

## Indo-Bangladesh Trade: Analyzing Impact of Trade Preference on Growth and Structure of Bilateral Trade

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*The article is a documentation of facts relating to Indo-Bangladesh trade. An eight-digit commodity classification has been adopted to categorize commodities into bilateral trade, preferential trade and duty free trade. Lack of a sound manufacturing industry base seems to be severely constraining the possibilities of higher imports from Bangladesh. To sustain strong trade relations over the years linking up of trade with investment has been suggested which will be part of a package deal. A list of non-tariff barriers prevalent on the Indian side enhances the value of the article.*

### I Introduction

Trade offers immense opportunities for raising economic welfare of Bangladesh and India - the two neighboring South Asian countries. Apart from being members of SAARC, geographical proximity as well as close historical ties makes these two countries natural trade partners. India, with a population of nearly 8 times and GDP about 9 times larger than Bangladesh, offers a large market for Bangladesh's exportable products. From Bangladesh's point of view therefore, access of her exports to the vast Indian market is of utmost importance.

On the side of import, the abundance of a wide variety of India's natural resources and its capacity to supply a wide range of essential consumer goods, primary and intermediate goods, as also a wide variety of machinery and capital equipment provide enormous opportunities to Bangladesh to obtain prompt supply of the much needed consumption and development imports at lower transportation cost than if these imports were to be obtained from distant sources.

Bilateral trade between India and Bangladesh is conducted under the provisions of the prevailing Indo-Bangladesh Trade Agreement, First signed on 28 March 1972, the Agreement was an interim arrangement, which identified the commodities to be traded and fixed a monetary ceiling for export/import of each of the commodities with a view to achieving balanced trade. This was replaced by a new agreement in July 1973. The new agreement was amended in December 1974 to include a clause that bilateral trade between the two countries would be conducted in convertible currency with effect from 1 January 1975. The current agreement was signed on 4 October 1980 and has been extended for successive periods of three years.

Under the Indo-Bangladesh Trade Agreement, both India and Bangladesh provide Most Favored Nation (MFN) treatment to each other. The Agreement does not provide any bilateral trade concessions. Such tariff concessions are accorded to each other only under the provisions of South Asian Preferential Trading Arrangement (SAPTA) signed in April 1993 and which became effective since December 1995. Under four rounds of negotiations held so far, India has offered concessions on 2927 products (at six-digit H.S. Classification) of which 2450 products have been offered exclusively to least

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