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Geopolitical Influence and Trade between Bangladesh and India[*]

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ABSTRACT

The aim of this study is to explore the geopolitical dynamics and trade relationship between India and Bangladesh. The content analysis method has been followed to conduct this study. Secondary data has been used to substantiate the argument. The study reveals that geopolitical aspects of India affect the features of the Bangladesh economy. The study also explores that one of the main weaknesses of Bangladesh is its inability to diversify export which make Bangladesh susceptible to accept dominancy and unequal trade relationship to a neighboring country. This study is formed to improvise trade operations considering all areas of development between India and Bangladesh to solidify the trade relation.

Keywords: Geopolitics, India, Bangladesh, international trade, strategic relationship, diplomacy

INTRODUCTION

India-Bangladesh relation is a current matter of interest for both countries. Bangladesh, even being a small country compared to India, holds the massive potential for trade and investment in the region. Bangladesh is a market worth the US $6.8 to India, according to the fiscal year 2016-17 (Bose, 2017). Although India is in a state of benefit, the increasing trade gap between India and Bangladesh is a growing concern on both sides. The situation requires special attention and should be maneuvered in favor of the countries. India and Bangladesh relations go back long in history. Both countries share cultural, linguistic, and economic ties (Das, 2008). The birth of Bangladesh had an impact on the international power alignment in South Asia. Bangladesh is historically and geographically close to India; hence, the India factor is an important variable in the making of its foreign policy and relations (Kumar, 2014). Since the Awami League government under the leadership of Prime Minister Sheikh Hasina returned to power in 2009, many initiatives have been taken to take forward the bilateral relationship. The industry is convinced that forming mutual stakes in each other's development is the best decision for the

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[*] Views and findings of this study are made on the responsibility of the authors alone and do not represent the views of the Ministry or the Government of Bangladesh.

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two countries to strengthen harmonious relations; towards this end, India needs to actively engage in investments and infrastructure in Bangladesh (McDuie-Ra, 2014). Geographically Bangladesh shares both land and maritime areas with India; only a small border is shared with Myanmar, which makes it necessary for Bangladesh to maintain a stable relationship with India (Pattanaik, 2011). India and Bangladesh promote economic integration within South Asia.

World economic development highly depends on trade and investment. It can work as an engine and provide a win-win situation. Trade and investment are an essential element for under-developed countries to achieve self-sustaining growth. Trade boosts progress and reduces poverty. Commercial opportunities and investment can allow growth and expand the productive base, as the private sector grows while enhancing competitiveness through reduced cost of inputs (Ali, 2016). New markets and new materials open up new production possibilities, so it is a crucial element for the trade diversification of Bangladesh. Investment can also provide finance and move up the global value chain. Trade exchange allows foreign direct investment in research and development. Free trade is a necessary factor for the removal of unnecessary barriers to export products; as a result, new markets can open, and local companies can expand (Ahmed & Shabbir, 2014). Expansion of choice and reduction of prices increases competitiveness as goods and services. Trade balances government expenditure and fortifies ties between Bangladesh and other nations by bringing people together in peaceful and mutually beneficial exchanges, and as such, can contribute to stability and economic development.

Political situations and trade imbalance have dominated India and Bangladesh's economic partnership and bi-lateral development. This multi-faceted economic relationship is built on mutual trust and cooperation, which include trade, credit arrangements, soft transit facilities, and joint ventures in energy and connectivity (Datta, 2010). The growing economic ties have benefitted both countries. This economic relation has influenced political ties, while geopolitics has also exercised an overall stabilizing effect on economic relations. Bangladesh faces a trade deficit with India, which is being covered by surpluses from other countries. Bangladesh-India trade relationship plays an indispensable role in the trade affairs of Bangladesh. As India became one of the largest sources of raw materials for Bangladeshi manufacturing industries, it has caused an increase in imports in recent years. Various non-tariff barriers and Para-tariff barriers, i.e., product quality to enter the Indian market, and anti-dumping duty are working as stimulator (Sobhan, 2009). Bilateral trade is also taking place through informal trade between the two countries. Therefore, the actual deficit (formal plus informal) would be significantly higher. However, cotton, yarn, and fabrics, and other inputs, which are being used by Bangladesh’s export-oriented industries, especially for readymade garments, accounted for the structure of imports from India containing a significant share. Many of Bangladesh's import-substituting and other industries also get their raw materials, intermediate inputs, and capital machinery from India. In 2014-15 fiscal years, Bangladesh imported 6.5 billion dollars in goods from India, but Bangladesh’s overall export to India was only 527 million dollars items (Bangladesh Bank, 2018). Currently, Bangladesh has a trade deficit of US$ 5.579 billion with India (Dutta, 2010). Bangladesh accounts for only 0.2 percent of Indian imports (Rahman, 2010). Bangladesh has to be a good deal more enterprising in identifying the export and business opportunities as well as reducing trade barriers, making Free Trade Agreement (FTA), or establishing Special Economic Zones (SEZs). India and Bangladesh economic integration continue to be a low-level economic integration though there is much opportunity for the development of trade and economic relation between the two countries (Kumar, 2014). There is a long debate in the researcher community, academicians, and policymakers on the geopolitical dynamics and trade relationship between India and Bangladesh (Basher, 2013; Ali, 2016). Some of them have a positive attitude (Basu & Datta, 2007; Jetly, 2010), and others have a negative opinion on the relationship (Jamwal, 2004; Kumar, 2013). But the literature shows that there are trade imbalance and geopolitical instability between the two countries. This study aims to contribute to this debate by exploring the geopolitical dynamics and trade relationship between India and Bangladesh.

This paper also discusses the long-term historical and economic relationship between India and Bangladesh, the current approaches to better trade relations, to intensify trade and investment with India to reduce the trade deficit between the countries. The study will help policymakers and related authorities to make policies and strategies to mitigate the present trade imbalance without harming the strategic bilateral relationship between these two countries. Therefore, this study remarks on current integration and further policies for the development of the existing potential in the context of South Asian regional cooperation.

METHODS AND DATA SOURCES

This study deals with the potentials in economic cooperation for which a content analysis method has been followed to conduct this study. Secondary data has been used to substantiate the argument. This study adopts the methods which are used by some scholars (Vaughn, 2004; Berger, 2010; McDuie-Ra, 2014) for analyzing the geopolitical dynamics and trade relationship between India and Bangladesh. Various sources have been used for data collection like World Bank, Bangladesh Bank, relevant newspapers, academic literature, government reports, and scholarly journal articles. Triangulation of data has been done to explore the pattern and trend of trade relations. This study highlights the discussion based on a literature study and empirical data.

RESULTS AND DISCUSSION

AN OVERVIEW OF INDIA-BANGLADESH RELATIONSHIP AND POLITICAL DOMINATION

The India-Bangladesh relationship can be traced back to the period before 1971. Common ethnolinguistic, cultural values, and the geographically landlocked situation has made India factor quite prominent for Bangladesh. Bangladesh emerged as a liberal country through waging war against internal colonialism. India’s active assistance played a pivotal role in the liberation war of Bangladesh (Hossain, 2016). India, as the closest ally, sheltered 10 million Bangladeshi refugees during the war. The relationship strengthened when India took part in the war of 1971, and it was the second country in this region to recognize Bangladesh as an independent country on December 6, 1971. After liberation, the government of Indira Gandhi oversaw extensive cooperation in this new country. On February 8, 1972, Father of the Nation Bangabandhu Sheikh Mujibur Rahman visited the Indian prime minister and took the cordial relationship to eternal friendship. The first treaty between India and Bangladesh was held on March 19, 1972, in

Dhaka. It was a 25-year treaty of "friendship, cooperation, and peace" that provided for mutual defense consultations if either is attacked (Datta, 2010). In its security aspects, it was similar to the 20-year Indo-Soviet pact. The treaty declared that if either country were attacked or threatened with attack, the two would consult to take appropriate, effective steps to eradicate the threat. India and the newly independent Bangladesh also agreed not to join any military alliance directed against the other or to permit the use of their territory to threaten the security of the other. Since then, the friendship with India has been the cornerstone of Bangladesh's foreign policy. However, from time to time, it has been held to question and doubt. India aided to reconstruct the shattered economy of Bangladesh; India provided food grain, funds, and technical expertise and construction materials.

Bangladesh shares a land border of 4094 kilometers with India on three sides, and the fourth side is open to the Bay of Bengal. Bangladesh shares 54 international rivers with India. Fifty-two of them originate from India, and some pass through India and flows in Bangladesh. India is geographically an upper riparian country, while Bangladesh is the lower riparian one; this geographical peculiarity initiated the Ganges dispute. The Ganges River descends from the northern plains of India. Between India and Bangladesh, it forms a boundary of 129 kilometers; it flows for more than 113 km in Bangladesh. In the 1950s and 1960s, the major Indian port of Calcutta on the Hooghly River experienced siltation problems (Das, 2008). The Indian government decided to divert the Ganges river water into the Hooghly river during the dry season to flush out the accumulating silt. By 1974, India built a major barrage near the Bangladeshi border, across the Ganges at Farakka.

Dry-season water levels dropped precipitously in western Bangladesh after 1975 as the Farakka Barrage began operating. In 1977, a bilateral agreement was signed; the deal arranged to share the dry-season flow of water controlled by the Farakka Barrage. The agreement also reopened the consultations by the Joint Rivers Commission of 1972. The agreement required a permanent basis. The bilateral relations between two countries hindered until a treaty was signed for thirty years on December 12, 1996. Other crucial issues that disrupted trust between Bangladesh and India were the Chakma Refugee issue, enclaves, maritime, and land boundary issues. Currently, the most prominent issue is the Teesta water treaty.

TRADE POLICY OF INDIA AND BANGLADESH

Until the 1980s, imports of many products were banned in India under a strict, comprehensive import licensing system. Only government import monopolies could import some "essential" products such as food grains. Though the restrictions were removed during India's 1991-92 reforms, industrial consumer goods and agricultural products continued to be restricted either by import licensing, a de facto import ban, or by "canalization" in the agricultural sector (Kumar, 2013). In 1998, India exempted the South Asian Association for Regional Cooperation (SAARC) countries from its general system of import licensing under the complaint of South Asian countries. On April 1, 2001, India removed the final 715 tariff lines, which became a challenge for Indian domestic producers. Therefore, India implemented all the World Trade Organization (WTO) compatible procedures to allow non-tariff restrictions on imports. In May 2001, India established a "War Room" in the Ministry of Commerce and published a list of 300 "sensitive" consumer products, to minimize disruption caused by imports to local producers. A significant sector of exclusion were agriculture, livestock, fisheries, and processed foods; textile fabrics and clothing products and a few vital manufacturing sectors, notably the auto and fertilizer industries.

In Bangladesh, from the latter half of the 1980s to the first half of the 1990s, the most explicit Quick Reference System (QRS) was abolished, excluding the import of chicks, eggs, salt, and some packaging materials. In January 2005, the ban on textile fabric imports was finally removed. A variety of permits, clearances, and approvals are also obligatory for broad lists of other products and the Bangladesh Bank required all imports to be sponsored by a Letter of Credit (LC), issued by an authorized bank in Bangladesh. Until December 2003, it was required to deposit a 30% cash margin by the importer. The margin could be changed periodically by the central bank considering the foreign exchange situation. Import procedures in Bangladesh and the resulting transaction costs for importers were not covered explicitly (Rahman, 2010). Out of forty-two custom posts, eight were limited to dealing with a very short list of products. They had to obtain case-by-case authorization from the National Board of Revenue (NBR) for clearing anything, not on this list, and only four were allowed to clear all imported goods.

BANGLADESH-INDIA TRADE SCENARIO OVER TIME

The first Bangladesh-India trade agreement was signed on March 28, 1972. According to this agreement, India was to export cement, coal, machinery, and manufactured tobacco to Bangladesh, and to import fresh fish, raw jute, newsprint, furnace oil, and naphtha, besides other commodities of natural interest from Bangladesh (Chakma, 2018). The 1972 agreement endured complaints like border smuggling and became unsuccessful, and later replaced by an agreement of 1973. The beginning of Bangladesh India trade deficit came in light under the 1972 agreement. Bangladesh imported goods worth 18 crores 15 lac and exported goods worth 15 crores (Sengupta, 2007). During this period, some more agreements were signed like, five-year Protocol in Inland Water Transport in November 1972, Agreement on Economic Cooperation and the Land Demarcation in May 1974, Interim Agreement on the Sharing of Ganges Waters in April 1975.

The opening of the Bangladesh economy to the foreign market led to the rise in investment by Indian companies. The political upheaval that had created complexity in economic relations started to sort out as the new government became effective. Many economic issues were solved; economy and finance, trade and commerce, transport, and communication field of cooperation were set up. The Indian government was interested in reducing the trade gap between India and Bangladesh; thus, allowed duty-free entry of selected Bangladeshi goods to lessen the trade imbalance between India-Bangladesh. India provided duty-free access to sixteen categories of Bangladeshi products in which Bangladesh had the export capability (Sikdar et al., 2006). Forty tariff lines were included in these products.

Every year Bangladesh’s trade deficit with India grew by annually 9.5 percent from 1996-97. In India’s imports,which was about 3 percent in 1980, it increased to 18.5 percent in 2004. Throughout the 1990s, Bangladesh’s export constituted less than 1 percent of India’s total imports (Sengupta, 2007). During 2001 and 2006, the imbalance with India remained an important issue. There was a massive increase in the export of Bangladesh to India in the fiscal year 2005-2006. It rose to about 68 percent, amounting to 241.96 million dollars.

Bangladesh is the ninth largest importer of Indian goods. According to the Commerce Ministry of India, exports to Bangladesh touched $6.8 billion in the fiscal year ending March

2017. Total bilateral trade had hit an all-time high of $7.5 billion (Bose, 2017). The bilateral trade gap in favor of India reached USD 5,458.12 million in the last fiscal year, up from USD 4,761.08 million in FY2015–16, which a rise in imports against the downward export trend (Chakma, 2018). The India-Bangladesh trade liaison is overwhelmingly in favor of India. The gap is steadily widening as India's exports are increasing faster than its imports. This trade imbalance is of high concern to both sides. Though India has accorded Bangladesh the status of zero-tariff imports as part of its Least Developed Country (LDC) strategy, there is a negative list, which has been pruned from 763 items in 2006 to 480 in 2008 and further by 47 items in 2010. The then Prime Minister Manmohan Singh cut another 46 textile items of interest to Bangladesh during his visit in 2011. So that duty-free, quota-free access was granted to only 25-tariff lines. It is dubious that the trade balance can be redressed rapidly as Bangladesh's total exports are mostly composed of garments and textiles. Moreover, the economies of Bangladesh with India are interrelated; Bangladesh imports raw materials from India, which are used in the industrial sector for exports. Therefore, the scope for reducing the trade gap with India is unlikely.

"The Treaty on Bilateral Investment and Protection" has strengthened the framework for trade and investment between India and Bangladesh. It has encouraged several Indian Investments and Joint Ventures projects in Bangladesh. Bangladesh has identified 13 sectors where it is seeking 'mega-investment' from India (Bhattacharya, 2018). The sectors include agro-processing, automobiles, ceramics, chemicals, gems and jewelry, light engineering, ICT, hospital and medical equipment, pharmaceuticals, and textiles (World Bank, 2006). Several Indian large companies have already set up projects in Bangladesh like Hero Honda, Tata Group, and CEAT Tyres (Bhattacharya, 2018). Another joint venture is the Maitree "superthermal" coal-fired power plant at Rampal Upazila of Bagerhat District in Khulna, which is about 65 kilometers away from the border of Bangladesh's Sundarbans mangrove forest. It is a joint venture of the Bangladesh Power Development Board (BPDB) and India's largest power producer, National Thermal Power Corporation Limited (NTPC Ltd). The net inflow of foreign direct investment (FDI) from India to Bangladesh stood at $102.7 million, for the first time in 2015, ushering in a new era of bilateral trade cooperation between the countries (Bose, 2017).

Product Import Product Share % India by Bangladesh from 1990-2015

The import from India has reduced the most in the year 2010 (Table 1). The following table shows the trend of imports from India by Bangladesh for a period of twenty-five years. Then for five years, the import has risen in consumer goods, raw materials, and vegetables.

Table 1: Imported Product for Bangladesh from India from 1990 to 2015

Product Group	1990	1995	2000	2005	2010	2015
All Products	100	100	100	100	100	100
Capital goods	29.992	14.692	21.347	21.706	20.1	17.028
Consumer goods	13.59	17.161	21.043	22.94	12.555	20.671
Intermediate goods	41.588	49.751	45.676	43.851	48.737	40.951
Raw materials	14.769	18.37	11.917	11.483	18.605	21.349
Animal	0.0193	0.7205	1.2517	1.6283	1.0171	0.7908
Chemicals	5.1001	11.161	13.808	12.277	10.589	9.8036
Food Products	0.8541	0.8064	5.6554	2.4266	2.1483	3.025

Footwear	0.0035	0.0162	0.1301	0.0441	0.1903	0.1227
Fuels	1.8105	4.3474	3.3315	5.7699	1.5004	2.8824
Hides and Skins	0.0042	0.0045	0.1026	0.0449	0.0959	0.2288
Metals	8.2858	7.6955	11.198	14.934	10.39	6.5722
Minerals	5.2026	6.6741	5.9459	2.7614	0.6938	1.5193
Miscellaneous	0.7124	0.3592	1.7541	1.4655	1.6163	1.3877
Plastic or Rubber	5.3377	2.4392	4.0964	4.868	4.3129	4.104
Stone and Glass	2.8828	1.3124	1.2947	0.6929	0.4812	0.4611
Textiles and Clothing	27.301	24.481	17.549	15.406	41.098	33.06
Transportation	10.775	8.9361	9.1898	6.9481	12.388	8.9145
Vegetable	9.217	21.257	10.451	13.624	2.7775	16.67
Wood	1.3301	2.4771	1.8359	1.6346	1.3953	0.6549

Source: World Bank (2018)

Bangladesh Product Export Product Share Percentage to India 1990-2015

There has been a reduction in the export of raw material in the year 2015. The following table shows the trend of export to India by Bangladesh for a period of twenty-five years (Table 2). Apart from that, the export share in consumer goods has reached quite a number if compared to the previous year.

Table 2: Bangladesh Product Export to India from 1990 to 2015

Product Group	1990	1995	2000	2005	2010	2015
All Products	100	100	100	100	100	100
Capital goods	3.0177	0.0328	6.0617	3.4139	2.7704	2.9356
Consumer goods	7.1176	6.5617	8.2356	18.778	38.582	56.227
Intermediate goods	13.923	92.537	83.032	42.763	18.232	19.069
Raw materials	72.501	0.7596	2.3151	35.045	40.416	21.753
Animal		0.7596	1.9984	6.4044	7.6475	1.1896
Chemicals	0.023	91.414	76.184	25.71	1.0776	2.1418
Food Products	0.0109	0.0828	0.0384	0.3566	1.6098	3.6754
Footwear			0.0087	0.0465	0.1249	2.2221
Fuels	2.9315			0.2224	4.1447	3.8309
Hides and Skins	3.3845	0.636	2.6854	1.6565	4.3329	3.1546
Metals	1.5421		1.1532	5.6132	11.451	5.7747
Minerals				0.0656	0.0102	0.003
Miscellaneous	0.5093	0.1172	0.8631	0.3017	0.3869	0.1733
Plastic or Rubber		6.3209	0.1143	3.607	1.3611	3.288
Stone and Glass		0.0123	0.036	0.083	0.5482	0.3526
Textiles and Clothing	79.544	0.0958	10.147	39.923	57.741	63.163
Transportation	0.168		3.6909	0.0437	0.2159	1.127
Vegetable	9.206	0.5286	1.7923	12.564	6.2616	6.4666
Wood	0.1265		0.0024	0.3021	0.3273	0.5433

Source: World Bank (2018)

Bangladesh-India Trade Deficit from 2006 to 2018

There was a rise in export in FY 2007-2008. The table shows the fiscal year 2006-2007 was the most successful year in reducing the trade deficit with India (Table 3). It reduced remarkably in the year 2008-2009. It caught up the pace in the FY 2010-2011, and from 2010-2014 the average export was million US $511.746. The export saw a rise again in FY 2016-2017. However, the continuous rise in imports has contributed to an increase in the trade deficit. The table depicts the year 2010 as a prominent year for the balance of trade.

Table 3: Bangladesh-India Trade Deficit from 2006 to 2018 (Value in Million US$)

FY	Export	Import	Balance
2006-2007	289.42	2226.05	(-)1936.63
2007-2008	358.08	3383.94	(-)3025.86
2008-2009	276.58	2822.17	(-)2545.59
2009-2010	304.63	3213.7	(-)2909.07
2010-2011	512.51	4659.2	(-)4056.69
2011-2012	498.42	4743.3	(-)4244.88
2012-2013	563.97	4776.8	(-)4212.83
2013-2014	456.63	6034.8	(-)5578.19
2014-2015	527.2	5827.7	(-)5300.50
2015-2016	689.6	54542.9	(-)4763.30
2016-2017	672.4	6130.5	(-)5458.1
2017-2018 (till December 2017)	361.91	3882.8	(-)3520.89

Source: Bangladesh Bank (2018)

Reasons for Trade, Investment, and Economic Growth Gap

India and Bangladesh need to optimize trade potential to increase the price competitiveness of both Indian and Bangladeshi exports. For such purpose, it is required to address all the areas of omission. Some have been briefly discussed below-

a) One of the major hindrances to better trade results is inadequate and costly trade logistics. Nearly half of the total trade between India and Bangladesh is routed through the Petrapole-Benapole land border by costly road transport. The non-containerized road cargo undergoes repeated loading and unloading operations at the border.
b) Readymade garments, leather manufacture, and jute manufactures are essential export items of India. So naturally, Bangladesh faces competitiveness with India. Moreover, Bangladesh has a comparative advantage over the Indian readymade garment sector.
c) Fast and early liberalization: Bangladesh mainly imports raw materials from India, like cotton yarn, machinery, equipment, base metals, chemicals, and mineral products like coal, limestone, etc. These all are used in Bangladesh readymade garment industry, fertilizer pharmaceutical, chemical, and cement industries (Datta, 2008). For the domestic need, Bangladesh had to liberalize import, besides the drastic reduction of the tariff, has

increased import from India. As a negative consequence, the Bangladeshi market became highly competitive and could not reduce the trade gap.

d) Backward industry and inadequate infrastructure: The Indian economy is larger, more diversified, and technologically advanced. Besides, India has a productive advantage in both agriculture and industry as compared to Bangladesh. These factors make Indian products very competitive in terms of both price and quality in Bangladesh's market. Import from Bangladesh is continuously discouraged by inadequate infrastructure facilities of the land customs station, such as warehousing, transshipment yard, parking yard, and connecting roads.
e) Lower productivity and laboratory tests for every consignment of goods like food products, cosmetics, and leather and textile products and delay in getting test results are a hindrance to export (Islam, 2012). The imposition of state tax, packaging requirement, anti-dumping and countervailing duties are among some of the domestic barriers.
f) Illegal trade and Informal trade between India and Bangladesh border add to the trade deficit. When goods are smuggled from India to Bangladesh, they escape custom duties. Diversified export and technologically advanced industrial base of India. Transit is an area of contention between the two countries. Higher charges of transit compel India to use Siliguri "Chicken neck" corridor otherwise makes it time-consuming and costly for India to carry goods from the northeastern area to the mainland. Another problem of transit is that the responsibility is divided among three or four departments, but and Bangladesh does not have an effective mechanism of coordination, which is time-consuming (McDuie-Ra, 2014).

Way to Address the Problem

Some measures and steps should be taken from Bangladesh's side to address the existing barriers. The measures should be as follows.

a) Improving the efficiency of customs authorities, facilitation of efficient management to improve border trade, as custom clearance procedures are generally cumbersome and time-consuming.
b) Reducing the lack of infrastructure facilities at the land customs stations between India and Bangladesh because it causes a delay in valuation and clearance, enhancing transport connectivity of the two sides, including inland waterways, road and rail, and shipping and air (Das, 2008). Bangladesh needs to have a single-window system where standardization and harmonization of the standard operating protocol can be actively practiced.
c) Bangladesh can offer transit facilities to India. Bangladesh can earn transit fees from Indian authorities. India can also benefit from reduced transport costs. It could be a win-win situation for both countries.
d) Increasing Productive capacity and economic efficiency. Technological capacity building, huge investment, creative intervention of the government, appropriate incentive mechanism. Bangladesh should be integrated with a higher number of regional grids.

From India's side- Relations with Bangladesh need to be re-strategized. Primacy should be given to the economic and development content by keeping the following prongs:

a) Reducing hassle in the transshipment of goods across borders as some areas of India are not open to Bangladeshi vessels. Removing the route restriction of imports. For developing greater confidence on the Bangladeshi side, India should expedite forward on the pending Land Border Constitutional Amendment and river water sharing issues.
b) The northwestern region of India should be opened to Bangladeshi export. India should think about revising the suitable list of products sold at the border market; anything that India can import should be Available at: this market (Basher, 2013). Tariff preference should be given by India on those items that have high import value.
c) India should encourage a shift towards greater private sector participation and should promote local, Indian, and regional investors to invest in Bangladesh.
d) India should unite with Bangladesh for joint exploration and development of the maritime territory awarded to Bangladesh by the international arbitration tribunal.

Re-strategized Policy Options

The imbalance in trade can be conquered by taking different policy options. Both countries must show willingness considering macroeconomic reality. Medium and long-term measures must be undertaken for an effective and durable solution. There are three areas of policies, which should be considered to improved trade imbalance viz. Free trade Agreement (FTA), Diversification of Trade Portfolio, and Special Economic Zones (SEZs).

Free Trade Agreement (FTA)

There is a possibility of a bilateral free trade agreement between Bangladesh and India based on comprehensive economic cooperation/partnership both in Trade in Goods and Trade in Service; forging 'strategic partnership' between sectors and industries, i.e., in the apparel sector, IT, logistics and trans-shipment (Sikdar et al. 2006). FTAs will help to reduce further tariff + Para tariff + non-tariff barriers between Bangladesh and India.

a) Access to a large Indian market can encourage producers to expand the export capacity for the products that are being exported in the Indian market. Exporting goods in which Bangladesh has a competitive advantage can also extend the export basket.
b) Access to the Indian market can ensure the flow of foreign capital. The large inflow of foreign capital can help to build export infrastructure facilities. It can also invite investments from India and other countries to build export capacity.
c) Indian marketing network, partnership skill, and manufacturing technologies, and trading partners can benefit the economic competitiveness of Bangladesh; thus, FTA can provide access to such possibilities (Pattanaik, 2011).
d) Free trade opportunities can make legal trading more profitable. Therefore, it can help reducing illegal trade and imports, which is one of the vital problems of the current economic status between India and Bangladesh.
e) Geographical proximity, common language, and consumption pattern give Bangladesh a competitive advantage over the Northwestern part of India. A free trade arrangement to the northwestern area can be beneficial to Bangladeshi producers. Economic integration and physical connectivity with the market would reduce economic isolation (Sengupta,

2007). This region would develop along with the Bangladeshi market. Therefore, this is a win-win situation for both countries.

Challenge Related to Trade

There are some challenges regarding the implementation of the Free Trade Area (FTA). The existing challenges are as follows.

a. Outdated regulations in the trade policies, implementation of import policies in Bangladesh, and Countervailing Duties (CVD) are going to create complications in a bilateral agreement between Bangladesh and India.
b. Elimination of all non-tariff barriers, administrative regulations, and taxes contradict bilateral trade. It is a challenging task to eliminate trade barriers while keeping up the bilateral trade (Islam, 2012). A suitable mechanism must be opted to monitor progress.
c. Measures should be taken for trade facilitation and to promoting investment; FTA should include such measures for deeper integration.
d. The disparity in the size of the two economies will also create hindrance in smooth trading.
e. As it is well known that Indian goods are already highly competitive in their own market; thus, Bangladesh exports have to face high competitiveness in their domestic market.

Diversification of Trade Portfolio

India has a significant market size of around 250 billion dollars, where Bangladesh's export share is only one percent of six hundred (Shewly, 2016). The country's exports to India limited to a few items. Its export basket is mainly led by the apparel industry, while small income is coming from the export of agricultural products, frozen fishes, jute and jute goods, leather and leather goods and light engineering items, and RMG items. Bangladesh needs to focus on developing non-traditional exports to have a well-diversified trade portfolio by diversification of both export products and export destinations. Another crucial area for export diversification is in the field of Blue Economy. Essential areas of trade based on the blue economy are a maritime trade like ports and shipping, fisheries, aquaculture, marine aquatic products, oil and gas, and sea salt production. The benefits of diversification of business are as follows.

a) Bangladesh can explore and exploit the opportunities in the growing export market of India by strengthening bilateral negotiations through government-to-government and stakeholders-to-stakeholders initiatives.
b) Diversified exports considering Indian demand requirements will help to reduce the trade gap. There are several items, which are exported by Bangladesh to the global market, but not to India, while India imports those items from the worldwide market, but not from Bangladesh (Mcduie-Ra, 2012).
c) If a country's technical base and technological capacity can build appropriately, more agricultural products, as well as manufacturing goods and services, will become exportable.
d) Export diversification will help to minimize risks and create employment with new skills of workers.

On the other hand, there are some challenges associated with diversification of trade. The challenges are as follows.

a) Bangladesh is still dependent on some traditional products for export, especially the readymade garment (RMG).
b) Bangladeshi exporters will face the competition with India's rising economic power and growing supply-side and competitive capacities.
c) Supply-side capacities in Bangladesh are not strong enough, to enhance Bangladesh's export to India challenge is to adopt proper supportive policies with a special focus on SME exporters.
d) Government and private sectors conduct the low level of research on exportable products and markets for higher export from the country (Kumar, 2010).
e) Bangladesh need extensive research and infrastructure facilities for marine resources development as well as the expansion of trade based blue economy

CONCLUSION

Indian domestic market is highly competitive and close to world prices, even with FTA facilities, it is very challenging for Bangladesh to penetrate the Indian market. To increase trade Bangladesh should offer to establish Special Economic Zone exclusively for India. SEZs will propel both domestic investment and FDI, create employment, and improve economic cooperation between the two countries. SEZs can be built in a much shorter time; it can help Bangladesh in rapid and sustained economic growth on its way towards becoming a middle-income country. Besides, if a regional supply chain network can establish by proper functioning SEZs, it would allow India and Bangladesh to bargain for better prices globally jointly. Several issues need to be considering carefully implementing SEZs. Special Economic Zone (SEZs) for India can be established as part of the Bangladesh Economic Zones Authority (BEZA)'s building of 100 SEZs across the country by 2030. The zones can be developed with funds obtained from the Line of Credit (LOC) arrangement from India. It is required for Bangladesh to facilitate the standards of infrastructure and business environment within SEZs and the rest of the economy. EEZs would need to be connected to efficient sea and land ports, including removal of port restrictions to facilitate trade. Projects in the areas of port construction, railways, roads, airports, etc. in Bangladesh need to be implemented taken under the Line of Credit given arrangement by the Government of India. It has to be ensured that the institutions governing the operations of SEZs are competent enough.

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