

Trade pact with Bangladesh can boost India's exports by \$17 billion



There is a need to provide renewed thrust to transport connectivity, especially by reviving rail, road and waterway transport of goods and people to promote bilateral trade.

[India](#) and Bangladesh are expected to renew their trade talks in the ongoing visit of Bangladesh's Prime Minister [Sheikh Hasina](#) to India. India may seek reduction in the peak import duty of 25% levied by [Bangladesh](#) on 415 goods. Both the countries had begun informal discussion on the proposed trade agreement in 2018.

India can double its merchandise [exports](#) to Bangladesh if the latter reduces its peak tariff of 25% on 415 goods under the proposed Comprehensive Economic Partnership Agreement (CEPA), according to an analysis by MVIDC WTC Mumbai. Currently India's merchandise exports to Bangladesh stands around \$16 billion and if Bangladesh reduces tariff on these 415 goods, it may help Indian exporters meet the \$17 billion annual import demand of these goods in the neighbouring country.

India has export competitiveness in these 415 goods and the annual exports to the world in these 415 goods stand at \$147 billion. However, India meets hardly 22% of the total import demand of Bangladesh in these 415 goods as the 25% peak import tariff levied by Bangladesh acts as an impediment for Indian exports. While the annual import of Bangladesh in these 415 products stands at \$17.5 billion, India hardly meets \$2.4 billion of these imports.

These 415 products include denim, woven fabrics, iron & steel articles, paper & paperboard, fresh grapes, electric conductors, gems & jewellery, plastic products, cardamom, footwear, tricycles, washing & cleaning chemicals, ceramic sinks, stranded wires & cables, etc. The deal may also increase India's share in the total import of Bangladesh, which currently stands around 19%, behind China's share of 33%.

Stressing the importance of a trade agreement with Bangladesh, Vijay Kalantri, Chairman, [MVIRDC World Trade Center Mumbai](#) stated, "India and Bangladesh are two large economies in South Asia and they should show the way for other countries by signing a trade agreement. This will boost intra-regional trade in South Asia, which is the least connected region in terms of trade when compared to other regions such as North America, Europe and ASEAN."

Intra-regional exports in South Asia accounts for hardly 9% of the total exports of this region, compared to 13% in Sub-Saharan Africa, 22% in ASEAN, 30% in North America and 60% in [European Union](#) (Data Source: UNCTAD).

Kalantri also stated that the proposed trade agreement should be designed in such a way that Bangladesh can also benefit by increasing its export of jute products, cotton garments and waste & scrap of steel. Bangladesh incurred a trade deficit of \$14 billion with India in 2021-22 and this has almost trebled from \$5 billion in 2015-16. Therefore, the proposed trade agreement is also expected to increase export from Bangladesh to India and reduce this trade imbalance.

According to the Dhaka-Delhi joint feasibility study conducted by the [Bangladesh Foreign Trade Institute](#) and the [Indian Centre for Regional Trade](#), the proposed deal may grow boost Bangladesh's export earnings by 190% and India's by 188%. The deal will also boost GDP of Bangladesh by 1.72% and that of India by 0.03%, the study shows.

There is also a need to provide renewed thrust to transport connectivity, especially by reviving rail, road and waterway [transport of](#) goods and people to promote bilateral trade. Specifically, there is an need to support transit of cargo across India-Bangladesh land border via Petrapole-Benapole, Phulbari-Banglabandha, and Dawki-Tamabil points. Both the countries can also benefit from linking Akhaura in Bangladesh with Agartala through railway line.

Trade Pact With Bangladesh Can Boost India's Exports By \$17 Bn



Like

As per the report, India has export competitiveness in these 415 goods and our annual exports to the world in these 415 goods stand at USD 147 billion



India can double its merchandise exports to Bangladesh if it reduces the peak tariff of 25 per cent on 415 goods under the comprehensive economic partnership agreement (CEPA), according to an analysis by MVRDC WTC Mumbai.

The report stated that India meets hardly 22 per cent of the total import demand of Bangladesh in these 415 goods as the 25 per cent peak import tariff levied by Bangladesh acts as an impediment for Indian exports

"Currently, India's merchandise exports to Bangladesh stand around USD 16 billion and if Bangladesh reduces tariff on these 415 goods, it may help Indian exporters meet the USD 17 billion annual import demand of these goods in the neighbouring country," it said.

As per the report, India has export competitiveness in these 415 goods and our annual exports to the world in these 415 goods stand at USD 147 billion.

However, India meets hardly 22 per cent of the total import demand of Bangladesh in these 415 goods as the 25 per cent peak import tariff levied by Bangladesh acts as an impediment for Indian exports.

"While the annual import of Bangladesh in these 415 products stands at USD 17.5 billion, India hardly meets USD 2.4 billion of these imports," it mentioned.

These 415 products include denim, woven fabrics, iron, steel articles, paper, paperboard, fresh grapes, electric conductors, gems and jewellery, plastic products, cardamom, footwear, etc.

Meanwhile, both countries have begun informal discussions on the proposed trade agreement in 2018 and it is expected to get renewed momentum with the ongoing visit of Bangladesh's Prime Minister Sheikh Hasina to India.

"Today, India is the largest market in Asia for Bangladesh's exports. To further accelerate this growth, we will soon start discussions on the bilateral comprehensive economic partnership agreement, Prime Minister [Narendra Modi](#) said on Tuesday.

Meanwhile, the report said that the deal may also increase India's share in the total import of Bangladesh, which currently stands around 19 per cent, behind China's share of 33 per cent.

It also mentioned that intra-regional exports in South Asia account for hardly 9 per cent of the total exports of this region, compared to 13 per cent in Sub-Saharan Africa, 22 per cent in ASEAN, 30 per cent in North America and 60 per cent in the European Union.

Bangladesh incurred a trade deficit of USD 14 billion with India in 2021-22 and this has almost trebled from USD 5 billion in 2015-16. Therefore, the proposed trade agreement is also expected to increase export from Bangladesh to India and reduce this trade imbalance.

According to the Dhaka-[Delhi](#) joint feasibility study conducted by the Bangladesh Foreign Trade Institute and the Indian Centre for Regional Trade, the proposed deal may and boost Bangladesh's export earnings by 190 per cent and India's by 188 per cent.

The deal will also boost the GDP of Bangladesh by 1.72 per cent and that of India by 0.03 per cent, the study shows.