

Background Note

Demystifying Non-Tariff Barriers to India-Bangladesh Trade in Agricultural Products and their Linkages with Food Security and Livelihood

Objective

CUTS with the support of USAID have conducted an in-depth study on ‘Demystifying Non-Tariff Barriers to India-Bangladesh Trade in Agricultural Products and their Linkages with Food Security and Livelihood’. The main aim is to facilitate bilateral trade between two countries, particularly trade in agricultural products, and identify the inter-related livelihood and food security issues with their feasible solutions.

Background

India and Bangladesh are two important trading partners in South Asia. Economic and trade relations between the two countries are shaped by their social, economic and cultural linkages. Bilateral trade flows between the two countries stood at US\$ 6.6 billion in 2016, far below the existing potential, which is estimated to be around four times of the existing level. Bilateral trade is affected by a plethora of Non-Tariff Barriers (NTBs) which act as major barriers and undermine the potential of trade between these two nations. NTBs are particularly harmful in case of agriculture products which not only escalate the cost of products but also restrict effective market access for producers and consumers. The growth of bilateral trade in agricultural products between the two countries is affected by a large number of barriers that exist at the border. These are mainly in the form of inefficient customs procedures, excessive paperwork, cumbersome export-import procedures, absence of testing facilities, lack of harmonised systems, congestion, inadequate road infrastructure, high demurrages, and sub-optimal trade related infrastructure. The cumulative impact of these barriers is very high for agricultural products which require efficient and timely movement across borders. These NTBs not only increase trade costs but also have implications for food security and livelihood of the producers.

In the present study, an attempt has been made to identify the NTBs (process, procedural & infrastructure, capacity related impediments, and SPS-TBT related) faced by Indian exporters and importers while doing trade with Bangladesh in agriculture and related products (only for

the selected ones) with particular emphasis on such trade through selected ports. The study also aims to understand the impact of possible increase in agriculture trade on livelihood of the people involved along the supply chain and its role in addressing the food security challenges in both of the countries. Some of the key findings of the study are:

- There exist huge trade potential, particularly in agricultural products, between India and Bangladesh and this is confirmed after looking at the trade volume of Bangladesh with other countries of the world, except India.
- There exist sub-optimal port infrastructure from both sides and there is an urgent need to provide the same to further facilitate the bilateral trade.
- Differences in agriculture policy across Indian states are the main reason of low productivity of Indian agriculture. This is confirmed from the study finding which favours one centralized policy instead of separate policies. India needs to identify the comparative advantage of each state in agriculture production and prepare focussed regional policy to enhance productivity.
- There exist too many middlemen in the whole supply chain and this chain is very complex in case of agricultural products. Farmers at the lower end of supply chain are getting very less and in some cases they are not getting the adequate price for their produce. This has serious implications for their livelihood.
- Marketing facilities are sub-optimal in India and there is a dire need to resolve this issue through proper agriculture policy.

This meeting aims to deliberate on the research findings, share insights from various stakeholder groups and list out specific and prioritised solution and action agenda to further boost the volume of bilateral trade between two countries by keeping in mind the livelihood aspects in mind.