

Bangladesh's plan to join China-backed RCEP worries India

Govt to evaluate various aspects before FTA talks

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New Delhi, 24 December

Bangladesh's willingness to join China-backed trade bloc Regional Comprehensive and Economic Partnership (RCEP) has made India wary, with New Delhi evaluating the possible implications before starting free-trade agreement (FTA) talks with Dhaka, people aware of the matter said.

Bangladesh largely depends on Indian products and is India's seventh largest export market. Hence,

the trade balance is tilted massively in favour of India.

On the other hand, China is Bangladesh's largest import partner, followed by India.

India is worried because of Bangladesh's greater dependence on China for imports as compared to India and fears it can become an issue if Bangladesh joins RCEP.

Government officials said India will have to make a thorough assessment with respect to the market in Bangladesh that India could lose after Dhaka joins RCEP.

The government will also have to identify the markets — in RCEP countries — where Bangladesh will be competing with India.

“European Union (EU) and

TRADE MATTERS

India-Bangladesh trade over the years

	Export (\$ bn)	Y-o-Y growth (%)	Import (\$ bn)	Y-o-Y growth (%)	Trade balance (\$ bn)
FY20	8.2	-10.96	1.26	21.05	6.93
FY21	9.69	18.18	1.09	-13.69	8.59
FY22	16.15	66.71	1.97	81.19	14.17
FY23	12.21	-24.39	2.02	2.19	10.19
FY24*	6.04	-17.5	1.15	-6.23	4.89

*Data from April-October

Note: Export, import numbers for India

Source: Department of Commerce

European Free Trade Association (EFTA) nations have also agreed to extend the generalised system of preferences (GSP) benefits till 2029.

We have to evaluate all these things before we can get into a situation where we have an FTA,” one of the persons cited above told *Business*

Standard.

Bangladesh's final decision to apply for the 15-member RCEP pact, however, will be clear after the

general elections scheduled to be held next month.

Considered the world's largest FTA, in terms of combined gross domestic product (GDP), RCEP is a pact between the 10-nation Association of the Southeast Asian Nations (Asean) bloc and five of its FTA partners — New Zealand, Australia, China, Japan, and South Korea. Prime Minister Narendra Modi and his Bangladesh counterpart Sheikh Hasina last year decided to conclude negotiations for a comprehensive economic partnership agreement (CEPA) by the time Bangladesh graduates from its least developed country (LDC) status in November 2026. Finalising a trade pact with India will be crucial for

Bangladesh.

This is because, three years from now, Bangladesh will lose the LDC concessions it gets from India under the South Asia Free Trade Agreement (SAFTA).

This is also why Bangladesh is looking to sign new FTAs, with as many as 11 countries. Currently, the country doesn't have any FTA yet.

During FY23, exports to Bangladesh declined by a fourth to \$12 billion compared to FY22.

Major exports include industrial goods, cotton, electricity and food items, among others.

Imports from Bangladesh are lesser compared to exports and saw 10 per cent increase to \$2.19 billion in FY23.

