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**REGIONAL CO-OPERATION AND ECONOMIC PROSPERITY
IN SOUTH ASIA: CHALLENGES OF UNFAIR TRADE
AND TRANSBOUNDARY DEADLOCK**

**REGIONALNA WSPÓŁPRACA A SYTUACJA GOSPODARCZA W POŁUDNIOWEJ AZJI:
WYZWANIA NIERÓWNOŚCI I ZASTOJU W HANDLU ZAGRANICZNYM**

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Summary

Subject and purpose of work: The study attempts to examine the trade unfairness and transboundary bottlenecks between Bangladesh and India with a view to prosper a balanced trade and sustained water cooperation.

Materials and methods: The study is based on secondary data and statistical information. Mixed research methods such as qualitative, quantitative and data visualization techniques are adopted in this study to assess the political economy of river basin management, loss and damage assessment and trade situation assessment.

Results: Due to upstream intervention, the North-Western region of Bangladesh has lost 4254218 metric tons of rice production during 2006-2014 cropping years which value is \$1036 million. During the same period, the trade deficit of Bangladesh stood at \$5.58 billion with India due to the diverse tariff and non-tariff barriers which triggers tension between this close neighbor.

Conclusions: The trade and water co-operation should be extended among the South Asian countries including India and Bangladesh without delay to obtain the maximum benefit and economic prosperity.

Keywords: trade balance, bi-lateral relation, transboundary deadlock, regional cooperation, non-tariff barrier, international river

ARTYKUŁ PRZEGLĄDOWY

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Streszczenie

Przedmiot i cel pracy: Praca ma na celu przedstawienie stanu stosunków gospodarczych między Bangladeszem i Indiami w kontekście wykorzystania transgranicznych zasobów wodnych. Szczególną uwagę poświęcono zachowaniu równowagi w handlu między tymi krajami oraz potrzebie rozwijania współpracy bilateralnej.

Materiały i metody: W pracy wykorzystano dane i informacje wtórne zaczerpnięte ze statystyk i opracowań instytucji krajowych i międzynarodowych oraz literatury problemu. Zastosowano mieszane metody badawcze o charakterze jakościowym i ilościowym oraz techniki wizualizacji. Ocenie ekonomicznej poddano procesy i metody zarządzania zasobami gospodarczymi w dolinach rzek oraz potencjalne straty wynikające z nierównoważonych stosunków handlowych.

Wyniki: Badania wykazały, że nierównoważone relacje transgraniczne są niekorzystne dla Bangladeszu, który utracił w latach 2006-2014 możliwość wyprodukowania 4 254 218 ton ryżu o wartości 1036 mln USD. W tym samym czasie deficyt Bangladeszu w handlu z Indiami wyniósł 5579 mld USD.

Wnioski: Z przeprowadzonej analizy wysunięto wnioski o potrzebie rozwoju współpracy w gospodarstwie transgranicznymi zasobami wody oraz intensyfikacji stosunków handlowych poprzez ograniczenie i znoszenie barier handlowych.

Słowa kluczowe: balans handlowy, stosunki dwustronne, ograniczenie transgraniczne, współpraca regionalna, bariery pozatryfowe, rzeka międzynarodowa

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Introduction

Located in South Asia, both India and Bangladesh can obtain greater and more secure economic benefits and prosperity by giving priority to trade liberalization, blue economy collaboration and resolving the transboundary deadlock. Trade and water both are important for economic development, agricultural sustainability, poverty elevation, and livelihood protection of the poor people in both countries. There are urgent and longstanding concerns in Bangladesh arising from the perennial, water sharing, large bilateral trade deficit with India, and from the large volumes of informal imports from India across the land border which avoid Bangladesh import duties. Although, the countries were able to solve the land boundary dispute and also resolve the maritime boundary conflict, but the transboundary water disputes for most of the shared river basin and uneven trade are underpinning anxiety and mistrust in Bangladesh side. Due to the trade imbalance and nontariff barriers, Bangladesh is continuously found to be facing a large trade deficit with India. Whereas, due to the availability of water in the common river basins, the agriculture and livelihood sectors of downstream Bangladesh experience tremendous loss and damages in both dry and monsoon season. Out of the 57 transboundary rivers, Bangladesh shares 54 rivers with India. As a lower riparian country, Bangladesh often experiences serious water crisis in dry and lean season in the transboundary river system to unilateral water withdrawal by the upstream country India which impedes the water security and livelihood options of the river-dependent communities of Bangladesh (Ahmed, 2012; Arfanuzzaman, 2017). Over the last four decades, two close neighbors are appeared to have endured their political, economic, trade and cultural relations and have fabricated an inclusive institutional framework to promote bilateral collaboration. But the deadlock in transboundary water sharing and trade unfairness are considered as an impediment towards the forceful bilateral relation between these two nations (Arfanuzzaman and Ahmed, 2015a; Basu and Datta, 2007). Among the shared rivers by India and Bangladesh, the treaty exists only for the Ganges river which took decades for the negotiation. Nevertheless, the water sharing of rest of the major rivers specially Teesta grounds suspect in all level of downstream Bangladesh. River Teesta origins in Indian state Sikkim and enters into Bangladesh through West Bengal and finally merged with Brahmaputra-Jamuna River system. Nearly 21 million people of North-west Bangladesh is reliant on this transnational river for the livelihood opportunities which is impeding by the water stress due to immense intervention in the upstream part of India (Arfanuzzaman, 2018, Prasai et al., 2013). Furthermore, the bilateral trade between Bangladesh and India is also not in favor of Bangladesh. The trade deficit of Bangladesh is increasing day by day with India due to tariff and non-tariff barriers (Hassan, 2002). The study endeavors to examine the transboundary issues of political economy, cost

of water stress in the lower Teesta basin due to water availability from upstream and appraise the trade imbalance conditions and its drivers between Bangladesh and India. Then the study attempted to provide an outline for transboundary co-operation in the Teesta basin and find out necessary policy implication to mitigate trade imbalance between the two countries.

Methodology

The study is formulated based on secondary data and information. Mixed research method such as qualitative, quantitative and data visualization techniques are adopted in this study to assess the political economy of river basin management, loss and damage assessment, and trade situation analysis. Further, the study also used GIS map to sketch upstream intervention in the Teesta river basin. The necessary data has been collected from literature and relevant information documents from national and international agencies and departments.

Results and Discussion

The closer look at the transboundary deadlock

In Bangladesh river Teesta is appeared as a solitary supplier of water resource in Rangpur, Lalmonirhat, Rajshahi, Nilphamari, Dinajpur, and Kurigram districts of North-western region and branded as a prominent tributary of the Brahmaputra-Jamuna river system too (Arfanuzzaman and Mallick 2016). 21 million people of 5 427 villages and 12 Upazilas (sub-districts) of Bangladesh are entirely reliant on the Teesta river for their livelihood and economic activities (Arfanuzzaman Ahmad 2015b). The estimated catchment area of Teesta River is 12.159 Square Km out of which 10.155 lies in Indian constituency and remaining 2004 km falls in Bangladesh. When India constructed Gazaldoba barrage in the upper Teesta basin and commenced the large-scale irrigation since 1989, Bangladesh started getting squeezed water discharge in its basin. The water stress turns acute in Bangladesh when India was storing and utilizing Teesta's water in a more upstream region known as Sikkim for hydroelectricity generation (Arfanuzzaman and Syed 2017). The operation of the hydroelectricity plant not only reduced the Teesta's water discharge in Bangladesh but also threaten the ecological sustainability of the river which will bring irreversible environmental effect in both upper and lower basin.

Table 1 demonstrates that only to provide irrigation benefits to the 8 million people, India is operating mega barrage in Gozaldoba point of West Bengal. The command area of Indian and Bangladesh barrages are respectively 1214000 and 750000 ha. It appears that India has already brought about 58% of its total irrigable area under irrigation. Whereas, due to enormous water unavailability from upstream Bangladesh is able to bring only 20% of its total irrigable area under irrigation which is scanty for its

Table 1. The structure of the upstream and downstream barrages in the Teesta Basin

	India	Bangladesh
Barrage location	Gazaldoba	Dalia-Doani
Command area	1214000 ha	750000 ha
Irrigable area	922000 ha	540000 ha
Under irrigation	540000 ha	111406 ha
Hydropower	67.50 Mega Watt	N/A
Link canals	210.79 Km	275 Km
Beneficiaries	8 million	21 million
Year of operation	1989	1993

Source: adopted from Arfanuzzaman and Syed, 2017.



Figure 1. The dams and hydropower station in the Upper Teesta basin (Sikkim), India
Source: International Rivers, 2008.

21 million people. This indicates the clear scenario of unequal water availability in the shared river basin which is facing downstream Bangladesh for several decades even holding the same right over the water resources of transboundary river Teesta. More crucially the 20% irrigable areas (111406 ha) are not receiving irrigation facilities during dry season in Bangladesh as a large share of water is diverted and utilized by the upstream nation India through Gazaldoba barrage. Besides the irrigation projects, a number of large hydroelectricity projects have been constructed in the upper Teesta region of India. Table 2 demonstrates that till 2012-13 the installed hydroelectricity capacity reached to 3405 Megawatt in the Teesta river basin of Sikkim where 510 MW hydropower plant is operational and remaining are found nonoperational at present. The water requirements of such large hydropower plants are tremendously high which significantly affects the water discharge in the lower Teesta basin.

Table 2. Hydroelectricity projects in the Upper Teesta basin, India

Name of projects	Installed Capacity (MW)	Year of completion
Total Installed Capacity	3405	2012-13
Operational power plant	510	2006-07
Non operational power plant	2895	2006-13

Source: Government of Sikkim.

Figure 1 illustrates the position of dams in up-hill and mid-hill areas of the Teesta basin those are used to store and divert the water. It appears that 29 large and small size dams were constructed across the upper Teesta basin in a different period. The construction and operation of such dams not only reduce water availability in the downstream Teesta but also detriment the rich ecosystem and biodiversity of the Sikkim which has large socio-economic and environmental consequences (CISMHE, 2007). It is also observed the affected community of Sikkim, environmental group and civil societies within India are opposing the dam operation in recent decades but the situation is mostly unchanged (The Asia Foundation 2013).

In 1997 water flow of Teesta river was nearly 6.500 cusec in the lower Teesta reigon of Bangladesh which was reduced to 1.348 cusec in 2006 and further lessened to 300 cusec in 2016 during the dry period due to upstream intervention through the operation of the dam, hydropower, and barrage located in the India - territory (Arfanuzzaman and Syed 2017). Since it's a transboundary river Bangladesh supposed to get the equitable share of water for irrigation, livelihood activities and ecosystem services flow in the river basin.

When water flows reduced in this river agricultural production, fishing and ecosystem services are relentlessly disrupted in the Teesta basin areas of Bangladesh. After meeting the irrigation demand of 540000 ha of land and 68 megawatt hydropower

plant in the upper Teesta basin, the volume of water Bangladesh receive is very insufficient to irrigate half of its irrigable area. The 111406 ha irrigable land in Teesta barrage area can be irrigated for Aus and Aman season but in Boro season a large amount of land kept uncultivated due to water scarcity in the river. In 2006-07, 2008-09 and 2013-14 cropping year only 11323, of land 29425 and 27486 ha of land can be cultivated respectively, which is only 14%, 37% and 35% of the under irrigation area (111406 ha). Consequently, large scale loss and damage occurs in the agriculture sector of Bangladesh and poor and marginal farmers were the most sufferer.

Figure 2 illustrates the estimated production failure in Bangladesh from 2006 to 2014 due to the unavailability of water from the upper Teesta basin of India. It emerges that in 2006-07 FY Bangladesh missed 711282 metric tons of Boro rice due to the scarcity of water, which is estimated 485856 for 2010-11 and 606223 for 2013-14 FY. During 2006-07 to 2013-14 cost episode, each year Bangladesh forgo an average 531777 metric tons of rice production from the Teesta basin areas. The micro and farmer level cost is much deeper for this production failure. Without a comprehensive study, it is difficult to say what extent this immense production failure reduces the living standard and overall socio-economic situation of the poor people of the Teesta basin and how much the hardship they have faced.

After commencing the irrigation in Boro season total 4 254218 metric tons production missed from North-western Bangladesh till 2013-14 cropping year. At the current market price, the cost is USD 1036 million for this forgone production. For the benefits of 8 million people in India, 21 million people of lower riparian Bangladesh are sacrificing their water right, livelihood options, and income. Besides, the environmental cost is also high for the water scarcity in dry season. During the last ten years, Teesta river dies 5 times due to reduced water flow in Bangladesh part. As a result Biodiversity, ecosystem services, social-ecological system and river dependent climate is conspicuously disrupted which also have a bouncing cost curve (Arfanuzzaman and Syed, 2017).

In Teesta basin, differential water stress can be seen in dry, wet and lean season. In dry and lean season Bangladesh faces water scarcity which triggers irrigation collapse, widespread drought, ground water depletion, fresh water shortage, river bed splitting and dying, and in the wet season, it faces water abundance which causes a flood, flash flood, river bank erosion, and storm. Water treaty should not only cover the dry season but also should cover the monsoon season also so that Bangladesh can minimize the impact of water stresses in different seasons.

According to the Convention on the Law of the Non-Navigational Uses of International Watercourses (1997), if a project or other measures are planned in an international watercourse in a country that may have a significant adverse impact upon another country or countries sharing the same watercourse, the country in which the measures are planned must timely notify

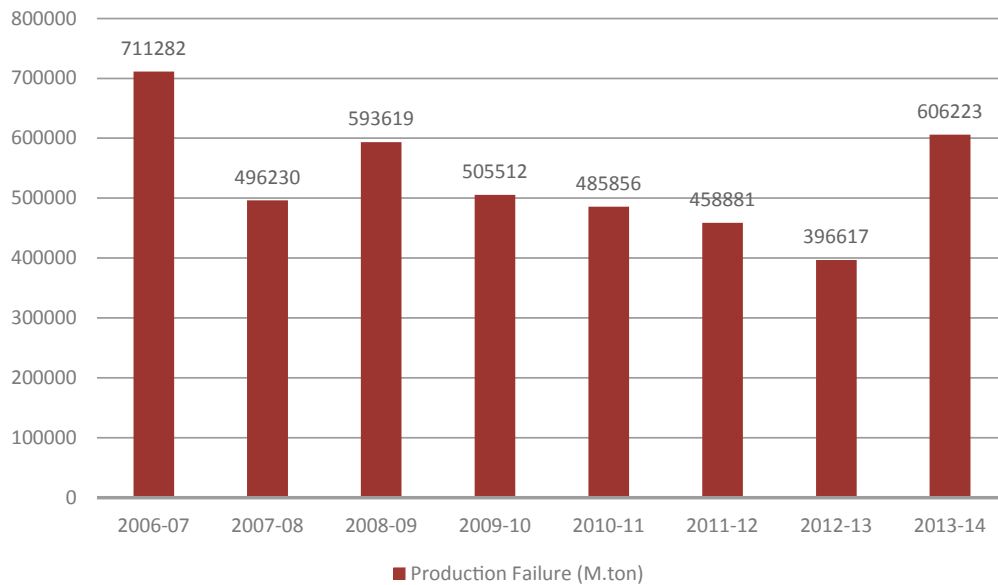


Figure 2. Yearly production failure due to scarcity of water in the Teesta river
Source: adapted from Arfanuzzaman and Ahmad, 2015.

the other country or countries of its planned actions. If a notified country believes the planned measures would be a breach of the articles 5 or 7, a process of consultations and, if necessary, negotiations may be initiated to find an equitable resolution of the situation. It appeared that as a neighboring country India tends to not inform Bangladesh officially about their infrastructure plans and kept Bangladesh in dark regarding its water resource planning, management and harnessing activities of the shared Transboundary rivers including Teesta.

As a large country and trusted neighbor, India should realize the profound heartbeat of the river basin communities of Bangladesh who are combating hard with the acute water stresses. India should not forget the life and livelihood situation of the most socio-economically backward North-western

region of Bangladesh which is susceptible to water availability. Increasing the waiting time for Teesta deal not only depresses Bangladesh but also adding up the cost of water scarcity day by day which may weaken the bilateral relationship and underpin the negative perception in the Bangladesh people about India.

Unevenness in the bi-lateral trade

Though Dhaka is providing low-cost transit (both water and road), corridor, helping India cracked down on northeastern militant groups and accommodating India to get a lion share from the bilateral trade, in return its literally getting very few which unimpressed the people from all the sections of Bangladesh (Basu and Datta 2007; Bakht 1998; Bhattacharyya and

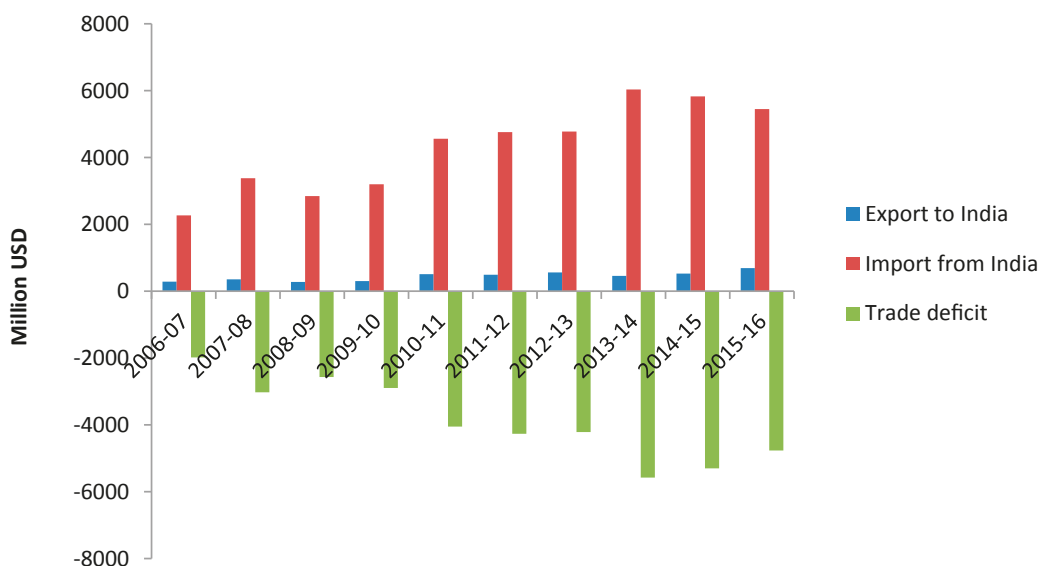


Figure 3. Bangladesh Trade performance with India
Source: Export Promotion Bureau of Bangladesh and Bangladesh Bank.

Pal 1998). Bangladesh's trade deficit with India has distended largely in recent years which fueling the business and economic tension. In the last six years, the deficit has reached more than doubled from \$1.98 billion in 2006-07 to \$5.58 billion in 2013-14. Figure 3 illustrates that Bangladesh export, import, and trade deficit all are in increasing trend but the trade deficit situation is found to be unpleasant. For the economic needs, the import of Bangladesh from India is growing continuously each year where the export trend is found unpleasant. This huge trade imbalance creates mix impression in both countries (Cookson 2002; CPD 2000). As India is a big country, the trade gap is natural, but it should be rational. With almost one billion population the market size of India is 250 billion dollars, but Bangladesh exports there only one percent of six hundred (Dasgupta 2000; Hassan 2002).

While India exports to Bangladesh more than 250 items, Bangladesh is exporting only six to seven items including jute, jute goods and readymade garments. Dhaka needs to increase products basket and product diversification to boost export volume to New Delhi.

The productivity differences are also major drivers between the countries. India has productive advantages both in agriculture and industry compared to Bangladesh because of scale economies (Eusufzai, 2000; Mehta 1999). Structurally Indian economy is much larger, more diversified and technologically advanced than economy in Bangladesh. Geographically India is very closed to Bangladesh, and Bangladesh's importers are very familiar with Indian products and production capacities. All these factors have made Indian products very competitive, both in terms of price and quality, in Bangladesh's market (Hassan 2002; Rahman and Razzaque 1998). Consequently, India's exports to Bangladesh is not only bigger and more diversified but also consists of high value-added manufactured goods.

Furthermore, India listed 480 items as sensitive for least and non-least developed countries and marked 868 sensitive items for its economy. It is banded the sensitive items to import from other countries.

But impressively in 2011 during the visit of Indian Prime Minister in Bangladesh, India considerably shortens the sensitive items list to 25 for Bangladesh. Furthermore, India declared 46 Bangladesh products for duty-free market access to India. Despite such welcome move, nontariff barriers including testing and certification and weak border infrastructure become a major concern for Bangladesh's export to India. Further, the exports of Bangladesh experience the state level and other hidden taxes. The state level taxes are almost 12 percent in India which discourage the export from close South Asian neighbor including Bangladesh. Additionally, the Indians buyer payment system is very poor which is also a reason for uneven trade between the nations (Rahman 1997). Recently, New Delhi imposed anti-dumping duty on jute and jute goods of Bangladesh that also raised concern and squeeze Bangladesh's export to India. India emerged as one of the largest sources of raw materials for Bangladesh manufacturing industries, resulting in the import surge (Rahman 1998). The diverse threadbare dialogue held on the last couple of years between the business chambers, member of parliament, civil society and relevant ministries of two nations fails to solve such non-tariff barriers and other trade and investment-related issues.

Figure 4 demonstrates both Bangladesh and India have experienced fluctuating growth in import since the early '80s. Interestingly, the trend of import growth is similar for these two countries. In most of the year when the import growth of Bangladesh faced downward pressure, Indian import growth also faced downtrend. It appears in some years especially in 1980, 1989m 1995, 2004, and 2011 import growth of Bangladesh surpass the Indian import growth. The import growth of India also found to be superior to that of Bangladesh in 1981, 1986, 1992, 1986, 2008 and 2017.

Figure 5 illustrates the historical export growth of Bangladesh and India since 1980. It appears that during the early 80's the export growth of Bangladesh was negative which drastically went beyond -30% in 1981 and found to be in an upward trend since 1983.

Historical growth of import (%)

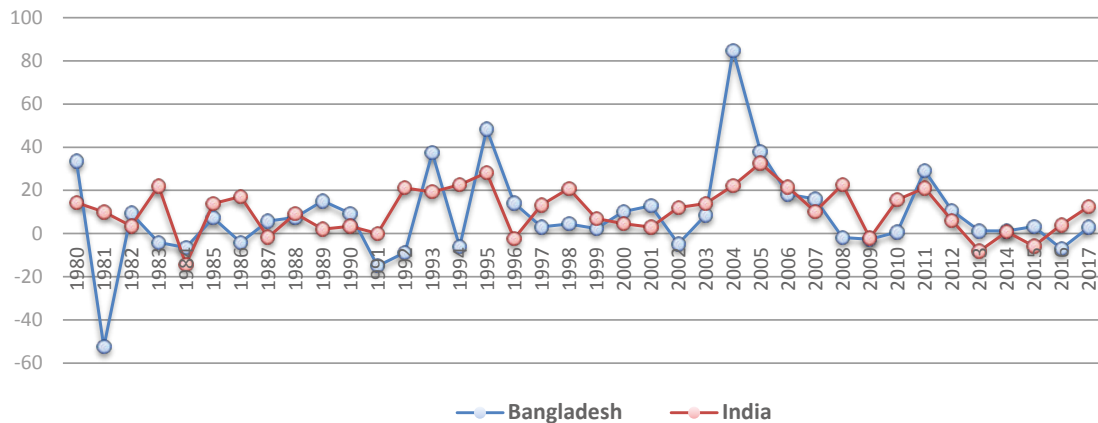


Figure 4. Annual import growth of Bangladesh and India

Source: Ministry of Commerce, Bangladesh (2018) and Ministry of Commerce and Industry, India (2018).

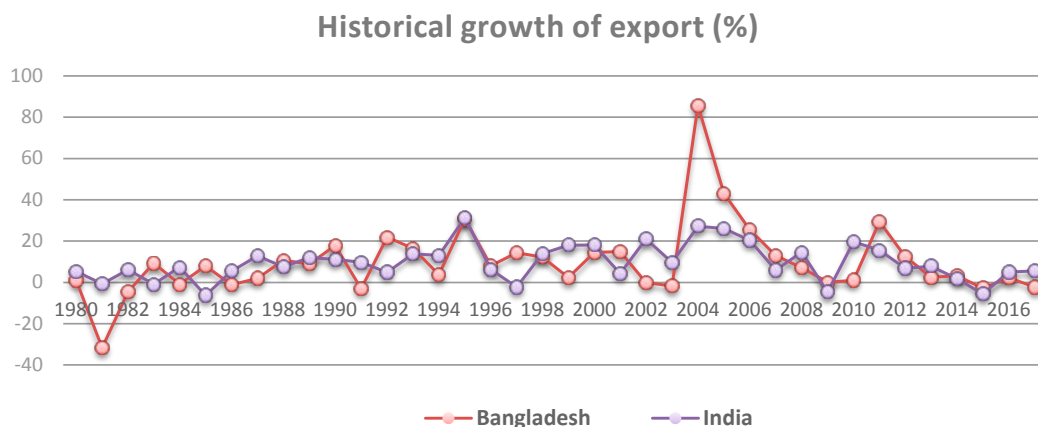


Figure 5. Annual export growth of Bangladesh and India

Source: Ministry of Commerce, Bangladesh (2018) and Ministry of Commerce and Industry, India (2018).

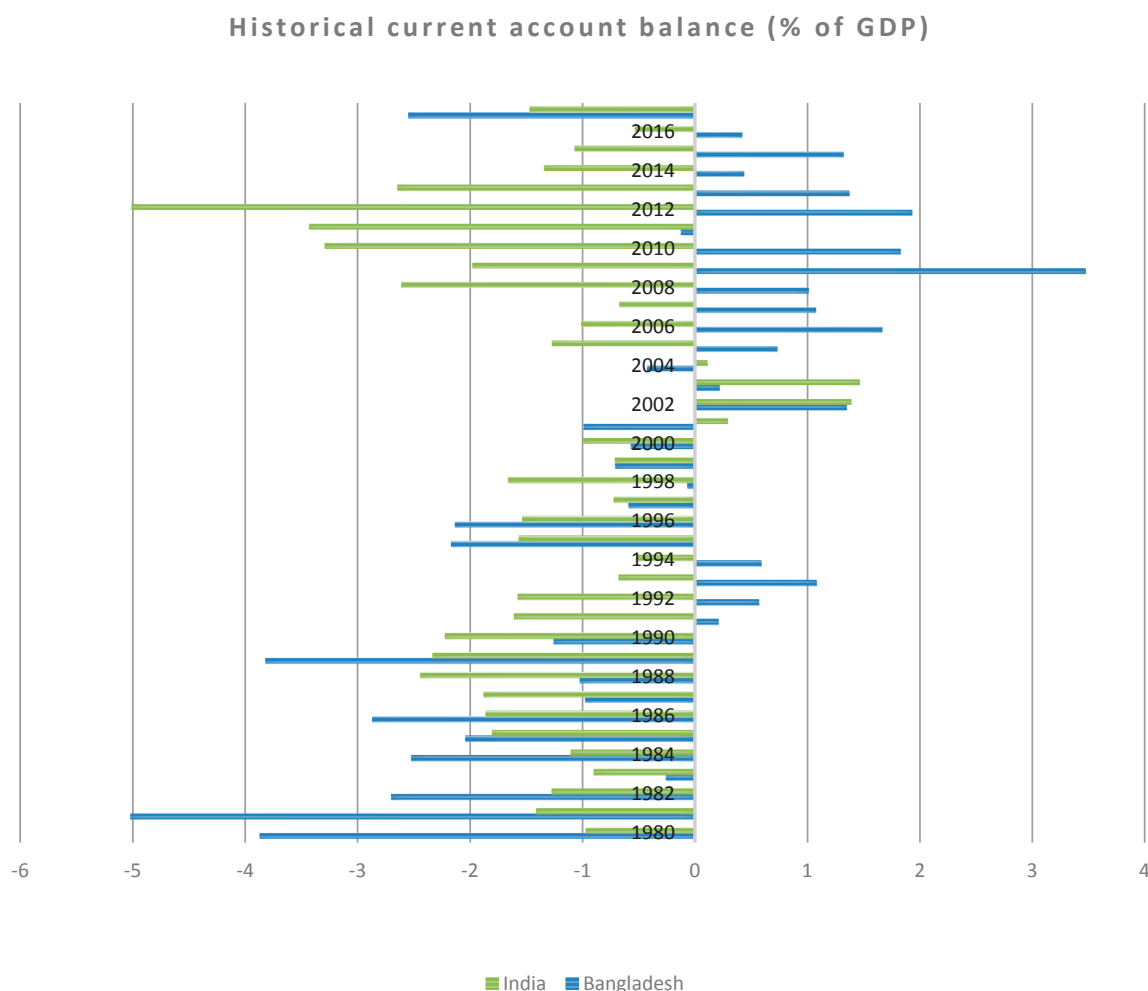


Figure 6. Annual current account balance of Bangladesh and India

Source: Ministry of Commerce, Bangladesh (2018) and Ministry of Commerce and Industry, India (2018).

During 1990 to 2017 the export growth of Bangladesh faced rapid fluctuation but maintained a positive trend in most of the years. In contrast, Indian export growth was positive since the early 80's to 2017 except a little negative growth in a few years. It is noticeable, in the last four decades the export growth of Bangladesh beats the export growth of India.

The current account balance situation of a country indicates its soundness over international trade where Bangladesh's performance is more robust than that of India. The current account deficit is an extent of a country's trade where the value of the goods and services it imports exceeds the value of the goods and services it exports and vice versa for the surplus

current account. A positive or surplus current account balance designates the country is a net lender to the rest of the world. The figure 6 indicates a very negative current account balance of Bangladesh since 1980 to mid '90s which lied an average above 2% of its GDP and even it stood at 5% of its GDP in 1981. After mid 90's the current account balance situation of Bangladesh improves gradually and appeared in an ascending trend since 2002. whereas, Indian current account balance was negative in most of the period of the last 4 decades. During the early '80s, the current account balance of India was negative but not much as Bangladesh. After mid 90's to 2017 Indian current account balance situation found to be more worsen and found between 1.5 to 5% of its GDP. In Bangladesh is opposite, the current account balance improved after 2001.

The major sectors of Indian interest include agro-based, textile, chemical industries, engineering, and service industries which in turn have created 51,653 jobs in Bangladesh. This can be obviously said that at USD 2.5 billion, the Indian Investment into Bangladesh is far less than the actual potential. It is hence unacceptable that both neighbors do so little in trade and investment. It can grow manifold if mental and physical barriers can be uninvolved between India and Bangladesh. Nonetheless, the business people of both countries want more and more trade and investment between the nations. In the context of the recent global trade situation, it is necessary for neighbors like India and Bangladesh and other South Asian countries to strike their inbuilt advantages for cooperation.

Towards a strapping bi-lateral relation

For a sustaining and robust bi-lateral relation, the prevailing tension and barriers between Dhaka and New Delhi need to be harshly mitigated. Since Bangladesh received assurance from all of the powered Indian govt. for the water sharing of Teesta still, any proactive initiative cannot be seen from India regardless of the hardship of Bangladesh which indicates disrespectfulness of the right and interest of the most trusted neighbor Bangladesh. Nonetheless, water is a life and death issue for Bangladesh there are no other things which can supplement the water issues. Water is required for the sustenance of social-ecological system, to maintain the valuable ecosystem services, to protect the livelihood options of the

river basin communities of downstream Bangladesh and India as well which requires an optimum water sharing and joint river basin management. Table 3 illustrates the cultivating area of India and Bangladesh in different water sharing agreement (WSA) scenario of the Teesta river. Here, 50-50 WSA scenario appears optimum but WSA should be made at 40-40 level to keep the rest of the 20% for the river basin to its ecosystem sustainability.

To ensure the level playing field for constant bi-lateral trade and economic relation, India needs to work seriously in the following issues related to non-tariff barriers.

- a) *Proper classification of goods in customs:* The Indian customs authority sometimes refuses the H.S. classification declared by Indian importers as per nomenclature rule and letter of credit opened by Indian banks. The authority tends to classify the products under those H.S. codes that are subject to higher duties.
- b) *Chemical tests requirement:* It appears that Indian custom unit demands a chemical test for most products. Since there is no testing facility near to the land ports, it takes a longer period to test chemical forcing goods to be stranded for indefinite periods under the open sky. This requirement raises costs of Indian importers and also results in harassment for Bangladesh exporters. This type of problem is more acute for importers based in northeast India as most of the testing labs are situated in western India.
- c) *Undermining the invoice value:* The Indian customs often denies the invoice value of the exported items and assesses the shipment based on the retail price in India, which exceeds the invoice value. This unethical custom practice considerably increases the price of the imported items and the buyers are forced to pay an additional amount as import duty and taxes. Subsequently, Bangladesh traders loss price competitiveness in the Indian market.
- d) *Declining the certificates of rules of origin:* It is sometimes reported that Indian customs authority reject the country of origin certificate issued by Bangladesh export promotion bureau (EPB). Such refusal causes goods to be stranded indefinitely at the port of entry.
- e) *Arbitrary tariff imposition by the custom unit:* Though the tariff fixation is the sole responsibility of the revenue department, Indian customs

Table 3. Estimated Benefit based on the Virgin Flow

Different Scenario of Water Treaty and its Anticipated Benefit	Bangladesh		India	
	Dry Season	Lean Season	Dry Season	Lean Season
Cultivating area in case of 50-50 WSA	73322	136626	73322	136626
Cultivating area in case of 45-55 WSA	66003	122955	80665	150276
Cultivating area in case of 40- 60 WSA	58674	109284	87998	163947
Cultivating area in case of 35- 65 WSA	51324	95634	95340	177597
Cultivating area in case of 30- 70 WSA	43995	81963	102669	191268
Cultivating area in case of 25-75 WSA	36666	68313	109935	204918

Source: adopted from Arfanuzzaman, 2015.

section is found to be imposed tariff arbitrarily. Consequently, the import duty and taxes fuel up and trigger dissatisfaction at the importer and exporter level.

- f) *Obligation of Health and quality standards:* It is very hard for the Bangladesh pharmaceutical industry to qualify the process of health and quality standard of India. Arbitrary imposition of health and quality standards favors domestic producers over Bangladesh products. Though Bangladesh exports quality medicine to many countries of the world including the USA, such obligation obstructs it to export in India.
- g) *Condition for obtaining ISI certificate:* The cement and building materials producers of Bangladesh need to obtain an ISI certificate before exporting from the Bureau of Indian standard. This process is very complicated and costly which hinders Bangladesh's export to India.
- h) *Obligation to collect health certificate:* If any Indian importer wants to import food goods from Bangladesh, S/he needs to acquire a health certificate from the port health officer in Kolkata. This is another critical barrier for India importers located in the northeastern part, where the land customs stations are 1060 to 1680 km away from Kolkata.
- i) *Sanitary and phytosanitary measures:* Indian agricultural products importer must obtain "bio-security" and "sanitary and phytosanitary" permit. The method of obtaining this permit is very complex and time-consuming which discourages import of agricultural products from Bangladesh.
- j) *Quarantine requirements:* There is a provision in Indian law to obtain quarantine certificate for importing "living organism". But the Indian customs demands quarantine certificate even for jute and jute goods, though these are not living organisms.
- k) *Technical standards:* The certificate of standard issued by the Bangladesh standards and testing institution (BSTI) is not accepted by India. India introduced mandatory marking for a number of products stating that these should comply with Indian quality standards set by the Bureau of Indian standards. This requirement utterly restricts Bangladesh's exports to India.

Unless or until the above mentioned non-tariff barriers are not mitigated, the equal trade opportunity for Bangladesh will not be ensured with India. Besides, both country should take some joint initiative to boost the bi-lateral trade which will also help to reduce the trade deficit. These are.

- a) There is an intense need to strengthen the transport network (both water and road) between India and Bangladesh to boost trade. Joint investment for the development of road and water transport and improve the supporting infrastructure can be a good option.
- b) A taskforce can be formed to reduce trade imbalance between Bangladesh and India and explore mutually beneficial trade policy development

and implementation i.e border market development, customs facilitation, removal of nontariff barriers.

- c) Bangladesh's export to India is not growing rapidly as few products dominate exports to India. Bangladesh needs to seriously concentrate on export diversification and increase the number of export items in accordance with the demand of India.
- d) Promotion of paper less and online trade can reduce the cost of doing business and boost the bi-lateral trade.
- e) Bangladesh is setting up 100 special economic zones in different hotspots. Indian businessmen can avail this opportunity which would also help cut existing bilateral trade deficit. It will also broaden the scope to export products produced with foreign investment in Bangladesh to India. To seize the trade benefit in this way, Bangladesh needs to take numerous measures to ease the doing business. It is mentionable, the doing business index of Bangladesh is very low in South Asia indicating the high cost of doing business which may not be affordable by the investors.
- f) As the overall export and import growth of both country are positive, it will not humiliate the national interest of India if it takes appropriate steps to reduce the nontariff barrier to add more import from Bangladesh.
- g) The border market between Bangladesh and India offers a substantial opportunity to boost trade and play a significant role to promote the local goods. Bangladesh should provide more attention to seize the maximum advantage of border market which will boost local trade and growth and reduce the trade deficit. The expansion of the border market can create more jobs opportunity, increase income and strengthen the local economy. It will also reduce the informal trading and smuggling.

Conclusions

If political leadership of Bangladesh and India coincide the Teesta water disputes can be resolved easily and quickly and it will widen the scope of establishing water co-operation in other shared river basin. Hence, for optimum benefit and conflict resolution equal share of water is essential. Further, to conserve the water resources and ensure the ecological sustainability of river basin a warranted amount of water should be kept in the river basin throughout the year which cannot be utilized for any purpose.

In addition, the trade imbalance can greatly and effectively be reduced by cordial and productive mutual cooperation. The businessman of both nations can think sincerely about the joint venture initiatives for agro-processing, automobiles, ceramics, chemicals, gems and jewellery, light engineering, ICT, hospital and medical equipment, pharmaceuticals, plastics, professional services, tourism, and textiles sectors which will generate substantial employment

and build robust business and economic relation between Dhaka and New Delhi.

Bangladesh offers a well educated, highly adaptive and industrious workforce with the lowest labor cost in the Asia Pacific region. It offers the most liberal FDI regime in South Asia allowing 100% foreign equity ownership with unrestricted departure policy, remittance of royalty and repatriation of equity and dividend. In order to promote trade and investment both nations already have signed the Bilateral Investment Promotion and Protection Agreement and Avoidance of Double Taxation Agreement which will further stimulate business community to explore the opportunities in India and Bangladesh. A large number of Indian firms from both public and private sector have been working on different projects in Bangladesh including power, transmission lines, telecom, textiles, chemicals and pharmaceutical, glass, plastics, and engineering. Bangladesh professional should also get such an opportunity. Further, opening more market in India Bangladesh border, easy and quick visa availability, water transport, joint river basin, and environmental management, technology transfer, increase port infrastructure and railway

connectivity, removing border wall can relieve many trades and investment related anxiety and strain of the ordinary people.

If the water conflict cannot be mitigated between India Bangladesh and trade deficit widened in the days to come, the bi-lateral relation may be weakened and scope of sub-regional collaboration will be squeezed. Hence, its time for both nations to come up with hardnosed solutions for balancing economic, commercial and trade benefit and establish equal water rights over shared river basin. Further, the trade and water co-operation should be extended among the South Asian countries without any delay to seize the maximum mutual benefit and economic prosperity. This will also help to achieve Sustainable Development Goals (SDG) and strengthen strategic partnership in South Asia.

Disclaimer

The views expressed in this paper are those of the authors alone and do not necessarily reflect the views of the Food and Agriculture Organization of the United Nations (FAO).

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