

# CRS Report for Congress

Received through the CRS Web

## Bangladesh: Background and U.S. Relations

K. Alan Kronstadt  
Analyst in Asian Affairs  
Foreign Affairs, Defense, and Trade Division

### Summary

Bangladesh (the former East Pakistan) gained its independence in 1971, following India's intervention in a rebellion against repression by the West Pakistani-dominated civil service and army. Democratic elections, in 1991, 1996, and 2001 followed two decades of authoritarian rule. The largely agricultural economy suffers frequent and serious setbacks from cyclones and floods. A small, but growing industrial sector is dominated by production of garments, which account for 70% of exports. Economic progress has been seriously impaired for the past decade by rivalry between the two largest political parties and their leaders. When in the opposition, both parties have sought to regain control through demonstrations, labor strikes, and transport blockades. U.S. policy toward Bangladesh emphasizes support for political stability and ongoing democratization efforts; economic reform and market-opening policies; social and economic development; and improvement of human rights. This report will be updated periodically.

### Overview

Formerly known as East Pakistan, and before that as the East Bengal region of British India, Bangladesh gained its independence from Pakistan following a civil war in December 1971. The country's topography consists mainly of alluvial plain, which is drained by some 700 rivers joining to form five major river systems that flow into the Bay of Bengal. The densely populated country is subject to the annual ravages of cyclones and flooding.

#### BANGLADESH IN BRIEF

**Population:** 133 million (2002 est.)  
*growth rate:* 1.6% (2002 est.)  
**Area:** 147,570 sq. km. (slightly smaller than Iowa)  
**Capital:** Dhaka  
**Ethnic Groups:** Bengali 98%; tribal less than 1 million  
**Language:** Bengali (official); English widely used  
**Religion:** Muslim 83%; Hindu 16%; other 1%  
**Life Expectancy at Birth:** female 60.7 years; male 61.1 years (2002 est.)  
**Literacy:** female 49%; male 63% (2000 est.)  
**Inflation:** 3% (2002 est.)  
**Gross Domestic Product:** \$47 billion; *per capita:* \$370; *growth rate:* 4.4% (year ending June 2002)  
**U.S. Trade:** exports to U.S. \$2.02 billion; imports from U.S. \$248 million (2002)  
**Sources:** CIA World Factbook; Reuters; U.S. Departments of State and Commerce; World Bank.

### Government and Politics

Following two decades of authoritarian rule, Bangladesh held its first democratic elections in 1991. Since then, Dhaka's politics have been characterized by a bitter struggle between the Bangladesh Nationalist Party (BNP) and the Awami League (AL), and particularly between the two leaders of the respective parties, Prime Minister Khaleda Zia (1991-1996, 2001 to present) and former Prime Minister Sheikh Hasina Wajed (1996-2001). Zia is the widow of former president and military strongman Ziaur Rahman, who was assassinated in 1981. Sheikh Hasina is the daughter of Bangladeshi independence leader and first prime minister Sheikh Mujibur Rahman, who was assassinated in 1975. The fact that both major parties are led by a woman is more indicative of a progressive political climate than a reflection of the country's dynastic, patronage-oriented political culture. Both the AL and the BNP, when out of power, have devoted their energies to parliamentary boycotts, demonstrations, and strikes in an effort to unseat the ruling party. The strikes often succeed in immobilizing the government and disrupting economic activity.

In October 2001, the BNP returned to power, winning 191 of the 300 seats in parliamentary elections. Allied with several smaller parties, including the Jamaat-e-Islami party (18 seats), Zia's coalition won a total of 219 seats, giving it a two-thirds majority, while the Awami League won only 58 seats. Observers declared the poll generally free and fair, though more than 100 people were killed in pre-election violence. The AL, however, claimed that the elections were rigged and boycotted parliament for several months in protest. Since June 2002, the AL regularly has boycotted most parliamentary sessions or walked out of sessions in protest. The BNP, on the other hand, has published a white paper on the misuse of power, mismanagement and corruption allegedly committed during the period of AL rule. Observers generally have accepted neither Sheikh Hasina's contention that the elections were rigged nor her dire assessment of the BNP's alleged assault on Bangladeshi democracy, though there has been some concern about the participation in the ruling coalition of the fundamentalist Jamaat-e-Islami party, which supports turning secular and moderate Bangladesh into an Islamic republic.<sup>1</sup>

In June 2002, President Badruddoza Chowdhury, who had been unanimously elected to a five-year term by Zia's ruling coalition in November 2001, resigned under pressure from his party because of his failure to attend a May function that marked the death of Ziaur Rahman. Some observers criticized the unprecedented dismissal of the president, questioning whether it was constitutionally legal for a political party to force a president to resign. Nevertheless, in September 2002, former university professor Iajuddin Ahmed was sworn in as Bangladesh's fourth president in 10 months.<sup>2</sup>

In October 2002, as part of an apparent effort to fulfill a campaign promise to reduce crime, the BNP-led government deployed an estimated 40,000 army soldiers in a sweeping anti-crime drive. The crackdown was met with protest by the Awami League after the arrest of two of its senior party leaders. The government, however, dismissed

---

<sup>1</sup> "Foreign Observers Say Bangladesh Vote Was Fair," Reuters News, October 2, 2001; "Zia's Victory," *Asiaweek*, October 12, 2001; Celia Dugger, "New Premier in Bangladesh Vows to Stamp Out Corruption," *New York Times*, October 11, 2001.

<sup>2</sup> "Bangladesh's New President Appeals for Unity Amid Opposition Boycott," Agence France-Presse, September 6, 2002.

the suggestion that the anti-crime effort was politically-biased, stating that BNP members also had been detained. Crime is a significant problem in Bangladesh, and police officials reportedly have stated that 10 people are killed each day by criminal syndicates linked to politicians. After three months, it appears that the anti-crime campaign has tangibly improved the law and order situation in the country.<sup>3</sup>

Also in October 2002, Dhaka denounced as “fictitious” a *Time* magazine allegation that some 150 Taliban and Al Qaeda fighters had fled to Bangladesh from Afghanistan in December 2001, and that “southern Bangladesh has become a safe haven for hundreds of jihadis on the lam.” The U.S. Ambassador to Bangladesh stated that she has no evidence to support the article’s “unsubstantiated allegations.”<sup>4</sup> Relations between New Delhi and Dhaka have deteriorated in recent months, with top Indian officials accusing Bangladesh of harboring both agents of Pakistan’s intelligence service and separatist militants fighting the New Delhi government in India’s northeastern states. Dhaka has denied the accusations as “totally baseless and irresponsible.”<sup>5</sup>

## Economy

Bangladesh is one of the poorest and most densely populated countries in the world. The annual per capita income is about \$370, and nearly half of the country’s 133 million people live below the poverty line. The agricultural sector employs 70% of the workforce and accounts for 30% of GDP. The major crop is rice, in which Bangladesh is nearly self-sufficient. Industry, which accounts for 18% of GDP, is centered mainly on cotton textiles, jute manufacturing, and food processing. Ready-made garments and knitwear account for 70% of Bangladesh exports. After garments, the second largest source of foreign exchange earnings is the \$1.9 billion in remittances sent home in 2000 by more than two million Bangladeshis working abroad.

The Bangladesh economy, like that of its South Asian neighbors, suffered years of stagnation under public sector dominance and bureaucratic inefficiency. In 1991, however, Zia’s BNP government embarked on an economic reform program aimed at promoting budget discipline and export-led growth. Significant progress was made in reducing the budget deficit, increasing foreign reserves, and attracting new foreign investment. Sheik Hasina’s AL government (1996-2001) continued to pursue economic reforms, making some headway in improving the investment climate. However, bureaucratic delays and labor union resistance have hindered implementation of many reforms, including major privatization efforts. Moreover, crippling strikes led by both major political parties when out of power have resulted in a loss of foreign investor

---

<sup>3</sup> “Bangladesh Opposition Threatens Strike After Arrest,” Reuters News, October 21, 2002; “World Bank Says Peace Could Boost Bangladesh Growth,” Reuters News, October 18, 2002; Economic Intelligence Unit, “Country Outlook: Bangladesh,” *Economist* (London), Jan. 2003.

<sup>4</sup> “Bangladesh Calls Time Magazine Article on Militants ‘Fictitious,’” Associated Press, October 16, 2002; Alex Perry, “Deadly Cargo,” *Time – Asia*, October 21, 2002; “U.S. Ambassador’s Response to Time Magazine Article,” U.S. Mission – Bangladesh, October 20, 2002.

<sup>5</sup> Wasbir Hussain, “Friendly Neighbor, Unfriendly Acts,” *Hindu* (Madras), November 23, 2002; Philip Bowring, “India is Causing Trouble for Bangladesh,” *International Herald Tribune*, January 22, 2003; “India’s Remarks on Bangladesh Aiding Terrorists Rejected,” Xinhua News Agency, November 8, 2002.

confidence. According to a U.N. report, Bangladesh ranked 122<sup>nd</sup> out of 128 countries for foreign direct investment (FDI) in 2001, with \$78 million in FDI.<sup>6</sup> In March 2002, at a Bangladesh Development Forum held by the World Bank in Paris, international donors promised the Zia government an increase in international aid if it were to take substantive steps to reduce widespread crime and government corruption and improve the environment for private investment. In Transparency International's 2002 Corruption Perceptions Index, which rates "the degree to which corruption is perceived to exist among public officials and politicians," Bangladesh was ranked last out of 102 countries, indicating that it was perceived to have the most corruption of any indexed country.<sup>7</sup>

Despite setbacks, Bangladesh has made significant economic and social progress in a number of areas. It is a pioneer in the field of microenterprise lending programs. The famed Grameen Bank has provided small business loans to more than 2.4 million customers in 39,000 villages. The bank has a 99% loan recovery rate from its customers, more than 90% of whom are women. Since independence, population growth rates have fallen from more than 3% to less than 2%, and overall literacy rates have risen from 26% to 39%. One of the most promising economic developments for Bangladesh has been the discovery of natural gas reserves, estimated to be as much as 40-50 trillion cubic feet, which, according to economic analysts, would be sufficient to provide for the country's growing energy needs as well as for significant export potential.<sup>8</sup>

## Environmental Issues

Frequent and disastrous floods take a heavy toll on lives, homes, crops, and livestock in Bangladesh. In 1998, Bangladesh suffered its worst flooding of the 20<sup>th</sup> century. Lasting three months and covering two-thirds of the country, the floods left more than 1,000 dead and 25 million homeless or marooned. The increase of flood devastation in recent years is related to growing population pressure and deforestation in upstream areas of Bangladesh and neighboring India and Nepal. Another key environmental issue for Bangladesh has been the sharing with India of Ganges (called Padma in Bangladesh) River waters. In the early 1990s, Bangladesh claimed that diversion of the river water to India had increased salinity and desertification of downstream soils and contributed to increased flooding in Bangladesh. In 1996, Bangladesh and India signed a 30-year agreement that settled the issue by giving Bangladesh a fair share of the river waters for the first time since 1988, when a previous agreement expired. Nonetheless, major water management issues – including hydroelectric power, deforestation, and water storage – remain to be addressed on a region-wide basis by Bangladesh, India, and Nepal.

A serious environmental problem that has arisen in recent years is the dangerous levels of naturally occurring arsenic found in drinking water being supplied to millions

---

<sup>6</sup> "World Bank VP Arrives for Talks on Bangladesh Reforms," Agence France-Presse, October 16, 2002.

<sup>7</sup> Transparency International, *Corruption Perceptions Index 2002*, August 2002, available at [<http://www.transparency.org>].

<sup>8</sup> Hal Varian, "In a Model for Lending in Developing Nations, Bangladesh Bank Relies on Peer Pressure for Collateral," *New York Times*, November 22, 2001; "Bangladesh: A More Prosperous Future?," Center for Strategic and International Studies South Asia Monitor, October 1, 1998; "World Bank Official Says Bangladesh Should Export Gas," BBC News, November 23, 2001.

of Bangladeshis through a vast system of tubewells that tap the arsenic-contaminated ground water. Calling it “the largest mass poisoning of a population in history,” the World Health Organization has estimated that 35-77 million people in Bangladesh are at risk of drinking the contaminated water. Other sources indicate that, of the affected population, nearly 57 million are believed to be at risk of cancer from drinking arsenic-tainted water, and 28-35 million are considered potentially at risk of arsenic poisoning. Contaminated water may also be poisoning rice and vegetable crops. The United Nations Children’s Fund and other aid groups helped establish the tubewells over 25 years’ time in order to provide a source of safe drinking water as an alternative to contaminated surface water. Following the discovery of the arsenic problem, the World Bank in 1998 embarked on a \$44 million project to address the arsenic crisis, which includes installation of deep tubewells and provision of hardware for rainwater harvesting and/or sanitation treatment plants.<sup>9</sup>

## U.S.-Bangladesh Relations

The United States has long-standing supportive relations with Bangladesh. Major U.S. interests in Bangladesh include: political stability and ongoing democratization efforts; continuation of economic reform and market-opening policies; social and economic development; environmental issues; and improvement of the human rights situation. The United States and Bangladesh also have agreed to intensify cooperation on developing Bangladesh’s large oil and natural gas reserves, which are of increasing interest to U.S. and international companies looking to supply neighboring India.<sup>10</sup>

During Bangladeshi Foreign Minister Manzur Morshed Khan’s visit to Washington in January 2003, Secretary of State Powell praised Dhaka’s contributions to the reconstruction of Afghanistan and to global peacekeeping efforts. Khan expressed concern over Bangladesh’s inclusion on a list of countries whose citizens are being required to register with the U.S. Immigration and Naturalization Service under new regulations. Secretary Powell responded by assuring Khan that the registration system will in no way change the long-standing friendship between the United States and the government and people of Bangladesh.<sup>11</sup>

---

<sup>9</sup> Allan H. Smith, Elena O. Lingas, and Mahfuzar Rahman, “Contamination of Drinking-Water by Arsenic in Bangladesh: A Public Health Emergency,” World Health Organization, available at [<http://www.who.org>]; “Minister: NGOs Exaggerate Threat of Arsenic Contaminated Water in Bangladesh,” Associated Press Newswire, September 12, 2002; “Arsenic May Be Tainting Bangladeshi Crops – Study,” Reuters News, December 4, 2002; Khabir Ahmad, “Report Highlights Widespread Arsenic Contamination in Bangladesh,” *Lancet* (London), July 14, 2001.

<sup>10</sup> Although the Zia government has expressed interest in a pipeline proposal submitted by U.S. company Unocal, Sheikh Hasina and other opposition leaders maintain that the project should not go forward until it can be determined that Bangladesh has enough natural gas reserves to last 50 years (U.S. Department of State, “Transcript: USAID’s Brady Anderson Briefs on Initiatives for South Asia,” USIS Washington File, March 20, 2000; Anis Ahmed, “Bangladesh Strikes Over Planned Gas Exports to India, Reuters News, November 15, 2001).

<sup>11</sup> “Text: Powell, Bangladesh Foreign Minister Khan Confer in Washington Jan 24,” USIS Washington File, January 24, 2003.

**U.S. Foreign Assistance.** One of the most densely-populated countries in the world, Bangladesh continues to suffer from widespread poverty and malnutrition. Highly dependent on international aid, Bangladesh has received more than \$30 billion from foreign donors since its independence in 1971. In total, the United States has provided more than \$4.3 billion in food and development assistance to Bangladesh. The United States currently is the second largest bilateral aid donor after Japan. For FY2002, \$85 million in U.S. assistance was provided to Bangladesh. The foreign aid request for Bangladesh for FY2003 is approximately \$110 million, including \$64.2 million in development assistance and economic support funds, \$45 million for P.L.480 food aid, and \$750,000 for International Military Education Training (IMET) grants.

U.S. assistance to Bangladesh supports health and economic development programs, the improvement of working conditions, including the elimination of child labor, and helps Bangladesh uphold its World Trade Organization (WTO) commitments. P.L. 480 funds provide food assistance for the poorest families and for disaster relief. U.S. support for democratization in Bangladesh – through training of election observers, funding of voter education programs, and technical assistance to the Parliament – appears to have been a contributing factor in the free and fair parliamentary elections conducted in 1996 and 2001. IMET programs strengthen the international peacekeeping force of Bangladesh, which is the leading contributor of U.N. peacekeeping personnel.<sup>12</sup> During FY2000, Bangladesh became the first country to sign an agreement with the United States under the Tropical Forest Conservation Act (P.L. 105-214), under which the United States cancelled \$10 million in debt owed by Bangladesh in return for Bangladesh setting aside \$8.5 million to endow a Tropical Forest Fund to conserve the country's mangrove forests.

**Human Rights Concerns.** Although human rights abuses in Bangladesh have decreased significantly since the 1991 democratization movement, serious problems reportedly continue. The U.S. State Department has noted the following: the use of national security laws to detain persons without charge; reported incidents of torture and custodial deaths; excessive force by police to put down anti-government political rallies; violence against religious minorities; and trafficking of women. Some 7-14,000 Bangladeshi women and children reportedly are trafficked each year into neighboring countries and the Middle East for prostitution and child labor. Women also face discrimination in education, employment, and legal rights. There have been increasing reports of attacks in which acid is thrown at women and some men, causing death, blindness, or severe disfiguration, in retaliation for rejection of marriage proposals or in land disputes. Although Bangladesh banned child labor in its garment industry, the problem continues in other industries. Amnesty International also reported high levels of violence against minority Hindus, including rape, beatings, and burning of property, following the October 2001 elections.<sup>13</sup>

---

<sup>12</sup> U.S. Department of State, Background Notes: Bangladesh, March 2000; U.S. Agency for International Development, Budget Justification to the Congress, FY2003, Asia and the Near East.

<sup>13</sup> U.S. Department of State, "Country Reports on Human Rights for 2001" (March 2002); Amnesty International, "Annual Report 2002: Bangladesh."