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“IMPORT AND EXPORT POLICY BETWEEN INDIA AND BANGLADESH”

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Abstract

India and Bangladesh are the largest trading partners in the South Asia and have an important role in the South Asian Association for Regional Cooperation (SAARC). In recent years, political initiatives of confidence building measures have shaped their areas of mutual economic cooperation. India has adopted the process of liberalization process, openness, transparency and globalization, while Bangladesh has changed its economy according to the WTO framework. Trend of commodity composition of India's trade to Bangladesh can be estimated by trade intensity indices. Foreign direct investment and foreign remittances received by Bangladesh could contribute to reduce the deficit balance of trade.

I. INTRODUCTION

Bangladesh and India are two dominant member countries of the Indian subcontinent and are members of the South Asian Association for Regional Cooperation (SAARC). Bilateral trade between India and Bangladesh is started under the India and Bangladesh agreement signed on March 28, 1972. India is the largest economy in South Asia region, accounting for nearly 80% of the region's GDP. Bangladesh is the third largest economy in SAARC, with a population of 149.8 million according to the fifth population census conducted during March 15-19, 2018. The economies of both countries have been undergoing a process of liberalization and reforms, and both countries are in the process of transforming their economies in the WTO framework.

India is a country of vast opportunities, with a large human resources base, a huge market and an expanding economy. Bangladesh has been one of the best performing economies in South Asia in recent times, averaging a growth rate of around 6 percent in last five years. The rice economy of Bangladesh is much similar with Indian eastern states like West Bengal, Bihar, Orissa and Andhra Pradesh.

Bangladesh is the world's second most pro free market country, and is the number two garment exporter in the world. It has substantial reserves of natural gas and coal, and many international energy companies are involved in production and exploration activities. India's links with Bangladesh are civilization, cultural, social and economic. This study analysed the trade relations between India and Bangladesh since 2001 to 2013 by using the concepts of trade intensity (export intensity Index and import intensity index). India's export to Bangladesh increased sharply since 2007, high demand of trade in Industrial, Chemicals and Agriculture products. India mainly focuses on exports of secondary product and imports primary items, which is more favourable for India in long period.

II. LITERATURE REVIEW

- Mandala and Kukadia (1975) studied the economics of cotton cultivation in Baroda district, Gujarat. Gangwar and Singh (1975) examined the economic feasibility of financing cotton growers in Hissar district of Haryana.
- Grossman and Help man (1991) examined economic growth from the viewpoint of 'creative destruction'. Kumar and Dhawan (1991) found a negative relationship between exchange rate volatility and trade.
- Suravinda (1993) examined "India's Trade Relations with Major Countries of Arab League".
- This research project emphasizes the need for co-operation between India and the Arab countries in establishing a new International Economic Order (NIEO). The study concludes that India's bilateral imports and exports have been adversely affected by the volatile nature of exchange rate.

- Garten (1994) concluded that anti-dumping duties are justified because dumping prices are presumptive evidence of abnormal and temporary cheapness.
- Rajanand Zingales (1998) concluded that in countries with well-developed financial systems, industries that are naturally heavy users of external finance grow faster.
- Howitt (2000) builds a model to show that in the presence of technology transfer, there is a permanent rise in the country's per capita income vis-a-vis other countries. Empirical studies examining the 'spillover' effect of FDI on the host country have been mixed, with no strong or significant relationship found between FDI flows and productivity.
- Fanelli and Medhora (2002) reveal that the competitiveness of a country depends both on the price and non-price factors. They explain that in an environment of efficient financial markets, the financial intermediaries are in the position of imparting the level of innovation by identifying and channeling funds to the most efficient users. The imperfections in the financial market reduce the ability of the financial sector to efficiently channel funds from lenders to borrowers, and that negatively impacts productivity growth.
- Prusa and Skeath (2002) suggested that anti-dumping measures may be retaliatory, and Bown and Crowley (2003) suggested that trade deflection may be one of the pathways through which trade deflection is multiplying.
- Konings and Vandenbussche (2004) and Vijaya Katti (2005) argued that an all-encompassing and comprehensive view is needed for India to become a major player in world trade. The new Foreign Trade Policy was built around two major objectives: to double India's percentage share of global merchandise trade within the next five years, and to act as an effective instrument of economic growth by giving a thrust to employment generation.
- Syamala Gopinath (2006) and Yazid and Muda (2006) studied the usage pattern of foreign exchange management strategies in multinational corporations.
- Guangling Liu (2007) investigated the impact of real effective exchange rate volatility.
- Vijaya Kattietal (2007) and Neena Malhotra (2008) have identified four major sectors of the Indian economy and analyzed how export promotion councils have helped to shape the Indian economy, its export growth, and the challenges they face in an increasingly globalized world.
- Jeevan Kumar Khundrakpam (2009) investigated the exchange rate pass-through to rate volatility and the Johansen co-integration tests and Error Correction Model (ECM) were used to analyse the long run equilibrium and dynamic short run relationship between exports and the real effective exchange rate volatility.
- Ali and Madhukar (2016) argued that to build political, social, and economic ties, it is important to build trust, disarm and focus on economic development, outward looking economic policies, and bilateral preferential trade agreements. India and Bangladesh are more biased towards trading with Rest of the World.

III. OBJECTIVES STUDY

- Facilitating the selling of products to countries in need.
- Earning exchange
- Expanding the marketplace for goods.
- Creating employment opportunities, generating revenue.
- Promoting mutual affection and co-operation.
- Achieving optimum utilization of resources.

IV. RESEARCH METHODOLOGY

India and Bangladesh have a significant trade relationship, and both countries have implemented various import and export policies to promote economic growth and development. India exports a wide range of products to Bangladesh, including textiles, machinery, chemicals, and pharmaceuticals. Bangladesh's main exports to India include agricultural products, textiles, and leather goods. To facilitate trade, the Indian government has implemented the India-Bangladesh Trade Agreement, which aims to reduce trade barriers and promote bilateral trade. Both countries have established several border haats (markets) to promote cross-border trade and provide a platform for small traders and farmers to sell their products. However, there are still some trade barriers and regulatory issues that hinder trade between India and Bangladesh, such as strict import regulations for agricultural goods and non-tariff barriers such as complicated customs procedures and bureaucratic hurdles.

V. DATA ANALYSIS

The Bangladesh-India relations over the years reflect the prominence of coercive elements in India's hegemonic role in South Asia. This was reflected in India's aversion towards multilateral cooperation frameworks like SAARC and lack of reciprocation in trade and economic cooperation with countries, as seen with Bangladesh. The United States' hegemony over the years achieved a boost with its involvement with smaller and weaker neighbouring allies in several economic and security cooperation ventures, but India's influence in a regional context result in discontentment on the part of weaker states. India should rely on an institutional doctrine to aid their efforts to develop themselves in various fields, and should prepare itself to compromise on certain fronts if regional cohesion and peace is to be achieved. India's relationship with all South Asian countries should not be dictated by its relationship with Pakistan and China, with whom it has undergone prolonged conflict and competition. A hegemonic stance by India would have inefficient impact on the Indo-Bangladesh relationship.

VI. INTERPREATION

India's relationship with all South Asian countries should not be dictated by its relationship with Pakistan and China, but rather by its stand towards other South Asian countries. A hegemonic stance by India would have a significant impact on Indo-Bangladesh relations.

VII. FINDINGS

This research found that during 2001-2013, India-Bangladesh trade increased by many times, with India's export to Bangladesh increasing from \$1063 million to \$5993 million. India's import from Bangladesh increased by 8.27 times, while India's imports from world increased by 91.97 times. Commodity compositions in total trades between countries focused on primary products and readymade garments import to India from Bangladesh, while India focused on manufacturing goods export to Bangladesh. India's export intensity was higher than expected during 2011, while Bangladesh's import intensity was high to expectation. Trade policies reforms of both countries are promoting the bilateral trade, but there is a need to improve trade with India and its trade balance.

VIII. CONCLUSION

India and Bangladesh have been actively engaged in trade and have signed several agreements to strengthen their economic ties. In 2021, India and Bangladesh signed a memorandum of understanding (MoU) to establish a framework for cooperation in the field of trade remedial measures. In 2019, they signed a free trade agreement (FTA) to reduce tariffs on a wide range of goods. India and Bangladesh have also taken steps to improve their connectivity, such as improving road, rail, and waterway connectivity. Overall, the import and export policy between India and Bangladesh has been positive. India and Bangladesh should work to simplify customs procedures, harmonize standards and regulations, invest in infrastructure, encourage private sector involvement, promote e-commerce, expand trade agreements, and increase cross-border cooperation to enhance their trade relationship and promote economic growth and development.

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