

How will land ports closure impact the region? | Explained

How will it affect Bangladesh's readymade garments sector? What about other sectors like agriculture? What are the exceptions to the May 17 order? Why has the northeast been dragged into the tussle between India and Bangladesh? Will it affect other countries in the region?

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Representative image | Photo Credit: The Hindu

The story so far: On May 17, the Directorate General of Foreign Trade shut down all land ports with Bangladesh for export of apparel (readymade garments) from Bangladesh. The order also shut down the northeastern land ports with Bangladesh to restrict the export of specific items from Bangladesh. The move is being interpreted as a fallout of the downturn in relations between New Delhi and Dhaka. The two sides are yet to develop a fully functional relationship after the fall of the Hasina government last August.

What is the May order?

Stopping import of readymade garments from Bangladesh through all land ports, the order said, “Import from Bangladesh shall not be allowed from any land port; however, it is allowed through Nhava Sheva and Kolkata seaports.” That apart, the order also banned export of fruit, fruit flavoured drinks, processed food items (baked goods, snacks, chips and confectionery), cotton and cotton yarn waste, plastic and PVC finished goods except pigments, dyes, plasticisers, and granules, and wooden furniture from Bangladesh through land ports of Assam, Meghalaya, Mizoram and Tripura. The same goods were also banned from entering India through the land customs stations of Changrabandha and Fulbari. The order has clarified that import of fish, LPG, edible oil and crushed stone from Bangladesh will remain unaffected.

What led India to issue this order?

India said the order was aimed at ensuring reciprocity in trade with Bangladesh. On April 13, Bangladesh’s National Board of Revenue imposed a ban on the import of cotton yarn from India through land ports. That apart, Bangladesh also stopped export of Indian rice through the Hili land port in West Bengal. Indian officials further said that Bangladesh had been carrying out aggressive checks of Indian trucks over the past several months. All these factors were taken into account in stopping the entry of readymade garments through Indian land ports. In all, there are 24 operational land ports between India and Bangladesh, and several other crossings are being developed.

How is India justifying the decision?

The order came into immediate effect on May 17, officials said. However, the order and the list of items on it are expected to be reviewed from time to time. The sea ports

too are not expected to remain open for all items from Bangladesh as there will be mandatory checks and reviews of all items from Bangladesh exported through Indian sea ports. The Indian side further claimed that Bangladesh has been cherry-picking issues and that several comments by top leaders indicated that they were treating the northeast as a “captive market” for Bangladesh’s products, while Indian goods are not being given transit. Citing Prime Minister Modi’s speech on the northeast, Indian officials said the northeast is integral to the BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation). The “equal market space now available in the resource-rich northeast is expected to give a fillip to manufacturing and entrepreneurship in the region under the Atmanirbhar Bharat schemes and policies,” they said.

How has Bangladesh responded?

Bangladesh has not issued any official response so far though off the record Bangladeshi officials have expressed disappointment over the way this step was initiated by the Indian side. They said Bangladesh was not intimidated about Indian plans and that they got to know of the decision through media reports which caught traders and transporters unawares.

To India’s accusation of Bangladesh unilaterally stopping India’s cotton yarn and rice exports, Bangladesh officials said that these moves were enforced to control corruption on their side. Commerce Adviser S.K. Bashir Uddin of the interim government of Bangladesh has said a preliminary review is on about the impact that the Indian order will have on the economic prospects of Bangladesh. He said that in

terms of furniture and agro products, the impact on Bangladesh will not be widespread, but the impact on readymade garments is likely to be significant.

Will India's order affect Bangladesh's trade with Nepal and Bhutan?

India claims that the order will not affect Bangladesh's trade with Nepal and Bhutan. However, it is understood that overland trade blockade will naturally impact flow of orders from Bangladesh to Nepal because of frequent disruption. The order has also created a ripple effect making investment planners careful before venturing into Bangladesh.

Is the decision to shut land ports part of a larger issue between India and Bangladesh?

Indian officials say the order is a "message to Bangladesh" in response to remarks regarding India's northeast made by interim government chief Mohammed Yunus in China during the March 26-29 visit, which were unacceptable. In a meeting with Chinese business houses, Prof. Yunus had described the northeast as a "landlocked" region that is suffering from developmental bottlenecks, urging China to access the region through Bangladesh. He had pitched Bangladesh as the "guardian of the ocean" suggesting that Bangladesh's coastline is available to China to develop industrial and commercial links with India's northeast. Indian officials have said that the closure of land ports (Integrated Check Posts and Land Customs Stations) is also a message to the interim government of Bangladesh which has warmed towards Pakistan, accused of exporting cross-border terrorism to J&K. Indian officials said the order to restrict readymade garments was taken as it will affect nearly \$700 million

worth of textile exports from Bangladesh to India. Though it is a small part of the total \$50 billion worth of exports from Bangladesh, it is expected to send a message to the global community about Bangladesh's moves.

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