 3.

<sup>231</sup> United States Energy Information Agency, *Country Brief - India*, October 2004.

<sup>232</sup> Abbas Maleki, 'Iran, India and the Security of Energy', in Jasjit Singh (ed.), *Oil and Gas in India's Security*, New Delhi, Knowledge World, 2003, p. 63.

<sup>233</sup> United States Energy Information Agency, *Country Brief - India*, October 2004.

<sup>234</sup> *Middle East Economic Digest*, 28 April 1995, p. 24.

shown keen interest in purchasing natural gas from Iran. In a Memorandum of Understanding (MoU) signed in 2005, India intends to purchase 5 million tons of liquefied natural gas (LNG) from Iran over the next 25 years. These shipments would be worth approximately US\$ 22 billion<sup>235</sup> Another possible option to supply natural gas to India is via pipeline from Iran's South Pars field, either subsea or through Pakistan, to Western India. Iran has an estimated 812 Tcf of natural gas reserves. These account for over 16% of world's gas reserves-second largest in the world after Russia.

India and Iran have been discussing the possibility of an overland gas pipeline since 1993. However, India's conflictual relations with Pakistan have acted as an obstacle to the realisation of this proposal. Since 2002, with the easing of India-Pakistan relations, the pipeline option has again been reinvigorated. In this context, India has conducted several discussions with Pakistan and Iran for the construction of the 2,670 km long pipelines, which would cost US\$ 3.5 billion to construct.<sup>236</sup> Pakistan's interest in the proposal is due to the potential royalties it could generate for its almost bankrupt economy. It is estimated Pakistan could reap as much as US\$ 700 million transit royalties from this gas pipeline transiting its territory. The Pakistani government has reportedly presented written guarantees channelled through Iran to India for the security of the pipeline.<sup>237</sup> India, Iran and Pakistan have conducted trilateral negotiations over the implementation of this proposal since 2004. Recently India-Iran joint working group (JWG) on energy stressed its commitment to build this pipeline with gas deliveries to India starting in 2010.<sup>238</sup> Owing to the improvement in India-Pakistan ties, the pipeline proposal is certainly a viable option but a number of political impediments remain for the realisation of this scheme. These are:

1. *US opposition to this pipeline.* The US has indicated its apprehension towards this project as it has the potential to

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<sup>235</sup> See Subash Vohra, 'India, Pakistan, Iran to launch Negotiations on Natural Gas pipeline' *Voice of America*, 26 November 2005.

<sup>236</sup> Islamic Republic of Iran News Agency (*IRNA*), 21 December 2005.

<sup>237</sup> *The Statesman*, 06 May 2001.

<sup>238</sup> *Gulf Daily News*, 30 December 2005.

benefit Iran's economy. Oil and gas revenues still provide 80% of Iran's export earnings and around 40-50% of government revenue.<sup>239</sup> The Iran-Pakistan-India (IPI) gas pipeline could provide Iran with a stable long-term source of income. During a visit to New Delhi in March 2005, the US Secretary of State Condoleeza Rice reportedly linked US interest in supplying civilian nuclear reactors to India with New Delhi's disengagement with Iran on numerous areas including energy.<sup>240</sup> Even the Indian Prime Minister indicated some reservations on this project. In an interview to the *Washington Post* he indicated whether 'any international consortium of bankers would underwrite' this project.<sup>241</sup> On 4 January 2006, a US State Department official again reiterated that the US remains opposed to the Iran-Pakistan-India gas pipeline.<sup>242</sup> Moreover, during a visit to the US in January 2006, the former Pakistani Prime Minister Shaukat Aziz told US newsmen that Pakistan was also searching for alternate gas supply sources including a pipeline from Turkmenistan via Afghanistan to Pakistan and India and an undersea pipeline from Qatar.<sup>243</sup> However, the US is believed to be lessening its opposition to the proposed Iran-Pakistan-India pipeline. According to media reports this project was discussed by President Bush with the heads of governments of both to India and Pakistan during his visit to South Asia in March 2006.<sup>244</sup>

2. *Balochistan Insurgency*. The pipeline would pass through Pakistan's Balochistan province adjacent to Iran's *Sistan va Balochistan* province. Pakistani Balochistan has become increasingly unstable over the last three years. The Baloch tribes have waged a low-level insurgency in the province in

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<sup>239</sup> Economist Intelligence Unit, *Iran*, 14 April 2004.

<sup>240</sup> Siddharth Varadarajan, 'India-Iran Relations: A farewell to the gas pipeline? Has the project been suspended following US pressure?' *The Hindu*, 23 July 2005.

<sup>241</sup> *The Washington Post*, 20 July 2005.

<sup>242</sup> Mazhar Qayyum Khan, 'IPI Pipeline: Dim Prospects', *The Nation*, 10 January 2006.

<sup>243</sup> *The News*, 24 January 2006.

<sup>244</sup> Commentary, *Voice of Russia*, Moscow, 06 March 2006.

order to compel the US-supported Pakistani military regime to concede greater autonomy to the province. Balochistan was forcibly incorporated with Pakistan in 1947-48. The Balochis were against the partition of India. They have resented their allegedly 'second-class' status in Pakistan ever since 1947. The Balochi claim that the Punjabi dominated Pakistani military is marginalizing the Baloch in their own province by changing the ethnic composition of the province through resettlement of a large number of Punjabis in the province. Other Balochi grievances include construction of the Gwadar port with the assistance of China without the involvement of Balochi people and inadequate payment for gas and lack of economic development.

3. *Future Indo-Pakistan Conflict.* The risk remains that in any future India-Pakistan conflict, Pakistan could cut the gas supply to India.

During President Khatami's visit to India in January 2003, the India-Iran 'Roadmap to Strategic Cooperation' included India's agreement to assist Iran in constructing the Chah Bahar Port and road links between Iran and Afghanistan, which would link up with Central Asia. In this context, the North-South International Transportation Corridor agreement signed in September 2000 by India, Iran and the Russian Federation would also complement India plans to forge firm economic links with Central Asia in a more cost effective manner. Earlier in April 1995, India, Iran and Turkmenistan signed an agreement aimed at establishing a 'transport corridor' linking Central Asia to India through the Iranian road-railway network.<sup>245</sup> With the realisation of these plans, Pakistan's ability to hinder India's trade and commercial relations with Iran and Central Asia would become less effective.

Iran is likely to remain an important element in Indian policy toward the 'Middle East' in the twenty-first century. This is especially true in the context of Iran's substantial energy resources. India and China are likely to become the largest consumers of oil and natural gas requiring, respectively, approximately 30 quadrillion and

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<sup>245</sup> *Middle East Economic Digest*, 28 April 1995, p.24.

100 quadrillion Btu of energy to sustain economic growth.<sup>246</sup> In this regard, India has shown a desire in not only cultivating Iran as a source for energy but it has forged cordial ties with Iran's Arab rivals in the Persian Gulf such as Saudi Arabia and the Arab Sheikdoms. Nearly 1.5 million Indian workers are employed in the Gulf and are a source of important foreign exchange earnings for India. Saudi Arabia is a major source of India's petroleum imports. The total bilateral trade between Saudi Arabia and India was approximately US\$ 5 billion in 2005 of which US\$ 4 billion accounted for petroleum imports alone.<sup>247</sup> The Saudi king was a special guest of the Indian government on India's Republic Day on 26 January 2006. This honour was also given to President Muhammad Khatami during his visit to India in 2003. Thus, India has kept its options open concerning its energy diplomacy in West Asia.

## **6. The 'War on Terror', Islam and the India-Iran interaction**

In the formative years of the Islamic Republic, the Iranian leadership occasionally showed Iran's solidarity with India's large Muslim population. It also backed Pakistan's stance on Kashmir and because of these forays into India's domestic affairs, the Indian-Iranian relationship was strained occasionally. However, in the post-Cold War period Pakistan's regional policies, especially in relation to Afghanistan, Central Asia, and its domestic Shiite-Sunni sectarian conflict impinged on Iran's wider security interests. In addition, the Bush administration's decision to forge an enhanced security relationship with Pakistan in the 'War on Terror' after September 11, 2001, tilted the balance of power on Iran's eastern frontier in favour of the US. The US has established firm military and intelligence presence on Pakistani territory including right to conduct special intelligence operations against alleged 'terrorists'.<sup>248</sup> This change may have acted as a factor in motivating Iran to bolster its ties with

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<sup>246</sup> Francine Frankel and Harry Harding (eds.), *The India-China Relationship: What the United States Needs to Know*, Washington D.C.: Woodrow Wilson Center, 2004, p.158.

<sup>247</sup> *The News*, Islamabad, 26 January 2006.

<sup>248</sup> *Air forces Monthly*, December 2005. According to this journal the CIA's Special Operations Unit has been allowed to use Predator drones to 'neutralize' terror suspects on Pakistani territory by the Musharraf regime.

India. Likewise, despite having close relations with Washington, India also perceived the US-Pakistani engagement with apprehension and seemed interested in deepening India-Iranian co-operation.

The ruling Pakistani military *junta* had declared Pakistan as a 'frontline state against terrorism' and Islamic extremism. Domestically, the military, at least on the surface, downgraded the role of Islam in national politics. By co-operating with Washington in Afghanistan, the Pakistani military essentially regained its position as the United States' closest ally in the wider Islamic world, as was the case during the Cold War. Its tacit backing of the Anglo-American occupation of Iraq and intelligence-sharing on Iran enhanced its links with the US establishment.<sup>249</sup> New Delhi, although remaining sympathetic to Washington's goals in the 'War on Terror,' perceives that Pakistan may be pursuing two-pronged strategy that aims to continue to back the 'freedom struggle' in Kashmir by using the 'Islamic' militants while at the same time selectively cooperating with the US forces in Afghanistan and to some extent assisting in the containment of Iran. Thus, India remains critical of Washington's rather lenient view of Pakistan's interference in Kashmir, which does not directly impinge on US strategic interests in the region.

India and Iran are not members of the Bush administration's international coalition in the so-called 'War on Terror' and persist in pursuing relatively autonomous foreign policy initiatives. In fact, both the countries have pledged to enhance co-operation against international terrorism, extremism and illegal narcotics.<sup>250</sup> India and Iran have both faced terrorist attacks from Wahhabi-influenced groups allegedly linked with Pakistan's ISI. Several Iranian diplomats were killed in Pakistan by the ISI linked extremist Wahhabi group *Sepah-e-Sahaba* in the late 1990s. This group was ideologically linked to another militant outfit *Lashkar-e-Tayyiba* fighting Indian troops in Jammu and Kashmir.<sup>251</sup> These Sunni militant factions consider Pakistan's 20 % Shiite population as apostates.

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<sup>249</sup> See 'Pakistan promises cooperation with IAEA,' *The Nation*, 11 February 2004.

<sup>250</sup> *Times of India*, 15 April 2001.

<sup>251</sup> Rizwan Hussain, 'Chapter 5', *Pakistan and the Emergence of Islamic Militancy in Afghanistan*, London: Ashgate, 2005.

Apart from geopolitical consideration Iran is a major Islamic state with a potential to back India's effort to forge greater ties with the wider Islamic world. India has the second largest Muslim population in the world. Moreover, India under the Congress-led government of Prime Minister Manmohan Singh has emphasised India's Islamic and cultural links with Iran. During a visit to Washington in July 2005 Prime Minister Manmohan Singh observed that 'we have strong civilizational links with Iran. Also I would say Iran is the largest Shia Muslim country in the world. We have the second largest Shia population in our country...and I do believe that part of our unique history we can be a bridge'.<sup>252</sup> The Indian Foreign Minister was the first high official of a major Asian power to congratulate the election of the 'hardliner' Mahmud Ahmedinejad as the new President of Iran by visiting Tehran in September 2005. India's projection as having the largest minority Muslim population in the world has also played a part in New Delhi's Iran policy. India's former Foreign Minister Natwar Singh was supportive of Iran's position in the International Atomic Energy Agency (IAEA) and had emphasised that Indian policy *vis-à-vis* Iranian nuclear programme had to take into account 'the sentiments of India's 150 million strong Muslim population'.<sup>253</sup> These comments are indications of the fact that India's domestic policy *vis-à-vis* its Muslim population would be a factor in determining the long-term foundations of the Indo-Iranian relationship.

## **7. Regional Geopolitics, the United States and the Indian-Iranian Relationship**

The United States and Pakistan remain the two most important elements that can influence the future contours of the Indian-Iranian relationship. The US increasingly perceives India as an emerging power and a potential 'strategic partner'. In the US perception, India is a large market with an emerging middle class estimated to be over 200 million out of a population of 1.1 billion - second largest in the world.<sup>254</sup> It has a growing economy; indigenous technological

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<sup>252</sup> 'Interview: Prime Minister Singh', *The Washington Post*, 20 July 2005.

<sup>253</sup> *PINR*, 27 November 2005.

<sup>254</sup> Pranab Mukherjee, 'India's Strategic Perspectives', *Indian Defence Review*, April 2005, p. 20.

capability and its armed forces are the fourth largest in the world. For the US, India is not only a source for investment and but a future potential counterweight to China's growing military and economic power in Asia.

The visit of the US President George W Bush to India during 1-3 March 2006 sealed a historic long-term Indo-US partnership in the nuclear and strategic areas. This 'partnership' will have far reaching reverberations on Asian geopolitics. The US intends to sell India several fast-breeder nuclear reactors along with sophisticated military technology including F-16 and F-18 fighter planes. For India, the US is not only emerging as an important source of nuclear technology and weaponry but is a long-term ally with which it shares 'democratic' and 'secular' values. Indian and US interests seem to be converging especially in relation to the 'War on Terror' and nuclear non-proliferation. Moreover, despite reservations about the Indo-US strategic nexus from India's Communist parties and other left-wing forces, the Indian political and business elite views the newly founded Indo-US 'commonality of interests' in the defence, business and strategic spheres as beneficial for both the countries.

Notwithstanding India's occasional apprehensions about the US unilateralist and interventionist policies, New Delhi now uses expressions like 'new strategic framework', 'partnership' and 'enhanced defence cooperation' to describe Indo-US relations.<sup>255</sup> The Bush administration has been instrumental in motivating an India and Pakistan *rapprochement*. The US motives behind this measure are based on long-term American security and strategic objectives in Southwest Asia. Cordial Indo-Pakistan relationship will enhance Pakistan's capability to assist the US in its 'War on Terror' and has the potential to woo the Pakistani military away from its co-operation with the Chinese. In the US perception, a co-operative Indo-Pakistan interaction could lessen Chinese influence in South Asia. However, despite the thaw in India-Pakistan relations, the Pakistani military has still not relinquished its claim on the Indian-administered state of Jammu and Kashmir. The US backed peace process faces considerable obstacles and it cannot be regarded as a foregone conclusion. Nevertheless, retaining a strong strategic

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<sup>255</sup> *Agence France Press*, 10 November 2001.

relationship with US is a foreign policy priority for India primarily in order to balance Pakistan (a core US ally) and China (a future Asian superpower).

India's embrace of the United States has certainly not influenced New Delhi's firm relations with its old ally Russia. India remains amenable to Russia's emphasis on a 'multipolar world'. The Indo-Russian relationship remains a vital element in India's foreign policy as this enable New Delhi to counter the US-Pakistan alliance especially in the context of South Asia. New Delhi was receptive in the recent past to the idea of strategic triangle among Russia, India and China to oppose US influence in Asia.<sup>256</sup> Chinese, Russian and Indian officials have frequently acknowledged that the three countries are very close to achieving genuine strategic partnership.<sup>257</sup> In this context, Russian and Indian officials have been generally supportive of Tehran's interests on the international political arena, especially when it comes to the current debate about the Iranian nuclear programme.<sup>258</sup>

The United States has been putting pressure on India to curtail its ties with Iran. The US, along with its European partners, remains committed to stop Iran's nuclear energy programme, which they allege is a cover to build nuclear weaponry. India had been generally supportive of Iran's right to pursue peaceful use of nuclear energy but under increasing pressure from Washington the Congress-led administration supported a US backed IAEA resolution on 24 September 2005 that condemned Iran's for not complying with the Nuclear Non-Proliferation Treaty (NPT). India's sudden change of policy was condemned by Tehran. Moreover, it received severe criticism in India especially by the Communist Party of India (CPI) - a coalition partner of the ruling Congress Party.<sup>259</sup> The left-wing parties, which support the Manmohan Singh coalition government, see Iran as a rallying point for their anti-imperialist stance and have issued strong warning to the government against India abandoning a

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<sup>256</sup> Martin Malek, 'Russian Policy toward South Asia: An Update', *Asian Survey*, Vol. XLIV, No. 3, May/June 2004, p. 385.

<sup>257</sup> Russia and India Join Efforts to Become Strategic Partners, *Pravda*, 12 September 2005.

<sup>258</sup> *Pravda*, 12 September 2005.

<sup>259</sup> *Asian Tribune*, 29 September 2005.

fellow member of the Non-Aligned Movement (NAM) in favour of what they perceive as 'American imperialism.'<sup>260</sup> According to Indian media reports, this abrupt change in policy by India was a result of 'New Delhi's 'embarrassing servility' to Washington after Prime Minister Manmohan Singh and President George Bush signed nuclear deal in July 2005 that is supposed to ease India's energy concerns.'<sup>261</sup> India's backing for the US in the IAEA was seen as a *quid pro quo* in return for Washington supplying India with the latest civilian nuclear technology. However, New Delhi downplayed the importance of the vote. In fact, the Iranian Foreign Minister, Manuchehr Mottaki, after discussions with Indian officials, commented that 'India committed a tactical mistake and made a decision which New Delhi later noticed was wrong'.<sup>262</sup>

Indian officials have repeatedly indicated that they remain opposed to the Iranian nuclear case being referred to the UN Security Council. Referral of Iran's alleged violation of the NPT to the UN has been a major policy plank of the Bush administration's multifaceted agenda aimed to put pressure on the Iranian government. In fact, India has tried to mediate between Iran and the US on the nuclear issue. Indian diplomacy on the behalf of Iran averted a vote on the Iran nuclear issue at the IAEA meeting in November 2005.<sup>263</sup> Notwithstanding growing US-Indian ties, the US has used the threat of sanctions to pressure India to curb its relations with Iran. In December 2005, it imposed sanctions on two Indian firms under the US Iran Proliferation Act 2000 for supplying chemicals to Iran.<sup>264</sup> The US has signalled its intentions of imposing sanctions on any foreign company investing more than \$20 million in Iranian hydrocarbon sector. India's ties with Iran are also unnerving another key US ally in Middle East - Israel. Israel is concerned that India could possibly divert Israeli military technology to Iran. In recent years, Israel has become India's second largest source of imported weaponry, selling such specialized equipment as

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<sup>260</sup> P. R. Kumaraswamy, 'India's Interests Collide over Iran', *Power and National Interest* (PINR), 28 October 2005.

<sup>261</sup> Shobori Ganguli, 'Under Pressure', *The Pioneer*, 29 November 2005.

<sup>262</sup> *IRNA* 18 November 2005.

<sup>263</sup> *IRNA*, 26 November 2005.

<sup>264</sup> *IRNA*, 30 December 2005.

unmanned aerial vehicles (UAVs), attack drones, and radars for missile defence. Iran remains hostile to the Zionist state. Tehran continues to back the Palestinian cause and the anti-Israeli Lebanese Hizbollah.<sup>265</sup>

In the context of South Asia, Pakistan's decision to establish political relations with Israel has the potential to upset India's intense security ties with the Zionist state. Israel like Pakistan is a Major non-NATO Ally (MNNA) of the US. Jerusalem could also emerge as a future arms supplier to Pakistan. Such an eventuality could lead New Delhi to boost its ties with Tehran in an effort to balance the Israeli-Pakistani connection.<sup>266</sup> However, the present preponderance of US power in the region ensures that Iran would continue to pursue its engagement with India in order to ease its isolation in the region while at the same time maintain cordial relations with Pakistan. Pakistan's comprehensive alliance with US and its MNNA status have not deterred Iran from maintaining relatively stable ties with Islamabad. Having a long and porous border with Pakistan makes it strategically vital for Iran to retain normal interaction with Pakistan in spite of divergent political and security perceptions. The fundamental goal of Iranian policy towards Pakistan revolves around the concern for security along Iran's eastern borders. Iran currently faces internal and external security threats that jeopardize the existence of the Islamic regime. Given the instability on the Afghan and Iraqi borders, the Iranian leadership can ill afford to seek a confrontational policy *vis-à-vis* an economically crippled but nuclear-armed Pakistan. Absence of the Cold War superpower rivalry that enabled Iran to rely on the assistance of one power or another has limited the Islamic Republic's strategic ability to confront a potential regional hegemon let alone the dominant U.S. influence in the Persian Gulf. In these circumstances, contrary to Western and US opinion, Iran has pursued an extremely pragmatic and cautious foreign policy in the region in order to avoid any direct conflict of interests with the West.

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<sup>265</sup> See Shahram Chubin, *Iran's National Security Policy: Intentions, Capabilities and Impact*, Washington D.C.: Carnegie Endowment for International Peace, 1994, pp. 98-103.

<sup>266</sup> See Yossie Melman, 'The Motivation behind Musharraf's Dramatic Move', *Haaretz*, 02 September 2005.

Despite India's interest in strengthening relations with the United States and Israel, Indian foreign policy still retains considerable autonomy and continues to strive for maximizing Indian interests regionally and globally. Certainly, the US factor has the potential to influence India's relationship with Iran but it will not be the determining factor in the development of this relationship. An India-US alliance is not foregone conclusion, especially when Pakistan retains its status as the major US ally in South Asia. In the US perception, India is a 'strategic partner' not an 'ally' such as Pakistan. Furthermore, New Delhi does not perceive international relations as a zero-sum game and appears to be committed in pursuing an independent foreign policy. According to an Indian official 'the United States has its relationship with Pakistan, which is separate from our own relationship with them...our relationship with Iran is peaceful and is largely economic. We do not expect it to affect our continuing good relations with the United States'.<sup>267</sup> In this context, India would continue to deepen its co-operation with Iran and try to insulate this bilateral relationship from India's separate 'partnerships' with US and Israel. The Indian Foreign Secretary emphasised this point during his visit to Washington in December 2005 by stressing that 'we have told the US that Iran, too, is our strategic partner, that apart from historic ties, there is also the energy relationship.'<sup>268</sup> Iran is not only an important source of energy for India but remains an important geopolitical player in West Asia. Therefore, retaining a strategic engagement with Tehran is a geostrategic necessity for India.

India's pragmatic foreign policy is evident from the rapid improvement in its ties with China. New Delhi constantly emphasizes that China is its partner in Asia and not a 'competitor'.<sup>269</sup> In this context, the United States may face increasing difficulty in cultivating India as a potential counterweight to China. Moreover, China itself has emerged as a major weapons supplier to Tehran.<sup>270</sup> Some analysts have predicted that Chinese inroads in Iran could

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<sup>267</sup> 'The Glue that bonds India,' *The Bangkok Post*, 12 January 2005.

<sup>268</sup> LNG Deal with Iran on the Cards, *IRNA*, 8 December 2005.

<sup>269</sup> Press Trust of India, 11 January 2006.

<sup>270</sup> Harsh V. Pant, 'India and Iran: An 'Axis' in the Making?' *Asian Survey*, Vol. XLIV, No. 3, May/June 2004, p. 382.

hamper India's regional security strategy.<sup>271</sup> However, such opinions do not take into account the gradual improvement of India's ties with China. Both the Asian great powers have discussed co-operation in various fields including joint exploitation of energy resources. For instance, China holds a 50% share in Iran's Yadavaran gas field while India holds a 20% share.<sup>272</sup> The Chinese Petroleum Minister stated during an energy conference in New Delhi in March 2005 that 'We (China and India) have agreed not to compete with each other. We will be coordinating and cooperating with India and possibly joint bidding on a case by case basis' for energy contracts globally.<sup>273</sup> Nevertheless, the possibility of an India-China rivalry over Iran and Central Asia could take such forms like competition for preferential access to markets in exchange for technology, economic assistance, supply of military technologies and possibly security guarantees.

For Iran, friendship with India would continue to be one of its key foreign policy priorities for a number of reasons. First, an Indo-Iranian strategic partnership could assist Iran in gaining wider access to resources and political influence in other parts of Asia. India is an emerging player in Southeast Asia. It has also initiated a strategic relationship with Japan - a key US ally in northeast Asia. India is a participant in the Association of Southeast Asian Nations (ASEAN) regional forum and a member of the Shanghai Co-operation Organization (SCO). Iran has also shown its willingness to join the SCO, which is a Chinese-dominated forum for strategic dialogue amongst Russia, China and the Central Asian republics. Secondly, Iran would gain greater economic gain by acting as transit country between Central Asia and India. Thirdly, by co-ordinating its regional policies with India, Iran could eventually reduce its dependence on Western Europe for trade and technology. Iran hopes to act as a bridge between the ASEAN countries and Europe and according to the Iranian ambassador to India 'the two democracies in the region, India and Iran can start a partnership to fill this gap'.<sup>274</sup>

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<sup>271</sup> *Ibid*, p. 382.

<sup>272</sup> See Ziad Haider, 'Oil Fuels Beijing's New Power Game', *Yale Global*, 11 March 2005.

<sup>273</sup> *Ibid*.

<sup>274</sup> *IRNA*, 17 December 2003.

## **8. Conclusion**

The Indian-Iranian relationship is likely to remain relatively intense taking into consideration the political and economic interests of both countries in sustaining it. The relationship is not essentially directed against any third country and is based on the convergence of interests, especially in the realm of regional geopolitics and energy exploitation. As Washington steps up pressure on Iran to dismantle its nuclear programme, India would have to strike a balance between its improving ties with the US and its strategic engagement with Iran. On the other hand, Iran would continue to experience competing pressures from Pakistan in its desire to build an enduring engagement with India. Hence, geopolitical realities in the context of a US-influenced Pakistan would continue to complicate India-Iranian relations intermittently. It remains to be seen whether India and Iran would be able to withstand these pressures and build a lasting relationship between them. In this regard, many positive factors certainly outweigh the negative ones for developing a constructive relationship built upon the foundations of India's long historical, cultural, and civilizational links with Iran.