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POTENTIAL OF NEW BUSINESS CORRIDORS BETWEEN BANGLADESH AND INDIA'S NORTHEAST: BANGLADESH PERSPECTIVE

Abstract

The convergence of interests and shared sense of connectivity between Bangladesh and India have opened up potential of new business corridors between the former and the latter's Northeast. But three states in that region, viz. Mizoram, Manipur and Nagaland are not engaging with Bangladesh like Tripura, Assam and Meghalaya; which needs to be addressed to unlock the potentials since both Bangladesh and Northeast India have been given importance in India's 'Act East Policy'. Enhancement of trade, investment, connectivity, energy, cultural exchanges, etc. are possible with seamless transport and communication network. The paper suggests that India's Northeast serves as an easy source of raw materials and intermediate products for different industries in Bangladesh. Advanced infrastructural development with inland water connectivity, rail and road transportation will boost bilateral trade relations and open up more business opportunities with relatively less connected states of India's Northeast.

Keywords: India's Northeast, Trade, Connectivity, Business Corridor, Investment

1. Introduction

For Bangladesh, India's Northeast has been an area of considerable business and economic interest. Close ties between Bangladesh and Northeast India have been forged by the convergence of interests and shared sense of connectivity between Bangladesh and India. In recent years, trade and investment of Bangladesh with India have reached at such level, which has opened up new business potentials with Northeast India. Though states like Tripura, Assam and Meghalaya are utilizing the benefits of coming closer to Bangladesh and accessing India's mainland through the country; other Northeastern states, such as Nagaland, Manipur and Mizoram are yet to tap benefit of accessing the rest of India via Bangladesh and accessing infrastructure and market of Bangladesh. Bangladesh is potentially the most important business and economic partner for India's Northeast given its size and location, which has begun to be tapped but not yet at the desired level. Specifically, it is believed that

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Northeast's agricultural products in which it has strong comparative advantage can work as a backward linkage for Bangladesh's emerging food processing industry; while processed foods can again enter the Northeast's market through which both parties would benefit significantly. On the other hand, by reducing perceived and real non-tariff barriers, promoting efficient customs procedures and border facilities, Bangladeshi companies would be encouraged to invest in Northeast India. Thus, it is perceived that connectivity through business corridors with Chattogram hill districts and Sylhet areas has a potential 'win-win' outcome for both Bangladesh and the less highlighted Northeastern states, viz. Nagaland, Manipur and Mizoram, although there are several challenges as well.

Given this backdrop, the present paper is based on the analysis of literature and interview of experts and business representatives with the purpose of providing a fresh perspective on the country's potential of new business corridors with selected states of India's Northeast. The paper is qualitative in nature and the rest of it has been organized as follows. Section 2 gives an overview of Indo-Bangladesh economic relations throughout the years. Section 3 focuses on Bangladesh's business opportunities with Northeast India; especially Mizoram, Manipur and Nagaland while section 4 highlights the drawbacks and challenges in tapping those business opportunities. Finally, Section 5 provides some way forward to overcome those challenges in order to ensure a congenial trade and business environment of Bangladesh with India's Northeast.

2. Bangladesh-India Economic Relations: Recent Trends

Bangladesh has experienced several mixed trends in bilateral economic relations with India over the last ten years, most of which are positive in nature. First, bilateral trade has increased significantly along with power trade. Second, the trade gap has been mounting which is heavily tilted in favour of India. Third, India has granted duty-free access of almost all products to its market. Fourth, Bangladesh has been receiving a considerable amount of credit from India, which aims to develop some important physical infrastructures and transport communications. Fifth, Bangladesh has decided to provide a sub-regional transit facility which would largely benefit India to connect its mainland with the Northeast. Sixth, persisting non-tariff and para-tariff barriers that include the recent imposition of antidumping duty on Bangladeshi jute products by India.

Bangladesh's export earnings increased significantly in 2017-18 due to the rise of exports of readymade garments (RMGs), agricultural products, ceramic products, handicrafts, some jute goods (although most of them are suffering from anti-dumping duty), chemical products, woven garments, etc. India was the second largest source of import (15.19 per cent) after China.¹ In 2017-18, imports from

¹ Economic Adviser's Wing, Finance Division, Ministry of Finance, Government of the People's Republic of Bangladesh, *Bangladesh Economic Review 2018*, Dhaka: Bangladesh Government Press, 2018.

India increased by 40 per cent, whereas exports to India increased by 30 per cent. The trade deficit was US\$7.75 billion which is 42 per cent higher than the previous year. Trade deficit between Bangladesh and India has been an issue of discontent in their bilateral trade. Indian leaders have indicated to reduce the imbalance and India has already taken some steps in this regard. However, anti-dumping duties, countervailing duties, negative product lists and other trade barriers imposed by India are actually hurting Bangladeshi exports to India. Thus, removing various tariff and non-tariff barriers on exports from Bangladesh by Indian authorities is the key to reduce the trade gap between the two neighbouring countries.

Table 1.1: Bangladesh-India Bilateral Trade Statistics²

Year	Export (Million US\$)	Import (Million US\$)	Trade Ratio
2009-10	304.62	3,202.1	1:11
2010-11	512.5	4,560	1:9
2011-12	490.42	4,758.89	1:10
2012-13	563.96	4,776.9	1: 8.47
2013-14	456.633	6,035.5	1:13.22
2014-15	527.16	5,828.10	1:11.05
2015-16	689.622	5,452.9	1:7.9
2016-17	672.4	6,146.2	1:9.15
2017-18	873.27	8,621.5	1: 10

Table 1.2: Top Ten Export Items by Product Category, 2017-18³

HS Code	Products (2-digit HS Code)	Million US\$
62	Articles of apparel and clothing accessories, not knitted or crocheted	207.62
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	158.10
61	Articles of apparel and clothing accessories, knitted or crocheted	71.06
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats, animal or vegetable waxes.	39.16
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	33.62
78	Lead and articles thereof	29.96
03	Fish and crustaceans, mollusc and other aquatic invertebrates	27.13
22	Beverages, spirits and vinegar	25.67
74	Copper and articles thereof	23.80
39	Plastics and articles thereof	23.49

² Based on data of Bangladesh Bank and Export Promotion Bureau (EPB) of Bangladesh.

³ Based on EPB database.

Total (10 product category)	639.61
% of Total Exports to India	73.24

Table 1.3: Top Ten Import Items at HS 2-Digit Level, 2017-18⁴⁵

HS code	Product Description	Million US\$
52	Cotton	1,729.89
10	Cereals	1330.1
87	Vehicles other than railway or tramway	983.82
84	Nuclear reactors, boilers, machinery	649.84
23	Residues and waste from the food industry	371.14
7	Edible vegetable and certain roots	341.89
85	Electrical machinery and equipment and parts	282.12
72	Iron and Steel	279.44
39	Plastics and articles thereof	220.97
29	Organic chemicals	213.42
Total (10 product category)		6601.67
% of total imports from India		76.57

In terms of energy cooperation, trade and connectivity, the two countries have moved far towards potential areas where cooperation would be mutually beneficial and long-lasting. Using the transmission link between West Bengal and Bangladesh, around 1.16 gigawatt of power is now being supplied from India to Bangladesh. This journey from megawatts (MW) to gigawatts (GW) was described as ‘The Golden Chapter’ by Indian Prime Minister Narendra Modi in May 2018.⁵ The 60-point Memorandum of Understanding (MoU) and signing of 22 agreements on all possible sectors including multi-modal connectivity during the visit of Modi in 2015 was of significant importance.⁶ For smooth facilitation of trade, the two countries are going to further improve the Land Custom Station in the border.⁷ The Kolkata-Khulna Bandhan Express has already started and the Akhaura-Agartala rail connectivity is expected to provide another link in cross-border connectivity.

In the last eight years, India has extended three lines of credits (LoCs) to Bangladesh amounting US\$8 billion in total and making Bangladesh the largest recipient of LoC funds from India. To broaden its export base, Bangladesh has offered three Special Economic Zones (SEZs), namely, Mongla, Bheramara and Mirsarai for Indian investors and sought substantial investment from Indian investors in these three economic zones. Indian Foreign Direct Investment (FDI)

⁴ Based on data from Bangladesh Bank.

⁵ Abhishek Law, “PM: It’s the golden era of India-Bangladesh relations”, *The Hindu*, 25 May 2018.

⁶ C D Sahay, “Prime Minister Modi’s Visit to Bangladesh- a Review”, available at <https://www.vifindia.org/article/2015/june/10/prime-minister-modi-s-visit-to-bangladesh-a-review>, accessed on 10 July 2019.

⁷ Smruti S Pattanaik, “Pegging Sub-regionalism with Bilateralism”, *The Daily Star*, 09 June 2015.

in Bangladesh reached US\$95.41 million in 2016-17 which was the seventh highest investment in Bangladesh. Moreover, total Indian investment proposals in Bangladesh registered with the Bangladesh Investment Development Authority (BIDA) exceeded US\$3 billion in the same year.⁸

Export of power from Tripura to Bangladesh and export of internet bandwidth from Bangladesh to Tripura started in 2016. The 1,320MW coal-fired Maitree thermal power plant is being developed at Rampal by joint venture between India and Bangladesh. The 500MW power transfer from West Bengal's Baharampur grid to Kushtia's Bheramara has started through video conference by the prime ministers of the two countries. To supply diesel to Bangladesh, they also inaugurated the construction of the first Bangladesh-India Friendship Pipeline between Siliguri in West Bengal and Parbatipur in Dinajpur. At present, diesel is transported through a cross-border train from Numaligarh refinery in Assam.⁹

If Bangladesh is regarded as 'India-locked', then it is also true that India's Northeast is 'Bangladesh-locked'.¹⁰ The rumbling problems will continue to aggravate without a thriving and developed Northeast. For speedy movement of goods between the western and eastern parts of India, Bangladesh remains the only shorter and cheaper option.¹¹ The loss of Bangladesh's exports to Indian Northeast due to transit (that includes transshipment) offered to India can be compensated by boosting bilateral trade and offsetting trade imbalance through coastal shipping. In India's 'Act East Policy', Bangladesh and Northeast India have been considered as the gateway to connect New Delhi with various Southeast Asian capitals and beyond.¹² The convergence of interests and a shared sense of connectivity between Bangladesh and India forged close ties between Bangladesh and Northeast India. Bangladesh's decision to grant transit to India, setting up of 'border haats' and establishing road and rail connectivity with Northeast India have connected the region to mainland India through trade and business. In the energy sector, the relation has been experiencing greater cooperation through electricity trade and the benefits of cross-border energy grids as well. These undertakings not only altered the nature of Bangladesh-India relations, but they also have the potential to transform Northeast India into an economically vibrant region.

⁸ Momtaj Monwara, "Economic trends in Indo-Bangla relations", *Dhaka Tribune*, 05 November 2018.

⁹ Ibid.

¹⁰ Shahedul Anam Khan, "India has achieved its strategic aim – have we?", *The Daily Star*, 09 June 2015.

¹¹ Joyeeta Bhattacharjee, "Act East through Northeast: Success depends on implementing CMs' suggestions", available at <https://www.orfonline.org/expert-speak/act-east-through-north-east-success-depends-implementing-suggestions/>, accessed on 23 July 2019.

¹² Mehedi Hasan, "Bangladesh can benefit from improved connectivity with North-East India", *Dhaka Tribune*, 13 May 2019.

3. Bangladesh's Business Opportunities with Northeast India

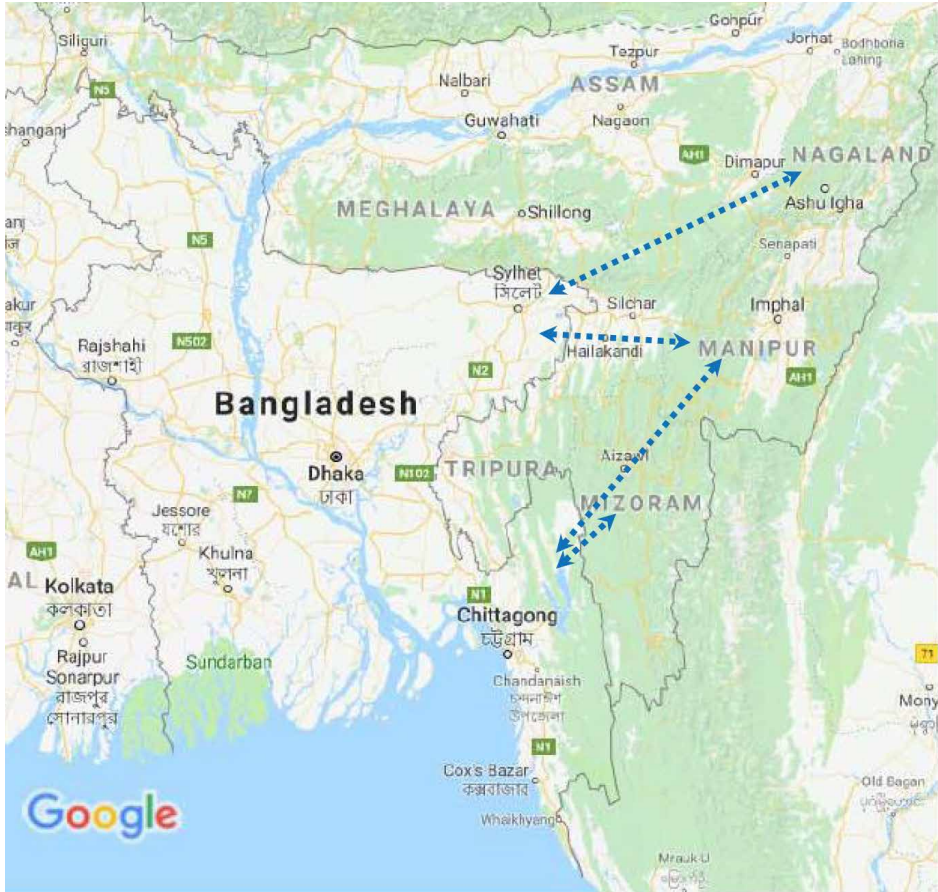
Three states of India's Northeast are comparatively less connected in terms of trade and business, viz. Mizoram, Manipur and Nagaland vis-à-vis other states. It is believed from both Bangladesh and those states' sides that further trade and economic linkage through new corridors would enhance the welfare of the people living on both sides.¹³ Mizoram shares 318 kilometer (km) boundary with Bangladesh. It is the third largest power surplus state in India¹⁴. Thus, it can be a source of electricity for Chattogram hill districts of Bangladesh which are currently suffering from power shortage. Mizoram State Roads II — Regional Transport Connectivity Project (RTCP) is the World Bank's US\$107 million project to improve transport connectivity for that state and to help utilize the potential for regional trade among neighboring countries, viz. Bangladesh and Myanmar. The project aimed to enhance road links of Mizoram and other Northeastern states with Bangladesh. Connectivity is essential for a distant hill state like Mizoram, which is geographically isolated from the mainland and its shared border area in Bangladesh is also hilly area. Difficult transport routes in its predominantly mountainous terrain have long hindered trade and business with mainland India and neighboring Bangladesh.¹⁵

¹³ Juby Thomas, "The untold story of a Northeast India – Bangladesh bonding", *Meghalaya Times*, 31 March 2019.

¹⁴ Utpal Parashar, "Mizoram can become key transit for trade with Myanmar, Bangladesh: PM Modi", *Hindustan Times*, 16 December 2017.

¹⁵ Haroon Habib, "Northeast, gateway to Bangladesh ties", *The Hindu*, 11 August 2016.

Map: Geography of Mutual Interest¹⁶



Map data ©2018 Google 100 km

Mizoram’s road network is poor and underdeveloped with among the lowest density in India that leads to difficulty in connecting with larger markets. The distance from its capital Aizawl to the nearest Indian port of Kolkata via 11km wide Siliguri corridor (‘Chicken’s Neck’) is 1,547km and extremely time consuming compared to Chattogram port in Bangladesh, which is very closely located. Basic food items, such as rice, sugar, tea and tomato are three times costlier in Mizoram than Bangladesh, especially in Chattogram hill districts which just touches its border. The World Bank project, therefore, aims to increase the connectivity within the state, improve access

¹⁶ Based on Google Map.

to transport infrastructure and services to important international trunk roads and transport corridors that connect to Bangladesh and especially Chattogram seaport.¹⁷ On Mizoram side, the road that has been considered to establish a new business corridor is a 22km section of Lunglei-Tlabung-Kawrpuchhuah road on the border with Bangladesh. On the other hand, Bangladesh and India's bilateral decision to construct a bridge over Mizoram's Khawthlangtuipui (or Bangladesh's Karnaphuli) river to mainly establish a business corridor would improve road connectivity and strengthen people-to-people connectivity on both sides of the border. For that to happen, the location of the bridge is adjacent to the nearest land custom station in the Bangladesh side.¹⁸ Bangladesh will be able to export the staple foods and daily necessities to Mizoram which have huge demand because of their high cost and scarcity. Thus, border trade and business of Bangladesh would improve given that border infrastructures such as well-established connecting road, bridge and an integrated check post at Kawrpuchhuah in eastern Mizoram along Bangladesh frontier are fully functional.¹⁹

Bangladesh's other Northeastern potential business partner is Manipur which cannot tap the fullest potential due to lack of seamless transport and communication network. In this regard, a new 15km rail link between Akhaura in Bangladesh and Agartala in Tripura is mooted to help reduce time and costs of goods transportation on both sides of the border. It is likely to foster Bangladesh's trade directly with Tripura and its adjacent Manipur, Mizoram and Nagaland. Bangladesh's agricultural products that already have a huge market in the Northeastern states are expected to ease significantly through this rail connectivity.²⁰

Bangladesh's increased trade with Manipur is beneficial for both parties because of the former's comparative advantage in exports and the latter's cost advantage in imports of food and other necessary items. Bangladesh is interested to export other items, such as readymade garments, furniture, medicines and food items to Manipur and Nagaland. Considerable demand for Bangladeshi products in Manipur and higher cost and scarcity of those products in mainland India indicate mutually beneficial business between Bangladesh and Manipur.²¹

Bangladesh also has a good potential for beneficial bilateral trade with Nagaland which cannot be tapped fully due to lack of supporting trade corridor. The state is located closely with Manipur, Mizoram and Bangladesh. Commodities, such

¹⁷ Aung Phyo, "WB to Fund \$107m to Connect Mizoram with Bangladesh and Myanmar", *Myanmar Business Today*, 18 June 2014.

¹⁸ "India, Bangladesh to construct bridge along Mizoram border", *Business Standard*, 08 July 2017.

¹⁹ Joyeeta Bhattacharjee, "Trade with Bangladesh: Opportunities for North East", available at <https://www.orfonline.org/research/trade-with-bangladesh-opportunities-for-north-east/>, accessed on 03 July 2019.

²⁰ "Railway to increase BD-India connectivity, boost trade", *The Daily Observer*, 29 November 2017.

²¹ "Bangladesh eager to export quality products to India's Manipur: Tofail", *Daily Sun*, 08 April 2016; See also, Sanjay Kathuria, "Bangladesh Corridor Vital to India's 'Act East' Policy", *The World Bank*, 27 September 2017.

as Naga king chili, khollar, large cardamom, pineapple, ginger, passion fruit and wild apple can be imported to Bangladesh at low prices.²² But it requires seamless road/rail connectivity with Sylhet through Manipur and direct air cargo transportation. There is also a good potential for tourism in Nagaland that Bangladesh can easily export through better physical connectivity.

4. Drawbacks and Challenges in Tapping Business Opportunities

There are natural advantages between Bangladesh and India's Northeast as they are geographically and culturally connected, like the same community of both sides, which reflects the historical connection. This kind of contiguous location is important for business and trade-based relations. However, hostility and non-cooperation of Bangladesh-India relations was the reason for not developing good business relations of Bangladesh with Northeast India for a long time until recently. Bangladesh did not give proper attention to business relation with most of the Northeastern states even when there was warm relationship with India's mainland.

There are many dimensions to understand the economic prospect of a region. Firstly, economic importance is considered with trade and investment potentials. Secondly, the prospects of import importance and potential of export destination are very important. The other two major dimensions are energy trade and people-to-people connectivity which is known as 'tourism'. In terms of import source, India's Northeast is important for agricultural products which are nearly similar to products of Bangladesh. But there are other products, such as mango to produce juice or pulp. Minerals, such as coal can be useful and imported easily at low cost.

Currently, Tripura and Assam play an important role for Bangladesh due to border connections. There are few land customs stations through which goods and human movements take place. Over the last few years, the region has got a new dimension in trade, business and mobilization of people of bordering places through opening 'border haats'. Absence of physical connectivity and customs stations was a major challenge to tap business potential with Mizoram for a long time which is currently being addressed by the two parties. Northeast's minerals, agricultural products and industrial raw materials can be useful for Bangladesh but they are not that much developed in the region unlike mainland India. There are also numbers of limited items of import quality.

²² "Nagaland can trade with neighbouring countries", *Eastern Mirror*, 29 November 2017.

Table 2: Basic Socio-Economic Profile of Seven Northeastern States²²

	Tripura	Mizoram	Nagaland	Manipur	Meghalaya	Assam	Arunachal Pradesh
Area (km ²)	10,492	21,087	16,579	22,327	22,429	78,438	83,743
Population (million), 2011	3.67	1.09	1.99	2.86	3.2	39.21	1.38
GDP (US\$ billion), 2012-13 (constant 2004-05 prices)	2.80	0.86	1.76	1.26	1.97	13.77	0.94
Per capita GDP (US\$), 2012-13	763	786	883	439	616	351	680
GDP growth (%), 2012-13	8.70	7.23	6.45	3.95	2.18	6.06	4.65
Poverty rate (%)	14.05	20.40	18.88	36.89	11.87	31.98	34.67
Literacy rate (%)	94.65	91.58	80.1		75.84	72.19	66.95
HDI	0.662 (medium, 2014)	0.651 (medium, 2011)	0.770 (high, 2005)	0.707 (high, 2005)	0.585 (medium, 2005)	0.598 (medium, 2005)	0.617 (medium, 2005)

From an export perspective, the first problem is: demand for Bangladeshi products is low in that region because of low per capita income, gross underdevelopment and meagre total population there as depicted in Table 2. The ratio of export to Northeast India is therefore, meagre compared to total export to India. In other words, big market ambitions do not realize because the market is very small in terms of population and per capita income with less import demand due to low income. For that reason, small business and entrepreneurship programmes could be a viable option. On the issue of border haats, both the governments of India and Bangladesh have agreed to set up some markets in the no-man’s land on the Bangladesh-India border. During Sheikh Hasina’s New Delhi visit in 2010, this innovative idea was introduced with the aim to increase people-to-people connectivity, reduce cross-border smuggling and boost trade in border areas. Subsequently, the MoU, Mode of Operation of Border Haats and the Addendum to Mode of Operation of Border Haats were signed by both the governments on 23 October 2010 and 15 May 2012 respectively.²⁴

The first set of haats at the border points of Northeast India was opened on a pilot basis after the initial 70 border haat locations — 35 with Northeast India and the rest with West Bengal were identified. At present, four border haats are operational, of which two are with Meghalaya and two are with Tripura. Each haat has an annual

²³ Based on the 15th Indian Census 2011; State of Literacy, Office of the Registrar General & Census Commissioner, India; State governments’ economy reports; and Indian Planning Commission data tables, 2014.

²⁴ “MoU between India and Bangladesh and Mode of Operation of Border Haats for setting up of Border Haats”, *PMIndia*, 06 January 2016.

turnover of average US\$0.61 million during the 52-week trading year according to the World Bank-funded Consumer Unity and Trust Society (CUTS) study.²⁵ These haats follow the traditional system of trading- local products in exchange for local currency or on the basis of barter managed by the Haat Management Committees (HMCs). The products sold in these markets are excused from custom duties and other taxes levied by the concerned authorities of both countries.²⁶ Bangladesh and India have decided to extend the agreement on the haats from 3 to 5 years due to their popularity. They also decided to increase the number of vendors — from 25 to 50 in each haat and to double each vendor’s trading cap from US\$100 to 200.²⁷ Tripura has expressed its demand for more than 100 such haats and the state government of Meghalaya is working to finalize a proposal for 22 border haats.²⁸ By formalizing informal trade as well as building trust and higher trade openness between the two territories, these weekly border haats facilitate the economic welfare and enhance people-to-people contacts for ones living in bordering areas. However, arrangement of border haats with Manipur, Mizoram and Nagaland is not yet to be finalized and it needs immediate consideration.

The second obstacle is though the infrastructure is not bad, inter state or intra-state communication between major hubs is very much poor in nature. Thus, to reach out for transport route in any part of India’s Northeast is difficult. Moreover, the hilly terrains of those regions do not match with the smooth and plain lands. For most Indians, Northeast is like ‘on the map but off the mind’, though it is connected through the 22km-wide Siliguri Corridor with the Indian mainland.²⁹ Due to this geographical barrier, the Northeast has long been neglected in the policy preference and business ventures of mainland India. However, since 1990s, due to its geographical proximity to Southeast Asia and China, the Northeast has gained immense significance. India aims to make this region the vanguard of the country’s ‘Look East Policy’, as intended by the ‘North Eastern Region Vision 2020’ document.³⁰ But still there is a long way to go with connectivity of Northeast to mainland India as well as Bangladesh especially with Nagaland, Manipur and Mizoram.

The third obstacle is the non-tariff barriers. With India, Bangladesh literally has more than five thousand non-tariff barriers. These non-tariff barriers are politically dominated to a great extent. There are natural non-tariff barriers along

²⁵ Pratim Ranjan Bose, “Plugging the gaps on India-Bangladesh border haats”, *Hindu BusinessLine*, 02 November 2016.

²⁶ Ashish Nath, “Border Haats: New Dimension in Cross-Border Trade”, *Economic and Political Weekly*, Vol. 53, No. 11, 2018, p. 45.

²⁷ Pratim Ranjan Bose, op.cit.

²⁸ “Tripura wants 100 border haats with Bangladesh”, *bdnews24.com*, 30 July 2014.

²⁹ Sanjib Baruah, *Postfrontier Blues: Toward a New Policy Framework for Northeast India*, Washington: East West Center, 2007, p. 4.

³⁰ North Eastern Council, *North Eastern Region Vision 2020*, Ministry of Development of North Eastern Region, Government of India, 2008.

with tariff barriers. The non-tariff barriers are traditional in nature.³¹ In this sector, banking is a major problem. The banking channel is not smooth for Bangladesh and India. Thus, Northeast India also is a part of it and does not fall as a separate entity as such.

Table 3: Structure of Customs Duty at Import Stage, 2017-18³¹

Cus-toms Duty (Rate, %)	Live Ani-mal and Animal Product	Vegetable Product	Animal or Vegetable Fat and Oil and their Cleavage Product; Prepared Edible Fat; Animal or Vegetable	Prepared Food-stuff; Bever-age, Spirit and Vinegar; Tobacco and Manufac-tured Tobacco Substitute	Jute	Total Ag-ricultural Com-mod-ity
0	32	75	3	13	1	124
5	25	53	2	17	4	101
10	17	112	32	10	4	175
15	0	5	0	0	0	5
25	601	313	16	194	15	1,139
Total	675	558	53	239	24	1,549

Table 3 shows the structure of customs duty at the import stage in fiscal year 2017-18 of Bangladesh. Import duties on agricultural items are considerably high among custom duties as portrayed by the agricultural duty structure of Bangladesh in recent years. Among them, 25 per cent of customs duty was imposed on 89 per cent of live animal and animal products, 56 per cent of vegetable products, 30 per cent of animal/vegetable fats and oil and their cleavage products, 86 per cent of prepared foodstuffs, beverages, spirits and vinegars and 63 per cent of jute.³³ Trade barriers imposed by India, such as anti-dumping duties, negative product list, countervailing duties and others are actually hurting Bangladeshi exports to India. Bangladesh has registration procedures and other regulatory requirements along with high tariff rates and supplementary duties that often inhibit market access.³⁴

Consulted business representatives and experts perceive that there is a good potential to establish joint projects to import electricity and minerals from the Northeast in a cost-effective manner. Meghalaya, Tripura and Assam are the potential sources of electricity until Bangladesh becomes self-sufficient in this area. They

³¹ See, for details, Selim Raihan, Mostafa Abid Khan and Shaquib Quoreshi, *NTMs in South Asia: Assessment and Analysis*, Nepal, Kathmandu: SAARC-TPN, 2014.

³² National Board of Revenue of Bangladesh, 2017.

³³ Mustafizur Rahman and Estiaque Bari, *Bangladesh's Formal and Informal Agricultural Trade with SAARC Countries: Emerging Trends and Policy Challenges*, Dhaka: Centre for Policy Dialogue (CPD), Working Paper No. 114, 2018.

³⁴ "Bangladesh -Trade Barriers", *export.gov*, 12 October 2018.

opined that India was perhaps not considering Bangladesh as the only consumer of their energy. Rather, it wants a regional grid to sell its electricity from surplus states to Myanmar, Nepal and Bangladesh. However, for historical and political reasons, energy dimensions were least discussed.

Northeast India not only wants connectivity with mainland India but also with other countries through the Bay of Bengal. Services like connectivity, banking facility, hotel and transport quality are the factors which are considered by Bangladesh in strengthening business with the Northeast. However, the Northeast considers Bangladesh as connecting hub to Southeast Asia or East Asia. Their priority project reflects their connectivity. Bangladesh also wants connectivity to Southeast Asia through Northeast India. India is constructing trilateral highway with Thailand and Myanmar but Bangladesh is excluded from that highway. Conversely, Bangladesh-Bhutan-India-Nepal (BBIN) initiative is important for sub-regional cooperation. If implemented properly, BBIN could be a venue to explore many other prospects to establish new business routes in the Northeast. However, Bhutan has given the ‘go ahead’ signal to the other member countries, it is still suffering from uncertainty in execution. Although road connectivity through bus services had been opened between Dhaka and Kolkata in 1999 and between Dhaka and Agartala in 2003, two more such services have now been inaugurated in 2015: Kolkata-Dhaka-Agartala and Dhaka-Shillong-Guwahati.³⁵ Bangladesh in November 2017, revealed its plan to restore 12 railway lines between the two countries.³⁶ In doing so, Northeastern states of India will save more than 50 per cent of their transport costs and travel time and Bangladesh will also benefit from the foreign exchange earnings in terms of rail charges, port charges and transit fees.

The development pattern within Northeast India is different compared to Bangladesh and not symmetric or equitable in nature among the Northeast itself. Developments in Guwahati or Tripura are not similar to the other parts of Northeast India. Business over there is very much urban-centric in nature. The markets are being created within the urban atmospheres. Thus, market concentration is also very limited. As a result, market expansion is not also taking place because of the low pace of development. For creation of market, there should be a purchasing capacity. For that, the product should have a low price which needs effective infrastructure and non-tariff barriers. Transportation and other costs will result in price escalation. The fact is, most products of Bangladesh are competitive. The manufacturing and production hubs of India are all in the mainland, from West Bengal and onwards. For topographic reasons, manufacturing hubs of the Northeast are very poor. Due to long-drawn insurgencies, the Northeast has always been a wasteland.³⁷ The mainland and Northeast India always had

³⁵ “Bus service linking Kolkata and Agartala via Dhaka launched”, *The Daily Star*, 17 October 2015.

³⁶ “Abandoned after Partition, railway lines between India and Bangladesh to be restored”, *Think Change India*, 09 November 2017.

³⁷ G Parthasarathy, “New security challenges in North-East”, *The Hindu Business Line*, 17 April 2019.

administrative as well as political differences which created a huge gap between them. For this reason, Bangladesh is unable to develop a trading hub in that region as there is no big market. It is the concern of Bangladeshi investors whether they can benefit from this region or not. One kind of investment would be benevolent in nature, but the question is how much facility private sectors are deriving from these investments. The market range within the private sector is not that big and Indian conglomerates do not opt for investments in the Northeast. As a result, it is facing chronic deficiency in development which is unlikely to provide a lucrative return for investment.

The rhetoric is, Bangladesh has market in the Northeast, and the reality is the market is both limited and complicated at the same time. Huge varieties of products should be the focus of Bangladesh for boosting up economic relations with the Northeast. Bangladesh can offer cheaper goods in this competitive market because of geographical proximity. To form market, Bangladesh can send products at cheaper costs. Once the market is created, ultimately the investment will follow. Bangladesh already has a competitive advantage here. But non-tariff barriers occur without harmonization on different products. The certificate of the Bureau of Indian Standards for confirmation of quality standards of different products takes time.³⁸ Traders or entrepreneurs are not much interested in investing or trading in that region.

India's Northeast serves as an easy source of raw materials and intermediate products for different industries in Bangladesh.³⁹ Bangladesh's leather products and pharmaceuticals are recognized all over the world. Processed food products are also lucrative in terms of trading capacities. Northeast Indians have huge interests in Bangladesh's processed food products. The reason is that Bangladesh's products have high quantitative content in the market of that region. Its agro-based products and garments have large potential in the Northeast. Jute products and processed cement also have good potential. The advantage here is that Bangladeshi businessmen know the culture of the Northeast. However, Bangladesh's exports to the Northeast are affected by directives coming from central or provincial authorities. Besides, informal border trade is hampering such significant potentials.

According to the interviewed experts, India is still struggling for integration with its Northeast and insurgency movements are creating pressure on the central government. This is also an obstacle in the way of setting better business relations for Bangladesh with the Northeast. If a region is not politically or strategically stable, then it is difficult for anyone to explore the business potentials over there. The relationship of Bangladesh with the Northeast is mostly 'duopolized' by Assam and Tripura. As a result, there were no such prominent business relations with Manipur, Mizoram or Nagaland.

³⁸ Available at https://bis.gov.in/wp-content/uploads/2019/05/GoLGuidelines_01052019.pdf, accessed on 12 July 2019.

³⁹ Md. Sohel Rana, "Transformation of Indo-Bangladesh Relations: From Insecurity to Cooperation in Northeast India", *Strategic Analysis*, Vol. 42, No. 6, 2018, pp. 559-577.

It is a structural problem of the Bangladesh economy that its exports are extensively dependent on RMGs and there is need for export basket diversification. The country has comparative advantage in many labour-intensive sectors other than the garment products⁴⁰ which can be supported by the Northeast as a source of raw materials and destination of finished goods. Leather and leather goods, furniture and many other sectors will get exactly the same facilities like the apparel sector as they have huge potential.

Access to cheaper and greater variety of products, enhancing growth opportunities for Bangladeshi firms, improved access to cheaper inputs, export markets for finished goods, partnership arrangements for knowledge transfer and skill upgrading and investment opportunities through FDI can boost trade relations of Bangladesh with Northeast. Bangladesh's economy has the potential to grow up to 10 per cent annually in the next couple of years by leveraging trade opportunities in regional and global markets.⁴¹

When Bangladesh entered into a market-based system in the early 1990s, some positive changes took place due to natural interdependence on each other's market. Mineral resources and consumer goods' market was created but cultural and political relationship was not developed. In terms of connectivity, Northeast India is located quite distantly from mainland India. Though Bangladesh does not have any historical conflict with the region, still there were no effective trust-building measures. The psychological barrier with the Northeast was not culturally addressed. Bangladesh did not try to manage duty-free market access and special treatment for promoting investment which was difficult for India to initiate development in the past. This delay of Bangladesh has made its relations with the Northeast quite costly. The moment Bangladesh is looking at Northeast India, India itself is focusing on this region through its Act East policy. Now the question is whether it is clashing with Bangladesh rather than complementing or supplementing with it. It is gradually becoming a major challenge for Bangladesh.

5. Concluding Remarks

There is nothing called too late in trade and business. Initiatives should be taken to improve both trade and investment. Most of Northeast India is still unexplored by Bangladesh. Assam and Tripura are more advanced in the region and economic relations are more feasible with them; but still there are prospects for developing economic relationship with Manipur, Mizoram and Nagaland as well. The Sylhet region of Bangladesh can be an important hub for trade and cultural

⁴⁰ Muktadir Rashid, "India wants Bangladesh land for Agartala airport expansion", *New Age*, 02 August 2019.

⁴¹ "Media News Report Bangladesh- Leveraging Growth Opportunities in the Neighborhood", *Policy Research Institute*, 13 May 2019.

exchanges between Northeast India and Bangladesh.⁴² Export diversification and flexibility of tariffs in case of infant industries will promote access to cheaper and greater variety of products.⁴³ Import duties on products, especially on the agricultural ones should be reduced. Illegal bilateral trades can be stopped through more small business and entrepreneurship programmes.

Most export products of Bangladesh have got competitiveness in the region, in which the transportation leverage can beat other countries. For the capacity building of Manipur, Mizoram and Nagaland, Bangladesh should start exchanges of training, technology transfer and education facilities. Cultural and educational exchanges must be there along with economic interactions, otherwise it will not work. As India's central government is keen of this region, they want to establish it as an industrial hub, particularly as a source of energy. Besides, the abovementioned three Northeast Indian states have good relations with China. Therefore, government of Bangladesh and business chambers need to initiate interactions with the state government as well as with chamber of commerce vis-à-vis regular business-to-business communications.

People-to-people contact can be the starting point of trade relations where tourism is a major aspect because 'illegal Bangladeshis'⁴⁴ is currently a sensitive issue in Nagaland. As the number of middle-class people in Bangladesh is increasing, tourism has great opportunity. There can be three basic routes of economic corridors: one is Assam-centric, second one is Tripura-centric and the third one is with Manipur, Mizoram and Nagaland. The proposed road through the Chattogram Hill Tracts (CHT) of Bangladesh needs to be further examined. Though it could not be seen prospective in terms of economy, in the long run, there are huge business potentials of this route. The economically backward region of Bangladesh will fall into this category which will be beneficial for Bangladesh. On the other hand, there is a proposed route through Sylhet as well. Therefore, there is no option of viewing the routes exclusively; rather, importance should be given to all of them because all are interconnected and create feedback effects. Though markets with Tripura and Assam are developed, prospects of corridors with Manipur, Mizoram and Nagaland are not less as well. What Bangladesh needs now is to start the initiative.

Increased connectivity through bus and rail services can act as catalyst in trade and business sector of the two countries. In the proposal of Asian highway, Sylhet, Meghalaya and Myanmar are the points for connectivity. Another route is from CHT but that is hilly and conflict-prone area and the same goes to Myanmar.

⁴² Mohammed Serajul Islam, "Indian envoy: Sylhet an important hub between Bangladesh, northeast India", *Dhaka Tribune*, 31 July 2019.

⁴³ Harjit Hansi and DB Shekatkar, "Engaging Bangladesh for Lasting Peace in Northeast", *Centre for Land Warfare Studies (CLAWS)*, 2015, pp. 64-69.

⁴⁴ Utpal Parashar, "Nagaland town adopts resolution to keep illegal Bangladeshi immigrants away", *Hindustan Times*, 06 October 2017.

And now it is difficult because of the bilateral relation with Myanmar. However, policy should be made where political cause should not be overwhelmed. Bangladesh must keep in mind that Myanmar is an important route of connectivity after India. If it goes from Sylhet, then it will connect Meghalaya; if it goes from CHT, then it will connect Myanmar. Bangladesh should not close that option with Myanmar. It had a proposal to Myanmar to build a road inside Myanmar, but they did not respond. If it goes to Meghalaya, then it will connect India only; but from CHT, it will connect others.

Trade deficit between Bangladesh and India is the biggest problem and both sides are working on how to reduce the imbalance. Boosting bilateral trade through coastal shipping could be an effective option. Indian FDI in Bangladesh is huge and its proper utilization should be done at the SEZs of Bangladesh. Bangladesh should also effectively consider the growth zones of sea route. India is also considering the inland water way. Particularly, there are many growth zones in hostile regions. If that happens, then both the countries will not have to import products from Singapore. Inland water connectivity can connect Mumbai and other states. Land routes and water routes both are important. Potential of rail is more important than road because the roads of Bangladesh are already overcrowded. Bangladesh needs to focus on prioritization of its own interest in the Northeast.

On the issue of connectivity and corridors, people-to-people and business to business connectivity should be promoted further. Besides improving infrastructure and easing movement of goods and passengers through existing land ports, the initiative of increasing the number of border haats is expected to be catalytic to strengthen business ties between Bangladesh and India's Northeast. The border haat is an innovative model of business-cum-people-to-people connectivity that worked very well. Different kinds of demands are being created through the haats in bordering areas. Thus, increased number of border haats and more vendors will enhance the annual turnover through benefitting both the economies.

Lessons should be learnt from historical relation of Bangladesh with Assam or Tripura. Guwahati was one of the major trading hubs and there was direct train connectivity with it as well. There are several types of corridors and already different types of initiatives are going on, such as BBIN, Bangladesh, China, India and Myanmar Economic Corridor (BCIMEC), etc. Bangladesh Bhutan India Nepal Motor Vehicles Agreement (BBIN MVA) has given the most recent formal space at sub-regional level to best utilize the infrastructure, river and sea ports and business opportunities in Bangladesh. But the essential component needed at present is the establishment of the people-to-people contact which is largely missing with Mizoram and other places. The chambers from both the sides should come together in this respect — both local and apex chambers should facilitate the process. The potentials should be found out through dialogues and discussions. Thus, the cycle and circle of business barriers should be addressed to properly utilize the potential of the corridors.

Annex: Experts and Officials Consulted

1. Professor Dr Delwar Hossain, Department of International Relations, University of Dhaka.
2. Professor Shahab Enam Khan, Former Chairman, Department of International Relations, Jahangirnagar University, Dhaka.
3. Mr. Manzur Ahmed, Advisor, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Dhaka.
4. Dr Khondaker Golam Moazzem, Research Director, Centre for Policy Dialogue (CPD), Dhaka.