

A Study as five-decade allies, India and Bangladesh will enhance their trade and economic connections

Mijarul Islam

Assistant professor,

Department of Commerce

Barasat College, West Bengal

Introduction

The article investigates the reasons behind Bangladesh's ongoing bilateral trade imbalance with India. It concludes that Bangladesh's exports are equivalent to those of India, implying that the country's export competitiveness is excellent. Complementarity is further hampered by the lack of match between Bangladesh export and Indian import. The article examines the level of trade similarity and complementarity in inter-industry bilateral trade using several trade-related indices such as RCA and Cosine measurements. G-L indices are also used to investigate the feasibility of intra-industry trade between the two nations. Finally, an econometric time series analysis is performed to determine the factors that influence Bangladesh's bilateral trade imbalance. The nature of export has been discovered to be random, and the trade imbalance has a paradoxical relationship with the exchange rate. The flow of remittances has been discovered to fuel the trade imbalance, which has a paradoxical relationship with the currency rate. In order to avoid Dutch disease and lower the bilateral trade imbalance, the article advises that Bangladesh should follow an appropriate exchange rate strategy and seek for enhanced diversity in its export structure.



(<https://www.thehindu.com/news/national/india-bangladesh-to-deepen-trade-and-economic-ties-as-partners-piyush-goyal/article37741784.ece>, 28.12.21)

Literature review

Basher (2013)¹ uses UNCTAD data for only two years, 2001 and 2011, to assess total trade as well as trade by main commodity groupings, and finds that Bangladesh's exports to India are dominated by primary items, while its imports from India are dominated by comparable primary products. For those two years, the author looked at a variety of trade-related indices, including revealed comparative advantage, bilateral trade intensity, trade specialisation index, trade complementary index, and intra-industry trade index, and discovered that Bangladesh-India trade is more competitive than complementary. While this study calculated a number of trade-related indices, several of the measurement algorithms were either constructed in a confusing manner or might possibly be misleading.

Rather et al. (2014)² share the role and importance of Bangladesh-India cooperation in improving cross-border trade and investment, emphasising that increased Indian investments in the Bangladesh economy could increase integration, create jobs, and help Bangladesh reduce its large trade deficits with India. The report did not conduct a thorough empirical investigation of the two nations' trading patterns.

According to Kashyap (2014)³, India's informal exports to Bangladesh were over USD 4 billion, which is comparable to the sum of official trade. Such unofficial trade takes place across numerous border areas without the use of official channels (smuggling), as well as through legitimate routes but with corrupt activities (such as under-invoicing of imports with official knowledge but occurs through bribery).

Pursell (2007)⁴ also looked at the Bangladesh-India commercial relationship, concentrating on illegal commerce between the two nations, particularly in the sugar business. He utilised simulations to analyse the implications of any potential free trade agreement on sugar commerce between these two nations, using data from 1994 to 2005 for this industry and came up with some policy recommendations.

Objective of the study

The study based on the review of the financial and trade alliance between two countries like India and Bangladesh. In the study try to focused the fifty years trade relation with neighbour country like Bangladesh. So, on the availability of data following objective carried out in the study:

- To focus the past relation in the field of commerce and trade with Bangladesh.
- To focus the statistical observation between two country in the area of trade and commerce.

¹ Basher MdA (2013 April) *Indo-Bangla Trade: Composition, Trends and Way Forward*. Revised Draft paper, the Commonwealth Secretariat, 4-21.

² Rather ZA, Gupta D (2014) *India-Bangladesh Bilateral Trade: Problems and Prospects*. *International Affairs and Global Strategy* 22(1): 42-48.

³ Kashyap (2014 July) *Bangladesh's Export Opportunities in the Indian Market: Addressing Barriers and Strategies for future*. Occasional Paper 90, Centre for Policy Dialogue (CPD) 1-26.

⁴ Pursell G (2007 June) *Smuggling and Economic Welfare Consequences of an FTA: A Case Study of India-Bangladesh Trade in Sugar*. Australia South Asia Research Center, Australian National University. Retrieved from <https://bit.ly/2CoUf9W>.

The study focused on the past and present relation in our neighbour country Bangladesh with the specific area of trade and commerce alliance and got benefited with the several area like economic, social and employment etc. The study based on the secondary data collected form ministry of commerce and industry, website, book and journal. With the purpose of the presentation of different data used graphical chart and graph in Ms excel of other open sources software which freely available.

Findings of the study

Significant influence on the national economy

South Asian economies are striving to implement trade facilitation measures that will significantly lower present physical and nonphysical obstacles to transportation and transit, using both visible and invisible infrastructure (such as multimodal corridors and terminals) (such as reformed policies, procedures, and regulations). Due to a lack of appropriate study on trade facilitation in South Asia, little information on the current profile of trade facilitation measures (both at the border and in the capital) in the region is available. This is an area of research that policymakers and scholars in South Asia should pay special attention to. With a greater focus on administrative reform, governance, and security, the demand for a more efficient and effective customs administration has never been more pressing.

South Asian economies are working to put in place trade facilitation measures that will reduce current physical and nonphysical barriers to transportation and transit, utilising both visible and invisible infrastructure (such as multimodal corridors and terminals) (such as reformed policies, procedures, and regulations). Little information on the present profile of trade facilitation measures (both at the border and in the capital) in South Asia is available due to a lack of adequate studies on the subject. South Asian politicians and academics should pay special attention to this field of research. The desire for a more efficient and effective customs administration has never been stronger, with a greater focus on administrative reform, governance, and security. The goods carried by road from India are subjected to transshipment at the border. Similarly, goods carried by rail are subjected to inland transshipment.

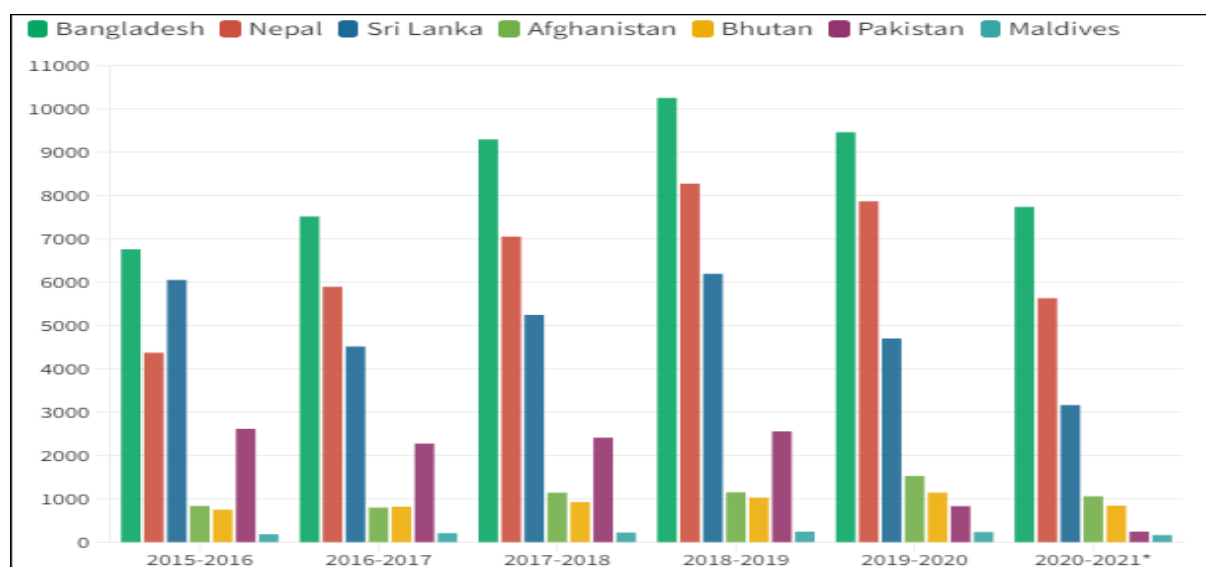


Figure 1 INDIA'S TRADE WITH SOUTH ASIA

Source: ministries of commerce's and industries

Bilateral economic cooperation

Because of its size, India has a unique role to play in strengthening bilateral economic cooperation with Bangladesh in the area of transportation infrastructure. First, India may invest in interior and border infrastructure in response to severe constraints caused by the domestic private sector's development. However, this would result in a passive transportation infrastructure plan based on private investment. Another alternative is for India and Bangladesh's governments to use transportation infrastructure as a catalyst for bilateral and regional growth. This necessitates an aggressive policy in which transportation infrastructure takes the lead and encourages private investment. Despite the fact that both techniques have advantages and disadvantages, many governments have utilised the latter to attract private investment for regional development.

Trade liberalisation is a necessary but insufficient requirement. The development of infrastructural facilities should be given top attention in order to make significant progress in bilateral and regional trade among South Asian countries. Furthermore, supporting trade liberalisation in South Asia requires complementary policy change in the transportation sector, as well as enhanced procedural and operational efficiency. Finally, via trade creation, subregional or bilateral regional cooperation will aid structural reforms in participating nations. As a result, these reforms will make regional or multilateral trading systems and economic cooperation easier to implement. As a result, bilateral economic cooperation between Bangladesh and India has a lot of potential to improve regional collaboration in South Asia.

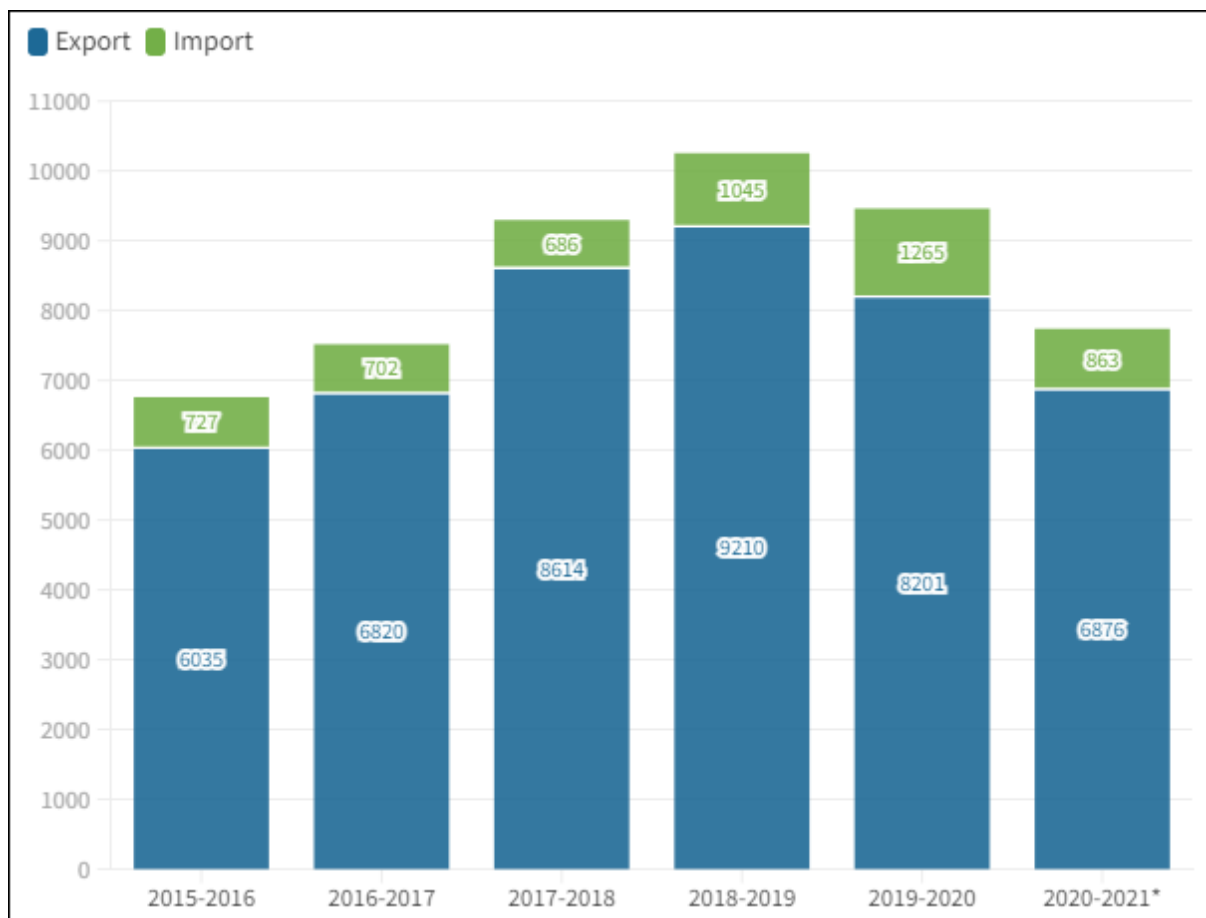


Figure 2 India Bangladesh bilateral trade

Source: ministries of commerce's and industries

Bangladesh is India's biggest trade and development partner in South Asia. Over the recent years, ties between the two countries have received a major boost in terms of trade, connectivity and infrastructure development.

Commercial ties between the two developing economies

Prime Minister Narendra Modi is in Bangladesh for a historic two-day visit to commemorate Sheikh Mujibur Rahman's 100th birthday, the 50th anniversary of the establishing of diplomatic ties between the two brotherly neighbours, and the 50th anniversary of Bangladesh's liberation struggle. This is Prime Minister Modi's first trip outside of India since the outbreak began last year. In terms of commerce and geopolitical connections in the near neighbourhood as well as the Indo-Pacific region, Bangladesh now occupies a significant position for India. One of the main things tying the two nations together is people-to-people connections, which include common culture, language, art and history, and sports.

Over time, the two emerging nations' commercial relations have become stronger. Bangladesh is India's most important commercial partner on the subcontinent, with total bilateral trade between the two countries being \$9.5 billion in 2019-20, down from \$10 billion the previous fiscal year.

Exports from India to Bangladesh account for more than 85% of overall bilateral trade. Cotton, electrical machinery, cars, iron and steel, plastic and allied items are only a few of the key exports to Bangladesh. Apparel and clothes, textile fabrics, paper yarn/woven textiles of paper yarn, animal/vegetable fats and oils, seafood, and other items are key imports to India. An India-Bangladesh CEO's Forum was formed in December 2020 to give policy inputs in areas of trade and investment and to enable contacts among the business community, in order to further strengthen bilateral commercial cooperation. The India-Bangladesh Textile Industry Forum had its maiden meeting in February of last year to strengthen ties and collaboration in the textile sector.

Conclusion

South Asia has gotten a lot of attention in recent years as a region that is effectively integrating into the global economy. The region will need to increase regional and bilateral collaboration in numerous sectors to reap the advantages in terms of quicker growth and poverty reduction. Closer bilateral cooperation and integration between major South Asian nations, such as India and Bangladesh, would boost the South Asian Association for Regional Cooperation (SAARC) and assist assure the efficacy and efficiency of its efforts in this context. The two nations have a long history of cultural, commercial, and economic interactions.

India and Bangladesh have a combined population of more than 1 billion people, and their rapid domestic economic development and strong collaboration have shown that they have a lot of room for cooperation in the future. The region's economy have grown strongly as a result of a spectacular increase in two-way commerce between India and Bangladesh. Bangladesh's major commercial partner in South Asia is now India. In comparison to their strength, the two nations have a lot of room to grow

their trade and economic ties. In the framework of SAARC, this paper explores numerous potential, as well as associated prospects and concerns, for developing India-Bangladesh economic cooperation and integration.

Reference

Basher, M. A. (2013). Indo-Bangla Trade: Composition, Trends and Way Forward. *Commonwealth secretariat*.

Case Study of India-Bangladesh Trade in Sugar. Australia South Asia Research

Center, Australian National University. Retrieved from <https://bit.ly/2CoUf9W>.

<http://commerce.nic.in>

<https://commerce.gov.in>

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwj06fGu05T1AhWVgtgFHdYuCCUQFnoFCIABEAE&url=https%3A%2F%2Fdpiit.gov.in%2F&usg=AOvVaw324XtJ_k6QB7tWbQnXyp05

<https://www.india.gov.in/website-ministry-commerce-and-industry>

Rahman, M., Khan, T. I., Nabi, A., & Paul, T. K. (2011). Bangladesh's export opportunities in the Indian market: Addressing barriers and strategies for future. *South Asia Economic Journal*, 12(1), 117-141. Pursell G (2007 June) *Smuggling and Economic Welfare Consequences of an FTA: A*

Rather, Z. A., & Gupta, D. (2014). India-Bangladesh bilateral trade: problems and prospects. *International Affairs and Global Strategy*, 22(1), 42-48.