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US and China's Foreign Direct Investment (FDI) in Bangladesh in the Age of Indo-Pacific Strategy: Trends and Patterns

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Abstract: *US and China's competition is manifested in number of arenas ranging from trade, investment, diplomacy, and politics to security dimension. This competition results in forming several international platforms, frameworks, and institutions such as Belt and Road Initiative (BRI) and Indo-Pacific Strategy (IPS), Indo-Pacific Economic Framework, and Free and Open Indo Pacific etc. Competition between the rising China and USA in the Indo-Pacific region offers new opportunities for small states and challenges as well. Like other small states, there emerges many potentials and encounters for Bangladesh too. Being located in the hotspot of Indian Ocean region, Bangladesh has been successfully able to attract the attention of global and regional economic powerhouses. These development leads to competition among big powers, especially the USA and China, for investment in Bangladesh. In this emerging economic and geopolitical competition between the two major powers, this study, therefore, attempts to gauge the trend and pattern of investment in Bangladesh from both nations. By measuring foreign direct investment (FDI), particularly the report investigates if the competition between the two rival powers impacts the flow of investment over the last decade (2012-2023) in Bangladesh. The study has a great deal of importance because the smooth flow of FDI is one of the keys to economic growth and employment generation. Thus, exploring the trend and pattern of FDI inflow in Bangladesh is substantially significant and relevant. The study provides with a comparative view between two great powers in terms of FDI investment in Bangladesh market, for instance, which industry the transnational corporations (TNCs) from both nations choose the most to invest in, what is the amount, trend and pattern etc. The report finds that there is a distinct increasing trend in the flow of FDI from both economies which might be attributed to the big power's competition in the region. The report further discloses that, in Bangladesh, US investment is much larger than those of China, and US is the highest contributor economy with regard to FDI. The significant point is that the trend in the flow of FDI from the USA and China is quite similar, both FDI provider show experience of fluctuation (2014-2022). Although US led initiative (for example IPS) is found to be late-comer compared to that of Chinese BRI, competition between the two major powers is noticeable from 2014. Additionally, US investment goes mainly for primary industry, while Chinese TNCs target primarily tertiary industry such as power generation. Although their target industry is somewhat different but overall investment shows a competition which results in increasing amount of FDI in Bangladeshi market. The article is primarily based on the data compiled from*

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Bangladesh bank annual report on FDI and external debt. One of the major pitfalls of the paper is that it has been drawn from a single data source which is Bangladesh Bank, so data triangulation to boost the data accuracy is absent. With robust data from multiple sources, further research can be done in investigating why US TNCs mainly bid for natural resources and Chinese investors for power generation.

Keywords: FDI, BRI, Indo-Pacific Strategy, USA, China, Bangladesh

Introduction

In 2013, China has placed an ambitious economic and development project on board across Asia, Africa and parts of Europe, the Belt and Road Initiative (BRI) (Wahid et al., 2020). Among others it has lay out six economic corridors, maritime belt and road initiative and huge overland infrastructure development projects including high speed railway, connectivity road and so on. Meanwhile many big-ticket projects, for example, China Pakistan economic corridor, East Cost railway, China Loas railway, Jakarta Bandung High Speed Railway, have been the evidence of the initiative. The USA, on the other hand, was kind of busy with so called "Global War on Terror" projects in Afghanistan and elsewhere in the Middle East (Daalder & Lindsay, 2001). With the departure of US soldiers from Afghanistan in August 2021, it seems that "war on terror" is over. So, there emerges a question with regard to what would be the next attention of American external policy. Many opine that Asia-Pacific might be in the pivot of American external engagement in the coming future. Subsequently, USA has improvised a new idea, which is often termed as the opposite idea to contain Chinese influence in the world especially in Indo-Pacific regions, Indo-Pacific Strategy (IPS) in 2022 (Choong, 2019). Another recent development is the Quadrilateral Security Dialogue (QUAD) which has four members: USA, Japan, Australia, and India. Being a littoral country of Bay of Bengal and Indian Ocean, US, and India want Bangladesh to join QUAD and IPS. Getting indication from its own channel, China warned Dhaka about joining QUAD (Yang et al., 2007). Chinese ambassador to Bangladesh, Li Jiming, made a public statement just threating Bangladesh by saying that "Relations with China will be damaged if Bangladesh joins the Quad" (The Daily Star, 2021). These recent developments in the region provides the emerging significance of Indian Ocean as maritime trade route. As an integral part of Indian Ocean, Bay of Bengal and its littoral countries, such as Bangladesh and Myanmar, has also come under attention of major economic power such as USA, China, Japan and India. China's maritime belt

and road initiative runs through Bay of Bengal and Indian Ocean. In the meantime, competition between the big powers – China and USA – and regional power broker – India – in the region of Indo-Pacific is noticeable. China has invested heavily in building ports, highways, powerplants and some other development projects.
Bangladesh as an emerging South Asian economy, being located in the hotspot of Indian Ocean, has been successfully able to attract the attention of global and regional economic powerhouses. With huge working age people especially the youths, a sizable consumer market and great potential for industrialization and economic diversification, the country has a lucrative geolocation to become a regional economic hub connecting South and Southeast Asia. These development results in competition among big powers, especially the USA and China, for investment in Bangladesh. In this emerging economic and geopolitical competition between US and China, this study therefore attempts to gauge the trend and pattern of investment in Bangladesh from both great powers (Zhao, 2019). Particularly the report investigates, by measuring foreign direct investment (FDI), if the competition between two major powers impacts the flow of investment over the last decade (2012-2013) in Bangladesh. The study has a great deal of importance because the smooth flow of FDI is one of the key drivers to economic growth and employment generation. Thus, exploring in the trend and pattern of FDI inflow in Bangladesh is substantially significant and relevant. The study provides with a comparative view between two great powers in terms of FDI in Bangladesh, for instance, which industry the TNCs from both nations choose the most to invest in, what is the amount, trend and pattern etc. Out of these objectives, the paper has examined two major questions: 1. What is the general trend and pattern of FDI inflow from the USA and China in Bangladesh? and 2. Which Industry and sector do the US and Chinese TNCs mostly choose to invest?

The research draws mainly from the data based on Bangladesh Bank annual report on foreign direct investment and external debt. Data has also been collected from other secondary sources which includes books, journal articles, newspaper and related literatures. To boost the data accuracy the study also reports to the data from UNCTAD, WTO, ADB and UN. Following this introduction, the paper displays an overall trend of net FDI in Bangladesh in section two while section three presents a comparative view of FDI inflow in Bangladesh from the USA and China. Section four, on the other hand, highlights the sectoral distribution of investment. The major argument of the study has been discussed in section five and finally section six concludes the paper.

Net FDI Inflow in Bangladesh: Overall Trend

Available records state that FDI (net) entering Bangladesh was so low that it was just above US$ 500 million in 1997 (see table figure-1); and it reached to only US$ 700 million in 2009. Over a decade (1997-2009), net FDI just increased only US$ 200 million and this period experienced light fluctuations. Then in the following decade, roughly from 2009 to 2022, it experiences a spectacular rise to nearly US$ 3000 million in 2021 begging from only US$700 million in 2009. In between 2009 to 2022, there was a peak in 2018 when total net FDI reached to over US$ 3500 million which is the highest inflow for a single year although it did not sustain in the following years. In general, the net FDI inflow in Bangladesh was slowly growing until 2009, and it grows faster in the flowing decade and so. It was the year 2018 which is exception, before and after 2018 the trend of net FDI inflow is almost similar. The fluctuation which is noticeable around years of 2018, 2019, 2020 is due to the sudden spike in Chinese FDI (see table-1) in Bangladesh and another significant factor might be the covid-19. Thus, the accessible data shows that overall trend in the inflow of net FDI in Bangladesh is growing which might be attributed to the spectacular expansion of Bangladesh economy and sustained economic growth.

Over the given period, among others UK, USA, Singapore, Netherlands, China, Korea, Hong Kong, and Norway appears to be the major investors in terms of net inflow. The apex investor is the UK which invests just over US$ 5000 million followed by USA, Singapore, Netherlands and China over this two and half decades (1997-2022). Other major economies those who invest most in Bangladesh include Korea, Norway, Hong Kong, Malaysia, Japan, India, U.A.E, and Denmark. However, except Korea and Hong Kong, investment from rest of the investors is less than US$ 2000 million in given timeframe. Notable amount of investment comes from west developed economies such as USA and UK and from East Asian countries or territories, for example, China, Korea, and Hong Kong (see figure-2). The U.A.E is the only major contributor from the Middle East while Malaysia from the Southeast Asia.

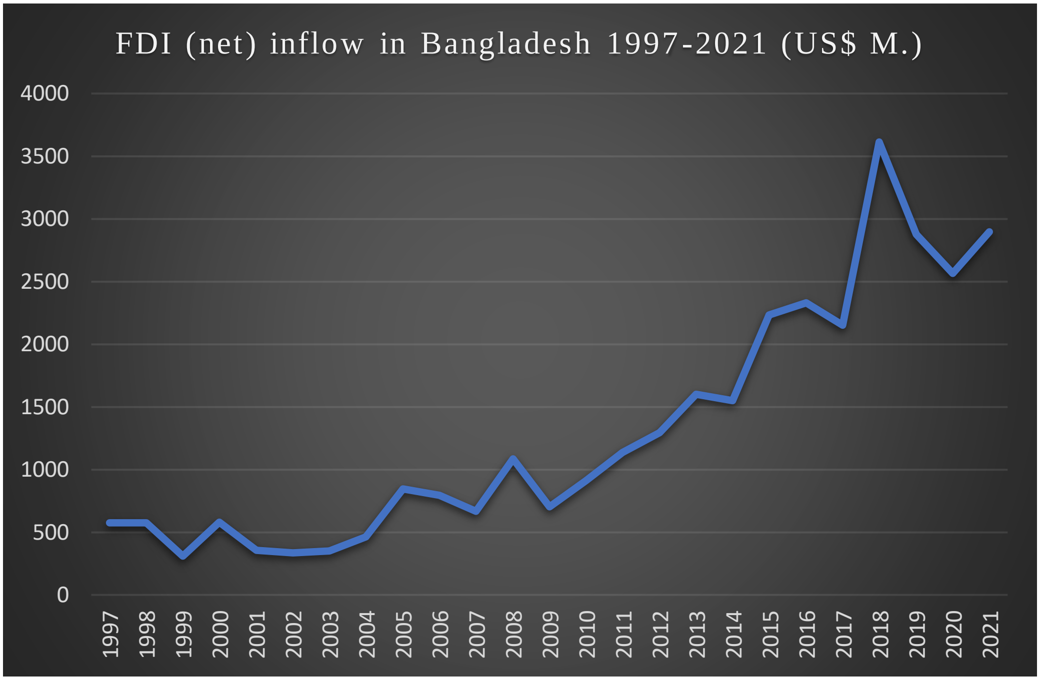


Figure-1: FDI (net) inflow in Bangladesh 1997-2021 (US$ M.)
Source: Bangladesh Bank Foreign Investment and External Debt Report 2021

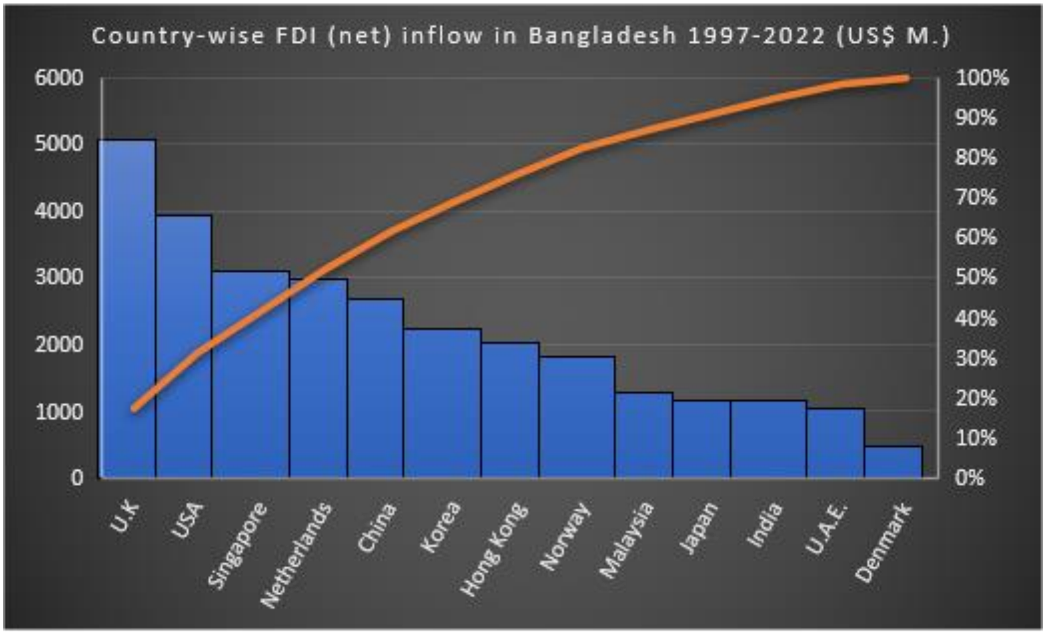


Figure-2: Major investors in Bangladesh 1997-2022 (US$ M.)
Source: Bangladesh Bank Foreign Investment and External Debt Report 2021

Table 1: Major Investors (Net FDI inflow) in Bangladesh 1997-2021 (US$ M.)

Year	China	Denmark	Hong Kong	India	Japan	Korea	Malaysia	Netherlands	Norway	Singapore	U.A.E.	U.K	USA
1997	0.57		21.63	1.7	51.31	34.59	6.12	1.44		2.83	0.14	255.87	67.64
1998	2.67	0.03	13.13	1.66	15.64	70.94	5.02	0.69	23.71	0.5	0.18	40.93	232.9
1999	0.35	0.14	20.52		35.04	101.36	2.92	22.16	3.31	1.09	1.58	35.61	66.94
2000	0.52	58.96	20.46	8.5	28.56	61.6	7.96	158.74		1.97		157.3	29.34
2001	0.11	10.61	23.39	2.08	6.85	21.23	0.45	126.84	0.84	1.67	0.86	71.31	30.85
2002	2.64	21.64	23.54	4.3	17.59	55.51	12.97	24.91	30.44	14.32	0.04	18.48	24.49
2003	4.01	14.04	15.85	3.63	29.15	25.97	13.37	26.51	21.95	3.31	16.66	83.59	32.11
2004	0.37	18.75	13.89	6.8	30.03	18.45	38.99	8.86	59.64	2.35	12.84	91.05	61.76
2005	1.62	18.28	53.09	2.67	46.42	29.86	33.07	15.36	53.48	97.5	55.48	152.82	141.82
2006	0.92	15.38	47.43	6.09	22.79	53.86	44.46	13	82.95	35.89	88.02	70.47	175.72
2007	0.48	8.99	55.45	1.67	36.61	27.68	19.54	18.67	25.68	10.68	83.27	142.55	120.36
2008	4.5	1.91	39.85	11.29	57.15	44.64	70.72	31.67	33.47	32.28	102.2	130.57	40.92
2009	3.24	9.09	75.6	7.99	17.47	46	43.84	49.62	45.63	19.12	67.08	88.08	42.89
2010	8.66	5.91	63.84	43.19	21.79	40	7.45	64.92	39.16	317.19	24.5	105.68	56.95
2011	18.65	12.1	104.84	25.74	46.55	113.06	0.69	116.75	24.26	13.74	10.05	116.32	117.74
2012	17.89	24.22	54.12	28.43	30.08	97.59	247.35	79.82	7.93	37.88	15.43	136.94	43.8
2013	39.98	8.97	81.36	45.01	94.37	110.96	122.97	116.61	21.16	162.39	44.44	191.35	75.95
2014	37.22	20.63	113.73	70.59	96.3	132.3	57.57	87.5	103.4	117.41	6.41	178.26	17.34
2015	56.79	19.8	141.58	102.7	45.37	150.23	110.46	97.2	77.6	175.27	11.38	300.8	573.77
2016	61.4	8.19	98.46	79.2	48.26	151.33	38.62	88.87	160.26	673.05	13.14	330.32	217.74
2017	90.12	12.07	143.61	114.65	30.93	179.8	90.87	113.9	194.21	202.73	21.54	312.98	166.66
2018	1029.9	20.4	169.78	121.46	58.4	72.97	92.74	691.92	108.1	171.06	55.5	370.58	174.25
2019	625.92	17.84	145.31	115.99	72.33	38.33	24.6	191.7	194.19	272.07	153.25	416.14	197.52
2020	91.34	20.17	110.63	134.59	35.06	88.53	26.81	400.21	211.2	157	98.41	396.63	296.35
2021	407.88	46.14	150.45	101.14	91.05	154.47	40.44	130.89	115.71	298.69	64.39	296.01	585.88
2022	186.61	70.83	219.27	126.22	102.77	312.94	116.96	303.33	191.79	269.93	92.62	560.68	354.19
Total	2694.36	465.09	2020.81	1167.29	1167.87	2234.2	1276.96	2982.09	1830.07	3091.92	1039.41	5051.32	3945.88

Source: Bangladesh Bank Foreign Investment and External Debt Report 2021 & 2022

Recent data (see table 2) also indicates that the UK and USA are the highest investors, securing over 16% and 10% respectively out of the total investment in a single year (2022). South Korea, Netherlands, and Singapore's investment records averagely below 10% and Hong Kong, Norway, China, and Malta contribute to around 5% while rest of the country's investment is below 5%. British Virgin Island, Bermuda, and

Mauritius seems promising investors although they are the latecomer. Their presence in the Bangladesh economy records roughly around 2010. Although some western European Economies like Germany, Denmark, France, and Belgium's net FDI flow is persistent, but they are insignificant in the total share of net FDI entering Bangladesh.

Table 2: Top 20 investing countries in FDI inflow in 2022 (US$ M.)

	Country	Amount	% of Total
1	UK	560.68	16.1
2	USA	354.19	10.2
3	South Korea	312.94	9.0
4	Netherlands	303.33	8.7
5	Singapore	269.93	7.8
6	Hong Kong	219.27	6.3
7	Norway	191.79	5.5
8	China	186.61	5.4
9	Malta	169.54	4.9
10	India	126.22	3.6
11	Malaysia	116.96	3.4
12	Japan	102.77	3.0
13	UAE	92.62	2.7
14	Switzerland	77.28	2.2
15	Denmark	70.83	2.0
16	Bermuda	51.73	1.5
17	British Virgin Island	49.22	1.4
18	Thailand	34.62	1.0
19	Germany	30.91	0.9
20	Mauritius	26.97	0.8
21	Others	131.54	3.8

Source: Bangladesh Bank Foreign Investment and External Debt Report 2022

US and Chinese FDI (net) in Bangladesh: A Comparative View

Overall net FDI from the USA in Bangladesh has experienced fluctuation over the given time (1997-2022), beginning from only just over US$ 67 million in 1997 to over US$ 350 million in 2022. There are two peak points in the flow of US investment in 2015 and 2021, they were over just below US$ 600 million in both years. US investment never goes up over US$ 600 million for this period. While from 1997 until

2104, except 1998 US FDI rarely goes over US$ 200 million. It has increased to nearly US$ 350 million in 2022 from just over US$ 17 million in 2014. It then just rocketed to US$ 600 million in the following year (2015).

For Chinese FDI, it was nominal for nearly two decades starting from US$.57 million in 1997 to approximately US$ 90 million in 2017. Then it jumped to just above US$ 1000 million in the year of 2018 which is the top most investment in a single year from China and other economies over these two and half decades. Why it does not sustain in the following years which might be due to the Covid-19 beginning from 2019 to 2022. Compared to USA, Chinese net FDI is quite smaller in amount for almost two decades. The sudden jump in the year 2018 can be linked to the development projects in Bangladesh, for example power plants, tunnel and flyover, where Chinese TNCs might have provided necessary items. 2014 can be said a milestone because until this year FDI inflow was truly poor which can be linked political instability of that time (20011-2014). Then what happened after 2014 as it saw a rocketed jump in the FDI inflow from both great powers? It is might be competition between the two countries. As it was mentioned in the earlier section that China has launched ambitious BRI in 2013, so, Chinese mega projects across Asia and Africa could have pushed the USA to investment more in Bangladesh. Additionally, regime stability and less political unrest after 2014 also might be the driving factors for swelling investment. Thus, after 2014 there is a noticeable competition between the USA and Chinese TNCs.

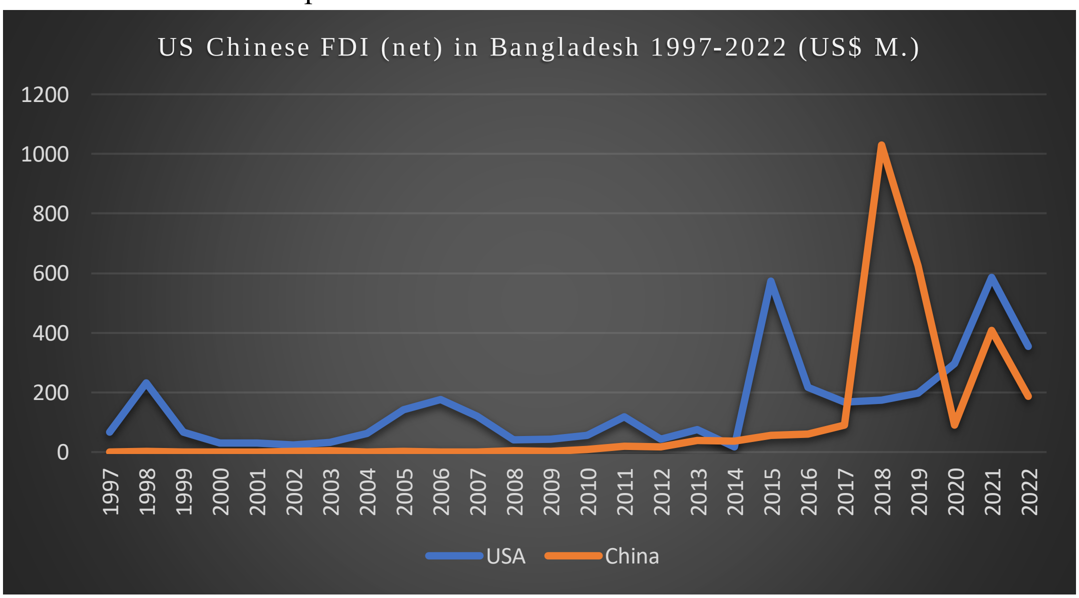


Figure 3: US Chinese FDI (net) in Bangladesh 1997-2022 (US$ M.)

Source: Bangladesh Bank Foreign Investment and External Debt Report 2021 & 2022

Table 3: USA and Chinese FDI Net inflow (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023[2]
USA	6	10	3	4	2	25.67	9.33	7.75	4.82	6.87	11.6	20.2	10.2	8.8
China	1	2	1	2	3	3	2.63	4.00	28.50	21.78	3.6	14.1	5.4	2.9

Source: Bangladesh Bank Foreign Investment and External Debt Report 2021 & 2022

It is observable that US FDI inflow has never been less than 2% and more than 25% while Chinese contribution is seen even 1% in some early years and in one single year it is nearly 30% after 2014 (see table 3).

Sectoral distribution of US and China's FDI (net) in Bangladesh

Sectoral distribution implies that US TNCs mainly draws in primary and tertiary sectors. Among others, primary industry attracts the highest amount of investment followed by the tertiary sectors (see figure-4 & table -4). Major primary sector includes mining (gas and petroleum) which experiences the highest amount of FDI from US investors in 2015 (over US$ 300 million) followed by 2016, 2021, and 2011. Like primary sector, tertiary industry is also less diversified. It also receives the highest amount of investment in 2015 (US$ 236 million), 2020, 2021, and 2019. In the tertiary industry, banking sector accounts the most FDI. For manufacturing industry, textile and food are the biggest contributors.

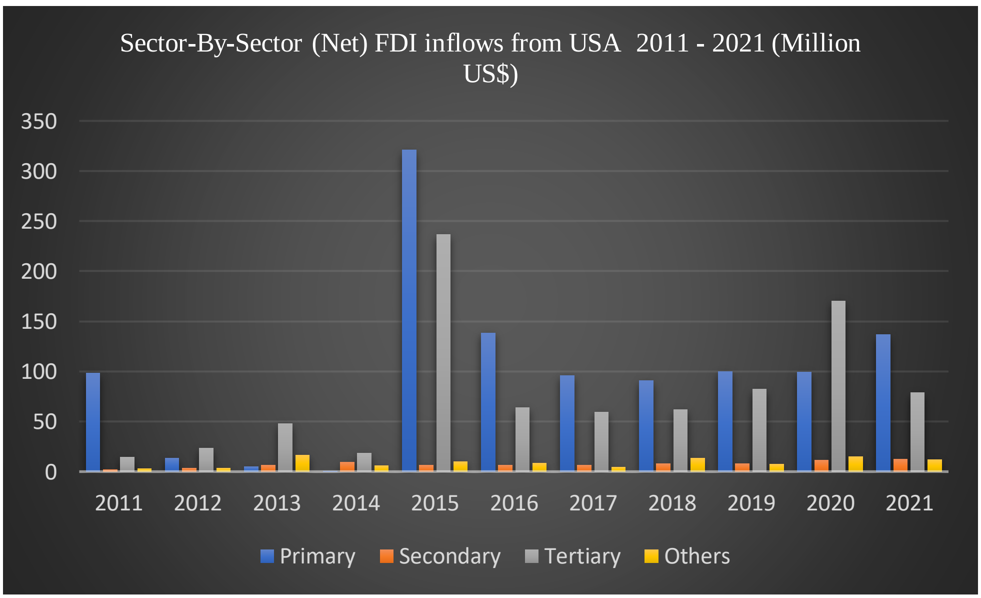


Figure 4: Sector-By-Sector (Net) FDI inflows from USA 2011 - 2021 (Million US$)

[2] The value is counted for half of the year, January to June 2023.

Source: Bangladesh Bank

Table-4: Sectoral Distribution of US FDI (net inflow) in Bangladesh (2011-2021) (US$ M.)

Sector/year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary											
Agriculture & Fishing		0.15	0.17	0.01	-	0.14	0.63	0.28	0.21	0.17	0.37
Mining (Gas & Petroleum)	98.46	13.45	4.93		320.87	138.42	95.23	90.45	99.78	99.14	136.63
Sub-Total	98.46	13.6	5.1	0.01	320.87	138.56	95.86	90.73	99.99	99.31	137
Secondary (Manufacturing)											
Textile & wearing	1.94	2.53	5.05	8.74	5.70	6.40	6.37	7.91	6.68	10.74	11.70
Food		0.18	0.06	0.37	0.59	0.16	0.01	0.15	1.23	0.74	0.48
Chemicals & Pharmaceuticals		0.75	1.21	0.25	-0.02	-	0.11	0.01	-	-	0.08
Metal & Machinery products				0.00					-0.04		
Leather & Leather Products				0.00	-	-		-	0.02	0.04	0.03
Cement				0.00	-	-	-		-		-
Vehicle and Transport Equipment					-						
Sub-Total	1.94	3.46	6.32	9.36	6.27	6.56	6.49	8.07	7.89	11.52	12.29
Tertiary											
Banking	8.96	14.92	45.84	12.95	14.23	1.99	18.05	18.78	18.22	17.22	10.24
Telecommunication	1.15	0.48	0.55	0.93	0.32	0.29	0.15	0.05	-0.05	-0.01	0.03
Construction				0.27		0.69	0.59	0.03	-	-	
Trading			0.11	1.00	0.37	3.64	1.79	14.06	14.93	13.76	24.98
NBFI		0.24		1.43				0.12			
Computer Software & It		0.59	1.33	1.38	1.62	1.49	3.73	11.99	17.66	3.86	5.05
Insurance	4.12	7.08			21.46	26.52	35.09	27.48	32.67	38.15	35.71
Power	0.02	0.05	0.14	0.57	198.66	29.38	0.21	-10.70	-1.22	97.48	2.81
Sub-Total	14.25	23.36	47.97	18.53	236.66	64	59.61	61.81	82.21	170.46	78.82
Others	3.09	3.38	16.56	5.77	9.97	8.62	4.69	13.64	7.43	15.06	12.09
Total	117.74	43.8	75.95	33.67	573.77	217.74	166.66	174.25	197.52	296.35	240.20

China’s investment, on the other hand, mainly goes for tertiary industry and it is noticeable only in 2018 and in the following year. Power, insurance, banking, trading and construction are the principal sectors to attract the most of the Chinese investment. Notably, power generation occupies the major portion of the investment which is nearly 40% followed by insurance, banking and trading (see figure-5). More than 80% of the investment accounts for only four industries: power, insurance, banking and trading. Interestingly, China’s FDI in manufacturing industry resembles those of US FDI where over 90% of the Chinese FDI reported to textile and wearing in the given period of time (see figure 7). Leather and leather product is registered as second largest FDI receiver in secondary industry. Unlike USA, Chinese TNCs in primary sector targets only agricultural industry, nearly 100% of the total primary sector (see table-5).

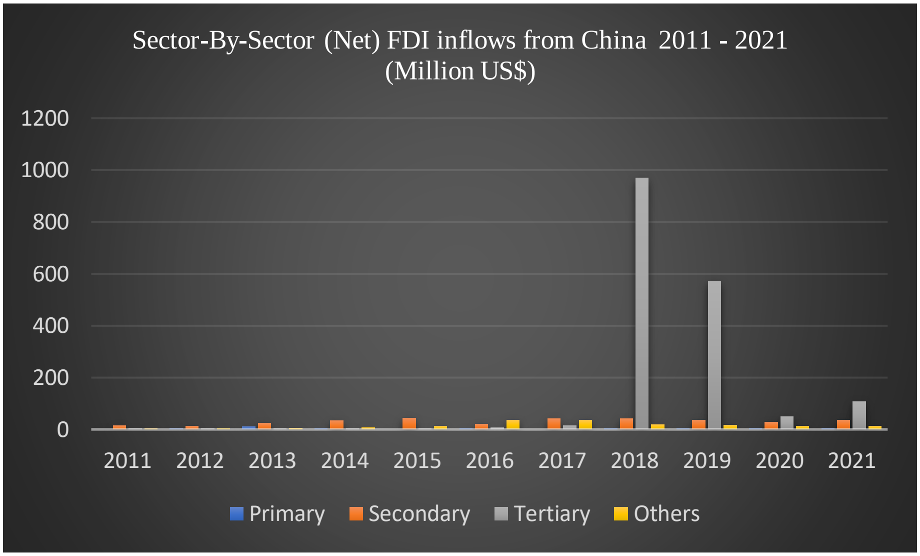
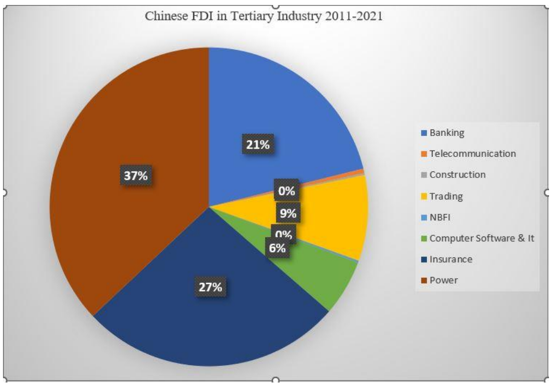


Figure 5: Sector-By-Sector (Net) FDI inflows from China 2011 - 2021 (Million US$) Source: Bangladesh Bank



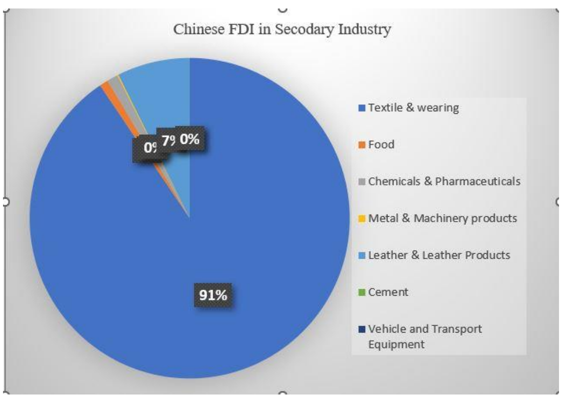


Figure-6: Chinese FDI in Tertiary Industry 2011-2021
Figure-7: Secondary industry

Table-5: Sectoral Distribution of Chinese FDI (net inflow) in Bangladesh (2011-2021) (US$ M.)
Source: Bangladesh Bank Foreign Direct Investment Report

Sectors/Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary											
Agriculture & Fishing		3.35	10.97	1.55	-	0.02	-	0.06	0.05	0.04	0.04
Mining (gas & petroleum)					-	-	-	-	-	-	-
Sub-total	0	3.35	10.97	1.55	0	0.02	0	0.06	0.05	0.04	0.04
Secondary											
Textile & wearing	14.69	11.53	21.38	29.40	37.11	16.46	38.07	39.56	29.94	25.19	36.24
Food				0.60	-	-	-0.10	0.03	0.97	0.76	0.64
Chemicals & Pharmaceuticals				0.02	0.63	-0.83	0.04	0.04	3.72	-0.01	0.07
Metal & Machinery products				0.29					0.09	-	
Leather & Leather Products	0.01	0.19	2.65	3.46	5.78	4.70	2.54	1.42	1.56	2.46	-0.45
Cement				0.00	-	-	-				-
Vehicle and Transport Equipment			0.01		-						
Sub-total	14.7	11.72	24.04	33.77	43.52	20.33	40.55	41.05	36.28	28.4	36.5
Tertiary											
Banking				0.00	-	-	-	-	-	-	-
Telecommunication				0.00	-	-	-	-0.12	-	-	-
Construction				0.35		0.10	3.36	8.62	4.83	4.62	5.34
Trading		0.19		0.43	1.41	5.33	9.96	14.67	5.65	3.27	3.11
NBFI				0.00				113.07			
Computer Software & It			0.06	0.00	-	-	0.34	-	0.20	-	-
Insurance					-	-	-	-	-	-	-
Power	0.16		0.27	0.69	0.25	0.41	0.53	834.13	562.06	41.58	98.40
Sub-total	0.16	0.19	0.33	1.47	1.66	5.84	14.19	970.37	572.74	49.47	106.85
Other	3.79	2.53	4.64	6.27	11.61	35.21	35.38	18.42	16.85	13.43	12.11
Total	18.65	17.89	39.98	43.06	56.79	61.40	90.12	1029.90	625.92	91.34	155.50

US and China's FDI in Bangladesh in the Age Indo-Pacific Strategy

The above discussion denotes that due to the competitive economic and strategic projects launched by both the USA and China there emerges a competition in investment in terms of FDI in Bangladesh. To alure the small states into their orbit, the big powers in particular China and USA try to offer several economic and strategic partnership and opportunities. These phenomena are happening in the framework of China's BRI and US led IPS more specifically Indo-Pacific Economic Framework (IPEF) (Jiang, 2022). China's FDI inflow in Bangladesh has been increasing gradually after the launch of BRI in 2013. Then, US also increases their investment in Bangladesh following China's spike in the FDI in recent years, for example 2018 and 2019. In

Bangladesh US investment is much larger than those of China, and US is the highest contributor in Bangladesh economy with regard to FDI. The competition which is perceived between the both economic powers in Bangladesh is very recent. Interestingly it begins only after 2013. The significant issue is that the trend in the flow of FDI from USA and China is quite similar, both FDI provider show almost similar trends which is fluctuation (2014-2022). Compared to Chinese economic project BRI, US led IPS or IPEF is much late addition. Although US led initiative is found to be later development, competition between the two major powers is noticeable from 2014. Furthermore, US investment goes mainly for primary industry, for example mining, while Chinese TNCs target primarily tertiary industry such as power generation. Apart from the primary sectors, US TNCs are also largely registered for textile and wearing under manufacturing sector. Like US investors, Chinese companies also run for primary industry but this is mostly accounted for agricultural industry. Although their target industry is somewhat different but overall investment shows a competition which results in increasing amount of FDI in Bangladeshi market. This discernable competition might be due to the rival economic and strategic platform offered from both sides. This competition might benefit Bangladesh in industrial growth and diversification.

Meanwhile, a revolution or mass uprising has been happened in Bangladesh on 5 August, 2024 ending the uninterrupted nearly 15-year authoritarian rule of Sheikh Hasina. Many people claimed that this is a new Bangladesh or Bangladesh 2.0 (Campbell, 2024). Through the uprising an interim government headed by novel Nobel laureate Dr. Muhammad Yunus is sworn in on 8 August 2024. Due to this massive political change which shocks almost every citizen and institution of the country, political stability is not fully installed which is conducive to any investment. Consequently, inward trend of foreign invest from the major investors including China and the USA is low. Although interim government has organized an investment summit where 550 foreign investors from 50 countries have registered to attend, apart from 2,500 local participants (The Daily Star, 2025). The summit has received 260 million FDI commitments from the potential investors (Financial Express, 2025). However, the unstable political environment, the uncertain period of interim government, and the regional hostile factors impedes the usual flow of inward FDI in the country (Dey, 2024). Not only the FDI inflow has partially halted from these two major economic powers but also other investors, for instance, Singapore, Hong Kong, Japan, the UK, has been slowed down. Normalcy in the flow of FDI might come back upon the installment of politically elected government with peaceful political environment congenial for any kind of investment.

Conclusion

US led IPS and IPEF are widely believed as rival initiative to Chinese BRI (Poon et al., 2024). This rivalry in the Asia Pacific region has offered opportunities as well as obstacles for the small states (Son, 2023). Like others, Bangladesh has also some potentials and challenges out of this competition. Both countries want Bangladesh to join their board, while Bangladesh strives to keep balance in between. Bangladesh has a huge potential in attracting foreign investment. Meanwhile, US and Chinese investment, such as FDI, experiences a quick surge in Bangladesh. However, their investment goes through a fluctuation. In Bangladesh, USA is the prime contributor among the major investors while China is the latecomer. The time series data shows that US TNCs consistently invested in Bangladesh with little fluctuation. Chinese FDI on the other hand is extremely small compared to that of USA at until 2014. The competition is evident after 2014 and onwards. USA TNCs mainly targets oil and gas which comes under the umbrella of primary industry, Chinese companies, on the contrary, primarily goes for power generation. This report argues that geo-economic and strategic race between both economies results in the increasement in inflow of FDI in Bangladesh. One of the major pitfalls of the paper is that it has been drawn from a single data source which is Bangladesh Bank, so data triangulation to boost the data accuracy is absent. With robust data from multiple sources, further research can be done in investigating why US TNCs mainly bid for natural resources and Chinese investors for power generation.

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