



Bangladesh India co-operation in economic development and poverty reduction- targeting a new breakthrough

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1. Potential for co-operation yet to be realized: Given limitations of resource endowments and of size and purchasing power of the internal markets, Bangladesh is doing reasonably well in terms of economic growth and development. The big neighbor India with more diverse endowments and much larger internal markets is growing substantially faster. It is everyone's belief that closer bilateral co-operation between Bangladesh and India with higher intraregional investment and trade can benefit both countries with fuller utilization of the complementarities and comparative advantages in producing for markets within and beyond; promoting output, employment, income and thereby hastening reduction of the still pervasive poverty.

It is also everyone's disappointment that the two countries have underperformed in reaping the possible benefits of closer mutual co-operation. Despite wordy announcements of wishes and intentions, specific steps towards greater openness in trade and investment co-operation have tended to be hesitant and overcautious rather than bold or decisive; tinged with apprehension on the side of the smaller partner that its interests could be over swept by those of the much bigger counterpart; and on the other side that the smaller partner could act in league with other countries to the detriment of its economic and strategic interests. With bilateral trade continuing in huge surplus for India and with very little of Indian FDI coming into projects in Bangladesh, there is need and scope for going far beyond a mere opening up of inland transport routes of Bangladesh for overland transit of trade traffic between Indian regions in reducing the large bilateral trade imbalance substantially over the medium term.

2. The new window of opportunity: The neighborly relationship between the elected popular governments now running Bangladesh and India is bonded in mutual trust and confidence that they have no motive or intention of acting against each other's legitimate interests including those for internal peace and security. With the political will and understanding at the highest level necessary in forging robust

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economic co-operation now in evidence, it is strongly hoped that the window of opportunity will not be missed this time in launching a fresh thrust for a major new breakthrough in trade and investment cooperation between the two countries, intensively involving the private sector businesses and the civil society in both countries, apart from the governments. Seen from the Bangladesh perspective, the following are some major areas that will be useful for the new thrust to focus on:

Trade in goods: After years of facing various non-tariff, para-tariff and countervailing duty barriers, some export items from Bangladesh are slowly making inroads into markets in mainland India and in her Eastern provinces, taking advantage of tariff concessions under SAPTA and SAFTA, MOUs between standards institutions of India and Bangladesh, improved banking arrangements in the Eastern Indian provinces for settlement of bills for imports from Bangladesh, and other improvements. Items now being exported include, besides raw jute and apparels in specified quantities, accumulator batteries, jute twine, yarn, cordage and ropes, frozen fillets, cement, bricks and frozen fillets. The tariff, para tariff and non tariff barriers push trade into informal channels, removal of the remaining barriers will bring the current illegal, informal trade into the legal, formal channel, capturing the trade and its operators in the tax nets of the governments.

There are many more items of industrial manufacture of which exports from Bangladesh could take SAPTA/SAFTA concessional tariff advantage in India; Bangladeshi exporters are not yet doing so either because of production capacity constraints, or ignorance or both. Private sector businesses in Bangladesh and India can be encouraged and supported in strengthening contact networks to search for and take advantage of the production and marketing opportunities in each other's countries. Indian entrepreneurs can, in joint ventures with Bangladeshi counterparts or even solely on their own, establish production bases in Bangladesh for exports to India and wherever else there are tariff preferences for exports from Bangladesh as an LDC. Outsourcing from, or subcontracting to the upcoming SMEs in Bangladesh in various sectors including light engineering, electrical and electronic products, footwear, melamine and plastic products etc. can be the other options for Indian entrepreneurs for mutually beneficial engagement with Bangladeshi entrepreneurs for expanding their manufacturing and trading activities.

FDI in Bangladesh: Indian investments are seen looking for destinations around the globe, thus far Indian FDI in Bangladesh have been small. Bangladesh maintains a very congenial non discriminatory FDI regime with restriction free repatriation facilities for investments and returns thereon. Indian investors have

ample opportunities for investment in Bangladesh in manufacturing, services and infrastructure sectors, including participation in Public Private Partnership initiatives. In the recent years, private sector telecommunication, healthcare, hospitality and education services have flourished in Bangladesh, involving substantial FDI participation. There is still ample room for further growth with participation of Indian and other foreign entrepreneurs, particularly in developing the hospitality (hotels, tourism) services. With expanding intra and extra regional trade and travel, cross border transport services by sea and air can be another area for co-operation and Indian FDI participation in joint ventures in Bangladesh.

Trade in services: The fast rise in wage costs in India for IT and other services professionals is creating need and scope for the Indian service sector exporters to retain competitiveness by engaging with the young professionals graduating from engineering and technical institutions in Bangladesh. This can develop both by way of outsourcing and attracting Bangladeshi service professionals in job positions in India (mode IV, GATS). There is significant extent of engagement of Indian service professionals in private sector manufacturing and service provider establishments in Bangladesh; beginning of reciprocal employment of Bangladeshi professionals in the Indian market will help create and strengthen public opinion in favor of closer bilateral and regional economic integration.

Energy co-operation: Economic growth pursuits in Bangladesh are now being impeded seriously by energy shortages, particularly shortages in electricity. Besides the medium term proposition of Indian FDI in the power sector, Bangladesh could benefit in the near term from Indian co-operation in accessing surplus power generation capacities in Bhutan and the Eastern Indian provinces through a linked, shared regional grid; in a regional multilateral co-operation framework opening up Chittagong and Mongla ports of Bangladesh for external trade of Nepal, Bhutan and the Eastern Indian provinces.

3. Concluding remarks: One may add many more possible new areas of Bangladesh India economic co-operation, provided there is a commitment for win-win engagements. The Indo-Bangladesh relationship born in sacrifices (including in blood) in 1971 deserves to be taken forward to a new height, gradually widening further the window of opportunity that has now opened up.
