

Assessment of Bangladesh-India Trade Potentiality Need for Cross-Border Transport Facilitation & Mutual Recognition of Standards

Background & Rationale

India shares cultural, linguistic and historic links with Bangladesh, but economic ties between the two countries is far below potential. Since the signing of the Agreement on South Asian Free Trade Area, some significant progress has been made on tariff liberalisation, but numerous non-tariff barriers (NTBs) still prevail, threatening to undermine the reforms undertaken so far.

Enhancing bilateral trade is of high importance from the perspective of economic development of both the countries.

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Recent studies by CUTS International show that both India and Bangladesh maintains significantly better trade-related standards, procedures and systems with partner countries outside the South

Asian region than within. By applying best standards to bilateral trade, both countries together stand to save a minimum of about 24.36 per cent of their current aggregate bilateral trade costs. The amount that can be thus saved was found to be US\$1bn annually as per figures for 2011.

Furthermore, there are many high potential products (with matching export capacity and import demand in each other's markets) that remain non-traded mainly because of NTBs. A quantitative enquiry to the possible increase in

volume of trade in such products shows that bilateral trade in about 60 identified commodities with the highest potential could rise by about US\$1.2bn annually, which is more than 20 per cent of the current volume of bilateral trade.

From these studies and through extensive field research covering important land customs stations along the India-Bangladesh border, CUTS has generated deeper insights into issues associated with trade-related infrastructure and related trade facilitation measures. Two most important ones are:

- absence of bilateral regional transport transit arrangements; and
- inappropriate application of trade-related standards due to lack of institutional development and associated problems of governance of such standards, etc.

Gross inefficiency in the existing system of cross-border trade also manifests in the form of huge volume of informal trade.

Current volume of informal trade is estimated as half the volume of formal trade. This indicates strong prevalence of

NTBs in formal channels of trade. This can well also be brought into the mainstream through better trade facilitation measures.

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Gradual trade reforms to address these issues are crucial for both countries. For India, increase in trade with Bangladesh would help address many concerns of economic isolation of its backward North Eastern states and generate new market opportunities for small-scale producers from the impoverished hinterlands of

Eastern states. For Bangladesh, wider areas of cooperation, investment and allied development opportunities will be thrown open with greater trade openness with India.

Therefore, in the light of exploratory studies carried out by CUTS International and other like-minded organisations in the recent past, this project aims to assess bilateral trade potentiality and measure benefits which would arise from the signing of a cross-border transport (motor vehicle) facilitation agreement and an agreement on mutual recognition of standards, particularly sanitary and phyto-sanitary (SPS) measures.

Goal & Objectives

The Goal of the project is to do policy research on the current situation of bilateral trade and assess its potentiality for generating welfare outcomes, particularly for small-scale

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manufacturing and agrarian sector and to advocate with the relevant stakeholders and government officials about the need for an agreement on cross-border transport facilitation and mutual

recognition of standards, particularly SPS measures.

The Objectives are to:

- collect information on the level of awareness among traders, other trade-related stakeholders and government officials about the significance of bilateral agreements on these two aspects of trade and transport facilitation
- identify the deficiencies in administration and impediments related to trade-related services at land custom stations and 'Border Haats' (semi-formal markets in border areas) so as to identify issues relating to cross-border transport facilitation and application of standards,

particularly SPS measures

- assess the extent of informal trade, its underlying reasons and solutions thereof as well as examination of the feasibility and potential benefits from establishing 'Border Haats' alongside land customs stations
- advocate with the relevant stakeholders about the potential of bilateral trade and its implications on the local economy
- provide recommendations to government officials dealing with the negotiations of an agreement on cross-border transport facilitation and mutual recognition of standards, particularly SPS measures

Advocacy for the signing of a cross-border transport facilitation agreement and an agreement on mutual recognition of standards, particularly SPS measures

Activities

- Policy research including collection and analyses of primary and secondary data to understand the current status of negotiations on cross-border transport facilitation agreement and mutual recognition of standards, particularly SPS measures, and their implications on bilateral trade potentiality and impact on the local economy
- Meetings with the relevant government officials from both India and Bangladesh to present research findings and advocate for the signing of a cross-border transport facilitation agreement and an agreement on mutual recognition of standards, particularly SPS measures

Expected Outcomes

The project will enhance necessary understanding and awareness of a broad range of trade-related stakeholders about the importance and possible implementation concerns of a cross-border transport facilitation agreement and an agreement on mutual recognition of standards, particularly SPS measures.