

## Indian Commerce Minister's visit to Dhaka injects an impetus to bilateral economic ties

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India's Commerce Minister Anand Sharma arrived in Bangladesh on 23rd April leading a 33-member delegation and a host of high profile businessmen on a two day visit to Bangladesh to hold talks on bilateral trade relations. It provided an opportunity to discuss outstanding bottlenecks in increase of trade, especially Bangladesh exports to India.

Four positive results have emerged:

- During the visit, Indian Commerce Minister has reportedly agreed to consider Bangladesh's long-standing demand for duty free access of 61 items (including 54 garment items) on the negative list.
- It is reported that India agreed to increase 10 million pieces from existing 8 million pieces of ready-made garments for entry into India.
- Indian Minister agreed to inaugurate two "border hats" in Sunamganj and Kurigram in June. Bangladesh wanted to inaugurate the "border hats" in April last year to facilitate trading in the currencies of the two countries but due to central-state bureaucratic tangle in India it was delayed.
- The Minister has held out the prospect of Indian companies investing \$3.5 billion in Bangladesh, particularly in telecom, food processing, pharmaceuticals and manufacturing sectors.

### *New momentum of economic relations*

During Prime Minister Sheikh Hasina's visit to India in January 2010, it was agreed to put in place a comprehensive framework of cooperation for development between the two countries including strengthening of economic cooperation.

In the Joint Communique issued following the Prime Minister's visit, it was agreed among others, with a view to encouraging imports from Bangladesh, India would address removal of tariff and non-tariff barriers and port restrictions for Bangladeshi goods. Bangladesh also requested for further reduction of India's negative list to increase its exports.

### *Trade deficit & reasons for Bangladesh:*

Trade deficit for Bangladesh with India continues to be huge for years together. It is reported Bangladesh's official imports from India during 2009-10 stood over \$3.2 billion while Bangladesh was able to export only \$304.63 million. However, in the first three quarters of the current fiscal year Bangladesh's exports stood at \$359 million. Besides formal trade, informal imports from India are large worth billion of dollars.

It is reported Bangladesh official imports are in the following categories: more than 35% intermediate goods, a little over 30% final consumer goods, 15% basic raw materials and more than 10% capital goods, of total imports from India.

Researchers in both countries have found Bangladesh is not able to export its products to India for many reasons and some of them deserve mention below:

- Bangladesh's main exportable products are largely within the ambit of India's negative list of goods that number 480 items, which include vegetable and textile products including ready-made garments and knitwear.
- Non-tariff barriers in India, such as testing and certification, technical standards and banking impediments are some of the identifiable non-tariff barriers. (Bangladesh Standards and Testing Institution is being modernised with the technical assistance from India)
- Ordinarily quality standard certificate from Bangladesh is not accepted by India, and Bangladeshis are not allowed to open bank account in northeastern states of India, and import-export number is issued from Kolkata which is at least 1680 km away from Agartala.
- Non-tariff measures are turned into non-tariff barriers while complying with sanitary and phytosanitary measures and technical barriers to trade.
- Poor logistics for land ports, only certain commodities can pass through land ports, cumbersome customs requirements, manual clearance, excessive inspection as an excuse for security, no customs cooperation or joint inspection, lack of harmonization of standards, lack of warehouse facilities in land ports, and no testing facility nearby in any land port. (These impediments also apply for Indian exporters as well)
- Visa restrictions make business people difficult to travel to promote trade to India from Bangladesh.

*Implementation is slow:*

Observers suggest that although political atmosphere between the two countries are characterised by mutual goodwill and trust, progress on trade related issues on Indian side is very slow and unsatisfactory.

Noted Indian columnist Kuldip Nayar in his recent article after visiting Bangladesh in mid April writes: "It (Dhaka) has given the transit facilities to enable northeastern states to have better and quicker connectivity with the rest of India... I have never been able to understand why New Delhi drags its feet when it comes to trade with Bangladesh ... India is too squeamish when it comes to dealing with neighbours."

On Bangladesh-India relations, former India's Foreign Secretary Krishnan Srinivasan (he also served as High Commissioner to Bangladesh) writes in this book "The Jamdani Revolution" (2009):

"The political will and attention span have been lacking in New Delhi even though the bureaucracy has been willing to give a shove in the right direction—which has not been

the case..... In other words, the Indian government has tended to allow the hardliners and Hindu chauvinists to set the agenda for its policy toward Bangladesh, when a more rational approach would have been to come to some understandings on Dhaka's agenda.”

India, with its vast resources and more than a trillion dollar –economy, may take one of the steps for confidence-building process with Bangladesh. And in this context, it is suggested that India's unilateral acceptance of free trade regime for Bangladeshi goods will be useful to break new grounds because the exports of Bangladeshi goods to India (say \$1 billion ) will hardly dent India's large economy or market. (India and China agreed last December to increase bilateral trade to \$100bn by 2015, up from \$60bn in 2010).

Researchers have suggested some steps to improve the bilateral trade, such as, joint ventures at the private sectors level for local, regional and global markets, while trade complimentaries can be developed by vertical specialisation through production sharing. In addition, this may lead to gradual integration of Bangladesh's economy with that of northeastern states of India.

The visit of the India's Commerce Minister will hopefully accelerate the removal of all kinds of trade barriers for Bangladesh exports and fulfill the aspirations and hopes generated in Bangladesh following the landmark visit of Bangladesh Prime Minister to India last year.

The clear commitments at the highest political level of both countries to increase exports from Bangladesh by removing tariff, para- tariff and non-tariff barriers needs to be implemented sooner than later

#### *Conclusion:*

Both nations need to be mindful that the economic scenario around South Asia is changing rapidly. Economic globalisation has made it compelling that both countries must seriously consider in integrating their economy within the two countries, and then with the region including South East Asia and China. Speed and de-regulation are the 'mantras' of globalisation and key to success in economic growth and development.

It is interesting to note although global trade by South Asian countries has greatly increased with other countries, trade within SAARC countries remains below 3%, while within Asean it is 25%. Prior to 1947 partition, it was 20% within three territories-India, Pakistan, and Bangladesh that constituted British India.