

Background Note

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

Friday, 10th August, 2018

Claridges Hotel, APJ Abdul Kalam Road New Delhi

Objective

With support from USAID under its Feed the Future Programme, CUTS has 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 aim is to facilitate bilateral trade between two countries, particularly on agricultural including food products and identify inter-related livelihood and food security issues with their feasible solutions. This meeting will deliberate on key findings of this study and make recommendations for enhancing India-Bangladesh bilateral trade on agricultural including food products.

Background and context

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. In 2016, bilateral trade flows stood at US\$ 6.6 billion – far below the existing potential, which is estimated to be around four times the existing level. Bilateral trade is affected by a plethora of non-tariff barriers (NTBs). 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 including food products is affected by a large number of barriers that exist at the border. These are mainly due to customs procedures, absence of testing facilities, lack of harmonised systems, congestion, inadequate road infrastructure, high demurrages. The cumulative impact of these barriers is very high for agricultural including food products which require efficient and timely movement across border. These NTBs not only increase trade costs but also have implications for food security and livelihood of the producers.

Therefore, this study has identified a number of specific NTBs (process, procedural and infrastructure related, capacity related impediments and SPS-TBT related) faced by Indian exporters and importers while doing trade with Bangladesh in agricultural including food products with a particular emphasis on such trade through selected ports. The study also covers the impact of possible increase in agriculture trade on livelihood of the people involved along product-specific supply chains and its role in addressing the food security challenges in both of the countries.

Some of the key findings are as follows:

- There exist huge trade potential, particularly in agricultural including food 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 is sub-optimal port infrastructure on both sides of the border and there is an urgent need for infrastructural improvements on both sides to facilitate bilateral trade.
- Differences in agriculture policy across Indian states are one of the main reasons behind low productivity of Indian agriculture. This is confirmed by the findings of this study and therefore recommends a centralised policy with state-specific adjustments. India needs to identify the comparative advantages of each state in agriculture production and prepare focussed regional policy to enhance its productivity.
- There exist too many middlemen in the supply chains, making them unnecessarily complex. Farmers at the lower end of supply chains are getting very less and in some cases they are not getting 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 by allowing the private sector to invest in storage and marketing of agricultural products.