

# Trade Between India and Bangladesh: Performance and Prospects

ABDUL MUSVVER

Ph.D. (Economics)

Department of West Asian Studies, Aligarh Muslim University, Aligarh, India

## Abstract

In recent past years the performance of the trade between India and Bangladesh has good experience. India and Bangladesh is the largest trading partner in the South Asia. These two are the main player in the south Asia and also have an important role in the South Asian Association for Regional Cooperation (SAARC). India being the largest member country and Bangladesh is third largest economy in the South Asia. It is only in recent past that political initiatives of confidence building measures began to shape their areas of mutual economic cooperation. Now the bilateral trade among between these economies has been recognized as the most reliable and the agreeable instrument of India–Bangladesh. India has adopted the process of liberalization process, openness, transparency and globalization focuses on trade liberal in 1991 while Bangladesh change its economy according to the WTO framework in 1982. Trend of commodity composition of India's trade to Bangladesh can be estimated by trade intensity indices during the period of 2001 to 2013. Trade intensity indices would be useful to investigate the pattern of India' export to and import from Bangladesh. India's export flow is higher than expected while the India's import intensity index having the value varies from 0.69 to 1.42. Bangladesh import more than export, from India at less cost and India is large economies by economic size having bilateral surplus in trade performance with smaller Bangladesh ones. Foreign direct investment and foreign remittances received by Bangladesh could contribute to reduce the deficit balance of trade.

## Introduction

Bangladesh and India are part of the Indian subcontinent and are two dominant member countries of south Asia. India is the largest economy in South Asia region, accounting for nearly 80% of the region's GDP<sup>1</sup>. Being most important members of south Asian association for regional cooperation (SAARC), India is the largest and Bangladesh are the third largest economy in SAARC<sup>2</sup>. Bilateral trade between India and Bangladesh is started under the provision of the prevailing India and Bangladesh agreement which was signed on March 28, 1972<sup>3</sup>. Both countries provided most favored nation treatment to each other. They are also members of BIMSTEC, IORA and the Commonwealth. The economic reforms introduced by India in 1991 and by Bangladesh in 1982 have brought about changes in the nature and reforms of economic interaction between two countries<sup>4</sup>.

The economies of both these countries have been undergoing a process of liberalization and reforms. Being members of World Trade Organization (WTO), both countries are in the process of transforming their economies in the WTO framework. In particular, Bangladesh and the Indian states of West Bengal and Tripura share the Bengali language. India is a country of vast opportunities having a population of over one billion. The size of its population and labor force are second largest in the world, next to the china only. India ranks 2<sup>nd</sup> and Bangladesh 8<sup>th</sup>, in terms of most populated countries and have almost 20 percent of the global population<sup>5</sup>. The steady and continuous reforms during the previous two decades have resulted in the Indian economy in achieving annual growth rate of 6.9 percent during the fiscal year 2013-14<sup>6</sup>. Thus, with a large human resources base, a huge market and an expanding economy, India is becoming a country of unlimited economic opportunities. As far as Bangladesh is concerned, the economy has been one of the best performing economies in South Asia in recent times; averaging a growth rate of around 6 percent in last five years<sup>7</sup>. it has also a population of 149.8 million according to the fifth population census was conducted during March 15-19, 2011<sup>8</sup>. Although more than half of GDP is generated through the service sector, almost half of Bangladeshis are employed in the agriculture sector with rice as the single-most-important product<sup>9</sup>. The rice economy of Bangladesh is much similar with Indian eastern states like West Bengal, Bihar, Orissa and Andhra Pradesh. Rice accounts for 72.8% of calories consumed in Bangladesh, but only 33.3% of calories consumed in India<sup>10</sup>. The economy is increasingly led by export-oriented industrialization. Bangladesh is the World's second most pro free market country<sup>11</sup>. Bangladesh is the number two garment exporter in the world, after china<sup>12</sup>.

Garment exports, the backbone of Bangladesh's industrial sector, accounted for 24491.88 Million US \$, which was the 81.13% of total exports in Million US \$ 30186.62 in 2013-14.<sup>13</sup>

Steady garment export growth combined with remittances from overseas Bangladesh- which totaled \$14 billion and 8% of GDP in 2014, are the largest contributors to Bangladesh's current account surplus and rising foreign exchange holding.<sup>14</sup> However, Bangladesh is a unique country, Bangladesh has also substantial reserves of natural gas and coal; and many international energy companies are involved in production and exploration activities. This sufficient amount of natural gas reserves can provide low-cost energy for downstream

industrial structure for Bangladesh.<sup>15</sup>

India's links with Bangladesh are civilization, cultural, social and economic. There is much that unites the two countries, a shared history and common heritage, linguistic and cultural ties. Bangladesh after its emergences signed a 'treaty of Friendship, cooperation and Peace' on March 19, 1972 for 25 Years. Following this treaty both the countries signed trade agreements at different times.<sup>16</sup>

In this study, an effort has been made to analyze the trade relations between India and Bangladesh since 2001 to 2013 by using the concepts of trade intensity (export intensity Index and import intensity index). Time period for this study is taken from 2001 to 2013. They are the fourth largest trading partners in South Asia in 2012-13.<sup>17</sup> Data shows increment in Indo -Bangladesh trade except one or two years. India's trade has been growth rate higher than the Bangladesh's trade Growth rate. However in the year 2009 both the countries faced the negative trade growth rate. India's export to Bangladesh increased sharply since 2007. Data also shows a high demand of trade in Industrial, Chemicals and Agriculture products. The trade composition of India's commodity basket reveals that India mainly focuses on exports of secondary product and imports primary items, which is more favorable for India in long period.

### **Salient Features of Indian Trade:**

Indian trade has several features which are beneficial for improving the trade as well as increasing the share of trade in national gross domestic product. These features are followings;

- Increasing share of trade in Gross National Products.
- Share of India's trade in world trade has been going down.
- India's trade is oceanic trade i.e. most of trade is by sea.
- India's foreign trade is handled by few ports, namely Mumbai, Chennai and Calcutta, Cochin, and Kandla.
- Direction of foreign trade has been changed, most of trade partner of India are European Union, OPEC Countries and developing countries of Asia.
- Increase in volume and value of trade.
- Changes in composition of export and import.
- Balance of trade always unfavorable except two years 1972-73 and 1976-77.
- Foreign trade depends mostly on foreign shipping companies, Insurance Co and Banking.
- Government of India has been set up several institution for increasing exports viz. Board of trade, Export promotion Council, Export Inspection Advisory Council, Export credit and guarantee corporations.
- State Trading Corporations (STC-1956), Minerals and Metals Trading Corporations (MMTC-1963), are set up by Government of India for conducting foreign trade.

### **Trade Policy Reforms of India and Bangladesh:**

Before the reforms in trade policy, was no longer suitable in new globalization world. Trade policy was identified by high tariff rate and forced import restrictions. Import of manufactured consumer goods was totally restricted. Raw materials, Intermediates goods and capital goods were freely importable. Trade policy reforms of India have targeted the achieving rapid increase in exports, increase India's share in world exports. The main aim of these reforms have been on liberalization, openness, transparency and globalization with basic thrust on outward orientation focusing on export promotion activity, moving away from quantitative restrictions and improving competitiveness of Indian industry to meet the global market requirements. Over the years, trade policy reforms helped to strengthen the export production base, remove procedural irritants, and facilitate inputs availability besides focusing on quality and technological up gradation and improving competitiveness.

From the past three decades, Bangladesh adopted extensive trade policy reforms. Country has started from the 1990s a liberal trade policy which is consistent with the trends in the global market economy. Bangladesh government improves export growth and wants to free from export barriers which was present in the economy. Five-year Export as well as Import policy was formulated in 1997-98 with the objective of export promotion as well as favorable trade balance.

Bangladesh' exports and export industries have a stiff competition with other country in global market due to lacking of advanced technology and a good capital base. Now Bangladesh's foreign trade is governed by two distinct policies, Export Policy and Import Policy. This three year policies and their reform has been adopted since 2002. The main targets of Bangladesh's export policy is to strengthen export-led industrialization through enhancing export, increasing productive capacity of export-oriented industries and facilitating overall export sector through capacity building of local industries (Export Policy 2009-12). The reforms of export and import policies of 2009-12 describe export and import targets, priorities sectors which need special support, strategies to promote import substituting and domestic market oriented and labour industries.

The trade regime has been simplified through cutting the import tax rate, phasing out quantitative restriction, streamlining import procedures and import duty reforms. The import policy has an objective to make the import regime compatible to WTO, simplify the procedure to import capital machineries and raw materials, provide facilities for technological innovation and allow import of essential commodities on emergency basis (Bangladesh Economic Review, 2010). A large number of trade barriers were dismantled or significantly reduced. Domestic import-substitute industries are also facing increasing competition as a result of gradual reduction of import duty rates. There are some Import policy reforms in Bangladesh.

- Import into Bangladesh has no Import licensing.
- Reduced the role of Trading Corporation of Bangladesh (TCB), and State trading body in import and export.
- Strengthened the quality control of imported goods.
- Bangladesh has reduced averages tariff rate significantly.
- Import taxes like development surcharges, regulatory duties, were abolished.
- Mean tariff on all products were reduced from 114 percent to 22 percent.

### **Bilateral Trade Performance**

The Bilateral trade performance of India with Bangladesh improved over the period. The total trade between India and Bangladesh increased from US \$1127 in 2001 to US \$6524 in 2013. This was the .009 percent in 2001 and .017 percent in 2013 as a percentage of total world trade, indicating that the trade economy has been increasingly integrating into the global trade.

### **Trade Performance at disaggregate level**

In this section of trade performance at disaggregate level, Bangladesh gained a significant achievement during the whole period under consider. Trade registered an upward trend and increased from US \$1127 in 2001 to US \$6524 in 2013. During the period export to Bangladesh from India has satisfactory growth except 2009 due to global economic and financial crisis. Bangladesh's import remains highly concentrated on several items like Cotton, Cereals and vehicles of other than railway and tramway, machinery and boilers, iron and steel, residues waste of food industry and animal industry. In fact concentration of these items are primary items has increased over the period. Robust performance of articles in India's export to Bangladesh is led by these commodities. Export performance of India to Bangladesh, India continues remain major sources of import of Bangladesh after china. The presence of these countries in Bangladesh's import has gradually increased during the whole period. The export performance of India to Bangladesh was 12.7 percent, 13.2 percent and 15.7 percent in 2005, 2006 and 2007 respectively. In 2011 the export share of India in total import of Bangladesh have almost same.

As regard destination of India's import from Bangladesh, export performance of Bangladesh to India was satisfactory. However, Bangladesh's export remains highly concentrated on garments export. In fact the concentration of garments in Bangladesh export to India has goes up during the period. The performance of the Bangladesh's export sector in recent years is quite impressive, increasing the productivity of export-oriented industries and the overall development of the export sector through capacity building of the local export-oriented industries. Nevertheless, evidence shows that robust performance of export sector is dominated by the garment export and in fact, as per 2011 international trade statistics published by the WTO Bangladesh ranks fourth in clothing exporters in the world. Export performance and trends of Bangladesh to India has been shown in table 5.

**Total Trade performance between India and Bangladesh**  
 Table -1 Trends in Indo – Bangladesh Trade (US \$ In Millions)

Year	Indo – Bangladesh trade	India's total trade	Bangladesh total trade	Indo-Bangladesh trade as a percentage of India's total trade	Indo-Bangladesh trade as a percentage of Bangladesh total trade	India's trade growth rate	Growth rate in Bangladesh total trade	World total trade	Percentage growth in world total trade	Indo-Bangladesh trade as percentage of world total trade
2001	1127.17	94549.60	13429.95	1.19	8.39			12407598.85		0.009
2002	1081.93	107551.43	14632.41	1.00	7.39	13.75	8.95	12987503.54	4.67	0.008
2003	1724.47	131791.18	16549.12	1.30	10.42	22.53	13.09	15141699.97	16.58	0.011
2004	1682.14	174885.33	19640.23	0.96	8.56	32.69	18.67	18475461.46	22.01	0.009
2005	1823.49	241214.31	21962.11	0.75	8.30	37.92	11.82	20976763.86	13.53	0.008
2006	1891.62	299413.05	27385.25	0.63	6.90	24.12	24.69	24224420.28	15.48	0.007
2007	2297.10	364543.35	30765.83	0.75	7.48	21.75	12.34	27913207.49	15.22	0.008
2008	3573.16	497573.00	39840.83	0.63	8.96	36.49	29.49	32299711.93	15.71	0.011
2009	2411.80	443166.59	38803.67	0.63	6.21	-10.93	-2.60	24894140.38	-22.92	0.009
2010	3374.47	570437.88	49734.82	0.71	6.78	28.71	28.17	30337280.02	21.86	0.011
2011	3984.64	763886.04	65535.40	0.54	6.08	33.91	31.76	36326008.86	19.74	0.010
2012	5503.98	778541.15		0.59		1.91		36277709.39	-0.13	0.015
2013	6524.70	802656.96		0.52		3.09		36676962.84	1.10	0.017

Sources:

- Export-Import data bank, Ministry of commerce INDIA
- Bangladesh bank
- ITC based on director general of commercial intelligence statistics.
- ITC calculation based on UN Comtrade statistics.

The bilateral trade between India and Bangladesh has fluctuated continuously. Table 1 provides information about trends in Indo-Bangladesh trade along with the world trade in the era of globalization particularly since 2001. The size of India–Bangladesh trade amounted to \$1127.19 million in 2001. This declined to \$1081.93 million in 2002 and sharply jumped to \$1724.47 million in 2003. The figure of Indo-Bangladesh trade again slightly declined to \$1682.14 million in 2004. In next four years trade figure increased from \$1823.49 million in 2005 to \$3573.16 million in 2008 and slightly declined to \$2411.80 in 2009. From 2009 to 2013 the amount of trade between India and Bangladesh increased sharply to \$6524.70 in 2013. Table 1 also provides data about the proportional share of Indo–Bangladesh trade in India’s and Bangladesh’s total trade separately. It also reflects the growth rate in total trade of India, Bangladesh and world trade. From table 1, it is found that during 2001, the proportional of Indo-Bangladesh trade in India’s total trade was 1.19 percent only, which remained 1.00 percent in 2002 and increased to 1.30 percent in 2003. During 2004 to 2007 it declined from 0.96 percent to 0.63 percent. In 2008 it again increased to 0.71 percent. The proportion of this trade as compared to India’s total trade rose continuously till 0.81 in 2013 except 2011 in which it was the 0.52 percent. This implies that Indo–Bangladesh trade was almost constant during the whole period. Thus the period since 2001 has been marked by a relatively lower growth in Indo–Bangladesh trade as compared to the rest of the world. This is positive development for Indo-Bangladesh bilateral trade. Table-1 also provides the data for Indo-Bangladesh trade in proportion to Bangladesh total trade .It gives an idea about growth in indo-Bangladesh trade in relation to total Bangladesh trade. It shows that Indo Bangladesh trade was 8.39 percent of total Bangladesh trade during 2001. The share of indo- Bangladesh as compared to Bangladesh total trade has exhibiting decreased till 2006 to 6.90 percent. It slightly increased to 7.48 in 2007 and 8.96 percent in 2008. During next three years the proportion of Indo-Bangladesh trade as compared to total Bangladesh trade was went down to 6.08 percent in 2011. Thus, the proportion of Indo-Bangladesh trade in Bangladesh total trade has also been decreasing. This shows that India-Bangladesh trade has grown than India’s and Bangladesh’s trade with rest of the world.

Table-1 also provides information about growth rate of Bangladesh, India and the world trade. This table shows that growth rate of India’s total trade has fluctuated since 2001. During the period from 2002 to 2006. India’s trade increased from 13.75 percent to 37.91 percent, whereas growth rate of Bangladesh’s trade and world trade increased from 8.95 to 18.67 percent and 4.67 to 22.01 percent (13.53 % in 2005) respectively. During 2006 growth rate of India’s total trade declined to 24.12 percent whereas Bangladesh’s trade growth rate increased to 24.69 percent and growth rate of world trade also increased to 15.48 percent .During 2007 all three scale of growth rates declined (India’s growth rate to 1.75 percent ,Bangladesh’s growth rate 12.34 percent and world total growth rate 15.22 percent). In 2008 all three growth rate of India, Bangladesh and world trade are 36.49 percent, 29.49 percent, 15.71 percent respectively. While in 2009 all three total growth rate declined and became negative. India’s total growth rate was- 10.93 percent, Bangladesh have -2.60 percent and world’s total growth rate -22.92 percent but in 2010 and 2011. Total growth rate of trade are sharply increased.

Thus, we do not find any definite correlation between the annual trade growth rate of India, Bangladesh, and the World. We found that Bangladesh’s annual growth rate of trade is lower than India’s growth rate of trade but higher than the world’s annual growth rate of trade. This shows that Bangladesh, which lagged behind India. This is a valuable trend and shows Bangladesh’s competitive ability in the world trade.

## India's Export Performance to Bangladesh

Table-2 Trends in India's exports to Bangladesh. (US \$ in Millions)

Year	India's export to Bangladesh	India's total export	India's export to Bangladesh as % of India's total export	Growth rate of India's export to Bangladesh	Growth rate of India's total export
2001	1063.05	43878.50	2.42		
2002	1025.50	50097.96	2.04	-3.53	14.17
2003	1652.97	59360.66	2.78	61.18	18.48
2004	1613.03	75904.20	2.12	-2.41	27.86
2005	1719.79	100352.64	1.71	6.61	32.20
2006	1667.81	121200.61	1.37	-3.02	20.77
2007	2063.79	145898.05	1.41	23.74	20.37
2008	3243.38	181860.90	1.78	57.15	24.64
2009	2177.38	176765.04	1.23	-32.86	-2.80
2010	3016.58	220408.50	1.36	38.54	24.69
2011	3405.52	301483.25	1.12	12.89	36.78
2012	4936.68	289564.77	1.70	44.85	-3.65
2013	5993.95	336611.38	1.78	21.41	16.24

Sources:

- Export-Import data bank, Ministry of commerce INDIA
- Bangladesh bank
- ITC based on director general of commercial intelligence statistics.
- ITC calculation based on UN Comtrade statistics.

Table 2 provides trends of India's export to Bangladesh. After the launching of liberalization in Bangladesh in 1982, India's comparative advantage in the Bangladesh market started asserting itself and export registered unprecedented growth.<sup>18</sup> It show the data relating to growth rate of India's export to Bangladesh and also measures the percentage share of India's export to Bangladesh as compared to India's total export . This table shows that the size of India's export to Bangladesh amounted to 1063.05 million in 2000. This improved gradually to 1652.97 million in 2003. But it declined slightly to 1613.03 million in 2004. Again it increased to 1719.79 million in 2005. Since 2006 India's exports to Bangladesh has exhibited continuously increasing trends except in 2009 year, which was have 2177.38 million. The magnitude of India's export to Bangladesh increased to \$1667.81 million in 2006 and further \$5993.95 million in 2013. Thus India's exports to Bangladesh during 2001 to 2013 have continuously increased except for the year 2004, 2006 and 2009. Table 2 also analyzes India's export to Bangladesh as percentage of India's total export to the world. It gives an idea about India's export importance to Bangladesh. The percentage share of India's export to Bangladesh in India's total improved continuously for four years from 2001 to 2005. Initially in 2002 India's export to Bangladesh was only 14.17 percent of India's total export. In 2006 and 2007 India's export to Bangladesh was declined slightly from 20.77 percent to 20.37 percent of India's total exports. This shows a significant decrease in India's export to Bangladesh as a percentage of India's total exports. Table 2 also shows the growth rate of India's exports to Bangladesh as well as the growth rate of India, s total export. A comparison has been made between growth rates of India's export to Bangladesh with total exports of India. Annual growth rate of India's total exports to Bangladesh should Increasing trend from 14.17 percent in 2002 to 32.20 percent in 2005. During 2002 annual growth rate of India's export to Bangladesh was -3.53 percent whereas India's total export was 14.17 percent for India's total export. During 2003 annual growth rate of India's export to Bangladesh was 61.18 percent while growth rate of Indian total export reached at 18.48 percent. During 2004 growth rate of India's export to Bangladesh was -2.41percent while growth rate of India's total export increased to 27.86 percent .In 2005 growth rate of India's export to Bangladesh and growth rate of India's total export was increased to 6.61 percent and 32.20 percent respectively. In 2006 growth rate of India's export to Bangladesh was declined to -3.02 percent and growth rate of India's total export also go down to 20.77 percent. In 2007 and 2008 growth rate of India's export to Bangladesh sharply increased to 23.74 percent and 57.15 percent respectively, while India's total export was 20.37 and 24.64 percent respectively. In 2009 both parameters went down and became negative which was -32.86 percent and -2.80 percent. In 2010 both growth rate of India's export to Bangladesh and growth rate of India's total export are go up to 38.54 percent and 24.69 percent respectively. During 2011 growth rate of India's export to Bangladesh decreased to 12.89 percent while growth rate of India's total export increased to 36.78 percent .In 2012 and growth rate of India's export to Bangladesh increased up to 44.85 percent and decreased up to 21.41 percent 2013 while growth rate of India's total export in 2012 reached to -3.95 and in 2013 it increased to 16.24 percent. Looking at average growth rate of India's export to Bangladesh and average growth rate of India's total export was for a whole period from 2001 to 2013. Thus average growth of India's export to Bangladesh has been 18.712 percent which is lower than average growth rate of India's total exports to the world is 19.145 percent. This shows the decreasing trade relation and importance of Bangladesh.



### India's Commodity Export to Bangladesh

Table-3A Commodity composition of India's export to Bangladesh (US \$ in Millions)

Commodity Name	2009	2010	2011	2012	2013
All product					
Cotton	367.62	936.37	958.40	1389.22	1662.04
Cereals	101.11	157.13	257.89	451.98	765.19
Vehicles of other than railway and tramway	213.72	249.89	262.20	412.69	459.47
Machinery and boiler	63.71	91.22	169.81	272.53	282.83
Iron and steel	130.87	66.33	33.26	119.61	249.17
Manmade stable fibers		48.69	65.13	126.33	167.09
Minerals fuels, oils distillation products, etc.	134.99	110.12	120.39	97.08	161.95
Residues, waste of food industry, animal fodder.	155.57	239.13	210.51	200.09	247.53
Tanning, dyeing extracts tannins derives pigments etc	34.06	32.03	44.63	94.84	122.49
Electrical, electronic equipment	40.63	57.96	73.63	118.33	130.98
Organic chemicals	78.73	89.18	108.03	120.69	151.82
Plastics articles	32.92	73.97	81.51	109.15	140.87
Edible vegetables roots &tubers	229.10	200.47	92.30	63.57	136.64
Salt sulpher stone plaster &cement	50.40	33.68	55.14	71.14	65.97
Manmade filaments	54.11	81.24	44.14	40.64	63.94
Miscellaneous filaments	23.68	38.17	47.37	72.36	80.99
Rubber articles thereof	32.58	30.36	43.18	80.85	76.32
Dairy products, egg, honey, edible animal product	13.85	17.02	4.68	21.56	98.15
Coffee, tea, mate ,spices	32.54	52.15	47.61	42.75	70.09
Knitted or crouched fabrics	5.74	6.93	34.59	44.63	49.71
Soaps, lubricants, waxes, candles	2.47	4.61	12.12	44.94	56.77
Railway, Tramway locomotives, rolling stocks equipment	0.18	.021	1.35	0.72	72.39
Total	2177.38	3016.58	3405.52	4936.67	5993.95

Sources:

- Export-Import data bank, Ministry of commerce INDIA
- Bangladesh bank
- ITC based on director general of commercial intelligence statistics.
- ITC calculation based on UN Comtrade statistics.

**Table-3B percentage share of commodity in India's Export to Bangladesh**

Commodity Name	2009-2010 percentage share-10 per	2010-11 percentage share	2011-12 percentage share	2012-13 percentage share
All product				
Cotton	154.71	2.35	44.95	19.64
Cereals	55.41	64.13	75.26	69.30
Vehicles of other than railway and tramway	16.93	4.93	57.40	11.34
Machinery and Boiler	43.18	86.15	60.49	3.78
Iron and steel	-49.32	-49.86	259.62	108.32
Manmade stable fibers		33.76	93.97	32.26
Minerals fuels, oils distillation products etc.	-18.42	9.33	-19.36	66.82
Residues, waste of food industry, animal fodder.	53.71	-11.97	-4.95	23.71
Tanning, dyeing extracts tannins derives pigments etc	-5.96	39.34	112.50	29.15
Electrical, electronic equipment	42.65	27.04	60.71	10.69
Organic chemicals	13.27	21.14	11.72	25.79
Plastics articles	124.70	10.19	33.91	29.06
Edible vegetables roots &tubers	-12.50	-53.96	-31.13	114.94
Salt sulpher stone plaster &cement	-33.17	63.72	29.02	-7.27
Manmade filaments	50.14	-45.67	-7.93	57.33
Miscellaneous filaments	61.19	24.10	52.75	11.93
Rubber articles thereof	-6.81	42.22	87.24	-5.60
Dairy products, egg, honey, edible animal product	22.89	-72.50	360.68	355.24
Coffee, tea, mate ,spices	60.26	-8.71	-10.21	63.95
Knitted or crouched fabrics	20.73	399.13	29.02	11.38
Soaps, lubricants, waxes, candles	86.64	162.91	270.79	26.32
Railway, Tramway locomotives, rolling stocks equipment	-88.33	6328.57	-46.67	9954.17
Total	38.54	12.89	44.96	21.42

This Table is based on table-3A

The information about commodity composition of India's export to Bangladesh is provided in table- 3. The data used has been for the latest possible period from 2009 to 2013 so that the trends in Indian commodity export to Bangladesh could be identified. The data has been collected from Indian and world official sources. The data are available for the years 2009 to 2013 to ascertain commodity of India's exports to Bangladesh at two-digit HS level. During this period we have to analyze the trend of India's commodity export to Bangladesh. Table-3B shows that Indian export increased by 38.54 percent, 12.89 percent, 44.96 percent and 21.42 percent in years 2010, 2011, 2012 and 2013 respectively. It is noted that cotton was the largest item in whole period in India's export to Bangladesh. During 2009, export of Cotton constituted about 16.88 percent of India's total export to Bangladesh. It increased from \$367.61 million in 2009 to \$936.37 million in 2010, thus growing by 154.71 percent in 2010, 2.35 percent in 2011, 44.95 percent in 2012 and 19.64 percent in 2013. It is important to note that cereals and cotton were the major exportable items from India to Bangladesh and both of them play a major role in the socio-economic development of Bangladesh. Cotton is required for industrial consumption, especially for the ready-made garments, one of the major revenue earners for Bangladesh.<sup>19</sup>

Indian government provided food and other consumer goods to Bangladesh when liberated from Pakistan in 1971.<sup>20</sup> Edible vegetables has been the next most important item which decreased from \$229.10 million in 2009 to \$200.47 million in 2010, thus declining by 12.50 percent and it decreased continuously to \$ 63.57 million in 2012 and declining by 31.13 percent. Vehicles other than railway & tramway, residues of food industry & animal fodder was the third and fourth most important commodity in India's export to Bangladesh whose value \$213.72 million, \$155.57 million in 2009 and \$249.86 million, \$239.13 million, in 2010 respectively. The value of vehicles other than railway & tramway has increased sharply to \$262.20 million in 2011, \$412.69 million in 2012 and \$459.47 million in 2013 and became the third most important Indian export to Bangladesh. Exports of certain items from India to Bangladesh observed extraordinary changes during the period of study. Indian export of Machinery and Boiler to Bangladesh increased from \$63.71 million in 2009 to \$91.22 million in 2010, thus growing by 43.18 percent. Exports of Plastic and Articles thereof from India to Bangladesh increased from \$32.92 million in 2009 to \$73.97million in 2010 (124.70 percent) and

increased continuously till \$140.87 million (29.06 percent) in 2013. Indian export of organic chemical to Bangladesh also increased from \$78.73million in 2009 to \$ 89.18 million in 2010 (13.27 percent) and growth consistently the whole period till the value \$151.82 million in 2013 (25.79 percent from 2012). Export of electrical & electronic equipment from India to Bangladesh increased from \$ 40.63 million in 2009 to \$57.96 million in 2010 (10.69 percent) and increased continuously till \$130.98 million (42.62 percent) in 2013. Indian export of primary and semi-finished iron and steel, cereals, cotton to Bangladesh increased rapidly during the whole period. The other Indian exports to Bangladesh mentioned in Table-3 either grew slowly or remained stagnant. However, export of minerals fuels ,oil distillation products decreased from \$134.99 million in 2009 to \$110.11 million in 2010, thus declining by about 18.42 percent and increased again to \$161.95 million in 2013 from \$97,08 million in 2012 (66.82 percent in 2013).

Percentage share of Cotton, Cereals, Vehicles other than railway & tramway, iron & steel and man-made stable fibers in India's exports basket has grown at very fast rate till whole period whereas there is others whose volume has dwindled swiftly. India focused for its export to Bangladesh on finished manufactured goods so that benefits of the value addition, income and employment generation can be created in the country. By expanding primary products India's benefit have been limited whereas Bangladesh gets more benefit because it creates income and job opportunity.

### India's Imports performance from Bangladesh

Table-5 Trends in India's imports from Bangladesh (US \$ in Millions)

Year	India's import from Bangladesh	India's total import from World	India's import from Bangladesh as % of world import	Growth rate in India's import from Bangladesh	Growth rate in India's import from World
2001	64.12	50671.11	0.12		
2002	56.43	57453.47	0.09	-11.99	13.38
2003	71.50	72430.53	0.09	26.70	26.06
2004	69.11	98981.13	0.06	-3.34	36.65
2005	103.70	140861.68	0.07	50.05	41.50
2006	223.81	178212.44	0.12	115.82	27.23
2007	233.31	218645.30	0.10	4.24	22.68
2008	329.78	315712.11	0.10	41.34	44.39
2009	234.42	266401.55	0.08	-28.91	-15.61
2010	357.90	350029.39	0.10	52.67	31.39
2011	579.13	462402.79	0.12	61.82	32.10
2012	567.31	488976.38	0.11	-2.04	5.74
2013	530.75	466045.57	0.11	-6.44	-4.68

Sources:

- Export-Import data bank, Ministry of commerce INDIA
- Bangladesh bank
- ITC based on director general of commercial intelligence statistics.
- ITC calculation based on UN Comtrade statistics.

Table 5 provides data related to India's import from Bangladesh and World, India's import from Bangladesh as percent of world import, growth rate in India's import from Bangladesh, growth rate in Indian import from Bangladesh. Bangladesh government established the export processing zone in Chittagong for promoting export.<sup>21</sup> Indian import from Bangladesh is dominated by labor-intensive manufacturing and primary commodities. We shall discuss the data of India's import from Bangladesh. India's import from Bangladesh amounted to \$64.12 million in 2001. In 2002 the value of India's import from Bangladesh declined to \$56.43 million. After it Indian import from Bangladesh increased to \$71.50 million in 2003 and again declined to \$69.14 million in 2004. During the period from 2005 to 2008 the India's import from Bangladesh was increased from \$103.70 to \$329.78 million respectively. In 2009 India's import from Bangladesh was declined to \$234.42 million but increased from \$357.90 million to \$579.13 million in 2010 and 2011 respectively. Again India's import from Bangladesh was declined from \$567.31 million to \$ 530.75million in 2012 and 2013 respectively.

Table 5 also provides data related to India's total import from world having increasing trend from 2001 to 2013 except 2009 and 2013. Thus this shows that the share of Bangladesh in Indian market has same in first half the decade and has increased in second half of whole period. Which shows that growth rate of India's import from Bangladesh was not constant. This table also provides growth rate of India's import from World. In 2002 growth rate of India's import from Bangladesh was -12.00 percent while growth rate of total India's import was



13.38 percent. But in 2003 growth rate of India's import from Bangladesh increased rapidly to 26.70 percent while growth rate of India's total import also increased to 26.06 percent. In 2004 growth rate of India's import from Bangladesh -3.34 percent but again increased rapidly to 50.05 percent in 2005. On the other hand growth rate of India's total import from world increased from 36.65 percent to 41.50 percent. In 2006 growth rate of India's import from Bangladesh was huge increased to 115.82 percent and slightly increased to 4.24 percent in 2007 while growth rate in India's total import decreased continually to 27.23 percent and 22.68 percent in 2006 and 2007 respectively. In 2008 both growth rate in Indian Import from Bangladesh and growth rate in India's total import both are increased to 41.34 percent and 44.39 percent respectively. In 2009 both these two are declined to -28.91 percent and -15.61 percent respectively. In 2010 and 2011 growth rate of India's import from Bangladesh was increased sharply to 52.67 percent and 61.82 percent respectively. While growth rate in India's total import from world was 31.39 percent and 32.10 percent in 2010 and 2011 respectively. During 2012 and 2013 growth rate in India's import from Bangladesh was go down continually to -2.04 percent and -6.44 percent respectively. The growth rate in India's total import was increased slightly to 5.74 percent in 2012 while decreased to -4.68 in 2013. Average annual growth rate during the discussion period of India's import from Bangladesh has 24.993 percent and its growth rate for total import from rest of the world was 21.735 percent. Thus, its shows that India's imports from Bangladesh have more fluctuate than the India's imports from the world during the whole period.

### India's Commodity import from Bangladesh

Table-6A Commodity Composition of India's Import from Bangladesh (US \$ Million)

Commodity Name	2009	2010	2011	2012	2013
All product					
Vegetable textile fibers ,paper yarn	59.75	76.43	137.70	123.34	99.80
Article of apparel, accessories not knit or encroached	5.17	11.32	26.51	42.80	71.54
Edible fruits, nuts peel of citrus fruits	3.80	20.14	42.73	59.28	89.26
Made textile articles, worn clothing	43.29	51.60	65.58	79.15	62.59
Article of apparel, accessories knit or encroached	1.29	4.75	15.33	10.84	15.11
Salt sulpher stone plaster &cement	16.35	30.00	30.45	25.72	21.06
Fish, crustaceans, molluscus aquatic invertebrates	23.48	38.67	87.57	36.40	17.71
Lead & articles				3.50	1.89
Raw hides, skins & leather	7.29	12.73	5.73	4.98	7.26
Iron and steel	4.09	14.35	15.25	16.44	10.41
Cotton	5.86	8.89	12.48	13.11	18.63
Copper & articles	9.20	12.56	21.15	19.94	20.48
Plastics & articles	2.40	3.97	6.62	7.31	5.33
Wadding felt non woven , cordage etc	2.89	4.60	5.44	4.17	5.37
Beverages, Spirits & Vinegar	2.10	3.04	4.80	3.15	3.78
Knitted or Crocheted fabric	2.96	1.32	2.83	2.09	4.51
Footwear, gaiter & like parts, thereof				1.59	4.39
Rubber & articles thereof	1.36	1.01	5.66	6.47	2.29
Sugar & sugar confectionary				0.45	1.39
Inorganic chemicals, precious metals, isotopes	12.72	2.04	8.93	18.89	6.87
Vehicles other railway, tramway				0.36	4.33
Animal ,vegetables fats & oils, cleavage products etc	0	1.63	11.99	11.59	6.32
Electrical, electronic equipment	1.80	5.60	7.41	7.44	3.31
Residues, waste of food industry, animal fodder.	1.72	2.37	3.53	18.53	9.15
Minerals fuels, oils distillation products,etc.	0.14	25.25	33.68		
Commodities not elsewhere specified	2.14	0.10	4.38		
Machinery, nuclear reactors, boilers etc	1.59	1.83	3.68		
Total	234.42	357.90	579.13	567.31	530.75

Sources:

- Export-Import data bank, Ministry of commerce INDIA
- Bangladesh bank
- ITC based on director general of commercial intelligence statistics.
- ITC calculation based on UN Comtrade statistics.

**Table-6B Commodity Composition of Indian's Import from Bangladesh (US \$ Million)**

Commodity Name	% change in commodity in 2009-10	% change in commodity in 2010-11	% change in commodity 2011-12	% change in commodity 2012-13
All product				
Vegetable textile fibers, paper yarn	27.9163	80.1649	-10.4285	-19.0855
Article of apparel, accessories not knit or enroached	118.956	134.187	61.44851	67.14953
Edible fruits, nuts peel of citrus fruits	430	112.165	38.73157	50.57355
Made textile articles, worn clothing	19.1961	27.093	20.69228	-20.9223
Article of apparel, accessories knit or enroached	268.217	222.737	-29.289	39.39114
Salt, sulphur, stone plaster & cement	83.4862	1.5	-15.5337	-18.1182
Fish, crustaceans, mollusks, aquatic invertebrates	64.6934	126.455	-58.4333	-51.3462
Lead & articles				-46
Raw hides, skins & leather	74.6228	-54.988	-13.089	45.78313
Iron and steel	250.856	6.27178	7.803279	-36.6788
Cotton	51.7065	40.3825	5.048077	42.10526
Copper & articles	36.5217	68.3917	-5.72104	2.708124
Plastics & articles	65.4167	66.7506	10.42296	-27.0862
Wadding felt non woven , cordage etc	59.1696	18.2609	-23.3456	28.77698
Beverages, Spirits & Vinegar	44.7619	57.8947	-34.375	20
Knitted or Crocheted fabric	-55.405	114.394	-26.1484	115.7895
Footwear, gaiter & like parts, thereof				176.1006
Rubber & articles thereof	-25.735	460.396	14.31095	-64.6059
Sugar & sugar confectionary				208.8889
Inorganic chemicals, precious metals, isotopes	-83.962	337.745	111.5342	-63.6316
Vehicles other railway, tramway	#DIV/0!	#DIV/0!	#DIV/0!	1102.778
Animal ,vegetables fats & oils, cleavage products etc	#DIV/0!	635.583	-3.33611	-45.4702
Electrical, electronic equipment	211.111	32.3214	0.404858	-55.5108
Residues, waste of food industry, animal fodder.	37.7907	48.9451	424.9292	-50.6206
Minerals fuels, oils distillation products, etc.	17935.7	33.3861	-100	#DIV/0!
Commodities not elsewhere specified	-95.327	4280	-100	#DIV/0!
Machinery, nuclear reactors, boilers etc	15.0943	101.093	-100	#DIV/0!
Total	52.6747	61.8134	-2.04099	-6.44445

This Table is based on the table 6A

After discussing the trends in India's import from Bangladesh, it is imperative to look at the commodity composition. The data on import items from Bangladesh is provided in table-6. The import of commodity to India from Bangladesh increased from \$234.42 million in 2009 to \$357.90 million in 2010 and again increased to \$ 579.13 million in 2011. After this, the total import to India from Bangladesh has go down in last two year (2012, 2013) to \$ 567.31 million and \$ 530 million respectively (about 2.04, 6.45 percent). Vegetable textile fibers, paper yarn has been the largest items of Indian imports from Bangladesh, this items increased to 27.92 percent in 2009-10 and 80.16 percent during 2010-11 but also decreased in last two year of trade to 10.43 percent 2011-12, and 19.09 percent in 2012-13. Bangladesh is also increasing their export due to higher demand of their quality garment products. They are now the first choice of the garments buyers.<sup>22</sup> Bangladesh's textile industry, which includes knitwear and ready-made garments along with specialized textile product, is the nation's number one export earner, accounting for \$21.5 million in 2013 which is approximately 80% of Bangladesh's total exports of \$27 billion. About fourth-fifths of Bangladesh's total export earnings are contributed by ready- made garments. Twenty one out of the top twenty-five export items of the country are clothing articles, and represent 75 percent of total merchandise export. With India becoming an importer from exporter of some basic garments, Bangladesh's export of these items to Indian market has been increasing. Import of Man Made textile articles, worn clothing to India from Bangladesh increased from \$43.29 million in 2009 to \$51.60 million in 2010 (19.20 percent) and again go up to \$65.58 million (27.09 percent), \$79.15 million (20.69 percent) in 2011 & 2012 respectively. But the next year share of this item in import commodity composition to India from Bangladesh has decreased to \$ 62.59 million in 2013 (20.92 percent). Import of Fish, crustaceans, mollusks aquatic invertebrates to India from Bangladesh has increased from \$ 23.48 million in 2009 to \$ 38.67 million in 2010 (about 64.69 percent) and also increased to \$ 87.57 million in 2011, thus growth to

126.46 percent. While decreased in next two year to \$ 36.40 million (58.43 percent) in 2012, \$ 17.71million (51.35 percent) in 2012 and 2013 respectively. Salt, sulphur, stone plaster and cement has go up from \$ 16.35 million in 2009 to \$30.00 million 2010 (about 83.49 percent) but in next two year share of same item has go down from \$25.72million in 2012 to \$ 21.06 million in 2013, thus growth went down to 18.19 percent in same year. Table shows that, the weight and composition of commodities constituting Indian imports have undergone considerable changes. Share of some commodities like Edible fruit, article of apparel (not knit or crouched), cotton and iron and steel etc increased during the period, whereas rubber and articles, inorganic chemical, beverages spirit and vinegar, copper and articles have not same trend. Bangladesh, therefore, shall focus on improving the competitiveness of Indian products so as to successfully compete with Indian goods in future.

### TRADE INTENSITY INDICES OF INDIA TO BANGLADESH

India the largest and Bangladesh is third largest economy among SAARC region and also their trade relationship has ranked the third amongst the SAARC countries. India is the dominant export source for Bangladesh economy. The trends of India's export to and Import from Bangladesh were analyzed. India's export was more than its import from Bangladesh during the whole period. These indices are useful to demons trate about the relative importance of these two countries in their respective exports and imports. The values of the Export intensity Index (EII) and Import Intensity Index (III) were calculated for the time period 2001-2013, which presents the growing intensity of trade between the India and Bangladesh.

#### Export Intensity Index

Table 4 India's export intensity to Bangladesh (US \$ Million)

Year	India's export to Bangladesh	India's total export	Total import of Bangladesh	Total world import	Total import of India	Export Intensity Index
2001	1063.05	43878.49	8041.20	6300219.42	50671.11	18.83
2002	1025.50	50097.96	9215.13	6583363.84	57453.47	14.50
2003	1652.97	59360.66	10145.70	7678356.21	72430.53	20.88
2004	1613.03	75904.20	11372.75	9377673.61	98981.13	17.34
2005	1719.79	100352.64	12630.53	10610548.23	140861.67	14.21
2006	1667.81	121200.61	15688.55	12239266.14	178212.44	10.58
2007	2063.79	145898.05	17622.87	14090086.67	218645.30	11.13
2008	3243.38	181860.90	24334.11	16327839.00	315712.11	11.74
2009	2177.38	176765.04	23245.04	12584107.19	266401.55	6.53
2010	3016.58	220408.50	30503.84	15286355.73	350029.38	6.70
2011	3405.52	301483.25	41212.65	18270543.69	462402.79	4.88
2012	4936.67	289564.77		18274654.38	488976.38	
2013	5993.95	336611.39		18702567.70	466045.57	

Sources:

- Export-Import data bank, Ministry of commerce INDIA
- Bangladesh bank
- ITC based on director general of commercial intelligence statistics.
- ITC calculation based on UN Comtrade statistics.

Trend of commodity composition of India, s export to Bangladesh can be estimated by the export intensity index. This index is also useful to demonstrate about the relative importance of these two countries in their respective export and import, which is measured with the help of given the trends in the data of Indian exports to Bangladesh. It would be useful to investigate the pattern of India's exports to Bangladesh and Bangladesh import demand during the above period. This can be done by estimating the commodity intensity indices of India's export trade with Bangladesh. The commodity intensity indices of India's export trade with Bangladesh will reveal the extent to which India's exports had met the pattern of Bangladesh import demand for the given period. The export is measured with help of export intensity index is measured with help of following formula:<sup>23</sup>

$$EX_{ib} = (X_{ib} / X_i) / ((M_b / (M_w - M_i)) \quad \square$$

Where

**EX<sub>ib</sub>** - Commodity intensity index of India's export of particular Commodity to Bangladesh

**X<sub>ib</sub>** - India's export particular to Bangladesh.

$X_{is}$  - India's total export to World.

$M_b$ - Bangladesh's total imports from whole world

$M_w$  - Total imports of world

$M_i$  – India's total import from whole world

If the value of index is lower than one it shows that the bilateral export flow is smaller than expected, given the partner country's importance in world export. In case, value of index is greater than one it shows that a bilateral trade flow is greater than expected, given the partner countries in world export. Table 4 provides India's export intensity with Bangladesh during 2001 to 2013. From the table it is found that during 2001 to 2013 range of the index is lying between 20.88 to 4.88. Table shows that India's export to Bangladesh is much higher than expected till 2013. However, since 2001 to 2008 the value of Export Intensity Index was in double digit i.e. higher value of EII ranging from 18.83 to 11.74. During the period from 2009 to 2011 having single digit of Export Intensity Index ranging from 6.53 to 4.88

### Import Intensity index

Table 7 India's Import Intensity from Bangladesh

Year	India,s import from Bangladesh	India,s total import from world	Total Export of Bangladesh	Total world Export	India,s total export	Import Intensity Index
2001	64.12	50671.11	5388.75	6107379.49	43878.49	1.42
2002	56.43	57453.47	5417.27	6404139.71	50097.96	1.15
2003	71.50	72430.53	6403.43	7463343.77	59360.66	1.14
2004	69.11	98981.13	8267.48	9097787.86	75904.20	0.95
2005	103.70	140861.68	9331.58	10366215.63	100352.64	0.81
2006	223.81	178212.44	11696.70	11985054.15	121200.61	1.16
2007	233.31	218645.30	13142.95	13823120.83	145898.05	1.00
2008	329.78	315712.11	15506.72	15971872.93	181860.90	1.06
2009	234.42	266401.55	15538.63	12310033.19	176765.04	0.69
2010	357.90	350029.39	19230.98	15050924.29	220408.50	0.79
2011	579.13	462402.79	24313.75	18055465.17	301483.25	0.91
2012	567.31	488976.38		18003055.02	289564.77	
2013	530.75	466045.57		17974395.15	336611.39	

Sources:

- Export-Import data bank, Ministry of commerce INDIA
- Bangladesh bank
- ITC based on director general of commercial intelligence statistics.
- ITC calculation based on UN Comtrade statistics.

Table 7 represents India's import intensity from Bangladesh. Trend of commodity composition can be estimated by the import intensity index. This index is also useful to demonstrate the relative importance of these two countries in their respective exports and imports. Import Intensity Index of India with Bangladesh is measured with the help of the following formula: if the value of index is less than one shows that import flow is smaller than expected, given the partner country's importance in the world import and vice versa. This table gives the information about India's import intensity with Bangladesh during 2001 to 2013, estimated according to the formula:<sup>24</sup>

$$III_{ib} = \left\{ \left( \frac{M_{ib}}{M_i} \right) / \left( \frac{X_b}{X_w} \right) \right\} \quad \text{[24]}$$

Where

$III$  is the India's import intensity with Bangladesh

$i$  is stand for India

$b$  stand for Bangladesh

$M_{ib}$  Denotes import of India from trading partner Bangladesh

$M_i$  Is a total import of India

$X_b$  Is a total export of Bangladesh

$X_w$  Is a total world Export

### $X_i$ Total export of India

From the table it is found that India's import intensity with Bangladesh was ranging from minimum 0.69 to maximum 1.42 during 2001 to 2011 and it is also found that India's import intensity index with Bangladesh fluctuate during the whole period. The value of import intensity index is more than unity (from 1.42 to 1.06) in 2001, 2002, 2003 and 2006, 2007. It shows that import inflow from Bangladesh is greater than expected to the partner country. But in 2004, 2005, 2009, 2010 and 2011 the value of index is less than one (from 0.95, 0.81, 0.69, 0.79, and 0.91) in respective years.

As India is the third largest export destination for Bangladesh economy. The value of Export trade intensity index is high than the value of Import intensity index. This the major difference between the trade intensity indices due to the trade differences between India and Bangladesh and other variables used in trade indices. The huge amount of commodity exported from India to Bangladesh is much high than the commodity imported to India from Bangladesh throughout the whole period. From 2001 to 2011 the value of Export intensity Index varies from 20.88 to 4.88 is much high than the value of Import Intensity Index from 1.42 to 0.91. The main reason behind the higher value of the export intensity index is the higher value of export from India to Bangladesh.

### Balance of Trade between India and Bangladesh

Table-8 Balance of India-Bangladesh trade (US\$ million)

Year	Indian export to Bangladesh	Indian import from Bangladesh	Balance of trade
2001	1063.05	64.12	998.93
2002	1025.5	56.43	969.07
2003	1652.97	71.5	1581.47
2004	1613.03	69.11	1543.92
2005	1719.79	103.7	1616.09
2006	1667.81	223.81	1444
2007	2063.79	233.31	1830.48
2008	3243.38	329.78	2913.6
2009	2177.38	234.42	1942.96
2010	3016.58	357.9	2658.68
2011	3405.52	579.16	2826.36
2012	4936.67	567.31	4369.36
2013	5993.95	530.75	5463.2

Sources:

- 1) Export-Import data bank, Ministry of commerce INDIA
- 2) Bangladesh bank
- 3) ITC based on director general of commercial intelligence statistics.
- 4) ITC calculation based on UN Comtrade statistics.

Having discussed the various aspects of export and import trade between India and Bangladesh, it is now necessary to study the trends in trade balances between the two countries. Table-8 gives data for the India-Bangladesh balance of trade. It is found that India always had favorable balance of trade. Normally it is found that Bangladesh is trade deficit country after its independence in 1971.<sup>25</sup> In the first two decades it showed tender situation in its trade balance but it has been improving the situation since 1990s when trade liberalization was achieved.<sup>26</sup> During this period from 2001 to 2013 India had surplus balance of trade with Bangladesh. India has productive advantages both in agriculture and industry as compared to Bangladesh, because of its large economy and scale of economies. Structurally Indian economy is much larger, more diversified and technologically advanced.

All these factors have made Indian products very competitive, both in terms of price and quality in Bangladesh's markets. On the other hand, India's imports from Bangladesh are limited to a few goods, as Bangladesh does not have a large supply base to offer a wide variety of products to India. India's minimum trade surplus with Bangladesh was \$ 969.07 million in 2002 while largest trade surplus with Bangladesh was \$ 5463.20 million in 2013. The annual average surplus in India's trade with Bangladesh was \$ 2319.85 million. Several projects and agreements are initiated by both nations to improve trade facilities, like MoU on Renewable Energy Cooperation, MoU on Conservation of Sunderbans, etc.<sup>27</sup>

### Research Findings and Policy Implications:

We have found that the India's export to Bangladesh higher than the import to Bangladesh, as a consequence, India has surplus balance of trade. India's trade relations with Bangladesh become stronger with time. As the



India's export sector is more dynamic as compared to the export sector of Bangladesh, but it will be more competitive in the world market. Bangladesh import more from India at less cost.

For promotion of trade between India and Bangladesh, policies would be more favorable towards the countries having similar income per capita income or similar features and development level in general. The trade relations with the larger economies would be very rewarding for growing economy because larger countries by economic size tend to have bilateral surpluses with smaller ones. In this way specialization occurs within the sectors and consumers get benefits from the lot of choice in product available. Two countries having the same demand structure, the more incentives will be there for the potential trade between them. Moreover, to take more benefit from regional trade India would need more priority to their neighbor countries.

There are some suggestions for regular and improve trade performance and also to mounting two-way bilateral trade. To improve the bilateral trade relationship, the two countries have to take steps to make trading easier at integrated Check Post (ICP) inaugurated at Akhura-Agartala boarder on India-Bangladesh. Bilateral trade agreement between two countries changed from time to time in favor of trade and economic cooperation, making mutually beneficial arrangement for the use of waterways, railways, and roadways, passage of Goods between two places in one country through the territory of the other. The seventh meeting of the joint working Group (JWG) on trade between two countries was held on May 2010, at Dhaka in Bangladesh where from the both side has detailed discussion on various bilateral trade issues. As a result of JWG meetings, Indian side expressed its willingness to assist Bangladesh in strengthening the Bangladesh Standards and Testing Institute (BSTI). Both Indian and Bangladesh governments should come close for providing adequate incentives, infrastructure and appropriate policies. These include bilateral trade agreement, periodic trade review meetings, joint economic commission, joint rivers commission, and Indian investment for Bangladesh. Foreign direct investment and foreign remittances received by Bangladesh could contribute to reduce the deficit balance of trade. Bangladesh government should be liberal and form such policies for foreign direct investment to attract the foreign investment. Many Indian investors are interested in investing their capital in Bangladesh territory. Tata group put forward a proposal for investment of 3 billion US dollars in Bangladesh for opening up a Tata Steel Plant, Fertilizer factories and Power plant. It was the encourageous and largest investment proposal made by any foreign investors to Bangladesh. The recent visit of Indian Prime Minister Narendra Modi to Bangladesh in June 2016 has galvanized India-Bangladesh mutual cooperation and signed twenty two commercial Memorandum of Understanding (MOUs) for cooperation in Trade, Land, Transport, Security and Education, Cultural and Development Agreement<sup>28</sup>.

It has been established that economic cooperation between India and Bangladesh has been on the rise. Progress at the private sector level is also satisfactory. Many Indian firms from both public and private sectors have been working on different projects in Bangladesh. In Bangladesh, remittance is one of the most significant economic variables in recent times as it proves effective in balancing the country's deficit in trade balance. In recent years, a remittance grew more rapidly in Bangladesh, and is the second largest sources of foreign exchange inflow after the ready-made garment (RMG). Remittance has added a new dimension to the economic development of Bangladesh. For about two decades remittance has been contributing about 35 percent of Bangladesh's total export earnings<sup>29</sup>. India-Bangladesh migration corridor is fourth largest corridor of the world. Through this corridor 3.5 million migrants in 2005 and upto 17 million people migrate in 2010. According to the World Bank (2011), Bangladesh is one of the top ten recipients of remittances in the South Asia and all over the world, received US\$ 11.1 billion in remittances was the 11.8 percent of their GDP in 2010.

### **Suggestions**

1. According to Trade Liberalization, all types of measures are to be eliminated for the products included in the trade liberalization process.
2. Policy framed in favor for attracting foreign investment flows, particularly from India to Bangladesh. Smaller nations like Bangladesh's trade deficit with neighbor India can be compensated for by the movement of capital from larger to the small. The agreement should include a provision for facilitating a larger flow of investment within the region.
3. Liberalization in services sector also needs to be factored. Regional economic integration will help smaller countries to overcome the imbalance trade by sending remittances into their mother country.
4. Transport logistics should be strong. Inadequate transport facilitation mechanisms keep SAARC member states from realizing their trade potential. Outdated infrastructure increase costs for exporters throughout the region. Measures to facilitate trade logistics costs should be lower between trading partners was the most important steps to promote international trade.
5. Political will and perception of common economic interests are driving force behind the success of any regional trading arrangement. India-Bangladesh political rapprochement was the anchor for promoting trade and economic cooperation between two countries.

## Conclusion

From the analysis in this research, we found that during 2001-2013, India-Bangladesh trade increased by many times. India's export to Bangladesh increased from \$1063 million to \$5993 million, growing by 5.63 times during the same period. India's import from Bangladesh increased by 8.27 times whereas India's imports from world increased by 91.97 times. This shows that India's exports to Bangladesh are higher than India's import from Bangladesh. Commodity compositions in total trades between countries, focused on primary products and readymade garments import to India from Bangladesh but India have attention on manufacturing goods export to Bangladesh. Trade intensity of India during 2001-2013, it was found that India's export to Bangladesh were much higher than expected during the 2011. On the other hand, India's import intensity from Bangladesh was high to expectation because the value of index was above the 1.00 during 2001, 02, and 03. But in 2004, and 2005 value of index was very close to expectation. Trade policies reforms of both countries are also promote the bilateral trade. Thus, both countries are developing closer economic relations with each other. Balance of trade position shows that there is a great urgency to take steps to achieve the right balance in bilateral trade between the two countries. The major challenge is how Bangladesh can use this opportunity of the changing India's economic and trade policies to improve trade with India and its trade balance.

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