

# India and Bangladesh to negotiate on CEPA

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**In news**– Following a meeting with the visiting Prime Minister of Bangladesh, Indian Prime Minister has recently said that India and Bangladesh will soon commence negotiations on a Bilateral Comprehensive Economic Partnership Agreement (CEPA).

## **The India- Bangladesh CEPA –**

- It **is likely to focus on trade in goods, services, and investment**, with a key objective being the reduction of the trade gap between the two countries.
- The proposed CEPA between Bangladesh and India has three dimensions, namely trade in goods, trade in services, and investment.
- The main target of the proposed agreement is to **reduce the huge trade gap between Bangladesh and India** and open up new economic opportunities including connectivity, new markets, and cooperation and partnership.
- As Bangladesh prepares to graduate into a developing nation by 2026 after which it may no longer qualify for trade benefits that it currently enjoys as a least-developed country, it is keen to clinch the CEPA in a year.

## **How is a Comprehensive Economic Partnership Agreement (CEPA) different from FTA?**

- As the name suggests, **CEPA is more comprehensive and ambitious than an FTA in terms of partnership** across a wider coverage of areas and the type of commitments.
- While a traditional **FTA focuses mainly on goods; a CEPA is more ambitious in terms of a holistic coverage of many areas like services**, investment, IPR, government procurement, disputes etc. Secondly, CEPA looks deeper at the regulatory aspects of trade than an FTA.

## Existing frameworks-

The current institutional frameworks for trade and investment include:

- During the visit of Prime Minister Modi to Bangladesh **in June 2015, the bilateral trade agreement between the two countries was renewed for a period of five years** with a provision for auto renewal.
- **Under the provisions of the South Asian Free Trade Area (SAFTA), Bangladesh extends preferential tariffs to Indian exports** of products outside the 'sensitive list'.
- **In 2011, India announced duty-free, quota-free access to Bangladesh** for all tariff lines except tobacco and alcohol.
- An **Agreement on Promotion and Protection of Investments has been in force since 2011.**
- **Joint Interpretative Notes to the agreement were signed** during the visit of the Indian Finance Minister to Bangladesh in October **2017.**
- To facilitate trade and transit through inland waterways, a **Protocol on Inland Waterways Trade and Transit (PIWTT) has been in place since 1972.**
- The PIWTT too was renewed for a period of five years with a provision for auto renewal in 2015.
- The protocol allows the movement of goods by barges/ vessels on eight routes between points in India and Bangladesh, as well as between points in India through Bangladesh.
- Direct sea movement of containerized/ bulk/ dry cargo began after the signing of a Memorandum of Understanding (MoU) on Coastal Shipping in June 2015.
- MoUs were signed in 2015 on the use of the Chittagong and Mongla Ports for Movement of Goods to and from India.
- The MoU on Border Haats on the India-Bangladesh border

was renewed in April 2017 during the visit of Prime Minister Hasina to India.

**Currently, four Border Haats** – two each in Meghalaya (Kalaichar and Balat) and Tripura (Srinagar and Kamalasangar) – are functional.

### **India & Bangladesh Trade relations-**

- In 2021-22, **Bangladesh has emerged as the largest trade partner for India in South Asia** and the fourth largest destination for Indian exports worldwide.
- **Exports to Bangladesh grew more than 66 per cent** from \$9.69 billion in FY 2020-21 to \$16.15 billion in FY 2021-22.
- **India is Bangladesh's second biggest trade partner, and its largest export market in Asia.**
- Despite Covid-19 related disruptions, bilateral trade grew at an unprecedented rate of almost 44 per cent from \$10.78 billion in 2020-21 to \$18.13 billion in 2021-22.
- **India's main exports to Bangladesh are raw cotton, non-retail pure cotton yarn,** and electricity, and its main imports from the country are pure vegetable oils, non-knit men's suits, and textile scraps.