

CEPA: INDIA FAR BEHIND CHINA IN TRADE WITH DHAKA

On September 6, Prime Minister Narendra Modi announced that India and Bangladesh would soon start negotiations on a bilateral comprehensive economic partnership agreement (CEPA). Even though informal talks have been going on between the countries since 2018, Bangladesh's Prime Minister Sheikh Hasina gave a green signal to the CEPA on August 18, ahead of her four-day visit to India. Trade between India and Bangladesh has increased over the past few years, but a *Business Standard* analysis shows that China has made significant inroads in Bangladesh, both in terms of investments and trade. CEPA is expected to bridge that gap. In 2021-22, Bangladesh was the fourth largest destination of Indian exports, accounting for nearly 4 per cent of the country's \$422 billion merchandise exports. On the other hand, India was Bangladesh's seventh largest export market and the second largest market for its imports after China.

12 per cent share each in Bangladesh's imports in 2001, the data from the Observatory of Economic Complexity, a data visualisation tool, shows India's share in Bangladesh's imports has since lagged vis-à-vis China's. In 2020, China accounted for 31 per cent of the country's imports, whereas India's share had increased to 16 per cent. In terms of investment, China has left India far behind. Analysis of gross FDI shows that until 2013, of the \$8,593.5 million FDI attracted by Bangladesh, \$256.4 million or 3 per cent came from India. China's share was half of India's at just 1.4 per cent.

However, of the \$26,068.1 million invested in Bangladesh between 2014 and 2020, China accounted for 10.2 per cent of FDI, whereas India's share slightly increased to 3.9 per cent. Indian investment grew 293.6 per cent between 2014 and 2020, but China's jumped 2,170.8 per cent. Bangladesh's FDI in India has remained below \$1 million per year.

While China and India accounted for a

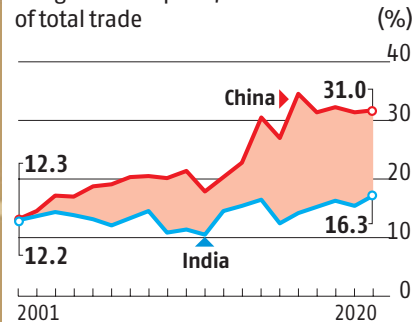
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ILLUSTRATION: BINAY SINHA



INDIA'S SHARE IN BANGLADESH'S IMPORTS IS HALF OF CHINA'S

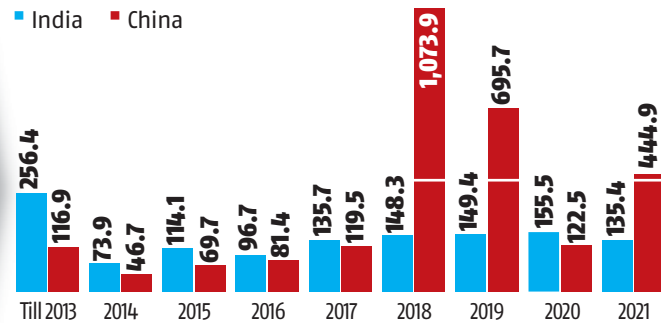
Bangladesh imports, share of total trade



Source: OEC World

INDIA'S INVESTMENTS IN BANGLADESH HAVE LAGGED BEHIND CHINA'S

(gross foreign direct investments in Bangladesh, \$ million)



Source: Bangladesh Bank