Bangladesh: A Study of India's Trade and Investment Potential

Occasional Paper No. 170

एक्ज़िम बैंक
EXIM BANK
भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

Bangladesh: A Study of India's Trade and Investment Potential
Occasional Paper No. 170

EXPORT-IMPORT BANK OF INDIA

OCCASIONAL PAPER NO. 170

BANGLADESH: A STUDY OF INDIA'S TRADE AND INVESTMENT POTENTIAL

EXIM Bank's Occasional Paper Series is an attempt to disseminate the findings of research studies carried out in the Bank. The results of research studies can interest exporters, policy makers, industrialists, export promotion agencies as well as researchers. However, views expressed do not necessarily reflect those of the Bank. While reasonable care has been taken to ensure authenticity of information and data, EXIM Bank accepts no responsibility for authenticity, accuracy or completeness of such items.

CONTENTS

Project Team :
Mr. David Sinate, Chief General Manager
Mr. Vanlalruata Fanai, Assistant General Manager
Ms. Snehal Bangera, Manager

LIST OF TABLES

LIST OF CHARTS

LIST OF EXHIBITS

LIST OF BOXES

LIST OF ANNEXURES

ABBREVIATIONS

ADB	Asian Development Bank
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOI	Board of Investment, Bangladesh
EDF	Export Development Fund
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
G-NEXID	Global Network of Exim Banks and Development Finance Institutions
IMF	International Monetary Fund
JV	Joint Venture
LCS	Land Customs Stations
LOC	Line of Credit
MFI	Micro Finance Institution
MOC	Memorandum of Cooperation
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NBR	National Board of Revenue
NER	North-eastern Region
NGO	Non-Governmental Organisations
RBI	Reserve Bank of India
RCA	Revealed Comparative Advantage
RMG	Readymade Garments
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SAPTA	SAARC Preferential Trade Agreement
SDR	Special Drawing Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
WDI	World Development Indicators
WOS	Wholly Owned Subsidiary
WTO	World Trade Organization

KEY FACTS ON BANGLADESH

Geographic location:	Situated in the eastern part of South Asia between 20°34’ and 26°38’ north latitudes and 88°01’ and 92°41’ east longitudes and consists of flat fertile alluvial land
Boundaries:	North – India (Assam and Meghalaya) South – Bay of Bengal East – India (Tripura, Assam and Mizoram) and Myanmar West – India (West Bengal)
Area:	130,170 sq km (World Bank)
Total population:	156.3 million (2013) (IMF WEO October 2014)
Population density persons per square kilometre:	1,188 (2013) (World Bank WDI 2014)
Climate:	Tropical monsoon
Languages:	Bengali. Hindi and Urdu are minority languages. English is also used
Industrial production growth rate:	9% (2014) (World Fact Book)
Electricity consumption:	38.89 billion kWh (2014 est., World Fact Book)
Electricity production:	40.08 billion kWh (2014 est., World Fact Book)
Unemployment rate:	5% (2014) (World Fact Book)

Population below poverty line:	31.5% (2014 est., World Fact Book)
Major agricultural products and fruits:	Rice, Jute, Sugarcane, Potato, Wheat, Tea, Tobacco, Mango, Pineapple, Litchi Banana, Pulses, Oilseeds, Spices, Fruit; Beef, Milk, Poultry
Major industries:	Cotton Textiles, Jute, Garments, Tea Processing, Paper Newsprint, Cement, Chemical Fertiliser, Light Engineering, Sugar
Market value of publicly traded shares:	US$ 17.48 billion (December 31, 2014, World Fact Book)
Mineral resources:	Natural Gas, Coal, Hard Rock, Limestone, White Clay, Glass Sand and Mineral Sand
Airports - International:	Dhaka, Sylhet and Chittagong
Sea port:	Chittagong and Mongla

EXECUTIVE SUMMARY

Bangladesh is strategically located in South Asia, flanked by India, Myanmar and the Bay of Bengal. Average economic growth of Bangladesh during 2009-2013 was more than 6 per cent. In 2013, however, the economic growth was at 5.8 per cent, as compared to 6.1 recorded in the previous year. More than 90 per cent of the export revenue of Bangladesh comes from garment industry **(Table 1)**.

Over the years, there has been structural change in the economy of Bangladesh, with gradual increase in the importance of services and industrial sectors. However, the agricultural sector continues to be the country's largest employer and the main source of income for around 50 per cent of the working population.

Trade and Investment in Bangladesh

Being strategically located between the emerging markets of South Asia and South-east Asia, Bangladesh has a huge potential to become a trading and investment hub. Bangladesh

Table 1: Select Macroeconomic Indicators of Bangladesh

Items	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
Gross Domestic Product (US$ bn)	96.9	109.0	122.2	131.2	141.7	161.8	186.6
Real GDP Growth (%)	6.0	5.7	6.0	6.5	6.3	61.	6.2
Population (mn)	148.0	149.5	151.1	152.9	154.7	156.3	158.2
Gross Domestic Product Per Capita (US$)	655.1	728.9	808.3	858.2	916.1	1033.0	1179.3
Consumer Price Inflation (%)	8.9	5.4	8.1	10.7	6.2	7.5	7.2
Exchange Rate (Taka: US$)	68.6	69.0	69.6	74.2	81.9	78.1	77.6
International Reserves (US$ bn)	5.8	10.3	11.2	9.2	12.8	18.2	22.4
External Debt (US$ bn)	23.0	24.6	25.8	27.3	26.1	26.8	27.6

^{f}- forecast; - not available
Source: IMF, World Economic Outlook, October 2014; World Bank's World Development Indicators 2014; and Economist Intelligence Unit (EIU)

could be an entry port to the region covering Bangladesh, Nepal, Bhutan, North-eastern Indian states (Assam, Meghalaya, Manipur, Arunachal Pradesh, Nagaland, Mizoram, Tripura, and Sikkim), and resource-rich northern Myanmar.

Trade

Global trade of Bangladesh has grown significantly over the decade. Bangladesh's total merchandise trade increased by over three-fold, crossing US$ 60 billion in 2013, supported by more than four-fold increase in exports, and doubling of imports. In 2013, Bangladesh's exports to the world increased by 13.7 per cent to US$ 31 billion from US$ 27.3 billion in 2012, while imports increased by 2.3 per cent from US$ 31.0 billion in 2012 to US$ 33.3 billion in 2013. During 2009-2013, Bangladesh's exports grew at a CAGR of 18.8 per cent, while imports grew at a CAGR of 9.4 per cent.

In 2013, textiles and clothing alone accounted for 90 per cent of its global exports. As per Bangladesh Bank, Readymade Garments (RMG) is also a major source of foreign currency. Globally, Bangladesh is the third - largest exporter of articles of apparel (including knit or crochet), after China and Italy. The main markets for Bangladesh exports in 2013 include USA, Germany, UK, France and Spain.

As compared to exports, Bangladesh's imports have been highly diversified. Bangladesh's import composition has mostly been concentrated with cotton and RMG industry related capital goods. The major components of Bangladesh's import basket in 2013 include cotton (15 per cent of the total imports), machinery and equipments, mineral fuels, oils and distillation products, electrical, electronic equipments, iron and steel, and animal, vegetable fats and oils. The rise in the import of cotton has been due to the recent growth in the knitwear industry. Domestic production of raw cotton only meets a meagre 2 per cent of the country's demand[1]. The main import sources of Bangladesh in 2013 were China, India, Singapore, Malaysia, South Korea and Indonesia.

Investment

Foreign Direct Investment (FDI) has played a key role in the modernisation of the Bangladesh economy. Over the past decade, FDI inflows to Bangladesh increased more than three-fold to reach US$ 1.6 billion in 2013. One of the key drivers of growth in FDI recently has been the development of export - based

[1]United States Department of Agriculture

readymade garment sector, which directly employs around 2 million (90 per cent of them women), while a further 15 million jobs depend indirectly on textiles via companies that supply thread, buttons and other inputs.

According to studies for the period 1995 – 2005, there were several shifts in the composition and content of FDI inflow. There was a major compositional shift in FDI in manufacturing sector from import substitutes to export-oriented manufacturing. Sectors like power and energy, banking, insurance and telecommunications were gradually being opened up to FDI due to Bangladesh's accession into the WTO, resulting in a shift of FDI towards the services sector. During the same period, due to an accommodative policy regime and comparative advantage, a major portion of FDI had gone into the ready-made garment (RMG) sector for establishing backward linkage industries, telecommunication, power, oil and gas exploration sectors. Sectors attracting major portion of investments as on December 2013, include textile and wearing apparel, accounting for 22 per cent of the total FDI inflow, followed by banking, gas and petroleum, telecommunication and power sector. UK was the largest investor in 2013, accounting for 12 per cent of the overall FDI inflows, followed by Singapore, Malaysia, Netherlands and South Korea.

Bilateral Trade between India and Bangladesh

India continues to be Bangladesh's major trading partner. The geographical proximity of Bangladesh and India has led to an easier access to each other's markets for their own products. India and Bangladesh first entered into a bilateral trade agreement in October 1980, which was later amended and signed in March 2006 and was valid till March 2009. It has been renewed every three years since then.

Currently, India and Bangladesh are members of the South Asian Free Trade Area (SAFTA)[2], the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Asia-Pacific Trade Agreement (APTA), and the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC).

India-Bangladesh trade nearly quadrupled over the past decade to reach its all-time high of US$ 6.5 billion in 2013-14 from US$ 1.8 billion in 2003-04. Over the decade, India's exports to Bangladesh increased more-than three-fold

[2]SAARC Preferential Trade Agreement (SAPTA) concessions ceased once SAFTA was implemented

from US$ 1.7 billion in 2003-04 to US$ 6.1 billion in 2013-14, while India's imports from Bangladesh increased nearly six-fold from US$ 77.6 million in 2003-04 to US$ 460.9 million in 2013-14.

India's trade surplus with Bangladesh has nearly trebled from US$ 1.7 billion in 2003-04 to US$ 5.6 billion in 2013-14. This rise can be mainly attributed to the trade formalisation efforts between the two countries and Bangladesh's increased dependence on India, especially for cotton, which is the main raw material for its major exports.

Bangladesh is India's largest trading partner in South Asia, accounting for 35.2 per cent of India's exports to South Asia and 20 per cent of India's imports from South Asia in 2013-14. Globally, India is the second-largest source for Bangladesh's imports after China, accounting for roughly 16 per cent of Bangladesh's total imports in 2013. As regards exports, India is twelfth-largest export market (2.1 per cent of the total exports) for Bangladesh in 2013.

Over the years, India's trade with Bangladesh has undergone a compositional change. Though the main components of India's exports to Bangladesh continue to remain food items and other primary goods, exports have gradually expanded to capital goods as well. India is the third-largest exporter of machinery and equipments to Bangladesh and fourth-largest exporter of electrical and electronic equipment.

Some of the major commodities exported to Bangladesh in 2013-14 were cotton, followed by cereals, transport vehicles, machinery and equipments, sugar and sugar confectionary, residue and waste from the food industries, and mineral fuels, mineral oils and its products.

An analysis of Bangladesh's cotton imports reveals that Bangladesh's cotton import from India was mainly skewed towards cotton and cotton yarn; while its imports from China was mainly woven cotton.

India's major imports from Bangladesh in 2013-14 include vegetable textile fibres, which accounted for 17 per cent of the total imports.

Bilateral Investment Relations between India and Bangladesh

Over the years, there has been a significant growth in the FDI flows from India to Bangladesh. In 2013, India's FDI into Bangladesh peaked at US$ 45 million, accounting for 2.8 per cent of the overall FDI inflows during the year, as compared to US$ 28.4 million 2012.

Indian FDI flows into Bangladesh in 2013 was skewed toward the textile and wearing apparel sector, which accounted for 29.1 per cent of the total Indian investments in the country.

As regards FDI stock, Indian investments in Bangladesh amounted to US$ 256.4 million as on December 2013. Indian Investments have mainly been in the banking and finance sector, followed by textiles and wearing, apparel chemical and pharmaceuticals, non-banking financial institutions, agriculture and fishing, food products, and trading.

Exim Bank India in Bangladesh

Export-Import Bank of India (Exim Bank India) operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with countries in Asian region, including Bangladesh.

Lines of Credit

Exim Bank India extends Lines of Credit (LOCs) to overseas Governments, parastatal organisations, financial institutions, commercial banks and regional development banks to support export of eligible goods and services on deferred payment terms. Exim Bank India also extends LOCs on behalf and at the behest of the Government of India.

Exim Bank India, at the behest of the Government of India, had extended an LOC of US$ 1 billion to the Government of Bangladesh in August 2010. In May 2012, US$ 200 million of this LOC was converted into a grant. Thus, as on October 31, 2014, Exim Bank India at the behest of Government of India, has an LOC of US$ 800 million to the Government of Bangladesh. The LOC will be used for financing goods and services including project exports from India into Bangladesh.

Memorandum of Cooperation/ Memorandum of Understanding

With a view to building institutional linkages, Exim Bank India has entered into a Memoranda of Understanding (MOU) with Industrial Promotion and Development Corporation of Bangladesh Ltd.

Support for Project Exports

Exim Bank India plays a nodal role in facilitating and promoting Indian project exporters in international markets. Such projects, which are primarily in the infrastructure sector, contribute to local and regional development. Indian companies have implemented numerous projects in Bangladesh with the support of Exim Bank India. Some of the on-going projects in Bangladesh include:

- Supply, erection and commissioning of 230 kv Transmission line under grid sub-station and associated transmission lines development project
- Construction of Jatrabari – Gulistan flyover project
- Supply, erection, testing, commissioning of Kaliakoir-Dhamrai-132 kV Double Circuit and Kabirpur-Tangail (in-out) to Kaliakoir 132 kV four circuit transmission line
- Design, manufacture, erection, testing and commissioning of 360 MW Bheramara Combined Cycle Power Plant Development Project
- Design, manufacture, supply, erection, testing and commissioning of Sikalbaha 225 MW Combined Cycle Power Plant in Bangladesh.
- Supply, installation, testing and commissioning of Optical Transmission Equipments (MSPP) for several Upazillas and Union Parishads under 'Optical Fiber Cable Network Development in 1000 Union Parishad' Project of Bangladesh Telecommunications Company Limited (BTCL)
- Feasibility study, detailed design, construction, supervision services for the 2nd Bhairab and 2nd Titas Railway Bridges
- Procurement of Broad Gauge (BG) Bogie Oil Tank Wagons and BG Bogie Brake Vans, BG Diesel Electric Locomotives, Metre Gauge (MG) Bogie Tank Wagons, MG Bogie Brake Vans, and MG Flat wagons
- Supply of 50 nos. articulated buses in completely built-up condition with 10% spare parts, 3 set equipments, 3 set special tools and related services
- Supply of Single Decker AC buses
- Procurement of cutter suction dredger and ancillary crafts with other accessories
- Construction of 2nd Bhairab railway bridge with approach rail lines and other related works
- Construction of 2nd Titas railway bridge with approach rail lines and other related works
- Modernisation and strengthening of Bangladesh Standards and Testing Institution

Buyer's Credit

Exim Bank India extends Buyer's Credit facility to overseas buyers/ importers for import of eligible goods and services from India on deferred payment terms. The facility enables exporters/ contractors to expand abroad and into non-traditional markets. It also enables exporters/ contractors to be competitive when bidding or negotiating for overseas jobs.

Exim Bank India has extended a Buyer's Credit Facility in Bangladesh to finance import of capital machinery and equipment from India for setting up a steel melting and billet casting plant.

Buyer's Credit under National Export Insurance Account (BC-NEIA)

In order to provide further impetus to project exports from India on medium or long term basis, a new product called Buyer's Credit under National Export Insurance Account (NEIA) was introduced in April 2011. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government owned entities for import of goods and services from India on deferred credit terms with NEIA cover. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by Ministry of Commerce and Industry (MOCI), Government of India, for providing medium to long term export credit insurance covers for promoting project exports from India, administered by Export Credit Guarantee Corporation of India Limited (ECGC).

Bangladesh is in the positive list of select 51 countries identified by ECGC for which Indian exporters can avail Buyers Credit under NEIA.

Exim Bank India Research Studies

Exim Bank India conducts periodic research studies in order to promote the existing institutional linkages and external competitiveness of Indian companies. Some of the research studies covering Bangladesh include:

- The People's Republic of Bangladesh : A Study of India's Trade and Investment Potential
- BIMST-EC Initiative: A Study of India's Trade and Investment Potential with Select Asian Countries
- SAARC: An Emerging Trade Bloc
- India's Trade and Investment Relations with LDCs (Least

Developed Countries): Harnessing Synergies

- Fresh Fruits, Vegetables and Dairy Products: India's Potential For Exports to Other Asian Countries

- Indian Ocean Rim Association for Regional Co-operation (IOR-ARC): A Study of India's Trade and Investment Potential.

- Potential for Enhancing Intra - SAARC Trade: A Brief Analysis.

Exim Bank as an International Consultant

Exim Bank is uniquely placed as a key financial institution, with experience as an actual practitioner, to synthesise the needs of a newly industrialised economy with contemporary experience from developing and developed countries. The Bank is registered with the World Bank and Asian Development Bank as a consulting organisation. Exim Bank has rendered assistance to a number of institutions in the developing world. Overseas assignments undertaken include:

- Strategy paper for SAARC Development Fund to promote intra-regional projects in the South Asian Region

- Pre-feasibility study for setting up Commonwealth Trade and Development Bank (CTIB)

Access to trade finance can be identified as one of the major requirements in promoting bilateral trade. This gains even more significance in light of the recent global financial turmoil. Trade finance market has benefited from the development of new technology, the emergence of new institutions and agencies in other developing countries, and the development of financing and guarantee facilities by regional development banks to fill the market gaps in financing of smaller transactions in countries with little access to international markets.

There is, therefore, a need for development of regional trade financing and related institutions, in the South Asia (SAARC) region that can provide finance, credit and guarantee for cross-border trade, for boosting intra-regional trade. Export-Import Bank of India (Exim Bank) has been sharing its experience and expertise by undertaking consultancy assignments, including setting up of such kind of institutions, and is in a position to assist in giving consultancy service for setting up similar institution in the SAARC region as well.

Readymade Garment Industry of India and Bangladesh – A Comparative Study

The readymade garment (RMG) industry has had an overwhelming influence on the economic development of both India and Bangladesh. For India, the RMG industry is an offshoot of the textile industry, contributing to industrial output, employment generation and export earnings. While for Bangladesh, the RMG industry is the mainstay of manufacturing activities in the country.

In the textile value chain, the RMG industry is the least capital intensive and is highly fragmented with small and large players in both India and Bangladesh. The Indian RMG industry mainly comprises knitted and woven garment segments and has uniquely placed itself as a producer of raw materials like cotton, and finished goods i.e. readymade garments. Bangladesh's RMG sector also comprises knitted and woven garments, mainly dominated by the former.

Analysis of India's and Bangladesh's share (as suppliers) in world's import of RMG shows that with a share of 5.9 per cent in world's RMG imports in 2012, Bangladesh has an upper hand in the export of RMG, while India accounted for 3.4 per cent. Within RMG, knitted apparel dominated Bangladesh's exports, while non-knitted apparel dominated India's exports.

As regards RMG export markets for the two countries, the USA is a dominant export market of both India and Bangladesh, accounting for 24 per cent and 20 per cent, respectively of their total exports, followed by other European countries like the United Kingdom (UK), Germany, France, Netherlands and Belgium. However, for India, UAE is the third-largest destination for its RMG exports after the USA and the UK markets.

Comparative analysis of the share of India and Bangladesh in the EU and the USA market reveals that Bangladesh has a better presence in both the USA and the EU markets. While India accounts for 4 per cent of RMG imports in the USA and 1.7 per cent of RMG imports in EU market, Bangladesh accounts for 5.6 per cent and 3.6 per cent, respectively, of global RMG imports of USA and EU. Further, in recent years, India's presence in the USA and EU has declined. The share of Bangladesh, on the other hand, has consistently been on an upward trajectory in both markets. Higher share of Bangladesh in major global markets of RMG partly reflects its advantage of low manufacturing cost supported by various factors.

Cross-comparison of select RMG Industry Parameters between India and Bangladesh reveals that labour cost in India is double the cost of labour in Bangladesh. In addition to low wages, in Bangladesh, the number of labour hours put-in per operator is also higher than that of India. It is also worth noting that the cost of electricity in Bangladesh is lower than that in India. This is because RMG industries in Bangladesh do not take power from the power grid; rather, they mostly resort to 'captive power' generation through extensive application of gas generators, thus, significantly reducing electricity cost of RMG industries. While in India, though there exist mills that have their own captive power generation plants, their share is very small since it requires a huge investment.

Comparing the CIF (Cost, Insurance and Freight) for T-shirt manufacturing in India and Bangladesh shows that India has a comparative advantage in fabric cost (raw material) for the production of T-shirts, where fabric cost per garment is US$ 1.67 in India and US$ 1.72 in Bangladesh. However, as the production cost of a T-Shirt is lower in Bangladesh than that in India, per garment CIF is marginally lower in Bangladesh at US$ 2.298 as compared with US$ 2.325 in India, mainly reflecting lower labour costs and transportation costs in Bangladesh (Technopak Analysis).

Exim Bank's Research study titled 'Comparision of Labour Laws: Select Countries, shows that labour laws in India and Bangladesh are typically beneficial for employees but inflexible for the employer. Indian labour laws protect the interests of employees, but there is no obligation to continue working with a particular employer. This exposes the garment manufacturers to considerable risk, as garment manufacturing is a labour-intensive process. Any abrupt relinquishment of jobs by the employees can delay the manufacturing process, which can lead to cancellation of orders, resulting in financial losses and also loss of probable future orders.

A comparison of the MSME definition in India and Bangladesh demonstrates that while the cap for micro and small enterprises in India and Bangladesh are more or less comparable, Bangladesh's definition of medium enterprise as those having an investment ceiling of Tk 300 million (approximately US$ 4 million), is far higher compared to that in India (approximately US$ 2 million), giving an advantage to key industries like RMG to have better access to higher technology.

In sum, despite the relatively small economy size and heavy dependence on import of raw materials, the RMG industry in Bangladesh has outperformed that of India. Preferential access enjoyed by Bangladesh to the EU and the USA markets has always been cited as a reason for Bangladesh's performance. However, key factors like low dependence on national power grids, low production cost, and a higher cap on investments in the MSME definition have also given the RMG industry in Bangladesh an edge over India, encouraging the industry to move up the value chain.

Connectivity and Transit Facilitation between India and Bangladesh with Focus on North Eastern Region (NER)

The North-eastern part of India (comprising eight states, including Sikkim) is separated from the rest of India by Bangladesh, except for a very narrow transport corridor, known as the Siliguri Corridor (a narrow strip of width 21 - 40 km). Bangladesh has not yet given transit access to India for trade with its North-eastern states. However, on November 30, 2010, India and Bangladesh signed a crucial deal to allow transport heavy equipment for its proposed Palatana Power Plant in Tripura in 96 consignments through Bangladesh. Further, these States have access to the sea route only through Kolkata, West Bengal, which is a turnaround route through the Siliguri Corridor. The distance between the state capitals of these States (except Sikkim) and Kolkata ranges between 1080 km to 1680 km, while the distance between these state capitals and Chittagong seaport, Bangladesh, ranges between 100 km to 800 km. Further, the North-eastern region's topography has been one of the major factors responsible for the underdevelopment of the region. Poor infrastructure, transportation system and other logistic facilities, result in high transportation cost.

In spite of these disadvantages the North-eastern region of India has a significant locational advantage. The North-eastern region of India shares around 98 per cent of its borders with China, Myanmar, Bhutan, Bangladesh and Nepal, and thus could serve the purpose of enhancing India's trade with Bangladesh, China and south-east Asia.

While the size of exports from the NER to Bangladesh is twice that of its imports, NER's imports from Bangladesh has been growing consistently during 2008-09 and 2012-13. Exports from the NER to Bangladesh have increased from ₹4.2 billion in 2008-09 to ₹9.2 billion in 2012-13. Some of the major export items in 2012-13 include coal, tea, limestone, high speed diesel oil, cumin seed, fresh ginger, mortor spirit and rice.

During the same period, imports of the NER from Bangladesh increased from ₹1.6 billion in 2008-09 to ₹4 billion in 2012-13. Major imports of the NER from Bangladesh included fish, cement, crushed stones, miscellaneous food items, betel nut, synthetic or flavoured drinks and mobile handsets.

Modes of transportation between India and Bangladesh include roadways, railways, airways, and waterways. Air cargo has a very small share as it is much costlier than the other modes. Both countries signed the Indo-Bangladesh Protocol on Inland Water Transit and Trade in 1972, which has facilitated river water transit. Both governments have renewed this treaty periodically, and the treaty has been extended until 2014. The Land Customs Stations (LCS) at the India - Bangladesh Border is a large facility providing transit, customs and immigration and cargo handling services for goods and passengers travelling between Bangladesh and North-east India. There are 83 land customs stations (LCS) between Bangladesh and India. Out of these 31 are on Bangladesh - North-east India border of which 17 are functional. Recognising the impediments to transportation of goods between the two countries, India has initiated the setting up of seven Integrated Check Posts (ICPs) along the India-Bangladesh Border. New ICPs are expected to be set up at Petrapole in West Bengal, Agartala in Tripura and Dawki in Meghalaya. To curb unofficial trade along the border, both countries have agreed to re-open border haats (market places). The first border haat that re-opened was the Kalaichar-Baliamari (West Garo Hills-Kurigram) on July 23, 2011. The other border haat was opened at Ballat-Lauwaghar and one is expected to be opened at Sonarhat - Lyngkhat (Sylhet - East Khasi Hills border).

While most traders and service providers in India and Bangladesh use LCS for the transit of goods, and services, there is an urgent need to upgrade the services at these stations, in terms of upgrading logistic support like banking and storage facilities with adequate power supply in and around the land port. As regards railway networks, Bangladeshi locomotives are unable to haul air-braked freight wagons used by India, and are restricted to BCX wagons (covered, vacuum braked eight-wheeler wagons)[3]. While waterways have been found to be the cheapest means of moving passengers and goods in most parts of South Asia, lack of proper water transport infrastructure, absence of all-weather navigability and the lack of awareness of its energy conservation potential, have contributed to low freight traffic through the waterways. Better connection through aviation services can also contribute to the economic development of the South Asian region by fostering trade and tourism in the region. Synchronisation of working hours at the border would also serve to enhance bilateral trade, as the half an hour time difference could impede trade.

In the India-Bangladesh Joint Communiqué in January 2010, both countries agreed that trucks carrying goods from Bhutan and Nepal be allowed to enter about 200 meters into Zero Point at Banglabandh at Banglabandh - Phulbari LCS. India has a double role in transit. On the one hand, it facilitates transit for Bangladesh to Nepal and Bhutan, and on the other hand, India wants transit facilities from Bangladesh. If Bangladesh offers a transit facility to India, mainland India can access remote areas of the NER by saving on costs and time. This would be symbiotic to both nations. This transit facility would not only generate revenue, with Bangladesh charging transit fees, but it would also result in development of infrastructure facilities in Bangladesh. In the case of India, it would reduce transportation time and costs for transport between mainland India and the NER.

Potential for Enhancing India-Bangladesh Bilateral Trade and Investment Relations

As highlighted before, bilateral trade between India and Bangladesh has witnessed a robust trend in the recent years. However there exists potential to further enhance two way trade and investment flows.

Commodities with High Potential of Export from India to Bangladesh

The process of identifying the commodities (HS-6 Digit) which have export potential from India to Bangladesh has been undertaken based on the following criteria:

Criteria 1 - Identification of major items in Bangladesh's import basket, and share of India in each product line (based on 2 - digit HS-code)

[3]KAS Murshid, 'Transit and Trans-shipment: Strategic Considerations for Bangladesh and India', Economic and Political Weekly, Vol. XLVI No. 17 (April 23, 2011)

Criteria 2 - Commodities exported by India to the global markets that have registered high growth rates in the recent years

Criteria 3 - Selection of potential items, based on low share of India in Bangladesh's import basket of major commodities.

India accounts for around 18 per cent of Bangladesh's global imports in 2013, reflecting the robust share of India in Bangladesh's imports of major items including cotton, cereals, transport vehicles, sugar confectionery, organic chemicals, and edible vegetables. However analysis of Bangladesh's major global imports would reveal the low share of India in other major items, despite India's export capabilities. This in turn would reveal the potential for enhancing such exports to Bangladesh.

Based on the above criteria, at the 2-digit level of HS Code, India's potential export items to Bangladesh would include the following categories of exports.

- Mineral fuels, oils, distillation products, etc (HS 27); electrical and electronic equipment (HS 85); animal, vegetable fats and oils (HS 15); and paper and paperboard, articles of pulp (HS 48).

The detail list of potential export items under each category, up to the 6 - digit HS commodity classification is at **Annexure 1.**

Potential Export Items from Bangladesh to India

Despite Bangladesh's global export capability, Bangladesh's share in India's imports is found to be low in various items, which highlights the potential for enhancing these exports from Bangladesh.

Bangladesh has a strong potential for the export of raw hides and skins (HS-41) to India. India's import of raw hides and skin was at US$ 557.7 million in 2013, while Bangladesh's export of the same stood at US$ 280.8 million in 2013. However, Bangladesh's share in India's import of raw hide is as low as 1.3 per cent.

Investment Potential

A number of sectors present potential for investment and the Board of investment (BOI) has identified these priority sectors:

- *Power Industry:* The Government of Bangladesh has set the goal of providing electricity to all its citizens by 2021. The Government encourages private sector participation in power sector to ensure wider access to electricity. As a result, the private sector is increasingly getting involved in power generation programme of the Government.

- *Information and Communications Technology (ICT) and Business Services:* The Government of Bangladesh is designing a variety of incentive schemes (mostly similar to EPZ incentives) to attract the necessary private and foreign investment in the 230 acre hi-tech ICT Park at Kaliakoir near Dhaka.

- *Garments and Textile:* In the RMG sector, the industry demand for fabric significantly exceeds local supply and so is currently being met by imports. Backward linkage is a significant opportunity and is supported by a government backed incentive of 15 per cent cash subsidy of the fabric cost to exporters sourcing fabrics locally.

- *Life Sciences:* The sector presenting opportunities for investments in Bangladesh are pharmaceuticals, patented medicines manufacture, active pharmaceutical ingredients production, and generic pharmaceuticals.

- *Agri-business:* Over ninety varieties of vegetables are grown in Bangladesh; however, its agricultural capacity is still under utilised. This brings forward opportunities for investors looking to export agricultural products, or to meet the rapidly growing local demand. Particularly canned juices, fruits, vegetables, dairy and poultry, etc. are flourishing in the agri-business sector.

- *Frozen-Foods*: This is the second-largest export sector of the economy. Around 145 offshore based export oriented fish processing plants have been set up by public sector corporations and the private organisations.

- *Electronics Industry*: The electronics industry in Bangladesh mostly produces consumer items. Bangladesh is expected to be one of the largest cell-phone markets in South Asia. The labour-intensive nature of the electronic industry matches the ability of Bangladesh to provide highly skilled labours.

- *Light Engineering:* The light engineering industry in Bangladesh produces a wide range of products, including import substitute machinery spares, plant machineries, small tools, toys, consumer items and paper products for the domestic market. Government provides cash incentive facilities to exporters of value-added light engineering products.

- *Leather and Leather Goods:* Foreign direct investment in the leather and leather goods sector along with the production of tanning chemicals is rewarding due to the presence of basic raw materials for leather goods including shoes, a large pool of low cost, trainable labour, and a tariff concession facility to major importing countries under Generalized System of Preferences (GSP) coverage. The government is in the process of setting up a separate Leather Zone, relocating the existing industry sites to a well-organised environment.

Strategies and Recommendations for Enhancing Bilateral Commercial Relations with Bangladesh

The following section endeavours to provide broad strategies and recommendations which could be adopted in order to facilitate and enhance two-way trade and investment between India and Bangladesh, based upon the analysis and findings of the study.

Co-operation in Agri - business and Food Product Development

India's agri-business investments in Bangladesh are as low as 1 per cent of the total agri-business investments in the country. Indian companies can explore the possibilities of investment such as joint ventures or contract farming and out-grower schemes or investments in key stages of value chains. India's investment in Bangladesh would result in improving the agricultural sector through skill development, technological upgradation, better supply chain management, and sharing information in biotechnology.

With a view to enhancing investment in agriculture and related sectors, the Ministry of Fisheries and Livestock in Bangladesh has prepared a "Country Investment Plan for Fisheries Resource Development" (2010 – 2015), which has identified some priority sectors for investment including:

- Raising the productivity of small scale inland aquaculture by extending research expertise;

- Co-operation in development of fish sanctuaries through training, technical assistance and access to inputs and credit; and development of community-based open water aquaculture culture based fisheries.

Agro Tech Food Limited and Mukka Sea Food Industries are among the notable Indian investors in this sector in Bangladesh.

Energy and Power Generation

There exists scope for co-operation in the area of energy and power generation. A draft MOU was initialled in November 2009 between the Power Secretaries of India and Bangladesh which was formally signed on January 11, 2010 during the visit of Bangladesh's Prime minister to India. Under the MOU, exchange of power and grid connectivity, are the salient features.

Bangladesh has traditionally been a power deficit country, suffering from peak and energy shortages, adversely impacting growth. India also faces a power deficit with peak and energy shortages. However, there is seasonal diversity in demand and supply of electricity in the two countries (time lag, holidays, etc.). Also, in the eastern region of India, the state of West Bengal faces negligible peak and energy shortage. On the other hand, in Bangladesh, of the two zones, the east zone contains nearly all the country's electricity generating capacity while the west zone imports most power from the east. Therefore, there is scope for cross border electricity trade.

From October 2013, India started exporting 500MW of electricity a day to Bangladesh over a period of 35 years. A 125 km Baharamput - Bheramara transmission line connects the two substations.

In addition to this, there could also be co-operation between Bangladesh and India on hydropower. India's North-eastern states have huge hydro power potential. For instance, there is significant potential for medium to large hydro power project in Arunachal Pradesh and Sikkim. Mizoram state offers significant potential for hydro power generation, from Micro (up to 50 MW power plants) to Mini power plants.

The new and renewable energy sector has also been increasingly gaining significance in the recent times, with growing concerns of global warming and energy security. Bangladesh has a large coastal belt and offshore wind potential can be substantially high in addition to the onshore wind potential. Also, given the sub-tropical sunny climate in the country, Bangladesh has a huge untapped potential for solar energy. India and Bangladesh could jointly cooperate in developing the new and renewable energy sector in both Bangladesh and NER.

Strengthening LCS

There is a need for strengthening infrastructure and connectivity at the LCSs for trade facilitation. There is a need for proper warehousing, parking and banking facility, continual electricity supply, fixed telephone facility, email or fax at the LCS. Facilities like truck terminals, cold storages, etc. should also be available at all LCS. Proper network connectivity needs to be put in place between the LCS for quick access to information as well as communication. Improvement of approach roads to the LCS from the main roads also needs to be improved.

At the important border-crossing points between India and Bangladesh, around 1,500 trucks line up on both sides of the border with waiting times varying between one and five days to complete documentation requirements[4]. Thus the complicated necessities in cross border trade leads to transaction costs. To tackle this problem, customs clearing processes have to be more efficient and less cumbersome.

Both the countries may consider developing a transit and transportation facilitation system, which would look to reduce the barriers to transit and transportation with the help of physical infrastructure (such as multimodal corridors and terminals) and non-physical infrastructure (policies and procedures, regulations, and incentives for efficient transportation and transit) (De et al, 2008).

Border Haats generally have limited number of products for trade, which would be traded by identified vendors (generally from the border districts), with buying limits on each market day. For example, in Kalaichar-Baliamari Border, 25 vendors each will trade from the two countries, on a maximum 25 products, up to a limit of US$ 100 in local currency for a given buyer on each market day.

Accordingly, the number of products traded need to be increased, product identification would help reducing the existing level of informal trade that is currently taking place. Further, increasing the number of border Haats will not only contribute towards promoting bilateral trade, but also significantly help in promoting people to people contact that is needed for strengthening India-Bangladesh Relations.

[4]Source: World Bank

Co-operation in Port Development

India and Bangladesh could jointly work together towards facilitation of the development of river and sea ports. The two countries could co-operate in expanding and upgrading the Chittagong port, which has the potential to emerge as a hub port connecting the region with South-east Asian countries and other parts of the world.

Joint Investments to Develop Bangladesh Railways

If transit facility is opened up between India and Bangladesh, a large part of the transport market between the North-eastern states of India and mainland India would be diverted through Bangladesh. Bangladesh Railways (BR) will have a major role in carrying the freight, and will have to chalk out an investment plan in order to improve its infrastructure and signalling systems. Railway systems of India and Bangladesh needs to be synchronised (with India being broad guage and Bangladesh being metre guage), which would require investment on the part of both the governments.

Co-operation in Setting Up a Trucking Company

India and Bangladesh could also consider setting up a joint venture trucking company to carry transit traffic. According to Centre for Policy Dialogue (CPD), Bangladesh, establishment of a joint venture trucking company, with a fleet of medium sized multi-axle covered trucks, and/or truck-trailers having a special colour (for easy identification and security) to carry transit traffic maybe helpful. Such vehicles would require registration in both Bangladesh and India to facilitate carrying traffic from origin to destination, without trans-shipment.

Co-operation in Healthcare Services

With a sizable number of Bangladeshi coming to India for medical treatment, there is a scope for co-operation between the two countries. Several Indian companies have already taken initiatives in this regards. India’s Apollo Group has entered into a joint venture with DKV AG to set up a modern hospital in Dhaka. Indian companies including Wipro and Apothecaries Sundaries have secured contracts in World Bank Projects in the health-care sector of Bangladesh. Professionals in health services may also be allowed to move freely between the two countries.

Co-operation in SME Cluster Development

SMEs in Bangladesh have assumed special significance for poverty reduction and has been increasingly gaining importance. However, it still faces several problems like lack of technical know-how, shortage of long-term financial support, market link and research and development. The National Industrial Policy 2005 of Bangladesh defined cluster development. Cluster development in Bangladesh would allow SMEs to take advantage of common infrastructure developed for a specific industry, thus achieving economics of scale. India could share its expertise on cluster development to the region through various programmes.

Co-operation in the Mass Communication Industry

Co-operation in the field of mass communication is essential to improve the quality of relation between India and Bangladesh. There is a need to increase the exchanges between media personnel of the two countries and also conduct training programmes. Such initiatives could encourage people-to-people interactions and build cultural ties, and would improve understanding of issues of common concern to both countries and improve bilateral relations.

Development of Regional Trade Financing Institution

Access to trade finance can be identified as one of the major requirements in promoting bilateral trade. This gains even more significance in light of the recent global financial turmoil. Trade finance market has benefited from the development of new technology, the emergence of new institutions and agencies in other developing countries, and the development of financing and guarantee facilities by regional development banks to fill the market gaps in financing of smaller transactions in countries with little access to international markets.

There is, therefore, a need for development of regional trade financing and related institutions, in the South Asia (SAARC) region that can provide finance, credit and guarantee for cross-border trade, for boosting intra-regional trade. Export-Import Bank of India (Exim Bank) has been sharing its experience and expertise by undertaking consultancy assignments, including setting up of such kind of institutions, and is in a position to assist in giving consultancy service for setting up similar institution in the SAARC region as well.

Focus on Multilateral Funded Projects

Multilateral funding agencies such as the World Bank, Asian Development Bank (ADB), and Japan Bank for International Co-operation (JBIC) are active in funding some major developmental projects in the region. They broadly cover areas such as infrastructure, health and social services. Focus on these funded projects, and increased participation by Indian projects and services exporters, would serve to enhance India's commercial presence in the country. Besides these, Indian companies could also participate in these projects through project participation and advisory services. Indian companies could also explore partnership with local entrepreneurs and local investment agencies, which could then attract funds from multilateral investment agencies.

1. BACKGROUND AND ECONOMIC ENVIRONMENT OF BANGLADESH

INTRODUCTION

Bangladesh is strategically located in South Asia, flanked by India, Myanmar and the Bay of Bengal **(Exhibit 1.1)**. The country has a population of 156.3 million (2013) with a land area of 130,170 sq km. Bangladesh has the advantages of a mild tropical climate, fertile soil and rich marine resources. Bangladesh has huge volumes of natural and agricultural resources. There are substantial deposits of coal and gas in the country, which are important raw materials for many industries.

Exhibit 1.1: Map of Bangladesh

Source: Economist Intelligence Unit (EIU)

As per IMF, over the past two years, Bangladesh economy has shown significant economic stabilization and progress in structural reforms. Average economic growth of Bangladesh during 2009-2013 was more than 6 per cent. This growth was supported by sustained garment exports, increasing public investment, and strong workers' remittance inflows.

After Bangladesh gained independence from Pakistan in 1971, the country had over 300 medium- and large-scale industrial plants. Public corporations were set up to oversee the major industries like jute, textiles, sugar, steel, paper and paperboard, fertiliser, chemicals, pharmaceuticals, oil and gas, food and allied products. The national-level Planning Commission was formed under the leadership of President Sheikh Mujibur Rahman, which was the major government institution responsible for facilitating development by formulating five-year plans. The First Five-Year Plan covered the period July 1973 – June 1978. This was followed by a Two

Year Plan (FY 1978 - FY 1980)[5] in the background of world-wide inflation and uncertainties. In 1980, the Five Year Plan framework was restarted and since then three five year plans were implemented in succession, FY 1980 - FY 1985, FY 1985 - FY 1990, and FY 1990 - FY 1995, respectively. There was no development plan during the period FY 1995 - FY 1997. The Fifth Five Year Plan was implemented during FY 1997 - FY 2002, following which there was no development plan during the period FY 2002 - FY 2010. The Sixth Plan was drawn on the experiences of the Fifth Plan and is for the period FY 2011 - FY 2015.

The fiscal position in Bangladesh has been weakened by low rates of revenue collection and a narrow tax base. Bangladesh's ranks 124th among 128 countries[6] in the Tax Revenue (per cent of GDP) parameter rated in the World Development Indicators 2014. Bangladesh relies heavily on debt financing and also on aids from organisations including World Bank, International Monetary Fund (IMF), United Nations (UN), Asian Development Bank (ADB), and United States Agency for International Development (USAID).

Macroeconomic Environment

Bangladesh is the 59th largest economy (ranked in terms of 2013

Table 1.1: Select Macroeconomic Indicators of Bangladesh

Items	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
Gross Domestic Product (US$ bn)	96.9	109.0	122.2	131.2	141.7	161.8	186.6
Real GDP Growth (%)	6.0	5.7	6.0	6.5	6.3	61.	6.2
Population (mn)	148.0	149.5	151.1	152.9	154.7	156.3	158.2
Gross Domestic Product Per Capita (US$)	655.1	728.9	808.3	858.2	916.1	1033.0	1179.3
Consumer Price Inflation (%)	8.9	5.4	8.1	10.7	6.2	7.5	7.2
Exchange Rate (Taka: US$)	68.6	69.0	69.6	74.2	81.9	78.10	77.57
International Reserves (US$ bn)	5.8	10.3	11.2	9.2	12.8	18.2	22.4
External Debt (US$ bn)	23.0	24.6	25.8	27.3	26.1	27.3	27.6

f- forecast; - not available

Source: IMF, World Economic Outlook, October 2014; World Bank's World Development Indicators 2014; and Economist Intelligence Unit (EIU)

[5] FY - Financial / Fiscal year of Bangladesh (July 1 - June 30) For instance FY 78 denotes July 1, 1977 to June 30, 1978

[6] Data taken for 2010, to include maximum countries

nominal GDP) among 189 countries in IMF's World Economic Outlook, October 2014. Over the last decade, nominal GDP has more-than- doubled from US$ 54.5 billion in 2003 to US$ 161.8 billion in 2013 **(Table 1.1)**.

In spite of the recent global recession, Bangladesh's economy has shown resilience, will growth averaging at over 6 per cent during 2009-2013. In 2013, however, the economic growth was at 5.8 per cent, as compared to 6.1 recorded in the previous year.

The population of Bangladesh was 156.3 million in 2013. Population growth has slowed down from 2.7 per cent in 1980s to an annual average of 1.2 per cent during 2009-2013. As per World Development Indicators (WDI) 2014, the population density of Bangladesh is the highest in the world, barring a few small countries and city-states (population density of 1,188.4 people per sq.km. of land area).

GDP per capita of Bangladesh more than doubled from US$ 391.4 in 2003 to US$ 1033.0 in 2013.

Consumer price inflation in Bangladesh, which had risen from 1997-98 to 1998-99 due to flood, reversed since 2000. Moderation in consumer price inflation reflects decrease in food inflation, resulting from extensive food assistance in the immediate post flood period, as well as fall in non-food inflation resulting from weak economic activity of the non-agricultural sector. Moreover the Government's rigid policy on the administered prices of petroleum products also facilitated in keeping inflation at low levels. The average consumer price inflation increased to 7.5 per cent in 2013, from 6.2 per cent in 2012, mainly due supply-side disruptions.

The currency of Bangladesh is Taka (Tk), and the average exchange rate is taken as Taka per US dollar. Before 1980, Taka was pegged to the Pound Sterling. In 1980, the fixed exchange rate regime was replaced by a managed system of floating where Taka was pegged to a basket of currencies of its major trade partners. However, since May 2003, Bangladesh had adopted floating exchange rate regime. From mid-2009, Bangladesh Bank (Central Bank of Bangladesh) has mediated in the local currency market, by initially selling Taka and purchasing the US dollar so that an extreme appreciation in the value of Taka is prohibited, and subsequently buys the Taka in order to prohibit a sharp depreciation in its value. The Taka appreciated for the first time against the US dollar in 2008 to Tk 68.60:

US$ 1, and then depreciated since then to Tk 81.90: US$ 1 in 2012. In 2013, however, the taka appreciated against the US dollar to Tk 78.10: US$ 1, on the back of a steady rise in foreign exchange reserves.

Historically, international reserves of Bangladesh have been quite low. Bangladesh's total foreign exchange reserves rose significantly to US$ 10.3 billion in 2009, from US$ 5.8 billion in the previous year mainly due to increased remittances, and the injection of IMF's special drawing rights (SDR) into the country during the year. International reserves increased to US$ 18.2 billion in 2013, from US$ 12.8 billion in 2012, mainly due to stronger current account, oil import related credits and aid disbursements. Reserves reflected an import cover of 5 months.

The external position has improved markedly in the recent past. In 2013, total external debt increased in value terms to US$ 26.8 billion from US$ 26.1 in 2012, However, as a percentage of GDP, it declined to 19.3 per cent of GDP in 2013, from 21.2 percent in 2012.

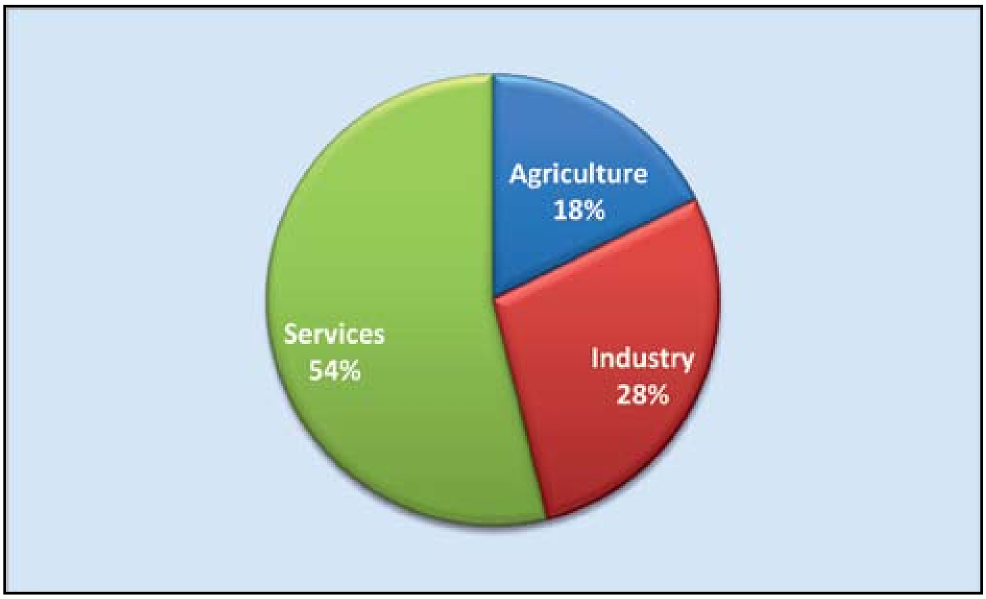
Over the years, there has been a structural change in the economy of Bangladesh, with the gradual increase in the importance of services and industrial sectors during the last decade. Accordingly, while the shares of services and the industrial sectors in GDP increased to 53.9 per cent and 28.5 per cent, respectively, in 2012 from 49.2 per cent and 25.3 per cent, respectively, in 2000, the share of agriculture in GDP declined to 17.6 per cent in 2012 from 25.5 per cent in 2000 **(Chart 1.1).** Although the agricultural sector accounted for only 17.6 per cent of GDP in 2012, it continued to be the country's largest employer and the main source of income for around one-half of the working population.

Financial System

The performance of the financial system of an economy is a major factor that determines the growth of the private sector. The financial system of Bangladesh includes three broad fragmented sectors in accordance with their degree of regulation, namely, formal sector, semi-formal sector, and unofficial sector.

The formal sector includes all regulated institutions like banks, non-bank financial institutions, insurance companies, capital market intermediaries like brokerage houses, merchant banks etc., and micro finance institutions (MFIs).

Chart 1.1: Contribution of Different Sectors to GDP in 2012



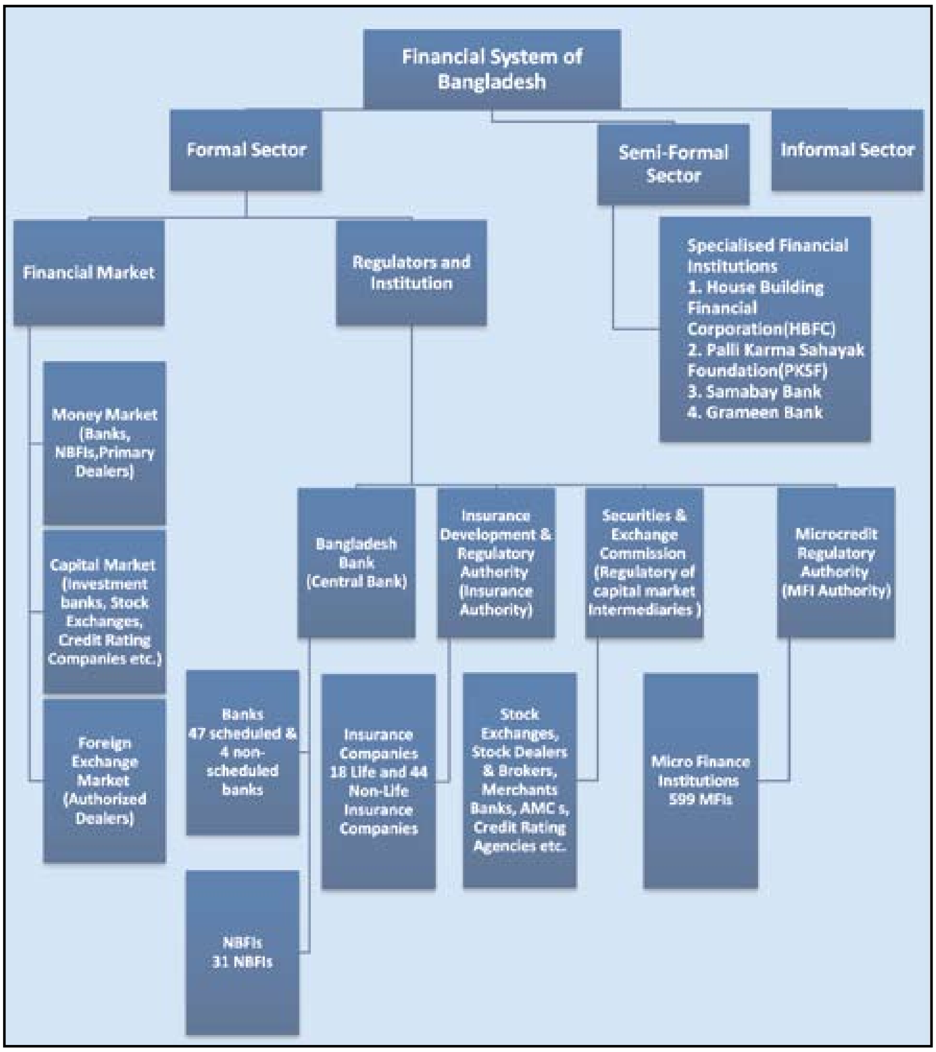
Source: World Bank, World Development Indicators (WDI) 2014; Exim Bank India Research

The semi-formal sector includes those institutions, which are regulated otherwise but do not fall under the jurisdiction of the Central Bank, Insurance Authority, Securities and Exchange Commission or any other enacted financial regulator. This sector is mainly represented by Specialised Financial Institutions like House Building Finance Corporation (HBFC), Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank etc., Non-Governmental Organisations (NGOs), and discrete government programmes.

The unofficial sector includes unregulated private intermediaries.

The financial system of Bangladesh is represented in **exhibit 1.2.**

Exhibit 1.2: Financial System of Bangladesh



Source: Bangladesh Bank Website (accessed on October 2014)

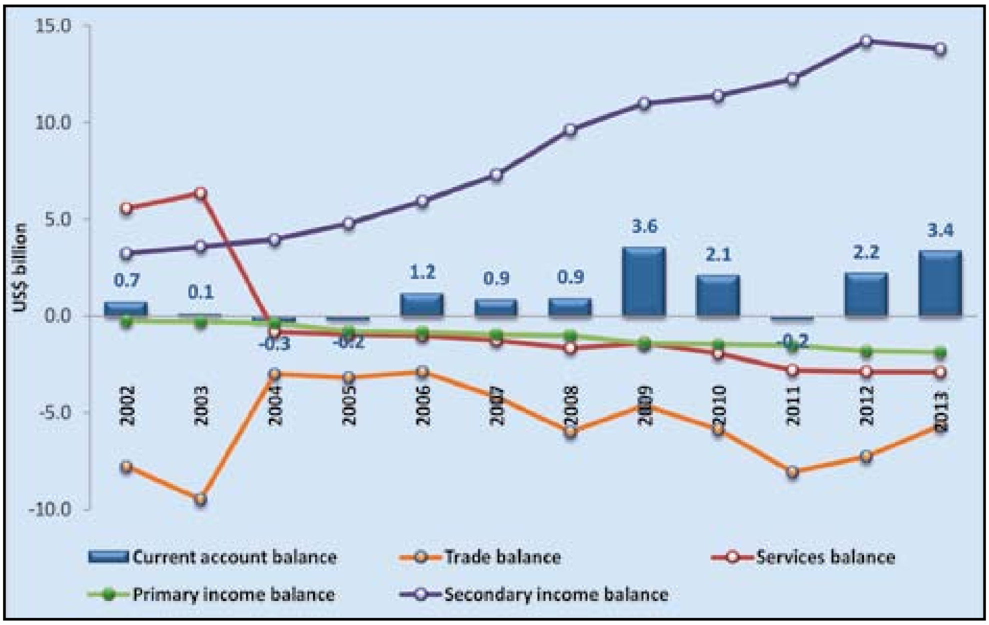
2. TRADE AND INVESTMENT IN BANGLADESH

Bangladesh is strategically located, with a potential to become a trading and investment hub in South Asia. It has the potential to be an entry port to the region covering Nepal, Bhutan, eight North-east Indian states (Assam, Meghalaya, Manipur, Arunachal Pradesh, Nagaland, Mizoram, Tripura and Sikkim), and resource-rich northern Myanmar, which could also serve as gateway to other ASEAN countries.

Foreign Trade

Since independence, Bangladesh relies heavily on imports of most essential goods, especially petroleum, thus, witnessing persistent deficit in its trade balance. Moreover, the biggest component of Bangladesh's exports, readymade garments (RMG), also requires a large percentage of imported inputs. In the recent years, there has been increased pressure

Chart 2.1: Bangladesh's Current Account Balance



Source: Economist Intelligence Unit (EIU); Exim Bank India Research in the trade account mainly due to liberalisation of import regime and the growing demand for industrial inputs, mainly capital goods. Bangladesh also has a high deficit on its combined services and income accounts, mainly because of the costs of freight and insurance on imports, and also due to costs pertaining to technical and financial services for development projects, as well as interest payments on foreign debt.

After its independence in 1991, Bangladesh was heavily dependent on imports and recorded a deficit in current account for three decades. Current account turned into a surplus for two consecutive years - 2002 and 2003, before it turned into a deficit again in 2004 on account of a weak trade balance and low remittances **(Chart 2.1)**. Since 2006, Bangladesh's maintained a current account surplus, reaching its record high of US$ 3.6 billion in 2009. Bangladesh's current account balance moved into a deficit of US$ 0.2 billion in 2011, on the back of an increased trade deficit, and then again moved into a surplus of US$ 2.2 billion in 2012, and further increase to US$ 3.4 billion in 2013.

Global trade of Bangladesh has grown significantly over the decade. Bangladesh had introduced a wide-

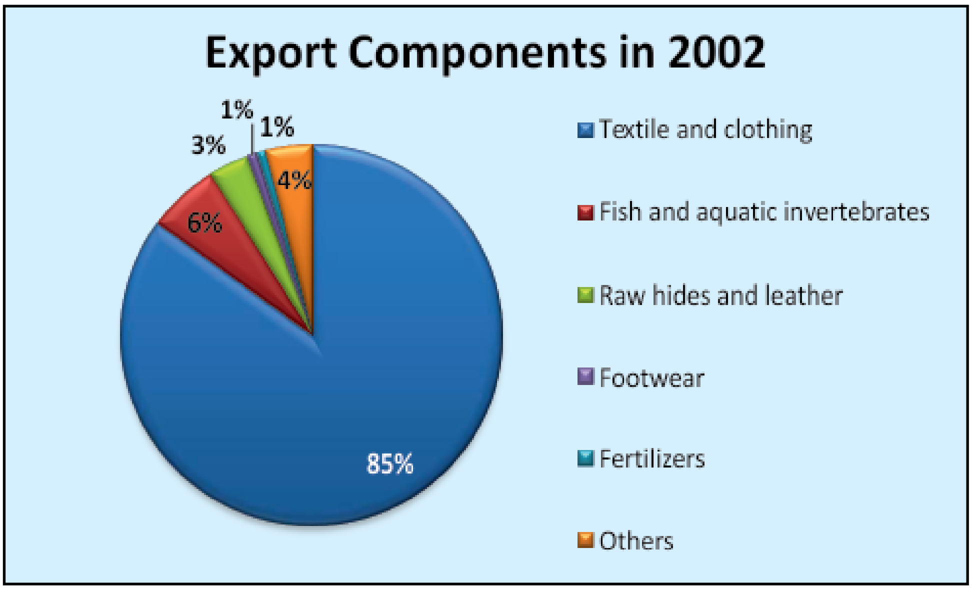
Chart 2.2: Bangladesh's Global Trade

Source: ITC Trademap, derived from UNComtrade; Exim Bank India Research

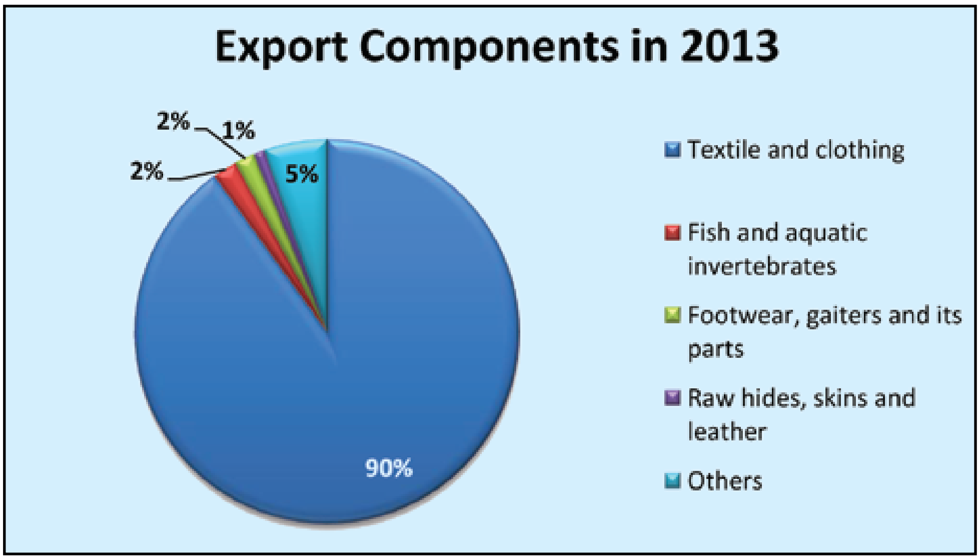
ranging trade reform strategy in the early 1990s, which included substantial reduction and rationalisation of tariffs, removal of quantitative restrictions, move from multiple to a unified exchange rate system, convertible current account and an overall outward orientation of trade policy regime. Over the past decade, Bangladesh's total merchandise trade increased by over three-fold, crossing US$ 60 billion in 2013, supported by more than four-fold increase in exports, and doubling of imports **(Chart 2.2).** Bangladesh's exports to the world increased by 13.7 per cent to US$ 31 billion in 2013, from US$ 27.3 billion in 2012, while imports increased by 2.3 per cent from US$ 31.0 billion in 2012 to US$ 33.3 billion in 2013. During 2009-2013, Bangladesh's exports grew at a CAGR of 18.8 per cent, while imports grew at a CAGR of 9.4 per cent. Exports from Bangladesh were expected to be on an upward trajectory from 2011, primarily due to the expected increase in the garment exports, the largest contributor to its exports. Garment industry exports were expected to grow due to change in the EU import rules since January 2011, which gives Bangladesh and other Least Developed Countries (LDCs) duty-free access if imported components of the final product do not exceed 70 per cent (compared to 30 per cent previously). In 2012, however, the slowdown in demand from the EU markets led to a slowdown in growth of Bangladesh's exports.

Chart 2.3 (A & B): Bangladesh's Export Components

(A)



(B)



Source: ITC Trademap, derived from UNComtrade; Exim Bank India Research

Bangladesh's export composition has almost remained the same in 2012 from that in 2002, largely dominated by textiles and clothing (readymade garments - RMG) **(Chart 2.3 – A & B)**. In 2013, textiles and clothing alone accounted for approximately 90 per cent of its global exports. As per Bangladesh Bank, RMG is also a major source of foreign currency generator.

The share of articles of apparel (including knit or crochet), which accounted for 20 per cent of the total exports in 2002, more than doubled to 42.5 per cent in 2013. Production of knit fabric in Bangladesh expanded rapidly following the introduction of the Generalised System of Preferences (GSP) facility that gave wider market access opportunities to the European Union (EU) market. In addition, the "two-stage local transformation" requirement (i.e. yarn to fabrics, and fabrics to garments) under the Rules of Origin (RoO) introduced in 1999, further deepened its penetration in the EU market.

Globally, Bangladesh is the third - largest exporter of articles of apparel (including knit or crochet), after China and Italy. The garment sector has been the main driver of exports in Bangladesh over the years. However, the share of other exports, including frozen-food and shrimp, and leather and jute products, have stagnated or declined.

Bangladeshi garment industry developed mainly because of preferential access to key markets such as the EU and the United States of America (USA).

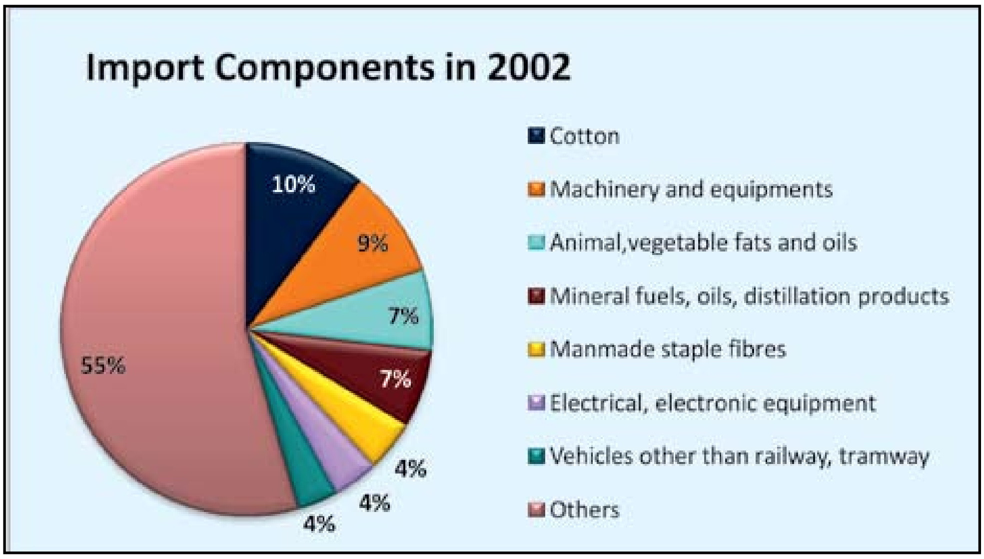
Bangladesh's advantage lies in abundant labour supply and low cost wages, which are lower than in Cambodia, China, India, Sri Lanka and Vietnam – which are considered as its main competitors[7].

The main markets for Bangladesh exports in 2013 include the USA (18.0 per cent), Germany (15.1 per cent), UK (9.4 per cent), France (6.7 per cent), and Spain (5.4 per cent). As per Bank of Bangladesh, during July 1, 2012 - June 30, 2013 (fiscal year of Bangladesh), the markets for exports, excluding those from EPZs showed a continued heavy dependence on EU, 51.7 per cent of exports, followed by North American Free Trade Agreement (NAFTA) accounting for 24.5 per cent. Export to the ASEAN and OPEC countries was 1.8 per cent each, while SAARC constituted 2.6 per cent of the total exports during the year.

Duty-free access to the EU, Canada, Australia, Japan, Norway, and China, has encouraged exports from Bangladesh. The USA does

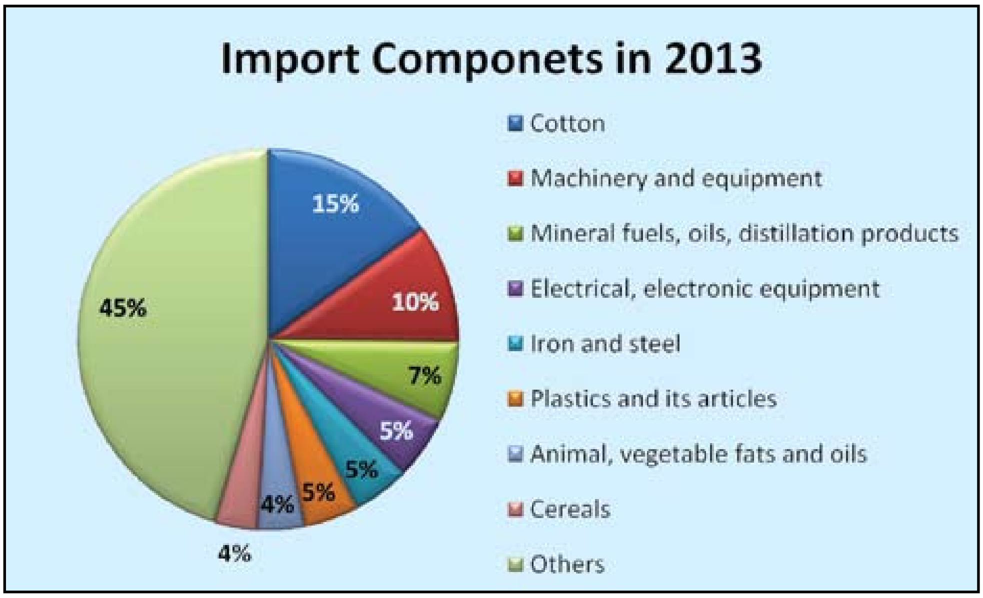
Chart 2.4 (A & B): Bangladesh's Import Components

(A)



[7]Reference period 2005, World Development Indicators 2014

(B)



Source: ITC Trademap, derived from UNComtrade; Exim Bank India Research

not provide duty-free access for all Bangladesh exports, only a few goods qualify under the U.S. Generalized System of Preferences. Only 0.62 per cent of Bangladesh's goods exported to the US qualify under this system, resulting which, import duties on Bangladesh exports to the USA amount to more than US$ 500 million per year[8].

Bangladesh's imports have been much more diversified than its exports **(Chart 2.4 – A & B)**. The major components of Bangladesh's import basket in 2013 include cotton (15 per cent of the total imports), machinery and equipments (10 per cent), mineral fuels, oils and distillation products (7 per cent), electrical electronic equipments (5 per cent), iron and steel (5 per cent),and animal, vegetable fats and oils (5 per cent), Bangladesh's import composition has mostly been concentrated towards textile-related inputs and capital goods. The rise in import of cotton has been due to the recent growth in knitwear industry. Domestic production of raw cotton only meets a meagre 2 per cent of the country's demand[9].

The growth in the textile industry of Bangladesh has led to an increased dependence on import of textile related inputs.

[8] WTO, Bangladesh Trade Policy Review 2012

[9] United States Department of Agriculture

The main import sources of Bangladesh in 2013 were China (29.1 per cent), India (18 per cent), Singapore (7.6 per cent), Malaysia (4.8 per cent), South Korea (4.3 per cent), and Indonesia (3.2 per cent).

Investment in Bangladesh

Bangladesh has made efforts to make itself a favourable foreign investment destination, since it serves as a source of funding for their developmental policies.

The Bangladesh Board of Investment (BOI) promotes and facilitates the domestic and foreign investments in the country. As per Global Investment Promotion Best Practices 2012[10], a publication released by the World Bank Group (the World Bank, IFC, and MIGA), among the eight Investment Promotion Intermediaries in South Asia, Bangladesh was the only one to have a best practice website.

As per the BOI, Bangladesh is a favourable destination for foreign investments due to the following advantages:

a) Low-cost workforce
b) Strategic location, in addition to regional connectivity
c) Strong local market
d) Low cost of energy (mainly compressed natural gas)
e) Export competitiveness through tariff-free access to the European Union, Canada, Australia and Japan.
f) Competitive incentives, including allowing 100 per cent foreign equity with unrestricted exit policy, easy remittance of royalty, and repatriation of profits and incomes
g) Export and Economic Zones providing infrastructural and logistic services
h) Positive Investment Climate

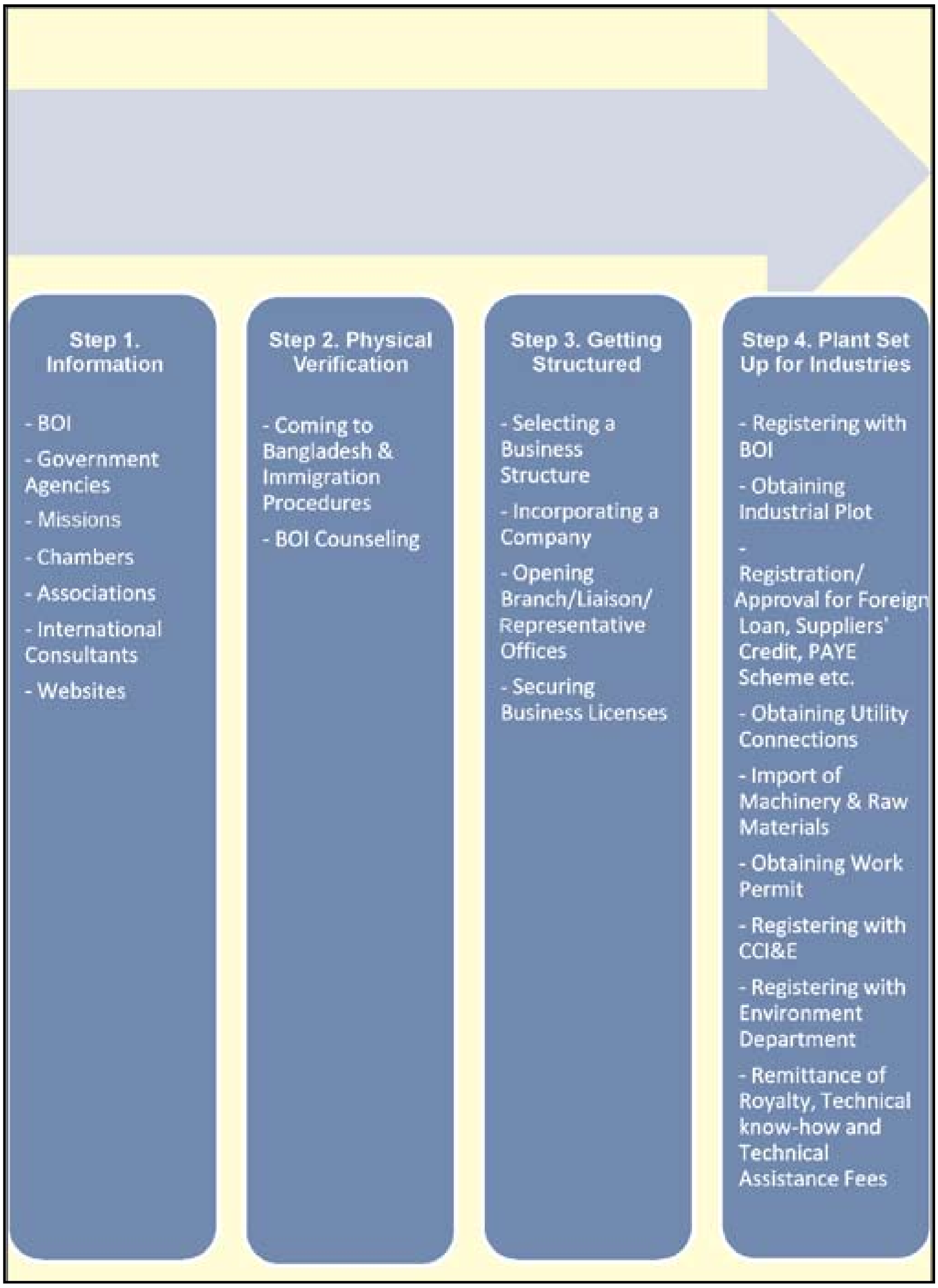
Bangladesh offers the most liberal policy regime in South Asia, allowing 100 per cent foreign equity with unrestricted exit policy, easy remittance of royalty, repatriation of profits and incomes. However, private investment is restricted in four sectors on strategic grounds as mentioned in the Industrial Policy, 2010, namely, arms and ammunitions, nuclear power, security printing and minting, and afforestation and mechanised extraction within the boundary of reserved forest.

Setting up an investment in Bangladesh has the following steps as in the **Exhibit 2.1**

Further, in order to encourage foreign investments in the country, the Government of Bangladesh offers liberal investment policies along with

[10] The publication 'Global Investment Promotion Best Practices 2012', gauged Investment Promotion Intermediaries across 189 countries on their responsiveness to investor requests for information, which thereby costs their economies valuable opportunities to win FDI.

Exhibit 2.1: Setting up an Investment in Bangladesh



Source: Business Laws, Board of Investment, Bangladesh a host of incentives. Select facilities and incentives that Bangladesh provides to foreign investors, as per the BOI, include:

a) Tax Exemption – General business investments can avail a tax incentive of five to seven years, however, investments in electric power generation are eligible for a 15-year exemption. Tax exemptions are on capital gains from transfer of shares by the investing company. Investments are also eligible for a tax exemption are on royalties, technical knowhow, technical assistance fees and facilities for their repatriation. Tax exemption on interests on foreign loans.

b) Import Duties – Export Oriented Industries are exempted from import duty, while for other industries import duties are at 5 per cent ad valorem. A concessionary duty of 3 per cent ad valorem is payable on capital machinery and spares imported for initial installation of the existing industry.

c) Income Tax – Income tax exemption of three years is provided for the expatriate employees in industries that are specified in the relevant schedules of the income tax ordinance. Bangladesh also has entered into double taxation avoidance agreements and bilateral investment agreements with several countries.

d) Remittance – Full repatriation of invested capital, profits and dividends is the norm for most investments.

e) Industries are eligible for a tax holiday determined by the National Board of Revenue (NBR). They also qualify for an accelerated depreciation in lieu of a tax holiday, which is allowed at the rate of 80 per cent of actual cost of machinery or plant for the year in which the unit starts commercial production and 20 per cent for the following years. The rate of depreciation is 100 per cent for years specified by the NBR.

f) No restrictions on issuance of work permits to project related foreign nationals and employees

g) Six months multiple entry visa for investors. Investments that are of minimum of US$ 0.5 million or by transferring US$ 1 million to any recognised financial institution (non-repatriable) qualify for citizenship. An individual investor can get permanent residency by investing a minimum of US$ 75,000 (non-repatriable).

h) Additional incentives to export oriented or export linked industries include:

i. Local products supplied to local projects against foreign exchange under international tender are treated as indirect exports and the producer is entitled to avail of all export facilities.

ii. Concessionary duty is charged on the import of capital machinery and spare parts for setting up export-oriented industries or expanding the existing one. For 100 per cent export-oriented industries no import duty is payable.

iii. Facilities such as special bonded warehouse against back-to-back letters of credit or notional import duty and non payment of Value Added Tax (VAT) facilities are available.

iv. An exporter will be able to get back the duty draw-back directly from the concerned commercial bank.

v. Bank loans of up to 90 per cent are available, if the values against irrevocable and confirmed letters of credit or sales agreement are provided.

vi. With the intention of encouraging backward linkages, export-oriented industries including export-oriented readymade garment industries using indigenous raw materials instead of imported materials, are given additional facilities and benefits at prescribed rates. Similar incentives are extended to the suppliers of raw materials to export-oriented industries.

vii. Export-oriented industries are allocated foreign exchange for publicity campaigns and for opening offices abroad.

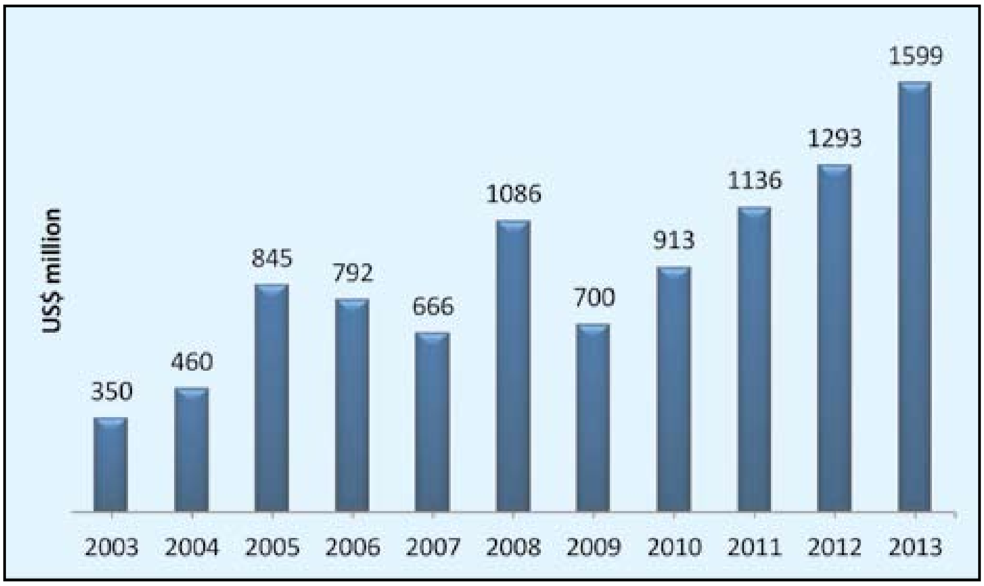
viii. Entire export earnings from handicrafts and cottage industries are exempted from income tax. In case of other industries, proportional income tax rebates on export earnings is given between 30 per cent and 100 per cent. Industries which export 100 per cent of their products are given tax exemption up to 100 per cent.

ix. Import of specified quantities of duty-free samples for manufacturing exportable products is allowed. The quantity and value of samples is determined jointly by the concerned sponsoring agency and the NBR.

x. Export oriented industries are exempted from paying local taxes (such as municipal taxes).

xi. Leather industries exporting at least 80 per cent manufactured

Chart 2.5: FDI Inflow into Bangladesh



Source: UNCTAD, World Investment Report 2014; Exim Bank India Research

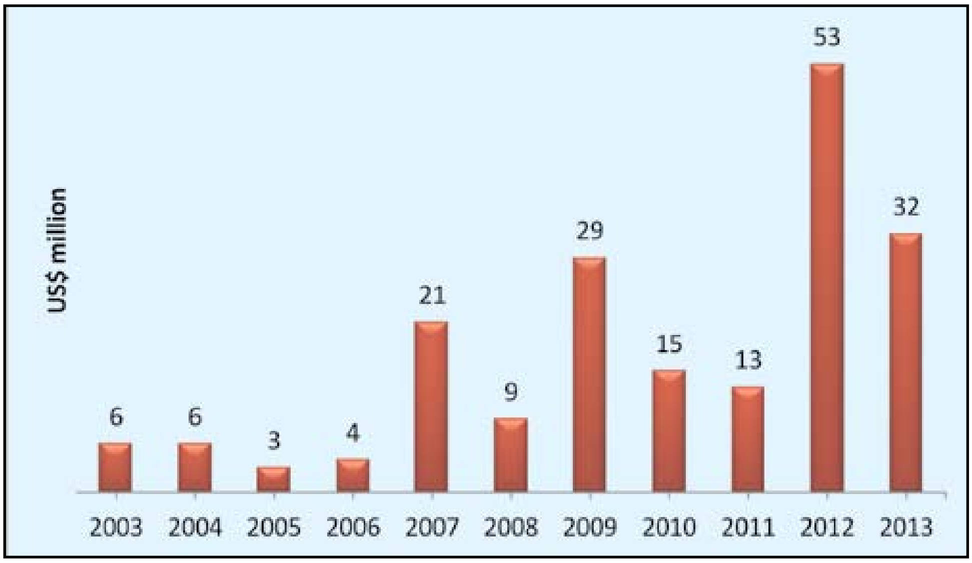
products will be treated as 100 per cent export oriented industries.

xii. Manufactures of indigenous fabrics (such as woven, knit, hosiery, grey, printed, dyed, garment check, hand loom, silk and specialised fabrics) supplying their products to 100 per cent export oriented garment industries are entitled to avail a cash subsidy equivalent to 25 per cent of the value of the fabrics provided the manufacturers of the fabrics do not enjoy duty draw back or duty free bonded warehouse facility.

xiii. Tax exemption on dividend income of non-resident shareholders during tax exemption period of an industry set up in an export processing zone and also after the expiry of tax exemption period if the dividend is re-invested in the same project. Exemption of tax on income from industrial undertakings set up in an export processing zone for ten years from the date of commercial production.

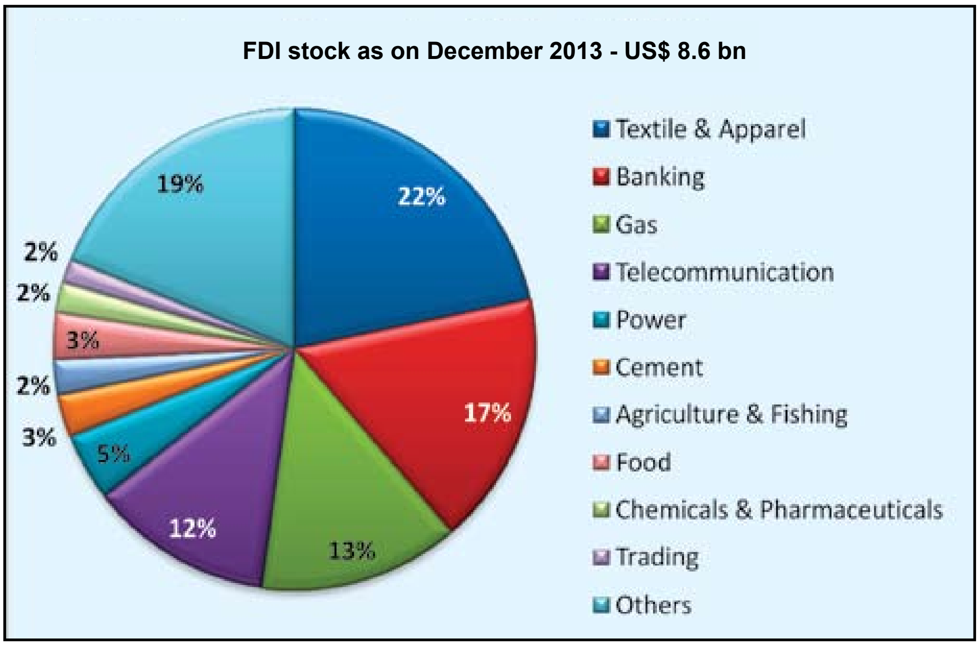
Foreign Direct Investment (FDI) has played a key role in the modernisation of the Bangladesh economy. Over the past decade, FDI inflows to Bangladesh increased more than five-fold to reach US$ 1.6 billion in 2013 after reaching US$ 1.3 billion in 2012 **(Chart 2.5)**.

Chart 2.6: FDI Outflows from Bangladesh



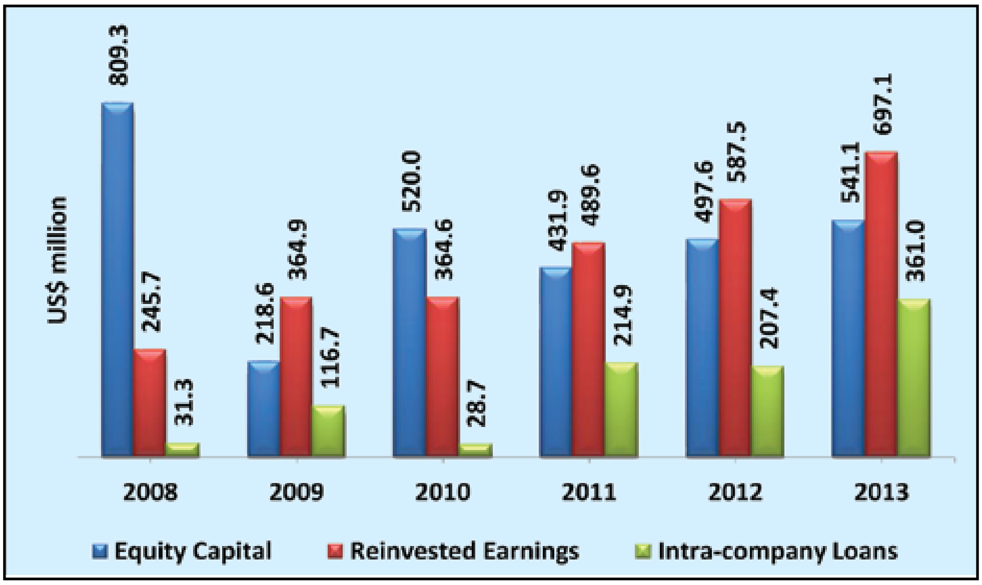
Source: UNCTAD, World Investment Report 2014; Exim Bank India Research

Chart 2.7: Sector-wise Stock Position of FDI in Bangladesh



Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Report July-December 2013; Exim Bank India Research

Chart 2.8: Bangladesh's FDI Inflow by Components during 2008-2013



Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Reports January-June 2013 and July-December 2013; Exim Bank India Research

One of the key drivers of growth in FDI recently has been the development of an FDI-driven export - based textiles (ready-made garments) which directly employs around 2 million (90 per cent of which is women), while a further 15 million jobs depend indirectly on textiles via companies that supply thread, buttons and other inputs.

FDI outflows have been minimal. The FDI outflow, which was around US$ 6 million in the year 2003, peaked at US$ 53 million in 2012, and declined to US$ 32 million in 2013 **(Chart 2.6).**

According to studies by the Bangladesh Bank for the period 1995 – 2005, there were several shifts in the composition and content of FDI inflow (Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Reports). There was a major compositional shift in FDI in manufacturing sector from import substitutes to export-oriented manufacturing. Sectors like power and energy, banking, insurance and telecommunications were gradually being opened up to FDI due to Bangladesh's accession into the WTO, resulting in a shift of FDI towards the services sector. During the same period, due to an accommodative policy regime and comparative advantage, a major portion of FDI had gone into the RMG sector for establishing backward linkage industries, telecommunication, power, oil and gas exploration sectors. Sectors attracting major portion of investments as on December 2013, include textile and wearing apparel accounting for 22 per cent of the total FDI inflow, followed by banking, gas and petroleum, telecommunication and power sector **(Chart 2.7).**

As regards to the components of FDI namely equity, reinvestment and intra-company borrowing, there has been an upward trend in the reinvested earnings.

Equity capital refers that an investor can buy share of an enterprise in a foreign country, i.e. other than the home country. The flow of equity capital in Bangladesh peaked at US$ 809.3 million (74.5 per cent of the total FDI inflow) in 2008, following which there was a sharp decline **(Chart 2.8)**. In 2013, FDI through equity capital increased to US$ 541.1 million (33.8 per cent of total FDI inflow) from US$ 497.6 million in 2012 (38.5 per cent of total FDI inflow). Reinvested earnings imply the investor's share of earning from direct participation. The share of reinvested earnings to the total FDI inflow of Bangladesh has increased from 22.6 per cent in 2008 (US$ 245.7 million) to 43.6 per cent in 2013 to be at US$ 697.1 million.

Intra-company loan is the short and long term lending and borrowing between foreign investor and affiliated company. The intra-company loan component of the FDI increased to US$ 361.0 million (22.6 per cent of total FDI inflow) from US$ 207.4 million in the previous year (16 per cent of total FDI inflow).

FDI inflows to Non-EPZ and EPZ areas accounted for 78 per cent of total inflows and 22 per cent of total inflows respectively in 2013 **(Table 2.1)**. For non-EPZs, the largest component of FDI is equity capital (40.3 per cent of the total invested in non-EPZs in 2013), followed by reinvested earnings which comprises 38.6 per cent of FDI inflows. FDI inflows in EPZs, on the other hand, are in the form of reinvested earnings (61.3 per cent in 2013), followed by intra-company loans which consist of 27.9 per cent of the FDI inflows in EPZs.

Analysis of FDI inflow towards EPZs and non-EPZs shows that despite the facilitation services and a variety of fiscal and non-fiscal incentives, the inflow of FDI in EPZs remain much lower than that of non-EPZs, inspite of the increase in its share from 11 per cent in 2008 to 19.5 per cent in 2013. Low labour cost in the non - EPZs is often cited as the most important factor contributing to FDI inflow by the private as well as the public sectors in Bangladesh.

Sector-wise FDI inflow trends reveal that sectors including manufacturing, agriculture and fishing, and power, gas and petroleum, have witnessed an upward trend in their share in FDI inflow **(Chart 2.9** and **Annexure 2).** Within manufacturing, textile and wearing apparel attracted the maximum share, followed by food products (processing). Sectors such as vehicle & transport equipment, chemicals & pharmaceuticals, and leather & leather products.

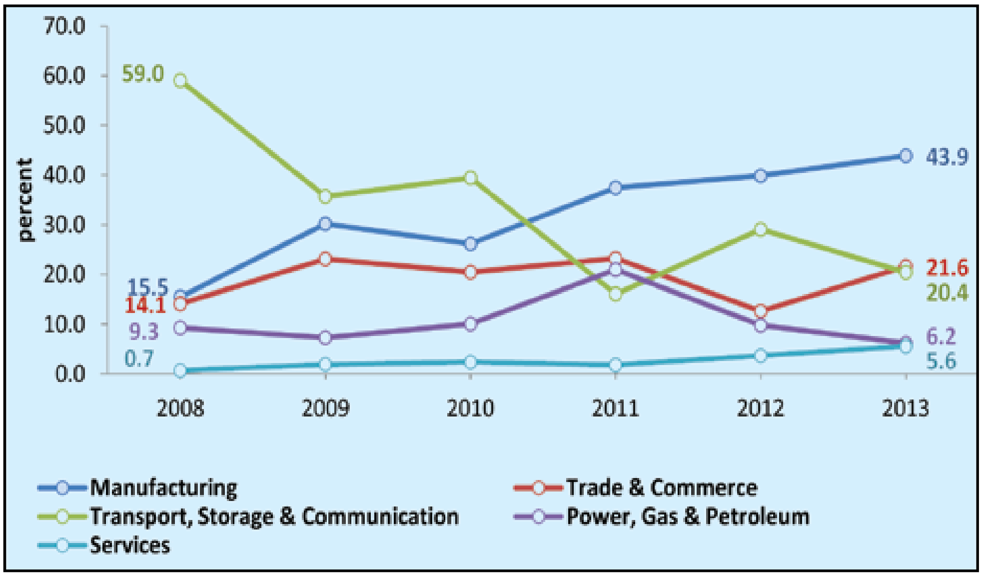
As regards source countries, UK was the largest investor in 2013, accounting for 12 per cent of the overall FDI inflows, followed by Singapore, Malaysia, the Netherlands and South Korea **(Chart 2.10)**. Over the past decade, contribution of developing and transition economies as sources of FDI has increased over the years **(Annexure 3).**

Table 2.1: FDI Inflow towards EPZs and non-EPZs in Bangladesh

	2008	2009	2010	2011	2012	2013
EPZ (% of total)	10.9	20.3	12.9	20.1	19.5	22.0
Non-EPZ (% of total)	89.1	79.7	87.1	79.9	80.5	78.0
Total (US$ mn)	1086.3	700.2	913.3	1136.4	1292.6	1599.0

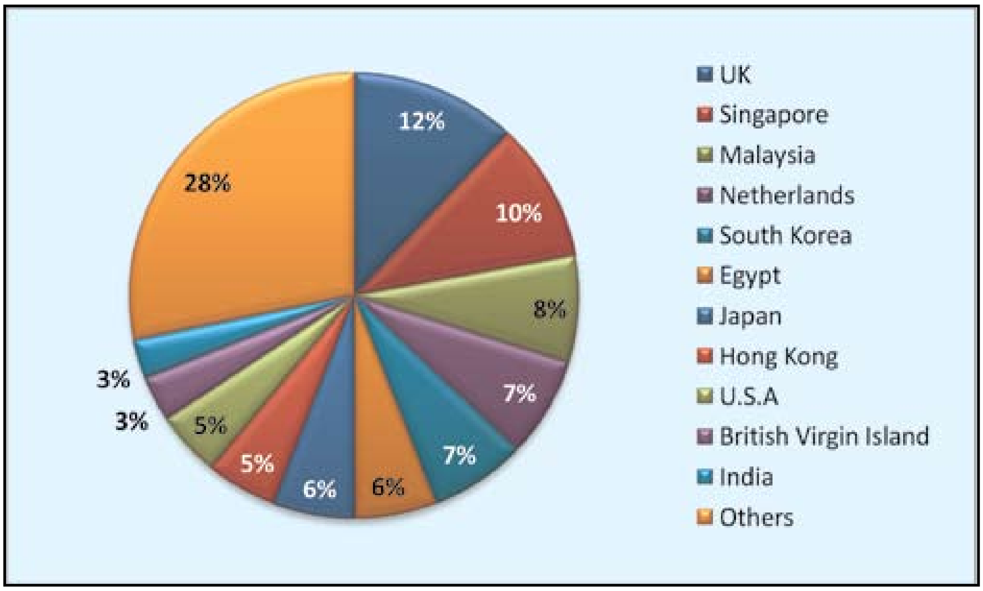
Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Report July-December 2013; Exim Bank India Research

Chart 2.9: Bangladesh's FDI inflow in Select Sectors (share of total)



Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Report July-December 2013; Exim Bank India Research

Chart 2.10: Source of FDI Inflow in Bangladesh, 2013



Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Report July-December 2013; Exim Bank India Research

3. BILATERAL TRADE AND INVESTMENT RELATIONS BETWEEN INDIA AND BANGLADESH

After its independence, Bangladesh has been heavily dependent on India for its consumer goods, especially food items. Since then, India remains Bangladesh's major trading partner. The geographical proximity between the two countries provide an easy access to each others markets for their own products.

India and Bangladesh first entered into a bilateral trade agreement in October 1980. This agreement was later amended and signed in March 2006 and was valid till March 2009; it has been renewed every three years since then. The agreement made provisions for expansion of trade and economic co-operation, mutually beneficial arrangements for the use of waterways, railways and roadways, passage of goods between two places in one country through the territory of the other, and exchange of business and trade delegations and consultation to review the working of the Agreement at least once a year.

Currently, India and Bangladesh are members of the South Asian Free Trade Area (SAFTA)[11], the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Asia-Pacific Trade Agreement (APTA), and the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC). Bangladesh has received preferential market access treatment from India for a large number of items of export under SAARC Preferential Trade Agreement (SAPTA) negotiations and also as part of Trade Liberalisation Plan (TLP) of the SAFTA. India provides preferential trade access under these agreements as well as the Duty Free Tariff Preferential (DFTP) Scheme.

Bilateral trade relations between India and Bangladesh

Bangladesh is India's largest trading partner in South Asia accounting for 35.2 per cent for India's exports to South Asia and 20 per cent of India's imports from South Asia in 2013-14[12]. Globally, India is the second-largest source of Bangladesh's imports after China, accounting for roughly 16 per cent of Bangladesh's total

[11]SAARC Preferential Trade Agreement (SAPTA) concessions ceased once SAFTA was implemented
[12]Fiscal year of India i.e. April 1 - March 30, is being used in this chapter; 2013 - 14, thus denotes April 1, 2013 - March 31, 2014

imports in 2012. As regards exports, India is twelfth-largest export market (2.1 per cent of the total exports) for Bangladesh in 2012[13].

India-Bangladesh trade increased more than three-fold during the last decade to reach its all-time high of US$ 6.5 billion in 2013-14 from US$ 1.8 billion in 2003-04 **(Table 3.1)**. Over the decade, India's exports to Bangladesh increased more than three-fold from US$ 1.7 billion in 2003-04 to US$ 6.1 billion in 2013-14, while India's imports from Bangladesh increased nearly six-fold from US$ 77.6 million in 2003-04 to US$ 460.9 million in 2013-14. On a year-on-year basis, India's imports from Bangladesh declined sharply to US$ 460.9 million in 2013-14, as compared to US$ 639.3 million in 2012-13. While exports increased significantly by 17.6 per cent from US$ 5.1 billion in 2012-13 to US$ 6.1 billion in 2013-14.

Being immediate neighbour of the country, India plays a prominent role in supplying import needs of Bangladesh. For example, India is the second-largest supplier of Bangladesh's top import item, cotton, after China; third-largest supplier of machinery and equipments; fifth-largest supplier of mineral fuels; fourth-largest supplier of electrical and electronic equipments; and the fifth-largest supplier of iron and steel. Cotton, machinery and equipments, mineral fuels, electrical and electronic equipments, and iron and steel are the top five import items of Bangladesh, accounting for 44 per cent of Bangladesh's total imports in 2012.

An analysis of Bangladesh's cotton imports reveal that at the 4-digit level, Bangladesh mainly imported cotton not carded or combed (HS 5201), followed by cotton yarn (HS 5205), and woven fabrics with weight over 200 g/m^2 (HS 5209). Bangladesh's

Table 3.1: Bilateral Trade between India and Bangladesh

Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Export (mn)	**1740.7**	**1631.1**	**1664.4**	**1629.6**	**2923.7**	**2497.9**	**2433.8**	**3242.9**	**3789.2**	**5145.0**	**6051.0**
% Growth	48.0	-6.3	2.0	-2.1	79.4	-14.6	-2.6	33.3	16.9	35.8	17.6
Import (mn)	**77.6**	**59.4**	**127.0**	**228.0**	**257.0**	**313.1**	**254.7**	**446.8**	**585.7**	**639.3**	**460.9**
% Growth	25.1	-23.5	114.0	79.5	12.7	21.8	-18.7	75.4	31.1	9.2	-27.9
Total Trade(mn)	**1818.3**	**1690.5**	**1791.4**	**1857.6**	**3180.7**	**2811.0**	**2688.5**	**3689.7**	**4374.9**	**5783.3**	**6511.9**
% Growth	46.9	-7.0	6.0	3.7	71.2	-11.6	-4.4	37.2	18.6	32.2	12.6

Source: Ministry of Commerce and Industry, Government of India

[13]Source: ITC Trademap, derived from UNComtrade

cotton import from India were mainly skewed towards cotton and cotton yarn, while China mainly included woven cotton.

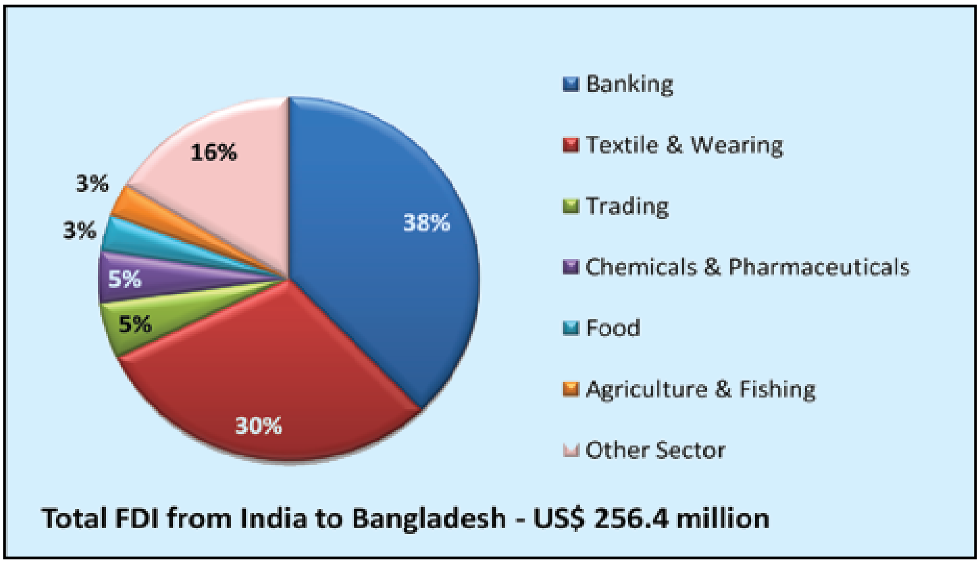
India's trade surplus with Bangladesh has risen from US$ 1.7 billion in 2003-04 to US$ 4.5 billion in 2012-13. This rise can be mainly attributed to the trade formalisation efforts between the two countries and Bangladesh's increased dependence on India, especially cotton, which is the main raw material for its major exports. Though India has a trade surplus, which is almost as much as India's exports to Bangladesh, it may be noted that India's exports to Bangladesh have been growing at a slower rate (CAGR of 12.8 per cent), as compared to India's imports from Bangladesh (CAGR of 26.4 per cent).

Sector-wise trade between India and Bangladesh

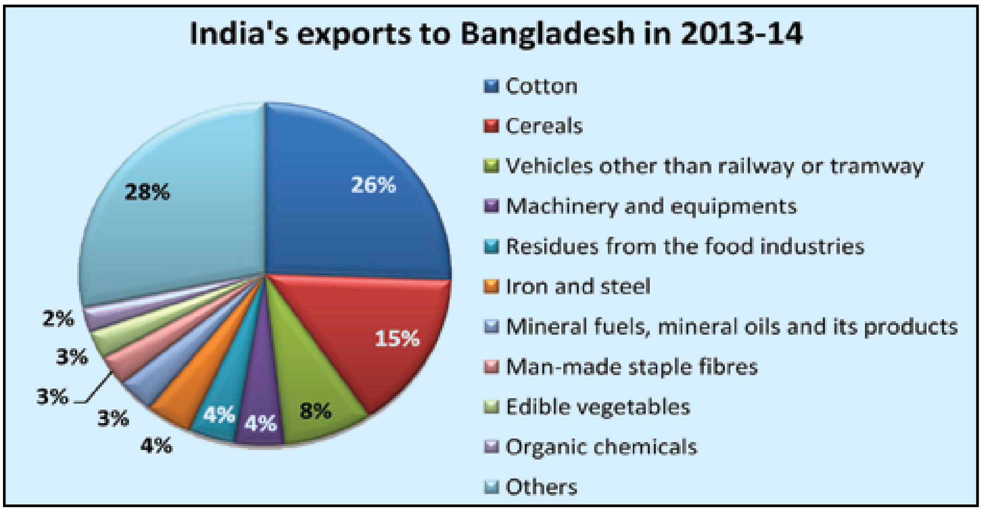
Over the years, India's trade with Bangladesh has undergone a compositional change. Though the main components of India's exports to Bangladesh continue to remain food items and other primary goods, exports have gradually expanded to capital goods as well **(Chart 3.1 (A & B)).** India is the third-largest supplier of machinery & instruments to Bangladesh and fourth-largest exporter of electrical and electronic equipment.

Chart 3.1: India's Major Exports to Bangladesh

A) 2003-04



B) 2013-14



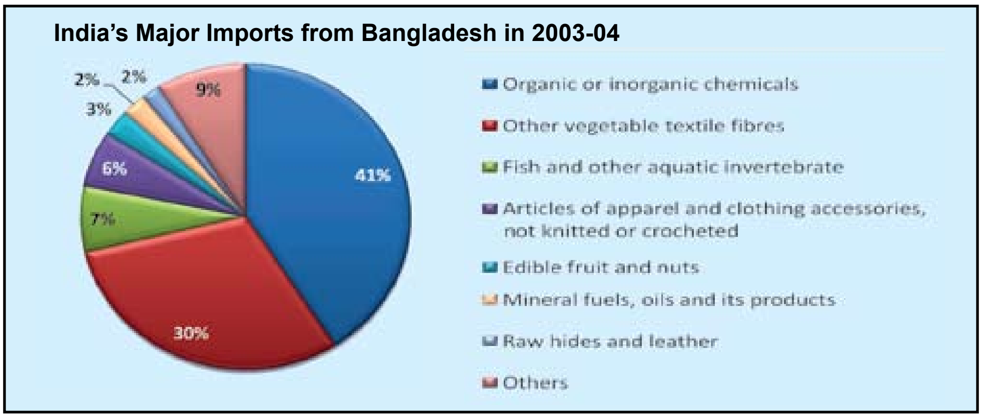
Cotton is the major commodity exported by India to Bangladesh in 2013-14 followed by cereals, transport vehicles, machinery and equipments, sugar and sugar confectionary, residue and waste from the food industries, and mineral fuels, mineral oils and its products **(Chart 3.1 B).** While the share of cotton exports to Bangladesh has increased two-fold during the period 2003-04 to 2013-14, the share of transport vehicles has also increased from 4.7 per cent in 2003-04 to 8 per cent in 2013-14.

India's imports from Bangladesh has also undergone a compositional change from 2003-04 to 2013-14 **(Chart 3.2 (A & B))**. In 2003-04, imports were dominated by organic or inorganic chemicals, which accounted for 41 per cent of the overall imports, followed by other vegetable textile fibres. In 2013-14. India's imports from Bangladesh were dominated by vegetable textile fibres, which accounted for 17 per cent of the total exports. India's cotton imports from Bangladesh mainly includes cotton fabric (HS 520841) **(Chart 3.2 B)**.

Apart from formal trade, one of the major challenges to strengthening India - Bangladesh trade relations is the unofficial trade between the two nations. Unofficial trade occurs through the porous borders of Assam, Meghalaya, Mizoram, Tripura and West Bengal. Major reasons for unofficial trade would include evasion of tariff and non-tariff barriers; simplex procedures; better market distribution network; and nature and size of the businessmen/traders.

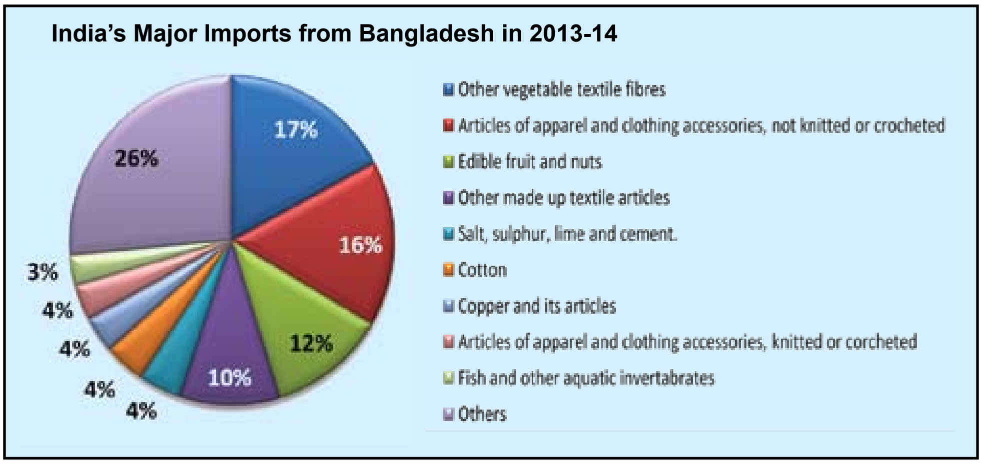
Chart 3.2: India's Major Imports from Bangladesh

A) 2003-04



Source: Ministry of Commerce and Industry, Government of India; Exim Bank India Research

B) 2013-14



Source: Ministry of Commerce and Industry, Government of India

Other Institutional Mechanisms between India and Bangladesh

The institutional mechanisms which exist between India and Bangladesh include Joint Rivers Commission (JRC) and Joint Economic Commission (JEC) at Ministerial level, Foreign Office Consultations, Home, Commerce and Water Resources Secretary level talks, BSF-BDR DG-level border coordination conference, Joint Working Group on Security (JWG), Joint Boundary Working Group (JBWG), Joint Working Group on Trade (JWG), Joint Group of Customs Officials (JGC), Protocol Renewal Committee and Standing Committee to review implementation of Protocol on Inland Water Transit and Trade (discussed in detail in the following chapter), and Inter-Governmental Railway Meeting[14].

- **SAFTA**

While the SAARC Preferential Trade Agreement (SAPTA) was seen as an important contributor to enhancing economic co-operation between India and Bangladesh as part of a regional approach, it was also found to be both cumbersome and time consuming. Therefore the SAARC countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka) entered into a new Trade Liberalisation Plan (TLP) in 2006, which is referred to as South Asia Free Trade Agreement (SAFTA). The SAFTA Agreement was signed in January 2004 and was implemented with effect from January 1, 2006, though the tariff liberalisation started from July 1, 2006. In this agreement, three lists were negotiated, the Negative List, the Positive List and the Residual List. According to SAFTA, while duty on items outside the sensitive list would be immediately reduced to 0 to 5 per cent, items in the sensitive list of a country would not be considered for tariff reduction and would need to enter that country by paying Most Favoured Nation (MFN) duties at the Customs. The agreement specifies that member countries will review the sensitive list every three years. Moreover, under SAFTA, a number of new objectives have been identified, which include the eventual elimination of tariffs and non-tariff barriers on trade between the members, the harmonisation of Customs procedures and documentation, the facilitation of banking relationships, and co-operation and improvements in the

[14]Source: Ministry of External Affairs

infrastructure for regional trade and cross-border investments.

In 2008, Bangladesh had requested India to exclude 101 items from India's sensitive list, of which India agreed to remove 43 items. The MFN duties on the remaining items ranged from 5 to 100 per cent with a median of 10 per cent. Based on a Memorandum of Understanding (MOU) signed between the two countries in 2008, India agreed to provide zero duty market access for up to 8 million pieces of garments from Bangladesh (Tariff Rate Quota [TRQ]). This was further increased to 10 million pieces every year in April 2011. In September 2011, during then Prime Minister Dr. Manmohan Singh's visit to Dhaka, India granted duty-free, quota-free access to 46 textile tariff lines of greatest sensitivity to Bangladesh. Further, with effect from November 09, 2011, India unilaterally reduced its sensitive list for SAARC LDC's including Bangladesh to 25 tariff lines. After these announcements in 2011, the TRQ between India and Bangladesh became redundant.

- **Duty Free Tariff Preference (DFTP) Scheme for Least Developed Countries (LDCs)**

The Government of India extended the Duty Free Tariff Preference (DFTP) Scheme for Least Developed Countries (LDCs), including Bangladesh, granting duty free access on 94 per cent of India's total tariff lines. Specifically, the Scheme provided preferential market access on tariff lines that comprise 92.5 per cent of global exports of all LDCs. The Scheme came into effect in August, 2008 with tariff reductions spread over five years.

- **BIMSTEC**

Under BIMSTEC (a regional trading initiative between Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand) several sectors have been identified for preferential trading among member countries, which include textiles and clothing, drugs and pharmaceuticals, gems and jewellery, horticulture and floriculture, processed food, automotives and components, rubber, tea and coffee, coconuts and spices. As per the BIMSTEC agreement, developing country members will reduce their tariff rates by 2012 while LDC members will reduce them by 2017. BIMSTEC has assigned specific projects to each member country to facilitate trade. For Bangladesh and India, these projects are related to customs procedures and intellectual property rights, respectively.

- **APTA**

The Asia-Pacific Trade Agreement (APTA), which was formerly known as the Bangkok Agreement, is a trade initiative with Bangladesh, China, India, South Korea, Lao PDR and Sri Lanka as its members. Under APTA, a minimum local content of 45 per cent is necessary in order to enjoy preferential market access, and 35 per cent in the case of LDCs. Bangladesh enjoys tariff concessions in other member countries, such as tariff concessions on 48 products (HS 6-digit level) in the Indian market with a margin of preference ranging from 14 per cent to 100 per cent.

- **Global System of Trade Preferences (GSTP)**

The Agreement on Global System of Trade Preferences among developing countries (GSTP) was negotiated on April 13, 1988 by 48 developing countries, including India and Bangladesh. Under the trade preference scheme, the agricultural sector was provided with special preferences. Current applied tariff rates in GSTP countries are significantly lower than the WTO bound rates. The local content requirement is 50 per cent for non-LDC members, and 40 per cent for LDC members.

Investment relations between India and Bangladesh

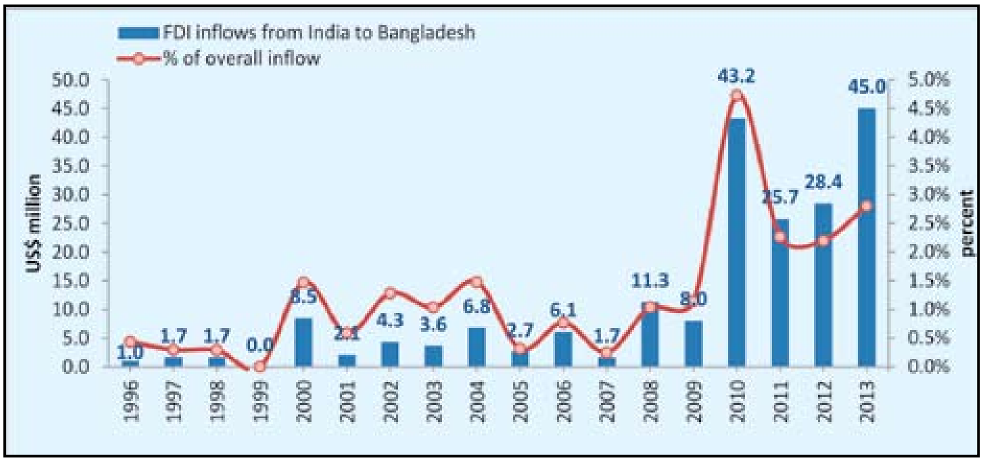
Over the years, there has been a significant growth in the FDI flows from India to Bangladesh; however, there are no records of FDI movement from Bangladesh to India.

FDI inflows to Bangladesh from India, which stood at US$ 1 million in 1996 (0.4 per cent of Bangladesh's overall FDI inflows) increased in subsequent years to reach US$ 8.5 million in 2000 (1.5 per cent of the overall inflows). In 2010, India's FDI flow into Bangladesh surged to US$ 43.2 million, accounting for 4.7 per cent of Bangladesh's overall FDI inflows for the year. However, in 2012, India's FDI into Bangladesh amounted to US$ 28.4 million, accounting for 2.2 per cent of the overall FDI inflows, increasing from US$ 25.7 million in 2011. In 2013, FDI inflow to Bangladesh from India peaked at US$ 45 million **(Chart 3.3).**

Indian FDI flows into Bangladesh in 2013 was skewed toward the textile and wearing apparel sector, which accounted for 29.1 per cent of the total Indian investments in the country.

As regards FDI stock, Indian investments in Bangladesh amounted

Chart 3.3: FDI Flows from India to Bangladesh



Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Reports July-December 2013; Exim Bank India Research

to US$ 256.4 million as on December 2013. Indian Investments have mainly been in the banking and finance sector, followed by textiles and wearing apparel, chemical and pharmaceuticals, non-banking financial institutions, agriculture and fishing, food products, and trading **(Chart 3.4).**

Some of the Indian Companies present in Bangladesh include Pearl Fashion Pvt. Ltd., Pacific Apparels Ltd., and Arvind Fashion Ltd. in the textile industry; Polaris - in banking and financial services; and Uttara Foods and Feeds Ltd. in food products.

Exim Bank India in Bangladesh

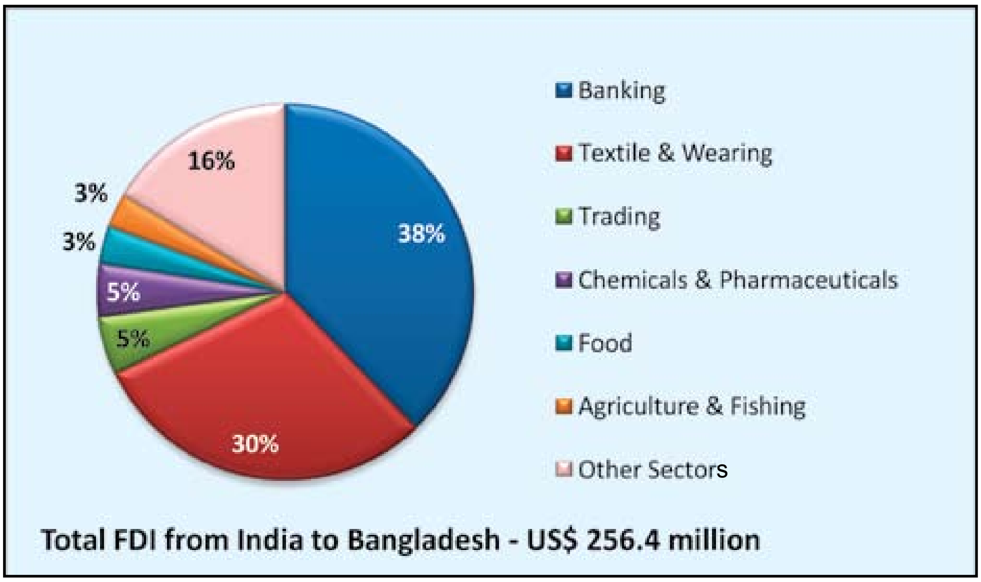
Export-Import Bank of India (Exim Bank India) operates a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with other countries, including Bangladesh.

Financing Programmes

Lines of Credit

Exim Bank India extends Lines of Credit (LOCs) to overseas Governments, parastatal organi-sations, financial institutions, commercial banks and regional

Chart 3.4: Sector-wise Indian Investment Stock in Bangladesh as on December 2013



Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Report July-December 2013; Exim Bank India Research

development banks to support export of eligible goods and services on deferred payment terms. The Indian exporters can obtain payment of eligible value from Exim Bank India, without recourse to them, against negotiation of shipping documents. LOC is a financing mechanism that provides a safe mode of non-recourse financing option to Indian exporters, especially to SMEs, and serves as an effective market entry tool. Exim Bank India also extends overseas buyers' credit directly to foreign entities for import of eligible Indian goods and related services or for financing eligible turnkey projects. Exim Bank India also extends LOCs on behalf and at the behest of Government of India.

Exim Bank India, at the behest of the Government of India, had extended an LOC of US$ 1 billion to the Government of Bangladesh in August 2010. In May 2012, US$ 200 million of this LOC was converted into a grant. Thus, as on October 31, 2014, Exim Bank India at the behest of Government of India, has an LOC of US$ 800 million to the Government of Bangladesh.

The LOC will be used for financing goods and services including project exports from India into Bangladesh. Exim Bank India will reimburse 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods. The LOC will be used for financing at least 85 per cent of total contract value through sourcing of goods and services from India.

Memorandum of Cooperation/ Memorandum of Understanding

With a view to building institutional linkages, Exim Bank India has entered into a Memorandum of Understanding (MOU) with Industrial Promotion and Development Corporation of Bangladesh Ltd.

Support for Project Exports

Exim Bank India plays a nodal role in facilitating and promoting Indian project exporters in international markets. Such projects, which are primarily in the infrastructure sector, contribute to local and regional development. The Bank extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil construction contracts, supplies, as well as technical and consultancy services contracts. Indian companies have implemented numerous projects in Bangladesh with the support of Exim Bank India. Some of the ongoing projects in Bangladesh include:

- Supply, erection and commissioning of 230 kv Transmission line under grid sub-station and associated transmission lines development project
- Construction of Jatrabari – Gulistan flyover project
- Supply, erection, testing, commissioning of Kaliakoir-Dhamrai-132 kV Double Circuit and Kabirpur-Tangail (in-out) to Kaliakoir 132 kV four circuit transmission line
- Design, manufacture, erection, testing and commissioning of 360 MW Bheramara Combined Cycle Power Plant Development Project
- Design, manufacture, supply, erection, testing and commissioning of Sikalbaha 225 MW Combined Cycle Power Plant in Bangladesh.
- Supply, installation, testing and commissioning of Optical Transmission Equipments (MSPP) for several Upazillas and Union Parishads under 'Optical Fiber Cable Network Development in 1000 Union Parishad' Project of Bangladesh Telecommunications Company Limited (BTCL)

- Feasibility study, detailed design, construction, supervision services for the 2nd Bhairab and 2nd Titas Railway Bridges
- Procurement of Broad Gauge (BG) Bogie Oil Tank Wagons and BG Bogie Brake Vans, BG Diesel Electric Locomotives, Metre Gauge (MG) Bogie Tank Wagons, MG Bogie Brake Vans, and MG Flat wagons
- Supply of 50 nos. articulated buses in completely built-up condition with 10% spare parts, 3 set equipments, 3 set special tools and related services
- Supply of Single Decker AC buses
- Procurement of cutter suction dredger and ancillary crafts with other accessories
- Construction of 2nd Bhairab railway bridge with approach rail lines and other related works
- Construction of 2nd Titas railway bridge with approach rail lines and other related works
- Modernisation and strengthening of Bangladesh Standards and Testing Institution

Finance for Joint Ventures Overseas

Exim Bank India supports Indian companies in their endeavour to globalise their operations through joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoter to set up such ventures overseas. These ventures serve to promote value addition, as also contribute to capacity building in host countries. Exim Bank India also facilitates joint investments by Indian and overseas company in third country markets in addition to facilitating investments to India. As on March 31, 2014, Exim Bank India has supported several such ventures in Bangladesh, in sectors such as engineering goods and textiles.

Buyer's Credit

Exim Bank India extends Buyer's Credit facility to overseas buyers/ importers for import of eligible goods and services from India on deferred payment terms. The facility enables exporters/ contractors to expand abroad and into non-traditional markets. It also enables exporters/ contractors to be competitive when bidding or negotiating for overseas jobs.

Exim Bank India has extended a Buyer's Credit Facility in Bangladesh to finance import of capital machinery and equipment from India for setting up a steel melting and billet casting plant.

Buyer's Credit under National Export Insurance Account (BC-NEIA)

In order to provide further impetus to project exports from India on medium or long term basis, a new product called Buyer's Credit under National Export Insurance Account (NEIA) was introduced in April 2011. Under this programme, Exim Bank facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government owned entities for import of goods and services from India on deferred credit terms with NEIA cover. Indian exporters can obtain payment of eligible value from Exim Bank, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by Ministry of Commerce and Industry (MOCI), Government of India, for providing medium to long term export credit insurance covers for promoting project exports from India, administered by Export Credit Guarantee Corporation of India Limited (ECGC).

Bangladesh is in the positive list of select 51 countries identified by ECGC for which Indian exporters can avail Buyers Credit under NEIA.

Exim Bank India Research Studies

Exim Bank India conducts periodic research studies in order to promote the existing institutional linkages and external competitiveness of Indian companies. The studies range from areas of international trade (including sector specific studies) to international investments; it also focuses on areas of bilateral/ multilateral cooperation among countries and their potential for further development. These are published in the form of Occasional Papers and Working Papers.

Some of the Occasional Papers released by the Bank covering Bangladesh include:

- The People's Republic of Bangladesh : A Study of India's Trade and Investment Potential
- BIMST-EC Initiative: A Study of India's Trade and Investment Potential with Select Asian Countries
- SAARC: An Emerging Trade Bloc
- India's Trade and Investment Relations with LDCs (Least Developed Countries): Harnessing Synergies

- Fresh Fruits, Vegetables and Dairy Products: India's Potential For Exports to Other Asian Countries
- Indian Ocean Rim Association for Regional Co-operation (IOR-ARC): A Study of India's Trade and Investment Potential.
- Potential for Enhancing Intra-SAARC Trade: A Brief Analysis

Exim Bank as an International Consultant

Exim Bank is uniquely placed as a key financial institution, with experience as an actual practitioner, to synthesise the needs of a newly industrialised economy with contemporary experience from developing and developed countries. The Bank is registered with the World Bank and Asian Development Bank as a consulting organisation. Exim Bank has rendered assistance to a number of institutions in the developing world. Overseas assignments undertaken include:

- Strategy paper for SAARC Development Fund to promote intra-regional projects in the South Asian Region
- Pre-feasibility study for setting up Commonwealth Trade and Development Bank (CTIB)

Access to trade finance can be identified as one of the major requirements in promoting bilateral trade. This gains even more significance in light of the recent global financial turmoil. Trade finance market has benefited from the development of new technology, the emergence of new institutions and agencies in other developing countries, and the development of financing and guarantee facilities by regional development banks to fill the market gaps in financing of smaller transactions in countries with little access to international markets.

There is, therefore, a need for development of regional trade financing and related institutions, in the South Asia (SAARC) region that can provide finance, credit and guarantee for cross-border trade, for boosting intra-regional trade. Export-Import Bank of India (Exim Bank) has been sharing its experience and expertise by undertaking consultancy assignments, including setting up of such kind of institutions, and is in a position to assist in giving consultancy service for setting up similar institution in the SAARC region as well.

4. READYMADE GARMENT INDUSTRY OF INDIA AND BANGLADESH – A COMPARATIVE STUDY

The readymade garment (RMG) industry has had an overwhelming influence on the economic development of both India and Bangladesh. For India, the RMG industry is an offshoot of the textile industry, contributing to industrial output, employment generation and export earnings. While for Bangladesh, the RMG industry is the mainstay of manufacturing activities in the country.

Readymade garments are the last link in the textiles value chain. Before the processed fabric is converted to RMG, it involves a series of sub-stages. The procedure of converting processed fabrics to ready-to-wear apparel, begins with 'spinning', in which fibre is converted into yarn, which is generally called 'spun yarn'. Yarn which does not require spinning is called 'filament yarn'. The yarn is then converted into fabrics through 'weaving' or 'knitting'. After the fabric undergoes various processes like scouring, bleaching, mercerising, dyeing/ printing, washing, finishing, etc., it produces 'processed fabric', which is suitable for manufacturing RMG or home textiles. The chemical process for manufacturing fabric with properties like anti-crease, oil repellence, water repellence, etc. is undertaken in the processing stage itself. The final stage of 'garmenting' involves a series of sub-stages such as laying, measuring, cutting, stitching, etc. before the processed fabric is converted into a readymade garment. The garments are finally marketed through a range of distribution channels in the domestic market or are exported. RMG include shirts, trousers, T-shirts, jeans, etc. for men, women, and kids.

In the textile value chain, the RMG industry is the least capital intensive and is highly fragmented with small and large players in both India and Bangladesh. The RMG industry of India is estimated to contribute 4.6 per cent to the country's export earnings, 4 per cent of national GDP, about 14 per cent of industrial production (RMG and textiles), and provides direct employment to around 2.8 per cent of the total population. The Indian RMG industry has uniquely placed itself as a producer of raw materials like cotton, and finished goods i.e. readymade garments. The Indian RMG industry mainly comprises knitted and woven garment segments.

For Bangladesh, the industry contributes to about 90 per cent of Bangladesh's total exports, approximately 40 per cent value addition of the manufacturing sector, and around 12 per cent of the national GDP, and provides employment to around 3.7 per cent of the total population of the country. Like India, Bangladesh's RMG sector also comprises knitted and woven garments, mainly dominated by the former. The core strength of the knitwear sector is its backward linkage. The entrepreneurs of this sector not only increased their stitching capacity overtime but also invested in the allied industry to augment the overall capacity of the total sector with the same pace. Over the period of time, knitwear sector gradually became almost self sufficient in fabric and yarn. This improvement has become possible because of the integrated growth of spinning factories in line with the growth in the country's stitching capacity and increased need for yarn and fabric.

RMG trade of India and Bangladesh – A Comparative Study

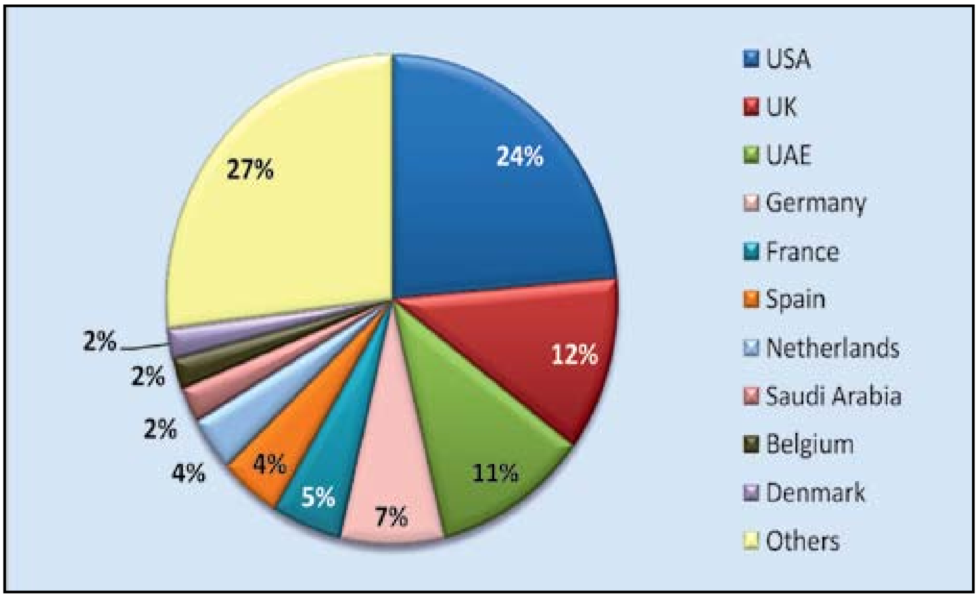
As per ITC's Harmonised System Codes at the 2-digit level, product codes HS 61 and 62 are classified as RMG. **Table 4.1** shows India's and Bangladesh's export of RMG and their share in world imports of RMG in 2012 and 2013. As can be seen from the table, with a share of 6.6 per cent in world's RMG imports in 2013, Bangladesh has an upper hand in the export of RMG, while India accounted for 4.0 per cent. Within RMG, knitted apparel dominated Bangladesh's exports, while non-knitted apparel dominated India's exports.

Table 4.1: India's and Bangladesh's Export of RMG (US$ billion)

Product code	Product label	World imports		India's exports to world		Bangladesh's exports to world	
		2012	2013	2012	2013	2012	2013
61	Articles of apparel, accessories, knit or crochet	185.5	199.4	5.5	7.0	11.6	13.2
62	Articles of apparel, accessories, not knit or crochet	189.7	196.3	7.4	8.7	11.2	13.1
Total RMG		**375.2**	**395.7**	**12.9**	**15.7**	**22.7**	**26.3**
Share (%)		**100.0**	**100.0**	**3.4**	**4.0**	**6.1**	**6.6**

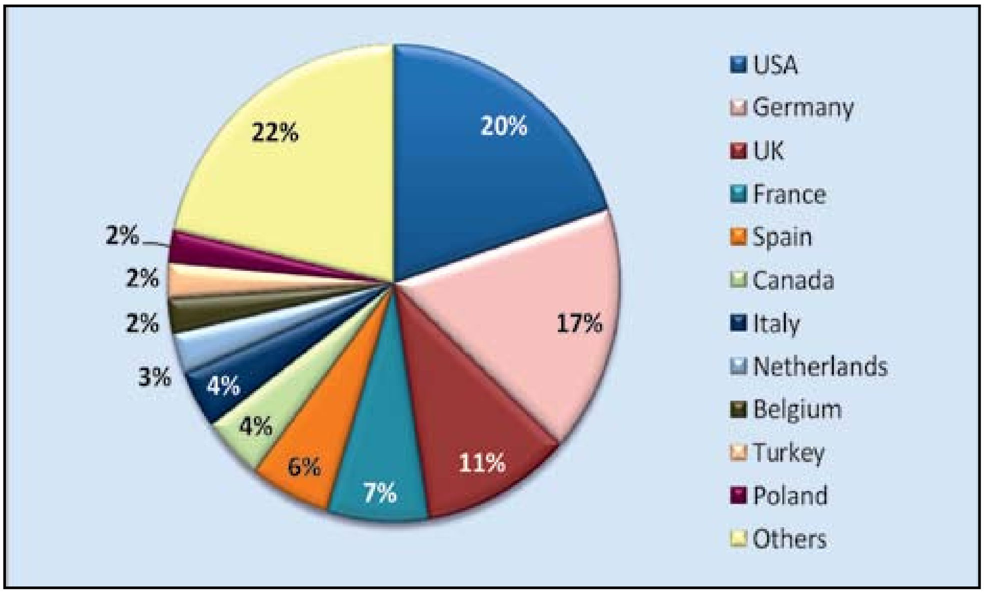
Source: Trademap, derived from UNComtrade; Exim Bank India Analysis

Chart 4.1: Top Destinations for India's Export of RMG in 2012



Source: Trademap, derived from UNComtrade; Exim Bank India Analysis

Chart 4.2: Top Destinations for Bangladesh's Export of RMG in 2012



Source: Trademap, derived from UNComtrade; Exim Bank India Analysis

As regards RMG export markets for the two countries, the United States of America (USA) is a dominant export market of both India and Bangladesh, accounting for 24 per cent and 20 per cent, respectively of their total exports **(Chart 4.1 and 4.2)**. This was followed by other European countries like the United Kingdom (UK), Germany, France, Spain, the Netherlands and Belgium. For India, UAE is the third largest destination for its RMG exports after the USA and the UK markets.

Importance of Demand in USA and EU

The USA and the EU are major consumers of textiles and ready-made garments in the world with a combined share of over 60 per cent in world's RMG imports **(Table 4.2)**. Thus, any slump in the demand of RMG in these markets would affect the global RMG industry.

Comparative analysis of the share of India and Bangladesh in the EU and the USA market reveals that Bangladesh has a better presence in both the USA and the EU markets **(Table 4.3)**. While India accounts for 4 per cent of RMG imports in the USA and 1.7 per cent of RMG imports in EU market, Bangladesh accounts for 5.6 per cent and 3.6 per cent, respectively, of global RMG imports of the USA and EU. Further, we can see that India's presence in the USA and EU has declined, while the share of Bangladesh's share has consistently been on an upward trajectory in both markets.

As stated earlier in the analysis, it can be noted that as regards supply of inputs for the industry, India is relatively 'self-sufficient' as compared to Bangladesh, since India has positioned itself as a cotton producer. In Bangladesh, on the other hand, domestic production of raw cotton only meets a meagre 2 per cent of the country's demand[15]. Bangladesh's import composition has, therefore, mostly been concentrated towards textile-related inputs and capital goods. Even then, India's RMG export of US$ 12.9 billion in 2012 is just a little more than half of Bangladesh's RMG export of US$ 22.7 billion in 2012.

Table 4.2: Share of USA and EU in World Import of RMG (2012)

Share (%)	USA & EU	USA	EU
In world's readymade garments imports	61.9	21.3	40.7

Source: Trademap, derived from UNComtrade; Exim Bank India Analysis

[15]United States Department of Agriculture

Table 4.3: Share of India and Bangladesh in Import of RMG by USA and EU (2012)

Share (%)	2008	2009	2010	2011	2012
India					
USA's import of RMG from India	4.3	4.6	4.4	4.3	4.0
EU's import of RMG from India	2.0	2.2	2.1	2.1	1.7
Bangladesh					
USA's import of RMG from Bangladesh	4.7	5.3	5.4	5.6	5.6
EU's import of RMG from Bangladesh	2.4	2.8	2.9	3.5	3.6
Memo:					
World					
USA's global import of RMG (US$ bn)	76.4	66.8	75.6	81.5	80.7
EU's global import of RMG (US$ bn)	344.1	310.0	337.2	388.3	381.6

Source: Trademap, derived from UNComtrade; Exim Bank India Analysis

Also, as noted in the earlier chapter, Bangladesh's garment exports were expected to grow further due to the change in the EU import rules since January 2011, which gives Bangladesh and other Least Developed Countries (LDCs) duty-free access if imported components of the final product do not exceed 70 per cent (compared to 30 per cent earlier). In 2012, however, the slowdown in demand from EU markets led to slowdown in Bangladesh's exports

Cross-comparison of select RMG Industry Parameters between India and Bangladesh

RMG sector of Bangladesh has emerged as an engine for economic growth. The industry has largely compensated for the bottlenecks in the economy, with evolutionary mechanism in the overall designing of factory management, making the economy a resilient one despite natural disasters, poor infrastructure, weak governance, and political turbulence. The labour intensive industry has also contributed significantly towards poverty alleviation, employment, women empowerment, industrial growth, and economic diversification. Select parameters on which the Indian and Bangladeshi RMG industries can be compared are given in the following section.

- ***Production Cost between India and Bangladesh***

RMG is a labour-intensive sector. And as we can see in **Table 4.4**, labour cost in India is double the cost of labour in Bangladesh. This is one of the major factors affecting the overall cost of production between the two countries. In addition to the low wages, in Bangladesh, the number of labour hours put-in per operator is also higher than that of India. It is also worth noting that the cost of electricity in Bangladesh is lower than that in India. This is in spite of the fact that Bangladesh suffers from electricity shortage and is looking for alternative sources for power. To combat the problem of power shortage, most RMG industries in Bangladesh do not take power from the power grid; rather, they mostly resort to 'captive power' generation through extensive application of gas generators, thus, significantly reducing electricity cost of RMG industries. RMG factories in Bangladesh could, therefore, produce garment at lower cost, which in turn has attracted the foreign buyers through competitive pricing.

Further, as we can see from the table below, the cost of power in India is almost three times that in Bangladesh. The Indian textile and RMG industry suffers from severe power shortages. For instance, Tamil Nadu, which accounts for a major portion of India's textile and RMG produce, has the largest power deficit (amounting to 26.4 Billion Units in 2013-14) in the Southern Region[16]. Though there are mills in India that have their own captive power generation plants, most mills depend on the power grid for their electricity supply. Further, only large mills have their own captive power generation plants, since it requires a huge investment.

In India, captive power generation is much costlier than those available at the grids, as these are mainly coal-based or diesel powered, which incur a high cost. Moreover, there is a customs and excise duty charged on the coal used for captive power generation. Bangladesh, on the other hand, has gas-based captive power plants, which are available readily and at lower cost in the country.

Based on fuel, captive power plants may be broadly categorised as

Table 4.4: Production Cost between India and Bangladesh

Cost	Unit	India	Bangladesh
Labour cost	US$/hour	0.60	0.30
Hours Worked			
Hours per operator	hour	8	10
Hours per week	hour	48	48
National holidays per year	day	17	10
Electricity cost	US$/KWh	0.11	0.04

Source: Technopak Analysis

[16]Source: Central Electricity Authority (anticipated power supply position)

coal-based, diesel powered, non-conventional, and reusable. The Indian Government could support captive power generation in the regions that face acute power shortage by allowing exemption of customs and excise duty on these fuels that are used for generation. Further, captive power plants in India have mainly been set up by large textile mills, while small units have to depend on the grids, due to their nature and size, leading to stalled operations during power cuts. The Electricity Act 2003 and rules made under have already provided for Group Captive Power Plants that can be set-up under Joint Venture of SMEs in a geographic vicinity with mandatory 51 per cent consumption by its constituents and remaining electricity to be sold if not used. This can provide the SMEs electricity for meeting peak demand and option to reduce generation or sell the excess power. Small units in a cluster can, thus, pool their resources to establish a captive power plant on a shared basis. The Government could provide some financial and technical assistance to these units to encourage such collaborations.

- ***Transaction Cost between India and Bangladesh***

Table 4.5 represents the transaction cost in India and Bangladesh. It can be concluded from the table that though the number of days taken for the export procedures in Bangladesh are higher compared to that in India in most parameters, the cost is lower in Bangladesh.

- ***Comparative Cost for T-Shirt Manufacturing in India and Bangladesh***

Given the above two parameters, the comparative CIF (Cost, Insurance and Freight) for T-shirt manufacturing in India and Bangladesh are represented in **Table 4.6**. India has a comparative advantage in fabric cost (raw material)

Table 4.5: Transaction Cost between India and Bangladesh

Export Procedures	India		Bangladesh	
	Day	US$	Day	US$
Documents preparation	8	350	14	290
Customs clearance and technical control	2	120	3	120
Ports and terminal handling	3	175	5	420
Inland transportation and handling	4	300	3	140

Source: Technopak Analysis

Table 4.6: CIF for T-Shirt Manufacturing in India and Bangladesh

Comparative Costing for Destination USA		
Garment made by country	**India**	**Bangladesh**
Main fabric		
Fabric cost per kg (US$)	6.95	7.11
Fabric Shipping cost per kg (US$)	0.00	0.06
Fabric usage per garment (kg)	0.24	0.24
Fabric Waste (%)	2.0	2.0
Main fabric cost per garment	**1.67**	**1.72**
Manufacturing cost		
Trim cost per garment (US$)		
Thread	0.10	0.10
Labels, tag	0.04	0.04
Packaging per garment (US$)		
Plastic polybag	0.02	0.02
Cardboard box	0.10	0.10
Total material cost per garment	1.84	1.89
Labour hour US$ cost per garment	0.60	0.30
SAM* for cut, make and finish	6.12	6.12
Efficiency (%)	60.0	50.0
Labour cost per garment	0.20	0.14
Rejections (%)	0.06	0.08
Manufacturing overheads per garment inclusive of electricity, rent, Indirect labour	0.07	0.06
Sales and admin cost (5% on labour)	0.010	0.007
Factory gate cost per garment (US$) (total cost per garment- fabric, labour, overheads, sales and administration)	**2.185**	**2.178**
Shipping and Insurance to Long Beach, CA (TEU)		
Land transport cost to port (US$)	400.0	250.0
Ocean freight from x to Long Beach	Mumbai	Dhaka
Ocean transport cost per container incl. insurnc. (US$)	2100.00	1900.00
Units per container	18000.00	18000.00
Transport and Insurance cost per garment (US$)	0.14	0.12
Total CIF Per Garment (US$)	**2.325**	**2.298**

* Sourcing Automation Management (SAM)

Source: Technopak Analysis

Table 4.7: Full Landed Cost Per Garment for Duty Paid by India and Bangladesh for Exports to USA and EU

Garment cost		India	Bangladesh
a)	Total CIF per garment (US$)*	2.325	2.298
Exported to USA			
	Tariff % (Import duty to US)	16.1	16.1
b)	Tariff per garment (US$)	0.374	0.379
	Full landed cost per garment incl. duty paid for USA (US$) (a+b)	**2.70**	**2.67**
Exported to EU			
	Tariff % (Import duty to EU)	12	0
c)	Tariff per garment (US$)	0.28	0
	Full landed cost per garment incl. duty paid for EU (US$) (a+c)	**2.60**	**2.30**

* derived from Table 4.6

Source: Technopak Analysis; Exim Bank India Analysis

for the production of T-shirts, where fabric cost per garment is US$ 1.67 in India and US$ 1.72 in Bangladesh. However, as the production cost of a T-Shirt is lower in Bangladesh than that in India, per garment CIF is marginally lower in Bangladesh at US$ 2.298 as compared with US$ 2.325 in India, mainly reflecting lower labour costs and transportation costs in Bangladesh.

As regards exports of T-shirt from India and Bangladesh to USA and EU markets, the full landed cost for export of per T-shirt from Bangladesh to both markets is lower than that from India, despite Bangladesh not having duty benefits for USA **(Table 4.7).**

- **Labour Laws in India and Bangladesh**

Labour laws in India and Bangladesh could be broadly compared using four parameters, namely, conditions of work hours and leave, termination, collective dismissal, and contract labour **(Table 4.8)**. The table shows that labour laws in India and Bangladesh are comparable in several parameters. However, as regards collective dismissal, maximum over time limit, etc., India is more rigid as compared to Bangladesh.

Indian labour laws are typically beneficial for employees but inflexible for the employer. Indian labour laws

Table 4.8: Labour Laws in India and Bangladesh

Parameters	India	Bangladesh
Conditions of work hours and leave		
Standard workday in manufacturing (hours)	48 hours a week	48 hours a week
Minimum daily rest required by law (hours)	30 minute rest every 5 hours of work	Not specified
Maximum working days per week	6	6
Maximum overtime limit in normal circumstances (hours)	200 hrs/year	12 overtime hours a week
Maximum overtime limit in exceptional circumstances (hours)	Not specified	Up to the Government's discretion
Premium for overtime work (% of hourly pay) over and above the normal pay	100%	100%
Premium for night work (% of hourly pay) in case of continuous operations	0	0
Premium for work on weekly rest day (% of hourly pay) in case of continuous operations	0	0
Holidays	Public holidays, festival leaves, annual leave and sick leave	Public holidays, festival leaves, annual leave and sick leave
Paid annual leave for a worker with 1 year of tenure and above (in working days)	15	17
Termination		
Termination of employment not at the initiative of the employer	Employee retirement; and the expiry of a fixed-term contract	Reasons of physical or mental incapacity or continued ill health termination of services of a worker for misconduct
Termination of employee by the employer	Criminal offence, wilful insubordination or disobedience; theft or dishonesty; wilful damage or loss of employer's property; bribery; habitual lateness or absence; and striking unlawfully, Retrenchment	Criminal offence, misconduct including wilful insubordination or disobedience, theft, fraud or dishonesty, bribe-taking, habitual late attendance, habitual negligence, etc and economic reasons

Notice period for employee	30 days	120 days for permanent workers 60 days for other workers
Severance pay for redundancy dismissal (for a worker with 9 months of tenure, in months)	½ month	0
Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in months)	½ month	1
Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in months)	2 ½ months	5
Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in months)	5	10
Severance pay for redundancy dismissal (for a worker with 20 years of tenure, in months)	10	20
Collective dismissal		
Definition of collective dismissal (number of employees concerned)	No provision on the number of employees concerned.	No provision on the number of employees concerned.
Prior consultations with trade unions (workers' representatives	Yes	No
Notification to the public administration	Yes	Yes
Notification to workers' representatives	Yes	Yes
Approval by public administration or judicial bodies	Yes	No
Approval by workers' representatives	Yes	No
Priority rules for collective dismissals (social considerations, age, job tenure)	Yes	Yes
Employer's obligation to consider alternatives to dismissal (transfers, retraining)	Yes	No
Priority rules for re-employment:	Yes	Yes
Contract Labour		
Fixed-term contracts prohibited for permanent tasks	No	Yes
Maximum length of a single fixed-term contract (months)	No limit	No limit

Maximum length of fixed-term contracts, including renewals (months)	No limit	No limit
Collective bargaining and settlement of industrial disputes Collective bargaining	Allowed	Allowed
Settlement of industrial disputes	Principal techniques of dispute settlement provided in the Industrial Disputes Act are collective bargaining, mediation and conciliation, investigation, arbitration and adjudication	Labour courts played the most important role in settlement of industrial disputes.

Source: ILO; Exim Bank India Analysis

protect the interests of employees, but there is no obligation to continue working with a particular employer. This exposes the garment manufacturers to considerable risk, as garment manufacturing is a labour-intensive process. Any abrupt relinquishment of jobs by the employees can delay the manufacturing process, which can lead to cancellation of orders, resulting in financial losses and also loss of probable future orders. Again, labour laws sometimes leave no viable option for the organisation to lay off the employee in the event of lack of adequate orders.

- ***MSME definition in India and Bangladesh***

In India, as per the Micro, Small, and Medium Enterprises Development (MSMED) Act, 2006, enterprises are broadly classified into micro units, small units, medium units and large units. Within the manufacturing sector, micro enterprises are classified as those with investment in plant and machinery not exceeding ₹ 25 lakh (US$ 54,000 approx.). While investments in plant and machinery for a small enterprise has been kept in the range above ₹ 25 lakh and not exceeding ₹ 5 crore (US$ 54,000 – US$ 1.1 million approx.), and a medium enterprise is defined with investment in plant and machinery in the range above ₹ 5 crore and not exceeding ₹ 10 crore (above US$ 1.1 million – US$ 2.1 million approx.).

For Bangladesh, the Industrial Policy 2005 emphasised the role of SMEs and defined its various size categories. The Industrial Policy of 2005 classified industries into only three categories: Large, Medium and

Small, and in the Industrial Policy 2010, two new additions, cottage and micro industries, were made to the industry classification. Thus broadly, a large industry is now defined as units with fixed assets excluding land and building more than Tk 300 million (more than US$ 4 million) or having more than 250 workers. Medium industry is defined as units with fixed assets excluding land and building between value of Tk 100 million – Tk 300 million (US$ 1.3 million – US$ 4 million) or those with employment size between 100 and 250 workers. Manufacturing enterprises with fixed assets between Tk 5 million – Tk 100 million (US$ 67,000 – US$ 1.3 million) excluding the value of land and building or with employment of 25 - 99 workers are to be treated as small enterprise. Micro enterprise is defined as enterprises with either the value (replacement cost) of fixed assets excluding land and building between Tk 0.5 million and Tk 5 million (US$ 6,250 – US$ 67,000), or with an employment of between 10 – 24 workers or less. A comparison of the MSME classification in India and Bangladesh is represented in **Table 4.9.**

From the table, the cap for micro and small enterprises in India and Bangladesh are more or less comparable. However, we see that Bangladesh defines a medium enterprise as those having an investment ceiling of Tk 300 million (which is approximately US$ 4 million), which is far higher compared to that in India (approximately US$ 2.1 million).

The Indian textile industry is fragmented, with only a few large players and numerous small and medium-size companies. While the MSME sector in India, with some exceptions, is characterized by low technology levels, which act as a handicap in the emerging global market. Although MSMEs play an important role in India's economic growth, be it in terms of its contribution to manufacturing value-

Table 4.9 Definition of SMEs in India and Bangladesh for the Manufacturing Sector

Country	Micro-enterprise	Small-enterprise	Medium-enterprise	Large-enterprise
India*	Not exceeding US$ 54,000	US$ 54,000 - US$ 1.1 million	US$ 1.1 million – US$ 2.1 million	Above US$ 2.1 million
Bangladesh**	Not exceeding US$ 67,000	US$ 67,000 - US$ 1.3 million	US$ 1.3 million – US$ 4 million	Above US$ 4 million

Source: India: Ministry of MSME; Bangladesh: National Industrial Policy 2010; Exchange Rate: World Development Indicators 2012; Exim Bank Research Study titled 'Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Select Countries'.

added or exports and employment generation, not many units have the ability to access technological expertise or mobilise resources for in-house innovation. Also, the cap on plant and machinery for the purpose of classifying the units as MSMEs does not encourage Indian MSMEs to move up the value chain. With low level of investment ceiling, the Indian MSMEs are either expanding laterally or engaging themselves in low-tech/ low-value products. In order to raise the productivity, investment ceiling for treatment of small, micro and medium enterprises may be raised. Especially the hike in investment ceiling for medium enterprises would encourage higher investments for technology absorption, quality up gradation, and export orientation.

- ***EPZ's in India and Bangladesh***

Export Processing Zones (EPZs) in India and Bangladesh (called Special Economic Zones in India after the Exim Policy 2000) serve to reduce the burden of taxes and duties for firms and companies included within these zones, in order to encourage their productivity and exports **(Table 4.10)**.

In India, the Special Economic Zones Act 2005 and the Special Economic Zones Rules 2006 govern the Special Economic Zones (SEZs) in India, while the Bangladesh Export Processing Zones Authority (BEPZA) Act 1980 lays the framework for EPZs in Bangladesh. The EPZs in India were created in a single phase, while in Bangladesh were developed in a phased manner. Every EPZs in India is under the Indian Ministry Of Commerce whereas the EPZs in Bangladesh are managed by BEPZA in accordance with the BEPZA Act.

An analysis of the EPZs in Bangladesh reveal that EPZs are home to many of the larger textile and garment investments, most of which are owned by foreign investors. However, as noted in Chapter 2, it is noteworthy to see that FDI flows into EPZ of Bangladesh are far lower than that in non-EPZs. Reason being EPZs in Bangladesh, despite facilitation of services and a variety of fiscal and non-fiscal incentives, have certain applicable rules that are considered more beneficial to workers than the investing company, for e.g. minimum wages.

In Sum

The RMG industry plays a significant role in the Indian and Bangladeshi economy, with the major markets for exports being, the USA and EU, which together account for two - third of global RMG demand. Despite the relatively small economy size and heavy dependence on import of raw materials, the RMG industry in

Table 4.10: EPZs in India and Bangladesh

Feature	India	Bangladesh
Evolution of the policy	EPZ policy evolved during the ISI regime to offset the anti-export bias.	EPZ policy was implemented to promote export oriented FDI in the export oriented regime
EPZ Authority	Under the purview of the Ministry of Commerce.	BEPZA was created under the chairmanship of the Prime Minister
EPZ Act	SEZ Act 2005, though the first EPZ was set up in 1965, followed by Exim Policy in 2000	BEPZA Act 1980
Development strategy of zones	Development in a single phase	In phased manner
Income tax holiday	100% exemption for 5 years, followed by 10-year deduction of 50% of the profits	10 years tax holiday 100% in 1st and 2nd year 50% in 3rd and 4th year 25% in the 5th year
Exemption on dividends	Exemption from dividend distribution tax	10 years complete exemption
FDI Limits	100% through automatic route to manufacturing SEZ units (barring a handful of sensitive industries	100%
Labour laws	All labour laws apply	Following laws not applicable: • The Excise and Salt Act • The Industrial Dispute Act • Foreign Exchange Regulation Act • Employment of Labour Act • The Building Construction Act • The Income Tax Ordinance
Subcontracting	Allowed	Allowed

Source: SEZIndia, MOCI; Bangladesh Export Processing Zones Authority (BEPZA); Exim Bank India Analysis

Bangladesh has outperformed that of India, mainly due to the preferential access enjoyed by Bangladesh to the EU and the USA markets. In addition, key factors like low dependence on national power grids, low production cost which overpower the high raw material cost, and a higher cap on investments in the MSME definition also have given the RMG industry in Bangladesh an upper hand vis-a-vis that of India, encouraging the industry to move up the value chain, thus, promoting the growth of this industry.

It is interesting to note that though the RMG industry in Bangladesh initially developed solely because of preferential access to EU and USA markets, the abolition of the Multi-Fibre Agreement in 2004 did not result in terminal decline of the industry. On the contrary, garment exports from the country boomed, rising at an average of 18 per cent from fiscal 2003-04 to fiscal 2005-06. The RMG sector of Bangladesh has been supported by a proactive policy framework like duty free import of raw materials (even against an export order), back to back letters of credit scheme extended by commercial banks, bonded warehouse facilities (where imported inputs can be cleared through the customs against export orders without paying any import duty). In addition to these proactive measures, the RMG industry of Bangladesh has been characterised by internal dynamism. Over the years, there has been a significant shift towards knitwear from the woven garments within the RMG industry of Bangladesh, mainly influenced by the preferential access ("two-stage local transformation" to EU) and strong backward linkage in the knitwear sector. The entrepreneurs of the sector not only increased their stitching capacity overtime but also invested in the allied industry to augment the overall capacity of the total sector with the same pace.

No doubt the Indian RMG industry has made considerable progress over the years. The Ministry of Textiles continues to support the industry through schemes such as the Technology Upgradation Fund Scheme (TUFS), Scheme for Integrated Textile Parks (SITP), State Aids for Setting up Textile Parks, etc. However, despite the frequent efforts made for scaling up the productivity and growth of this industry, India's presence in leading RMG markets is still small.

The fact remains, that there is a lot to be desired from streamlining policies, to plugging loopholes at the micro-level, to conducting collaboration amongst the various constituents of the textile industry, in order to be competitive in the global arena. India inherits abundant raw materials, and hence should direct its strengths constructively, while maintaining its cost arbitrage and enhancing operation lead time.

5. CONNECTIVITY AND TRANSIT FACILITATION BETWEEN INDIA AND BANGLADESH WITH FOCUS ON THE NORTH EASTERN REGION

This chapter discusses the issues of connectivity and transit provision between India and Bangladesh. It also throws light on the various initiatives to promote the existing trade with the North-eastern region of India, trade and investment between India (North-east) and Bangladesh, existing modes of transport between India (North-east) and Bangladesh, transaction costs at the India-Bangladesh border, and the role of India as a transit for trade between Bangladesh, Nepal, and Bhutan. This chapter will also focus on India's 'Look-East Policy' with emphasis on the North-eastern states of India and their role.

As noted in the earlier chapters, India - Bangladesh trade and investment relations are seemingly positive, but hindered through large logistic costs. Moreover, a part of India (North-east India – comprising of eight states, including Sikkim, is separated from the rest of India by Bangladesh, except for a very narrow transport corridor, known as the Siliguri Corridor (a narrow strip of width 21 - 40 km) (Source: Ministry of Development of North Eastern Region, Government of India). Bangladesh has not yet given transit access to India for trade with its North-eastern states. Further, these States have access to the sea route only through Kolkata, West Bengal, which is a turnaround route through the Siliguri Corridor. The distance between the state capitals of these states (except Sikkim) and Kolkata ranges between 1080 km to 1680 km, while the distance between these State capitals and Chittagong seaport, Bangladesh, ranges between 100 km to 800 km. Further, the North-eastern region's topography has been one of the major factors responsible for the underdevelopment of the region, thus having poor infrastructure, transportation system and other logistic facilities, resulted in high transport costs.

The North-eastern region of India (NER) covering states Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim, has an average NSDP of ₹ 222.6 billion and a literacy rate of approximately 80 per cent **(Table 5.1)**. Per Capita GSDP is high for Sikkim and Assam. The region is rich in natural resources like fruits and

Table 5.1: North-east India at a Glance (2013-14)

	Arunachal Pradesh	*Assam*	*Manipur*	*Meghalaya*	*Mizoram*	*Nagaland*	*Tripura*	*Sikkim*
NSDP (₹ billion)	1,24.1	1,462.0	104.9	182.3	72.5	136.8	224.5#	88.9 #
Total Population* (million)	1.4	31.2	2.7	3.0	1.1	2.0	3.7	0.6
Per Capita NSDP (₹)	84,484	46,354	36,474#	67,515	60,836#	65,908 #	60,963#	142,625#
Literacy rate* (%)	67.07	73.2	79.9	75.5	91.6	80.1	87.8	82.2
Forestry (% of Area)**	81.7	24.6	77.1	38.0	87.4	52.1	60.0	37.3
Major Crops	Rice, Maize, Millet, Wheat, Pulses, Sugarcane	Rice, Maize, Wheat, Jute, Cotton, Sugar cane, Arecanut, Coconut	Maize, Oil Seeds, Pulse, Rice, Sugarcane, Wheat	Rice, Maize, Jute, Rape seed, Mustard	Rice, Maize	Rice, Maize, Wheat, Grams, Mustard, Cotton, Jute, Sugarcane	Rice, Sugarcane, Cotton, Jute, Mesta	Wheat, Paddy, Maize, Barley, Buck wheat
Major Plantations	Rubber, Coffee, Tea	Tea, Rubber, Coffee	Rubber, Coffee	Rubber, Coffee	Tea, Rubber, Coffee, Tung Oil	Tea, Rubber, Coffee	Tea, Rubber, Coffee	Tea, Medicinal Plants
Fruits, Vegetables & Spices	Pineapple, Apple, Orange, Guava, Ginger, Grape	Banana, Pineapple, Orange, Potato, Sweet potato, Papaya, Cabbage, Onion, Tapioca	Cabbage, Brinjal, Carrot, Cauliflower, Bean, Knolkhol, Potato, Pea, Radish, Tomato	Banana, Pineapple, Guava, Jackfruit, Cashew, Tomato, Brinjal, Potato, Sweet potato, Chilli, Cabbage, Turmeric, Ginger, Tapioca, Pear	Banana, Pineapple, Orange, Passion Fruit, Chillies and Ginger	Banana, Pineapple, Jackfruit, Potato, Sweet, potato, Tapioca, Chillies, Ginger, Garlic	Banana, Pineapple, Orange, Mango, Guava, Litchi, Potato, Papaya, Tomato	Cardamom, Orange, Ginger
Minerals	Coal, Limestone, Petroleum, Dolomite	Coal, Limestone, Petroleum, Granite, Sillimanite, Iron ore, Quartzite, Feldspar, Clay	Chromite, Limestone	Coal, Limestone, Petroleum, Granite, Sillimanite, Iron ore, Clay, Quartzite, Feldspar	Coal, Limestone	Coal, Limestone, Petroleum, Slate	Fire Clay, Quartz, Silica sand	Coal, Dolomite, Quartzite, Limestone, Graphite

- Data pertains to 2012-13

* - Data for 2011

** - Data sourced from various state government websites.

Source: Economic Survey 2013-14, Govt of India; CMIE, States of India; Centre for Development and Peace Studies, India.

vegetables and mineral resources including coal, limestone, petroleum, iron ore, and quartzite.

Initiatives for promotion of trade with the NER

The North-eastern part of India is the home to many ethnic groups who have a strong custom of cultural and social identity. The region is strategically located, sharing around 98 per cent of its borders with China, Myanmar, Bhutan, Bangladesh, and Nepal. Due to its important location, it can serve the purpose of enhancing India's trade with Bangladesh, China and countries in the South-east Asia region. The region is linked to the Indian mainland only by a narrow land corridor termed as "chicken's neck" or the Siliguri Corridor (West Bengal).

Trade promotion initiatives by the Government of India in NER include:

- **North-East Cell:** It was established in the Department of Commerce with the objective of assisting exports from NER. An Empowered Committee was started under the Chairmanship of the Commerce Secretary to oversee and put into action the initiatives for NER.

- **Export Development Fund for the North-eastern region (EDF-NER):** This was implemented in 2000-01 with an objective of providing aid to specific activities that promote exports from NER, including Sikkim. This assistance is provided for all activities that have linkages with exports from the region. An Empowered Committee considers and approves proposals under the EDF-NER. The Agricultural and Processed Food Products Export Development Authority (APEDA) works as nodal agency, which manages funds under the instructions of Department of Commerce. As on September 2012, 75 projects amounting to ₹ 70.51 crore have been sanctioned under EDF-NER.

Some of the major projects approved/ being considered under the EDF-NER.

- Floriculture: Anthurium, gerbera cut flower, orchid, and rose cultivation;
- Cultivation & Processing: Passion fruit, orange, kiwi, ginger, turmeric, canned mushroom, safed musli, and large cardamom;
- Bee keeping & honey processing;
- Infrastructure development of Food Testing Laboratories, and Border Trade Points;
- Handicrafts, handloom, and silk;
- Rubber wood - based door manufacturing; and
- Workshops on mentoring, monitoring and export awareness.

- **Inland Transport Assistance (ITA):** The ITA was formulated to reduce expenditures on transportation of goods, in order to enhance exports of fresh and processed horticulture products from the region. The ITA came into operation with effect from July 15, 2002. The ITA is being implemented through APEDA. ITA is available in respect of identified products to all North-eastern states.

- **Assistance to States for Infrastructure Development of Exports (ASIDE):** This scheme provides assistance to the state governments (according to predetermined criteria) for the development of export infrastructure. The Export Promotion Industrial Parks (EPIP) Scheme, Export Promotion Zones (EPZ) Scheme and the Critical Infrastructure Balancing (CIB) Scheme, were merged with this new scheme. The ongoing projects under the EPIP, EPZ, CIB and EDF - NER including Sikkim, which were merged with the new scheme, were funded by the states from the resources granted under the new scheme.

Other important initiatives undertaken in the North-eastern region are:

- **Tea Board:** The tea board introduced the Organic Tea Development Project with an aim of establishing scientific package of practices for organic tea, identification of market potential for organic tea, and development of marketing strategies for organic tea in the world market. Two Model farms one each of 100 ha size have been established in Assam and Darjeeling.

- **Coffee Board:** It provides technical support to coffee growers for improving production and productivity. The Board introduced the "Coffee Development Programme" in the North-eastern region during the XI Plan, which includes financial support for expansion/ consolidation programme, support for marketing of coffee produced in the NER, financial support for raising of coffee seedlings, providing technical support to the coffee growers for production/ quality improvement, assistance for infrastructure development and quality upgradation.

- **Spices Board:** The Spices Board of India has taken special initiatives in the NER through its offices in the eight North-eastern states. It has undertaken several promotional programmes including large cardamom development through ₹ 17,500/- per ha. subsidy, construction of large cardamom curing houses, enhancing production of organic pepper by offering 33 per cent of the cost as subsidy with a ceiling of ₹12,500/- per ha., development of herbal spices by providing a subsidy of ₹ 20,000/- per ha., setting up of vermicompost units, extending the organic cultivation of lakadong turmeric (in Meghalaya) by providing ₹12,500/- per ha. subsidy, development of organic cultivation of ginger for the export market, supply of driers for drying ginger and turmeric, construction of warehouse-cum-cold storages, and training for officers and farmers in North-eastern states.

- **APEDA:** The Agricultural and Processed Food Products Export Development Authority (APEDA) was established in 1986 to further develop agricultural commodities and processed foods of the NER, and to promote their exports. Its primary mission is to maximise foreign exchange earnings through increased agro exports; to provide better income to the farmers through higher unit value realisation and to create employment opportunities in rural areas by encouraging value added exports of farm produce. Most of the development programmes in the North-eastern region are managed by the APEDA.

- **Rubber Board:** The Rubber Board of the government of India has a Rubber Plantation Development Scheme in North-east aimed at promoting rubber plantation in a scientific manner in the region. Some of the programmes under this scheme are specially designed to address the various infirmities of the region, with due consideration to the tribal community. The XI Plan scheme for 'Rubber Development in NE Region' is a comprehensive scheme with components for Rubber Plantation Development (RPD), Rubber Research, Processing, Quality Upgradation, Productivity Enhancement and Human Resource Development.

- **Minerals and Metal Trading Corporation (MMTC)** has set up an office in Guwahati (Assam) to promote business in the North-eastern region.

- **State Trading Corporation (STC)** has a branch office in Kolkata which is engaged in international and domestic trading from West Bengal and other North-eastern states of the country. The branch office is responsible for promoting and marketing the North-eastern produce both in domestic and international market.

- **Agri Export Zones (AEZs):** North-eastern region has four approved AEZs. They are listed as follows:

  a) **State:** Tripura

  Purpose: for organic pineapple

Geographical area: Kumarghat, Manu, Melaghar, Matabari and Kakraban Blocks

b) **State:** Sikkim

Purpose: for floriculture (orchids) & cherry

Geographical area: East Sikkim (for flowers (orchids) & cherry pepper)

Investments in the form of green house, drip irrigation/ Planting material and exports of Orchids have begun.

c) **State:** Sikkim

Purpose: for ginger

Geographical area: North, East, South & West Sikkim (for ginger) and East Sikkim (for flowers (orchids) & cherry pepper)

d) **State:** Assam

Purpose: for fresh and processed Ginger

Geographical area: Kamrup, Nalbari, Barpeta, Darrang, Nagaon, Morigaon, Karbi Anglong, and North Cachar

Investments in the form of pack house and 4 collection centres have begun.

The Ministry of Development of North Eastern Region (DoNER) has recommended the need to develop the region as a Special Export Zone (SEZ). It has emphasised the requirement of an encouraging industrial climate and thus developing export oriented industries in the region since it has a large international border.

- **North East Industrial and Investment Promotion Policy (NEIPP), 2007**, contains an extensive package of fiscal incentives and other concessions for the NER. Some of which include 100 per cent income tax exemption for industries operating in the region, capital investment subsidy, and these incentives are also extended to the services sector such as bio-technology industry and power generating industry.

- With a view to explore the potentials of the NER, the Government of India introduced the **North Eastern Vision 2020** on July 02, 2008. With this, the government aimed to bring about socio-economic development in the NER, which would be in conformity with the aims of India's 'Look East Policy'.

- **India's Look East Policy and the North-eastern Region:**

India's Look East Policy was introduced in the early 1990s with the intention of enhancing

India's economic co-operation and connection with the South-east Asian countries. The policy also looked at integrating India with the world through inward and outward investment flows.

The North-eastern states of India share borders with China and Bhutan on its north and north-west, and Myanmar on its east and Bangladesh on its south and south-west. The NER has the potential to be the gateway to south-east Asia region. India's Look East Policy would give the region a natural advantage for border trade. The various initiatives that have been taken by the Government of India under the Look East Policy in order to uplift the NER include the 'Asian Highway', 'Asian Railway Link' and 'Natural Gas Pipeline'.

The Kaladan Multimodal Transit Transport facility is targeted at building up connectivity between Indian ports and Sittwe port in Myanmar through riverine transport and road links in Mizoram. The Ganga-Mekong initiative has the potential for direct flights between Guwahati – Ho-Chi Minh city – Imphal – Hanoi. Another important step taken in order to improve the Sino- Indian relationship was the reopening of the Himalayan pass - Nathu La between Sikkim and Tibet on July 6, 2006 after 44 years for trans-border trade.

The Indian Railways is actively involved in the construction of railway tracks in the NER. Diphu (Assam) – Karong (Manipur) – Imphal (Manipur) – Moreh (Manipur) rail link (in the Indian side) would link India with ASEAN. Connecting Karong with Moreh via Imphal would link India with Thailand if the railway system on the Myanmar side is also developed. In this regard, Government of India has already extended Lines of Credit to the Government of Myanmar for the upgradation of the railway system between Mandalay and Yangon.

- **Activities of the Ministry of Micro, Small and Medium Enterprises (MSME) in the North-eastern region:**

The Ministry of MSME is actively promoting the development of MSMEs in the NER through various programmes and schemes. It has set up MSME Development Institutes (MSME-DIs), providing techno-managerial consultancy assistance and rendering necessary assistance to MSMEs by conducting various programmes like seminars, industrial motivational campaigns, feasibility reports, and area survey reports. These institutes were set up at Gangtok (Sikkim), Guwahati (Assam), Imphal (Manipur), Agartala (Tripura) and branch

MSME-DIs at Aizawl (Mizoram), Dimapur (Nagaland), Itanagar (Arunachal Pradesh), Diphu (Assam), Silchar (Assam), Tezpur (Assam), Shillong (Meghalaya) and Tura (Meghalaya). A Tool Room and Training Centre has been set up at Guwahati to cater to the need of industries in the area of tooling and training. The National Small Industries Corporation (NSIC) has a Zonal Office at Guwahati (Assam), which looks after all the activities in the NER and five sub-offices at Shillong (Meghalaya); Agartala (Tripura); Imphal (Manipur); Naharlagurn (Arunachal Pradesh) and Dimapur (Nagaland). NSIC also has a Training-cum-Incubation Centre at Guwahati, which provides technical training and organises skill upgradation programmes and entrepreneurship development programmes. The Indian Institute of Entrepreneurship (IIE) at Guwahati was set up with the aim of inculcating entrepreneurship cluster in the NER. The Institute is also acting as Regional Resource Centre (RRC) in the NER for MSE-Cluster Development Scheme of the Ministry. There are various schemes for the Agro-Rural Industries (ARI), which are under implementation in the NER, including, Prime Minister's Employment Generation Programme (PMEGP); Scheme of Fund for Regeneration of Traditional Industries (SFURTI); schemes relating to khadi and village industry activities; and schemes relating to promotion of coir and coir products. In order to ensure effective implementation and monitoring of Khadi and Village Industries (KVI) programmes in the NER, the Khadi and Village Industries Commission (KVIC) has a Zonal Office at Guwahati and other field offices in NE States. Some of the KVIC schemes implemented in the NER include Product Development Design Intervention and Packaging (PRODIP) Scheme, Janashree Bima Yojana, State Level Artisan Welfare Fund Trust, and Rural Industries Service Centre (RISC).

- **Foreign Trade Policy 2009-14 focus on the North-eastern region:**

  The Foreign Trade Policy (FTP) 2009-14 was announced in August 2009 with a short-term objective of arresting and reversing the declining trend of exports and to provide additional support especially to those sectors which had been severely impacted by the global recession. In the FTP 2009-14 special focus is given to enhance exports from the NER. In order to give a fillip to exports of products from the region, notified products of this region are incentivised under Reward Schemes of the FTP. Exports from units located in the eight North-eastern states are entitled for double weightage on exports made for grant of status. In the annual supplement 2012-13, to promote manufacturing activity and employment in the NER, export obligation under the Export Promotion Capital Goods (EPCG) Scheme shall be 25 per cent of the normal export obligation. Export of specified products through notified Land Customs Stations (LCS) of NER shall be provided additional incentive to the extent of 1 per cent of free on board (fob) value of exports.

- **Union Budget focus on the North-eastern Region:**

  The Union Budget 2012-13 extended the 'Swabhimaan' campaign to habitations with population of more than 1000 in North-eastern states. 'Swabhimaan' campaign was launched in 2010-11, to habitations having a population of more than 2000 as per Census 2011. As a next step, Ultra Small Branches are being set up at these habitations, where Business Correspondents would be dealing with cash transactions.

  The Ministry of Textiles runs Weavers' Service Centres in different parts of the country for providing technical support to poor handloom weavers. The budget announced the setting up two such centres, one each in Mizoram and Nagaland. In the budget a provision for a pilot scheme worth ₹ 500 crore, which is to be implemented in the Twelfth Five Year Plan (2012-17), was made for promotion and application of Geo-textiles in the NER.

  The Union Budget 2013-14 proposed to build roads in the North-eastern States and connect them to Myanmar with assistance from World Bank and ADB.

  The Union Budget 2014-15 made provisions of an additional assistance of ₹1,200 crore to select states, including the north-eastern states.

North-Eastern States of India and Bangladesh

The geographical location of the North-eastern states in India is such that they incur a high transportation cost as well as require longer transportation time to get supply of goods from their key source, Kolkata. The problem is aggravated by the weak local production base in most of these states, requiring them to import a wide range of goods and commodities from the mainland. As highlighted earlier, North-east India shares about 98 per cent of its borders with China.

Connectivity between India and Bangladesh

Connectivity between the two countries has been restricted due to security reasons. Presently, there are bus services between Dhaka-Kolkata and Dhaka-Tripura and a train service between Kolkata and Dhaka, which started on 14 April 2008. Air cargo has a very small share as it is much costlier than the other modes, i.e. waterways, roadways, and railways.

- **Inland Water Transport**

Movement of goods from India to Bangladesh using waterways is under the regulation of the Central Inland Water Transport Corporation (CIWTC) and Bangladesh Inland Waterways Authority (BIWA). In 2004-05, about 15,780 tons of goods were exported to Bangladesh from India through Inland Water Transport (IWT). Indian exports to Bangladesh through IWT comprised coal, rice, white cement, tyres, steel coil, and project goods. India's National Waterways 2 (NW 2), cutting across Bangladesh, links the NER with West Bengal. Both countries signed the Indo-Bangladesh Protocol on Inland Water Transit and Trade in 1972, which has facilitated river water transit. The Treaty clearly specifies routes for the passage of inland vessels **(Box 5.1)** and 'ports of call' for inter country trade. Both Governments have renewed this treaty periodically. Under this Treaty, movement of Indian goods and barges/vessels are permitted through the river systems of Bangladesh on these eight specific routes between Kolkata and points in Assam (Dhubri, Karimganj) on payment of Bangladeshi Taka 20 million as annual maintenance charges by India.

- **Land Customs Stations (LCS)**

The Land Customs Stations (LCS) at the India-Bangladesh Border provide transit, customs and immigration and cargo handling services for goods and passengers travelling between Bangladesh and North-east India. As per the Government of India's notification No. 63/94(Customs), there are 83 land customs stations between Bangladesh and India and out of which 33 are on Bangladesh North-east India border.

Among these 33 LCS **(Annexure 4)** along the Bangladesh - North-east India border, 21 are functional **(Table 5.2)** and the balance are either preventive posts or non-functional. Among these functional LCS, Kawrapuchciah - Thegamukh is yet to be notified as an LCS though bilaterally agreed.

Box 5.1: Protocol Routes and Ports of Call

Protocol Routes

- Kolkata-Haldia-Raimongal-Chalna-Khulna-Mongla-Kaukhali-Barisal-Hizla-Chandpur-Narayanganj-Aricha-Sirajganj-Bahadurabad-Chilmari-Dhubri-Pandu
- Pandu-Dhubri-Chilmari-Bahadurabad-Sirajganj-Aricha-Narayanganj-Chandpur-Hizla-Barisal-Kaukhali-Mongla-Khulna-Chalna-Raimongal-Haldia- Kolkata
- Kolkata-Haldia-Raimongal-Mongla-Kaukhali-Barisal-Hizla-Chandpur-Narayanganj-Bhairab Bazar-Ajmiriganj-Markuli-Sherpur-Fenchuganj-Zakiganj- Karimganj
- Karimganj-Zakiganj-Fenchuganj-Sherpur-Markuli-Ajmiriganj-BhairabBazar-Narayanganj-Chandpur-Hizla-Barisal/ Kaukhali- Mongla-Raimongal-Haldia-Kolkata
- Rajshahi-Godagari-Dhulian
- Dhulian-Godagari-Rajshahi
- Karimganj-Zakiganj-Fenchuganj-Sherpur-Markuli-Ajmiriganj-BhairabBazar-Narayanganj-Chandpur-Aricha-Sirajganj-Bahadurabad-Chilmari-Dhubri-Pandu
- Pandu- Dhubri- Chilmari- Bahadurabad- Sirajganj- Aricha- Chandpur- Narayanganj-Bhairab Bazar-Ajmiriganj- Markuli- Sherpur- Fenchuganj- Zakiganj- Karimganj

Ports of Call

	Bangladesh		India
-	Narayanganj	-	Kolkata
-	Khulna	-	Haldia
-	Mongla	-	Karimganj
-	Sirajganj	-	Pandu
-	Ashuganj	-	Silghat

Source: Inland Waterways Authority of India, Protocol on Inland Water Transit and Trade; and Ministry of External Affairs, Government of India.

Table 5.2: Functional Land Customs Stations between NER and Bangladesh

Sr. No.	LCS in India	LCS in Bangladesh	Indian States
1	Karimganj Steamer Ghat	Zakiganj	Assam
2	Mankachar		Assam
3	Karimganj Ferry Station	Zakiganj	Assam
4	Dhubri Steamerghat	Rowmati	Assam
5	Gauhati Steamerghat		Assam
6	Sutarkhandi	Sheola	Assam
7	Dawki	Tamabil	Meghalaya
8	Borsora	Borosora	Meghalaya
9	Shellabazar	Sonamganj	Meghalaya
10	Dalu	Nakugaon	Meghalaya
11	Mahendraganj	DhanuaKamalpur	Meghalaya
12	Baghmara	Bijoypur	Meghalaya
13	Bolanganj	Chattak	Meghalaya
14	Demagiri (Tlabung)	Rangamati	Mizoram
15	Karorapuchciah	Thegamukh	Mizoram
16	Agartala	Akhawra	Tripura
17	Srimantpur	Bibir Bazaar	Tripura
18	Old Raghnabazar	Betuli (Fultali)	Tripura
19	Manu	Chatlapur	Tripura
20	Dhalaighat	Khurma	Tripura
21	Khowaighat	Balla	Tripura

Source: Ministry of Development of North Eastern Region (MDONER); Commissionate of customs, North East Region, Shillong.

While the size of exports from the NER to Bangladesh is twice that of its imports, NER's imports from Bangladesh has been growing consistently during 2008-09 and 2012-13. Exports from the NER to Bangladesh have increased from ₹ 4.2 billion in 2008-09 to ₹ 9.2 billion in 2012-13 **(Table 5.3)**. Some of the major export items in 2012-13 include coal, tea, limestone, high speed diesel oil, cumin seed, fresh ginger, mortor spirit and rice. During the same period, imports of the NER from Bangladesh increased from ₹ 1.6 billion in 2008-09 to ₹ 4 billion in 2012-13 **(Table 5.4)**. Major imports of the NER from Bangladesh included fish, cement, crushed stones, miscellaneous food items, betel nut, synthetic or flavoured drinks and mobile handsets. Details of the state-wise trade of NER are presented in the **Annexure 5.**

Among the functional LCS, Borsora in Meghalaya had the highest exports at ₹ 3.3 billion in 2012-13 and Agartala in Tripura had the highest imports at ₹ 2.5 billion during the same period.

Table 5.3: North-East India's Exports to Bangladesh (₹ million)

	2008-09	2009-10	2010-11	2011-12	2012-13
Assam					
Karimganj Steamer & Ferry service	38.4	53.1	137.5	85.3	51.7
Mankachar	3.8	1.1	0.8	1.4	5.6
Sutarkhandi	294.0	285.7	194.8	269.9	451.1
Meghalaya					
Baghmara	34.6	51.2	38.6	48.3	82.8
Bholaganj	154.8	270.4	237.3	295.4	447.1
Borsora	1463.7	1476.2	1612.5	2356.1	3295.9
Dalu	357.6	386.3	190.0	247.3	366.5
Dawki	596.1	680.1	972.0	1230.1	988.5
Ghasuapara	373.4	533.9	670.1	903.3	1792.4
Mahendraganj	16.2	33.8	36.2	44.1	39.8
Shellabazar	874.3	5170.9	82.9	885.2	1624.9
Tripura					
Agartala	0.5	2.0	12.7	12.6	0.7
Manu	0.1	0.2	0.2	0.6	0.2
Muhurighat	0.0	0.0	0.0	2.1	1.1
Old Raghnabazar	0.5	0.5	0.4	0.7	2.0
Srimantpur	2.1	1.3	0.6	0.3	0.0
Total	**4209.9**	**8946.8**	**4186.6**	**6382.6**	**9150.1**

Source: Commissionerate of Customs, North East Region, Shillong; Exim Bank India Research

Table 5.4: North-east India's Imports from Bangladesh (₹ million)

	2008-09	2009-10	2010-11	2011-12	2012-13
Assam					
Karimganj Steamer & Ferry station	5.6	11.4	7.0	0.3	0.2
Mankachar	2.0	18.2	29.6	19.8	27.5
Sutarkhandi	286.5	411.1	305.4	456.4	541.8
Meghalaya					
Dalu	13.7	47.3	50.0	31.9	43.3
Dawki	5.2	3.7	1.3	0.6	32.3
Mahendraganj	27.2	47.8	43.2	47.1	46.5
Tripura					
Agartala	1116.1	1369.5	1995.8	2640.2	2450.8
Kowaighat	1.9	2.5	23.7	19.1	14.2
Manu	21.5	37.4	54.9	66.4	95.0
Muhurighat	0.0	55.9	183.6	249.3	374.0
Old Raghnabazar	4.0	4.1	6.5	17.9	24.8
Srimantpur	140.9	228.9	248.7	275.2	398.5
Total	**1624.7**	**2237.7**	**2949.6**	**3824.2**	**4048.9**

Source: Commissionerate of Customs, North East Region, Shillong; Exim Bank India Research

North-eastern LCS exports as a share of India's overall exports to Bangladesh was at 0.1 per cent in 2012-13, while imports were at 0.02 per cent during the same period. In spite of the meagre contribution of LCS to India-Bangladesh trade, potential for increase in trade through these LCS is huge.

Among all the LCS trade points between North-east India borders and Bangladesh, Bangladesh's export outweighs its import at Mankachar, Sutarkhandi, Mahendraganj points and all the six operational LCS in Tripura. Further, India's trade surplus with Bangladesh has put a huge pressure on the economy of Bangladesh. Given its locational advantage, Bangladesh may thus consider enhancing its exports to Tripura.

LCS and routes for export and import of goods by land or inland waterways as per Customs notification No 63/94-Cus.(N.T) is presented in **Annexure 6.**

Box 5.2: Unofficial Trade between India and Bangladesh

One of the major challenges to strengthening India - Bangladesh trade relations is the unofficial trade between the two nations. Unofficial trade occurs through the porous borders of Assam, Meghalaya, Mizoram, Tripura, and West Bengal. Major reasons for unofficial trade would include evasion of tariff and non-tariff barriers; simplex procedures; better market distribution network; and nature and size of the businessmen/traders. World Bank[1] estimates show that unofficial trade between India and Bangladesh amounted to US$ 237 million in 2002-03.

Studies on unofficial trade between India and Bangladesh have consistently found a pattern similar to that of formal trade i.e. large volumes of goods being smuggled from India to Bangladesh, but much smaller volumes being smuggled in the opposite direction. The main unofficial trade centres on the India-Bangladesh borders include Fakiragram, Mankachat, and Karimganj in Assam; Lichubari and Dawki in Meghalaya; Tlabung in Mizoram; Kailashahar, Agartala, Sonamora, Bilonia and Sabroom in Tripura and Petropole, Bagdha, Mejdia, Lalgola, Mohedpur, Radhikapur, Kaliagang and Hilli in West Bengal.

India-Bangladesh unofficial trade broadly ranges from foodstuff (onion and rice, consumer goods particularly, sugar and salt, textiles (sarees, ready- made garments), to consumer goods[2]. It has been argued that transaction costs of India's exports to Bangladesh have increased despite simplification of documentation at borders[3]. It has also been observed that even though contracting partners in unofficial trade do not have any formal contracts, these markets function smoothly.

More so, though unofficial trade has risks associated with it, the cost of mitigating this risk is quite low. For instance, if unofficial consignments are seized, the maximum penalty is confiscation of goods. These costs can be lowered still further by paying a nominal bribe[4]. On the other hand, formal trading procedures are extremely complex and time consuming. Another supplementing factor to unofficial trade between India and Bangladesh is the issue of payments. As compared to formal banking procedures, informal banking provides easy access to foreign currency, through the 'Hundi' system in Bangladesh.

Source: World Bank, India-Bangladesh Bilateral Trade and Potential Free Trade Agreement, 2006; Sanjib Pohit and Nisha Taneja, India's Informal Trade with Bangladesh and Nepal: A Qualitative Assessment', Indian Council for Research on International Economic Relations, 2000; Prabir De and Buddhadeb Ghosh, Reassessing Transaction Costs of Trade at the India- Bangladesh Border, 2008; and Dr. Nisha Taneja, India and Bangladesh Trade and Investment Relations: Emerging Patterns, 2012

Table 5.5: Major Unofficial Trade Routes along Bangladesh - North-east India Border

Assam	
1	Mankachar-Begunbari
2	Karimganj-Jokiganj (Sylhet)
3	Karimganj-Silua-Kamalganj (Sylhet)
Tripura	
1	Dhalaighat through Dhalai river from Halhall – Khurmaghat (Moulvibazar)
2	Kailasahar via Murtichera to Shamshernagar (Moulvibazar)
3	Dharmanagar via old Ranghabazar to Batuli (Moulvibazar)- Fultala
4	Muhurighat by Muhuri River to Parshuram (Feni)
5	Belonia (Tripura) – Belunia (Feni)
6	Akinpur (Tripura) – Mohammad Ali (Feni)
7	Sabrom – Ramgar (Khagrachari)
8	Agartala – Akhaura (Bhramanbaria) via Mogra
9	Khoaighat through Khoai River –Balla (Habiganj)
10	Manughat through Manu River –Chatlapur (Moulvibazar)
11	Khoaighat-Sharifpur (Moulvibazar)
12	Srimantapur-Bibirbazar (Comilla)
13	Srimantapur-Shahpur, Katakbazar, Gazipur (Comilla)
14	Akinpur-Chauddogram (Comilla)
15	Srinagar, Modhupur- Chagalnaia (Feni)
16	Sonamora-Koshba (Comilla)
Meghalaya	
1	Baghmara-Bijoypur (Netrokona) through Shomeshari river
2	Mahendraganj-Dhanua-Kamalpur (Jamalpur)
3	Mahendraganj through Jingiram river – Kamalpur (Jamalpur)
4	Cherargaon (Meghalaya)–Cherargaon (Sunamganj)
5	Borsora – Lalghat, Borsora (Sunamganj)
6	Borsora-Dolura, Bishambarpur (Sunamganj)
7	Bholaganj-Companiganj (Sylhet)
8	Komorrah –Chatak (Sunamganj) through Darogakhal, Sonai and Piang river
9	Dawki-Tamabil (Sylhet)
Mizoram	
1	Lunglei, Demagiri (Tlabung) - Theduar, Rangamati

Source: Land Custom Points and Field Survey; Chittagong Chambers of Commerce

- **New Integrated Check-Posts**

Recognising the impediments to transportation of goods between the two countries, India has initiated the setting up of seven Integrated Check Posts (ICPs) along the India-Bangladesh Border. These ICPs will have all modern amenities and will provide a single point for clearing consignments. New ICPs are expected to be set up at Petrapole, Hill, and Chandrabangha in West Bengal, Sutarkhandi in Assam, Kawrpuichhuah in Mizoram, Agartala in Tripura, and Dawki in Meghalaya.

- **Border Haats**

In order to curb unofficial trade, the two countries had agreed to reopen border haats (market places). Before 1972, border haats were used to help people residing on either side of the border to trade their surplus produce in return for essential items. But these haats were later shut down during Bangladesh's war of liberation. Realising the need to control unofficial border trade both nations decided to re-open the border haats. The first border haat was opened at Kalaichar-Baliamari (West Garo Hills-Kurigram) in Meghalaya, on July 23, 2011. The market operations are conducted once a week every Wednesday from 10 am to 4 pm. The other border haat was opened at Balat-Lauwaghar in Meghalaya. Now border haats are expected to be set up in Tripura and Mizoram. In January 2015, a border haat was inaugurated at Srinagar in Tripura.

The likely spots for border haatas on the Indian side are Marpara, Sillsury, Tuipuibari, and Nunsuri in Mizoram, and Kamalasagar, Boxanagar, Bamutia, Srinagar, Ekimpur, Pal Basti, Hiracherra, and Kamalpur in Tripura.

- **Rail Links**

Rail links between India and Bangladesh were closed during the 1965 Indo-Pakistan war when Bangladesh was a part of Pakistan. As a move towards strengthening their relation, both countries mutually agreed to reopen their rail routes. There are already rail links between India and Bangladesh through the following five routes:

1. Gede (India)-Darsana (Bangladesh) - Broad Gauge
2. Singhabad (India)-Rohanpur (Bangladesh) - Broad Gauge
3. Petrapole (India)-Benapole (Bangladesh) - Broad Gauge
4. Radhikapur (India)-Birol (Bangladesh) - Broad Gauge on Indian side and Metre Gauge on Bangladesh side
5. Mahisasan (India)-Shahbazpur (Bangladesh) - Metre Gauge

Of these five, only goods train services between India and Bangladesh are running through Gede-Darsana, Singhabad-Rohanpur and Petrapole-Benapole BG routes. Operation of Radhikapur-Birol route has been suspended since April 2005 due to broad gauging on Indian side while the track on Birol - Parbatipur section of the Bangladesh railway is still in metre gauge. The Mahisasan-Shahbazpur meter gauge route has not been operational since December 1996 due to lack of traffic. Also, an agreement for running Passenger Train Service between Sealdah and Jamuna Bridge was signed in 2001.

- **Great Asian Highway**

The Asian highway, also known as the Great Asian Highway, is a cooperative project among countries in Asia and Europe and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), to improve the highway systems in Asia. The Asian Highway network is a network of 142,000 kilometres of standardised roadways across 32 Asian countries with linkages to Europe, including India and Bangladesh[17]. The Highway will connect the Eastern and the North-eastern region of India via Bangladesh and the ASEAN region through Myanmar.

Examination of the Modes of Connectivity between India and Bangladesh[18]

Trade between India and Bangladesh is carried out mostly by road, and a comparatively low percentage is carried out by sea and even less by rail. Out of the eight states in the NER, Bangladesh shares its land border with four states namely, Assam, Meghalaya, Tripura, and Mizoram; and with West Bengal in mainland India. The major road route between Bangladesh and West Bengal is at the Petrapole - Benapole (on Bangladesh side) border and the major road routes on the NER with Bangladesh are Meghalaya, Tripura and Assam. As road connectivity between India and Bangladesh, studies have shown that there is no proper expressway which immediately begins from or ends at the border customs points between India and Bangladesh. Among the various LCSs along the border the largest amount of trade takes place, through the Petrapole - Benapole border.

[17]National Transport Development

[18]Source: Prabir De and Biswa N. Bhattacharya, Deepening India–Bangladesh Economic Cooperation: Challenges and Opportunities, Research and Information System (RIS), 2007; Dr. Nisha Taneja, India and Bangladesh Trade and Investment Relations: Emerging Patterns, 2012; and KAS Murshid, 'Transit and Trans-shipment: Strategic Considerations for Bangladesh and India', Economic and Political Weekly, Vol. XLVI No. 17 (April 23, 2011)

Despite the volume of trade handled by the LCS, there are a number of barriers that traders face at this border. In recent years, the number of trucks crossing the border daily has decreased from 650 to just 300-350 due to long queues, congestion and backlog of trucks to be cleared. Congestion at the border also adds to the cost to exporters. On average, each truck waits for 3 to 4 days before crossing the border and at least 2 days to unload the consignment in Bangladesh. Moreover, the road (NH 35) between Kolkata and Petrapole in Bangladesh is in very poor condition. Also, the road from Kolkata to Petrapole via Bongaon is a 2-lane National Highway (5.5 m wide) which is not capable of taking the pressure of heavily loaded export trucks. Due to which, distance of 95 km between Kolkata and Petrapole takes between 5-10 hours. Currently, NH 35 cannot be widened due to congestion along-side the highway.

Road traffic to Bangladesh via Petrapole converges at Bangaon, which is situated 4 km from the international border at Petrapole. Since the access roads including the national highway (NH 35) to Bangaon are mostly narrow and single-lane roads. At Bangaon, trucks have to cross narrow roads passing through residential and market areas, which leads to heavy congestion in the area. Because of this, traffic is often diverted to other LCS such as Hilli, Mohedipur, Changrabandha, and to Ghojadanga.

Among LCS, Petrapole (in West Bengal) in the road sector and Gede (in West Bengal) in the railway sector are the two noted ones, which together share over 70 per cent of the India–Bangladesh border trade. However, as stated earlier, there are other recognised over land border routes (roads) between NER and Bangladesh. Dawki in Meghalaya is the oldest LCS and mainly deals with coal traffic from the NER to Bangladesh. A few more LCS in the NER, such as Borsora and Shella Bazar (both in Meghalaya) and Sutakhandi and Ghasuapara (both in Assam), are increasingly handling India's overland exports to Bangladesh through the NER.

While most India/ Bangladesh traders and service providers use LCS for the transit of goods, and services between India - Bangladesh, there is an urgent need to upgrade the services at these stations. Though the Petrapole- Benapole LCS operates through Electronic Data Interchange (EDI) mechanism, most of the bilateral trade continues to be handled manually between these two countries. EDI is quite ineffective at the Petrapole border as the infrastructure there is not equipped to support an Management Information (MI) system, as there are frequent power cuts with inadequate power backup, poor internet connectivity, inefficient central server, and limited working hours of operating personnel. There is also a need to upgrade the logistic support like banking and storage facilities with adequate power supply in and around the port.

Another impeding factor is that working hours are not synchronised on both the sides of the border. There is a half an hour time difference between India and Bangladesh, which increased to one and half hours in winters when Bangladesh follows the Bangladesh Daylight Savings time. The increased time difference for about seven months of the year implies that the common working hours of the customs officers at both sides of the border is reduced to just about five and half hours. Earlier, even mismatch in weekly holidays between Benapole and Petrapole used to be a major problem, as Bangladesh observes a Friday-Saturday weekend while it is Saturday-Sunday for India. However, Indian customs have adjusted to the weekly work schedule of Bangladesh and it is a 6-day week now, with Friday being a holiday.

In February 2011, the Bangladesh-India Joint Group of Customs (JGCO) announced that they would meet to fix a protocol on Standard Operating Procedures (SOP), to make a total of 10 LCS operational in Bangladesh and India. JGCO will make Agartala, Srimantpur, Muhurighat, Dawki and Gasuapara LCS operational on the Indian sides, while the LCS at Akhaura, Bibirbazar, Belonia, Tamabil, Gobrakura and Koroitoli, will be operational in Bangladesh.

Border Haats generally have limited number of products for trade, which would be traded by identified vendors (generally from the border districts), with buying limits on each market day. For example, in Kalaichar-Baliamari Border, 25 vendors each will trade from the two countries, on a maximum 25 products, up to a limit of US$ 100 in local currency for a given buyer on each market day.

Accordingly, the number of products traded need to be increased, product identification would help reducing the existing level of informal trade that is currently taking place. Further, increasing the number of border Haats will not only contribute towards promoting bilateral trade, but also significantly help in promoting people to people contact that is needed for strengthening India-Bangladesh Relations.

With regards to railway networks, Bangladeshi locomotives are unable to haul air-braked freight wagons used by India, and are restricted to BCX wagons (covered, vacuum braked eight-wheeler wagons); holding capacity of loops, yards and terminals are inadequate on the Bangladesh side, even at the current low volume of traffic; container traffic and open wagons are currently restricted by Bangladesh Railway; speed of freight trains is impeded by mechanical signalling; section capacity constraints between Tongi and Bhairab junctions – there is a need to convert to broad gauge beyond Joydevpur; there is need to have dual gauge on the Tongi- Shahbazpur line; need for a trans-shipment hub at Ishwardi/ Sirajnagar; some specific sections have speed restrictions due to poor condition of rails, e.g. Rohanpur to Rajshahi, Azimnagar to Ishwardi, and Ishwardi to Mooladuli. Timings for rail movement are limited as night navigation is not allowed across borders. In addition to all these, land port infrastructure needs to be strengthened.

While waterways have been found to be the cheapest means of moving passengers and goods, lack of proper water transport infrastructure, absence of all-weather navigability and the lack of awareness of its energy conservation potential have contributed to low freight traffic through the waterways. India's National Waterways 2 (NW 2), cutting across Bangladesh, links the NER with West Bengal. The absence of all-weather navigation facilities, coupled with inadequate water depth, obstructs high-speed vessels from passing through national waterways, so these waterways can make little contribution towards enhancing merchandise trade between the two countries.

Liberalising aviation services can also contribute to the economic development of the South Asia region by fostering trade and tourism. The domestic liberalisation of civil aviation sector in India has allowed private sector to run more airlines in South Asia, thus attracting more passengers. Yet there are still some bottlenecks in aviation infrastructure, particularly busy airports in the region (e.g. Kolkata, Dhaka), which have to be fully revamped. Moreover, there could be direct flights connecting India's NER with its neighbouring countries, such as Bangladesh, Bhutan, Myanmar, and Nepal. A much more vigorous open skies policy can foster trade in the region. Airlines in South Asia may introduce electronic data interchange, interlinking trade agencies, customs, and immigration for faster, efficient trade transactions.

Transaction costs at the India-Bangladesh Border

The transaction costs for two-way official trade between India and

Bangladesh is very high, approximately US$ 2 billion according to a study titled 'Reassessing Transaction Costs of Trade at the India-Bangladesh Border' by Prabir De and Buddhadeb Ghosh. From 2001 to 2006, India incurred around 23.2 per cent of total imports from Bangladesh as trade transaction costs. Even though there has been a falling trend in the transaction costs, it is quite high in comparison to the developed world and also the developing Asia. The transaction costs consist of components like transportation costs, associated costs, transit costs, border crossing costs and other costs. Bilateral and intra-regional trade activities between India and Bangladesh and among South Asian countries are not fully flourishing, largely because of huge trade costs.

The transaction costs of customs station raises the price of traded items, which, however, varies with the volume and weight of goods. Since transaction costs at the border are random, changing with the period of check and attendant processes, setting risk costs on importers and exporters, it could also vary if traders have differing degrees of risk aversion.

One of the important reasons for high transaction costs of India's exports to Bangladesh is the burdensome and complicated cross border trading practices. Complex necessities in cross border trade raise the possibility of corruption. The goods carried by road from India are subjected to trans-shipment at the border. And the goods carried by rail are subjected to inland trans-shipment. In maritime transport, there are no direct sailings between the two countries. The trans-shipments at the LCS impose serious hindrances. Lack of harmonisation of technical standards for rolling stock and infrastructure, in both road and rail, further complicates the procedure.

Transit and Trans-shipment

Trans-shipment refers to the shipment of goods or containers to an intermediate destination, and then to yet another destination, using the intermediate destination's transport system. While transit refers to passage of goods via neighbouring/ other countries. Currently there exists no transit facility between India and the North-eastern India through Bangladesh. However, on November 30, 2010, India and Bangladesh signed a crucial deal to allow transport heavy equipment for its proposed Palatana Power Plant in Tripura in 96 consignments through Bangladesh.

Bangladesh could consider offering a transit facility to India, such that it connects mainland India to North-east India. This would be symbiotic to both nations. This transit facility would not only generate revenue, with Bangladesh charging transit fees, but it would also result in development of infrastructure facilities in Bangladesh. In the case of India, it would reduce transportation time and costs for transport between mainland India and the NER. For example, goods from Tripura, which otherwise would have to be transported 1645 km to reach at the Kolkata port for onward shipment, could be transported through Chittagong sea Port in Bangladesh that is 75 km away.

India as a transit for trade between Nepal, Bhutan, and Bangladesh

Countries like Nepal and Bhutan are land-locked and they depend on India's eastern coast for their international trade. Bilateral trade between Bangladesh, Bhutan and Nepal via India could take place via transit trade. Nepal is dependent on India for 68 per cent of its exports and 62 per cent of its imports per year[19].

In January 2010, the India-Bangladesh Joint Communiqué, both countries agreed that trucks carrying goods from Bhutan and Nepal be allowed to enter about 200 meters into Zero Point at Banglabandh at Banglabandh - Phulbari LCS. An agreement titled "Operational Modalities for an Additional Transit Route between Nepal and Bangladesh" has been signed by Bangladesh and Nepal so that they can carry out bilateral transit trade. This administers the terms for the usage of use of Banglabandh (Bangladesh)–Phulbari (India)–Khakarbitta (Nepal) as a transit corridor for bilateral trade.

To facilitate development of regional connectivity, during the India-Bangladesh Joint Communiqué in 2010, Bangladesh and India agreed to allow use of Mongla and Chittagong Sea Ports by Nepal, Bhutan, and India. The two countries also agreed that the Rohanpur/ Singabad-Kathihar-Rauxal-Brigunj broad gauge rail link would be available for transit traffic between Nepal and Mongla Port. They also agreed that the Akhaura-Agartala rail link would be reconstructed. The two countries also agreed to allow bilateral trade to be carried in containers through rail and water transport (WT) routes.

India has a double role in transit. On one hand it facilitates transit to Nepal and on the other hand India wants transit facilities from Bangladesh.

[19] Prabir De, Sachin Chaturvedi, and Abdur Rob Khan, 'Transit and Border Trade Barriers in South Asia', World Bank, 2010

The GATT Article V (Freedom of Transit) establishes the fundamental necessities of freedom of transit via the most suitable route and additionally requires that no discrimination be made on the grounds of flag of a vessel, place of origin, departure, entry, exit or destination. It also calls on parties not to show prejudices on the grounds of ownership of goods or means of transport.

Article V also decides on the conditions of the responsibility of not dictating any unnecessary deferments or constraints on transit. It also requires members to set reasonable fees and charges that would be non-discriminatory and confined to the cost of the service administered. On Article V, India has extended transit to landlocked countries like Bhutan and Nepal. Indian customs authorities need a declaration of all transit goods in accordance with the standard declaration form. They are also attempting to improve the amount of coordination between the different border agencies. Customs authorities are also looking at making procedures for the authorised consignors involved in the transit processes simpler. India does not charge duty or tax on transit goods.

Transit facilities through Bangladesh to bridge trade gap

As seen in Chapter 3, Bangladesh has a huge trade deficit with India. Allowance of transit or trans-shipment facilities to India for access to North-east region, would provide an impetus to the transport sector of Bangladesh. India has shown interest in the development of rail and road infrastructure of Bangladesh. Given the constraints of mainland India to connect with North-east India, Bangladesh could bridge its trade gap, by studying the potential markets in the North-east region and develop industries which would meet the need of the region. For example, Bangladesh imports limestone from Meghalaya, as a raw material for its cement industry, and exports its cement to the North-east region[20].

This in turn could form a cyclical link where NER provides raw materials Bangladesh and is a market for Bangladesh's finished products. This complementary nature of trade would not only help mainland India connect with Bangladesh, but would also generate employment in both regions.

[20]Corporate and face the problems squarely – A. S. Bhasin

Recent Developments

In the Joint Communiqué issued during the visit of Bangladesh's Prime Minister to India in January 2010, Bangladesh agreed to open its sea ports (Chittagong and Mongla) for the use by India, Nepal and Bhutan, it was also agreed to make Rohanpur-Singabad railway link available for Nepal and to allow the movement of trucks from Bhutan and Nepal to enter Banglabandh-Phulbari LCS. India has decided to construct a bridge over the Feni river in southern Tripura to get access to Chittagong port for carrying goods and heavy machineries for the landlocked region. This would serve as a trading route for the whole of North-east India and also help trade from the South-East Asian countries. In September 2011, under a Joint Statement following PM Sheikh Haisna's visit to India, both sides have decided to work towards concluding the Motor Vehicles Agreement for regulation of Passenger and Cargo traffic.

State-specific potential export items from Bangladesh to NER

Bangladesh Government has identified the North-eastern Indian states as an important potential market for Bangladeshi products. A World Bank study conducted under the Bangladesh Export Diversification Project in 2004 has identified state-specific potential export items with demand in select states of the region - Assam, Meghalaya, Manipur, Tripura and Mizoram. The products identified in the study are as follows:

Assam: Zamdani saree, cotton waste, fabrics, woven fabrics of paper yarn, staple fibre, synthetic fibres, readymade garments, underclothes, ceramic products, jute yearn, soap, biscuit, dry fish, fruit drinks, ice-cream, mineral water, molasses, potato crackers, waffles and wafers, soybean oil, dry cell battery, electrical and electronic goods, brick crushing machine, cotton cutting machine, chicken, eggs, garlic, hilsa fish, potato, pulses, small fish, tobacco leaf, fittings for furniture, foam, furniture, cement, corrugated tin, MS rod, stone chips, PVC pipe, tiles, toilet fittings, bicycle, brass pitcher, filter, mosquito net, polythene (lay flat tube), show pieces, tin foil, and poultry feed.

Meghalaya: Zamdani saree, textile products, readymade garments, ceramic products, melamine products, soap, food items, fruit drinks, potato crackers, soybean oil, processed meat (chicken, beef and mutton), hilsa fish, live animals for meat, cement, corrugated tin, and MS rod.

Manipur: Sport wear, bone china, dried food, puti fish, jute goods, readymade garments, crockery, melamine products, cosmetics, toiletries, wine, processed meat, soybean oil, electronic goods, fish, garlic, rice, cement, corrugated tin, medicine, and wooden boat.

Tripura: Zamdani saree, cotton waste, fabrics, woven fabrics of paper yarn, staple fibre, synthetic fibres, readymade garments, underclothes, ceramic products, jute yarn, soap, biscuit, dry fish, fruit drinks, ice-cream, mineral water, molasses, potato crackers, waffles and wafers, soybean oil, dry cell battery, electrical and electronic goods, brick crushing machine, cotton cutting machine, chicken, eggs, garlic, hilsa fish, potato, pulses, small fish, tobacco leaf, fittings for furniture, foam, furniture, cement, corrugated tin, MS rod, stone chips, PVC pipe, tiles, toilet fittings, bicycle, brass pitcher, filter, mosquito net, polythene (lay flat tube), show piece, tin foil, and poultry feed.

Mizoram: Cement, meat, cosmetics, soybean oil, medicine, crockery, readymade garments, melamine, toiletries, and electronic goods.

6. POTENTIAL FOR ENHANCING INDIA-BANGLADESH BILATERAL TRADE AND INVESTMENT RELATIONS

Bilateral trade and investment between India and Bangladesh perked up in recent years, as analysed in previous chapters. However there exists potential to further enhance two-way trade and investment flows. Accordingly, this chapter is divided into two sections, which looks at identifying the sectors where potential exists to enhance bilateral commercial relation between the two countries.

TRADE POTENTIAL BETWEEN INDIA AND BANGLADESH

Identifying Commodities with High Potential for Export from India to Bangladesh

Commodities (HS 6 Digit)[21] which have export potential from India to Bangladesh has been identified through the following criteria:

Criteria 1 - Identification of major items in Bangladesh's import basket, and share of India in each product line (based on HS-code);

Criteria 2 - Commodities exported by India to the global markets that have registered high growth rates in the recent years; and

Criteria 3 - Selection of potential items, based on relatively low share of India in Bangladesh's import basket of major commodities.

If RCA > 1, the origin country (India) has a revealed comparative advantage to export that particular product **(Annexure 7)**.

Table 6.1 presents Bangladesh's major import items, in terms of 2-digit HS code, and India's share in Bangladesh's global imports of these items, along with India's global exports. As can be seen from the table, despite India's global export capability, India's share in Bangladesh's major imports is still low in select items, which highlights the potential for enhancing these exports to Bangladesh. Based on the above criteria, India's potential export items to Bangladesh at the 2-digit level would include the following:

[21] Data for the Analysis has been derived from ITC Trademap

Table 6.1: Potential for Enhancing India's Export to Bangladesh

HS Code	Product Label	Bangladesh's imports from world	Bangladesh's imports from India		India's exports to world
		2013 (US$ mn)	2013 (US$ mn)	Share in Bangladesh's world imports (%)	2013 (US$ mn)
TOTAL	**All products**	**33337.3**	**5994.0**	**18.0**	**336611.4**
52	Cotton	5026.3	1662.0	33.1	11294.0
84	Machinery and equipments	3367.9	282.8	8.4	13126.1
27	Mineral fuels, oils, distillation products	2274.1	161.9	7.1	69571.3
85	Electrical, electronic equipment	1808.1	131.0	7.2	11275.9
72	Iron and steel	1618.2	249.2	15.4	10206.5
39	Plastics and its articles	1534.5	140.9	9.2	6222.7
15	Animal, vegetable fats and oils	1340.3	2.2	0.2	984.2
10	Cereals	1214.6	765.2	63.0	11592.5
55	Manmade staple fibres	1204.0	167.1	13.9	2185.6
87	Vehicles other than railway, tramway	1002.1	459.5	45.8	13800.1
31	Fertilizers	867.5	0.9	0.1	75.6
17	Sugars and sugar confectionery	759.5	18.6	2.4	1180.0
54	Manmade filaments	639.5	63.9	10.0	2680.9
07	Edible vegetables and certain roots	616.0	136.6	22.2	1404.4
60	Knitted or crocheted fabric	545.6	49.7	9.1	256.5
29	Organic chemicals	515.2	151.8	29.5	13340.4
32	Tanning, dyeing extracts	510.1	122.5	24.0	2616.5
48	Paper and paperboard, and articles of pulp	444.8	33.6	7.6	1141.3
23	Residues, wastes of food industry, animal fodder	396.7	247.5	62.4	3697.5
38	Miscellaneous chemical products	379.0	81.0	21.4	3398.0

Source: ITC Trademap, derived from UNComtrade

- Mineral fuels, oils, distillation products (HS 27)
- Electrical and electronic equipment (HS 85)
- Animal, vegetable fats and oils (HS 15)
- Paper and paperboard, articles of pulp (HS 48)

Further, up to the 6-digit HS commodity code level potential export items under each product category, up to 6-digit HS Commodity code.

Mineral fuels and distillation products (HS-27)

Mineral fuels and distillation products are the third-largest items in Bangladesh's import basket. In 2013, these imports amounted to US$ 2.3 billion with a share of 6.8 per cent in Bangladesh's total import basket. Major suppliers to Bangladesh are Singapore, Malaysia, India, and South Korea (**Table 6.2**). Though India accounts for 7.1% of Bangladesh's total mineral fuel import, its share has been declining since 2008. According to 6-digit HS commodity classification code, the potential items of exports under this category, based on import demand in Bangladesh, and in line with India's export capability, have been presented in **Table 6.3**.

Table 6.2: Bangladesh's Imports of Mineral Fuels and Distillation Products (HS-27) - Major Partners

Exporters	2008	2013	2008	2013
	(US$ mn)	(US$ mn)	(% share)	(% share)
Total	**975.3**	**2274.1**	**100.0**	**100.0**
Singapore	271.0	1079.8	27.8	47.5
Malaysia	80.1	704.6	8.2	31.0
India	127.6	161.9	13.1	7.1
Korea, Republic of	293.0	132.6	30.0	5.8
Qatar	-	63.7	-	2.8
Taipei, Chinese	142.1	52.1	14.6	2.3
China	10.9	42.8	1.1	1.9
Thailand	29.3	16.4	3.0	0.7
Indonesia	0.1	5.9	-	0.3

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

Electrical and electronic equipment (HS 85)

Electrical and electronic equipments are major items in Bangladesh's imports basket, amounting to US$ 1.8 billion in 2013, with a share of 5.4 per cent of Bangladesh's global imports. China is the biggest supplier (**Table 6.4**). Though India's share in Bangladesh's global import of electrical and electronic equipment is increasing, its share is marginal compared to that of China. Based on demand in Bangladesh and India's export capability, potential export items under this category according to 6-digit HS commodity classification code are presented in **Table 6.5**.

Table 6.3: Mineral Fuels and Distillation Products (HS-27) - Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's imports from world	Bangladesh's imports from India		India's exports to world
		2013 (US$ mn)	2013 (US$ mn)	Share in Bangladesh's imports (%)	2013 (US$ mn)
271019	Other petroleum oils and preparations	1914.6	52.9	2.8	46973.5
271011	Light petroleum oils and preparations	134.2	0.2	0.1	19765.2
271099	Other waste oils	63.7	0.001	-	336.5

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

Table 6.4: Bangladesh's Imports of Electrical and Electronic Equipment (HS 85) - Major Partners

Exporters	2008 (US$ mn)	2013 (US$ mn)	2008 (% share)	2013 (% share)
Total	**1,535.6**	**1,808.1**	**100.0**	**100.0**
China	507.0	944.6	33.0	52.2
Singapore	206.1	170.2	13.4	9.4
India	64.2	131.0	4.2	7.2
Korea, Republic of	19.5	82.6	1.3	4.6
Germany	57.5	67.2	3.7	3.7
Finland	58.0	64.7	3.8	3.6
United States of America	59.0	62.7	3.8	3.5
United Kingdom	11.9	36.6	0.8	2.0
Sweden	110.2	30.2	7.2	1.7
Italy	15.5	26.9	1.0	1.5

Source: ITC Trademap, derived from UNComtrade

Table 6.5: Electrical and Electronic Equipment (HS 85) - Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's imports from world	Bangladesh's imports from India		India's exports to world
		2013 (US$ mn)	2013 (US$ mn)	Share in Bangladesh's imports (%)	2013 (US$ mn)
851712	Telephones for cellular networks mobile telephones or for other wireless	91.8	0.01	-	2284.6
851770	Parts of telephone sets, telephones for cellular networks or for other	43.4	0.7	1.5	704.8
852990	Parts suitable fuse	63.6	1.2	1.9	124.8
851762	Machines for the reception, conversion and transmission or regeneration	121.2	2.5	2	105.8
852340	Optical media for the recording of sound or of other phenomena	39.3	0.1	0.1	96.2
854449	Electric conductors, for a voltage not exceeding 80 V	31.0	0.2	0.8	48.5
852872	Reception apparatus for television, colour, whether or not incorporation	28.6	0.1	0.3	36.2

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

Animal, vegetable fats and oils (HS 15)

Bangladesh's global imports of animal, vegetable fats and oils amounted to US$ 1.3 billion in 2013, up from US$ 1 billion in 2008, with the major suppliers being Indonesia, Malaysia, Argentina, Brazil, and Paraguay. India's exports of these products was US$ 2.2 million in 2013, with a share of a marginal 0.2 per cent of Bangladesh's global imports. Further, India's share in Bangladesh's total animal, vegetable fats and oils import has been declining since 2008 (**Table 6.6**).

According to 6-digit HS commodity classification code, potential items of exports to Bangladesh under this category, based on import demand in Bangladesh and India's export capability, have been presented in **Table 6.7.**

Table 6.6: Bangladesh's Imports of Animal, Vegetable Fats and Oils (HS 15) - Major Partners

Exporters	2008 (US$ mn)	2013 (US$ mn)	2008 (% share)	2013 (% share)
Total	1,020.1	1,340.3	100.0	100.0
Indonesia	577.9	619.1	56.7	46.2
Malaysia	231.0	370.4	22.6	27.6
Argentina	130.7	218.6	12.8	16.3
Brazil	33.7	64.5	3.3	4.8
Paraguay	7.4	53.1	0.7	4.0
United States of America	3.5	2.4	0.3	0.2
India	6.6	2.2	0.6	0.2
Spain	0.4	1.4	-	0.1
China	0.1	1.1	-	0.1
Singapore	4.2	1.1	0.4	0.1

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

Table 6.7: Animal, Vegetable Fats and Oils (HS 15) - Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's imports from world	Bangladesh's imports from India		India's exports to world
		2013	2013	Share in Bangladesh's imports (%)	2013
151620	Veg fats &oils &fractions hydrogenated	114.9	0.01	-	68.8
151800	Animal/veg fats & oils	69.7	0.1	0.1	30.5

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

Paper and paperboard, articles of pulp (HS 48)

Bangladesh's imports of paper and paperboard, articles of pulp rose from US$ 347.6 million in 2008 to US$ 444.8 million in 2013, with China having emerged as the largest supplier accounting for as much as 25.3 per cent (**Table 6.8**). Other major suppliers include China, South Korea, and Indonesia. Though India accounts for 7.6% of Bangladesh's total paper and paperboard, articles of pulp import, its share has been declining since 2008. To enhance exports to Bangladesh, potential export items under this category, as per 6-digit HS commodity classification, have been presented in **Table 6.9**.

Potential Export Items from Bangladesh to India

Despite Bangladesh's global export capability, Bangladesh's share in India's imports is found to be low in various items, which highlights the potential for enhancing these exports to Bangladesh.

Bangladesh has a strong potential for the export of raw hides and skins (HS-41) to India. India's import of raw hides and skin was at US$ 557.7 million in 2013, while Bangladesh's export stood at US$ 280.8 million in 2013. However, Bangladesh's share in India's import of raw hide is as low as 1.3 per cent. Hence, Bangladesh has an export potential to India in raw hides and skin.

Table 6.8: Bangladesh's Imports of paper and paperboard, articles of pulp (HS 48) – Major Partners

Exporters	2008 (US$ mn)	2013 (US$ mn)	2008 (% share)	2013 (% share)
Total	347.6	444.8	100.0	100.0
China	20.6	112.5	5.9	25.3
Korea, Republic of	127.4	94.6	36.7	21.3
Indonesia	29.9	40.4	8.6	9.1
India	37.6	33.6	10.8	7.6
Taipei, Chinese	8.2	33.6	2.4	7.5
Australia	5.8	30.3	1.7	6.8
Thailand	10.7	16.3	3.1	3.7
Singapore	9.2	11.2	2.6	2.5
Finland	8.2	10.5	2.4	2.4
Malaysia	2.8	8.0	0.8	1.8

Source: ITC Trademap, derived from UNComtrade

Table 6.9: Paper and paperboard, articles of pulp (HS 48) – Potential Export Items to Bangladesh

HS Code	Product Label	Bangla-desh's imports from world	Bangladesh's imports from India		India's exports to world
		2013	2013	Share in Bangla-desh's imports (%)	2013
481019	Paper and paperboard used for writing, printing or other graphic purpose	33.0	0.5	1.5	42.3
481013	Paper and paperboard used for writing, printing or other graphic purpose	18.2	-	-	10.7
480256	Uncoated paper and paperboard, of a kind used for writing, printing	9.8	0.2	2	40.5
480257	Uncoated paper and paperboard, of a kind used for writing, printing	7.1	0.1	1.7	73.9
480255	Uncoated paper and paperboard, of a kind used for writing, printing	3.8	0.01	0.3	51.9

Note: '-' denotes marginal or nil

Source: ITC Trademap, derived from UNComtrade

INVESTMENT OPPORTUNITIES IN BANGLADESH

A number of sectors present potential for investment, and the Board of Investment (BOI) of Bangladesh has identified these priority sectors:

a) Power Industry

Having proper supply of electricity is one of the major requirements in order to attract domestic and foreign investment. The Government of Bangladesh has accordingly set the goal of providing electricity to all its citizens by 2021. The Government encourages private sector participation in power sector to ensure wider access to electricity. As a result, the private sector is increasingly getting involved in power generation programme of the Government.

Public and private sector produces 63 per cent and 37 per cent of electricity, respectively. Public sector produces electricity through Bangladesh Power Development Board (BPDB), Ashuganj Power Station Company Ltd. (APSCL) and Electricity Generation Company of Bangladesh (EGCB). On the other hand, private sector produces power through small independent power producers that government buys at a constant price. BPDB individually produces 46 per cent of the total power production. Under the Private Sector Power Generation Policy, so far power plants with a capacity of 1,290 MW have been established and are under operation. Moreover 1,590 MW of electric power are planned to be generated in the near future.

A list of existing Independent Power Producers (IPPs) and a table on projected demand and supply of power is given in **Annexure 9**.

Some facilities and incentives that would be provided to the foreign investors are listed below:

- Tax exemption on royalties, technical know-how and technical assistance fees, and facilities for their repatriation
- Tax exemption on interest on foreign loans
- Tax exemption on capital gains from transfer of shares by the investing company
- Avoidance of double taxation case of foreign investors on the basis of bilateral agreements
- Exemption of income tax for up to three years for the expatriate personnel employed under the approved industry
- Remittance of up to 50 per cent of salary of the foreigners employed in Bangladesh and facilities for

repatriation of their savings and retirement benefits at the time of their return

- No restrictions on issuance of work permits to project related foreign nationals and employees
- Facilities for repatriation of invested capital, profits and dividends

Bangladesh has a vast market as far as power and electricity is concerned and good prospects for constructing power generation plants exist in the country in terms of resources available and government policies.

b) ICT and Business Services

It has been reported that over 400 IT companies, supplying to local and international markets, are now flourishing in Bangladesh. Salient features of this sector would include the following:

i. Industry ranges from inbound call centres to the latest in Web 2.0 software development

ii. Widespread use of English makes Bangladesh a fast, emerging option for the global business services industry

iii. Vibrant cluster of international companies exporting worldwide

iv. Highly skilled, cost effective workforce with a strong work ethic

v. Ideal geographical location to meet needs of key markets

Investing in Bangladesh would interest companies that are committed to business growth, reducing manufacturing or research and development costs, and promoting exports. Opportunities include:

- Direct investment in proprietary ICT and business/ financial services
- Outsourcing of ICT and business services to existing established Bangladesh businesses
- Development of telecom infrastructure and services

BOI further reports that the first phase of infrastructural work of a 230 acre hi-tech ICT Park at Kaliakoir near Dhaka, provides opportunities for ICT companies looking for a dedicated and high quality business environment.

The Government of Bangladesh is designing a variety of incentive schemes (mostly similar to EPZ incentives) to attract the necessary private and foreign investment in the park. Every year, the government allocates to the IT equity and entrepreneurship fund, which is formed to ensure low-cost finance for IT/software related entrepreneurs.

ICT/software companies that engage in the following activities are able to invest in the ICT Park and will enjoy special financial and other benefits:

- Developing software (e.g. ERP, accounting and inventory, POS, and phone content software)
- e-commerce
- e-governance
- Geographic Information System (GIS)
- Business process outsourcing (BPO)
- Data entry and processing
- Website development
- Graphic design
- Animation
- Multimedia

ICT incubator at Kawran Bazar, Dhaka

The Bangladesh government has set up an ICT Incubator having office space of 67,000 square feet at Kawran Bazar, Dhaka, for the IT/Software-based companies in November 2002. The ICT Incubator is managed by the Bangladesh Association of Software and Information Services (BASIS). The incubator has high-speed internet connection service and competitive rental costs.

Contact centre opportunities

Contact centres offer a unique business opportunity in Bangladesh. Advances in computer and telecommunications technologies and a rapid decrease in prices have made centralisation of business processes and contact centres technically possible and extremely cost effective. The Bangladesh government is putting increasing emphasis on the outsourcing market with the introduction of licensing for call centres. The Bangladesh Telecommunication Regulatory Commission (BTRC) is facilitating the development of call centres with the issue of new licences that are competitively priced.

c) Garments and Textile

BOI reports that the textiles and clothing industry is Bangladesh's biggest export earner. The key statitics of Bangladesh's RMG sector is given in the **Annexure 10.**

Sector highlights

i. Cost and quality of products that are produced on time, reliably and very competitively with a highly skilled labour force

ii. A unique regional location for expansion into key Eastern and other markets

iii. Favoured trading status with the EU and the USA

iv. Clusters of companies providing a local supplier base with real depth in skilled labour, training and technical development facilities

Investment opportunities and Government support

In the readymade garment (RMG) sector, the industry demand for fabric significantly exceeds local supply and so is currently being met by imports. Backward linkage is a significant opportunity and is supported by a Government backed incentive: 15 per cent cash subsidy of the fabric cost to exporters sourcing fabrics locally.

Additionally, the Government of Bangladesh has established a favourable policy regime for investment in these sectors offering investors the following choices:

- Establishment of new textile/RMG mill in the private sector
- Joint ventures with the existing textile/RMG mill
- Acquisition of public sector textile mills that are being privatized
- Indirect investment through financial services and/or leasing

The public policy of introducing back to back letters of credit and bonded warehouse facilities, provide a tremendous momentum to the export situation in Bangladesh.

The growing trend in the textile and garment sector, the growing demand for yarn in the local market, lower costs of doing business, attractive incentive packages and a favourable investment policy regime may be some of the reasons to invest in the textile and garments sector in Bangladesh.

d) Life Sciences

This sector offers several investment opportunities in the following fields: pharmaceuticals, patented medicines manufacture, active pharmaceutical ingredients production, and generic pharmaceuticals. According to the BOI, the main advantages for investing in Bangladesh are as follows:

i. Highly skilled work force and internationally competitive cost base, with high quality management resources fluent in English

ii. Ideal regulatory and tariff environment

iii. Excellent geographical location close to emergent economic giants of China and India

iv. Significant potential for research and development, contract research outsourcing and clinical trials development

v. Quality tertiary education producing a plentiful supply of top flight scientific talent

According to UK trade and investment (UKTI)'s sector briefing on pharmaceutical opportunities in Bangladesh, an estimated investment of around US$ 300 million has been made in the pharmaceutical sector in the past few years. The total size of the pharmaceutical market in Bangladesh was estimated to be around US$ 700 million. It was reported that there were around 240 registered pharmaceutical companies in Bangladesh.

Bangladesh also has a large market for Active Pharmaceutical Ingredients (API) and intermediates. Bangladesh meets around 97 per cent of its demand by local production. However, it still depends largely on imported bulk pharmaceuticals. Around 80 per cent of Bangladesh's total need of API is met through imports. To meet the API demand locally the Bangladesh Government's highest planning body, the Executive Committee of the National Economic Council (ECNEC), has approved the Active Pharmaceutical Ingredient (API) park at Munshiganj. This is expected to be Bangladesh's first hub for medicine raw materials. Local companies of Bangladesh have already lined up around US$ 285 million for investment in the API Park. The Government of Bangladesh is also inviting foreign companies to invest in this "API park" Project. The corporation is expected to develop the infrastructure with state-of-the-art facilities including a central effluent treatment plant (ETP) and incinerator for solid and liquid waste-management.

e) Agri-business

Profitable investment opportunities in agri-business in Bangladesh are supported by the plethora of natural resources there. Over Ninety varieties of vegetables are grown in Bangladesh, yet the country's agricultural capacity is under utilised. This brings forward opportunities for investors looking to export agricultural products, or to meet the rapidly growing local demand. Particularly canned juices, fruits, vegetables, dairy and poultry are flourishing in the agri-business sector.

Sector highlights

i. Huge supply of raw materials exists for the agri-business industry.
ii. A tropical climate for all year growing, a lot of fresh water, indeed a land interspersed with numerous rivers, available land with fertile soil.
iii. Government and NGOs conduct regular training programmes to develop skilled manpower in the industry.
iv. Wide range of biodiversity exists for different crops.
v. Agricultural commodities have a comparatively higher value added than non-agricultural commodities.

Investment opportunities

Some of the investment opportunities in agri-business sector would include:

- Cold storage facilities serving the supply chain, especially fresh produce for export
- Fresh produce production for local and export markets
- Production of fertilisers and cultivation of seeds
- Eco-friendly jute production, supported by jute technology development institutes
- Shrimp farming
- Halal foods
- Milk and dairy products
- High value-added foods for export, including herbs, spices, nuts and pulses

The following support measures encourage investments in agri-business industries:

- The Equity Entrepreneurship Fund for development of agri-business industry
- Special loan facilities available to set up an agri-business
- Agri-business industry enjoys tax holidays
- Any investment in this sector will enjoy similar tax amnesty as available in other sectors
- Imposition of supplementary duty on mango, orange, grape, apples, dates and others to utilise the high quality and cheaper local resources
- Cash incentives to exporters ranges from 15 per cent to 20 per cent in various sub sectors.

f) Frozen-Foods

Frozen-foods sector is the second-largest export sector of the economy. Around 148 offshore based export oriented fish processing plants have been set up by public sector corporations and the private organisations at Dhaka, Chittagong, Khulna, Jessore, Satkhira, Bagerhat, Cox's Bazar, Chandpur, Kishoregonj, Sylhet and Patuakhali. In proper sanitary and hygiene conditions, and under the supervision, control and guidance of foreign trained handling and processing experts these plants produce Fresh Water Shell On (FWSO), Ser Water shell On (SWSO), Peeled and Deveined (P&D), Peeled and Undevined (PUD), shrimp products. More information on the fish and shrimps production is given in the **Annexure 11.**

Sector highlights

i. The government is promoting semi-intensive shrimp farming.
ii. Shrimp processing and export industry is largely dominated by the small business sector.
iii. Government has developed initiatives of quality assurance for frozen-foods in co-operation with exporters.
iv. 15 per cent cash incentive offered to shrimp export amount.

The private organisations and the public sector corporations offer the following products for export:

- Frozen shrimp & prawn
- Frozen fish
- Fresh & chilled fish
- Frozen fillets & steaks of fish, sharks shells skates & rays
- Shark fins & fish maws
- Salted & dehydrated fish
- Dry fish
- Live crabs & tortoises
- Fish meals & crushed
- Value added shrimp & fish products

According to the BOI, the following sub-sectors under the export oriented industry of frozen-foods show a potential for investment opportunities:

- Hatcheries
- Sustainable aquaculture techno-logy
- Feed meals plant
- Processing unit for value-added products

g) Ceramics

Tableware, sanitary-ware and insulators are some of the flourishing subsectors under the ceramics sector.

Sector highlights

i. Technical expertise and skilled manpower in tableware and other ceramics.

ii. Clean gas reserves in certain locations to fire kilns for competitive cost advantage.

iii. Bangladesh ceramic tableware has a good reputation in the international markets like North America and EU countries.

iv. Sanitary-ware and insulators have a strong domestic demand as well as international market demand.

h) Electronics

The sector highlights as enlisted by the BOI are as follows:
Sector highlights

i. Manufacturing of semiconductors could be established as a standalone industry.

ii. Bangladesh is expected to be one of the largest cell-phone markets in South Asia.

iii. The home appliance market in Bangladesh is growing rapidly.

iv. The labour-intensive nature of the electronic industry matches the ability of Bangladesh to provide highly skilled labours.

The electronics industry in Bangladesh mostly produces consumer items. Home appliances like televisions, radios, DVDs and CD players, refrigerators, air conditioners, ovens, electronic fans, blenders, etc. are being assembled to a large extent. The major challenges in order to ensure performance reliability in this sector are technical assistance and proper technology orientation of the industry.

i) Light Engineering

The sector highlights as enlisted by BOI are as follows:

Sector highlights

i. Increasingly affluent middle class creating demand for consumer durables.

ii. About 40,000 small scale light engineering enterprises existing over the country.

iii. Export-oriented production has experienced strong growth in past few years.

iv. Currently about 10,000 types of different items are manufactured for the local industry.

v. As demand grows for engineering and electronic goods, so does demand for light engineering products.

vi. Government provides cash incentive facilities to exporters of value-added light engineering products.

In this sector, machinery parts and consumer items are performing well. The light engineering industry in Bangladesh continues to grow each year. This labour-intensive sector produces a wide range of products, including import substitute machinery spares, plant machineries, small tools, toys, consumer items and paper products for the domestic market. Most of these enterprises are located in and around Dhaka metropolis.

j) Leather and Leather Goods

The sector highlights as mentioned in the BOI's website are given below:
Sector highlights

i. Abundant, low cost labour – ideal for labour intensive industry.

ii. Good quality domestic supply of raw materials, as by-products of large livestock industry.

iii. Government support in the form of tax holidays, duty free imports of raw materials and machinery for export-oriented leather market, export incentives.

iv. Tariff and quota free access to major markets such as the EU.

The best performer subsectors under this sector are finished leather and leather goods. Foreign direct investment in the leather and leather goods sector along with the production of tanning chemicals is rewarding due to the presence of basic raw materials for leather goods including shoes, a large pool of low cost, trainable labour, and a tariff concession facility to major importing countries under Generalized System of Preferences (GSP) coverage.

The Government of Bangladesh is in the process of setting up a separate Leather Zone, relocating the existing industry sites to a well-organised environment.

Encouraged by increasing apparel exports to India following a duty-free treaty (with India), Bangladesh is planning to set up two Special Economic Zones (SEZ) mainly for Indian companies. Each of the SEZs are expected to come up on 100-acre plots of land in Kishoreganj and Chattak, in Bangladesh. While the Kishoreganj SEZ will cater to garment manufacturers, the Chattak SEZ will be a multi-purpose zone. Both SEZs are expected to be built by a private entity based in Bangladesh. The list of the SEZs in Bangladesh is given in the **Annexure 12.**

7 STRATEGIES AND RECOMMENDATIONS FOR ENHANCING BILATERAL COMMERCIAL RELATIONS WITH BANGLADESH

The previous chapters provided a broad overview of Bangladesh and analysed in detail the economic environment, trade patterns and investment climate. India's bilateral trade and investment relation with Bangladesh was also discussed, and the potential areas for enhancing bilateral trade and investment co-operation between India and Bangladesh were identified. Further, the transit facilities between India and Bangladesh with special emphasis on the North-eastern states of India were also discussed. The concluding chapter endeavours to provide broad strategies and recommendations which could be adopted in order to facilitate and enhance two-way trade and investment between India and Bangladesh, based upon the analysis and findings of the study.

As per IMF's World Economic Outlook, 2014, Bangladesh has a stable macro-economic outlook for the years to come, with an estimated annual average growth rate of 6.7 per cent (2014-2018), surpassing its growth over the past five years which averaged 6 per cent **(Table 7.1).**

Vision 2021

In 2009, the Government of Bangladesh announced a national policy called Vision 2021, which

Table 7.1: Select Macroeconomic Indicators of Bangladesh (2014-2018)

Items	2015[f]	2016[f]	2017[f]	2018[f]	2019[f]
GDP growth (%)	6.4	6.8	7.0	7.0	7.0
GDP (US$ bn)	209.3	230.2	253.8	280.9	310.6
GDP per capita (US$)	1309.4	1425.1	1555.4	1703.8	1864.3
Total investment (% of GDP)	30.1	31.4	32.4	32.9	33.1
Inflation (CPI %)	6.8	6.4	6.1	5.9	5.7
Population (mn)	159.9	161.5	163.2	164.9	166.6
Current account balance (US$ bn)	-1.2	-1.5	-1.8	-2.2	-2.8

f- forecast
Source: IMF, World Economic Outlook, October 2014

outlined a number of long-term social and economic development goals to be achieved by 2021, which marks the 50th anniversary of Bangladesh's independence. The chief objective is for Bangladesh to become a middle-income country by 2021, raising per capita income to US$ 2,000 and reducing poverty from 40 per cent in 2011 to 15 per cent in 2021.

In order to achieve these objectives, the Government of Bangladesh aims to increase electricity generation capacity to 12,124 MW by 2013. The Vision document also envisaged launching of a new Public-Private Partnership (PPP) programme and Office in 2010 to initiate needed investments, and created special economic zones (SEZs) to attract FDI.

Vision 2021 envisages a bigger and more dynamic industrial sector, creating an export environment that is broad-based, skills intensive, and competitive.

Given the positive framework, the strategies to enhance trade and investment relations with Bangladesh would entail an integrated approach comprising, among others:

A. CO-OPERATION IN AGRI-BUSINESS AND FOOD PRODUCT DEVELOPMENT

Agricultural sector is the main employer in Bangladesh. Bangladesh is rich in agricultural resources and exports from the agricultural sector are also another important foreign exchange earners for Bangladesh **(Table 7.2)**. Despite changing its status from chronic food shortage to a self-sufficient one, Bangladesh still faces food security challenges.

Indian companies can explore the possibilities of investment such as

Table 7.2: Key Agricultural Statistics – India and Bangladesh

	India	Bangladesh
Agricultural land (% of land area in 2001)	60.5	70.1
Agricultural irrigated land (% of total agricultural land in 2006)	33.6	52.6

Source: World Bank, World Development Indicators 2014 joint ventures or contract farming and out-grower schemes or investments in key stages of value chains. India's investment in Bangladesh would result in improving the agricultural sector through skill development, technological upgradation, better supply chain management, and sharing of information in biotechnology. Currently, Indian agri-business investments in Bangladesh are as low as 1 per cent of the total agri-business investments.

Indian investors can avail incentives through tax holidays, cash incentives, and special loan facilities for investments in the agri-business sector. Investors could also avail the Equity Entrepreneurship Fund facility for investing in this industry.

With a view to enhancing investment in agriculture and related sectors, the Ministry of Fisheries and Livestock in Bangladesh has prepared a "Country Investment Plan for Fisheries Resource Development" (2010 – 2015), which has identified some priority sectors for investment. Some of the areas in which India could cooperate with Bangladesh are listed below:

- Raising the productivity of small scale inland aquaculture by extending research expertise which would help the Government of Bangladesh:

  (i) assist in developing low-cost aquaculture technologies, specially for small holder farmers; and link aquaculture business with insurance system;

  (ii) improvement of hatchery management practices and genetic quality of potential fish species;

  (iii) strengthening of R&D with a focus on the needs of small farmers and opportunities to include micronutrient-dense small fish in culture systems;

  (iv) improvement of public and private advisory services destined for smallholder farmers willing to invest in aquaculture and in particular work out systems to integrate aquaculture with crop systems at farm level;

  (v) provide advice and facilitate access to quality inputs (fingerlings, adequate feed) and credit for business development;

  (vi) improve commercial aquaculture productivity under a public private partnership.

- Co-operation in development fish sanctuaries through training, technical assistance and access to inputs and credit; and development of community based open water aquaculture culture based fisheries.

Agro Tech Food Limited and Mukka Sea Food Industries are among the notable Indian investors in this sector in Bangladesh.

B. ENERGY AND POWER GENERATION

Bangladesh has traditionally been a power deficit country, suffering from peak and energy shortages, adversely impacting growth. In fact, Bangladesh is ranked the lowest among South Asian countries in the Quality of Overall Infrastructure (Global Competitiveness Index 2013-14). Among the five parameters, viz. electricity, roads, railroads, ports, and air transport, Bangladesh scores the lowest in electricity. India also faces a power deficit with peak and energy shortages. However, there is seasonal diversity in demand and supply of electricity in the two countries (time lag, holidays, etc.). Also, in the eastern region of India, the state of West Bengal faces negligible peak and energy shortage. On the other hand, in Bangladesh, of the two zones, the east zone contains nearly all the country's electricity generating capacity while the west zone imports most power from the east. Therefore scope for cross border electricity trade.

There exists scope for co-operation in the area of energy and power generation. A draft MOU was initialled in November 2009 between the Power Secretaries of India and Bangladesh which was formally signed on January 11, 2010 during the visit of Bangladesh's Prime minister to India. Under the MOU, exchange of power and grid connectivity between the two countries are the salient features.

A joint technical team was constituted for establishing the grid interconnection between Bangladesh and India.

Based on detailed techno-economic analysis under taken by a joint technical team it was agreed that the most effective option would be to set up an interconnection between Bheramara in Bangladesh and Baharampur in India. Scope of the project includes a 400 KV, 30 Km double circuit line from Bheramara to Baharampur and the establishment of a 500 MW 400/230 KV back-to-back high voltage direct current (HVDC) substation at Bheramara.

From October 2013, India started exporting 500MW of electricity a day to

Bangladesh over a period of 35 years. A 125 km Baharampur - Bheramara transmission line, connects the two substations.[22]

In addition to this there could also be co-operation between Bangladesh and India on the issue of sharing hydropower. India's North-eastern states have hydro power potential. Arunachal Pradesh and Sikkim have vast untapped hydroelectric power potential. There is significant potential for medium to large hydro power project there. Mizoram state offers significant potential for hydro power generation from Micro (up to 50 MW power plants) to Mini power plants.

The new and renewable energy sector has also been increasingly gaining significance in the recent times, with growing concerns of global warming and energy security. Bangladesh has a large coastal belt and offshore wind potential can be substantially high in addition to the onshore wind potential. Also, given the sub-tropical sunny climate in the country, Bangladesh has a huge untapped potential for solar energy. India and Bangladesh could, thus, work together towards joint development of the new and renewable energy sector in both Bangladesh and the NER.

C. STRENGTHENING LCS

There is a need for strengthening infrastructure and connectivity at the LCSs for trade facilitation. There is a need for proper warehousing, parking and banking facility; continual electricity supply; fixed telephone facility, email or fax at the LCS. Facilities like truck terminals, cold storages, etc. should also be available at all LCS. Proper intranet connectivity needs to be put in place between the LCS for quick access to information as well as communication. Improvement of approach roads to the LCS from the main roads also needs to be improved.

At the important border-crossing points between India and Bangladesh, around 1,500 trucks line up on both sides of the border with waiting times varying between one and five days to complete documentation requirements[23]. Thus, the complicated necessities in cross border trade leads to transaction costs. To tackle this problem, customs clearing processes have to be more efficient and less cumbersome.

Both India and Bangladesh may also look to develop a transit and

[22]Source: http://www.thehindu.com/news/national/india-begins-power-export-to-bangladesh/article5205415.ece
[23]Source: World Bank

transportation facilitation system, which would look to reduce the barriers to transit and transportation with the help of physical infrastructure (such as multimodal corridors and terminals) and non-physical infrastructure (reformed policies and procedures, regulations, and incentives for efficient transportation and transit) (De et al, 2008).

Border Haats generally have limited number of products for trade, which would be traded by identified vendors (generally from the border districts), with buying limits on each market day. For example, in Kalaichar-Baliamari Border, 25 vendors each will trade from the two countries, on a maximum 25 products, up to a limit of US$ 100 in local currency for a given buyer on each market day.

Accordingly, the number of products traded need to be increased, product identification would help reducing the existing level of informal trade that is currently taking place. Further, increasing the number of border Haats will not only contribute towards promoting bilateral trade, but also significantly help in promoting people to people contact that is needed for strengthening India-Bangladesh Relations.

D. CO-OPERATION IN PORT DEVELOPMENT

India and Bangladesh could jointly work together towards facilitation of the development of river and sea ports. The two countries could co-operate in expanding and upgrading the Chittagong port, which has the potential to emerge as a premier global hub port connecting South Asia and South-east Asian countries. India may also co-operate with Bangladesh to supply heavy equipments, which could be used to carry large sized containers.

E. JOINT INVESTMENTS TO DEVELOP BANGLADESH RAILWAYS

If transit facility is opened up between India and Bangladesh, a large part of the transport market between the North-eastern states of India and mainland India would be diverted through Bangladesh. Bangladesh Railways (BR) will have a major role in carrying the freight, and will have to chalk out an investment plan in order to improve its infrastructure and signalling systems, there is a need to bridge the missing links, synchronise tracks, build container depots and raise its container handling and deployment capability. Railway systems of India and Bangladesh needs to be synchronised (with India being broad guage and Bangladesh being metre guage), which would require investment on the part of both the governments.

F. CO-OPERATION IN SETTING UP A TRUCKING COMPANY

India and Bangladesh could also consider setting up a joint venture trucking company to carry transit traffic. According to Centre for Policy Dialogue (CPD), Bangladesh, establishment of a joint venture trucking company, with a fleet of medium sized multi-axle covered trucks, and/or truck-trailers having a special colour (for easy identification and security) to carry transit traffic maybe helpful. The vehicles of the joint company would have to get themselves registered both in India and Bangladesh. Vehicles of the above joint company would require registration in both Bangladesh and India to facilitate carrying traffic from origin to destination, without trans-shipment.

G. CO-OPERATION IN HEALTH-CARE SERVICES

With a sizable number of Bangladesh coming to India for medical treatment, there is a huge scope for co-operation in healthcare between the two countries. Study has shown that around 57 per cent of Bangladeshi patients seeking treatment abroad came to India in 1999 (Trade in Health Services in South Asia, Rahman 2002). Several Indian companies have already taken initiatives in this regard. India's Apollo Group has entered into a joint venture with DKV AG to set up a modern hospital in Dhaka. Indian Companies including Wipro and Apothecaries Sundaries have secured contracts in World Bank Projects in the health-care sector of Bangladesh. Professionals in health services may also be allowed to move freely between the two countries.

H. CO-OPERATION IN SME CLUSTER DEVELOPMENT

SMEs in Bangladesh have assumed special significance for poverty reduction and has been increasingly gaining importance. However, it still faces several problems like lack of technical know-how, shortage of long-term financial support, market link and research and development. The National Industrial Policy 2005 of Bangladesh defined cluster development. Cluster development in Bangladesh would approach allows SMEs to take advantage of common infrastructure developed for a specific industry, thus achieving economics of scale. India could share its expertise on cluster development to the region through various programmes.

I. CO-OPERATION IN THE MASS COMMUNICATION INDUSTRY

Co-operation in the field of mass communication is essential to improve the quality of relation between India and Bangladesh. There is a need to increase the exchanges between media personnel of the two countries and also conduct training programmes. Such initiatives could encourage people-to-people interactions and build cultural ties, and would improve understanding of issues of common concern to both countries and improve bilateral relations.

J. DEVELOPMENT OF REGIONAL TRADE FINANCE INSTITUTIONS

Access to trade finance can be identified as one of the major requirements in promoting bilateral trade. This gains even more significance in light of the recent global financial turmoil. Trade finance market has benefited from the development of new technology, the emergence of new institutions and agencies in other developing countries, and the development of financing and guarantee facilities by regional development banks to fill the market gaps in financing of smaller transactions in countries with little access to international markets.

There is, therefore, a need for development of regional trade financing and related institutions, in the South Asia (SAARC) region that can provide finance, credit and guarantee for cross-border trade, for boosting intra-regional trade. Export-Import Bank of India (Exim Bank) has been sharing its experience and expertise by undertaking consultancy assignments, including setting up of such kind of institutions, and is in a position to assist in giving consultancy service for setting up similar institution in the SAARC region as well.

K. FOCUS ON MULTILATERAL FUNDED PROJECTS

Multilateral funding agencies such as the World Bank, Asian Development Bank (ADB), and Japan Bank for International Cooperation (JBIC) are active infunding some of the major developmental projects in the region. They broadly cover areas such as infrastructure, health and social services. Focus on these funded projects, and increased participation by Indian projects and services exporters, would serve to enhance India's commercial presence in the country. Besides these, Indian companies could also participate in these projects through project participation and advisory services. Indian companies could explore partnership with local entrepreneurs and local investment agencies, which could then attract funds from multilateral investment agencies **(Annexure 13).**

ANNEXURE - 1

Table 1: Mineral fuels and distillation products (HS-27) - Potential Export Items to Bangladesh

HS Code	Product Label	Bangla-desh's imports from world	Bangladesh's imports from India		India's exports to world
		2013 (US$ mn)	2013 (US$ mn)	Share in Bangla-desh's imports (%)	2013 (US$ mn)
271019	Other petroleum oils and preparations	1914.6	52.9	2.8	46973.5
271011	Light petroleum oils and preparations	134.2	0.2	0.1	19765.2
271099	Other waste oils	63.7	0.001	-	336.5

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

Table 2: Electrical and electronic equipment (HS 85) - Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's imports from world	Bangladesh's imports from India		India's exports to world
		2013 (US$ mn)	2013 (US$ mn)	Share in Bangladesh's imports (%)	2013 (US$ mn)
851712	Telephones for cellular networks mobile telephones or for other wireless	91.8	0.01	-	2284.6
851770	Parts of telephone sets, telephones for cellular networks or for other	43.4	0.7	1.5	704.8
852990	Parts suitable fuse	63.6	1.2	1.9	124.8
851762	Machines for the reception, conversion and transmission or regeneration	121.2	2.5	2	105.8
852340	Optical media for the recording of sound or of other phenomena	39.3	0.1	0.1	96.2
854449	Electric conductors, for a voltage not exceeding 80 V	31.0	0.2	0.8	48.5
852872	Reception apparatus for television, colour, whether or not incorporation	28.6	0.1	0.3	36.2

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

Table 3: Animal, vegetable fats and oils (HS 15) - Potential Export Items to Bangladesh

HS Code	Product Label	Bangla-desh's imports from world	Bangladesh's imports from India		India's exports to world
		2013	2013	Share in Bangla-desh's imports (%)	2013
151620	Veg fats &oils &fractions hydrogenated	114.9	0.01	-	68.8
151800	Animal/veg fats & oils	69.7	0.1	0.1	30.5

Note: '-' denotes marginal or nil

Source: ITC Trademap, derived from UNComtrade

Table 4: Paper and paperboard, articles of pulp (HS 48) – Potential Export Items to Bangladesh

HS Code	Product Label	Bangladesh's imports from world	Bangladesh's imports from India		India's exports to world
		2013	2013	Share in Bangladesh's imports (%)	2013
481019	Paper and paperboard used for writing, printing or other graphic purpose	33.0	0.5	1.5	42.3
481013	Paper and paperboard used for writing, printing or other graphic purpose	18.2	-	-	10.7
480256	Uncoated paper and paperboard, of a kind used for writing, printing	9.8	0.2	2	40.5
480257	Uncoated paper and paperboard, of a kind used for writing, printing	7.1	0.1	1.7	73.9
480255	Uncoated paper and paperboard, of a kind used for writing, printing	3.8	0.01	0.3	51.9

Note: '-' denotes marginal or nil
Source: ITC Trademap, derived from UNComtrade

ANNEXURE 2: Trends in Sector-wise FDI Inflow into Bangladesh

(US$ mn)	2008	2009	2010	2011	2012	2013
Agriculture & Fishing	**14.4**	**11.8**	**13.6**	**5.6**	**60.9**	**31.0**
Power, Gas & Petroleum	**101.0**	**51.2**	**92.1**	**238.2**	**126.6**	**98.9**
Power	27.8	30.9	38.5	58.4	67.3	69.8
Gas & Petroleum	73.3	20.3	53.6	179.8	59.3	29.1
Manufacturing	**168.5**	**211.3**	**238.8**	**425.5**	**515.2**	**702.1**
Food Products	22.9	24.5	12.8	23.0	74.6	40.1
Textiles & Wearing	126.4	134.0	145.2	272.0	307.5	421.6
Chemicals & Pharmaceuticals	3.9	10.4	6.3	13.2	20.5	33.5
Metal & Machinery Products	0.0	1.3	3.1	11.3	8.5	9.6
Vehicle & Transport Equipment	0.1	0.6	0.5	0.2	7.0	16.0
Fertilizer	0.3	9.8	4.7	17.2	7.8	10.9
Cement	4.0	9.4	9.2	51.7	29.3	39.1
Leather & Leather Products	1.6	7.2	10.5	10.2	15.7	28.5
Other Manufacturing	9.4	14.1	46.5	26.8	44.4	102.8
Construction	**-**	**0.7**	**0.2**	**0.5**	**2.9**	**6.5**
Trade & Commerce	**153.4**	**161.6**	**186.6**	**263.4**	**163.7**	**345.5**
Trading	0.0	0.1	1.8	2.9	8.3	12.8
Banking	141.8	142.6	163.1	249.4	136.5	327.5
Insurance	4.6	10.4	16.7	4.1	7.2	0.01
NBFI	7.0	8.6	5.1	7.0	11.7	5.2
Transport, Storage & Communication	**641.4**	**250.1**	**360.3**	**182.8**	**375.6**	**326.2**
Telecommunication	641.4	250.1	359.8	181.0	375.0	324.4
Others	-	-	0.5	1.8	0.7	1.8
Services	**7.6**	**13.5**	**21.7**	**20.5**	**47.5**	**88.8**
Hotel & Restaurant	-	-	-	-	0.2	0.04
Clinical	-	0.1	0.1	-	0.1	0.1
Computer Software & IT	0.4	1.8	5.0	3.1	12.2	37.0
Other Service	7.2	11.6	16.6	17.4	35.0	51.7
Others	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Total	**1086.3**	**700.2**	**913.3**	**1136.4**	**1292.6**	**1599.2**

Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Report; Exim Bank India Research

ANNEXURE 3: Trends in Country-wise FDI Inflow into Bangladesh

(US$ mn)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Australia	0.01	-	-	-	-	-	-	0.22	13.95	72.8	39.81	9.61
Bahrain	2.46	0.38	-	-	-	-	-	-	0.03	0.01	0.01	0.02
Belgium	0.4	-	-	-	-	-	-	-	0.01	0.61	1.31	0.98
Bermuda	-	-	-	-	-	-	-	-	3.29	0.19	3.97	5.72
British Virgin Island	-	-	-	-	-	-	-	-	7.65	11.4	43.93	52.72
Bolivia	-	-	-	-	-	-	-	-	-	-	0.38	0.05
Brunei Darussalam	-	-	-	-	-	-	-	-	-	0.89	0	-
Canada	-	1.22	0.44	0.67	9.55	0.88	0.52	0.21	1.41	5.9	6.08	41.05
Cayman Islands	-	-	-	-	-	-	-	-	1.2	2.55	0.74	1.08
China	2.64	4.01	0.37	1.62	0.92	0.48	4.5	3.24	8.66	18.65	17.89	39.98
Cyprus	-	-	-	-	-	-	-	-	-	-	0.08	0.02
Denmark	21.64	14.04	18.75	18.28	15.38	8.99	1.91	9.09	5.91	12.1	24.22	8.97
Egypt	-	-	19.86	48.4	105.36	75.17	373.4	72.71	3.01	152.3	126.62	94.42
Finland	-	-	-	-	-	-	-	-	2.6	4	6.6	3.91
France	43.65	46.35	0.65	1.74	-	0.27	2.18	3.03	2.46	2.77	14.88	12.68
Germany	1.78	1.22	6.76	1.59	1.11	7.84	6.42	6.01	2.42	3.62	9.94	22.62
Hong Kong	23.54	15.85	13.89	53.09	47.43	55.45	39.85	75.6	63.84	104.84	54.12	81.36
India	4.3	3.63	6.8	2.67	6.09	1.67	11.29	7.99	43.19	25.74	28.43	45.01
Indonesia	0.11	-	-	1.34	5.37	1.12	1.83	2.98	2.06	3.31	1.56	4.78
Ireland	-	-	-	-	-	-	-	-	-	-	0.36	5.02
Isle of Man	-	-	-	-	-	-	-	-	-	-	13.5	-
Italy	-	0.22	-	-	-	-	-	0.07	0.05	0.15	2.67	10.03
Japan	17.59	29.15	30.03	46.42	22.79	36.61	57.15	17.47	21.79	46.55	30.08	94.37
Jordan	-	-	-	-	-	-	-	0.23	-	0.1	0.25	-
Kuwait	-	-	-	-	-	-	-	-	9.83	6.02	6.46	14.35
Lebanon	-	-	-	-	-	-	-	-	-	2.04	4.71	6.95
Luxembourg	-	0.59	3.07	0.39	-	0.39	1.35	2.99	2.56	0.1	-	0.39
Malaysia	12.97	13.37	38.99	33.07	44.46	19.54	70.72	43.84	7.45	0.69	247.35	122.97
Malta	-	-	-	-	-	-	-	-	-	0.07	0.61	3.21
Mauritius	-	0.87	-	-	-	-	-	0.26	3.09	4.71	20.58	26.39

Mexico	-	-	-	-	-	-	-	-	-	0.03	0.15	0.55
Myanmar	-	-	-	0.03	-	-	-	-	-	-	-	0.01
Nepal	-	-	-	0.07	-	-	-	-	-	-	-	-
Netherlands	24.91	26.51	8.86	15.36	13	18.67	31.67	49.62	64.92	116.75	79.82	116.61
Norway	30.44	21.95	59.64	53.48	82.95	25.68	33.47	45.63	39.16	24.26	7.93	21.16
New Zealand	-	-	-	-	-	-	-	-	0.04	0.02	0.05	0.05
Oman	-	-	-	-	-	-	-	-	-	-	-	3.82
Pakistan	13.23	0.01	3.81	25.48	5.14	3.49	12.51	30.14	18.88	70.54	9.17	21.57
Panama	-	-	-	0.04	-	-	-	-	0.57	1.41	2.84	3.28
Philippines	7.96	1.23	-	-	0.04	-	-	0.01	-	0.01	0.16	0.09
Portugal	-	-	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	0.85	-	-	-
Saudi Arabia	-	-	-	0.97	0.52	1.73	2.66	2.62	11.91	8.24	27.69	15.75
Seychelles	-	-	-	-	-	-	-	-	1.64	0.14	0.49	2.38
Singapore	14.32	3.31	2.35	97.5	35.89	10.68	32.28	19.12	317.19	13.74	37.88	162.39
South Korea	55.51	25.97	18.45	29.86	53.86	27.68	44.64	46	40	113.06	97.59	110.96
Spain	-	0.41	-	-	-	-	-	1.36	-	-	3.69	1.96
Sri Lanka	0.13	2.23	3.44	4.06	2.63	3.55	7.19	7.37	8.85	31.58	11.04	34.00
Sudan	-	-	-	-	-	-	-	-	-	-	0.65	0.42
Sweden	-	-	-	-	-	4.73	2.14	10.25	0.46	1.81	4.01	3.80
Switzerland	4.57	1.98	7.15	2.26	2.8	13.39	69.25	29.06	5.89	10.75	44.67	26.74
Taiwan	0.33	2.03	1.28	11.38	2.36	0.17	1.96	11.1	7.59	8	13.76	21.80
Thailand	0.08	-	0.09	0.2	0.1	0.07	0.04	0.67	0.82	7.44	54.88	9.67
Turkey	-	0.24	-	-	-	-	-	0.62	0.44	0.21	0.06	1.31
U.A.E.	0.04	16.66	12.84	55.48	88.02	83.27	102.2	67.08	24.5	10.05	15.43	44.44
U.K.	18.48	83.59	91.05	152.82	70.47	142.55	130.57	88.08	105.68	116.32	136.94	191.35
Ukraine	-	-	-	-	-	-	-	-	0.38	2.16	0.04	2.35
Uruguay	-	-	-	-	-	-	-	-	0.01	-	-	0.01
U.S.A	24.49	32.11	61.76	141.82	175.72	120.36	40.92	42.89	56.95	117.74	43.8	75.95
Vanuatu	-	-	0.18	0.28	0.21	0.14	0.1	0.08	0.06	-	-	-
West Indies	-	-	-	-	-	-	-	-	-	-	4.52	1.19
Yemen	-	-	-	-	-	-	-	-	-	-	0.08	0.02
Zambia	-	-	-	-	-	-	-	-	-	0.01	0.02	0.06
Others	9.89	1.11	49.9	44.89	0.31	1.79	3.59	2.52	0.07	-	0.21	16.69
Total FDI inflows	**335.47**	**350.24**	**460.41**	**845.26**	**792.48**	**666.36**	**1086.31**	**700.16**	**913.32**	**1136.38**	**1304.71**	**1599.16**

Note: '-' denotes marginal or nil

Source: Bangladesh Bank, Foreign Direct Investment of Bangladesh Survey Report; Exim Bank India Research

ANNEXURE 4: LCS between India and Bangladesh

No.	LCS in India	LCS in Bangladesh	Indian State	Status
1	Sutarkhandi	Sheola	Assam	Identified to be developed as Integrated Check Post
2	Karimganj Steamer Ghat	Zakiganj	Assam	Functional
3	Mankachar		Assam	Functional
4	Golakganj	Bhurungamari	Assam	Not Functional
5	Karimganj Ferry Station	Zakiganj	Assam	Functional
6	Mahisasan Railway Station	Sahabajpur	Assam	Not Functional
7	Silchar R.M.S. office		Assam	Not Functional
8	Dhubri Steamerghat	Rowmati	Assam	Functional
9	Gauhati Steamerghat		Assam	Functional
10	Borsora	Borosora	Meghalaya	Functional
11	Dawki	Tamabil	Meghalaya	Identified to be developed as Integrated Check Post
12	Ghasuapara	Karoitoli	Meghalaya	
13	Shellabazar	Sonamganj	Meghalaya	Functional
14	Bholaganj	Chattak	Meghalaya	
15	Dalu	Nakugaon	Meghalaya	Functional
16	Mahendraganj	DhanuaKamalpur	Meghalaya	Functional
17	Baghmara	Bijoypur	Meghalaya	Functional
18	Kuliang	Lubacherra	Meghalaya	Not Functional
19	Maheshkhola	Bandrasora	Meghalaya	Not Functional
20	Bolanganj	Chattak	Meghalaya	Functional
21	Ryngku	Kalibari,Sonamganj	Meghalaya	Not functional
22	Balat	Natun Bandar	Meghalaya	Not functional
23	Kawrapuchciah	Thegamukh	Mizoram	Identified to be developed as Integrated Check Post
24	Demagiri	Rangamati	Mizoram	Functional
25	Agartala	Akhaura	Tripura	Identified to be developed as Integrated Check Post
26	Srimantpur	Bibir Bazaar	Tripura	Functional
27	Old Raghnabazar	Betuli (Fultali)	Tripura	Functional
28	Manu	Chatlapur	Tripura	Functional
29	Sabroom	Ramgarh	Tripura	Non-functional
30	Belonia (Muhurighat)	Belonia	Tripura	Non-functional
31	Dhalaighat	Khurma	Tripura	Functional
32	Khowaighat	Balla	Tripura	Functional
33	Kailashahar	Chatlapur	Tripura	

Source: Ministry of Development of North Eastern Region (MDONER)

ANNEXURE 5: North-east India's Exports/ Imports (Commodity-wise) to Bangladesh (2012-13)

a) North-east India's Exports to Bangladesh

Sr. No.	Commodity	Quantity	Value in ₹ million
Dawki			
1	Coal	203526 MT	754.1
2	Lime stone	453940 MT	214.5
3	Raw hides and skins	54000 KGS	1.1
4	Boulder stone	69820 MT	18.7
	Total		**988.5**
Borsora			
1	Coal	907505 MT	3257.1
2	Lime stone	80102 MT	38.8
	Total		**3295.9**
Bholaganj			
1	Coal	8325 MT	32.5
2	Limestone	776475 MT	398.0
3	Boulder stone	54250 MT	16.6
	Total		**447.1**
Shellabazar			
1	Lime stone	1892195 MT	1615.2
2	Boulder stone	34640 MT	9.7
	Total		**1624.9**
Mahendraganj			
1	Coal	228 MT	0.9
2	Boulder stone	52825 MT	23.5
3	Fresh ginger	852 MT	11.5
4	Tamarind	72 MT	0.7
5	Dry fish	37.5 MT	0.9
6	Betel nut	337 MT	2.3
	Total		**39.8**

Ghasuapara			
1	Coal	467046 MT	1792.4
	Total		**1792.4**
Mankachar			
1	Fresh ginger	297 MT	3.9
2	Coal	243 MT	0.7
3	Boulder stone	2788 MT	1.0
	Total		**5.6**
Baghmara			
1	Coal	22293 MT	82.8
	Total		**82.8**
Dalu			
1	Coal	95799 MT	362.9
2	Boulder stone	8215 MT	3.6
	Total		**366.5**
Agartala			
1	Flavoured drink	9792 KL	0.2
2	Fresh citrus fruits	44 MT	0.4
	Total		**0.7**
Muhurighat			
1	Dry fish	30 MT	1.1
	Total		**1.1**

Karimganj Steamer and Ferry Station			
1	Fresh ginger	3602 MT	48.3
2	Fresh citrus	157.863 MT	2.1
3	Betel leaf	0.481 MT	0.02
4	Dry fish	17 MT	0.4
5	Fresh orange	78 MT	0.9
	Total		**51.7**
Sutarkhandi			
1	Coal	64587 MT	255.4
2	Cement clinker	1000 MT	2.5
3	Fresh citrus	653 MT	8.9
4	Fresh ginger	12756 MT	168.6
5	Betal leaf	60 MT	2.9
6	Ceremic statue	0.26 MT	0.01
7	Fresh tomato	6.596 MT	0.1
8	Fresh orange	1141 MT	12.7
	Total		**451.1**
Old Raghnabazar			
1	Citrus fruits	148.933 MT	2.0
	Total		2.0
Manu			
1	Cullets	100 MT	0.1
2	Banana	6 MT	0.03
3	Fresh pineapple	7.781 MT	0.03
	Total		**0.2**

b) North-east India's Imports from Bangladesh

Sr. No.	Commodity	Quantity	Value in ₹ million
		Dawki	
1	Mango drink	13500 CTNS	5.4
2	Ice pop drink	7500 CTNS	3.1
3	Toast	5900 CTNS	2.0
4	Pran products	74164 KGS	10.1
5	Tissue paper	5628.38 KGS	1.2
6	Plastic furniture	36921.75 PCS	3.4
7	Household plastic furniture	25917.62 KGS	3.1
8	Biscuit	3500 CTNS	2.7
9	Laundry soap	300 CTNS	0.2
10	PVC Door	1198 PCS	1.1
11	2-in-1 Lollipop	100 CTNS	0.1
	TOTAL		**32.3**
		Mahendraganj	
1	Synthetic net fabrics	180 MT	18.0
2	Cotton waste	1010 MT	13.7
3	Cement	2200 MT	9.3
4	Chaka ball soap & washing powder	61960 KGS	4.1
5	Vermicelli	2880 KGS	0.3
6	Saree (tangail tat)	3000 PCS	0.5
7	Melamine	8305 KGS	0.5
8	Plastic door	1525 KGS	0.1
	TOTAL		**46.5**
		Mankachar	
1	Cement	5430 MT	26.0
2	Printed books / calender	3050 KGS	0.1
3	Melamine	4400 KGS	0.3
4	Tissue paper	300 CTNS	0.1
5	Religious book	8600 KGS	0.5
6	Chaka ball soap	86400 PCS	0.5
	TOTAL		**27.5**

Dalu			
1	Cement	4700 MT	14.0
2	Tangail tait sari & lungi	209032 MT	28.9
3	Synthetic net fabrics	5000 KGS	0.4
	TOTAL		**43.3**
Karimganj Steamer and Ferry Station			
1	Other knitted or crocheted fabrics of synthetic fibre	2 MT	0.2
	TOTAL		**0.2**
Sutarkhandi			
1	Cotton waste	900 MT	12.5
2	Cement	14000	63.3
3	Household articles of plastic	307.24 MT	27.2
4	Synthetic drinks	6867.57 KL	139.3
5	Readymade garments	199.57 MT	9.7
6	Misc. food items	1984.12 MT	257.0
7	Hilsa fish	9.53 MT	3.1
8	Dry cell battery	10.57 MT	1.3
9	Tissue paper	26.56 MT	1.5
10	Other metal & wooden furniture	44.69 MT	7.2
11	Hydrogen per oxide	84.12 MT	2.3
12	Porcelain table ware	28.427 MT	2.4
13	Melamine table ware	20.37 MT	2.8
14	Flush door	4.418 MT	0.1
15	Hand pump for tube well	43.892 MT	1.6
16	Molases	24 MT	0.2
17	Laundry soap	40.68 MT	3.1
18	Fabrics of synthetic fibres	67.60 MT	3.7
19	Kupi lamp	7.7 MT	0.2
20	Caustic soda	70 MT	2.8
21	Variety fresh fish	5.4 MT	0.6
	TOTAL		**541.8**

Manu			
1	Broken stones	5451 MT	7.5
2	Cement	8260 MT	36.3
3	Varieties small fish	9.24 MT	1.2
4	Beverages	1028500 LT	28.9
5	Plastic goods	11911.6 MT	0.9
6	Quick lime	381 MT	2.4
7	Pran sweet toast/baby toast	102450 KGS	8.7
8	Pran magic cup	20610 KGS	1.8
9	Rope of jute	2.50 MT	0.0
10	Pran chanachur / jhal puri	2280 KGS	0.9
11	Household articles of plastics	5606.83 KGS	0.5
12	Oil cake	26000 KGS	0.4
13	Fit crackers	43910 KGS	4.5
14	Footwear	216 PAIRS	0.0
15	Cotton waste	4 MT	0.1
16	Machinery	8730 KGS	0.8
	TOTAL		**95.0**
Old Raghnabazar			
1	Readymade garments - vests of cotton	28.897 MT	3.5
2	Other knitted or crocheted fabrics	10 MT	1.3
3	Other footwear	13.388 MT	1.1
4	Wind cheater	3.0 MT	0.3
5	Synthetic drinks	9.792 LTRS	0.2
6	Household articles of plastics	2 MT	0.2
7	Laundry soap	8.64 MT	0.6
8	Brick crushing machine	2 NOS	0.2
9	Varieties fresh fish	123.20 MT	17.3
	TOTAL		**24.8**
Srimantpur			
1	Broken or crushed stone	63150.20 MT	87.4
2	Cement	67423 MT	296.5
3	Brick crusher machine	14 NOS	1.2
4	M.S. Angles & Bars	125 MT	5.4
5	Other threshing machine	32 NOS	0.4
6	M.S. Billet	100 MT	4.0

7	Aluminium profile	2.36 MT	0.5
8	Laundry soap	20.188 MT	0.8
9	Washing powder	11.19 MT	0.5
10	Quick lime	34 MT	0.3
11	Pump(without engine)	30 NOS	0.1
12	Plastic sheet of polymers	20 MT	1.6
13	Sawing machine	1 NOS	0.1
	TOTAL		**398.5**
	Agartala		
1	Broken or crushed stone	345831 MT	483.3
2	Cement	90915 MT	415.2
3	Other articles of plastics	409.52 MT	37.7
4	PVC pipes and tubes	235.506 MT	18.0
5	Plastic furnitures	456.718 MT	32.2
6	Small fish	8197.10 MT	1148.9
7	Hilsha fish	116.17 MT	41.5
8	Dry fish	836.26 MT	51.5
9	Wooden / metal furniture	57.706 MT	6.8
10	Cotton waste	1080 MT	15.1
11	Float glass	33571.98 SQ M	4.5
12	Food items	450.378 MT	40.7
13	Flavoured drinks	2913.006 KL	72.6
14	Brick crusher machine	14 NOS	1.2
15	Hand pump for tube wells	14689 NOS	7.2
16	Other threshing machine	146 NOS	1.8
17	Ceremic tiles	18000 NOS	2.5
18	Plastic door and frames	149.681 MT	11.4
19	Quick lime	200 MT	1.2
20	PVC door sheets	66.755 MT	5.5
21	M.S. Billet	100 MT	3.8
22	M.S. Angles / bars	67.963 MT	3.6
23	Plastic sheets of polymers	60 MT	5.5
24	Hospital bed	450 NOS	1.4
25	Cotton ganji	21 MT	0.0
26	Nuts & bolts	2.4 MT	0.3
27	Paijama synthetic	16788 NOS	0.8

28	Parts of hand pump	1.04 MT	0.1
29	Stainless steel pipes & tubes	1.864 MT	0.4
30	Laundry soap	29.52 MT	1.9
31	Molases	112 MT	1.0
32	Rope of jute	45 MT	0.5
33	Pre fabricated iron & steel	369.249 MT	23.5
34	Cashew nuts	20 MT	0.5
35	Other knitted or crocheted fabrics	1 MT	0.2
36	Aluminium profile	46 MT	8.2
37	Synthetic fabric yarn	1 MT	0.2
38	Fishing net	1 MT	0.2
39	Melamine	0.950 MT	0.1
	TOTAL		**2450.8**
Muhurighat			
1	Broken stone	9906 MT	13.4
2	Cement	71705 MT	257.3
3	Other knitted or crochted fabrics of synthetic fibres	13.50 MT	2.1
4	Quick lime	95 MT	0.6
5	M.S. Angle bars / deforemed bars (iron rods)	707 MT	30.0
6	M.S. Billet	1700 MT	62.2
7	Flavour drink	15000 BOXES	3.6
8	Oil cake	275 MT	4.6
9	PVC pipes & tubes	3 MT	0.2
10	Coal	10 MT	0.0
	TOTAL		**374.0**
Kowaighat			
1	Broken stone	98 MT	0.1
2	Cement	2900 MT	12.1
3	M.S. Angles bars / deformed bars (iron rods)	40 MT	1.7
4	PVC pipes & tubes	2 MT	0.2
5	PVC door sheet	2 MT	0.2
	TOTAL		**14.2**

ANNEXURE 6: LCS and Routes as per Customs Notification no. 63/94 –Cus. (NT)

Baghbazar Railway Station	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon (b) The Sealdah-Lalgola Railway line.
Chitpur Railway Station and Dhaniaghat River Station	(a) The Sealdah-Poradah Railway Line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) The Sealdah-Lalgola Railway line (c) River routes from Calcutta to Bangladesh via Beharikhal.
Cossipore Railway Station and Cossipore Hydraulic Press Ghat	(a) The Sealdah-Poradah Railway Line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) The Sealdah-Lalgola Railway line (c) The River routes from Calcutta to Bangladesh via Beharikhal.
Howrah Railway Station	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) All Railway routes to Bangladesh.
Kantapukur Railway Station	The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon.
Nimtola Railway Station and Katgolaghat	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) The Sealdah-Lalgola Railway line. (c) The river routes from Calcutta to Bangladesh via Beharikhal.

Rathcola Railway Station	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) The Sealdah-Lalgola Railway line.
Sahebbazar Railway Station	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) The Sealdah-Lalgola Railway line
Sealdah Railway Station	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) The Sealdah-Lalgola Railway line.
Ultadanga Railway Station	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and the Calcutta-Khulna Railway line passing through Bongaon. (b) The Sealdah-Lalgola Railway line.
Mahisasan Railway Station	Railway line from Karimganj to Latu Railway Station
Changrabandha Railway Station	Changrabandha-Burimari Railway line.
Gitaldah Railway Station	Gitaldah-Mogalhat Railway line.
Haldibari Railway Station	Haldibari-Chilhati Railway line.
Hassimara Railway Station	(a) The road from Gitaldah to Hassimara and Hassimara to Bhutan through Jaigaon. (b) The Railway line from Bangladesh passing through Gitaldah to Hassimara
Haldibari Railway Station	Haldibari-Chilhati Railway line.
Singabad Railway Station	Malda-Singabad-Amhura section of the North-east Frontier Railway passing through Singabad.
Gede Railway Station	The Sealdah-Gede-Poradah Railway Line.
Ranaghat Railway Station	(a) Sealdah-Ranaghat-Gede Poradah Railway line. (b) Sealdah-Khulna Railway Line passing through Ranaghat and Bongaon.
Bongaon Railway Station	The Railway line passing through Bongaon Railway Station to Bangladesh via Petrapole Railway Station.
Budge Budge	(a) Budge Budge-Sealdah-Darsana Railway line passing through Gede Railway Station. (b) Budge Budge-Sealdah-Khulna Railway line passing through Bongaon Railway Station. (c) The inland waterway from Budge Budge to Bangladesh via Beharikhal.
Naihati Railway Station	(a) The Sealdah-Poradah Railway line passing through Gede Railway Station and Calcutta-Khulna Railway line passing through Bongaon.

	(b) The Sealdah-Lalgola Railway line.
Petrapol Railway Station	The Calcutta-Khulna Railway line passing through Petrapole.
Kathihar Railway Station	(a) Kathihar-Godagari Railway line. (b) Kathihar-Parbatipur Railway line.
Muhurighat	(a) The river Muhuri upto Muhurighat. (b) The road from Muhurighat leading to Belonia Railway Station
Hilli (West)	(a) The main road leading from Hilli through the Railway level crossing on the northern side of the Hilli Railway Station to Ghoraghat, Bangladesh. (b) That portion of the road from Panchbibi to Boalder in Bangladesh which passes through Basudevpur. [Dakashinapara Hilli and Hindu Mission of Hilli (West) to Indian Union].
Radhikapur Railway Station	(a) The Kathihar-Parbatipur Railway line passing through Radhikapur. (b) The main road leading from Kaliaganj passing to Dinajpur through Gotagon.

Source: Central Board of Excise and Customs (CBEC)

ANNEXURE 7: India's RCA (at 2-digit level)

HS code	Product label	World's exports to world 2011 (US$ bn)	India's exports to world 2011 (US$ bn)	RCA
02	Meat and edible meat offal	115.8	2.7	1.4
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	95.5	3.2	2.0
05	Products of animal origin, nes	9.0	0.2	1.3
09	Coffee, tea, mate and spices	50.7	3.0	3.5
10	Cereals	113.8	5.4	2.8
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	81.5	1.9	1.3
13	Lac, gums, resins, vegetable saps and extracts nes	7.9	2.3	17.1
14	Vegetable plaiting materials, vegetable products nes	1.0	0.1	3.8
17	Sugars and sugar confectionery	52.5	2.1	2.3
23	Residues, wastes of food industry, animal fodder	64.5	2.8	2.5
24	Tobacco and manufactured tobacco substitutes	39.6	0.8	1.2
25	Salt, sulphur, earth, stone, plaster, lime and cement	45.7	1.6	2.1
26	Ores, slag and ash	254.7	4.9	1.1
27	Mineral fuels, oils, distillation products, etc	3098.3	56.6	1.1
29	Organic chemicals	448.2	11.1	1.5
30	Pharmaceutical products	459.7	8.3	1.1
32	Tanning, dyeing extracts, tannins, derivs,pigments etc	80.4	1.9	1.4
36	Explosives, pyrotechnics, matches, pyrophorics, etc	4.2	0.1	1.0
41	Raw hides and skins (other than furskins) and leather	32.1	1.0	1.9
42	Articles of leather, animal gut, harness, travel goods	65.8	2.0	1.8
50	Silk	3.4	0.3	4.5
52	Cotton	70.3	7.8	6.6
53	Vegetable textile fibres nes, paper yarn, woven fabric	4.2	0.4	5.3
54	Manmade filaments	48.7	2.6	3.2
55	Manmade staple fibres	41.6	2.2	3.2
57	Carpets and other textile floor coverings	14.6	1.3	5.2
58	Special woven or tufted fabric, lace, tapestry etc	12.7	0.2	1.1
61	Articles of apparel, accessories, knit or crochet	210.3	5.8	1.6
62	Articles of apparel, accessories, not knit or crochet	199.9	7.9	2.4
63	Other made textile articles, sets, worn clothing etc	55.7	3.9	4.1
64	Footwear, gaiters and the like, parts thereof	116.3	2.1	1.1
67	Bird skin, feathers, artificial flowers, human hair	6.2	0.2	2.2
68	Stone, plaster, cement, asbestos, mica, etc articles	43.3	1.0	1.4
71	Pearls, precious stones, metals, coins, etc	586.9	50.0	5.0
73	Articles of iron or steel	298.2	6.5	1.3
78	Lead and articles thereof	8.0	0.2	1.4
79	Zinc and articles thereof	15.6	0.8	3.0
89	Ships, boats and other floating structures	191.6	7.0	2.2
99	Commodities not elsewhere specified	339.4	13.9	2.4

Source: ITC Trademap, derived from UNComtrade; Exim Bank India Research

ANNEXURE 8: Bangladesh's RCA (at 2-digit level)

HS code	Product label	World's exports to world 2011 (US$ bn)	Bangladesh's exports to world 2011 (US$ bn)	RCA
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	95.5	0.7	4.8
24	Tobacco and manufactured tobacco substitutes	39.6	0.1	1.5
41	Raw hides and skins (other than furskins) and leather	32.1	0.3	6.7
46	Manufactures of plaiting material, basketwork, etc.	2.5	0.0	1.2
53	Vegetable textile fibres nes, paper yarn, woven fabric	4.2	0.7	115.3
61	Articles of apparel, accessories, knit or crochet	210.3	11.6	38.2
62	Articles of apparel, accessories, not knit or crochet	199.9	9.8	33.6
63	Other made textile articles, sets, worn clothing etc	55.7	1.0	12.6
64	Footwear, gaiters and the like, parts thereof	116.3	0.4	2.3
65	Headgear and parts thereof	7.5	0.2	15.6

Source: ITC Trademap, derived from UNComtrade; Exim Bank India Research

ANNEXURE 9: List of Independent Power Producers in Bangladesh

Sl. no.	Name of power plant	Fuel type	Installed capacity (MW)	Generation capacity (MW)	Established	Contracted levelised tariff (US cents/ kWh)
1	Khulna Power Company Ltd. (KPCL), Engine Generator	F.Oil	110	110	1998	(For liquid fuel) 5.83 4.40 (For gas)
2	Baghabari, WESTMONT, GT	Gas	90	90	1999	4.31
3	NEPC Consortium, Gas Generator	Gas	110	110	1999	4.41
4	Rural Power Co. Ltd. (RPCL), GT	Gas	140	140	2001	4.30
5	AES, Haripur CC	Gas	360	360	2001 (SC) 2001 (CC)	2.73*
6	AES, Meghnaghat CC	Gas	450	450	2002	2.79*
7	Summit Power Co. Ltd.	Gas	30	30	2003	
	Total		**1,290**			

Source: Power and Energy Sector Development Roadmap, Ministry of Finance, Government of Bangladesh

ANNEXURE 10: Key Statistics of RMG Sector

a) Exports of RMG Sector

Year	Export of RMG (US$ mn) Bangladesh	Total export of Bangladesh (US$ mn)	% of RMG to total export
1995-96	2547.13	3882.42	65.61
1996-97	3001.25	4418.28	67.93
1997-98	3781.94	5161.2	73.28
1998-99	4019.98	5312.86	75.67
1999-00	4349.41	5752.2	75.61
2000-01	4859.83	6467.3	75.14
2001-02	4583.75	5986.09	76.57
2002-03	4912.09	6548.44	75.01
2003-04	5686.09	7602.99	74.79
2004-05	6417.67	8654.52	74.15
2005-06	7900.8	10526.16	75.06
2006-07	9211.23	12177.86	75.64
2007-08	10699.8	14110.8	75.83
2008-09	12347.77	15565.19	79.33
2009-10	12496.72	16204.65	77.12
2010-11	17914.46	22924.38	78.97
2011-12	19089.69	24287.66	78.61
2012-13	21515.73	27018.26	79.61

Source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

b) Employment in RMG Sector

Year	No. of garment factories	Employment (in million workers)
2005-06	4,220	2.2
2006-07	4,490	2.4
2007-08	4,743	2.8
2008-09	4,925	3.5
2009-10	5,063	3.6
2010-11	5,150	3.6
2011-12	5,400	4.0
2012-13	5,600	4.0

Source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

c) Main Apparel Items Exported From Bangladesh (US$ million)

Year	Shirt	Trouser	Jacket	T-shirt	Sweater
2005-06	1,056.69	2,165.25	389.52	1,781.51	1,044.01
2006-07	943.44	2,201.32	1,005.06	2,208.90	1,248.09
2007-08	915.6	2,512.74	1,181.52	2,765.56	1,474.09
2008-09	1000.16	3,007.29	1,299.74	3,065.86	1,858.62
2009-10	993.41	3035.35	1350.43	3145.52	1795.39

Source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

ANNEXURE 11: Key Information on Fish and Shrimps Production

Items	Quantity
No. of fish processing plants (Nos.)	162
Plants licensed by the GOB (Nos.)	100
Fish processing plants approved by the EU (Nos.)	75
Processing capacity in the total plants (tons)	3,50,000 mn
Export earnings from shrimp 2012-13	US$ 454.93 mn
Export earnings from fish 2012-13	US$ 57.99 mn
No. of shrimp hatchery (Nos.)	131
Production of shrimp 2011-12	2,52,523 mn
Shrimp cultured land (hectare)	2,75,232
Unutilised land for shrimp culture (hectare)	100,000

Year	Product item	Quantity (m lbs)	US$ mn
2006-07	Shrimp and fish	112.15	515.22
2007-08	Shrimp and fish	111.35	534.07
2008-09	Shrimp and fish	117.31	454.53
2009-10	Shrimp and fish	129.81	437.4
2010-11	Shrimp and fish	179.94	611.36
2011-12	Shrimp and fish	212.23	579.72
2012-13	Shrimp and fish	203.45	543.84

Source: Bangladesh Frozen Foods Exporters Association (BFFEA)

ANNEXURE 12: List of EPZs in Bangladesh

I. Chittagong Export Processing Zone

Location :
Shouth Halishahar. 3.10 kms from the sea port, 5.50 kms from the main business center, 7.21 kms from the Chittagong International Airport.

Profile of Zone :
Zone area: 183.37 hectares (453 acres)
Number of industrial plots : 454
Size of each plot : 2000 sqm.
Tariff : US$ 2.20 / sqm / year.
Space of Standard Factory Building : 60912.77 sqm.
Tariff : US$ 2.75 / sqm / month.
Space of Warehouse : 2667.79 sqm.
Tariff : US$ 2.75 / sqm / month.

Utility Services:
Water Supply: From Chittagong WASA.
Storage Capacity 7.26 million liters / day.
Tariff : Tk. 19.40 / cu-m.
Gas Supply: From Bakhrabad Gas System Ltd.
Tariff : Tk. 5.76 / cu-m.
Power Supply: 11 kv, 3 phase, 50 cycles / sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US$)

Contact Person :
General Manager
Email: cpz@ctg-bd.net

Contract Address :
Chittagong Export Processing Zone , South Halishahar, Chittagong
Phone : +880 31 741446, +880 31 740919
Fax : +880 31 740031

II. Dhaka Export Processing Zone

Location :
Savar. 35 kms from Dhaka city centre, 25 kms from Hazrat Shahjalal (R) Airport.
304 Kms from Chittagong Sea Port.
Profile Of Zone :
Zone area : 143.84 hectares (346.51 acres)
Number of industrial plots : 388
Size of each plot : 2000 sqm.
Tariff : US$ 2.20 /sqm /year.
Space of Standard Factory Building : 79843.19 sqm.
Tariff : US$ 2.75 /sqm /month.
Space of Warehouse : 2356 sqm.
Tariff : US$ 2.75 /sqm /month.

Utility Services :
Supply: Own water supply system.
Tariff : Tk. 18.47 / cu-m.
Gas Supply: From Titas Gas Transmission & Distribution Co. Ltd.
Tariff : Tk. 5.76 / cu-m.
Power Supply : 11 kv, 3 phase, 50 cycles / sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US$)

Contact Person :
General Manager

Contract Address :
Dhaka Export Processing Zone , Ganakbari, Savar, Dhaka
Phone : +880 2 7789002, +880 2 7789411
Fax : +880 2 7789003

III. Mongla Export Processing Zone

Location :
Mongla port area, Bagerhat. 105 kms from Jessore Airport and
397 kms from Dhaka and 664 kms from Chittagong port.

Profile Of Zone :
Zone area : 186.21 hectares (460 acres Proposed)
Number of industrial plots : 124 (first phase)
Size of each plot: 2000 sqm.
Tariff : US $ 1.00 / sqm / year.
Space of Standard Factory Building : 15000 sqm.
Tariff : US $ 1.25 / sqm / month.

Utility Services :
Water Supply : Sweet water from Public Health Engineering Department and own supply network.
Tariff : Tk. 20.00 / cu-m.
Gas Supply : From Shahbajpur Gas Field (proposed)
Tariff : Tk. 5.76 / cu-m.
Power Supply : 11 kv, 3 phase, 50 cycles/sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US $)

Contact Person :
General Manager

Contract Address :
Mongla Export Processing Zone , Mongla, Bagerhat
Phone : +880 04662 75199
Fax : +880 04662 75198

IV. Ishwardi Export Processing Zone

Location :
Pakshl, Pabna. 3.7 kms from Pakshi Bridge through by pass road, 10.60 kms from Ishwardi Airport, 130 kms from Jamuna Bridge,
220 kms form Dhaka, 280 kms from Mongla port, 110 kms from Rajshahi Airport
and 484 kms from Chittagong port.

Profile Of Zone :
Zone area : 124.99 hectares (308.77 acres)
Number of industrial plots : 158 (100 in 1st first phase)
Size of each plot : 2000 sqm.
Tariff : US$ 1.00 / sqm / year.
Space of Standard Factory Building : 18000 sqm.
Tariff US$ 1.25 / sqm / month.

Utility Services :
Water Supply : Own supply network.
Tariff : Tk. 18.47 / cu-m.
Gas Supply : From Paschimanchal Gas Company Ltd.
Tariff : Tk. 5.76 / cu-m.
Power Supply : 11 kv, 3 phase, 50 cycles / sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US $)

Contact Person :
General Manager
Email: bepzaisd@bttb.gov.bd

Contract Address :
Ishwardi Export Processing Zone , Ishurdi, Pabna
Phone : +880 07326 63962
Fax : +880 07326 63824

V. Comilla Export Processing Zone

Location :
Comilla old Airport area. 167 kms from Chittagong port,
97 kms from Dhaka.
Profile Of Zone :
Zone area : 108.28 hectares (267.46 acres)
Number of industrial plots : 211
Size of each plot: 2000 sqm.
Tariff : US$ 2.20 / sqm / year.
Space of Standard Factory Building : 27000 sqm.
Tariff : US$ 2.75 / sqm /month.

Utility Services :
Water Supply : Own water supply system.
Tariff : Tk. 18.47 / cu-m.
Gas Supply : From Bakhrabad Gas system Ltd.
Tariff : Tk. 5.76 / cu-m.
Power Supply : 11 kv, 3 phase, 50 cycles / sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US$)

Contact Person :
General Manager
Email: epzcom@bttb.net.bd

Contract Address :
Comilla Export Processing Zone, Airport Area, Comilla
Phone : +880 081 77055
Fax : +880 081 77056

VI. Adamjee Export Processing Zone

Location :
Adamjee Nagar, Shiddirgonj, Narayanganj, 15 Kms form Dhaka city centers
40 Kms from Hazrat Shahjalal (R) Airport, 255 Kms from chittagong Port
Profile of Zone :
Zone area : 118.62 hectares (293 acres)
Number of industrial plots : 307 (Proposed)
Size of each plot : 2000 sqm.
Tariff : US$ 2.20 /sqm /year.
Space of Standard Factory Building : 42737 sqm.
Tariff : US$ 2.75 /sqm /month.

Utility Services :
Water Supply : Own water supply system.
Tariff : Tk. 18.47 / cu-m.
Gas Supply : From Titas Gas Transmission & Distribution Company Ltd.
Tariff : Tk. 5.76 / cu-m.
Power Supply : 11 kv, 3 phase, 50 cycles / sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US$)

Contact Person :
Project Director
Email: a-epz@yahoo.com

Contract Address :
Adamjee Export Processing Zone , Adamjee Nagar, Siddirgang, Narayangang
Phone : +880 2 7692938, 880 2 7693187
Fax : +880 2 7692939

Profile of Zone :
Zone area : 118.62 hectares (293 acres)
Number of industrial plots : 200
Size of each plot : 2000 sqm.
Tariff : US$ 2.20 / sqm / year.
Space of Standard Factory Building : 42737 sqm.
Tariff : US$ 2.75 /sqm /month.

VII. Uttara Export Processing Zone

Location :
Shongalshi, Nilphamari. 18 kms from Syedpur Airport, 401 kms from Dhaka, 650 kms from Chittagong Port, 586 Kms from Mongla Sea Port.
Profile Of Zone :
Zone area : 93.20 hectares (230.21 acres)
Number of industrial plots : 155 (first phase)
Size of each plot : 2000 sqm.
Tariff : US$ 1.00 / sqm / year.
Space of Standard Factory Building : 18000 sqm.
Tariff US$ 1.25 /sqm /month.
Utility Services :
Water Supply : Own water supply system.
Tariff : Tk. 18.47 / cu-m.
Gas Supply : From Gas Transmission Company Ltd.
Tariff : Tk. 5.76 / cu-m.
Power Supply : 11 kv, 3 phase, 50 cycles / sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US$)

Contact Person :
General Manager
Email: GM_UEPZ@yahoo.com

Contract Address :
Uttara Export Processing Zone , Shongalshi, Nilphamari
Phone : +880 0551 61586, +880 0551 61677
Fax : +880 0551 61468

VIII. Karnaphuli Export Processing Zone

Location :
North Potenga and Halishahar, within 6 Kms from Chittagong Port,
10 kms from main business center of Chittagong, 12 kms from Shah Amanat International Airport, Chittagong.

Profile Of Zone :
Zone area : 108.64 hectares (268.32 acres)
Number of industrial plots : 260 (100 in first phase)
Size of each plot : 2000 sqm.
Tariff : US$ 2.20 / sqm / year.
Space of Standard Factory Building : 59278.82 sqm.
Tariff US$ 2.75 /sqm /month.

Utility Services :
Water Supply : From Chittogong WASA & through Own water treatment plant.
Tariff : Tk. 18.47 / cu-m.
Gas Supply : From Bakhrabad Gas System Ltd.
Tariff : Tk. 5.76 / cu-m.
Power Supply : 11 kv, 3 phase, 50 cycles / sec.
Tariff : Tk. 4.18 / kwh.
(Utilities will be charged at the current rate of US $)

Contact Person :
Project Director

Contract Address :
Karnaphuli Export Processing Zone , Karnaphuli, Chittagong
Phone : +880 31 801069
Fax : +880 31 801069

Source: Bangladesh Export Processing Zones Authority (BEPZA)

ANNEXURE 13: Select Projects and Opportunities in Bangladesh

All Project and Services Export contracts need approval at the post contract award stage, from the authority designated by RBI, viz. Exim Bank India and commercial banks, or Working Group (comprising GOI, RBI, Exim Bank India, ECGC and commercial banks) as per the powers delegated to them. The delegation of powers has been steadily enhanced from time to time. As per the latest revision in October 2003, Exim Bank India and commercial banks can approve Turnkey, Construction, Consultancy contracts including Supply contracts on deferred payment terms, valued up to US$ 100 million. Project Export contracts valued above US$ 100 million requires approval from the Working Group. The Working Group is a single-window clearance mechanism with Exim Bank India as the nodal agency and Reserve Bank of India - Foreign Exchange Department, Export Credit Guarantee Corporation of India Ltd. (ECGC) and the exporter's sponsoring commercial bank as other members. In the case of very large value projects or projects having strategic importance, representatives from the Ministries of Finance, Commerce & Industry, and External Affairs, Government of India, are invited to participate in the Working Group Meetings. Exim Bank India, thus, seeks to play the role of a co-ordinator and facilitator for the promotion of project exports, besides that of a financier in extending export credits. Exim Bank India is equipped to offer a comprehensive financing package to Indian project exporters including funded support, project related guarantee facilities and issuance of letters of credit on their behalf towards third country imports for overseas projects.

Multilateral funding agencies such as the World Bank, Asian Development Bank (ADB), and Japan Bank for International Cooperation (JBIC) fund some of the major developmental projects in Bangladesh. Projects funded by these multilateral agencies present attractive business opportunities for consultants, suppliers and contractors. Select opportunities for Indian exporters in upcoming projects in Bangladesh, funded by the World Bank Group and the Asian Development Bank are presented in **Table A1** and **A2.**

In addition to the above Japan Bank for International Cooperation (JBIC) partfunds projects with ADB in the South Asian region.

Some Indian Companies that have secured contracts in the past are represented in **Table A3** and **A4.**

Exim Bank India plays a nodal role in facilitating and promoting Indian project exporters in international markets. Such projects, primarily in the infrastructure sector, contribute to local and regional development. The Bank extends both funded and non-funded facilities to Indian project exporters for overseas industrial turnkey projects, civil construction contracts, supplies, as well as technical and consultancy services contracts. Indian companies have implemented numerous projects in Bangladesh with the support of Exim Bank India. Some of the on-going projects in Bangladesh include:

- Fibre Optic project from Rajbari to GP Coastal Barisal RBSC site in Bangladesh for Grameen Phone, Dhaka
- Supply and installation of 2X120 MW gas turbine power plant project
- Supply, erection and commissioning of 230 KV Transmission line under grid sub-station and associated transmission lines development project
- 230 KV Ishurdi-Baghabari Transmission Line Project for Power Grid Company of Bangladesh Ltd.
- Construction of Jatrabari – Gulistan flyover project in Dhaka City

Table A1: Select Approved Projects funded by the World Bank Group in Bangladesh

Approval date	Project Name	Lending Instrument	Project Cost (US$ mn)
Jun-10	Chittagong Water Supply Improvement and Sanitation Project	Specific Investment Loan	186.76
Nov-08	Emergency 2007 Cyclone Recovery and Restoration Project	Emergency Recovery Loan	109.00
Dec-07	Bangladesh - IDCOL Solar Home Systems Project		1.00
May-06	Investment Promotion and Financing Facility	Financial Intermediary Loan	105.20
Aug-09	Bangladesh - Brick Kiln Efficiency Project		14.30
Dec-07	Grameen Shakti Solar Homes Project		428.00
Aug-09	Additional Financing For Rural Electrification and Renewable Energy Development Project	Specific Investment Loan	370.00
Sep-12	Rural Electrification and Renewable Energy Development II (RERED II) Project	Specific Investment Loan	386.00
Dec-08	Dhaka Water Supply and Sanitation Project	Specific Investment Loan	165.70
Sep-12	BD: Leveraging ICT Growth, Employment and Governance Project	Specific Investment Loan	70.00
Sep-10	Emergency 2007 Cyclone Recovery and Restoration Project Additional Financing	Emergency Recovery Loan	75.00
Mar-12	Bangladesh Rural Water Supply and Sanitation Project	Specific Investment Loan	75.00
Aug-11	Bangladesh Integrated Agricultural Productivity Project	Specific Investment Loan	63.55
Sep-12	Second Rural Transport Improvement Project	Specific Investment Loan	417.00
May-11	BD Identification System for Enhancing Access to Services (IDEA) Project	Specific Investment Loan	219.00
Oct-11	Additional Financing II for Rural Electrification and Renewable Energy Development Project	Financial Intermediary Loan	255.10
Sep-09	Deepening MTBF and Strengthening Financial Accountability	Technical Assistance Loan	68.82
Oct-89	EGY SEC ADJ Credit Supplement	Sector Adjustment Loan	2.30

Jun-00	Haripur Power Project		183.00
May-09	Clean Air and Sustainable Environment Project	Specific Investment Loan	71.25
Jul-07	Public Procurement Reform Project II	Technical Assistance Loan	24.90
Oct-08	Siddhirganj Peaking Power Project	Specific Investment Loan	470.00
May-10	Investment Promotion and Financing Facility	Financial Intermediary Loan	272.00
Sep-07	Water Management Improvement Project	Specific Investment Loan	136.70
Feb-08	National Agricultural Technology Project	Adaptable Program Loan	84.60
May-10	GPOBA: Rural Electrification & Renewable Energy	Financial Intermediary Loan	1.10
Mar-10	GPOBA: Bangladesh Solar Home Systems	Financial Intermediary Loan	7.20
Mar-11	BD Private Sector Development	Specific Investment Loan	140.41

Source: World Bank

Table A2: List of Select Procurement Notices by ADB in Bangladesh

a) Invitation for Bids for Goods, Works and related Services

Published	Programme	Contract Title	ADB Financing (US$ mn)
4-Dec-12	Dhaka Water Supply Sector Development Programme	Supply, Installation, Commissioning of Different Laboratory Instruments, Chemicals, Glassware, Water Quality Monitoring Equipment, Etc. Including Training	265.1
Nov-12	Second Chittagong Hill Tracts Rural Development	Supply of Total Station Software	55
Nov-12	Participatory Small Scale Water Resources Sector Project	Construction of (i) Monirjheel Rubber Dam with Rubber Dam (ii) WMCA Office (iii) Electrification work of WMCA Office, (iv) Supply of Office Furniture for WMCA Office & (v) Rain Water Harvesting of WMCA Office	117.3
Nov-12	Second Urban Governance and Infrastructure Improvement (Sector) Project	Procurement of Static Road Roller	87.7
Oct-12	Dhaka Water Supply Sector Development Programme	Supply, Installation, Commissioning of Atomic Absorption Spectrophotometers and UV-Visible Spectrophotometer Including Training	265.1

Table A2: List of Select Procurement Notices by ADB in Bangladesh

b) Consulting Opportunities

Published	Project Name	Expertise	Duration (months)	Project Cost (US$)
19-Dec-12	Development Partnership Programme for South Asia: Innovative Strategies for Accelerated Human Resource Development in South Asia -Information and Communications Technology (ICT) Specialist for Bangladesh	Information and Communication Technology	8	13,500
8-Dec-12	Preparing Urban Governance and Infrastructure Improvement III	technical, economic, financial, governance, poverty and social, and safeguards	18	1,346,900
18-Dec-12	Supporting Brick Sector Development Programme	Industrial Energy Efficiency and Brick Sector Development	24	571,350
11-Dec-12	South Asia Tourism Infrastructure Development Project (Bangladesh Component)	Implementi microfinance programmes related to tourism promotion, participatory development, different methods of community survey, training and skill development	18	196,600

Source: ADB

Table A3: List of Select Indian Contract Awards for World Bank Projects in Bangladesh through International Competitive Bidding

Total contract amt (US$ mn)	Project name	Supplier name
7.70	Bangladesh - Primary Education Development Project II	Krishna Traders
0.68	Bangladesh - Primary Education Development Project II	Krishna Traders
0.90	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd.
0.19	Bangladesh - Health Nutrition and Population Sector Programme	Apothecaries Sundries Manufacturing Co.
0.29	Bangladesh - Health Nutrition and Population Sector Programme	Larsen & Toubro Ltd.
0.35	Bangladesh - Health Nutrition and Population Sector Programme	Larsen & Toubro Ltd.
0.22	Bangladesh - Health Nutrition and Population Sector Programme	Apothecaries Sundries Manufacturing Co.
0.03	Bangladesh - Health Nutrition and Population Sector Programme	Apothecaries Sundries Manufacturing Co.
0.41	Bangladesh - Health Nutrition and Population Sector Programme	Apothecaries Sundries Manufacturing Co.
0.26	Bangladesh - Health Nutrition and Population Sector Programme	Wipro GE Medical System Pvt. Ltd.
0.22	Bangladesh - Health Nutrition and Population Sector Programme	Wipro GE Medical System Pvt. Ltd.
1.18	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
0.94	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
1.25	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
1.31	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
1.06	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
1.27	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
0.62	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad

0.68	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
0.98	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
1.18	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
0.14	Bangladesh - Health Nutrition and Population Sector Programme	Pregna International Ltd.
0.05	Bangladesh - Health Nutrition and Population Sector Programme	Blow Kings
0.08	Bangladesh - Health Nutrition and Population Sector Programme	Blow Kings
0.10	Bangladesh - Health Nutrition and Population Sector Programme	Blow Kings
0.62	Air Quality Management Project	Chemito Technologies Pvt. Ltd.
0.79	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd., Hyderabad
2.91	Bangladesh - Primary Education Development Project II	Hindustan Paper Corporation Ltd.
0.47	Bangladesh - Primary Education Development Project II	Hindustan Paper Corporation Ltd.
2.48	Bangladesh - Primary Education Development Project II	Satia Paper Mills Ltd.
0.25	Air Quality Management Project	Chemito Technologies Pvt. Ltd.
1.23	Bangladesh - Health Nutrition and Population Sector Programme	TTK-LIG Ltd
1.37	Bangladesh - Health Nutrition and Population Sector Programme	TTK-LIG Ltd
0.09	Rural Electrification and Renewable Energy Development	Shreem Capacitors Pvt. Ltd.
0.04	Rural Electrification and Renewable Energy Development	Shreem Capacitors Pvt. Ltd.
0.09	Rural Electrification and Renewable Energy Development	Shreem Capacitors Pvt. Ltd.
0.18	Rural Electrification and Renewable Energy Development	Shreem Capacitors Pvt. Ltd.
0.53	Bangladesh - Primary Education Development Project II	Satia Paper Mills Ltd.
3.25	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd
3.59	Rural Electrification and Renewable Energy Development	Vijai Electricals Ltd

0.04	Bangladesh - Health Nutrition and Population Sector Programme	Kay & Company
2.59	Bangladesh - Primary Education Development Project II	Satia Paper Mills Ltd.
2.62	Bangladesh - Primary Education Development Project II	Mangal Enterprise
2.62	Bangladesh - Primary Education Development Project II	Mangal Enterprise
6.80	Bangladesh - Primary Education Development Project II	Krishna Traders
0.66	Bangladesh - Primary Education Development Project II	Satia Industries Ltd.
12.92	Bangladesh - Health Nutrition and Population Sector Programme	Famy Care Ltd
5.93	Siddhirganj Peaking Power Project	KEC International Ltd (KEC)
11.17	Siddhirganj Peaking Power Project	GS Engineering & Construction Corporation
11.17	Siddhirganj Peaking Power Project	Crompton Greaves Ltd
0.13	Bangladesh - Health Nutrition and Population Sector Programme	Techno Pack

Source: World Bank

Table A4: List of Select Indian Contract Awards for ADB Projects in Bangladesh

a) Contact Awarded for Consultancy Services

Technical Assistance					
Sector	**Project Name**	**Executing Agency**	**Name of Consultant**	**Amount of Contract (US$ '000)**	**Contract Description**
Energy Sector Development	Power System Efficiency Improvement Project	Power Division, Ministry of Power, Energy & Mineral Resources	E-Gen Consultants, Ltd. (Bangladesh) in association with Dalkia Energy Services Limited (India)	597.9	Project Preparatory
Agriculture and Rural Sector Development	Sustainable Rural Infrastructure Improvement	Local Government Engineering Department	Wapcos Limited (India) in association with BETS Consulting Services Ltd. (Bangladesh)	296.6	Project Preparatory
Multisector	Capacity Development For The Infrastructure Devt Company Limited	Ministry of Finance	Crisil Infrastructure Advisory (India) in association with E.Gen Consultants, Ltd. (Bangladesh)	362.2	Advisory and Operation
Loans					
Pipelines	Gas Transmission and Development Project	Bangladesh Gas Fields Company Ltd.; Sylhet Gas Fields Limited; Pashchimanchal Gas Company Ltd.; Bangladesh Oil, Gas & Minerals Corp. (Petrobangla)	M-Power Energy India (P) Ltd.	867.4	Consulting Services
Urban Sector Development	Second Urban Governance & Infrastructure Improvement	Local Government Engineering Department	STUP Consultants P. Ltd. (India)	5,328.3	Consulting Services
Water Supply and Sanitation	Dhaka Water Supply Sector Development Program	Dhaka Water Supply And Sewerage Authority	Operations Research Group Private Limited (India)	2,673.9	Consulting Services
Water Supply and	Dhaka Water Supply Sector	Dhaka Water Supply And Sewerage Authority	Operations Research	290.2	Consulting Services and

b) Contracts Awarded for Goods and Works

Loans						
Sector	**Project Name**	**Executing Agency**	**Name of Contractor**	**Total Contract Amt. (US$ '000)**	**Contract Amt. Financed by ADB (US$ '000)**	**Nature of Contract**
Pipelines	Gas Tranmission and Development Project	Gas Transmission Company Ltd.; Bangladesh Gas Fields Company Ltd.; Sylhet Gas Fields Limited; Pashchimanchal Gas Company Ltd.; Bangladesh Oil, Gas & Minerals Corp. (Petrobangla)	Trenchless Engineering Services Pvt. Ltd (TESPL), Cortech International Pvt. Ltd. (CIPL) JV (India)	5,093.5	4,380.0	Turnkey
Water Supply and Sanitation	Dhaka Water Supply Sector Development Program	Dhaka Water Supply and Sewerage Authority	Pratibha-Jain Irrigation-Navana JV (India)	15,155.7	12,715.4	Construction
Rail Transport	MFF - Railway Sector Investment Program Reform	Bangladesh Railway (BR)	Tata Consultancy Services	4,249.3	4,076.5	Goods
Pipelines	Gas Tranmission and Development Project	Gas Transmission Company Ltd.; Bangladesh Gas Fields Company Ltd.; Sylhet Gas Fields Limited; Pashchimanchal Gas Company Ltd.; Bangladesh Oil, Gas & Minerals Corp. (Petrobangla)	Trenchless Engineering Services Pvt. Ltd (TESPL), Cortech International Pvt. Ltd. (CIPL) JV (India)	4,282.0	-	Turnkey
Pipelines	Gas Transmission and Development Project	Gas Transmission Company Ltd.; Bangladesh Gas Fields Company Ltd.; Sylhet Gas Fields Limited	Trenchless Engineering Services Pvt. Ltd (TESPL), Cortech International Pvt. Ltd. (CIPL) JV (India)	3,191.8	-	Turnkey

Energy Sector Development	Sustainable Power Sector Development Project	Bangladesh Power Development Board (BPDB); Power Grid Company of Bangladesh, Ltd. (PGCB); Dhaka Power Distribution Company Ltd. (DPDC); Dhaka Electric Supply Company Ltd. (DESCO)	M/S Siemens Ltd. India	1,060.6	-	Turnkey
Pipelines	Gas Tranmission and Development Project	Gas Transmission Company Ltd.; Bangladesh Gas Fields Company Ltd.; Sylhet Gas Fields Limited; Pashchimanchal Gas Company Ltd.	Trenchless Engineering Services Pvt. Ltd (TESPL), Cortech International Pvt. Ltd. (CIPL) JV (India)	4,029.6	-	Turnkey
Pipelines	Gas Tranmission and Development Project	Gas Transmission Company Ltd.; Bangladesh Gas Fields Company Ltd.; Sylhet Gas Fields Limited;Pashchimanchal Gas Company Ltd.; Bangladesh Oil, Gas & Minerals Corp. (Petrobangla)	Jindal Saw Limited	38,623.0	-	Goods
Energy Sector Development	Sustainable Power Sector Development Project	Bangladesh Power Development Board (BPDB); Power Grid Company of Bangladesh, Ltd.(PGCB); Dhaka Power Distribution Company Ltd. (DPDC); Dhaka Electric Supply Company Ltd. (DESCO)	M/S ABB Limited	4,985.7	-	Turnkey
Energy Sector Development	Gas Tranmission and Development Project	Gas Transmission Company Ltd.; Bangladesh Gas Fields Company Ltd.; Sylhet Gas Fields Limited	Indian Explosive Ltd.	1,282.3	-	Goods
Multisector	Emergency Assistance For Food Security	Ministry Of Finance	NAFED, PEC Ltd, MMTC Ltd.	112,968.9	-	Goods

Source: ADB

REFERENCES

Ahmed, S. and Ghani, E. (2007). *South Asia: Growth and Regional Integration*. Washington, DC.: World Bank.

Bangladesh Bank (2011). *Foreign Direct Investment of Bangladesh Survey Report* (January - June and July - December). http://www.bangladesh-bank.org/pub/publictn.php?cat_id=1&pub_id=22#

Bangladesh Enterprise Institute. Position Paper on Border Haats. Dhaka, Bangladesh.

Banik, A., De, P., Bhaumik, P. K., Monzurul Huq, S., and Bajracharya, B. B. (2010). *Trade in Health Services in South Asia: An Examination of the Need for Regional Cooperation*. Project Report Submitted on 10th Round Regional Research Competition of South Asia Network of Economic Research Institutes (SANEI).

Bhasin, A. S. (2012). *Corporate and Face the Problems Squarely*. Paper prepared for India-Bangladesh Dialogue, October 4-5, 2012, New Delhi.

De, P. and Bhattacharya, B. N. (2007). *Deepening India–Bangladesh Economic Cooperation*: *Challenges and Opportunities,* Discussion Paper No. 130. New Delhi: Research and Information System for Developing Countries (RIS).

De, P., Chaturvedi, S. and Khan, A. R. (2010). Transit and Border Trade Barriers in South Asia. In Ahmed S., Kelegama S., and Ghani E. (Eds.), *Promoting Economic Cooperation in South Asia: Beyond SAFTA*. Washington, DC.: World Bank.

De, P. and Ghosh, B. (2008). *Reassessing Transaction Costs of Trade at the India-Bangladesh Border.* Economic and Political Weekly, Vol. XLIII No. 29, July 19.

De, P., Raihan, S. and Kathuria, S. (2012). *Unlocking Bangladesh-India Trade: Emerging Potential and the Way Forward,* Policy Research Working Paper No. 6155. Washington, DC.: World Bank.

Government of India (2011). *Annual Report 2010-11 of Ministry of External Affairs.*

Government of India (2012). *Annual Report 2011-12 of Ministry of Micro, Small and Medium Enterprises.*

Government of India (2012). *Economic Survey 2011-12. New Delhi: Ministry of Finance.*

Ministry of Development of North Eastern Region (MDONER), Research and Information System for Developing Countries (RIS), North Eastern Council (NEC) (2012). *Expansion of North east India's Trade and*

Investment with Bangladesh and Myanmar: An Assessment of Opportunities and Constraints. New Delhi: RIS.

Murshid, *K. A. S. (2011). Transit and Trans-shipment: Strategic Considerations for Bangladesh and India*. Economic and Political Weekly, Vol. XLVI No. 17, April, 23.

Pohit, S. and Taneja, N. (2000). *India's Informal Trade with Bangladesh and Nepal: A Qualitative Assessment*, Working Paper No. 58. New Delhi: Indian Council for Research on International Economic Relations.

Rahman, M., Khan, T. I., Nabi, A. and Paul, T. K. (2010). *Bangladesh's Export Opportunities in the Indian Market: Addressing Barriers and Strategies for Future,* Occasional Paper No. 90. Dhaka: Centre for Policy Dialogue (CPD).

Rahman, M., Rahman, H. and Shadat, W. B. (2007). *BCIM Economic Cooperation: Prospects and Challenges,* Paper 64. Dhaka: Centre for Policy Dialogue (CPD).

Sinate, David, Fanai, Vanlalruata and Bangera, Snehal (2014), Potential for Enhancing Intra-SAARC Trade: A Brief Analysis, Export-Import Bank of India, Working Paper No. 31, Mumbai.

Taneja, N. (2012). *India and Bangladesh Trade and Investment Relations: Emerging Patterns.* Paper prepared for India-Bangladesh Dialogue, October 4-5, 2012, New Delhi.

World Bank (2006). *India-Bangladesh Bilateral Trade and Potential Free Trade Agreement,* Bangladesh Development Series Paper No: 13. Dhaka: World Bank.

Important Websites of Bangladesh

1. Bangladesh Bank: http://www.bangladeshbank.org.bd/
2. Bangladesh Bureau of Statistics (BBS): http://www.bbs.gov.bd
3. Board of Investment (BOI): http://www.boi.gov.bd/
4. Chittagong Chamber Of Commerce & Industry: http://www.chittagongchamber.com/
5. Chittagong Stock Exchange (CSE): http://www.csebd.com/
6. Dhaka Chamber of Commerce and Industries (MCCI): http://www.dhakachamber.com/
7. Dhaka Stock Exchange (DSE): http://www.dsebd.org/
8. Federation of Bangladesh Chamber of Commerce (FBCC): http://www.fbcci-bd.org/
9. Finance Ministry (MoF): http://www.mof.gov.bd/
10. Microcredit Regulatory Authority (MRA): http://www.mra.gov.bd
11. National Data Bank (NDB): http://www.bangladeshgov.org/mop/ndb/
12. Prime Minister's Office (PMO): http://www.pmo.gov.bd/
13. Securities and Exchange Commission (SEC): http://www.secbd.org/

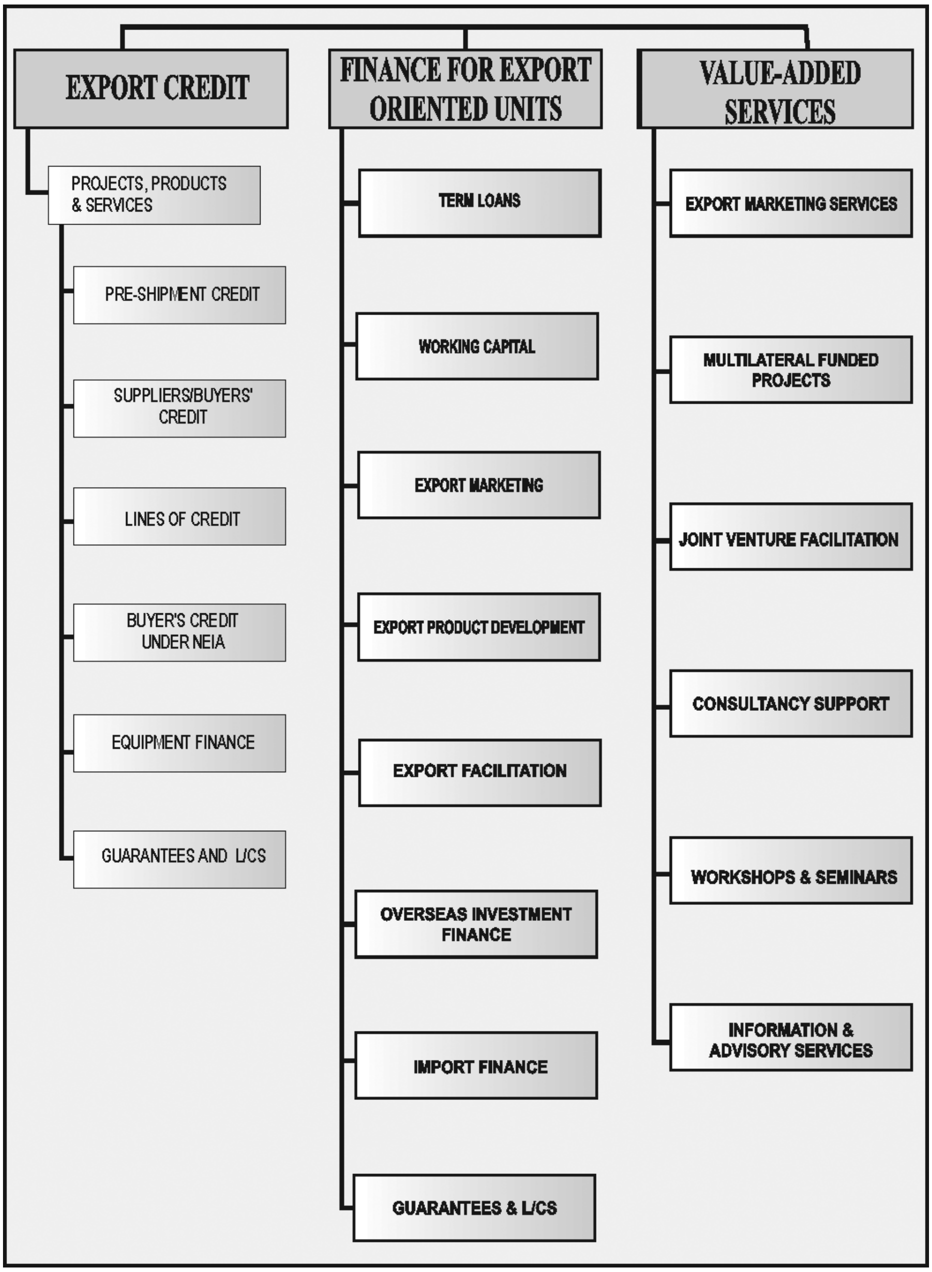
RECENT OCCASIONAL PAPERS

OP. No.	Title
104.	Fresh Fruits, Vegetables and Dairy Products: India's Potential For Exports to Other Asian Countries
105.	Biotechnology: Emerging Opportunities for India
106.	ASEAN Countries: A Study of India's Trade and Investment Potential
107.	Essays on Globalisation and Wages in Developing Countries
108.	Select West African Countries: A Study of India's Trade and Investment Potential
109.	Indian Leather Industry: Perspective and Export Potential
110.	GCC Countries: A Study of India's Trade and Export Potential
111.	Indian Petroleum Products Industry : Opportunities and Challenges
112.	Floriculture : A Sector Study
113.	Japanese & U.S. Foreign Direct Investments in Indian Manufacturing : An Analysis
114.	Maghreb Region: A Study of India's Trade and Investment Potential
115.	Strengthening R & D Capabilities in India
116.	CIS Region: A Study of India's Trade and Investment Potential
117.	Indian Chemical Industry: A Sector Study
118.	Trade and Environment: A Theoretical and Empirical Analysis
119.	Indian Pharmaceutical Industry : Surging Globally
120.	Regional Trade Agreements: Gateway to Global Trade
121.	Knowledge Process Outsourcing: Emerging Opportunities for India
122.	Indian Mineral Sector and its Export Potential
123.	SAARC: An Emerging Trade Bloc
124.	Indian Capital Goods Industry - A Sector Study
125.	Financial Liberalization and Its Distributional Consequences
126.	ECOWAS: A Study of India's Trade and Investment Potential
127.	Indian Textile and Clothing Industry in Global Context: Salient Features and Issues
128.	Fair Trade : Fair Way of Enhancing Export Value
129.	Indian Automotive Industry: At The Crossroads
130.	CARICOM : A Gateway to the America
131.	IBSA : Enhancing Economic Cooperation Across Continents
132.	MSMEs and Globalisation: Analysis of Institutional Support System in India and In Select Countries
133.	International Trade, Finance and Money: Essays in Uneven Development
134.	Sikkim: Export Potential and Prospects
135.	Mizoram: Export Potential and Prospects
136.	Floriculture: A Sector Study
137.	Biotechnology Industry in India: Opportunities for Growth
138.	Indian Gems and Jewellery: A Sector Study
139.	SADC: A Study of India's Trade and Investment Potential

140.	Innovation, Imitation and North South Trade: Economic Theory and Policy
141.	COMESA (Common Market for Eastern and Southern Africa): A Study of India's Trade and Investment Potential
142.	Indian Shipping Industry: A Catalyst for Growth
143.	New Renewable Energy in India: Harnessing the Potential
144.	Caribbean Community (CARICOM): A Study of India's Trade and Investment Potential
145.	West African Region: A Study of India's Trade and Investment Potential
146.	India's Trade and Investment Relations with LDCs (Least Developed Countries): Harnessing Synergies
147.	Indian Electronic Industry : Perspectives and Strategies
148.	Export Potential of Indian Plantation Sector: Prospects and Challenges
149	MERCOSUR : A Study of India's Trade and Investment Potential
150.	Openness and Growth of the Indian Economy: An Empirical Analysis
151.	The Commonwealth: Promoting a Shared Vision on Trade and Investment
152.	Southern African Development Community (SADC): A Study of India's Trade and Investment Potential
153.	Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Select Countries
154.	Indian Chemical Industry : Exploring Global Demand
155.	Technological Interventions In Indian Agriculture for Enhancement of Crop Productivity
156.	Exports of Services and Offshore Outsourcing: An Empirical Investigation in the Indian Context
157.	Indian Ocean Rim Association for Regional Co-operation (IOR-ARC): A Study of India's Trade and Investment Potential
158.	West Africa: A Study of India's Trade and Investment Potential
159.	The Effects of Financial Openness: An Assessment of the Indian Experience
160.	Comparison of Labour Laws: Select Countries
161.	India's Trade and Investment Relations with Cambodia, Lao PDR, Myanmar, Vietnam (CLMV): Enhancing Economic Cooperation
162.	Indian Horticulture-Imperatives to Enhance Trade from India
163.	India's Trade and Investment Relations with Gulf Cooperation Council (GCC): Strengthening Economic Ties
164.	India's Hi-Tech Exports: Potential Markets and Key Policy Interventions
165.	Outward Direct Investment from India: Trends, Objectives and Policy Perspectives
166.	East African Community (EAC): A Study of India's Trade and Investment Potential
167.	Trade Liberalization, Product Variety and Growth
168.	Research & Development in BRICS: An Insight
169.	Indian Capital Goods Industry: A Sector Study

EXIM BANK'S MAJOR PROGRAMMES

Bank's Major Programmes



EXPORT-IMPORT BANK OF INDIA

HEAD OFFICE

Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.
Phone : (91 22) 22172600 Fax : (91 22) 22182572 E-mail : pf@eximbankindia.in
Website : www.eximbankindia.in

LONDON BRANCH

5th Floor, 35, King Street, London - EC2V8BB, United Kingdom,
Phone : (44) 20 77969040 Fax : (44) 20 76000936 E-mail: eximlondon@eximbankindia.in

INDIAN OFFICES

Ahmedabad
Sakar II, Floor 1 ,
Next to Ellisbridge Shopping Centre, Ellisbridge P. O.,
Ahmedabad 380 006.
Phone : (91 79) 26576852/26576843
Fax : (91 79) 26577696
E-mail : eximahro@eximbankindia.in

Bangalore
Ramanashree Arcade, Floor 4,
18, M. G. Road, Bangalore 560 001.
Phone : (91 80) 25585755/25589101-04
Fax : (91 80) 25589107
E-mail : eximbro@eximbankindia.in

Chandigarh
PHD House, Floor 1, Sector 31-A, Dakshin Marg,
Chandigarh 160 031
Phone : (91 172) 2641910/12/39/49
Fax : (91 172) 2641915
E-mail : eximcro@eximbankindia.in

Chennai
Overseas Towers, Floors 4 & 5, No. 756-L,
Anna Salai (Opp. TVS), Chennai - 600 002.
Phone : (91 44) 28522830, 28522831
Fax : (91 44) 28522832
E-mail : eximchro@eximbankindia.in

Guwahati
NEDFI House, Floor 4, G. S. Road,
Dispur, Guwahati-781006
Phone : (91 361) 2237607, 2237609
Fax : (91 361) 2237701
E-mail : eximgro@eximbankindia.in

Hyderabad
Golden Edifice, Floor 2, 6-3-639/640, Raj Bhavan Road,
Khairatabad Circle, Hyderabad 500 004.
Phone : (91 40) 23307816-21 Fax : (91 40) 23317843
E-mail : eximhro@eximbankindia.in

Kolkata
Vanijya Bhawan, Floor 4, (International Trade
Facilitation Centre), 1/1 Wood Street, Kolkata 700 016.
Phone : (91 33) 22833419/22833420
Fax : (91 33) 22891727
E-mail : eximkro@eximbankindia.in

New Delhi
Statesman House, Ground Floor,
148, Barakhamba Road, New Delhi 110 001.
Phone : (91 11) 23474800
Fax : (91 11) 23322758/23321719
E-mail : eximndro@eximbankindia.in

Pune
44, Shankarseth Road, Pune 411 037.
Phone : (91 20) 26403000
Fax : (91 20) 26458846
E-mail : eximpro@eximbankindia.in

OVERSEAS OFFICES

Addis Ababa
Bole Kifle Ketema, Kebele - 19, (03/05)
House No. 015-B,
Addis Ababa, Ethiopia
Phone : (251 116) 630079
Fax : (251 116) 610170
Email : aaro@eximbankindia.in

Dubai
Level 5, Tenancy 1B,
Gate Precinct Building No. 3,
Dubai International Financial Centre,
PO Box No. 506541, Dubai, UAE.
Phone : (971 4) 3637462
Fax : (971 4) 3637461
E-mail : eximdubai@eximbankindia.in

Johannesburg
Atrium on 5th, Floor 2, Tower East,
Sandton City, Johannesburg,
South Africa
Phone : (27 11) 3265103/13
Fax : (27 11) 7844511
E-mail : eximjro@eximbankindia.in

Singapore
20, Collyer Quay,
10-02, Singapore 049319.
Phone : (65) 65326464
Fax : (65) 65352131
E-mail : eximsingapore@eximbankindia.in

Washington D.C.
1750 Pennsylvania Avenue NW,
Suite 1202, Washington D.C. 20006,
United States of America.
Phone : (1 202) 223 3238
Fax : (1 202) 785 8487
E-mail : eximwashington@eximbankindia.in

Yangon
House No. 54/A, Ground Floor,
Boyarnyunt Street,
Dagon Township,
Yangon, Myanmar.
Phone : (95) 1389520
Mob. : (95) 931281726
Email : eximyangon@eximbankindia.in