

BRI in Bangladesh

New opportunities, not without Risk & Cost

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Executive Summary

Bangladesh and China share deep historical and cultural ties that have evolved into a comprehensive strategic partnership, which has been strengthened since Bangladesh joined the Belt and Road Initiative (BRI) in 2016. Under this framework, China has pledged over USD 24 billion in loans and aid, financing major infrastructure in transport, energy, and technology. With an annual trade value of USD 24 billion, China is Bangladesh's largest trading partner and a key driver of industrial modernisation through investment, technology transfer, and capacity building.

Bangladesh's BRI partnership poses significant risks and costs. Chinese loans are often high-interest and opaque. Approximately 59% of BRI projects are associated with governance or environmental hazards. Serious human rights and labour issues exist, highlighted by the deadly Banshkhali coal plant protests. Chinese-backed coal and WTE projects contradict Bangladesh's climate targets. Furthermore, Chinese entities often disregard local concerns and information requests, thereby undermining trust and hindering the resolution of disputes.

Despite these challenges, the partnership offers significant potential for a green energy shift, industrial and technological growth, and improved regional connectivity. With Bangladesh targeting 40% renewable energy by 2040, Chinese finance and technology are vital. Expanding cooperation in ICT, manufacturing, and trade corridors, such as the BCIM Economic Corridor, will integrate Bangladesh into regional value chains.

To ensure a sustainable and mutually beneficial relationship, policymakers should prioritise transparency, accountability, and environmental safeguards, including:

- Promoting a Green BRI through phasing out fossil fuels and false solutions, and investment in renewable energy and climate adaptation;
- Mandating independent ESIA's and robust community consultations, and enhancing transparency by disclosing project terms and ESG data;
- Improving responsiveness of Chinese agencies and firms via formal monitoring and grievance systems;
- Respecting local laws, culture and human rights, including labour rights in Bangladesh
- Ensuring debt sustainability through concessional and diversified financing; and
- Integrating technology transfer clauses into joint ventures.

If these measures are implemented, the BRI can evolve into a model for equitable, climate-resilient cooperation, turning infrastructure growth into inclusive and sustainable development for Bangladesh.

1. Historical Background

Bangladesh and China share deep historical and cultural ties that have evolved into a comprehensive strategic partnership over the past five decades. Ancient Buddhist connections, such as Atisha Dipankara's Buddhist outreach in Tibet,

¹Dipananda, B.D. (2017). "The Untapped Diplomatic Potential of Bangladesh's Buddhist Heritage". Buddhistdoor Global (BDG): 29 November 2017

underscore early links. Modern archaeology projects, like the China-supported excavation of Atish's 1,000-year-old hometown site, highlight cultural cooperation [1]. The diplomatic relationship between the two countries was established in January 1979, and since then, the relationship has been expanding rapidly.

Notably, during President Xi Jinping's visit in 2016, China announced a roughly USD 40 billion package for Bangladesh, comprising USD 26 billion in project loans and USD 14 billion in joint ventures, under the Belt and Road Initiative (BRI) [2].

The Belt and Road Initiative (BRI) is a global infrastructure development strategy launched by China in 2013 to invest in more than 150 countries and international organisations, aiming to connect countries through a network of infrastructure projects, including roads, railways, and ports, to promote trade and economic cooperation across Asia, Europe, the Middle East, and Africa.

Over the last decade, China has pledged over USD 24 billion in loans and aid, implementing dozens of infrastructure projects, from highways and bridges to power plants [3].

2. Current Status of Relationship

2.1 Economic and Trade Relations

China has emerged as the largest trading partner today with an annual trade value of USD 24 billion. The rise has been especially steep since Bangladesh joined the BRI in 2016 – Bangladeshi imports from China grew from roughly USD 6.4 billion in 2012 to over USD 20 billion by 2022. Consequently, Bangladesh runs a large trade deficit; as of FY 2022-23, its imports from China (USD 22.9 billion) significantly outpaced exports of USD 677 million [4]. The gap is partly filled by duty-free access to Bangladeshi goods. China exempts about 97% of Bangladeshi exports from tariffs and has extended these preferences two years beyond Bangladesh's graduation from LDC status [5].

2.2 Investment and Infrastructure

Major Bangladeshi exports, including garments, pharmaceuticals, leather, seafood, and jute, heavily rely on Chinese raw materials and machinery. Chinese investment and contracts in Bangladesh are significant: as of 2023, Chinese firms have

invested an estimated USD 7.07 billion and secured construction contracts worth approximately USD 22.94 billion in Bangladesh. These funds have financed a wide range of projects, including bridges, tunnels, rail links, and ports. In the energy sector, China has co-financed or built dozens of power projects, ranging from coal plants to solar and wind energy, making China the dominant foreign player in Bangladesh's power sector. For example, Chinese companies are involved in at least 27 power plant projects in Bangladesh, spanning coal, solar, and wind energy.

2.3 Technology and Industrial Collaboration

China's technology footprint is also growing. Chinese telecom giant Huawei has worked to build the country's mobile networks from 2G up through 5G [6]. Chinese ICT firms are now collaborating on innovation initiatives, reflecting the deepening of tech ties. In manufacturing, nearly 1,000 Chinese companies operate in Bangladesh across various sectors, including garments, electronics, construction materials, and renewable energy. For instance, a USD 30 million Chinese investment in a headphone and cable-producing company created 480 jobs, and a USD 327 million solar panel plant is expected to create 500 new jobs. Bangladesh has decided to establish dedicated Chinese Economic Zones (CEZ) to attract more investment.

3. Current Status of Relationship

3.1 Economic and Trade Relations

Yet this deep partnership poses several challenges. Chinese loans have higher interest rates and shorter maturities than those from Multilateral Development Banks (MDB). Bangladesh's external debt has more than tripled since 2011. Very often, these loan Contracts include "secrecy clauses" that prevent CSOs and communities from obtaining necessary information about the projects [7]. As a result, the lack of transparency makes it difficult to assess the lifecycle cost of projects or hold decision-makers accountable. Approximately 59% of BRI projects in Bangladesh are exposed to significant governance and environmental risks, primarily due to inadequate oversight and ineffective enforcement of procurement standards. Chinese loans can be misused for political purposes, thereby diminishing borrowers' accountability.

²Noyon, A.U. (2023). "How China's Belt and Road changing Bangladesh's economy and infrastructures". The Business Standard (TBS): 1 October 2023

³Islam, M.S. (2025). "Five decades of friendship: Bangladesh's trade and BRI-led growth". The China Daily: 18 October 2025

⁴Riaz, A. (2024). "Why Is Bangladesh Seeking a USD 5 Billion Soft Loan From China?". The Diplomat: 9 May 2024

⁵Mowla, G. (2025). "Can Bangladesh handle China's rise in investment, trade, and tech?". Dhaka Tribune: 16 October 2025

⁶Huaxia (2024). "Huawei announces mega initiatives to expedite Bangladesh's development in ICT sector". Xinhua: 13 December 2024

⁷Vijapur, A. (2023). "China's Debt Trap Policy: Coincidence or intentional?". International Affairs Bangladesh (IAB): 2 March 2023

3.2 Human Rights and Labour Issues

Chinese projects in Bangladesh have sparked local rights controversies. The 1224MW Banshkhali coal plant (70% financed by China) became a flashpoint after police opened fire on protesters. Reports indicate that at least 12 people were killed and hundreds were injured in clashes over the project [8]. Similarly, two workers were killed in Payra Coal Power Plant in a clash between the Bangladeshi and Chinese labourers. Activists accuse authorities of using heavy-handed tactics and providing misleading environmental assessments [9]. For instance, a 2021 activist letter noted allegations of false information in the project's EIA and urged an investigation into alleged human rights violations. These incidents underscore how social discontent, land acquisition conflicts, and labour disputes can mar China-backed initiatives.

3.3 Environmental and Climate Risks

China-backed coal plants emit significant amounts of carbon dioxide. If all coal projects were to proceed, Bangladesh's carbon dioxide emissions would rise significantly. After years of protest, the government of Bangladesh scrapped 10 planned coal plants (8,451MW) in June 2021 [10]. During COP 26, President Xi himself announced in 2021 that China would halt new coal financing abroad. In line with this, the Chinese embassy notified Dhaka it would no longer consider projects with high pollution and high energy consumption, such as coal power stations [11].

Nevertheless, four large China-sponsored coal plants are in operation, with a combined capacity of 4,200 MW. This lag means the coal phase-out will take time, and existing plants will continue to cause air and water pollution. Beyond coal, other energy projects, such as the Dhaka North Waste-to-Energy (WTE) Power Plant, have raised ecological concerns.

3.4 Non-responsiveness of Chinese Authorities

A recurrent operational challenge is the non-responsiveness of Chinese authorities, financial institutions, and companies when concerns are raised. Affected communities often report silence in response to the (a) Requests for project data or clarification on financing terms, (b) Complaints about environmental damage or safety incidents, or (c) Petitions or applications for correcting actions.

This communication gap fuels mistrust and obstructs effective dispute resolution. It also undermines China's own win-win development narrative by alienating local stakeholders and exposing projects to reputational risk.

3.5 Geopolitical Balancing

Challenges include opaque financing, social conflict, and environmental strains. Bangladesh's weak institutions exacerbate these issues. A 2025 review found mismanagement of infrastructure, with over USD 40million lost to inflated costs in just three power projects. Projects sometimes progress slowly (BRI ventures advanced <15% over the years) or stall amid bureaucratic delays. These internal factors, combined with heavy external borrowing, underscore vulnerabilities in the partnership. Politically, balancing ties with China against relationships with India, the US, and other neighbours is also delicate.

4. Potentials and Future Opportunities

4.1 Renewable Energy Transition

China's continued engagement is key to Bangladesh's development goals. For example, BCPP aims to generate 40% of its electricity from renewable sources by 2040. Chinese firms and financial institutions can support this green shift, as several Chinese companies are developing high-quality solar panels and wind turbines. China Leso's factory may help produce local solar equipment, and Chinese banks have financed several solar parks. The dialogic shift away from coal opens space for Chinese investment in green energy. China is the largest player in this sector and could help meet the USD 80–100 billion investment needed to achieve 40% renewable energy by 2040.

4.2 Industrial Growth

Bangladesh is seriously considering expanding its export-oriented industries, moving beyond ready-made garments, which constitute almost 80% of the total exports. Looking ahead, policymakers aim to attract more value-added production in Bangladesh. For example, expanding electronics and pharmaceuticals under Chinese and Japanese consortia. If effectively leveraged, CEZs could draw further investment in consumer electronics, heavy machinery, and assembly

⁸Illius, S. (2021). "State violence suppresses opposition to Chinese coal plant in Bangladesh". *Eco Business*: 18 June 2021

⁹RFA (2021). "More Than 100 Activists Urge China to Halt Bangladesh Coal Power Project". *Radio Free Asia (RFA)*: 22 June 2021

¹⁰Begum, S. (2022). "China the 'biggest player' in Bangladesh's energy transition". *Dialogue Earth*: 21 September 2022

¹¹Hasan, M.B. (2025). "How much has Bangladesh achieved from BRI?". *The Daily Star*: 25 September 2025

industries. Many Chinese entrepreneurs view Bangladesh as a promising new manufacturing hub for South Asia, due to its relatively low labour costs. With targeted incentives and infrastructure, Chinese investors could help Bangladesh shift from being primarily an import market to a regional export base.

4.3 Technology and Digital Economy

China-led projects in ICT directly support Bangladesh's vision of digitisation. There are opportunities for joint ventures in e-commerce, financial technology, and even artificial intelligence. For instance, China has offered training and exchange programs for Bangladeshi tech professionals. Expanding internet access and 5G could spur the growth of local start-ups and improve rural connectivity. In higher education and research, scholarships and exchanges with Chinese universities can build skills needed for Bangladesh's future economy.

4.4 Trade and Connectivity

The proposed Bangladesh–China–India–Myanmar (BCIM) corridor aims to link Yunnan Province to Bangladeshi ports, thereby reducing transport costs. As regional integration advances, Bangladesh could emerge as a distribution hub for Chinese goods in the South Asian region. Furthermore, improved road and rail links bolster domestic connectivity, raising productivity. Through active trade diplomacy, Bangladesh can gradually diversify its exports to China. Sectors with growth potential include woven garments, jute products, pharmaceuticals, and light engineering goods, all areas where Bangladesh can increase shipments if matched with Chinese investment and market access.

5. Policy Recommendations

1. Promote Green Belt & Road Initiative: Phase out the legacy of fossil fuel and “false solution” projects (Coal, LNG, Petroleum and WTE) and reorient BRI investments toward renewable energy, and climate adaptation in Bangladesh.
2. Enhance Transparency: Ensure Chinese State-owned Enterprises (SOEs) and private companies disclose full loan and contract details, as well as ESG performance, to the public.
3. Ensure Safeguards: Mandate independent Environmental and Social Impact Assessments (ESIAs) for all projects, make the documents available and strengthen community consultation.
4. Enhance Responsiveness and Communication: Establish formal contact points or joint monitoring teams to promptly address project-related concerns raised by Civil Society and local communities.
5. Respect Local Laws and Rights: Ensure Chinese firms adhere to Bangladesh's labour and environmental standards, as well as the country's cultural and customary practices.
6. Engage Local Stakeholders: Implement transparent grievance mechanisms and continuous dialogue with affected communities.
7. Manage Debt Sustainably: Prioritise concessional loans, diversify funding sources, and set borrowing limits tied to project viability.
8. Technology Transfer: Include content and knowledge-sharing clauses in all major joint ventures to build domestic capacity.



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