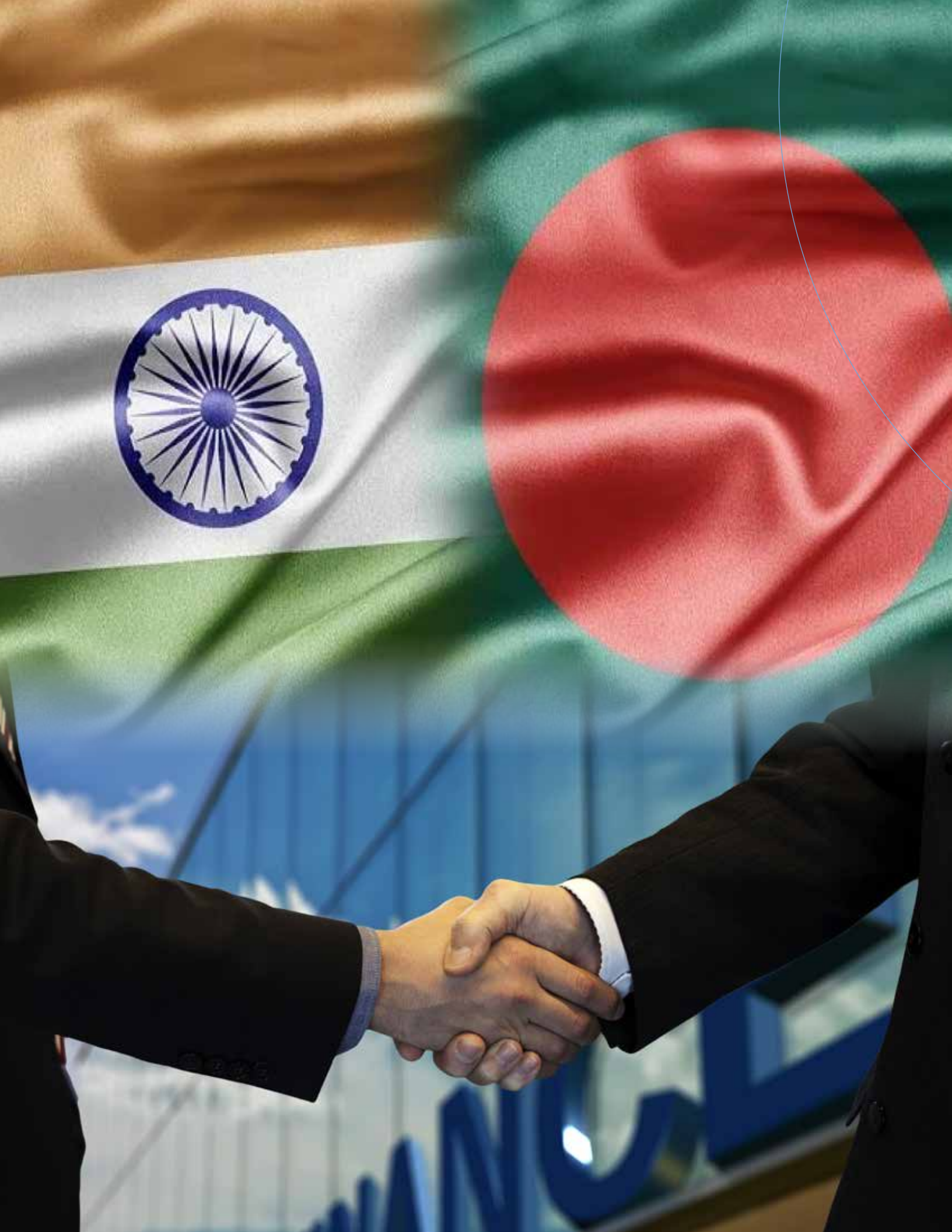


4

India-Bangladesh Trade Relations: Emerging Trends, Challenges and Opportunities

Bangladesh holds a special place of significance for India in terms of trade and strategic ties in the immediate neighbourhood as well as in the Indo-Pacific region. The bilateral trade agreement between Bangladesh and India was first signed in 1972. Since then, India and Bangladesh share excellent bilateral trade and economic relations. Bilateral trade has shown high growth in recent years. India and Bangladesh are members of the Asia-Pacific Trade Agreement (APTA) and South Asian Free Trade Area (SAFTA). India offers duty-free and quota-free market access to Bangladesh under the SAFTA. To promote cooperation on bilateral trade, India-Bangladesh CEO's Forum has been launched in 2020 to provide policy level inputs in various areas of trade and investment and also to facilitate exchanges among the business communities of both the countries. India and Bangladesh have also shown interests to negotiate a CEPA for which a JSG report is being prepared.

1. Trends in Trade in Goods

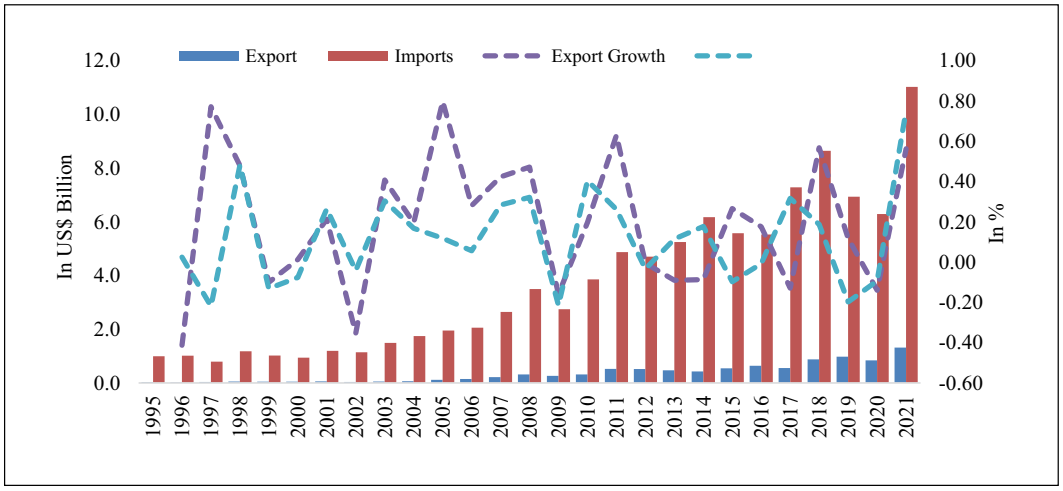
In recent years, bilateral trade has registered an impressive growth. Total trade between the two countries increased from US$ 4.18 billion in 2010 to US$ 12.34 billion in 2021. India's exports have increased at the rate of 12.5 per cent between 2010 and 2021, whereas imports have increased at a rate of 9.1 per cent during the same period. India is the second largest trading partner of Bangladesh, next to China. India provides duty free and quota free market access to Bangladesh for all products except 25

tariff lines (e.g., alcohol, tobacco and drugs) under the SAFTA. This has created immense opportunities for both countries to further enhance trade.

Over the years exchange of goods between India and Bangladesh has increased. For example, the number of export items from India to Bangladesh has increased from 5,552 in 2011–12 to 6,762 in 2021–22, representing an annual rise of 1.81 per cent (Figure 2). The number of export items from Bangladesh to India has also increased from 954 in 2011-12 to 1,145 in 2021-22. This indicates that the number of export and import items has been growing at a lower rate.

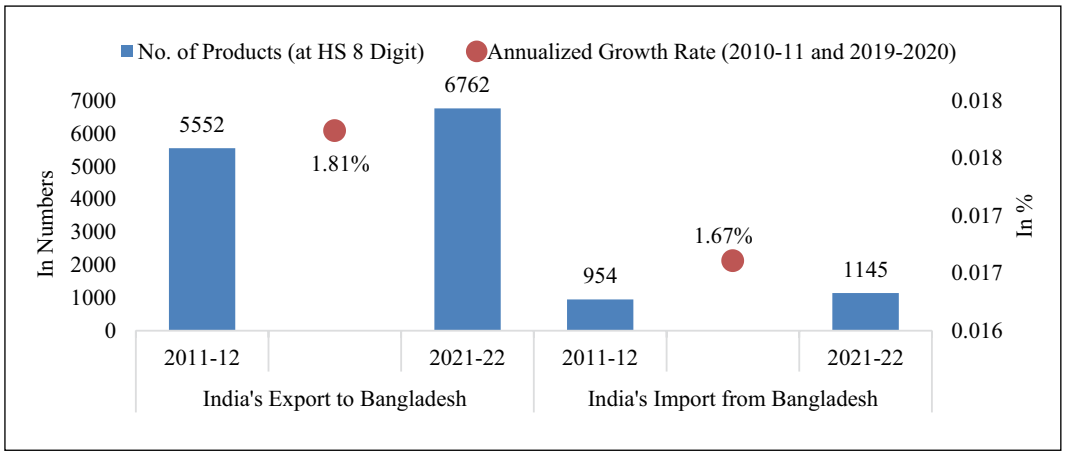
Even though India's exports to Bangladesh have been growing, substantial part of the growth comes from the export of items such as industrial raw materials and consumer goods. India's major exports to Bangladesh in 2021-22 at 2-digit HS were cotton, cereals, mineral fuel and mineral oil products, vehicles other

Figure 1: India's Trade with Bangladesh and World



Source: DOTS, IMF

Figure 2: Number of Products Traded in India's Exports to and Imports from Bangladesh (at the HS 8-digit level)



Source: Export-Import Databank, Government of India.

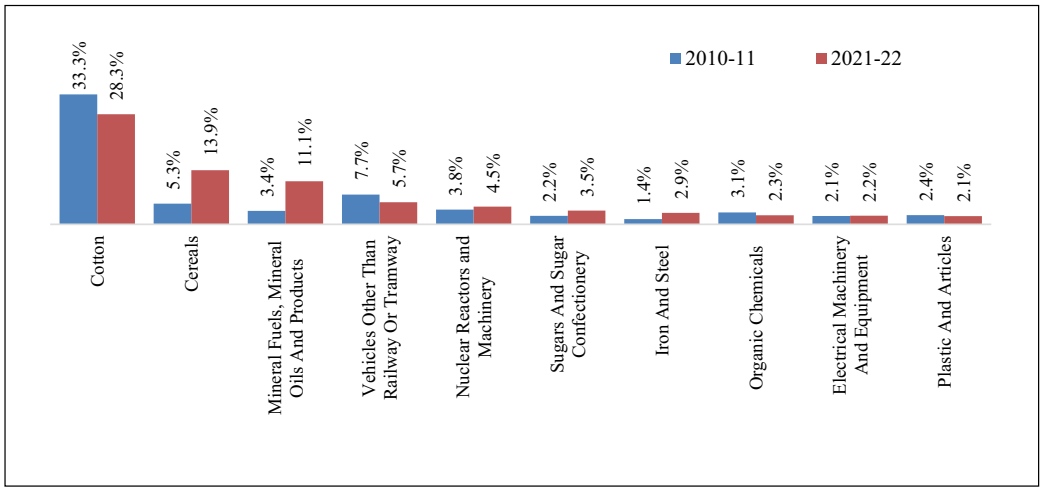
than railway or tramway, nuclear reactors and machinery, sugars and sugar confectionery, iron and steel, organic chemicals electrical machinery and equipment and plastic and articles, accounting for roughly 76.6 per cent of the country's overall exports to Bangladesh (Table 1 and Figure 3). On the other hand, apparel and clothing (not knitted), animal or vegetable fats and oils, apparel and clothing (knitted), paper yarn and woven fabrics, other made-up textile articles, aircraft, spacecraft, inorganic chemicals and metals, food industry waste, leather products, iron and steel, fish and crustaceans preparations of cereals, flour, starch or milk, etc. were India's major imports from Bangladesh at 2-digit HS, which, taken together, accounted for about 80 per cent of India's total imports from Bangladesh (Table 2 and Figure 4). India has made high growth in export of mineral fuel and mineral oil products (28.7 per cent), cereals (26.3 per cent), iron and steel (24.1 per cent) between 2010-11 and 2021-22.

Table 1: India's Major Exports to Bangladesh (US$ Million)

HS Code	Product	Export 2010-11	Import 2021-22	CAGR (%)
52	Cotton	1,081.39	4,566.17	14.0
10	Cereals	172.41	2246.52	26.3
27	Mineral Fuel and Mineral Oil Products	111.75	1786.11	28.7
87	Vehicles Other Than Railway or Tramway	248.27	916.26	12.6
84	Nuclear Reactors and Machinery	122.95	733.46	17.6
17	Sugars And Sugar Confectionery	70.57	572.35	21.0
72	Iron And Steel	44.15	475.78	24.1
29	Organic Chemicals	99.32	378.63	12.9
85	Electrical Machinery and Equipment	69.44	361.13	16.2
39	Plastic and Articles	77.06	339.88	14.4

Source: Export-Import Databank, Government of India.

Figure 3: Share of India's Major Exports to Total Exports to Bangladesh



Source: Export-Import Databank, Government of India.

> Bilateral trade between India and Bangladesh can be unlocked if trade impediments such as non-tariff barriers are eliminated. This also calls for re-energising bilateral trade measures including streamlining of non-tariff measures, improving the trade facilitation, among others.

Table 2: India's Major Imports from Bangladesh (US$ Million)

HS Code	Product	2010-11	2021-22	CAGR (%)
62	Apparel and Clothing (not Knitted)	16.28	311.76	30.8
15	Animal or Vegetable Fats and Oils	5.33	262.44	42.5
61	Apparel and Clothing (Knitted)	6.79	211.32	36.7
53	Paper Yarn and Woven Fabrics	99.54	149.08	3.7
63	Other Made-Up Textile Articles	58.24	146.71	8.8
88	Aircraft, Spacecraft	0.03	123.1	113.0
28	Inorganic Chemicals and Metals	2.08	86.88	40.4
23	Food Industry Waste	2.78	77.6	35.3
42	Leather Products	0.01	60.49	120.7
72	Iron and Steel	16.8	52.73	11.0
3	Fish and Crustaceans	59.17	46.33	-2.2
19	Preparations of Cereals, Flour, Starch or Milk	1.19	37.6	36.9

Source: Export-Import Databank, Government of India.

India's imports of leather products have experienced phenomenal growth from Bangladesh with an annualized growth rate of 120.7 per cent, followed by aircraft and spacecraft (113 per cent), animal and vegetable fats and oils (42.5 per cent), inorganic chemicals and metals (40.4 per cent), whereas fish and crustaceans experienced a decline in import of 2.2 per cent in 2020-21, compared to 2010-11 (Table 2 and Figure 4). Even though the distance between major cities of NER and Bangladesh is in the range of 20 to 200 km, most of the bilateral trade, cargo and passenger movement between the two countries passes through the Petrapole ICP in West Bengal, making it the busiest ICP in India. Despite good relations, trade between India and Bangladesh has not increased significantly due mainly to some challenges with regard to product diversification, product standardization, infrastructure at the land port, rail, road and shipping connectivity, para-tariff and non-tariff barriers, payment system, etc. which need proper attention and intervention.

The current trend of bilateral trade indicates that export and import are limited to a few products. However, there are many items which have export potential to Bangladesh in addition to the current exported products by India. Table 4 shows India's export potential with Bangladesh at HS 6-digit level in 2021. Jute and other textiles, trunks, suitcases,

Table 3: India Export Potential with Bangladesh, 2021

HS Code	Product	Bangladesh's Exports to India*	India's Imports from World*	Bangladesh's Exports to World*	Estimation of Untapped Potential Trade*
530310	Jute and other textile bast fibres, raw or retted (excluding flax, true hemp and ramie)	50.84	50.84	5627.5	60.26
420212	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers	47.04	109.51	6614.41	27.91
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets	44.43	65.42	71.64	26.78
720421	Waste and scrap of stainless steel (excluding radioactive, and waste and scrap of batteries	40.39	2233.49	165.52	26.4
890510	Dredgers	30.5	180.28	449.4	18.85
220299	Non-alcoholic beverages (excl. water, fruit or vegetable juices, milk and beer)	29.56	153.41	3915.78	16.61
531010	Woven fabrics of jute or of other textile bast fibres of heading 5303, unbleached	28.84	77.69	1372.25	14.71
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials	28.67	34.36	172.26	12.1
150790	Soya-bean oil and its fractions, whether or not refined (excluding chemically modified	27.93	623.84	853.22	4.74
640419	Footwear with outer soles of rubber or plastics and uppers of textile materials	26.84	168.78	758.72	1.31

Note: * Value in US$ Million

Source: ITC Trademap.

briefcases, men's apparel (t-shirts and trousers), stainless steel scrap, dredgers, non-alcoholic beverages, woven fabrics, soyabean oil, footwear, etc. are some of the products in which India has high export potential with Bangladesh (Table 3). Similarly, Bangladesh has high export potential of milled rice, synthetic or organic dyes, cement clinkers, motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder, automobile parts such as chassis fitted with engines, for tractors, motor vehicles, jewellery and precious metal other than silver, denims, cotton yarns, etc. to India (Table 4). Mineral fuels, intermediate commodities for automobiles, electrical equipment, iron and steel, mechanical equipment are some of the most prevalent potential trade products.

The bilateral trade between India and Bangladesh can be unlocked if trade impediments such as non-tariff barriers are eliminated. This also calls for re-energising bilateral trade measures including streamlining of non-tariff measures, improving the trade facilitation, etc. There is a need to enhance connectivity in the region by strengthening cooperation in coastal connectivity, road, rail and inland waterways. Further liberalisation of trading arrangements between the two countries may generate new trade amidst ongoing global uncertainties. In the wake of the changing global order, further liberalisation of trading arrangements between two countries may lead to new trade regime.

Table 4: Bangladesh Export Potential with India, 2021

HS Code	Product	India's Exports to Bangladesh	Bangladesh's Imports from World*	India's Exports to World*	Estimation of Untapped Potential Trade*
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	912	981	8,361	285.801
320416	Synthetic organic reactive dyes; preparations based on synthetic organic reactive dyes	133	319	774	240.353
252310	Cement clinkers	2	740	33	204.343
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder	109	140	2,517	184.805
870600	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more	62	65	238	156.923
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not	0	100	8,431	129.461
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m^2, made of yarn of different	149	689	355	118.912
520524	"Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear	469	555	887	112.982
520523	"Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear	553	653	1,375	104.312

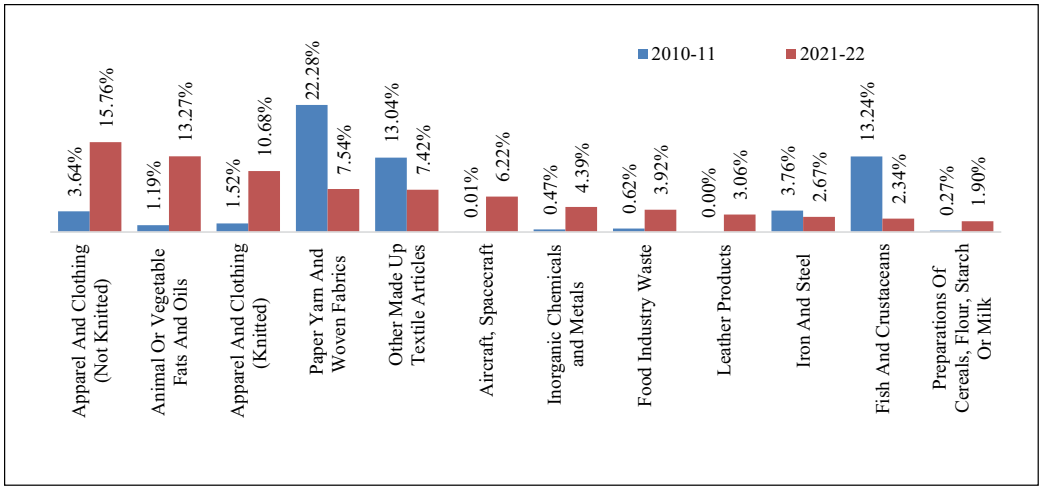
Note: * Value in US$ Million

Source: ITC Trademap.

2. Trade Forecast between India and Bangladesh

To forecast the trade between India and Bangladesh, first, we have estimated India's export, import and total trade with Bangladesh till 2050 based on an augmented Gravity model (Figure 5). Due to the Covid-19 pandemic, India's exports with Bangladesh declined to US$ 7.85 billion in 2020 from US$ 8.13 billion in 2019. Similarly, India's imports with Bangladesh declined to US$ 1.03 billion in 2020 from US$ 1.23 billion in 2019. However, the Covid-19 is a passing fad, and we anticipate a sharp increase in India-Bangladesh bilateral trade, as well as a recovery of the two economies from the current crisis. According to the forecast of this study, the bilateral trade between India and Bangladesh is likely to touch US$ 67.2 billion by 2035 and US$ 315 billion by 2050, *ceteris paribus* (Figure 5). The rise in India-Bangladesh bilateral trade has implications for overland and inland trade, particularly from India's NER. Moreover, the implementation of the coastal shipping agreement of 2015 between

Figure 4: Share of India's Major Imports in Total Imports from Bangladesh



Source: Export-Import Databank, Government of India.

India and Bangladesh can play a vital role in boosting trade through faster shipping routes in the Bay of Bengal region and beyond in a cost effective and environment friendly manner. The usual caveat is that this trade forecast is based on a business-as-usual model and one has to be careful while explaining the forecasted data. Appendix 1 presents the methodology for the estimated bilateral trade forecast for India and Bangladesh.

3. Border Trade between India and Bangladesh

Trade between India and Bangladesh is majorly carried through the land borders spread across four NER states, namely, Assam, Meghalaya, Mizoram and Tripura, all of them have 31 land ports in border areas adjoining Bangladesh, of which 21 are functional (see Appendix Table 1). Among the 21 functional land ports, 3 land ports in Agartala, Saturkandi and Srimantapur are Integrated Check Posts (ICPs), which are used in terms of trade, cargo and passenger movement.[1] In addition, ICP Petrapole, located in West Bengal, is an important land border crossing for India-Bangladesh both in terms of trade and passenger movement (see Appendix Table 2). Nearly 30 percent of border trade between India and Bangladesh takes place through ICP Petrapole.[2] Also, 8 ICPs are under development, of which 3 are located in Meghalaya, Mizoram and Tripura and 4 are located in West Bengal.

Bangladesh also has several land ports in border areas adjoining India and Myanmar. At present, Bangladesh has 13 operational land ports, of which 12 are located at land and inland water boundaries with India and 1 is located at the Myanmar border. These land ports are situated on the borders of NER states, namely, Assam, Meghalaya and Tripura as well as West Bengal. Out of the 12 land ports, 7 are located in West Bengal, 2 each are located in Meghalaya and Tripura and 1 located in Assam (see Appendix Table 3).

A substantial part of the bilateral trade at the India-Bangladesh border is carried out informally, which is recorded in Bangladesh but not in India. Border trade between India and Bangladesh takes place through 11 LCSs in Bangladesh whereas the border trade between India and Bangladesh has increased

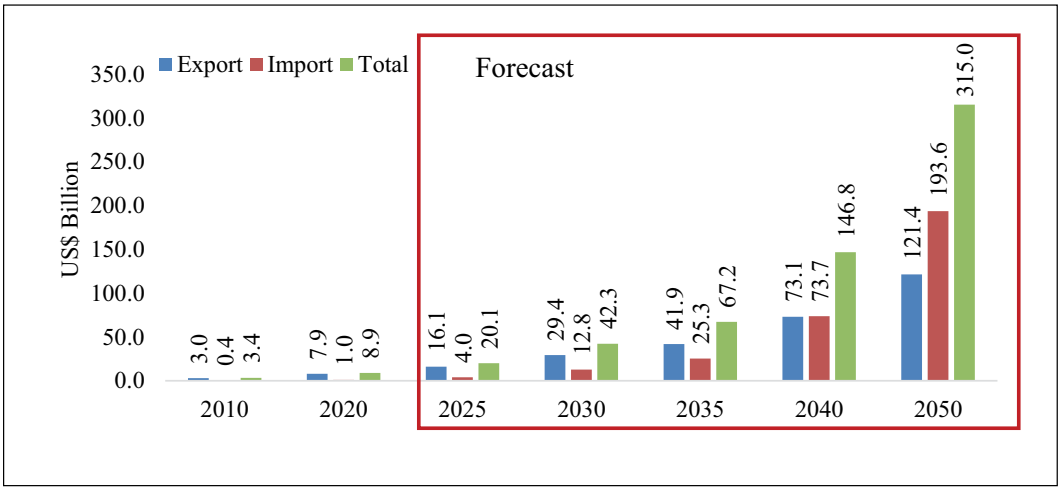
According to the forecast of this study, the bilateral trade between India and Bangladesh is likely to touch US$ 67.2 billion by 2035 and US$ 315 billion by 2050.

Table 5: Border Trade between India and Bangladesh through ICPs (Rs. Billion)

ICP	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	CAGR (2015-16-2019-20) (%)
Agartala	2.8	1.9	2.4	3.6	5.8	5.8	15.47
Sutarkandi	1.1	1.2	1.6	1.4	3.3	2.4	23.61
Srimantapur	0.5	0.6	0.9	1.0	1.0	0.8	16.94
Petrapole	163.4	185.0	188.0	213.8	206.1	157.7	4.75
NER	4.4	3.7	4.9	6.0	10.1	9.0	14.74
Total	167.8	188.7	192.9	219.8	216.1	166.7	4.31
NER's share (%)	3	2	3	3	5	5	

Source: LPAI

Figure 5: Trade Projection based on Gravity Model: India's Exports to and Imports from Bangladesh till 2050



Note: For the year 2025, we assume the growth rate of GDP for India and Bangladesh at 6.7 per cent and 8 per cent. For the year 2040, we assume the growth rate of GDP for India and Bangladesh at 5 per cent and 7 per cent. For the year 2050, we assume the growth rate of GDP for India and Bangladesh at 4 per cent and 6 per cent.

Source: Based on Authors' Calculations.

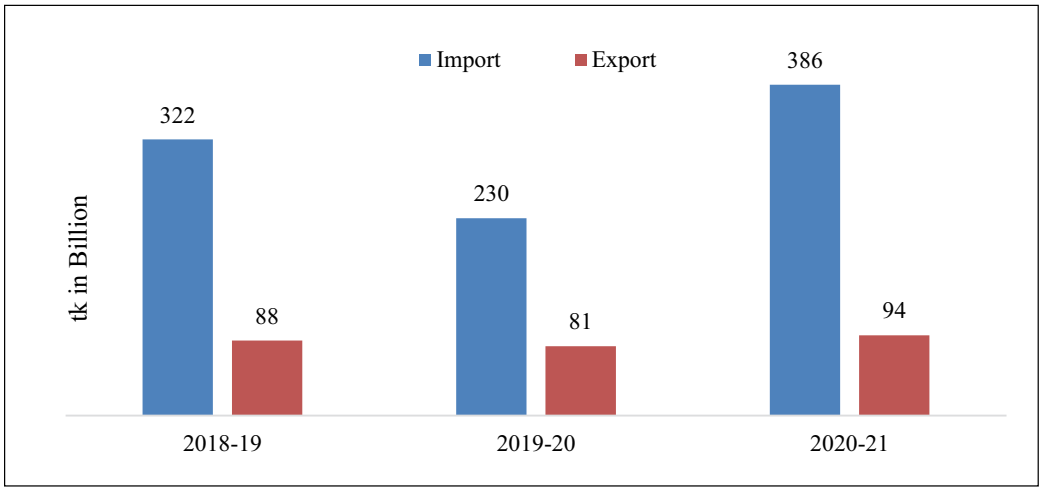
at an annualized growth rate of 5 per cent from Tk. 410 billion in 2018-19 to Tk. 480 billion in 2020-21 (see Appendix Table 4). Bangladesh's exports through borders have increased from Tk. 88 billion in 2018-19 to Tk. 94 billion in 2020-21, whereas imports have increased from Tk. 322 billion in 2018-19 to Tk. 386 billion in 2020-21 (Figure 6). The bilateral border trade volume may go up if we factor in the volume of informal trade between India and Bangladesh.

In the formal sector, India's trade with Bangladesh from Agartala, Sutarkandi, Srimantapur and Petrapole ICPs/LCSs have increased from Rs. 167.8 billion in 2015-16 to Rs. 216.1 billion in 2019-20 (annualized growth rate of 4.31 per cent) (Table 5). But, trade from the ICPs/LCSs declined during 2019-20 to 2020-21 due mainly to the pandemic. Majority of the trade takes place through Petrapole-Benapole border. Petrapole

is the only land port which handles export and import of almost all commodities, except a few regulated by the custom agencies, making it one of the busiest (and most crowded too) land ports. Although NER's share in border trade with Bangladesh has increased from 3 per cent to 5 per cent, the share is still meagre. Border trade through Agartala and Srimantapur have grown at an annualized growth rate of about 16 per cent and 17 per cent during 2015-16 to 2019-20, respectively.

India majorly exports cotton fabrics, chassis, raw cotton, steel/iron chemical/ dyes, synthetic fabric, cereals, two and four-wheelers, Dry fish, Arjun flower (Grass broom), Coal, Orange, Pomegranate, Grapes, Apple, Cumin, Ginger, Wood Apple, Tamarind, Betel Leaf to Bangladesh via ICP Petrapole, Agartala, Saturkandi and Srimantapur (Table 6). India's major imports from Bangladesh are Ready-made Garment, Cotton Rags, Briefcase, Bags, Jute Yarn, Hydrogen Peroxide, Crushed Stone,

Figure 6: India–Bangladesh Border Trade through LCSs/ICPs



Source: National Bureau of Revenue, Bangladesh

Table 6: Major Commodities Traded between India and Bangladesh via ICPs

ICP	Items of Export	Items of Import
Petrapole	Cotton Fabrics, Chassis, Raw Cotton, Steel/Iron Chemical/Dyes, Synthetic Fabric,2/4-Wheeler, Cereals	Readymade Garment, Cotton Rags, Briefcase, Bags, Jute Yarn, Hydrogen Peroxide
Agartala	Dry fish, Arjun flower (Grass broom)	Crushed Stone, Coal, Float glass, Stone chips, Cement, Fish edible oil, Household Plastic item TMT bars, Small agricultural Machinery
Saturkandi	Coal, Orange, Pomegranate, Grapes, Apple	Palm/Soya Oil, Food items, Soft Drinks, Plastic, House Hold Goods, Waste Cotton
Srimantapur	Cumin, Ginger, Wood Apple, Tamarind, Betel Leaf	Cement, Steam Coal, Fruit Drink, Carbonated Beverage, PVC Pipes & Tubes, Kitchen Racks of Iron, Agro Plastic Net, Brick Crusher and Thrashing Machine (without engine), Cordage & Rope of Cotton

Source: LPAI

> To realize the full potential of India-Bangladesh trade at border, issues of mutual interests, including removal of non-tariff barriers and port restrictions, harmonisation and mutual recognition of standards and procedures on both sides, removal of the ADD, strengthening connectivity and trade infrastructure, among others, are required to be addressed.

Table 7: LCS-wise Tripura's Border Trade with Bangladesh (Rs. Crore)

LCS/ICP	Export	Import	Total Trade
Agartala ICP	1.46	580.17	581.63
Srimantapur ICP	7.3	73.52	80.82
Muhurighat LCS	0	35.59	35.59
Manughat LCS	2.77	24.29	27.06
Khowaighat LCS	0	1.98	1.98
Old Raghnabazar LCS	4.86	1.32	6.18
Total	16.39	716.87	733.26

Source: Economic Review of Tripura, 2020-21

Coal, Float glass, Stone chips, Cement, Fish Edible oil, Household Plastic item TMT bars, Small agricultural Machinery, Palm/Soya Oil, Food items, Soft Drinks, Plastic, Household Goods, Waste Cotton, Cement, Steam Coal, Fruit Drink, Carbonated Beverage, PVC Pipes & Tubes, Kitchen Racks of Iron, Agro Plastic Net, Brick Crusher and Thrashing Machine (without engine), Cordage & Rope of Cotton.

Although Tripura has the longest border with Bangladesh among the NER states and shares 84 per cent of its border with Bangladesh, border trade through Tripura is restricted to only 42 items.[3] The official trade between Tripura and Bangladesh started in 1995-96 through Agartala LCS. At present, there are 8 notified LCSs, namely, Agartala, Srimantapur, Muhurighat, Khowaighat, Dhalaighat, Manughat, Old Raghnabazar and Sabroom (Map 1 and see Appendix Table 5). LCSs Agartala and Srimantapur have been upgraded into ICPs and used in terms of trade, cargo and passenger movement. Both the Agartala-Aukhaura and Srimantapur-Bibirbazar LCSs along Tripura-Bangladesh border are operational at present and deal with passengers and cargoes. While the Sabroom ICP is under-development, Dhalaighat LCS is operational for immigration purposes only.

The total volume of trade has increased manifold from a meagre Rs. 49.56 crore in 2006-07 to about Rs.733.26 crore in 2020-21 (Figure 7). In 2020-21, India's exports and imports stood at Rs. 16.39 crore and Rs. 716.87 crore, respectively (Table 7). Official trade between Tripura and Bangladesh has been going on mainly through the Agartala-Akhaura border post. About 79 per cent of Tripura's border trade with Bangladesh took place through Agartala ICP in 2020-21.

However, export and import of goods from Tripura LCS stood at only 8.37 per cent and 0.05 per cent in Bangladesh's total border trade with India in 2020-21.

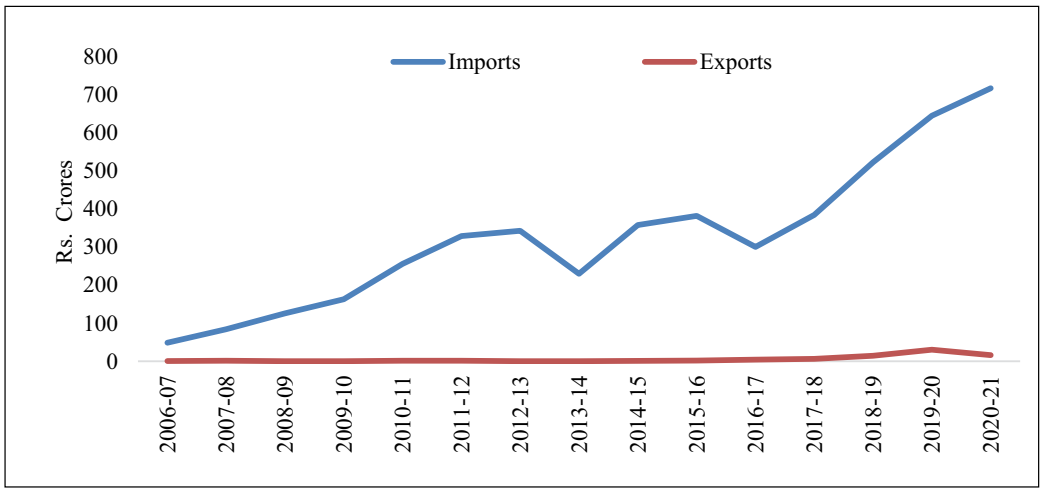
Trade with Bangladesh includes cement, fish, stone pipes, PVC pipes, furniture, jute, ginger, agarbatti, iron oxide, fruits etc. In 2020-21, India majorly imported small fish (Rs. 248.61 crore), followed by food items (Rs. 157.67 crore) and cement (Rs. 130.13 crore). While India's major exports to Bangladesh in 2021 were fresh ginger (Rs. 4.51 crore), followed by seeds of cumin (Rs. 4.34 crore) and grapes (Rs. 2.31 crore). If the trade at the border maintains the rising trend, this would effectively create fresh demand for goods and services across the land border, particularly through Agartala and Srimantapur ICPs in Tripura. Once the Sabroom ICP becomes operational, which is double the size of Agartala ICP, trade is expected to increase substantially.

Volume of trade through Agartala ICP has been increasing day by day. However, two major constraints of Agartala ICP are its proximity (2 km away) to the Agartala city, which is the hub of all important activities of Tripura and paucity of vacant land near Agartala ICP for any future expansion.[4] Moreover, Tripura's transport links through Bangladesh have been scrapped post partition of India in 1947, which has been hindering trade between Tripura and Bangladesh. India's exports to Bangladesh can be increased through the Agartala ICP if trade restrictions imposed on India's exports are removed.

Unlike Petrapole, only 42 items can be traded through Agartala ICP in Tripura between India and Bangladesh because of the trade restrictions.[5] Moreover, Bangladesh imposes 30-36 per cent duty on Indian goods. While India provides duty free quota free access to Bangladesh on all tariff lines except tobacco and alcohol under the SAFTA since 2011. India has also imposed anti-dumping duty on jute of Bangladesh origin. Bangladesh has a trade deficit with India, therefore, streamlining NTMs can increase Bangladesh's export to US$ 4 billion.[6]

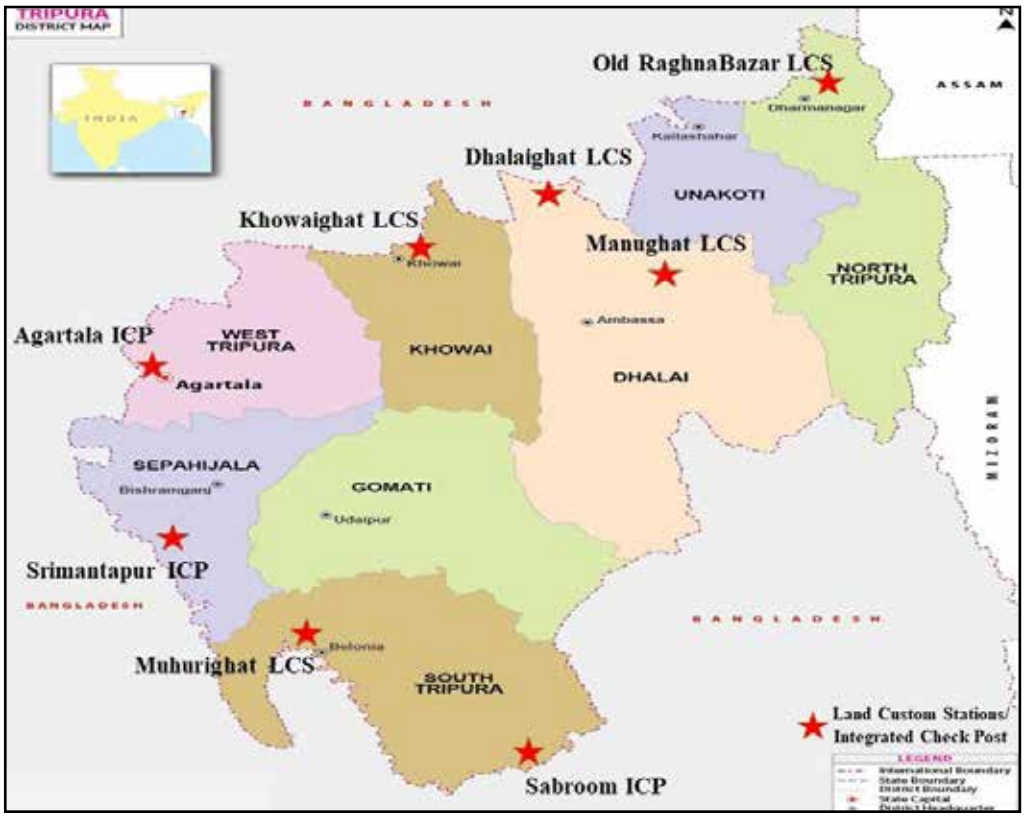
To realize the full potential of India-Bangladesh border trade, issues of mutual interests, including removal of non-tariff barriers and port restrictions, harmonisation and mutual recognition of standards and

Figure 7: Trends in Tripura's Border Trade with Bangladesh



Source: Economic Review of Tripura, 2020-21

Map 1: LCSs/ICPs at Tripura-Bangladesh Border



Source: Drawn by Asian Confluence based on Maps of India (www.mapsofindia.com)

Table 8: India-Bangladesh Major Commodity Exports and Imports via Tripura LCS/ICP, 2020-21

Export Commodity	Value*	Import Commodity	Value*
Fresh Ginger	4.51	Variety of fish – small fish	248.61
Seeds of Cumin	4.34	Food items	157.67
Grapes	2.31	Cement	130.13
Pomegranate	1.73	Dry fish	47.31
Citrus	1.51	Steam Coal	42.37
Dry fish	0.88	Plastic Items	19.72
Wood apple	0.36	Steel Sheet	14.47
Onion	0.08	PVC Pipes/	Tube
Fresh orange	0.07	Flavour Drinks	9.84
Tamarind	0.07	M.S Rod	6.94
Other commodities	0.53	Other commodities	27.76
Total	16.39	Total	716.87

Note: *Value in Crore

Source: Economic Review of Tripura, 2020-21

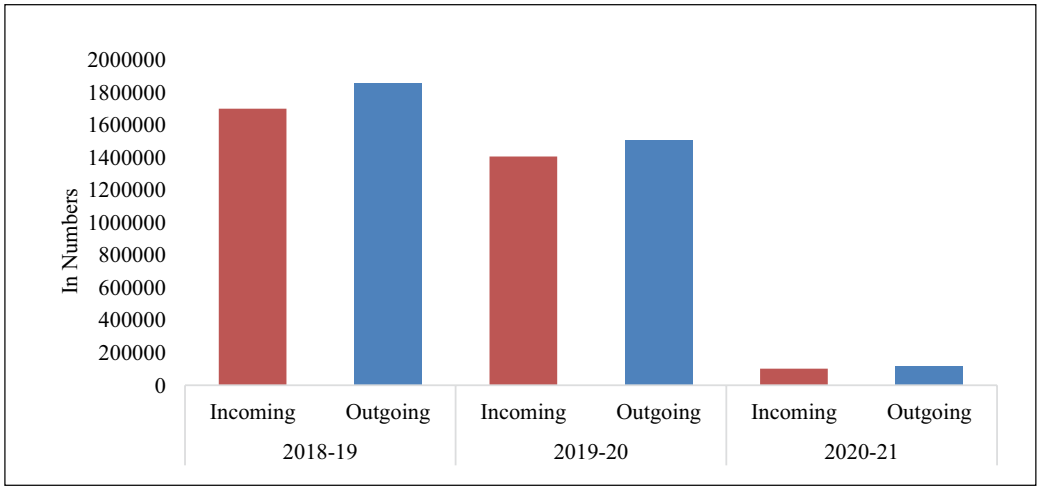
procedures on both sides, removal of the ADD, strengthening connectivity and trade infrastructure, among others, are required to be addressed. Bangladesh has the potential to become a transport and transhipment hub in the Bay of Bengal region and beyond. There exists a bright prospect for developing and promoting border trade between Bangladesh through ICPs in the NER.

4. Passenger and Cargo Movement between India and Bangladesh through LCS/ICP

Passenger movement from Bangladesh to India has increased substantially, which is formally recorded in Bangladesh side in all border LCSs, while, in India, side it is formally recorded in Petrapole, Agartala, Srimantapur and Sutarkandi ICPs. Passenger traffic at the India-Bangladesh borders have increased considerably from 17,02,925 in 2018-19 to 29,03,500 in 2019-20 at ICP Agartala, Petrapole, Srimantapur and Sutarkandi (Table 9). However, the passenger movement declined sharply to about 2 lakh in 2020-21 due to the Covid-19 pandemic. Petrapole ICP in West Bengal manages over 90 per cent of passenger movement, followed by Agartala ICP (5 per cent) and Srimantapur ICP (1 per cent). Except Nakugaon and Sonahat, passenger movement takes place from other 9 LCS in Bangladesh (see Appendix Table 6). Outgoing passengers are higher than incoming passenger from Bangladesh to India (Figure 8). Overall, less than 10 per cent of the cross-border passenger movement between India and Bangladesh takes place from NER. Therefore, encouraging passenger movement from ICPs in NER would reduce the burden on Petrapole ICP.

The majority of Bangladeshi nationals travel to India for business, education, tourism, pilgrimage, medical treatment, and other reasons. The NER-Bangladesh region has ample scope to scale up tourism relations. Bangladesh can become a tourism hub as tourists from Bangladesh want to explore NER and tourists from NER want to visit Cox's Bazar and other places in Bangladesh. In addition, the NER has several Buddhist

Figure 8: Yearly Passenger Movement at Bangladesh LCSs Bordering India



Source: National Bureau of Revenue, Bangladesh

Table 9: Yearly Passenger Movement at Petrapole, Agartala, Srimantapur and Sutarkandi ICP

ICP	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
(In Numbers)						
Agartala	90455	99101	161117	239468	328153	8499
Petrapole	1589246	1910316	2663069	2354962	2476191	194530
Sutarkandi	6966	6156	7616	8821	10002	614
Srimantapur	16258	21120	24607	52848	89154	10
Total	1702925	2036693	2856409	2656099	2903500	203653

Source: LPAI

Table 10: Yearly Cargo Vehicle Movement at Petrapole, Agartala, Srimantapur and Sutarkandi ICP

ICP	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
(In Numbers)						
Agartala	30193	11485	10995	12073	13371	11146
Petrapole	128995	146706	146341	163555	154055	106334
Sutarkandi	11251	14695	18181	9346	15365	8534
Srimantapur	5642	6054	8976	7995	10420	5714
NER	47086	32234	38152	29414	39156	25394
Total	176081	178940	184493	192969	193211	131728

Source: LPAI

sites, which have the potential to attract Buddhist pilgrims especially from Japan and other Eastern and Southeast Asian countries via Bangladesh. An international Buddhist University is coming up in Sabroom. Besides, the NER has huge potential to offer health and education services to Bangladeshi passengers as it is coming up with several universities and health centres. Students from India particularly NER can be encouraged to take up medical education in Bangladesh since it has been very affordable and widely recognized.

Cargo vehicle movement between India and Bangladesh has increased considerably over the years (Table 10). Vehicles movement at the ICPs have increased to 1.9 lakh in 2019-20 from 1.7 lakh in 2015-16. ICP Petrapole has been handling over 70 per cent of cargo traffic since the inception of the ICP. Cargo traffic handled through ICP Agartala, Srimantapur and Sutarkandi in NER has declined from 47086 in 2015-16 to 39156 in 2019-20. Due to the Covid-19 pandemic, the number of cargo vehicles movement declined further to 25394 in 2020-21. The total volume of cargo movement between India and Bangladesh declined from 2 million tonne in 2015-16 to 1.2 million tonne in 2019-20 due to the Covid-19 pandemic.[7]

About 92 per cent of the total volume of cargo movement at the LCSs of Bangladesh was import cargo from India, whereas only 8 per cent of the total volume of cargo movement was export cargo to India.[8] Even though the infrastructure facilities particularly at Agartala and Srimantapur ICP are having

advanced setup, the ICPs are under-utilized for trade as well as passenger and cargo movement. Export restrictions from the Bangladesh side have been a major barrier for low trade and cargo movement from two ICPs. The customs procedures and documents processed in terms of bills of entry are high in number on the Bangladesh side. For example, numbers of bills of entry at Benapole have increased from 66,582 in 2018-19 to 73,586 in 2020-21.[9] Similarly, the documentation requirement in all other LCSs have increased between 2018-19 and 2020-21.[10] Therefore, harmonization of the customs procedures and documents requirement at the ICPs will further reduce dwell time of the cargo coming from Bangladesh.

In addition, infrastructure linkages of Tripura with other NER states are inadequate, thereby hindering the movement of cargo from the state. Moreover, infrastructure facilities at land ports in Bangladesh, Bibirbazar in particular are rudimentary. Improving infrastructure connectivity of Tripura with other NER states in India side as well as Bibirbazar in Bangladesh side with Srimantapur, Sonamura, Agartala in Tripura will not just facilitate movement of cargo and passenger on higher scale from official routes but also channelize trade from informal routes to formal routes through the Northeast. The upcoming ICP at Sabroom can play a vital role in enhancing trade as well as cargo and passenger movement. ICP

Sabroom has every potential to become an international gateway to NER's connectivity with Bangladesh and beyond.

Table 11: Border Haats at India-Bangladesh Borders

Border Haat	Location in India	Location in Bangladesh	Day of Operation
Kalaichar-Balaimari Border haat (Operational since August 2011)	Kalaichar, West Garo Hills District, Meghalaya	Baliamari, Char Rajibpur, Kurigram District	Wednesday
Srinagar-Chhagalnaiya Border haat (Operational since January 2015)	Srinagar, Sabroom Sub-Divison, South Tripura	Purba Madhugram, Chhagalnaiya, Feni District, Chittagong Division	Tuesday
Balat-Dolura Border haat (Operational since May 2012)	Balat, East Khasi Hills District, Meghalaya	Lauwaghar, Dalora, Sunamganj Sadar, Sunamgang District	Tuesday
Kamalasagar-Kasba Border haat (Operational since June 2015)	Kamalasagar, Bishalgarh, Sepahijala District, Tripura	Purba Kasba, Brahmanberia Sadar Upazila, Chittagong	Sunday

Source: CUTS (2020)

Table 12: Year-wise Amount of Commodities Traded at Tripura Border Haats (Rs. Crore)

Year	Srinagar	Kamalasagar	Total
2015-16	2.51	3.51	6.02
2016-17	11.2	6.47	17.67
2017-18	7.57	5.46	13.03
2018-19	1.57	4.08	5.65
2019-20	5.44	9.37	14.81

Source: Economic Review of Tripura, 2020-21

Sabroom is three times the size of Agartala ICP, which enables it to handle cargo and passenger traffic in large numbers. In addition, the ICP has advanced setups such as a deep refrigerator, warehouse, high speed internet facility, electricity, duty free shop, etc. Sabroom has every potential to become an international gateway to NER's connectivity with Bangladesh and beyond.

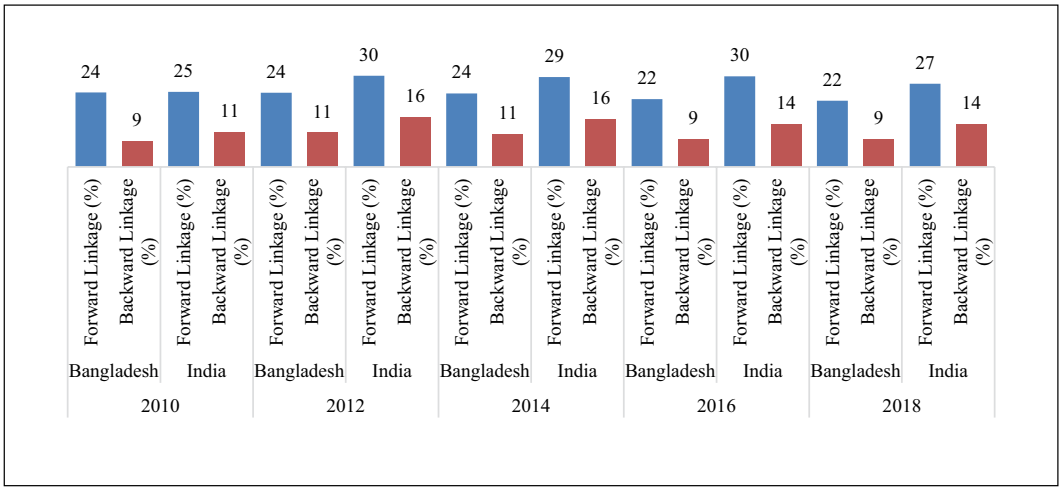
5. India-Bangladesh Trade through Border Haats

In 2010, India and Bangladesh decided to establish border haats[11] along the border of India and Bangladesh. Kalaichar-Baliamari haat was the first border haat, which was opened as a pilot project in 2011.[12] The core idea behind the border haats is to provide a formal arrangement of trade between the local communities of the two countries that have limited access to big markets, mainly due to long distances.[13] There are restrictions on the types and quantity of commodities to be sold and purchased in these haats.

Currently, four border haats are operational along the India-Bangladesh border (Table 11). Two border haats are located in Meghalaya (India)-Rangpur/Sylhet (Bangladesh) sub-region (Kalaichar and Balat) and other two are located in Tripura (India)-Chittagong (Bangladesh) sub-region (Srinagar and Kamalasagar). These border haats have played an important role in creating different earning opportunities for poor and marginalised people and augmented their income levels and living standards. These haats have helped in strengthening ties between the two countries, both culturally and economically, benefitting local communities.[14] They have boosted the people-to-people contacts of the two countries and further strengthened the bonding. The haats were also expected to channelise a part of the informal trade that thrives along the porous borders of the two countries.

Trading of commodities at Border Haats in Tripura has been increasing considerably (Table 12). Trade in Srinagar and Kamalasagar together has increased from Rs. 6.02 crore in 2015-16 to Rs. 14.81 crore. Trade in Srinagar increased sharply from Rs. 2.51 crore in 2015-16 to Rs. 11.2 crore in 2016-17, but declined thereafter. Major commodities sold from the Indian side in Srinagar are Spices, Kitchen,

Figure 9: India and Bangladesh Backward and Forward Linkages



Source: UNCTAD-Eora Global Value Chain Database

Table 13: Major Products Traded at Border Haats, 2019

Border Haat	Products Sold from India Side	Product Sold from Bangladesh Side
Kalaichar-Balaimari	Toiletries, tea leaves, bakery, banana, spices, steel, baby food, diapers, branded chocolates, branded biscuits	Dry fish, garments, plastic, toys, agri-implements, bakery products (vermicelli, condensed milk, homemade biscuit), plastic products, melamine products
Srinagar-Chhagalnaiya	Cosmetics, tea, diapers, baby food, stationery items, biscuit, chocolates, saree, rice, dal, ceramic, spices, food items (horlicks, milk powder, cold drinks), seasonal vegetable, banana and other seasonal fruits,	Plastic products, crockeries, melamine, garments, packaged dry food, agriculture tools, electronic (third country product), daal, chocolate, onion, rope (nylon and jute), electronic items, seeds of vegetables, bags, fresh fish, dry fish, onion, plastic ropes, fresh fruits
Balat-Dolura	Betel nut, oranges, tamarind, ginger, clothes	Processed betel nuts, garments including shawls, packet food (biscuits), fish, bed sheet
Kamalasagar-Kasba	Bamboo products, betel nut, betel leaf, lemon, bamboo shoots, wild vegetables, broomstick, sweet potato, firewood	Melamine products, plastic products, vegetables, beverages like fruit juice, packaged dry food like biscuits, chips, green peas, Bangladeshi readymade garments products especially jeans and t-shirt

Source: CUTS (2020)

Jackfruit, local vegetables, Cosmetics, Plastic, toiletries, Fruits, Saree, cloth materials (Lungi/Gamcha) etc. (Table 13). While major commodities sold in Bangladesh side are Dry fish, Bakery items, Plastics goods, Fruits like green apple, Water melon, Local Vegetables etc. Trade in Kamalapur increased from Rs. 3.51 crore in 2015-16 to Rs. 9.37 crore in 2019-20. In Kamalsagar, major commodities sold on the Indian side were Fruits, Tea leaf, Steel, Garments, Bakery, Masala (Spices), Baby Food, Toiletries, etc. (Table 13), and major commodities sold on the Bangladesh side were Dry fish, Bakery items, Plastics goods, Fruits like green apple, Water melon, Local Vegetables, etc. However, most of the trade still goes on informally in border haats, which has been causing a lot of difficulties and distortions and puts a lot of strain even on security forces, who are to work to prevent such trade.

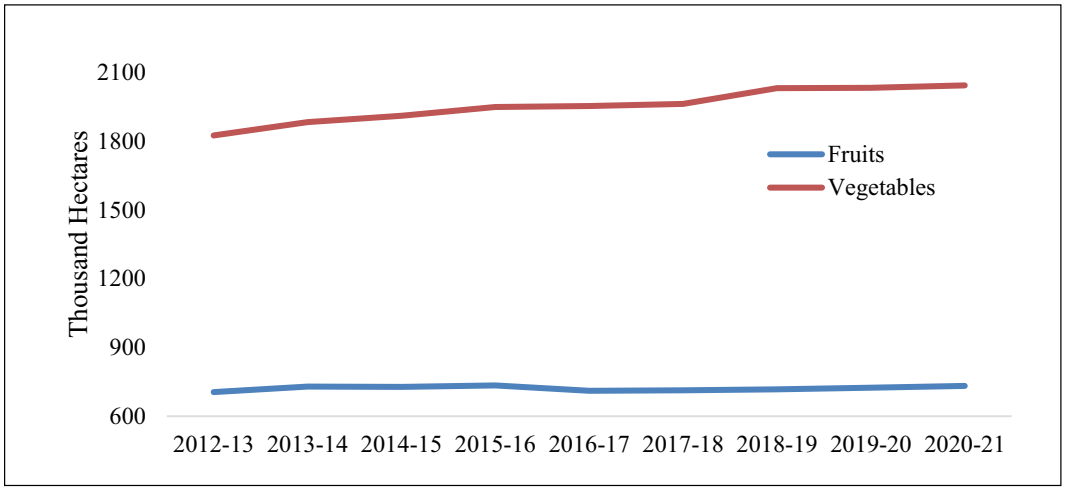
Six more border haats on the India-Bangladesh border are in the pipeline (see Appendix Table 7). The foundation stone for the Border Haat at Kamalpur-Kurmhaghat border in Dhalai district was laid in 2022.[15]

In addition, feasibilities for Border Haats have been identified for trade in Tripura at Boxanagar and Bamutia in West Tripura, Ekinpur in South Tripura and Hirachera (Kailashahar) in Unakoti District.[16] Border Haats in Tripura were remained closed since the outbreak of the Covid-19 pandemic and consequent lockdown, which indeed had caused immense loss to the people living in bordering villages. The Border Haats are suggested to re-open as these are not only trading points but also a gathering centre of the people of India and Bangladesh.

6. Value Chain Potentials in Food Processing Industries: A Case Study

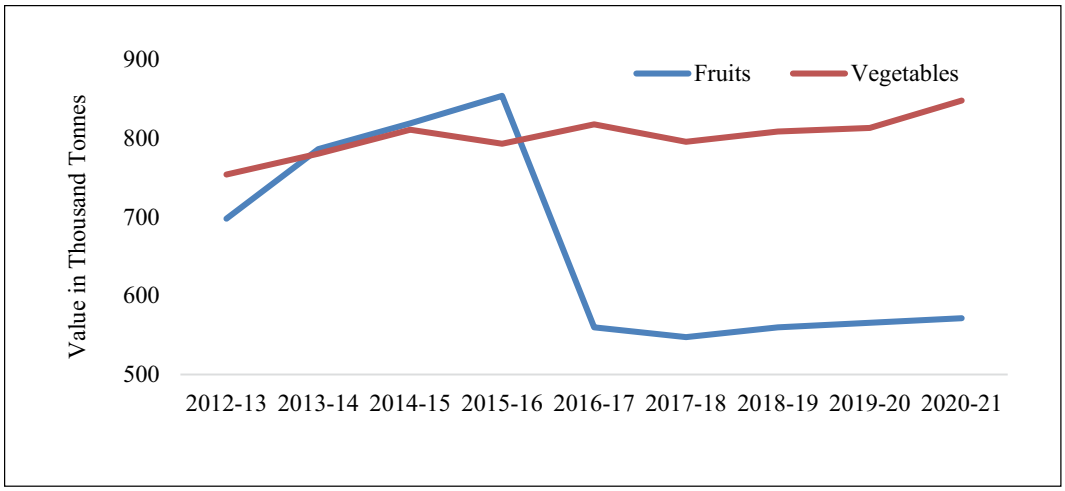
India and Bangladesh have relatively higher forward linkages compared to backward linkages, which shows that both India and Bangladesh supply inputs to foreign partners, which are used in the production process of finished products (Figure 9).[17] However, the forward linkage rates for both India and

Figure 10(a): Trends of Fruits and Vegetables Area under Cultivation in NER



Source: MDoNER

Figure 10(b): Trends of Fruits and Vegetables Production in Tripura



Source: MDoNER

Bangladesh have declined from 30 per cent and 24 per cent in 2012 to 27 per cent and 22 per cent in 2018, respectively. India has experienced an increase in backward linkages between 2010 and 2018, indicating that it is increasing the imported inputs in their exports to the world whereas Bangladesh has experienced a decline in backward linkages.

Industrial activities in NER have enormous opportunities with potential value chain linkages with Bangladesh, Southeast Asian countries and rest of India in agriculture, horticulture, floriculture, processed food, engineering, automobiles, garments, pharmaceuticals, etc. There are vast opportunities in trade with live-stock, horticulture, fishery, agro-processing sectors or natural resource areas. In recent years, the region has witnessed significant growth in the production of fruits, spices and plantation

crops. Among the NER states, Assam and Tripura have more units in food processing than other states in NER.[18] There are several challenges that the food processing industries face in the NER, which include lack of transportation, inadequate cold storage facilities, lack of post-harvest technologies and processing of farm produce, lack of market access and other factors.[19]

Because of the growing areas under cultivation of fruits and vegetables in NER and production of fruits and vegetables in Tripura (Figures 10(a) and 10(b)), the food processing industry shows production linkages with Bangladesh and beyond. To unlock such potentials, the industry may need initial government support to compete in the local market as well as support for exporting the products in the form of subsidies, incentives, tax concessions, and so on.

The central and state governments have implemented several schemes for the promotion and development of food processing industries in the NER. The schemes cover an entire spectrum of issues such as food parks, cold chains, value addition and preservation infrastructure, food testing laboratories, research and development, and modernization of food processing industries. The number of projects sanctioned under the two schemes, notably the National Mission on Food Processing and Technology Upgradation/Modernization of Food Processing Industries schemes are higher than other schemes. For instance, there are hardly one or a few projects under the Mega Food Parks scheme, Integrated Cold Chain, Value Addition & Preservation Infrastructure and Research & Development for all the Northeastern states except for 19 projects for Assam under the Research & Development scheme.[20] The government has relaunched the North East Industrial Development Scheme (NEIDS) in 2018 to facilitate new investments in the region.[21] However, the region needs bigger plans to unlock value chains in food processing.

First, to facilitate trade, all airports and land ports in NER should have adequate cold-chains. NER states shall encourage the agri-horticulture start-ups in exporting processed food, organic fruits and vegetable, high-end fashion products through borders. We expect new value chains once the CEPA between India and Bangladesh comes into effect. NER and Bangladesh, therefore, must strengthen cross-border supply chains to unlock value chains and create business opportunities. This has to be done jointly by the governments of India and Bangladesh.

Second, the rise of synchronised commerce needs integrated supply chains. The expansion of supply chains paves the way for further visibility globally. Setting up of Matarbari DSP is thus important for resilient supply chain linkages between NER and Bangladesh.

Third, the Indian government may consider setting up logistics parks across the major trading points in the NER, which will generate huge business opportunities since NER is a consumption-driven region.

Fourth, NER states and Bangladesh must facilitate Japanese investments in value chains.

NER and Bangladesh must strengthen cross-border supply chains to unlock value chains and create business opportunities.

Setting up of Matarbari DSP is important for building resilient supply chain linkages between NER and Bangladesh.

7. Trade Policies of India and Bangladesh

7.1. India Trade Policy

International trade has been an important component of the Indian economy. The Foreign Trade Policy (FTP) of India is formulated for five years at a time, and reviewed periodically. The seventh FTP covering the period 2015-21[22] provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition

in the country. The 8th FTA was launched on 31 March 2023. The FTP is also aligned with the broader priorities of the Government of India such as the implementation of 'Goods and Services Tax', 'Digital India', 'Skill India', 'Startup India' and Trade Facilitation initiatives. Various provisions of FTP are aimed at trade facilitation by cutting down the transaction cost and time, thereby rendering Indian exports more competitive. With the changing trade paradigm, FTP is regularly updated. Some of the recent thrusts are simplification of policy and procedures, reducing manual intervention, e-communication of authorizations, e-verification, and immediate resolution of policy, procedure and systems related issues.

India's trade policy objective is to increase its share in global exports. To encourage exports, India provides incentives such as the Merchandise Export from India Scheme (MEIS), the Services Export from India Scheme (SEIS), and credit facilitation. The objectives of the MEIS and the SEIS under the FTP are to offset infrastructure inefficiencies and associated costs of exporters. In 2017, India ratified the WTO Agreement on Trade Facilitation (TFA), including a reduction in the number of documents required for export and import, the single window interface for facilitating trade (SWIFT), and the establishment of the National Committee on Trade Facilitation. Since January 2017, the Government has been implementing a four-year National Single Window (NSW) project to expedite ease of doing business. The implementation of 'India Customs Single Window' allows traders the facility to lodge their clearance documents online at a single point. Single Window is supported by the e-SANCHIT portal, which enables the online uploading of supporting documents by the traders.

Some of the facilitative measures undertaken for ease of doing business include: introduction of Goods and Service Tax (GST), which has removed a plethora of taxes at the central and at the state level; reduction of the corporate tax rate from 30 per cent to 22 per cent for mid-sized enterprises with a turnover of up to Rs. 4 billion; increased facilitation by Indian Customs through the digitized Authorized Economic Operator (AEO) programme; Direct Port Delivery (DPD) and Direct Port Entry (DPE) have been introduced for facilitating faster clearances at the ports; introduction of the post clearance audit of consignments identified by the Risk Management System (RMS) for reducing the number of consignments that need to be inspected on arrival.

7.2. Bangladesh Trade Policy

The trade policy of Bangladesh is mainly guided by export and import policies, which are issued on a three-yearly basis. The Export Policy 2015-18 was aimed to promote and facilitate export, improve quality of the exportable items, use environment friendly technologies and produce high value added and labour-intensive products. The Export Policy identified 12 sectors as the Highest Priority Sectors and designated 14 sectors as the Special Development Sectors. The Highest Priority Sectors include: high value-added readymade garment and garment accessories; software and IT enabled services, ICT products; pharmaceutical products; ships and ocean-going fishing trawlers; footwear and leather products; jute products; plastic products; agro-products and agro-processed products; furniture; home textiles and terry towel; home furnishing; and luggage.

The Export Policy 2018-21 aims to raise the country's export earnings to US$ 60 billion.[23] Special programmes have been designed to boost exports of these sectors. Other key objectives include improving the quality of products by upgrading testing

facilities to global standards, enhancing the involvement of women in export-oriented industries, increasing the stake of services sectors, including information communication technology (ICT), and bringing dynamism to export trade by utilizing e-commerce and e-governance.[24]

Tariff remains Bangladesh's main trade policy instrument and a significant source of tax revenue. Tariff protection varies substantially across and within sectors. Bangladesh maintains six tariff slabs with a maximum tariff rate of 25 per cent. The current tariff bands are 0, 1, 5, 10, 15, and 25 per cents, respectively. Production and trade are supported by various open-ended tax and non-tax concessions. The tax system is heavily dependent on trade-related taxes. Domestic and imported items are subject to VAT, a supplementary duty, advance trade VAT, and advance income tax.

There has been no change to Bangladesh's export procedures and certain products are subject to export prohibitions, restrictions and duties. Bangladesh has expanded the export subsidies/cash incentives in the form of concessional tariffs, a duty drawback system, income tax rebates, special bonded warehouses, and EPZs as support measures to export sectors.

Bangladesh has also undertaken reforms of the customs administration to facilitate trade. It introduced the ASYCUDA World in September 2013. Bangladesh is also working to set up a National Single Window for traders, a customs information system integrating trade-related stakeholders including banks and financial institutions, carriers, custom brokers and trade operators, port and airport authorities, government agencies. To facilitate the National Single Window, the government has signed MoUs with 38 government agencies.[25] Despite ongoing efforts, recent reports and studies demonstrate that there is a need to further improve the efficiency of customs procedures in Bangladesh.[26]

Bangladesh aims to instil a comprehensive trade policy (CTP). The European Union has provided technical assistance under the Bangladesh Trade Policy Support Programme with the objective of developing an integrated national trade policy. However, the stakeholders in the trading community continue to support the longstanding practice of having separate import and export policies instead of a single comprehensive trade policy.[27]

8. Evolution of Trade Agreements

Economic relations is a key component to foreign policy. India has been actively engaging with the external market and diversifying its strategy based on the changing dynamics of commerce and economic growth in the world economy to put trade on a high growth trajectory. To achieve the overall objective of trade liberalization/harmonisation of tariffs and non-tariff measures, India views regional trade agreements (RTAs) and preferential trading arrangements (PTAs), as "building blocks".[28] Currently, India has 16 signed and in effect trade agreements and negotiations have been launched for 16 trade agreements (Table 14). India's initial

Table 14: India and Bangladesh's Engagement in Trade Agreements till 2022

Country	Negotiations launched	Signed and In Effect	Total
Bangladesh	3	5	8
India	16	16	32

Source: ARIC

“India has already completed a decade of signing of the CEPA with Japan. Japan and Bangladesh have just launched the JSG for a CEPA, whereas India and Bangladesh have completed a JSG for a CEPA between them. Bangladesh needs CEPAs/CECAs/FTAs in post-2026 by when Bangladesh elevates to the ‘developing country’ group. It appears that India-Bangladesh-Japan will become a free trade region once three of them have CEPAs in mutually exclusive manner.”

foray into RTAs was through the Bangkok Agreement (1975), the Global System of Trade Preferences (GSTP, 1988), the South Asian Association for Regional Cooperation (SAARC) PTA (SAPTA, 1993) and Free Trade Agreement (FTA) with Sri Lanka in 1999. India's other major comprehensive FTAs, which are signed and implemented include India-ASEAN Trade in Goods Agreement, India-Singapore Comprehensive Economic Cooperation Agreement (CECA), India-Japan Comprehensive Economic Partnership Agreement (CEPA), India-Korea Comprehensive Economic Partnership Agreement (CEPA), India-Malaysia Comprehensive Economic Cooperation Agreement (CECA), Framework Agreement on Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) FTA, India-UAE CEPA, India-Australia ECTA, etc. (see Appendix Table 8). India is also engaged in several other negotiations with Canada, the UK, Bangladesh, BIMSTEC, GCC countries, European Union, etc.

Similarly, Bangladesh attaches high importance to deepening intra-regional trade through regional economic and trade cooperation arrangements because of the possible impact of its graduation on preferential market access. Currently, Bangladesh has signed and in effect five trade agreements and negotiations have been launched for three trade agreements including India and Japan (Table 14). Bangladesh is party to several RTAs, of which only the APTA and SAFTA have been notified to the WTO. Bangladesh is also party to several other RTAs, namely, Trade Preferential System among the OIC countries (TPS-OIC) and Developing-8 (D-8) Preferential Trading Arrangement, Bangladesh-Bhutan Preferential Trade Agreement, Trade Preferential System of the Organization of the Islamic Conference and Bangladesh-Sri Lanka Free Trade Agreement (Appendix Table 9). However, many of these arrangements have limited product coverage and trade relevance for Bangladesh.[29] Both India and Bangladesh are negotiating several RTAs with their trading partners (Appendix Table 10).

India has already completed a decade of signing of the CEPA with Japan. Japan and Bangladesh have just launched the JSG for a CEPA, whereas India and Bangladesh have completed a JSG for a CEPA between them. Bangladesh needs CEPAs/CECAs/FTAs in post-2026 by when Bangladesh elevates to the ‘developing country’ group. It appears that India-Bangladesh-Japan will become a free trade region once three of them have CEPAs in mutually exclusive manner.

India and Bangladesh have three trade agreements, namely, Bangladesh-India Free Trade Agreement (2015), MoU between Bangladesh and India establishing Border

Haats (2017) and Mode of Operations (MoO) of Border Haats between Bangladesh and India (2017). The two countries are also negotiating a CEPA having three dimensions: trade in goods, services, and investment, which is expected to reduce the trade gap between Bangladesh and India and open up new economic opportunities, including connectivity, new market and cooperation and partnership.

9. Conclusions

Bangladesh is not only a core of India's "neighborhood first policy" but also crucial for cementing ties between India and Southeast Asia. In South Asia, India's largest trading partner is Bangladesh, and Bangladesh's largest trading partner is India.

Bangladesh shares the longest land borders with India, and trade between India and Bangladesh majorly takes place through the land borders. However, trade between India and Bangladesh has not increased significantly due mainly to some challenges with regard to slow product diversification, low product standardization, inadequate infrastructure at the land port, rail, road and shipping connectivity, para-tariff and non-tariff measures, etc.

Even though Bangladesh shares land borders with four NER states, namely, Assam, Meghalaya, Mizoram and Tripura, trade majorly takes place through the Petrapole-Benapole land border. Trade restrictions have been acting as major barrier in unlocking the trade and value chain potentials of the NER. Removing trade restrictions on exports will boost India's exports to Bangladesh through the land ports particularly located in Tripura as it shares the longest land border among the NER states. This calls for re-energising bilateral trade measures including removal of non-tariff measures, improving the trade facilitation, etc. In addition, there is a need to enhance connectivity in the region by strengthening cooperation in coastal connectivity, road, rail and inland waterways. Enhanced connectivity between the NER and Bangladesh will also unlock the value chain potential of the food processing industry in the NER. It may also need government support to compete in the local market as well as support for exporting the products.

Finally, the forecast of this study shows that the bilateral trade between India and Bangladesh is likely to touch US$ 67.2 billion by 2035 and US$ 315 billion by 2050, which has implications for overland and inland trade, particularly India's NER. Implementation of the India-Bangladesh Coastal Shipping Agreement, 2015 can play a vital role in boosting trade through faster shipping routes in the Bay of Bengal region and beyond in a cost effective and sustainable manner.

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Appendix 1: Estimated Gravity Model

To estimate the determinants of India's trade with Bangladesh, we have used least square dummy variable (LSDV) model based on augmented gravity model framework as given in equation (1) using cross-section data for the year 2019.

$$\ln X_{ij} = \alpha + \beta_1 lnY_i + \beta_2 lnY_j + \beta_3 D_{ij} + \beta_4 common\_lang_{ij} + \beta_5 contig_{ij} + \beta_6 colony_{ij} + \beta_7 common\_currency_{ij} + \beta_8 fta\_wto_{ij} + \beta_9 Trade\ Costs_{ij} + u_{ij} \quad (1)$$

where,

i is the exporting country
j is the importing country
X_{ij} is export of country i to country j
Y_i is GDP of the country i
Y_j is GDP of the country j
D_{ij} is distance between country i and j
contig stands as dummy for common border (1 if the two countries share a common border and 0 otherwise)
common_lang is a dummy for common language (1 if both countries have a common language, 0 otherwise
colony is dummy for colony (1 if both countries had a colonial relationship and 0 otherwise
comcur is dummy for common currency (1 if both the countries are sharing common currency and 0 otherwise
fta_wto stands as dummy for member for free trade agreement (1 if both the countries are members of FTA and 0 otherwise
Trade Costs is the entry cost of the reporter and partner country.

Our analysis covers maximum possible geographical coverage of world bilateral trade flows covering about 150 countries. In addition, the set of other explanatory variables that may influence the level of trade often includes dummy variables such as common language, common border, colony, common currency, FTA. The Gravity model is commonly used for assessing the effect of FTA / PTA on trade flows. The FTA dummy is used to capture the trade creation and trade diversion effects of an existing FTA or PTA in the Gravity model. The Gravity data such as distance, colonial, common currency, free trade agreements, and others are collected from CEPII database. In addition, GDP, GDP per capita, population, and other variables are available in the World Development Indicators (WDI) of the World Bank. The aggregate level bilateral trade data is available in DOTS, IMF; and more disaggregate level bilateral data are available in UNCTAD Database and WITS Database.

Based on Gravity modelling framework, we then projected the India-Bangladesh trade for the years 2025, 2030, 2035, 2040 and 2050. The forecast in 2025 is based on the IMF's forecasted GDP growth rate (IMF, 2021). In case of the year 2025, we assume the growth rate of GDP for India and Bangladesh at 6.7 per cent and 8 per cent. For the year 2040, we assume the growth rate of GDP for India and Bangladesh at 5 per cent and 7 per cent. For the year 2050, we assume the growth rate of GDP for India and Bangladesh at 4 per cent and 6 per cent.

Appendix Table 1: Status of Land Custom Stations in NER and Bangladesh Borders

State	LCS in India	LCS in Bangladesh	Status
Assam	Sutarkhandi	Sheola	Functional Identified to be developed as ICP in Phase-II by D/o Border Management
	Karimganj Steamer Ghat	Zakiganj	Functional
	Mankachar		Functional
	Golakganj	Bhurungamari	Not Functional
	Karimganj Ferry Station	Zakiganj	Functional
	Mahisasan Railway Station	Sahabajpur	Not Functional
	Silchar R.M.S. office		Not Functional
	Dhubri Steamerghat	Rowmati	Functional
	Gauhati Steamerghat		Functional
	Silghat		Functional
	Export Extension Counter at Guwahati		
Meghalaya	Borosora	Borosora	Functional
	Dawki	Tamabil	Functional Being developed as ICP by D/o Border Management in Phase-I
	Ghasuapara	Karoitoli	Non-functional
	Shellabazar	Sonamganj	Functional
	Bholaganj	Chattak	Non-functional
	Dalu	Nakugaon	Functional
	Mahendraganj	Dhanua Kamalpur	Functional
	Baghmara	Bijoypur	Functional
	Ryngku	Kalibari, Sonamganj	Not functional
	Balat	Lauwaghar	Not functional
Tripura	Agartala	Akhaura	Functional Being developed as ICP in Phase-I by D/o Border Management
	Srimantapur	Bibir Bazaar	Functional
	Old Raghnabazar	Betuli (Fultali)	Functional
	Manu	Chatlapur	Functional
	Sabroom	Ramgarh	Non-functional
	Belonia (Muhurighat)	Belonia	Non-functional
	Dhalaighat	Khurma	Functional
	Khowaighat	Balla	Functional
Mizoram	Kawrapuchciah	Thegamukh	Functional Not yet notified. Being developed as ICP in Phase-II by D/o Border Management
	Demagiri	Rangamati	Functional

Source: NEC

Appendix Table 2: Status of Integrated Check Posts at India-Bangladesh Border

Location	State	Border	Status
Agartala	Tripura	Bangladesh	Operational
Petrapole	West Bengal	Bangladesh	Operational
Saturkandi	Assam	Bangladesh	Operational
Srimantapur	Tripura	Bangladesh	Operational
Dawki	Meghalaya	Bangladesh	Operational
Ghojadanga	West Bengal	Bangladesh	Under development
Changrabandha	West Bengal	Bangladesh	Under development
Fulbari	West Bengal	Bangladesh	Under development
Hili	West Bengal	Bangladesh	Under development
Kawrpuichhuah	Mizoram	Bangladesh	Under development
Mahadipur	West Bengal	Bangladesh	Under development
Sabroom	Tripura	Bangladesh	Under development

Source: LPAI

Appendix Table 3: Status of Integrated Check Posts at India-Bangladesh Border

Name of Port	Port in India/Myanmar
Akhaura Land Port	Ramnagar, Agartala, Tripura
Banglabandha Land Port	Fulbari, Jalpaiguri, West Bengal
Benapole Land Port	Petrapole, Bongaon, West Bengal
Bhomra Land Port	Gojadanga, 24-Parganas, West Bengal
Bibirbazar Land Port	Srimantapur, Sunamura, Agartala, Tripura
Birol Land Port	Radhikapur (Goura), West Bengal
Burimari Land Port	Changrabandha, Mekhaliganj, West Bengal
Hili Land Port	Hili, South Dinajpur, West Bengal
Nakugaon Land Port	Dalu, Barangapara, Meghalaya
Raimangal	Kolkata,West Bengal
Sonahat Land Port	Sonahat, Dhubri, Assam
Sonamasjid Land Port	Mahadipur, Maldah, West Bengal
Tamabil Land Port	Dauki, Shillong, Meghalaya
Teknaf Land Port	Mungdu, Myanmar

Source: LPAI

Appendix Table 4: India-Bangladesh Border Trade through LCS/ICP, (Taka in Crore)

LCS	2018-19			2020-21			CAGR (2018-19 to 2020-21) (%)		
	Import	Export	Total	Import	Export	Total	Import	Export	Total
Benapole	227.22	52.19	279.41	235.91	49.25	285.16	1	-2	1
Bhomra	32.44	19.01	51.45	56.23	18.50	74.72	20	-1	13
Burimari	11.98	6.78	18.76	17.59	6.60	24.18	14	-1	9
Akhaura	0.86	3.32	4.18	0.11	6.98	7.09	-50	28	19
Nakugaon	0.09		0.09	0.16		0.16	22		22
Tamabill	1.72	0.11	1.83	1.35	0.10	1.44	-8	-4	-8
Sonahat	0.49		0.49	0.79	0.77	1.56	17		47
Sonamasjid	25.87	1.25	27.11	39.07	2.23	41.30	15	21	15
Hili	17.32	0.73	18.05	27.48	2.31	29.79	17	47	18
Bibirbazar	0.00	1.15	1.16	0.07	0.87	0.94	153	-9	-7
Banglabandha	4.31	3.08	7.39	7.44	6.16	13.61	20	26	23
Total	322.30	87.62	409.92	386.20	93.76	479.96	6	2	5

Source: National Bureau of Revenue, Bangladesh

Appendix Table 5: Status of Land Custom Stations in Tripura

LCS	Status
Agartala	1st phase of ICP, Agartala at a cost of about Rs.73.50 crore is completed. The ICP was inaugurated on 17th November 2013. The entire land is handed over to LPAI.
	LPAI will start their 2nd phase for which 11.99 acres land is handed over to them.
Srimantapur	Infrastructure of LCS Srimantapur has already been upgraded at a cost of Rs. 16 crore under erstwhile ASIDE scheme and export-import related activities are on-going. It has been handed over the infrastructure to LPAI for maintenance and management.
Muhurighat	Existing infrastructure includes Customs Office & Immigration office, Telephone facility and electronic weigh bridge. The approach road to the LCS has been improved. For upgrading the infrastructure of LCS at Muhurighat a proposal has been sanctioned in December, 2017 at a cost of Rs.16.85 crore under "Trade Infrastructure for Export Scheme (TIES)" by the Ministry of Commerce, Government of India. The project has been sanctioned and 1st instalment of Rs.6.15 crore released.
Old Raghna-bazar	Existing infrastructure includes Customs Office & Immigration office, Telephone facility. The approach road from Nutan-bazaar to Old Raghna-bazaar has been improved & Construction of permanent bridge over river Juri and Bailey Bridge over RaghnaCherra have been completed. It is proposed to develop an IDC similar to Agartala LC Station. 10.20 acres of land has been identified. Further steps are being taken.
Manughat	Present infrastructure includes Customs Office & Immigration office operating from a make-shift house, Telephone etc. An IDC similar to Srimantapur IDC is being developed with funding of MoC under Central ASIDE.

Khowaighat	Existing infrastructure includes Customs Office & Immigration Office operating far away from the LCS.
	A plot of land measuring 7.56 acres has been identified at Paharmura for shifting of the Khowaighat-Balla LCS. According to preliminary estimate of Land Acquisition Collector of the District, Rs.2.44 crore has been placed for acquisition. At present Social Impact Assessment (SIA) study is under progress. The land acquisition process is expected to start very soon after completion of the study. A proposal would be submitted under TIES to Ministry of Commerce, Government of India for upgradation after acquisition of land.
Dhalaighat	Motorable Road up to LCS, Immigration Office, Custom Office (non-functional) is there. Steps are being taken for operationalization of the LCS. Land Acquisition process is going on.
Sabroom	Existing infrastructure includes Custom (P) Office in rented house, Immigration Office.
	The GOI has re-notified the LCS. NHIDCL has been engaged for construction of bridge. S.D.M, Sabroom has already identified 16.10 acres of land for setting-up of the Sabroom LCS. A proposal has been sent to LPAI for setting –up of an ICP.

Source: Department of Industries and Commerce, Tripura

Appendix Table 6: Yearly Passenger Movement at Bangladesh LCS Bordering India

LCS	2018-19		2019-20		2020-21	
	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing
Akhaura	91775	128954	93600	121114	5183	4315
Banglabandha	51507	54638	65384	65759	2117	1170
Benapole	1152554	1188930	929245	924640	91353	109533
Bhomra	158754	205376	103869	155935	673	0
Bibirbazar	18782	19936	30609	30941	0	0
Burimari	90624	112994	70288	87216	1834	1484
Hili	86150	94079	70523	73357	300	0
Sonamasjid	10819	11181	8835	9252	94	0
Tamabil	39541	43554	33968	39036	788	718
Total	1700506	1859642	1406321	1507250	102342	117220

Source: National Bureau of Revenue, Bangladesh

Appendix Table 7: Border Haats under Implementation

State	Location in India	Location in Bangladesh
Meghalaya	Bholaganj (East Khasi Hills,)	Bholaganj (Companiganj, Sylhet)
Meghalaya	Nalikata (South West Khasi Hills)	Saydabad (Tahirpur, Sunamganj)
Meghalaya	Shibbari (South Garo Hills)	Bhulyapara
Meghalaya	Ryngku (East Khasi Hills)	Bagan Bari (Duara Bazar, Sunamganj)
Tripura	Raghna (North Tripura)	Paulbasti
Tripura	Kamalpur (Dhalai)	Kurmaghat

Source: Commerce and Industries Department, Government of Meghalaya and Department of Industries and Commerce, Government of Tripura

Appendix Table 8: India's Engagement in Trade Agreements till 2022

Signed and In Effect	Afghanistan-India Preferential Trading Agreement
	ASEAN-India Comprehensive Economic Cooperation Agreement
	Asia-Pacific Trade Agreement
	Bhutan-India Trade Agreement
	India-Chile Preferential Trading Agreement
	India-Japan Comprehensive Economic Partnership Agreement
	India-Malaysia Comprehensive Economic Cooperation Agreement
	India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement
	India-MERCOSUR Preferential Trade Agreement
	India-Republic of Korea Comprehensive Economic Partnership Agreement
	India-Singapore Comprehensive Economic Cooperation Agreement
	India-Sri Lanka Free Trade Agreement
	India-United Arab Emirates Comprehensive Economic Partnership Agreement
	Indo-Nepal Treaty of Trade
	Regional Comprehensive Economic Partnership
	Australia-India Comprehensive Economic Cooperation Agreement
	South Asian Free Trade Area
Negotiations ongoing	India-GCC FTA
	BIMSTEC FTA
	India-Canada Economic Partnership Agreement
	India-Egypt Preferential Trade Agreement
	India-Eurasian Economic Union
	India-European Free Trade Association Free Trade Agreement
	India-European Union Free Trade Agreement
	India-Indonesia Comprehensive Economic Cooperation Arrangement
	India-Iran Preferential Trade Agreement
	India-Israel Free Trade Agreement
	India-New Zealand Free Trade Agreement
	India-Peru Free Trade Agreement
	India-Southern African Customs Union Preferential Trade Agreement
	India-Taipei, China FTA
	India-Thailand Free Trade Area
	India-United Kingdom FTA

Source: ARIC

Appendix Table 9: Bangladesh's Engagement in Trade Agreements till Date

Signed and In Effect	Asia-Pacific Trade Agreement
	Bangladesh-Bhutan Preferential Trade Agreement
	Preferential Tariff Arrangement-Group of Eight Developing Countries
	South Asian Free Trade Area
	Trade Preferential System of the Organization of the Islamic Conference
Negotiations launched	Bangladesh-Pakistan Free Trade Agreement
	Bangladesh-Sri Lanka Free Trade Agreement
	BIMSTE Free Trade Area

Source: ARIC

Appendix Table 10: Trade Agreements Proposed/ Under Consultation and Study

India	Bangladesh-India Free Trade Agreement
	Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6)
	Georgia-India FTA
	India-Colombia Preferential Trading Arrangement
	India-Ecuador FTA
	India-Gulf Cooperation Council Free Trade Area
	India-People's Republic of China Regional Trading Agreement
	India-Philippines PTA
	India-Russian Federation Comprehensive Economic Cooperation Agreement
	India-Turkey Free Trade Agreement
	India-Uruguay Preferential Trading Arrangement
	India-Venezuela Preferential Trading Arrangement
Bangladesh	Bangladesh-Brazil Free Trade Agreement
	Bangladesh-India Free Trade Agreement
	Bangladesh-Malaysia Free Trade Agreement
	Bangladesh-People's Republic of China Free Trade Agreement
	Bangladesh-Thailand Free Trade Agreement
	Bangladesh- Turkey FTA

Source: ARIC

Endnotes

1 Integrated Check Post (ICP) is a trade centre for facilitation of bilateral trade as well as for movement of passengers across the border. It also aims to generate employment opportunities and provide a boost to the economy of the region.
2 Refer LPAI, https://lpai.gov.in/en/icp-petrapole
3 Economic Review of Tripura, 2020-21
4 Economic Review of Tripura, 2020-21
5 Stakeholder consultation 2023
6 Stakeholder consultation 2029
7 Refer, Land Custom Stations of Bangladesh (2021)
8 Refer, Land Custom Stations of Bangladesh (2021)
9 Refer, Land Custom Stations of Bangladesh (2022)
10 Refer, Land Custom Stations of Bangladesh (2022)
11 Bangladesh–India border haats are established within five kilometres on either side of the international border. They are restricted marketplaces that usually open once a week, where only local people with prior permission can enter and sell locally-produced goods.
12 Refer, MoU (2017). Establishing Border Haats across the Border between India and Bangladesh.
13 CUTS (2020). Briefing Paper, Reimagining Border Haats as Border Co-prosperity Zones.
14 CUTS (2020). Briefing Paper, Border Haats on India-Myanmar Border Opportunities and Challenges.
15 Refer, https://www.eastmojo.com/news/2022/03/24/tripura-plans-three-more-border-haats-along-bangladesh-border/
16 Economic Review of Tripura, 2020-21
17 A country's integration into the global economy is often closely linked to its active participation in the Global Value Chains (GVCs) through its use of foreign intermediaries in the exports (backward linkage) or the use of respective country's domestic intermediaries in exports of other countries' (forward linkage), depending upon the level of integration and the stages of the integration process in an economy.
18 Based on NEC (2019)
19 Refer, Rais et al. (2014), World Bank (2019)
20 Based on NEC (2019)
21 For Details, Refer Chapter 3
22 FTP is amended periodically to take into account changing domestic and international economic considerations.
23 Refer, https://www.thedailystar.net/business/export/export-policy-2018-2021-cabinet-okays-draft-1656943
24 WTO (2019), Trade Policy Review, Bangladesh
25 WTO (2019), Trade Policy Review, Bangladesh
26 ADB (2017) and World Bank (2018)
27 WTO (2019), Trade Policy Review, Bangladesh
28 WTO (2020), Trade Policy Review, India
29 WTO (2019), Trade Policy Review, Bangladesh