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Bangladesh: Background and U.S. Relations

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Bangladesh: Background and U.S. Relations

Summary

Bangladesh (the former East Pakistan) gained its independence in 1971, following India's intervention in a rebellion against West Pakistan (currently called Pakistan). Democratic elections in 1991 ended two decades of authoritarian rule in Dhaka. The Bangladesh National Party (BNP), which leads the ruling coalition, and the leading opposition party, the Awami League (AL), traditionally have dominated Bangladeshi politics. The BNP is led by Prime Minister Khaleda Zia while the AL is led by Sheikh Hasina. Bangladesh has been a largely moderate and democratic country. This status is increasingly under threat from a combination of political violence, weak governance, poverty, corruption, and rising Islamist militancy. When in opposition, both parties have sought to regain control of the government through demonstrations, labor strikes, and transport blockades.

Bangladesh is one of the poorer countries of the world. The largely agricultural economy suffers frequent and serious setbacks from cyclones and floods. While economic progress has been made, it has been impaired by rivalry between the two largest political parties. Bangladesh is a recipient of substantial foreign assistance from abroad. It is also thought to have large reserves of natural gas.

Political violence is on the rise in Bangladesh. Awami League Finance Minister A.M.S. Kibria and four others were killed in a bomb attack that also injured 70 at a political rally of the Awami League on January 27, 2005. On August 21, 2004, an apparent political assassination attempt on opposition leader Sheikh Hasina at a political rally in Dhaka killed 22. These two attacks, and widespread bombings on August 17, 2005, that claimed 26 lives and injured dozens others, are the most notable incidents in a rising tide of political violence in Bangladesh.

Some analysts are concerned that Islamist parties are gaining influence through the political process and that this is creating space for militant activities inside the country. Some allege that the presence in the ruling Bangladesh National Party (BNP) coalition government of two Islamist parties, the Islamiya Okiyya Jote (IOJ) and the Jamaat Islamiya, has expanded Islamist influence in Bangladesh. Some media reports indicate that elements of Al Qaeda fled to Bangladesh in the aftermath of the fall of the Taliban regime in Afghanistan.

U.S. policy toward Bangladesh emphasizes support for political stability and democracy; social and economic development; and improvement of human rights. The United States has long-standing supportive relations with Bangladesh and has viewed Bangladesh as a moderate voice in the Islamic world. This report will be updated.

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Bangladesh: Background and U.S. Relations

Key Issues

Some observers fear that political infighting, corruption, rising Islamist extremism, and political violence may further erode the Bangladesh government's ability to effectively or democratically govern. Bombings and other violence have increased in recent years and have "targeted opponents of Islamization: secular and leftist politicians, intellectuals and journalist, and religious minority groups."¹ Potentially at stake is Bangladesh's status as a secular and moderate state as well as its democratic process. Further, there is concern that should Bangladesh become a failed state, or a state controlled by Islamist fundamentalists, it could increasingly serve as a base of operations for terrorist activity. There are a number of factors and unfolding events that may provide an indication of Bangladesh's future direction:

- The political position of Islamist parties as Bangladesh enters the upcoming January 2007 elections;
- The level of politically motivated violence in the lead up to the polls;
- The extent of radical Islamist violence;
- The impact of strikes, demonstrations, and violence on the economy and civil order;
- The government's ability and resolve to suppress Islamist militants; and
- Any decision on exporting gas to India.²

U.S.-Bangladesh Relations

The United States has long-standing supportive relations with Bangladesh and has viewed Bangladesh as a moderate voice in the Islamic world. Major U.S. interests in Bangladesh include political stability and democratization; continuation of economic reform and market-opening policies; social and economic development; environmental issues; counterterrorism; and improvement of the human rights situation. Many in the United States would particularly like to bolster Bangladesh's democracy, which is increasingly destabilized by escalating political violence. In

¹ Stephen Ulph, "Nationwide Bombing Campaign in Bangladesh," *The Jamestown Foundation*, August 19, 2005.

² Many in Bangladesh have not wanted to develop Bangladesh gas resources for export to India. "Bangladesh: Country Risk Overview," *Global Insight*, May 2006.

early 2003, Dhaka was the site of modestly-sized street demonstrations in opposition to the U.S.-led invasion of Iraq.³

U.S. Assistance to Bangladesh, 2003-2007
(thousands of dollars)

Account	FY2003	FY2004	FY2005	FY2006 estimate	FY2007 request
CSH	27,600	35,500	33,412	26,384	25,884
DA	21,391	18,200	16,535	10,859	8,400
ESF	4,000	4,971	4,960	4,950	5,000
FMF	0	0	248	990	875
IMET	772	862	1,035	891	985
NADR	0	0	893	200	3,713
Peace Corps	1,248	1,566	1,773	1,804	1,870
Totals	55,011	61,099	58,856	46,078	46,727
Food Aid					
P.L. 480 Title II Grant ^a	38,577	33,451	22,122	29,934	46,000
Section 416(b) ^b	49	53	3,257	—	—

Sources: CRS Report RL31362, *U.S. Foreign Aid to East and Southeast Asia*, by Thomas Lum. U.S. Department of State, USAID, U.S. Department of Agriculture.

Note: Child Survival and Health (CSH), Development Assistance (DA), Economic Support Funds (ESF), Foreign Military Financing (FMF), International Military Education and Training, (IMET), Non-proliferation, Anti-terrorism, Demining and Related programs (NADR).

a. USAID data — includes freight costs.

b. USDA data — does not include freight costs.

Bangladesh is a recipient of significant international aid. It has received more than \$30 billion from foreign donors since its independence in 1971. The State Department has requested a total of \$92,727,000 in assistance for Bangladesh in the FY2007 budget request.⁴ 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

³ “Text: Powell, Bangladesh Foreign Minister Khan Confer in Washington Jan 24,” USIS Washington File, January 24, 2003; “Bangladesh Port City Sees Largest Anti-War Protest,” *Reuters News*, April 6, 2003.

⁴ “South and Central Asia,” *Budget Justification Document for 2007*, Department of State, 2006, p. 494.

Organization commitments. P.L. 480 funds provide food assistance for the poorest families and for disaster relief. International Military Education and Training programs strengthen the international peacekeeping force of Bangladesh, which is a leading contributor of U.N. peacekeeping personnel.

The United States is Bangladesh's largest export destination, accounting for 24.2% of Bangladesh's exports. Bangladesh's main import partners are India, China, Kuwait, Singapore, Japan, and Hong Kong.⁵ The United States exports wheat, fertilizer, cotton, communications equipment, and medical supplies, among other goods to Bangladesh. Ready made garments and jute carpet backing are two of Bangladesh's key exports to the U.S. The United States has generally had a negative balance of trade with Bangladesh since 1986.⁶

Government and Politics

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 low lying 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.

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 currently ruling Bangladesh National Party (BNP) and the Awami League (AL), and particularly between the two leaders of the respective parties, Prime Minister Khaleda Zia (1991-1996, 2001-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. Both the AL

BANGLADESH IN BRIEF

Population: 147.4 million (2006 est.)
growth rate: 2.09% (2006 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 88.3%; Hindu 10.5%
Life Expectancy at Birth: 62.46 (2006 est.)
Infant Mortality: 60.83 per 1,000 births
Inflation: 6.7% (2005)
Unemployment: 2.5% (2005 est.)
Gross Domestic Product: *per capita* ppp:\$2,100(2005est.)
Labor Force: Agriculture 63%, Industry 11%, and Services 26%
Key Exports: Garments, jute, leather, frozen fish, seafood
Key Export Partners: U.S. 24%, Germany 13.2%, U.K. 10.6%, France 6%

Sources: CIA World Factbook; Reuters; U.S. Departments of State and Commerce; World Bank.

⁵ "Bangladesh," *CIA World Factbook*, August 8, 2006.

⁶ "Background Notes: Bangladesh," U.S. Department of State, August, 2005.

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. The President's powers are largely ceremonial, though they are expanded during the tenure of a caretaker government.

The BNP returned to power in October 2001, winning 46% of parliamentary seats with its alliance partners. 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. There has been some concern about the ruling coalition's inclusion of the fundamentalist Jamaat-e-Islami party, which supports turning secular and moderate Bangladesh into an Islamic republic.⁷

Political violence has been on the rise in Bangladesh in recent years. In January 2005 the State Department issued a statement that "strongly condemned" the bomb attack that killed four, including former Awami League Finance Minister A.M.S. Kibria, and injured 70 at a political rally of the Awami League on January 27, 2005. The incident was described by the State Department as "the latest in a series of often deadly attacks on prominent leaders of the political opposition and civil society." On August 21, 2004, grenades were hurled in an apparent political assassination attempt on opposition leader Sheikh Hasina at a political rally in Dhaka and killed 22. These two attacks, and widespread bombings on August 17, 2005, are the most notable incidents in a rising tide of political violence in Bangladesh. The formerly ruling Awami League has alleged that the Jamaat-i-Islami and Islamiya Okiyya Jote parties have protected the radicals responsible for the violence from prosecution by the government.⁸

Upcoming Elections

Bangladesh is scheduled to hold parliamentary elections by January 2007. Since 1991, power has been given over to a caretaker government three months before elections to prevent the incumbent from having a disproportionate advantage over the opposition in the elections. The caretaker government is to be headed by the last retired Chief Justice of the Bangladesh Supreme Court. Since coming to power the BNP government reportedly changed retirement rules so that an ally would run the caretaker government.⁹ Prime Minister Zia has stated that the person who is supposed to head the caretaker government will take up their responsibilities whether the

⁷ "Foreign Observers Say Bangladesh Vote Was Fair," Reuters News, October 2, 2001; "Zia's Victory," *Asiaweek*, October 12, 2001; "New Premier in Bangladesh Vows to Stamp Out Corruption," *New York Times*, October 11, 2001.

⁸ Roland Buerk, "Bangladesh and Islamic Militants," *BBC News*, February 25, 2005.

⁹ Dave Hage, "Islam in Asia," *Star Tribune*, August 7, 2006.

opposition approves or not.¹⁰ There are also accusations that amendments to the voter lists will favor the BNP at the polls. It has been reported that the European Commission believes that the 2001 voter list included 13 million “ghost” voters while the Department of State believed that 8% of that voter list was fake.¹¹ The Awami League reportedly believes that the electoral commission, the civil administration, and the police force are thoroughly politicized and that under the circumstances free and fair elections are not possible.¹² Manipulations of the electoral process will likely inspire further *hartals*, or protests and strikes, that have become a regular feature of the Bangladesh political landscape. The AL has also called for the consent of all parties before the caretaker government can be seated. A 14-party opposition alliance, led by the AL, has held a series of marches to press for reforms prior to the January elections. It is thought unlikely that the government will address these concerns in the lead-up to elections.¹³

The former ruler of Bangladesh, Hossein Mohammad Ershad, appears to be ready to join the BNP coalition. This may reduce the influence of Islamist parties within the government. Ershad seized power when he was head of the Bangladesh military in 1982 but was forced to step down in 1990 in the face of a mounting “people’s upsurge.”¹⁴ Ershad’s Jatiya Party is the nation’s third largest, which in a tight race could make him the “queen maker” of Bangladeshi politics. (Both Prime Minister Khaleda Zia and leader of the Opposition Sheikh Hasina are women.) If Ershad joins the BNP coalition the BNP’s reliance on its current Islamist coalition partners Islamiya Okiyya Jote and Jamaat Islamiya would likely be reduced. While this would be welcomed by those concerned about the increasing influence of Islamists in Bangladesh, it should be remembered that Ershad spent six years in prison for corruption and still faces pending charges. It is thought by some that dropping these charges will be his price for joining the BNP coalition.¹⁵

The BNP’s two Islamist coalition partners, Islamiya Okiyya Jote and Jamaat Islamiya, are reportedly not pleased by the prospect of Ershad’s Jatiya Party joining the BNP Coalition. They are reportedly contemplating leaving the alliance if Jatiya joins and have been exploring fielding independent candidates. It has been reported that they would contest 150 seats. The unicameral national parliament has 300 seats. Some analysts estimate that they would win only 8 seats alone as opposed to 19 if running as a coalition partner of the BNP. The BNP and its alliance partners won 46% of the vote and 201 seats in the 2001 election as opposed to 42% and 62 seats

¹⁰ “PM Sticks to Constitution on Caretaker Government Issue,” *Notes From the Bangla Media*, August 30, 2006, U.S. Embassy Dhaka.

¹¹ “Opposition Groups Threaten to Boycott Parliamentary Election,” *Economist Intelligence Unit*, July 3, 2006.

¹² “Bangladesh Political Parties, Donors Agencies Discuss Elections,” *BBC News*, August 8, 2006.

¹³ “Thousands March on Bangladesh Capital to Call for Electoral Reforms,” *Agence France Presse*, July 29, 2006.

¹⁴ “Facts on Bangladesh Politics,” *Reuters*, August 5, 2006.

¹⁵ Ershad was recently cleared of at least one of the remaining charges against him. (“An Ugly Alliance,” *The Economist*, August 12, 2006.)

for the Awami League.¹⁶ Observers have speculated that Prime Minister Khaleda Zia has found it difficult to defend her coalition with the Islamists in the face of their reported links to Islamist militants, given the increase in Islamist-inspired violence across the country in recent years.¹⁷ Evidence that the government is sensitive to Islamic sentiment remains, however. In August 2006, for instance, the government moved to recognize the Dowa degree granted by some madrassas as equal to a masters degree.¹⁸ While the Islamists do not presently favor Ershad, they have been closer in the past. It was Ershad who declared Islam as the state religion of Bangladesh during his rule from 1982 to 1990. It was also reportedly Ershad who brought the Jamaat back into politics to assist him in an effort to crush secular opposition.¹⁹

Corruption

Corruption is widespread in Bangladesh. Berlin-based Transparency International ranked Bangladesh as the world's most corrupt country, along with Chad, in its 2005 index.²⁰ The 2006 Index of Economic Freedom has ranked Bangladesh's economy as "mostly unfree" and states that "...corruption also serves as a non-tariff barrier."²¹ Bangladesh took disciplinary action against two thirds of its police force over the past four years for offenses ranging from corruption to dereliction of duty.²² Bangladesh's largest port, Chittagong, which handles 90% of all trade to Bangladesh, is hampered by widespread corruption and a rapid increase in piracy. Chittagong was identified as the world's worst port for pirate attacks by the International Maritime Bureau in 2006.²³

U.S. Assistant Secretary of State for South Asia Richard Boucher has stated "the main obstacles [for Bangladesh] are corruption and poor governance."²⁴ The United

¹⁶ "Bangladesh," Center for the Study of Global Change, [<http://ewebdb.iu.edu/internationalprograms>].

¹⁷ Elizabeth Mills, "Former President Cleared of Corruption, Paving the Way for Return to Bangladeshi Politics," *Global Insight*, August 18, 2006.

¹⁸ "Gov't Gives Recognition to Madrasa Degrees," Notes From the Bangla Media, United States Embassy, Dhaka, August 22, 2006.

¹⁹ Bertil Lintner, "Bangladesh: A Cocoon of Terror," *Asia Pacific Media Services* reprint of an article that first appeared in the *Far Eastern Economic Review*, April 4, 2002.

²⁰ The index ranks 159 countries based on a composite of 16 surveys drawn from 10 institutions gathering the perceptions of business people and analysts. The index defines corruption as the abuse of public office for private gain. (2005 Transparency International Corruption Perceptions Index, [<http://www.infoplease.com>].)

²¹ "Bangladesh," 2006 Index of Economic Freedom, Heritage Foundation, [<http://www.heritage.org>].

²² "Bangladesh Punishes Nearly Two Thirds of its Police Force," *Reuters*, August 20, 2006.

²³ Elizabeth Mills, "Anger After Bangladeshi Port is Named Worst for Piracy," *Global Insight*, July 28, 2006.

²⁴ "Corruption, Intra-party Conflicts Challenge Bangladesh's Next Elections," *United News* (continued...)

States reportedly has refused a Bangladesh government request in recent Trade and Investment Framework Agreement (TIFA) negotiations to drop a clause in the agreement referring to “bribery and corruption.”²⁵ A respected veteran of the Bangladesh war of independence, General Mir Shawkat Ali, recently spoke out against the amount of money that parliamentarians spend to run for seats stating that “this is incompatible with the spirit of democracy.”²⁶

Terrorism and Islamist Extremism in Bangladesh²⁷

Political Ties to Terrorist Organizations

There are several terrorist and militant extremist groups operating in Bangladesh including Harkat ul Jihad al Islami (HuJI), Jagrata Muslim Janata Bangladesh (JMJB), and Jama’atul Mujahideen Bangladesh (JMB). Bangladeshi opposition, analysts, and media observers have alleged that the presence in the ruling Bangladesh National Party (BNP) Coalition government of two Islamist parties, the Islamiya Okiyya Jote (IOJ) and the Jamaat Islamiya, has expanded Islamist influence in Bangladesh and created space within which terrorist and extremist groups can operate. Islami Okiyya Jote is thought to have ties to the radical Harkat-ul-Jihad-al-Islami (HuJI).²⁸ Jamaat also reportedly has ties to Harkat ul-Jihad-i-Islami which has ties to Al Qaeda. Harkat leader Fazlul Rahman signed an Osama bin Laden holy war declaration in 1998.²⁹ JMB seeks the imposition of Sharia law for Bangladesh and is thought responsible for the widespread and coordinated August 2005 bombings. HuJI has been implicated in the January 2002 attack on the American Center in Calcutta, India.³⁰ HuJI, or the Movement of Islamic Holy War, is on the U.S. State Department’s list of “other terrorist organizations,” has links to Pakistani militant groups, and has a cadre strength of several thousand.³¹ Fundamentalist leader Bangla Bhai, who is thought to be a leader of JMB, is suspected of having ties to Jamaat

²⁴ (...continued)
of Bangladesh, May 18, 2006.

²⁵ “TIFA: US Refuses to Withdraw Bribery Clause,” Notes From the Bangla Media, United States Embassy, Dhaka, August 22, 2006.

²⁶ “Bangladesh War Hero Knows His Onions with Politics,” *Reuters*, August 15, 2006.

²⁷ For a more in-depth discussion of the rise of Islamist fundamentalism and the nexus with terrorist activity in Bangladesh, see Hiranmay Karlekar, *Bangladesh: The Next Afghanistan?* (New Delhi: Sage Publishers, 2005), Sumit Ganguly, “The Rise of Islamist Militancy in Bangladesh,” U.S. Institute of Peace Special Report, August 2006 and CRS Report RL32259, *Terrorism in South Asia*, by Alan Kronstadt and Bruce Vaughn.

²⁸ Roland Buerk, “Bangladesh and Islamic Militants,” *BBC News*, February 25, 2005.

²⁹ “Bangladesh Becoming a Regional Terror Hub,” *Hindustan Times*, August 3, 2006.

³⁰ “Bangladesh’s First Suicide Bombers,” *Janes Terrorism and Security Monitor*, January 18, 2006.

³¹ Office of the Coordinator for Counterterrorism, Department of State, *Patterns of Global Terrorism*, 2003, April 29, 2004.

Islami, and is thought to advocate a Taliban-style government for Bangladesh.³² Opposition leader Sheikh Hasina has accused the government of “letting loose communal extremist forces.”³³ Some news sources have reported that international extremists are using Bangladeshi passports and that some are obtaining them with assistance of sympathetic officials at various Bangladesh Embassies.³⁴

Two senior members of IOJ have reportedly been connected with the recent reemergence of Harkat ul Jihad (HuJi) under the name “Conscious Islamic People.”³⁵ It has also been reported that the political wing of HuJi will seek to enter politics under the name Islami Gono Andolon.³⁶ Until relatively recently, the BNP government had denied the presence of significant terrorist elements in the country and reportedly had even expelled BNP lawmaker Abu Hena from the BNP for speaking out against extremist activities at a time when the official view was that such extremists did not exist.³⁷

The BNP government recently has moved to suppress the Jamiat-ul-Mujahideen (JMB) and the Jagrata Muslim Janata Bangladesh (JMJB) terrorist groups in Bangladesh. The government sentenced to death JMB leaders Shaikh Abdur Rahman and Siddiq ul Islam, also known as “Bangla Bhai,” as well as five other JMB members, in May 2006. The two Islamist militant leaders received their sentences for the murder of two judges in November of 2005. They are also thought to have been behind widespread bombings in Bangladesh and to have sought to replace the secular legal system with Sharia law through such attacks. The government also reportedly has arrested some 900 lower-level militants on terrorism charges.³⁸ Despite this, the opposition Awami League (AL) party Leader Sheikh Hassina has stated “militants are partners of the government ... the government catches a few militants whenever foreign guests visit Bangladesh.” She has also alleged that Jamaat has 15,000 guerillas and its own training camps. Hassina has also stated that the recent arrest of JMB operatives is “only the tip of the iceberg.”³⁹

It appears that the government shifted its position on the necessity of acknowledging and addressing Islamist militants in August of 2005. In response, JMB leader Rahman reportedly has stated, “masks will fall and you [implying the

³² Roland Buerk, “Bangladesh’s Escalating Extremism,” *BBC News*, November 29, 2005.

³³ Roland Buerk, “Dhaka Struggles to Respond to Bombs,” *BBC News*, August, 2005.

³⁴ “International Terrorists Using Bangladeshi Passports,” *Notes From the Bangla Media*, August 30, 2006, The U.S. Embassy, Dhaka, “Bangladesh Press Selection,” *BBC News*, August 30, 2006; and “BSF Wants Anup Chetia Deported,” *Indian Express*, August 29, 2006.

³⁵ “IOJ Behind Reemergence of Harkatul Jihad,” *Notes From the Bangla Media*, United States Embassy, Dhaka, August 22, 2006.

³⁶ “War on Terror Digest 21-22 Aug 06,” *BBC Monitoring*, August 22, 2006.

³⁷ “Summer of Discontent in the BNP,” *United News of Bangladesh*, June 9, 2006.

³⁸ “Bangladesh Coalition Partners to Face Election Together Amid Terrorism Charges,” *Open Source Center*, July 13, 2006.

³⁹ “Militants Arrest Meant to Impress US: Hassina,” *Hindustan Times*, August 4, 2006.

authorities] will be exposed.” Such an allegation is consistent with allegations by the AL opposition, which has accused the government, or more likely elements within the government, of allowing Islamist militancy to rise in Bangladesh.⁴⁰

Selig Harrison, a prominent South Asian Analyst, noted in early August 2006 that “a growing Islamic fundamentalist movement linked to al-Qaeda and Pakistani intelligence agencies is steadily converting the strategically located nation of Bangladesh into a new regional hub for terrorist operations that reach into India and Southeast Asia.” Harrison points out that Prime Minister Khaleda Zia’s Bangladesh National Party’s coalition alliance with the Jamaat-e-Islami Party of Bangladesh has led to a “Faustian bargain” that has brought Jamaat officials into the government. These officials, he argues, in turn have allowed Taliban-styled squads to operate with increasing impunity. Jamaat’s entry into the government has also reportedly led to fundamentalist control over large parts of the Bangladesh economy, Islamist Madrassa schools that act as fronts for terrorist activity, fundamentalist inroads into the armed forces, and rigging (by manipulating voter lists) of the upcoming elections scheduled for January 2007.⁴¹ If true, such rigging could deny the opposition Awami League a fair chance at power through the democratic process and mark a further deterioration of effective democratic governance in Bangladesh.

The State Department continues to view the government of Bangladesh as working to thwart terrorist activities. In responding to a question from an Indian journalist who asserted that Bangladesh “is not only aiding and abetting the separatist Indian guerilla forces, but is also ... supporting and helping the Islamic forces to fight against India” Assistant Secretary of State for South and Central Asian Affairs Richard Boucher stated the following:

We see that Bangladesh is a very populated country with a developing security service, a developing ability to fight terrorism, with some successes already that they can show in terms of arresting the leaders of the major terrorist group that has been operating in Bangladesh, but with a lot of work left to do, in terms of getting the whole network and getting, stopping other people who might be operating there.⁴²

He also stated that the U.S. government was following the situation in Bangladesh “closely.”⁴³ However, there is, in the view of some, a growing disconnect between what independent American analysts and Indian analysts are saying about the nexus between factions and elements in the Bangladesh government and Bangladesh-based terrorists and how the State Department describes the anti-terror efforts of the Bangladesh government.

⁴⁰ “Bangladesh Blast Masterminds Sentenced to Death,” *Agence France Presse*, May 29, 2006.

⁴¹ Selig Harrison, “A New Hub for Terrorism? In Bangladesh, An Islamic Movement with Al-Qaeda Ties is on the Rise,” *The Washington Post*, August 2, 2006.

⁴² “Richard Boucher Holds a News Conference in Calcutta, India,” *CQ Transcripts*, August 4, 2006.

⁴³ “U.S. Wants Pakistan to Move Against Terrorists,” *The Hindu*, August 5, 2006.

Bangladesh's Connection to Bombings in India

On July 11, 2006, a series of coordinated bomb blasts killed approximately 200 persons while wounding some 500 others on commuter trains in Bombay (Mumbai), India. Indian authorities subsequently arrested several individuals reportedly with ties to terrorist groups in Bangladesh and Nepal who were “directly or indirectly” linked to Pakistan. Indian intelligence officials have portrayed the bombers as being backed by Pakistan-supported terrorist groups. Pakistan has denied these allegations.⁴⁴ Bangladesh Home Minister Lutfozzaman Babor called allegations of Bangladeshi involvement in the Bombay train blasts “ridiculous and laughable.” Allegations had been made that the explosives had come from Bangladesh. In response, Babor stated that the Jamaat ul-Mujahideen (JMB) attacks in Bangladesh on August 17, 2005, which killed 30 in a series of nationwide blasts, were of Indian origin.⁴⁵ Six of the eight arrested in India in connection with the bombings are thought to have received training from Lashkar-e-Toiba at terrorist camps in Pakistan. Lashkar is a Pakistan based militant terrorist group.

While most of the focus in India has been on Pakistan, Bharatiya Janata Party (BJP) President Rajnath Singh has called on the Indian government to pressure Bangladesh to dismantle terrorist training centers in Bangladesh. The BJP is the leading opposition party in India. Singh also stated that Bangladesh had become “a centre of Islamic fundamentalist forces.”⁴⁶ The anti-terrorism squad investigating the Bombay blasts also interrogated a number of individuals in a village in Tripura, India, that borders Bangladesh.⁴⁷ A bombing in Varanasi, India, in March 2006 also reportedly had links to HuJi in Bangladesh.⁴⁸

Economics, Trade, and Development

Bangladesh is one of the poorest and most densely populated countries in the world. The annual per capita income is about \$2,100 in purchasing power parity. The agricultural sector employs approximately 63% of the workforce, but accounts for only 19.9% of GDP.⁴⁹ The major crop is rice, in which Bangladesh is nearly self-sufficient. Industry is centered mainly on cotton textiles, jute manufacturing, and food processing. Ready-made garments and knitwear have accounted for as much

⁴⁴ “Three Arrested Over Mumbai Bombs Linked to Pakistan,” *Financial Times*, August 6, 2006.

⁴⁵ Waliur Rahman, “Dhaka Dismisses Mumbai Bomb Claim,” *BBC News*, July 15, 2006.

⁴⁶ “Uproot Terror Camps From Bangla: BJP,” *Hindustan Times*, July 19, 2006.

⁴⁷ “Mumbai Police Interrogates Terror Suspects in Tripura,” *Hindustan Times*, July 19, 2006.

⁴⁸ “Bangla Immigrants the Threat Within,” *Times of India*, July 14, 2006.

⁴⁹ “Bangladesh,” *CIA World Factbook*, August 2006.

as 70% of Bangladesh's exports. Foreign exchange earnings from remittances by Bangladeshis working abroad is another key source of wealth for Bangladesh.⁵⁰

Though Bangladesh is one of the world's poorest countries, its economy has made some progress in recent years. The Bangladeshi economy had, like that of its South Asian neighbors, suffered from 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 confidence. The Bangladeshi economy has been described as "mostly unfree," as a result of high levels of trade protectionism and regulation, and an extensive black market economy.⁵¹ Bangladesh has been a pioneer in the field of micro enterprise lending programs.

Those living on less than a dollar a day have fallen from 43% of the population in 1991-1992 to 34% in 2000-2001. The structure of Bangladesh's economy has shifted towards manufacturing and services with only approximately 20% of GDP being derived from agriculture in 2005 as opposed to approximately 33% in 1985.⁵² Bangladesh's GDP growth is expected to reach 6.3% in 2006 due to recovery in the agricultural sector. Strong remittances from Bangladeshis living elsewhere are also projected to provide a small current account surplus in 2006. Inflation is expected to rise from 7% in 2005 to 7.4% in 2006.⁵³

Despite these developments, some key challenges to the economy are emerging. Ultimately, up to 40% of Bangladesh's garment and knitwear industry could close as a result of the end of the Multi-Fiber Agreement, which could lead 800,000 workers to lose their jobs. Electricity demand is projected to rise 8%, at a time when 25% do not have access to it.⁵⁴ Bangladesh is thought to have large gas deposits but has been reluctant to exploit them.

Prime Minister Zia has called for "faster and deeper economic integration" for the member states of the South Asian Association of Regional Cooperation

⁵⁰ Economic statistics from Global Insight, "Bangladesh: Executive Summary," April 14, 2003; and Economist Intelligence Unit, "Country Outlook: Bangladesh," April 2003.

⁵¹ "World Bank VP Arrives for Talks on Bangladesh Reforms," Agence France-Presse, October 16, 2002; Transparency International, *Corruption Perceptions Index 2002*, August 2002, Heritage Foundation 2003 Index of Economic Freedom, November, 2002.

⁵² "Bangladesh at a Glance," *World Bank Group*, May 10, 2006.

⁵³ "Bangladesh Country Report," *Economist Intelligence Unit*, August 2006.

⁵⁴ "Bangladesh: Country Risk Overview," *Global Insight*, May 2006.

(SAARC).⁵⁵ Bangladesh currently chairs SAARC, which recently considered a Free Trade Agreement for SAARC states at a meeting held in Dhaka. The United States has requested observer status at SAARC. SAARC granted such status to China and Japan in 2005.⁵⁶

The International Monetary Fund's (IMF) Poverty Reduction and Growth Facility (PRGF) review process has commended Bangladesh's "efforts in maintaining macroeconomic stability and in advancing the structural reform agenda, in spite of a difficult political environment and external shocks" and encouraged authorities to "continue to advance structural reforms in tax administration, banking, and the energy sector, as well as to improve overall governance."⁵⁷ An International Monetary Fund team met with representatives of the Bangladesh government in April and May of 2006 to discuss the PRGF. In August 2006, it was reported that there would be a timely release of the sixth installment of the IMF's PRGF, worth \$100 million, as well as the World Bank's Development Support Credit Phase IV program, worth \$150 million.⁵⁸ At a recent conference, Science and Information Technology Minister Moyeen Khan described a recent Poverty Reduction Strategy paper as "worthless" and serving the needs of donors rather than Bangladesh. During his remarks, Khan reportedly criticized the World Bank and Transparency International for their emphasis on the need to address the problem of corruption in Bangladesh.⁵⁹

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 20th 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 share of the river waters for the first time since

⁵⁵ SAARC members include India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, and The Maldives.

⁵⁶ Parveen Ahmed, "South Asian Foreign Ministers Meet in Bangladesh to Discuss Security, Trade," *Associated Press*, August 1, 2006.

⁵⁷ International Monetary Fund, Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria, January 19, 2006.

⁵⁸ "WB, IMF Assure Bangladesh of Scaled-up and Timely Release of Loans," *United News of Bangladesh*, August 9, 2006.

⁵⁹ "Bangla Minister Flings Anti-Poverty Document," *The Press Trust of India*, August 6, 2006.

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. 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 of Bangladeshis through a vast system of tubewells that tap the arsenic-contaminated ground water.⁶⁰

Human Rights and Religious Freedom

The human rights and religious freedom situation in Bangladesh appears to be deteriorating. The State Department's *Human Rights Practices Country Report on Bangladesh* has stated that Bangladesh security forces "committed human rights abuses and were rarely disciplined, even for egregious actions. Police were often reluctant to pursue investigations against persons affiliated with the ruling party, and the government frequently used the police for political purposes." Widespread corruption has also led to a "climate of impunity" for abuses and "violence, often resulting in deaths, was a pervasive element in the country's politics."⁶¹ Though the Bangladesh constitution establishes Islam as the state religion it also provides for the right to practice other religions subject to certain restrictions. There has been increasing violence against religious minorities in Bangladesh, especially the Hindu minority; "police are normally ineffective in upholding law and order and are often slow to assist members of religious minorities who have been victims of crimes." Violence against the Hindu minority has been exacerbated by the trend that they generally vote for the opposition Awami League while two Islamist parties are members of the BNP coalition government.⁶²

While the State Department Religious Freedom Report of 2005 states that Bangladesh "citizens are generally free to practice the religion of their choice," the report also states that "Hindu, Christian, and Buddhist minorities experienced discrimination by the Muslim majority, and the year was marked by harassment of Ahmadis." Ahmadis differ with mainstream Muslims in that they believe that Mohammad was not the last prophet. Sunni Muslims constitute some 88% of the population while Hindus represent 10% of the population with the remainder mostly being Christian and Buddhist. The report also noted that two of the BNP's coalition

⁶⁰ "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.

⁶¹ Bureau of Democracy, Human Rights, and Labor, Department of State, *Bangladesh: Country Report on Human Rights Practices, 2004*, released February 28, 2005.

⁶² Bureau of Democracy, Human Rights and Religious Freedom, Department of State, *Bangladesh: International Religious Freedom Report, 2004*.

partners, Jamaat Islami and Islami Okiyya Jote, are Islamic parties.⁶³ Groups have continued agitating for the government to declare Ahmadiyyahs as non-Muslims.⁶⁴ There are some 100,000 Ahmadiyyas in Bangladesh. The BNP government banned Ahmadiyya publications in 2004 though the supreme court suspended the ban.⁶⁵

Foreign Relations

Relations between New Delhi and Dhaka have been strained in recent years as Indian officials have accused Bangladesh of harboring both agents of Pakistan's intelligence service and separatist militants fighting the New Delhi government in India's northeastern states, such as the All Tripura Tiger Force.⁶⁶ Dhaka has denied the accusations as "totally baseless and irresponsible." Acrimony over migration issues led to periodic and lethal exchanges of gunfire between the border security forces of Bangladesh and India.⁶⁷ Bangladesh reportedly refused a request by India to have transit rights across Bangladesh to link with its northeastern states. With the exception of a small corridor, Bangladesh separates India from its northeastern states.

Border incidents, including exchanges of small arms fire between Indian Border Security Force and Bangladesh Rifles soldiers, continue to be an irritant in India-Bangladesh relations. India is building a fence along the 4,000 kilometer border with Bangladesh to stem the flow of illegal immigrants. India has also demanded that Bangladesh suppress separatist militants that cross the border. India has alleged that there are some 172 insurgent bases in Bangladesh. Bangladesh has denied their existence.⁶⁸

Some analysts believe that Al Qaeda and Southeast Asian-based Jemaah Islamiya (JI) terrorists may be operating in southeastern Bangladesh. There have been reports that up to 150 Taliban and Al Qaeda fighters fled to Bangladesh from Afghanistan in December 2001 aboard the *MV Mecca*.⁶⁹ Bangladesh has denied

⁶³ "Bangladesh," International Religious Freedom Report 2005, released by the Bureau of Democracy, Human Rights, and Labor, Department of State, released November 8, 2005.

⁶⁴ "Bangladesh Group Demonstrates to Have Ahadiyyahs Declared Non-Muslims," *BBC News*, June 26, 2006.

⁶⁵ "Bangladesh Police Baton Charge Islamic Extremists," *Agence France Presse*, June 25, 2006.

⁶⁶ Subir Bhaumik, "Arms Arrests Linked to Indian Rebels," *BBC News*, July 3, 2003.

⁶⁷ "Friendly Neighbor, Unfriendly Acts," *Hindu* (Madras), November 23, 2002; "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.

⁶⁸ India, Bangladesh Troops Exchange Border Fire," *Comtex News Network*, August 31, 2006 and "India Urges Bangladesh to Dismantle Alleged Rebel Camps," *Dow Jones Newswire*, August 29, 2006.

⁶⁹ Zachary Abuza, *Militant Islam in Southeast Asia* (Boulder: Lynne Rienner Publisher, (continued...))

allegations that it is becoming radicalized and has Al Qaeda elements within its borders.⁷⁰ There are also reports, based on information said to be derived from the interrogation of Jemaah Islamiya leader Hambali, who was arrested in Thailand in August 2003, that indicate that he had made a decision to shift JI elements to Bangladesh in response to recent counter-terrorist activity in Southeast Asia.⁷¹

Bangladesh is strategically situated between South and Southeast Asia and is located in proximity to both India and China. Bangladesh's natural gas deposits, estimated at between 32 trillion and 80 trillion cubic feet,⁷² increase Bangladesh's strategic importance to India and China, which may seek to secure additional energy resources for future economic growth. Arguments in Bangladesh against developing the gas reserves for export have focused on the need to secure a 50-year supply of domestic energy requirements before entering the export market. It has been estimated that Bangladesh's energy needs to 2050 would require 63 trillion cubic feet of gas.⁷³ Bangladesh and China signed a Defense Co-operation Agreement in December 2002.⁷⁴

⁶⁹ (...continued)
2003).

⁷⁰ "India and Bangladesh: Tricky Ties," *BBC News*, February 13, 2003.

⁷¹ Kimina Lyall, "Hambali Moved JI Front Line to Bangladesh, Pakistan," *The Australian*, September 27, 2003.

⁷² "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.

⁷³ "Bangladesh Energy Might Enhance Clout," *Stratfor*, October 22, 2001.

⁷⁴ "Broad Based Defense Deal with China on Agenda," *The Independent*, December 23, 2002.

Figure 1. Map of Bangladesh



Source: Map Resources. Adapted by CRS. (K.Yancey 8/25/06)