

Uncertainty engulfs trade worth billions

Investors grapple with risk regarding existing projects; Bangladesh key destination for auto, agri items' exports

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New Delhi's trade and investment relationship with Dhaka may have entered a phase of uncertainty after Bangladesh Prime Minister Sheikh Hasina resigned after weeks of violent demonstrations and their Army chief declared that an interim government will now run the country.

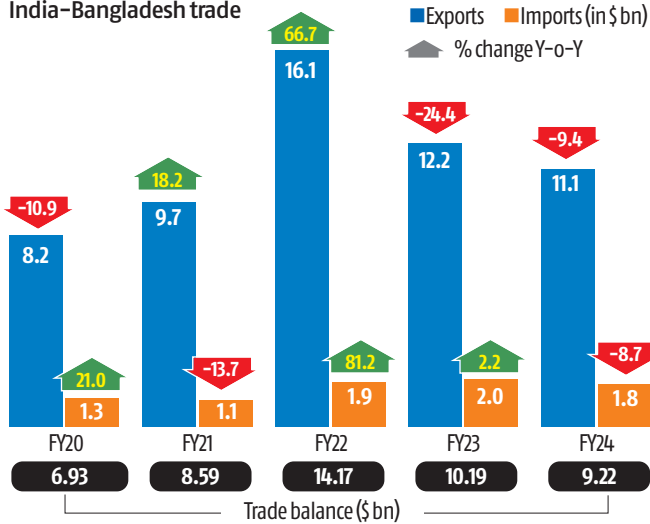
Bangladesh is India's 25th largest trading partner, with the size of the bilateral trade at \$12.9 billion. The trade is dominated by exports, with Bangladesh being India's eighth largest export partner. In FY24, India's exports to Bangladesh contracted 9.5 per cent to \$11 billion.

Over the last two years, outbound shipments to Dhaka have been declining. For instance, during FY22, Bangladesh was India's fourth largest export market. However, outbound shipments were affected by factors such as dollar shortage, high inflation and other factors like India's export restrictions on essential items such as wheat and some categories of rice.

Bangladesh is a key destination

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India-Bangladesh trade



for Indian auto exports, alongside African and Latin American countries. The political unrest in the neighbouring country could also pose risk for investors for their existing projects and may lead to an influx

of illegal migrants into India.

"The political unrest in Bangladesh will create uncertainty for exporters. In fact, there will be greater risk for investors," said Arpita Mukherjee, professor, Indian Council

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"WE ARE OBVIOUSLY DEEPLY CONCERNED BY THE VIOLENCE WE'VE SEEN IN BANGLADESH... WE HOPE THAT SWIFT ACTION IS TAKEN TO ENSURE THAT DEMOCRACY PREVAILS"

British PM Keir Starmer's spokesperson

"IT IS IMPORTANT THAT BANGLADESH CONTINUE ON ITS DEMOCRATIC PATH"

German Foreign Ministry spokesperson

"HASINA'S RESIGNATION PROVES THE POWER OF THE PEOPLE"

Opposition Bangladesh Nationalist Party's exiled acting chairman Tarique Rahman

and electricity, are crucial for the people and economy of Bangladesh and may not be significantly affected by the unrest.

"However, Bangladesh's economic challenges have negatively impacted bilateral trade in recent years... Bangladesh has been facing a severe dollar shortage, which has limited its ability to import goods, including those from India. The rising inflation in the country has also reduced domestic demand, leading to lower consumption of both local and imported products," GTRI said. India's imports from Bangladesh fell 8.7 per cent to \$1.8 billion in 2023-24. Top inbound shipments include iron and steel products, textiles and leather goods, among others.

Biswajit Dhar, distinguished professor, Council for Social Development, said Bangladesh is very key and a large market for India. "Political uncertainty in Bangladesh will certainly hit us on the trade front. If the political uncertainty spills over to economic uncertainty, then Bangladesh's economy will get affected. That may result in illegal migration into India," Dhar added.

for Research on International Economic Relations (ICRIER).

According to Delhi-based think tank Global Trade Research Initiative (GTRI), India's exports, such as onions, other agricultural products,