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BANGLADESH-INDIA COOPERATION IN TRADE, INVESTMENT, AND CONNECTIVITY: A BANGLADESH PERSPECTIVE

Abstract

Bangladesh-India bilateral relations encompass manifold dimensions and varied prospects. Both countries have demonstrated positive performances in terms of economic growth, bilateral trade, and connectivity in regional and global platforms. This paper attempts to provide an insight into some of the key areas of economic cooperation between Bangladesh and India. It analyses the current traits in export and imports of goods and services, Foreign Direct Investment (FDI), barriers of trade and inward FDI, and connectivity. It reveals that the two countries are not fully utilising the potential of each other to strengthen trade, investment and connectivity for optimising mutual benefits. It also reveals procedural constraints which led to asymmetrical outcomes for the countries. Finally, the paper suggests a nine-point agenda for Bangladesh to bring about positive outcomes in these areas.

Keywords: Bilateral Trade, Connectivity, Bangladesh-India Trade, Export Capacity, Trade Restrictiveness, Transit

1. Introduction

Bangladesh and India, two most promising South Asian economies in terms of their recent performance in economic growth, have developed a long-standing partnership in a number of key areas of mutual interest. The historical legacy has helped both the countries to pursue similar developmental goals for more than three decades. Both countries have identified common grounds where the partnership can be explored and extended in new dimensions. Trade, connectivity, transportation, energy and people-to-people ties are some of the major areas of partnership and cooperation.¹ Nevertheless, trade and connectivity can be regarded as two important

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¹ Mahfuz Kabir, Surendar Singh and Michael Joseph Ferrantino, “The Textile-Clothing Value Chain in India and Bangladesh: How Appropriate Policies Can Promote (or Inhibit) Trade and Investment,” *Policy Research Working Paper WPS8731*, Washington, DC: World Bank, 2019.

areas where a focused cooperation can herald affirmative outcomes. By utilizing their potentials and exploring the untapped areas, both Bangladesh and India can unlock new channels of cooperation.

Both Bangladesh and India have maintained their economic ties throughout the years. India is one of the fastest growing economies in the world. Bangladesh is also the second-largest economy in South Asia after India according to a report prepared by the Centre for Economics and Business Research (CEBR).² The country now looks forward to achieving the status of a middle-income country by 2021 and a developed country by 2041. Bangladesh aimed to increase the previously obtained growth rate of 8.15 per cent in the fiscal year (FY) 2018-2019 to 8.2 per cent in FY 2019-20. However, trade between Bangladesh and India seems to be not at par with the promising development patterns that is reflected by their economic growth. De and Bhattacharyay³ have noted that no significant bilateral trade agreement has been adopted by the two countries for accelerating trade except for the general trade agreements under the regional forums.

Bangladesh and India have not been successful in optimising their bilateral trade by establishing significant value chains. Reports have identified that trade within value chains can generate facilitative impacts. According to the Organisation for Economic Co-operation and Development (OECD),⁴ value chains have been dominating the courses of global trade and investment since the adoption of Aid for Trade Initiative in 2005. Hence, textile and apparel value chains, rice value chains, etc. hold promises in the advancement of trade.

The geographical proximity also provides ample opportunities for unlocking their trade potential. Sharing the fifth-longest border in the world along with 54 shared rivers, both countries can redeem trading opportunities by utilising already existing identified areas of cooperation and seek further new areas for mutual benefit. The 4,156 kilometre long shared border compels the two neighbouring countries to share land-based and riverine intermediary points holding a number of river/land ports as well as transit routes. The geographical proximity and shared history also generate common socio-political realities, similar cultural and linguistic ties as well as similar value systems.

² “Bangladesh 2nd largest economy in South Asia”, *The Daily Star*; 08 January 2019, available at <https://www.thedailystar.net/bangladesh/bangladesh-ranked-41st-largest-economy-in-2019-all-over-the-world-study-1684078>, accessed on 27 April 2020.

³ Prabir De and Biswas N. Bhattacharyay, “Deepening India-Bangladesh Economic Cooperation: Challenges and Opportunities”, *Research and Information System (RIS) for Developing Countries Discussion Paper*, No. 130, 2007.

⁴ Organisation for Economic Co-operation and Development (OECD), Sector Studies, “Aid for Trade and Value Chains in different sectors - OECD”, available at <https://www.oecd.org/dac/aft/aidfortradeandvaluechains.htm>, accessed on 27 April 2020.

This paper looks into the possibilities of expanding economic relation between the two countries based on statistics and predictive measurements. The article is divided into five sections. The first section presents an introductory picture by illustrating the grounds of development and enabling factors to unlock trade potential. The second section addresses current trends in economic cooperation between the two countries. Hence, it analyses the patterns of merchandised and service trade, trade restrictiveness indices and problems of non-tariff barriers (NTBs) faced by Bangladesh, FDI inflows from India based on existing research works. The third section looks into connectivity options focusing on the land and maritime transit routes. The fourth section lays out a nine-point agenda for Bangladesh for facilitating trade and connectivity between the two countries. The paper ends with concluding remarks annotating the summary of basic arguments.

2. Trends in Bangladesh-India Trade and Investment

2.1 Trade in Goods

In analysing bilateral trade between the two countries, Islam⁵ has pointed out that the asymmetrical trading relation has been exposed in the inter-temporal trend in exports and imports along with, inter alia, the average annual trade growth. From the estimation of Business as Usual (BAU) and authors' simulation, exports to India would be US\$ 3.1 billion by 2024-25 at a 20 per cent growth per annum (Figure 1). To unlock the potentials, the rate has to accelerate at least at a rate of 28.9 per cent growth per annum which indicates a value of US\$ 4.43 billion. Similarly, to reach the optimal growth rate, a yearly average export growth rate of 35 per cent is required which can be translated as US\$ 4.4 billion value of exports. De et al.⁶ have calculated a high-intensity in the Intra-Industry Trade (IIT) between the two countries which is circumscribing the inherent capabilities when the merchandised trade is concerned. The World Bank⁷ has mentioned that trade diversification has become a challenge for Bangladesh despite a considerable amount of growth in the overall trading volume in global context. It has also mentioned internal issues which result in further stagnation.⁸

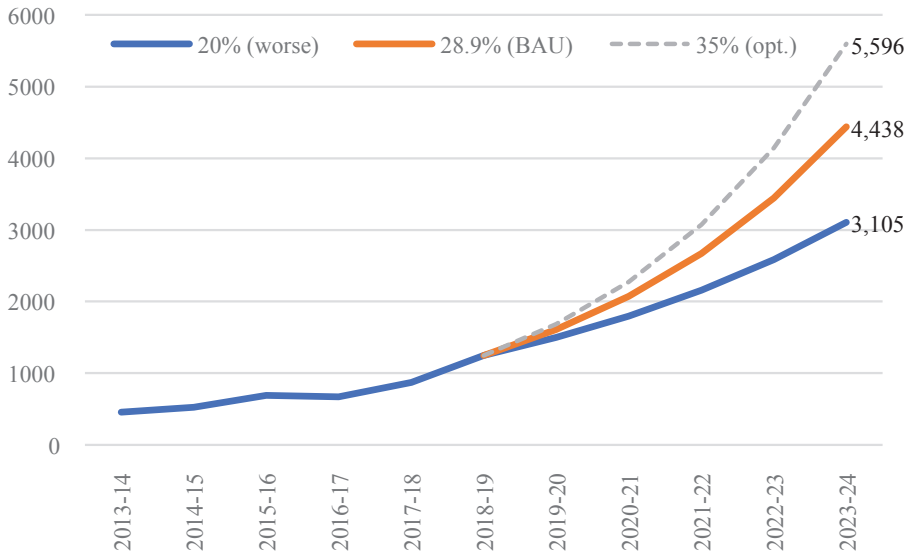
⁵Anisul M Islam, "Bangladesh Trade with India: Trends and Patterns", *Athens Journal of Business & Economics*, Vol. 5, No. 2, 2019, pp. 123-140.

⁶Prabir De, Selim Raihan and Sanjay Kathuria, *Unlocking Bangladesh-India Trade: emerging potential and the way forward*, World Bank, 2012, pp. 10-13.

⁷World Bank, *Bangladesh Development Update: Towards Regulatory Predictability*, 2019, pp. 2-3.

⁸Ibid.

Figure 1: Projection of Bangladesh Exports to India in Different Growth Scenarios

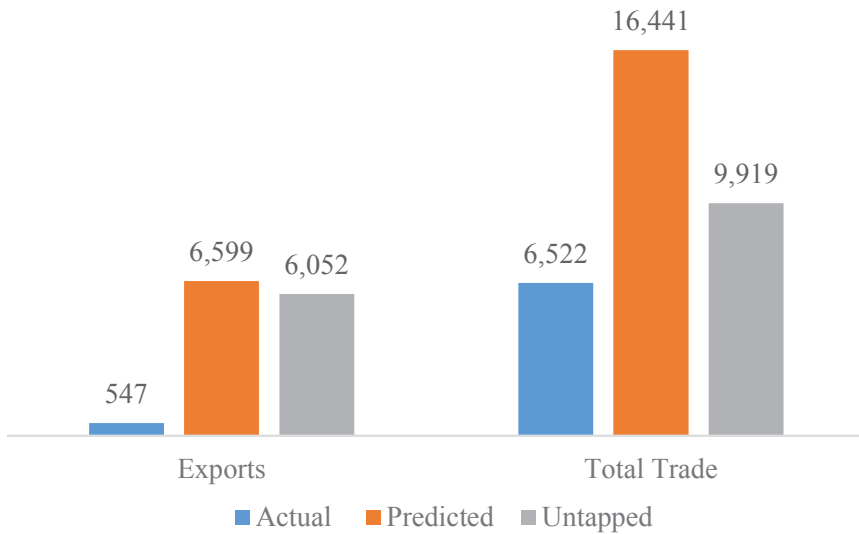


Source: Authors’ simulation based on Export Promotion Bureau (EPB) data.

The reason behind this lag in the actual level of exports is the high untapped merchandised export and trade potential. Kathuria and Malouche⁹ identified some unaddressed potential areas like shipbuilding, bicycles, diversified jute products, non-leather footwear, and pharmaceutical sector where forethoughtful engagement can provide positive outcomes. However, the actual volume of exports is much lower than the estimation predicted by the gravity model and the findings of the World Bank (Figure 2).

⁹ Sanjay Kathuria and Mariem Mezghenni Malouche (eds.), *Attracting Investment in Bangladesh—Sectoral Analyses*, Dhaka: World Bank, 2016.

Figure 2: Actual and Potential Exports of Bangladesh and Trade between Bangladesh and India (US\$ million)¹⁰



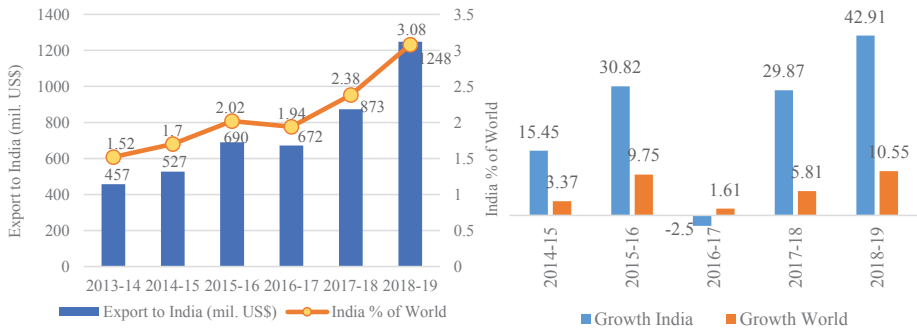
As per the estimation of the gravity model, a comparative analysis presents a deviation of around US\$ 6 billion in the actual scenario of exports while the World Bank report predicts even more (US\$ 10 billion). Even though the volume of actual exports is around US\$ 6 billion higher in the World Bank report, the discrepancy is easily noticeable due to the sheer amount of untapped merchandised exports from Bangladesh end. De and Bhattacharyay¹¹ argue that while trade openness is an important factor to boost up the volume, it is, however, not sufficient until subsequent complimentary measures are adopted. Hence, microeconomic stability, financial intermediation, improved infrastructure and removal of trade barriers are some of the key areas to improve bilateral trade performance.¹²

¹⁰ Sanjay Kathuria and Priya Mathur, “South Asia: A Work in Progress”, in Sanjay Kathuria (ed.), *A Glass Half Full: The Promise of Regional Trade in South Asia*, Washington, DC: World Bank, 2018, pp.27-85.

¹¹ Prabir De and Biswas N. Bhattacharyay, op. cit.

¹² Ibid, p. 05.

Figure 3: Trend Merchandised Exports of Bangladesh to India (left) and its Growth (right) (per cent)



Source: EPB Database.

A brief look at the comparative picture of Bangladesh’s merchandised exports to India and India’s share in Bangladesh’s exports portrays the trend in bilateral merchandised trade over the years. Except for the FY 2016-17, the value of Bangladesh’s merchandised exports to India has been showing an increasing trend, which is mainly because of India’s unilateral granting of duty-free market access for almost all products of Bangladesh as a least developed country (LDC) and introduction of Goods and Services Tax (GST) in 2017. Within five years, the amount went up from US\$ 457 million to US\$ 1.2 billion (Figure 3). The share of India in Bangladesh’s global exports has also increased over the years. During this five-year period, growth in merchandised exports to India increased simultaneously alongside the growth in merchandised exports to the world (Figure 3). However, the growth in Bangladesh’s exports to India outshines the overall international scenario. While the growth in exports to the world accelerated from 3.37 per cent to 10.55 per cent, in the case of India, the growth made a higher leap rising from 15.4 per cent to 42.91 per cent, doubling the accession compared to the former one. It is mainly due to unilateral zero tariff facility granted by India in 2011 for more than 50 textile-clothing related products. Since textile-clothing products are the most important segments in Bangladesh’s export basket, it helped increase the country’s exports to India in the later period and strengthen bilateral value chains in this sector. The performance in the FY 2016-17 registered a decline in exports in both of the cases.¹³ Within a year, Bangladesh again registered growth in merchandise exports to India as well as to the world. Kathuria and Rizwan¹⁴ have pointed out that despite

¹³ Ibrahim Hossain Ovi, “Export Growth Fails to Keep Pace with Economic Growth”, *Dhaka Tribune*, 21 December 2017, available at <https://www.dhakatribune.com/opinion/special/2017/12/21/export-growth-fails-keep-pace-economic-growth>, accessed on 01 May 2020.

¹⁴ Sanjay Kathuria and Nadeem Rizwan, “Benefits of Cooperating with Big Neighbors: The Case of Bangladesh and India”, in Selim Raihan and Prabir De (eds.), *Trade and Regional Integration in South Asia*, Singapore: Springer Nature Singapore Pte Ltd, 2020, pp. 111-113.

the increasing trend in the export value, these products constitute less than 1 per cent of the total imports by India. Hence, they used trade intensity index (TII) to illustrate the intensity of bilateral trade among the two countries. The index value tends to be around 0.62 and 0.77 since 2009 (less than 1) which indicates slower trade integration level between the two partners.¹⁵

Table 1: Export of Top Ten Products to India (Million US\$)

HS Code	Product description	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
62	Articles of apparel and clothing accessories, not knitted or crocheted	76.44	81.93	102.17	92.35	207.62	369.43
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	80.71	90.08	203.03	151.93	158.1	141.84
61	Articles of apparel and clothing accessories, knitted or crocheted	19.81	22.32	34.25	37.48	71.06	129.66
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats, animal or vegetable waxes	8.51	7.55	21.31	39.83	39.16	158.58
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	41.32	52.57	72.37	34.52	33.62	40.64
78	Lead and articles thereof	8.02	15.58	18.41	30.37	29.96	0.86
3	Fish and crustaceans, mollusc and other aquatic invertebrates	4.01	6.32	6.68	13.06	27.13	26.80
22	Beverages, spirits and vinegar	9.78	13.47	10.44	14.95	25.67	27.78
74	Copper and articles thereof	13.82	8.19	4.89	10.95	23.8	10.86
39	Plastics and articles thereof	5.68	13.16	7.58	6.72	23.49	32.67
Total (10 product category)		268.1	311.17	481.13	432.16	639.61	939.12
% of total exports to India		58.71	59.03	69.77	64.27	73.24	75.25

Source: EPB Database.

Based on the 2-digit Harmonised System (HS) code (Table 1), the top ten exported items to India comprises around 75.25 per cent of the total exports to India in the FY2018-19. Among the major contributing elements, apparel and clothing accessories—both knitted and woven (HS 61 and HS 62), textile fibers

¹⁵ Ibid, p. 113.

(HS 53) and edible fat products (HS 15) can be mentioned. Each of these three kinds of exported products earned more than US\$ 100 million in the FY 2018-19 and, collectively valued around US\$ 800 million which is almost 85 per cent of the total export earnings from India in that particular fiscal year. In a study in 2010, Rahman et al.¹⁶ showed that under the broad product groups in the export basket, (HS 61 and 62) products have evidently presented a degree of diversification¹⁷ which can be further translated by exploiting competitive advantage in the Indian market. Banga and Razzaque¹⁸ have also pointed out that the HS 61 and HS 62 products have potential to establish a regional supply chain in South Asia reinforcing a possibility of regional interdependence on stage I inputs and primary materials. However, it should be noticed that the exported amount of animal or vegetable fats, oils or the edible fats (HS 15) increased from US\$ 39.16 to US\$ 158.58 million in between FY 2017-18 and FY 2018-19. On the other hand, although at a slower pace, the share of vegetable textile fibre, paper yarn and woven fabrics of paper yarn (HS 53) is degrading over the years. Hence, even though there is an increasing trend in the export value of some particular products, oversimplification or generalisation can turn into a problematic scenario due to these occasional ebb and flow or fluctuation in the generic pattern.

The 8-digit HS code containing the main merchandised exported products of the FY 2018-19 presents a more disaggregated and comprehensive view (Table 2). The top ten products exported in this FY valued US\$1248 million. As mentioned before, the value of exports and imports can attain higher peak levels if different avenues were clearly explored. Decades ago, Rahman¹⁹ identified some key areas which could facilitate bilateral trade between the two countries including comprehensive approach, duty-free access, removal of NTBs and policy coordination which are still feasible and are being referred to.

¹⁶ Mustafizur Rahman, Towfiqul Islam, Khan Ashiqun Nabi and Tapas Kumar Paul, “Bangladesh’s Export Opportunities in the Indian Market: Addressing Barriers and Strategies for Future”, Centre for Policy Dialogue (CPD), *Occasional Paper*, Vol. 90, July 2010, p. 11.

¹⁷ At 6-digit HS code, Bangladeshi products exported to India covered 219 tariff lines in 2004 which doubled in 2008 covering 409 tariff lines.

¹⁸ Rashmi Banga and Mohammad A. Razzaque, “Building Supply Chains in South Asia: The Case of the Textile and Clothing Sector”, in Mohammad A. Razzaque and Yarendra Basnett, *Regional Integration in South Asia: Trends, Challenges and Prospects*, London: Commonwealth Secretariat, 2014, p. 86.

¹⁹ Mustafizur Rahman, “Bangladesh India Economic Relations: Current Status and Unfinished Tasks”, paper presented at the dialogue on the *Eighth Indo Bangladesh Dialogue on Economic Cooperation, Water, Politics and Security*, organized by CPD and Centre for Policy Research (CPR), India, Dhaka on 15 16 January 2001. Cited in Mustafizur Rahman, Towfiqul Islam, Khan Ashiqun Nabi and Tapas Kumar Paul, op. cit.

Table 2: Top Ten Products Exported from Bangladesh to India at HS 8-Digit Level

HS Code and Product Name	US\$(million)
62034200: Men's or Boys' Bib & amp; Brace Trousers, Breeches, Shorts of Cotton	111
62052000: Men's or Boys' Shirts of Cotton	78
15159000: Oth. Fixed Veg. Oil, Fats & amp; Frac., Nes.	64
53101000: Unbleached woven fabrics of jute or of other textile bast fibre	61
15079010: Refined Soya-Bean Oil	49
62046200: Women's or Girls' Trousers, Breeches, Etc., of Cotton	47
15119090: Palm Oil (Excl. Crude) & amp; Its Fractns Nes. Incl. Refined Palm Oil	42
61091000: T-Shirts, Singlets and Other Vests, of Cotton, Knitted or Crocheted	35
53071000: Single yarn of jute or of other textile bast fibres of 53.03	28
63109000: Used or New Rags, Scrap Twine, Cordage, Rope and Cables	27
Others	705
Total	1,248

Source: EPB database.

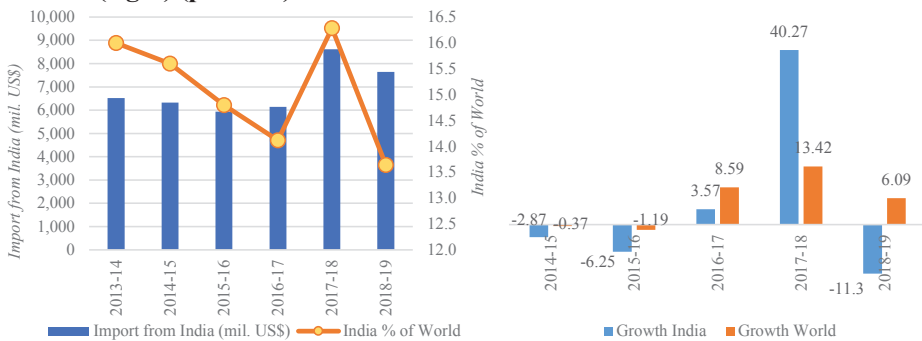
Bangladesh is also known to be importing very little from South Asian countries. In their analysis, Banga and Razzaque has also mentioned that among the thirteen identified categories under the textile and clothing sectors, Bangladesh only imports 20 per cent from its South Asian neighbours.²⁰ Nonetheless, the pattern of Bangladesh's merchandised imports from India over the years provides some interesting connotations. As shown in the reports of Bangladesh Bank, the average volume of annual imports was around US\$5 billion to US\$ 6 billion but in the FY2017-18, the import level peaked at US\$8 billion (Figure 4). Main imported products from India include raw materials and intermediate goods for the country's export-oriented garments sector (e.g., cotton, yarn and fabrics), vehicles, machinery, agricultural and food products, chemical and engineering goods, and finished consumer goods. However, sudden increase in imports of cereals (US\$ 1.33 billion in 2017-18 which was only US\$ 111 million in 2016-17) as well as increase in imports of cotton (one-fifth of total imports), vehicles, boiler and machinery, and residues and waste²¹ from the food industries explain such sudden increase. India's share among the overall international imports also went up from the average 14 per cent to 16 per cent to

²⁰ Rashmi Banga and Mohammad A. Razzaque, op. cit.

²¹ Bangladesh Bank, *Import Payments of Goods and Services* (2017-18 and 2018-19), Dhaka: Bangladesh Bank.

around 18 per cent in the same FY. The growth of imports from both India and the world also started to increase significantly since the FY2016-2017. Specifically, complementing the dataset presented in Figure 4, the growth of imports shows a surge of around 37 per cent compared to previous year’s growth rate of India and a 5 per cent increase in the global market. However, the imports from India as well as from the world decreased by the following FY as the import volume from India went down to around US\$7 billion reducing the percentage of India’s share among the global imports to 14 per cent (Figure 4). The growth of imports from the world also went down to 6 per cent while the growth of imports from the world declined signifying a drastically negative trend for the first time after the FY 2015-16.

Figure 4: Trend Merchandised Imports of Bangladesh from India (left) and its Growth (right) (per cent)



Source: Based on data from Bangladesh Bank.

Among Bangladesh’s most significant imported goods from India, cotton and vehicle stand out for owning the highest shares, respectively, signifying around 20.7 per cent and 13.1 percent of the value of imported goods. Machinery and mechanical appliances (8.2 per cent), iron and steel (4.2 per cent), food residues and waste (3.7 per cent) are also some of the key imported goods. Conversely, woven apparel and accessories (29.6 per cent of the total export value), animal or vegetable fats (12.7 per cent), jute fibres and yarn (11.4 per cent), knitted apparel and accessories (10.4 per cent) and other made up textile articles (3.3 per cent) can be exemplified. According to Sarker,²² Bangladesh’s imports mainly follow the trends in the export-oriented manufacturing sectors, bilateral relative prices, prices of the competitor etc. The author has also referred to Wijeweera et al.²³ study where income elasticity of import demand turned out to be insignificant

²² Mohammad Monirul Islam Sarker, “Export and Import Demand Functions of Bangladesh: A Disaggregated Approach”, *International Journal of Economics, Finance and Management Sciences*, Vol. 6, No. 2, 2018, p. 72.

²³ Albert Wijeweera, Nur Mohammed and Brian Dollery, “Bilateral import demand elasticities the case of Bangladesh”, *International Research Journal of Finance & Economics*, Vol. 19, 2008, p. 114.

in the case of India but exchange rate depreciation and trade liberalisation had positive impacts.

The top ten merchandised imports from India (at HS 2-digit level) accounted for around US\$7.5 billion in the FY2018-19. The three products which hold the highest proportion (cotton, vehicles, parts and accessories, and boilers, machinery and mechanical appliances and parts thereof) value around US\$2.5 billion which is around 35 per cent of the value of products imported from India.

2.2 Trade in Services

Analysing WTO reports, Islam²⁴ has focused on data regarding services exports as percentage of World Service Exports, Service Exports World Rank Service, Imports as percentage of World Service Imports, Service Imports World Rank and, in every category, India outperformed Bangladesh. India's global share in services export is also much higher (3.27 per cent) than that of Bangladesh (0.04 per cent).²⁵ Albeit the trade in services has shown a positive shift in most of the countries in South Asia, Kumar and George²⁶ has pointed out that even within the perimeter of the South Asian region, around 93.11 per cent of Bangladesh's actual potential remains unexplored.²⁷

From a compilation of the data from the reports of Bangladesh Bank over a number of years, it can be seen that Bangladesh's total service exports to India was US\$ 5.97 billion in 2018-19 (Figure 5). Hence, the total value was about 8.7 per cent of the global services export. The primary constituents of the services export were office maintenance which embodied around 40 per cent of the congregated value of the service exports. Insurance services (6.7 per cent), tourists (6.6 per cent), advertising, market research and opinion polling (4.4 per cent) as well as sports, cultural activities, travel (3.9 per cent) also constituted some major parts. The service exports sector had a significant rise over the years since the FY2015-16. Total value of service exports to India increased from US\$ 246 million to US\$ 520 million in between the 2015-16 and 2018-19 without showing any sluggish shift in the course. Even in 2017-18, when the merchandised exports had to face a downturn, service exports continued to maintain the increasing pace and managed to make a positive shift, as the figure signifies a rise from US\$ 283 million (in FY2016-17) to US\$ 362 million (in FY2017-18).

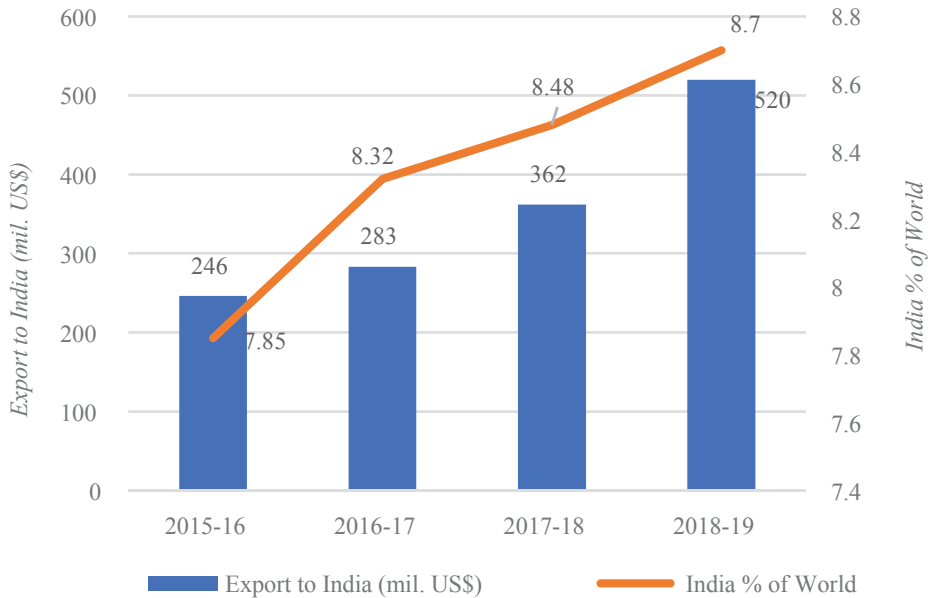
²⁴ Islam, op. cit., p. 130.

²⁵ Ibid.

²⁶ Nagesh Kumar and Joseph George, "Harnessing the Potential of Regional Value Chains for Sustainable Development in Southern Asia: Towards a South Asia Comprehensive Economic Partnership (SACEP)", in Selim Raihan and Prabir De (eds.), op. cit., pp. 42-49.

²⁷ UNESCAP, *Unlocking the potential of regional economic cooperation and integration in South Asia: Potential, challenges and the way forward*, New Delhi and Bangkok: United Nations Economic and Social Commission for Asia and the Pacific, 2018, p.6.

Figure 5: Trend of Bangladesh’s Services Exports to India



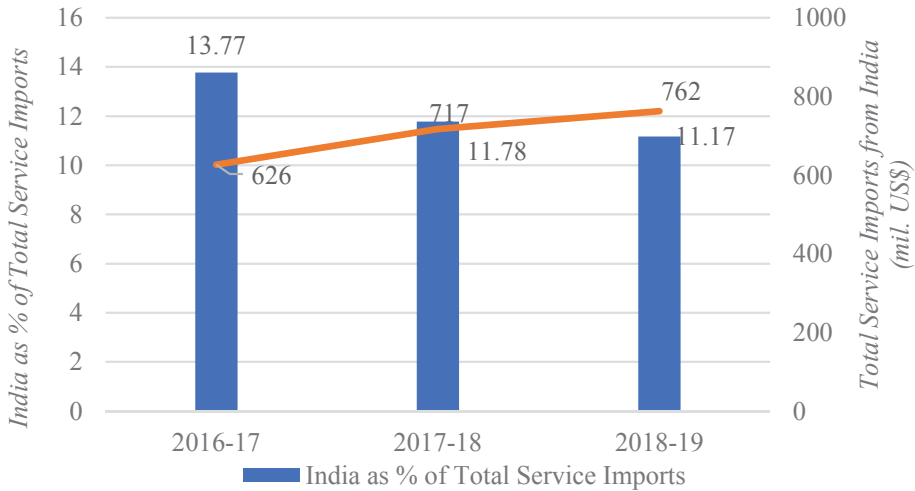
Source: Based on Bangladesh Bank data (various years).

Top ten services exported to India (Table 3) constitute around 80 per cent of the total exports in this category. Hence, office maintenance accounts for around US\$ 208 million of export value. It has always been the highest as per its total worth in service exports with a value of US\$ 73 million in FY2015-16 which gradually increased over the years. Insurance services, on the other hand, became relevant as a significant category among services exports and rose from an export value of US\$ 0 (in both FY2015-16 and FY2016-17) to US\$ 4 million in FY2017-18, and became the second-largest category in the service export sector by 2018-19 with an elevated jump to US\$ 35 million of monetary value. A similar scenario can be witnessed regarding sports and cultural activities which also took a similar course by uplifting itself from US\$0-24 million export value in the FY2017-18 and soaring to an export value of US\$ 20 million by the next year. Agarwal²⁸ has noted, the services share of total value added (TVA) has been above 50 per cent for both Bangladesh and India. However, both countries have enough scope of development as despite this sheer portion in the TVA, both of the countries’ employment rates in this sector have not been over 40 per cent.²⁹

²⁸ Prachi Agarwal, “South Asia: Formulating Services Sector Policies for Development, A Policy Perspective”, *South and South-West Asia Development Papers 1903*, UNESCAP, July 2019, pp. 09-11.

²⁹ *Ibid*, p. 09.

Figure 5: Trend of Bangladesh’s Services Exports to India



Source: Based on Bangladesh Bank data.

However, the value of imported services from India is also very high. Bangladesh’s total imports of services was US\$ 6.8 billion from the world market in FY2018-19 (Figure 6). Data of Bangladesh Bank shows that the value of service imports from India in that FY was around 11 per cent. A further focus on the figure can illustrate that although the amount of service imports has slightly increased over three years making a shift from US\$ 626 million (in FY2016-17) to US\$ 762 million (in FY2018-19), percentage of service imports from India vis-à-vis the rest of the world has declined from 13.78 to 11.17 per cent over the same period. The most significant service imported by Bangladesh from India is electricity transmission which accounts for 40 per cent of total imports. Next to that, there are sea transport – freight (17 per cent), road transport – freight (10 per cent), tourists (9 per cent), and travel under international credit cards/pre-paid card/debit card (7 per cent).

Top ten services imports from India dominate the total share in this category by holding around 91 per cent (Table 3). The percentages have been nearly the same for the last three fiscal years. Electricity transmission services hold the highest amount of import value which amounted around US\$ 303 million in FY2018-19. Sea transport, road transport and tourism have also been simultaneously holding static positions and these four sectors combinedly can be accredited for occupying around US\$ 600 million value in FY2018-19.

Table 3: Type of Services Imported from India by Bangladesh (Million US\$)

Sl.	Service	2016-17	2017-18	2018-19
1	Electricity transmission services	305	290	303
2	Sea transport – Freight	84	134	126
3	Road transport – Freight	67	77	77
4	Tourists (Bangladesh)	45	64	72
5	Travel under international credit cards/pre-paid card/debit card	32	48	54
6	Architectural, engineering and other technical	14	11	22
7	Air transport—Freight	13	15	17
8	Computer consultancy services	5	6	12
9	Legal, accounting, management consult, etc.	10	9	9
10	Rail transport—Freight	0	12	9
	Top 10 % of total service imports from India	91.90	93.01	91.90

Source: Based on Bangladesh Bank data (various years).

Addressing the large gap between reality and potential in South Asia, Sanjay Kathuria and Priya Mathur have referred to the overall trade restrictiveness indices to show that, in India, these indices are nine times higher for imports from any South Asian countries.³⁰ As a result, even though the NTBs apparently feel unthreatening, they may turn out to be turbulent for specific product or market combination in South Asia.³¹

These issues have been directly addressed by some traders who had to face these challenges while exporting their products in India. There are different kinds of administrative complications posited by different states of India. Balaji³² has mentioned issues like double laboratory test required for every consignment of food product and subsequent delay, imposition of state tax and infrastructural issues at the authorised Land Custom Stations (LCSs). Stringent testing requirements as well as standard-related regulations result in more complexities are ultimately discouraging Bangladeshi products to enter in the Indian market. The latest Indian budget adopted in 2020 has been reported to be focusing on the misuse of the free trade area (FTA) route and strengthening the provisions of duty.³³ It has been reported that the textile

³⁰ Sanjay Kathuria and Priya Mathur, op. cit., pp. 27-85.

³¹ Ibid, p. 11.

³² Madhumita Srivastava Balaji, *India-Bangladesh Relations: An Enduring Economic Partnership, Occasional Paper*, New Delhi: Vivekananda International Foundation, January 2016, pp. 10-12.

³³ “India may ‘restrict’ clothing imports from BD: HBL”, *The Financial Express*, 06 February 2020, available at <https://thefinancialexpress.com.bd/trade/india-may-restrict-clothing-imports-from-bd-hbl-1580818844>, accessed on 01 May 2020.

lobby in India had been working to push restriction on the readymade garments (RMG) products exported from Bangladesh.³⁴ The issue of para-tariff has also been a burning question among the traders. According to Balaji³⁵, restrictive measures in exports to India reflect two points: (a) non-transmittal of decisions from the policy level to the executing agencies and (b) lack of mindsets or reluctance in performing business in different ways. South Asian Free Trade Area's (SAFTA)'s lack of farsightedness regarding the impact of NTBs and non-tariff measures (NTMs)³⁶ as well as the list of sensitive issues accompanied by political connotations³⁷ has always created obstacles in trade.

Many potential export items also face obstacles and are not exported because of the NTBs in India. A comparative analysis of Bangladesh's export capacity vis-à-vis the realised export to India in 2017, Kabir and Razzque demonstrated that the larger part of the actual export capacity was hardly realised or not realised, which was likely to be due to NTB prevailing in the India.³⁸ It implies that a large number of products which is exported by Bangladesh to the world market and India is also importing them but not from Bangladesh may be due to NTBs in India. The anti-dumping duties on Bangladesh's jute is the biggest NTM in contemporary Bangladesh-India trade. Initially, the NTBs were imposed at a range of 5-30 per cent on jute products exported from Bangladesh since January 2017. With an objective to facilitate and promote jute mills of West Bengal, these anti-dumping duties pose adverse effect upon export of jute products. The Export Promotion Bureau (EPB) reported that after the first year of active duties on these products, jute export companies had to face around US\$ 1 billion equivalent of destabilisation in the jute market with a risk of putting around half a million jobs at stake.³⁹ While the average duty ranges between US\$ 19 and US\$ 352 per tonne, India extended the erstwhile anti-dumping duty upon the jute sacking bags since June 2019.⁴⁰ It also rejected the plea of Bangladesh to withdraw the duties on jute products along with the ones on hydrogen peroxide and fishing net at the bilateral commerce secretary-level meeting in New Delhi in January 2020.⁴¹ The repercussions have compelled

³⁴ Ibid.

³⁵ Madhumita Srivastava Balaji, op. cit., p. 11.

³⁶ R. M. Hussain, "SAARC 1985-1995: A Review and Analysis of Progress", in *The Dynamics of South Asia: Regional Cooperation and SAARC*, E. Gonsalves and N. Jetly (eds), New Delhi: Sage Publications, 1999.

³⁷ Selim Raihan and Fayeza Ashraf, "Country Studies Series: Review of Bangladesh's Engagement in Preferential Trading Arrangements", Ninth Tranche of the Development Account Project Enhancing the Contribution of Preferential Trade Agreements to Inclusive and Equitable Trade, UNESCAP, 2017.

³⁸ Mahfuz Kabir and Mohammad A. Razaque, op. cit.

³⁹ Md. Abu Saleh, "Anti-dumping duties on Jute", *The Daily Star*, 31 July 2018.

⁴⁰ Refayet Ullah Mirdha, "Indian anti-dumping duty looms over jute sacking cloth", *The Daily Star*, 24 March 2019, available at <https://www.thedailystar.net/business/news/indian-anti-dumping-duty-looms-over-jute-sacking-cloth-1719583>, accessed on 02 May 2020.

⁴¹ Syful Islam, "India's persistent anti-dumping duty: Dhaka may turn to WTO for redressal", *The Financial Express*, 12 February 2020, available at <https://thefinancialexpress.com.bd/economy/bangladesh/indias-persistent-anti-dumping-duty-dhaka-may-turn-to-wto-for-redressal-1581480579>, accessed on 02 May 2020.

Bangladesh to think of alternative dispute settlement procedures by submitting the issue to the World Trade Organisation (WTO).⁴² In addition, India has suspended all 39 licenses issued for import of about 0.455 tonne of refined palm oil to curb cheap imports and protect domestic refinery industry. Refined palm oil was kept under restrictive list of import on 8 January 2020. Of the total quantity for which licenses were issued, about 0.293 million tonne of refined palm oils were to be shipped from Nepal and 12,000 tonne from Bangladesh, while 0.15 million tonne from Indonesia under issued licenses.⁴³

2.3 Investment

Foreign Direct Investment (FDI) inflows (net) from India (Figure 6) show the continuity of an increasing pattern in the amount of investment from India. Since the FY2010-11, the trend witnessed continued rise till FY2017-18 which marks the highest amount of FDI inflow at US\$125.28 million. The share of India's FDI among global investors also continued to rise as it went from 2.66 to 4.85 per cent. The inflow slightly went down around the following fiscal year (US\$ 113.27 million). However, compared to other major investors, India's rank is not much satisfactory. According to Bangladesh Bank, India was the eighth largest investor at the end of June 2019.⁴⁴ China, the Netherlands and the United Kingdom stood as the most prominent sources of FDI during the same period with respectively contributing around US\$ 1,159.4 million, US\$802.8 million and US\$ 358.9 million to the net FDI inflow (Figure 7). Apart from the China Singapore, South Korea and Hong Kong, China earned higher positions than India among Asian countries respectively holding the fourth, the fifth and the seventh positions. Among the major sectors, telecommunication holds the largest share in terms of net FDI inflow from India that values around US\$ 14.91 million (13 per cent). Next to telecommunication, textile and wearing products (12 per cent) as well as power (11 per cent) also stand out as two of the significant areas. In FY2018-19, a look at the gross FDI stock of prominent sectors can be identified as follows: US\$ 156.73million in telecommunications, US\$ 87.15 million in textile and wearing and US\$ 54.04 million invested in power sector.⁴⁵ A comparative focus on India's FDI in Bangladesh in the figure shows a significant decline in the share of investment in the telecommunications

⁴² Ibid.

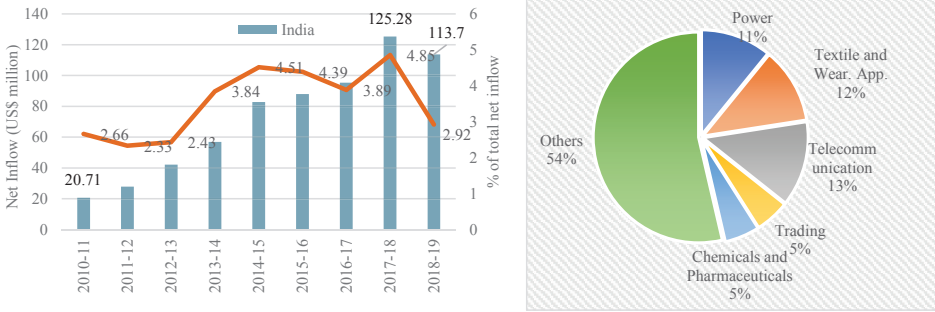
⁴³ "Govt suspends 39 licenses for import of 4.55 lakh tonne of refined palm oils", *The Economic Times*, Mumbai, India, available at: <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-suspends-39-import-licenses-for-refined-palm-oil/articleshow/75688155.cms?from=mdr>, accessed on 28 June 2020.

⁴⁴ Bangladesh Bank, "Foreign Direct Investment (FDI) in Bangladesh: Survey Report January-June, 2019", Dhaka: Bangladesh Bank.

⁴⁵ Ibid.

sector⁴⁶ which went down from 24 per cent in 2017-18 to 13 per cent in 2018-19.⁴⁷

Figure 6: Net FDI Inflow Over Time (left) and Its Composition (right) (2018-19)⁴⁸



Dutta et al.⁴⁹ has pointed out a unidirectional causal relationship between FDI and growth. Suggesting an FDI-friendly policy, they have acknowledged the policies to be source of attraction for foreign countries as well as accelerated employment opportunities ensuring productivity spillover effect so far as multinational companies are concerned.

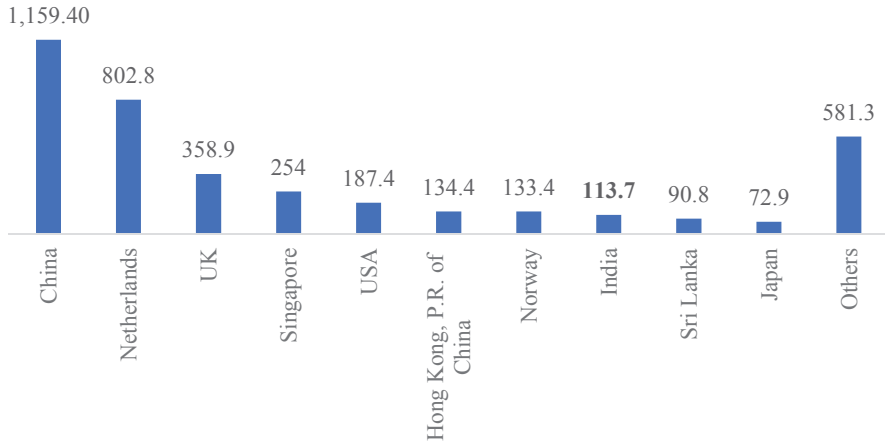
⁴⁶ According to an anonymous expert, it was mainly due to decrease in India’s equity participation in Airtel in 2018-19, a prominent mobile telecommunications company operated in Bangladesh.

⁴⁷ Bangladesh Bank, *Foreign Direct Investment (FDI) in Bangladesh: Survey Report January-June, 2018*, Dhaka: Bangladesh Bank.

⁴⁸ Bangladesh Bank, *Foreign Direct Investment (FDI) in Bangladesh: Survey Report January-June 2019*, op cit.

⁴⁹ Champa Bati Dutta, Mohammed Ziaul Haider and Debasish Kumar Das, “Dynamics of Economic Growth, Investment and Trade Openness: Evidence from Bangladesh”, *South Asian Journal of Macroeconomics and Public Finance*, Vol. 6, No. 1, 2017, pp. 82-104.

Figure 7: Net FDI Inflow in Bangladesh by Top Countries and Territories (2018-19)



Source: Bangladesh Bank (2019).

From Bangladesh’s end, engagement of the Bangladesh Investment Development Authority (BIDA) in facilitating FDI in the domestic tariff area (DTA) and establishment of the Bangladesh Export Processing Zones Authority (BEPZA) have been two major headways that paved the way to attract more FDIs. The improvement is noticeable, as Bangladesh has been able to attract major investors. According to the World Investment Report of the United Nations Conference on Trade and Development (UNCTAD), Bangladesh was the second largest receiver of FDI in the FY 2018-19 in South Asia. It received the highest ever amount of FDI in that fiscal year at US\$ 3.61 billion.⁵⁰

Following establishment of the Bangladesh Economic Zones Authority (BEZA) in 2012, the government also initiated another positive turn in the area as it looked forward to establishing 100 special economic zones (SEZs) to allure more private and public companies. Bangladesh also opened up three SEZs for Indian investors: Bheramara (Kushtia), Mirsharai (Chattogram) and Mongla (Bagerhat). Notably, after offering these zones, total number of Indian investment proposals registered under BIDA exceeded US\$3 billion in FY2016-17.⁵¹ There are currently 39 SEZs in Bangladesh and around 60 new SEZs are under approval process which will supposedly bring in investments.⁵² Bangladesh is expecting a significant boost in the Indian FDI when the SEZs dedicated for India will be fully operational.

⁵⁰ Niaz Mahmud, “World Investment Report: Bangladesh second largest FDI recipient in South Asia”, *The Dhaka Tribune*, 24 June 2019.

⁵¹ Momtaj Monwara, “Economic trends in Indo-Bangla relations”, *The Dhaka Tribune*, 05 November 2018.

⁵² Asjadul Kibria, “BD SEZs to attract higher FDI: UNCTAD”, *The Financial Express*, 13 June 2019.

3. India-Bangladesh Relations and Connectivity

The two countries' desire to further strengthen trade and connectivity opened up several opportunities to expand trade ties. While India's participation in Bangladesh's SEZs are expected to bring in more and more FDIs, extended broad gauge rail links between Mongla-Khulna and Akhaura-Agartala can be facilitated through maintenance of sufficient surface transport and other trade infrastructure. Pledges made in high-level political engagements are major sources of hope.

About the connectivity question, India-Bangladesh relations are flourishing through the developments in transit and port facilities. Apart from the connectivity options provided by the pivotal regional organisation South Asian Association for Regional Cooperation (SAARC)'s means of physical connectivity project, the countries have resorted to other sub-regional and inter-regional ways of engagement. The Bangladesh, Bhutan, India and Nepal Motor Vehicles Agreement (BBIN MVA), Bangladesh, China, India and Myanmar Economic Corridor (BCIM-EC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) connectivity routes are some of the examples through which the idea of connectivity is being promoted. Under the SAARC multi-modal connectivity, introduction of inter-country traffic routes and maritime gateways is much expected, while BIMSTEC transport infrastructure and logistical study suggested improvement of integrated rail networks, railway freight services and container servicing network that interlinks Kolkata, Siliguri, Tongi and Chattogram.⁵³

Formally beginning the journey in 2016, both Bangladesh and India are now interested in revitalising old connectivity links while exploring newer options for broader connectivity. The National Core Committee dedicated to identifying routes, charges and protocols regarding transit projects provides the institutional basis for enhancement of connectivity. The initial project was regarding the transportation of goods via the Ashuganj port of Bangladesh standing on the Meghna River in Brahmanbaria. The port is around 37 km away from the capital of Tripura. This transit would provide transportation of goods combining a river and a land route where, in the first place, goods would use the inland waterway from Kolkata to Ashuganj and then use the road transport from Ashuganj to Agartala. The former one is a river route and the latter one is a land route which help India in utilising the resources of the landlocked northeastern region⁵⁴ without devoting a significant amount of

⁵³ Mustafizur Rahman, Khondaker Golam Moazzem, Mehruna Islam Chowdhury and Farzana Sehrin, "Bangladesh: perspectives on deepening cross-border links", in Michael G. Plummer, Peter J. Morgan and Ganeshan Wignaraja (eds.), *Connecting Asia: Infrastructure for Integrating South and Southeast Asia*, Cheltenham, UK: Edward Elgar Publishing Ltd., 2016, pp. 309-313.

⁵⁴ Suraj Prasad and Nikhil Roy, "Viability of Inland Waterways in a Globalized World: With reference to Indo-Bangla Connectivity", *The Oriental Anthropologist*, Vol. 17, No. 2, 2017, pp. 289-302.

time and transit cost.⁵⁵ Patel⁵⁶ has mentioned that at the same time, it also helps Bangladesh in importing raw materials from the northeastern part of India. Recently, Bangladesh agreed to provide India with trans-shipment facilities for cargos through Chattogram and Mongla ports via a meeting of the inter-governmental committee on shipping in December 2019. Bangladesh also received the permission to use Kolkata and Haldia Ports of India for transportation of goods.⁵⁷ These improvements provide Bangladesh with revenue earning opportunities.⁵⁸

Alamgir notes that the 5,968 km navigable inland waterways of Bangladesh and the amount of cargo being carried are below the actual potential.⁵⁹ It has been reported that in 2017, during the first eight months, the Ashuganj transit route has been used by only seven ships.⁶⁰ It was mainly due to infrastructural bottleneck at the port and physical connectivity with Agartala. Transshipment facilities provided to Indian cargos through Bangladesh yielded a lower amount of gain compared to initially estimated amount. As per the report of the Bangladesh Inland Water Transport Authority (BIWTA), Bangladesh earned only around US\$ 21,000 in FY 2018-19 from the usage of Ashuganj river port in terms of transshipment cost at the rate of BDT 192.22 (about US\$ 2.27 at current exchange rate) duty per tonne introduced in 2015-16.⁶¹ Nevertheless, notable design for infrastructural changes are designed to be carried out including digitalisation of port facilities which may usher a new hope for the utilisation of the transit routes.

Decisions of sharing transit routes have been backed by bona fide agreements and protocols. The Protocol on Inland Water Transit and Trade (PIWTT) obliges the Indian government to pay around US\$ 1.8 billion for the period 1 April 2015 to 31 March 2016 in convertible currency.⁶² Given the necessity to ensure infrastructure

⁵⁵ Anasua Basu Ray Chaudhury & Pratinashree Basu, "India-Bangladesh Connectivity: Possibilities and Challenges", *Proximity to Connectivity: India and its eastern and southeastern neighbours, PART 1*, New Delhi, India: Observer Research Foundation (ORF), 2015.

⁵⁶ Rajendra Prasad Patel, "India-Bangladesh Connectivity: Implications for India's North East Development", *Journal of North East India Studies*, Vol. 6, No. 1, 2016, pp. 101-20.

⁵⁷ Government of the People's Republic of Bangladesh, Ministry of Shipping, *Bangladesh Trade and Transport Studies RETF NLTA Project (P148881)/ Bangladesh Regional Connectivity Project 1 (P154580)*, Dhaka: Bangladesh Land Ports Authority (BLPA).

⁵⁸ Anasua Basu Ray Chaudhury & Pratinashree Basu, op. cit.

⁵⁹ Mohuiddin Alamgir, "Connecting Bangladesh: Economic Corridor Network", *Asian Development Bank (ADB) South Asia Working Paper Series*, No. 49, December 2016.

⁶⁰ Shohel Mamun, "Why are Indian transportations reluctant to use transit through Bangladesh?", *Dhaka Tribune*, 28 September 2017, available at <https://www.dhakatribune.com/business/economy/2017/09/28/indian-transportations-reluctant-use-transit-bangladesh>, accessed on 02 May 2020.

⁶¹ Shakhawat Hossain, "Transshipment: Bangladesh gains little from India", *New Age*, available at <https://www.newagebd.net/article/83610/transshipment-bangladesh-gains-little-from-india>, accessed on 02 May 2020.

⁶² Ministry of External Affairs, Government of India, *Protocol on Inland Water Transit and Trade*, New Delhi, India: Ministry of External Affairs, 06 June 2015.

development and modernise the port facility, Bangladesh has received a sum of US\$ 7.5 billion as parts of three distinct lines of credit (LoC) by the end of 2019.⁶³ The establishment of a container terminal is also under consideration following the reception of the second LoC which included a US\$ 338.8 million soft loan from India's side. Bangladesh has also earned the prerogatives to charge BDT 192.22 per tonne for transshipment along with other permission fee, landing fee, and channel charges. In 2017, navigation through the Brahmaputra river by dredging was also taken into account where India would bear 80 per cent of the total cost.⁶⁴ If the physical connectivity with Agartala and port facilities are improved, movement of goods is expected to increase substantially.

Another consanguine project is the development of Ashuganj-Akhaurarail link. Ashuganj is the nearest rail junction to Tripura and this 15.054-km rail project is supposed to strengthen both the connectivity modality as well as the infrastructure of Bangladesh under the *Pragati* programme initiated by the Prime Minister of India. To carry out the cost of a four-lane highway project designed for inter-district multi axle vehicles,⁶⁵ an agreement estimating around US\$2 billion was signed between the two countries. However, due to the delay in implementation, the cost has increased by US\$ 63 million as more than a year has passed to complete the formalities which resulted in a shift in the prices of construction materials.⁶⁶ Hence, the erstwhile estimated cost of US\$ 448.6 for the project has now shifted to US\$ 511.58 million. Recently, Roads and Highways Department (RHD) agreed upon signing an agreement with AFCONS Infrastructure limited, an Indian company to upgrade the project.⁶⁷ Advancing the road link to a national highway would help Indian transports move faster which currently takes around 30 days to complete the distance in between the two points while costing around INR 4,500.⁶⁸

So far as land ports are concerned, India uses 22 of the 23 available ports operated by the Bangladesh Land Port Authority (BLPA) (17 out of 23) and Build, Operated & Transfer (BOT) (six out of 23). However, it is not the number, rather

⁶³ Ibid.

⁶⁴ Vasudha Chawla, "India-Bangladesh Maritime Trade: Protocol on Inland Water Transit and Trade (PIWTT)", National Maritime Foundation, New Delhi, India, 2017.

⁶⁵ M. Rahmatullah, "Regional Connectivity: Opportunities for Bangladesh to be a Transport Hub", *Journal of Bangladesh Institute of Planners*, Vol. 2, December 2009, pp. 13-29.

⁶⁶ Saifuddin Saif, "Delay pushes up cost of Ashuganj-Akhaura highway", *The Business Standard*, 01 October 2019, available at <https://tbsnews.net/bangladesh/delay-pushes-cost-ashuganj-akhaura-highway>, accessed on 02 May 2020.

⁶⁷ Shohel Mamun, "RHD to sign deal with Indian company to upgrade Ashuganj-Akhaura port link road", *The Dhaka Tribune*, 22 January 2020, available at <https://www.dhakatribune.com/bangladesh/nation/2020/01/22/rhd-to-sign-deal-with-indian-company-to-upgrade-ashuganj-akhaura-port-link-road>, accessed on 02 May 2020.

⁶⁸ Ibid.

the quality of available ports and infrastructure of LCSs which should be under consideration. Lack of simplified means of export through these land ports and sluggish services demotivated a sheer number of transports from these ports. On the other hand, all the ports are not equally standardised to be compatible enough in comparison to their Indian counterparts. Ensuring harmonised services was one of the key concerns during the Indian Prime Minister Narendra Modi’s visit to Bangladesh in 2015 and the Bangladeshi Prime Minister Sheikh Hasina’s visit to India in 2017. A clear distinction can be chalked out looking at the general infrastructures of the shared land ports. While the Agartala and Petrapole LCSs in India are equipped with modern amenities, their counterparts in Bangladesh (Akhaura and Benapole) lack adequate services and proper coordination regarding customs, immigration, security, etc. Despite occupying an average of 37 per cent of the entire trade through the land ports, the Benapole port still runs through manual operation, lacks proper sanitation facilities and digital surveillance mechanism.⁶⁹ The situation even deteriorates during the monsoon. It shall be considered that, the Petrapole LCS has already been digitalised with Closed-Circuit Television (CCTV) mechanism, air-conditioned warehouses and scanning while Benapole still largely depends on human involvement.

Apparently, involvement of private investors to develop LCS infrastructures is being discussed around policy-forums.⁷⁰ The 60,000 square feet government owned warehouse at the Benapole port does not obtain all the requisites which can facilitate trade between the two countries. However, in the beginning of 2020, digitalisation of these ports became a priority area and Benapole and Banglabandha ports were decided to be furnished with e-gates which can ensure clearance by reading e-passports.⁷¹ The government has also taken initiative to boost up the modernisation process through a BDT 6.93 billion Bangladesh Regional Connectivity Project-1 which would have a primal focus on the augmentation of immigration facilities and customs. Due to absence of spontaneous response and secured management, businessmen also have to face risk of damaging the products or losing quality as, during the unloading process, some of the vehicles have to stay for more than a month.⁷² The condition is same with other ports like the Bhomra and the Ramgarh land ports. All these issues shed light on a more foreboding future given the foundation of the Padma bridge will increase the traffic to a greater extent.⁷³ Even though projects like the “SASEC Road Connectivity Project: Development of Benapole and Burimari Land Ports” are going on, it is important to ensure smooth implementation of all the shifts in concerned

⁶⁹ Mahfuz Kabir and Mohammad A. Razzaque, *Promoting Bangladesh’s Exports to India*, Dhaka: Bangladesh Enterprise Institute, 2019, pp. 41-42.

⁷⁰ Md Nahian, “Private sector investment in land port infrastructures can improve Indo-Bangla trade”, *The Dhaka Tribune*, 29 April 2018.

⁷¹ “E-passport launch tomorrow”, *The Financial Express*, 21 January 2020.

⁷² “Benapole land port needs more warehouses”, *The Daily Star*, 30 April 2018.

⁷³ Mahfuz Kabir and Mohammad A. Razzaque, op. cit., p. 43.

areas. Moreover, all LCSs must be transformed into Integrated Check Posts (ICPs) equipped with required features and facilities.

4. Strengthening Trade Ties: A Nine-Point Agenda

The above discussion reveals that Bangladesh can benefit significantly in trade, investment and connectivity from India if it can prudently initiate a number of measures. In doing so, a nine-point agenda can be followed to facilitate trade and connectivity between the two countries:

a. *Attracting Indian investment to increase exports to India*

Indian exports can be attracted through proper utilisation of the SEZs as well as fostering the value-chain-led trade. SEZs can utilise the opportunities through infrastructural developments, taxes, and other options.⁷⁴ More opportunities for investment will increase FDIs from India which, in turn, can be used for accelerating production and exports. As mentioned before, more FDIs in the textile and apparel sector can successfully favour the existing value-chain and utilise it for newer exports. Thus, a steady focus must be applied to catalyse this kind of investment linkages and properly wield the supply-side capacity in the RMG sector.

b. *Initiating a post-LDC trade strategy*

Bangladesh is expected to graduate from the Least Developed Country (LDC) status by 2024. It is supposedly going to create a negative impact upon the duty-free access in the Indian market as well as preferential schemes provided under trade regime including SAFTA. Centre for Policy Dialogue (CPD) has suggested that Bangladesh should prepare itself through technological advancement, endowment of skills, productivity enhancement, economic competitiveness, strengthening market access and learning from the experiences of other graduated LDCs.⁷⁵ In order to avoid unintended repercussions, it is high time to look forward to adopting a comprehensive and holistic strategy for utilising the current potentials at their full and prepare for the future at the same time.

c. *Identifying new export products*

Apprehending diversification in the export pattern can turn out to be a good initiation if demands are properly researched and responded with appropriate

⁷⁴ Mahfuz Kabir, Surendar Singh and Michael Joseph Ferrantino, op. cit.

⁷⁵ Mustafizur Rahman and Estiaque Bari, “Strategy towards Bangladesh’s Sustainable LDC Graduation”, *CPD Policy Brief*, No. 4, 2018.

means. New elements can be found out by focusing on the demands of the middle-class⁷⁶ as well as the existing patterns of export to India vis-à-vis the rest of the world. Unexplored options can be taken into consideration for enhancement of the export basket. According to Raihan and Ashraf,⁷⁷ this will also create backward and forward linkages in the industry and lessen the vulnerability associated with single-orientation.

d. *Formation of a high-level committee to look into the NTM and NTB issues case-by-case basis and to develop guidelines for dealing with them*

A high-level committee should be formed to address bilateral NTM and NTB issues. This committee will identify the possible impacts, investigate for necessary clarifications and work as a bridge between the business community of Bangladesh and the Indian trade regime. Advancing case-by-case study on the issues related to these barriers and smooth exchange of information can bring about positive changes in the contested areas of these restrictive measures imposed by India. As Kabir et al.⁷⁸ notes, the countries can also accelerate trade through various schemes like duty drawback, duty remission, cash subsidy, and bonded warehouses which can eliminate, reduce or refund tariffs.

e. *Strengthening cooperation between BSTI and BIS*

Cooperation between Bangladesh Standards & Testing Institution (BSTI) and Bureau of Indian Standards (BIS) will be helpful to distinguish and determine the harmonisation of standards of the trading goods and intensify the degree of compliance. In this regard, the cooperation can also facilitate Bangladesh by providing options for enlisting new products under the Mutual Recognition Agreement (MRA) and securing India's support in extending the list. Bangladesh has already made a plea for adding 27 export products including cement, MS Rod, MS angle & plate, GI pipe, textile which can necessarily increase the value of export to India if being added to the existing list.

f. *Making coastal shipping viable*

By making coastal shipping a viable option, opportunity costs of using road networks and land ports can be reduced at a significant level. This also works as an alternative to the excessive pressure on land ports, i.e., the Benapole port. Coastal Shipping Agreement signed in 2015 works as a legal basis in this regard. However,

⁷⁶ Mahfuz Kabir and Mohammad A. Razzaque, op. cit.

⁷⁷ Selim Raihan and Fayeza Ashraf, op. cit.

⁷⁸ Mahfuz Kabir, Surendar Singh and Michael Joseph Ferrantino, op. cit., p. 15.

there have been demands for changes in provisions from the shipper’s side (to allow carrying goods of third country) as well as from India (to allow the movement of third country export-import cargo). Padmaja⁷⁹ has noted issues like traffic congestion at Petrapole and Benapole sides. On the other hand, Chawla⁸⁰ has pointed out the Coastal Economic Zones (CEZs) project in India and Bangladesh can follow this example as well. The Ministry of Shipping of Bangladesh can review these issues and make feasible decisions to enhance the facilities.

g. *Soliciting India’s investment and technical support to enhance tourism sector*

With a 6.5 per cent share in the global tourism market, India has become one of the extrusive names in the tourism industry. Renton de Alwis⁸¹ revealed that the tourism industry in India had also been productive in developing subsidiary industries like horticulture, handicrafts, construction and poultry business creating jobs for around 20 million people. Bangladesh should seek investments and technical support from India via both bilateral and multilateral ventures which may include other South Asian countries like Nepal and Bhutan. Hence, tourism parks in the Special Economic Zones (SEZs) can be promoted as major areas for investment from the end of India.

h. *Facilitating textile-clothing trade along the value chains*

According to Kummritz et al.,⁸² trade within value chains can increase promotion and productivity among both upstream and downstream sectors, ensure pro-competitive market restructuring effects, lead to technological spillovers and benefit labour markets by increasing demand for skilled labour. The expanding trade complementarities also serve the countries with comparative advantages through specialisation. An instance can be illustrated through the example of the textile apparel sector—while India can perform as a leading supplier of raw materials and exploit its competitive advantage in upstream textile segment, Bangladesh can export finished products in the downstream segment and harbour the value-chain-led-trade

⁷⁹ G. Padmaja, “India-Bangladesh coastal shipping: Opportunities and challenges”, *Issue Brief*, No. 19, National Maritime Foundation, New Delhi, India, 2016.

⁸⁰ Vasudha Chawla, “Evaluating Recent Policy Changes on Coastal Shipping”, National Maritime Foundation, New Delhi, India, *Policy Brief*, December 2016.

⁸¹ Renton de Alwis, “Promoting Tourism in South Asia”, in Sadiq Ahmed, Saman Kelegama, Ejaz Ghani (eds.), *Promoting Economic Cooperation in South Asia: Beyond SAFTA*, New Delhi: SAGE Publications Ltd, pp. 261-265.

⁸² Victor Kummritz, Daria Taglioni and Deborah Winkler, “Economic upgrading through global value chain participation: which policies increase the value added gains?”, *World Bank Policy Research Working Paper*, No. 8007, 2017, pp. 07-08.

between the two countries. Using this rationale, the countries can also excavate more areas in order to deepen investment linkages using this existing value chain links and enhancing the exports in this sector.

i. *Promoting technology and human capital-intensive trade in services*

Currently services trade between Bangladesh and India is heavily dominated by low-end services, such as electricity in Indian exports to Bangladesh and office management from Bangladesh's exports to India. Other categories of traded services are also traditional lower-end from which none of the countries can benefit significantly. At the advent of the fourth industrial revolution, the entire world is shifting towards skill and technology-based high-end services. Therefore, both countries should graduate from the current trade in low-end traditional to high-end human capital and technology-intensive services, which would be beneficial for both of them.

5. *Concluding Remarks*

The long-standing bilateral economic relations between Bangladesh and India have paved the way for further development of bilateral relations. From the end of Bangladesh, there are scopes for institutional development, government-led and private initiatives for exploring diverse avenues, which are still unexplored. It is important to keep in mind that a large portion of resources have been left unutilised. While ensuring proper use of these untapped potentials, infrastructural development, comprehensive deliberations and sustainable policies must be convened. Bangladesh's road towards its graduation from the LDCs status must be comprehended with farsighted and holistic approach of developmental visions and commitments. Thus, calculative and cautiously predictive schemes are necessary which can deliver the optimal output and simultaneously ensure longevity of the facilitating measures in strengthening trade, investment and connectivity with India.

This paper has presented an all-encompassing view of the potential economic relationship and the dynamics of connectivity. As economic relationship stands as the cornerstone of development patterns, each of the areas mentioned in the paper is equally important to be taken into account. From merchandised products to services, there is an imbalance in the trading relationship, which should be addressed through political and diplomatic channels. Redesigning and reforming of the policies related to NTBs and NTMs are important prerequisites for trade facilitation where relevant stakeholders as well as government agencies of the two countries should be on par with one another to bring about a concrete solution. Lack of exclusive bilateral attempts for trade facilitation is visible for quite some time, which needs

to be reversed. Albeit regional means are not inconsequential, for two neighbouring countries with a long history of friendship, corresponding bilateral advancements can alleviate the relationship. On the question of connectivity, proper and timely implementation of erstwhile policies and ongoing projects is critically important. At the same time, legal provisions and agreements must be regularly revisited and evaluated for the adoption of coherent measures. Headways for digitalisation of LCSs and maritime transits should also be identified.

An inclusive and synoptic view towards a bilateral economic relationship can extend the corridor to delve into further political affinity. However, as much as policies can help in this regard, it is important to take complementary academic approaches. Think tanks and civil society organisations from Bangladesh and India should look forward to producing consistent research works, evaluation reports and policy memoranda. If collective endeavour and willingness of both countries are ensured, these can work as archetype of bilateral relationship in South Asia and other parts of the world.