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The Role of Trade and Investment in
improving the Growth Prospects of
Tripura: with reference to
Bangladesh

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Globalization



changed the way of thinking
towards growth and
development



increased integration will benefit
developing countries

Developing countries



trade



bigger markets, larger capital
inflows, technology



long-run economic growth

North Eastern States of India



Opening of the Indian
Economy



increased opportunities in the
form of Trade with the
neighbouring countries

Tripura



low manufacturing base,
agriculture dominance



low private investment

Among the North Eastern states, Tripura is the only state which has borders with a single country, i.e. Bangladesh, on three sides. Geographical isolation, poor infrastructural facilities, low capital formation, low industrial activity, prolonged insurgency, poverty and unemployment characterize the state. It shares a long boundary with Bangladesh (856 KM) and with neighbouring states of Assam and Mizoram

ADMINISTRATIVE MAP OF TRIPURA



TRIPURA

- a 'special criteria state' due to its backwardness and geographical isolation.
- NSDP at current prices increased from ₹8169.69 crores in 2004-05 to ₹14,604.27 crores in 2009-10 (A).
- The per capita income at current prices of the State rose from ₹24,394 in 2004-05 to Rs.35,799 in 2009-10(A).
- The Human Development Index for Tripura for the year 2001 is 0.59.
- The literacy rate in the state is 73% and the investment in R&D is almost zero.
- There are few small scale industries in Tripura (0.23% of India and 7.7% of NER) but there is no large scale industry.
- Major SSIs flourished in Tripura are tea, food processing, handloom and handicrafts, rubber and bamboo.
- The FDI equity inflows from April' 2000 to December' 2010 to the seven states of north east India is ₹280 crores, which is 0.1% of the total inflows in terms of US \$.

Government of Tripura – Budget

(₹ in crores)

	2007-08	2008-09	2009-10	2010-11 BE	2010-11 RE	2011-12 BE
Revenue Receipts	3698.34	4198.38	4401.35	5512.54	5386..50	5989.35
i) State's own Tax Revenue	370.70	451.38	527.01	667.05	626.45	783.45
i) State's own Non-tax revenue	115.41	133.03	125.40	190.20	130.55	137.13
i) State's share of Union Taxes and Duties	650.62	735.00	706.34	1069.00	1069.00	1283.60
i) Other Grants from Central Government	2561.61	2878.97	3042.60	3586.29	3560.50	3785.17
Capital Receipts	110.54	238.25	787.80	734.69	631.00	730.00
i) Recovery of loans	3.27	3.00	3.55	3.00	3.00	3.00
i) Borrowings	50.09	223.25	493.81	526.69	523.00	577.00
i) Loans from Public Account	57.18	12.00	290.44	205.00	105.00	150.00
Total Receipts	3808.88	4436.63	5189.15	6247.23	6017.50	6719.35

The budget analysis reflects that the almost 88 - 90% of the total receipts of the government of Tripura is either in the form of grants in-aid from the central government and/or borrowings/loans from various sources. The state's own tax and non-tax revenue is very low and heavily dependent on the external sources of fund for the functioning of the economy.

However, with the opening of the economy of India and Bangladesh and signing of many regional trade agreements, there arise huge scopes for the state of Tripura to improve its financial structure through trade with Bangladesh in terms of large market for trade, establishment of new industries, foreign investment, etc.

Export and Import - Bangladesh and India/Tripura (value in ₹ lakhs)

Yearwise	Export from India to	Export from Tripura to	Import from Bangladesh by		Trade balance between India & Bangladesh	Trade balance between Tripura & Bangladesh
	Bangladesh		India	Tripura	-	-
2007-2008	11,74,321.30	149.061	103,468.16	13,433.693	10,70,853.14	-13284.632
2008-2009	11,31,721.47	30.828	141,846.07	12,916.055	9,89,875.40	-12885.227
2009-2010	11,50,106.83	41.291	120,528.14	16,288.971	10,29,578.69	-16247.680
2010-2011	16,38,536.39	170.535	203,138.64	256,00.743	143,539,7.75	-25430.208

- Bangladesh trade balance with India is always negative whereas that of with Tripura is positive,
- The negative trade balance between Tripura and Bangladesh increased over the years,
- the value of export from Tripura to Bangladesh is about 0.01% of the total exports from India during 2010-2011,
- the value of import by Tripura from Bangladesh is about 12.56% of the total imports by India during 2010-2011,
- The value of exports from Tripura to Bangladesh is less than one percent of the value of imports from Bangladesh to Tripura during 2010-2011.

TRIPURA AND BANGLADESH

- There are 35 border trade points between Bangladesh and North Eastern states of Tripura, Assam, Mizoram and Meghalaya, the states which share geographical boundary with Bangladesh.
- The straight line distance between Agartala and Kolkata is only about 350 Kms and many large cities of Bangladesh are within 150 kms from the towns in Tripura (Agartala-Dhaka: 150 km, Agartala-Brahmanbaria: 25 km, Sabroom-Chittagong: 75 km, Sonamura-Comilla: 11 km, Kailashahar-Sylhet: 90 km).
- All the eight districts of Tripura share boundaries with Bangladesh as seen from the map.
- The people of Bangladesh and Tripura always share relationship because of ethnic, social and cultural linkages.

But, due to long border between Tripura and Bangladesh and other cultural and ethnic tie-ups between the two sides as well as existence of a large number of villages alongside the border, there arose two channels of trade between Tripura and Bangladesh:

- Formal Trade
- Informal Trade

So, there a number of issues between Tripura and Bangladesh and its impact on the growth and development process of Tripura, which needs investigation. The study specifically examines issues relating to trade and investment like

- The structure and composition of exports and imports between Tripura and Bangladesh.
- The various border (both formal and informal) trade points between Tripura and Bangladesh.
- The type and areas of investment by Bangladesh?
- What are the barriers of FDI from Bangladesh?
- What are the trade barriers for investment from Bangladesh to Tripura?
- Are there are any non-trade barriers between the two countries?

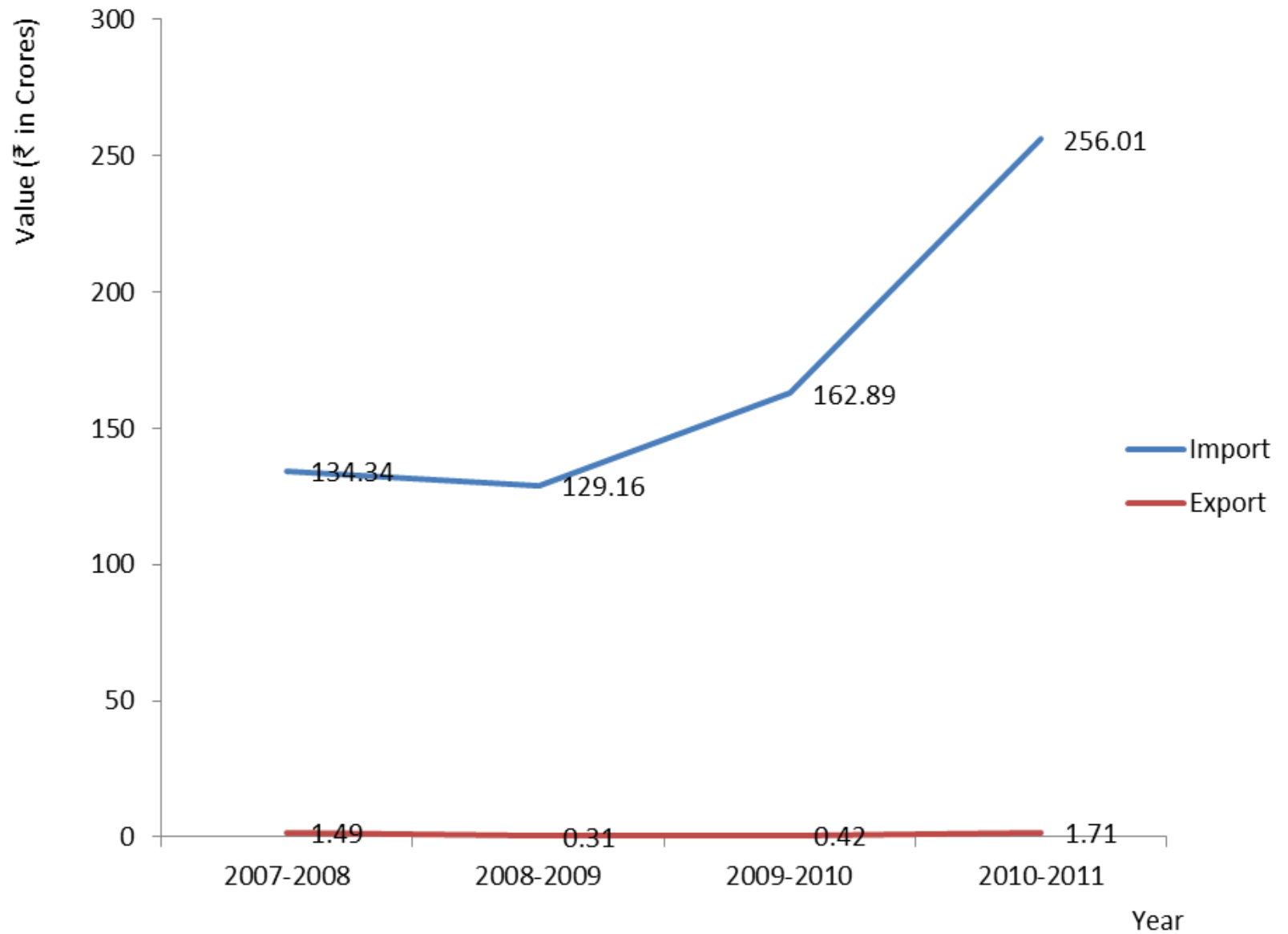
- To examine the nature of informal trade between the Tripura and Bangladesh?
- Are the same goods being traded through the formal and informal channels?
- What will be the impact of trade and investment with Bangladesh on state income and employment of Tripura?
- What is the role of governments and/or institutions towards the trade between Tripura and Bangladesh?
- What measures should be adopted by Tripura, to increase its competitiveness?
- What is the implication of trade between Tripura and Bangladesh on India especially Tripura and North Eastern region?

FORMAL TRADE

Tripura has only road connectivity with Bangladesh. As such, trade with Bangladesh is done only through land custom stations. There are seven Land Custom Centres (LCS) in Tripura. They are –

- Muhurighat (Belonia),
- Srimantapur (Sonamura),
- Agartala (Agartala),
- Khowaighat (Khowai),
- Dholaiighat (Agartala),
- Manu (Kailassahar) and
- Old Ragnabazar (Dharmanagar).

Value of Export and Import: Tripura and Bangladesh



Important observations are

- The volume of trade between Tripura and Bangladesh is almost doubled to ₹ 258 crore during 2010-11 from ₹163 crore in the previous fiscal year, while export of some Bangladeshi items registered a fivefold rise this year. In 2010-11, Tripura imported goods worth ₹ 256 crore from Bangladesh.
- Approximately 58% amount of Tripura-Bangladesh trade is carried out from the Agartala LCS followed by Srimantapur LCS, Manu LCS, Old RagnaBazar LCS, Khowai LCS and Muharighat LCS and
- The value of import is greater than that of export for all the six LCS.
- the composition of trade between the two sides show that Tripura exported 17 items to Bangladesh consisting both manufacturing and fresh fruits whereas imported 41 items from Bangladesh during 2010-2011.[Formal Trade.docx](#)

INFORMAL TRADE

Informal pattern of trade is the most important channel of trade between Bangladesh and Tripura both in terms of composition as well as volume. Informal trade is defined as a cross-border trade which is carried out without the approval of the competent authorities.

A primary survey was carried out during the months of September-December' 2011 and February' 2012 to examine the nature of informal trade between Tripura and Bangladesh. The survey was carried out at various points to assess the nature and intensity of trade between Tripura and Bangladesh. The trade points are identified through personal contacts and also through interaction with local knowledgeable persons.

The informal channel of trade shows that approximately 43 items goes (i.e. exports) to Bangladesh from Tripura through various trade points of Tripura. These items([Informal Trade.docx](#)) can be categorized broadly into three groups:

- Products consisting of Cows, Foreign Liquor, Drugs (Phensidile, Corex, Tablets for addiction, and other drugs used for addiction) and Ganja/Opium,
- Semi Sophisticated products, and
- Horticultural and Agricultural products.

The first category consists of 70-80% of the total volume of informal trade, and the other two categories add-up the remaining 20% of trade. Regarding the latter two cases, it is mainly due to the close proximity of the villages and towns of the two sides, and also because of close association of the people of two sides.

The traders of various informal trade points prefer this channel of trade because

- It saves 12.5% custom duty,
- The formal trade is time consuming and do not always matches the time-frame for supplying goods,
- Many towns and markets in Bangladesh are in the vicinity of the Indian villages,
- Cheap labour is available for carrying goods,
- Unfriendly behaviour of government officials engaged for the border trade purpose,
- Harassment and delay in supplying/ receiving goods, and
- Through informal trade, they can save 'transport cost' because of the easy mobility through the borders.

Few traders feel that, in many points, this informal trade is fuelled by the following factors:

- There is no Land Custom Station in and around Shimna (West Tripura) and the traders of Shimna are petty businessmen who opine that the Mohanpur-Shimna road passes through Bangladesh (around 2 km) and the Sahapur Railway Station (Bangladesh) is very close which helps them to undertake the trade.
- There is no Land Custom Station in and around Mohanpur (West Tripura) and the traders of Mohanpur are opine that the Mohanpur-Shimna road passes through Bangladesh (around 2 km) and the Dharmanagar Bazar (Bangladesh) lies in 'Zero-line' which helps them to undertake the trade.
- The traders of Khowai (Khowai district) opine that the 'Balla' railway station in Bangladesh and the 'Khowai' river helps their trade.
- In Belonia (South Tripura), 'Fencing' is not done in several parts of the border and this helps the traders to facilitate their informal trade. Muhari River helps to move materials and 'Elephants' are also used to carry 'Wooden Logs' between the two sides.

Barriers to Trade

- Any products from Bangladesh require Laboratory Tests. This is time consuming and affects the quality of the products.
- Bangladesh citizens' movements are restricted through visa issuance institutional barriers and this affects interaction with the local people.
- Loading and Un-loading of goods/vehicles near the shipment place across the border area is restrictive and involves a lot of practical bottlenecks due to presence of informal intermediaries etc.
- The infrastructure in and around all the Land Custom Stations of Tripura is very very poor quality and affects the movement of goods including warehousing. Akhaura-Agartala Land Custom Station is one of the busiest land ports and there is only 2 lane route in both parts of the border.
- When the Customs Super (India Part Land Custom Station) remains in leave, the other officials deny receiving any shipment from Bangladesh side.

- There is a labour and vehicle syndicate in almost all centres in Indian side. So importers cannot use own labour and vehicle to carry goods from the landing centre(s) to warehouse.
- Loading and unloading is done manually causing delay and increasing cost. All products of the consignments are checked manually and hence, are time consuming.
- Tripura does not have any bank from Bangladesh and this poses problem in transaction. Transactions are mainly done through Letter of Credit through respective nationalized banks.
- Road connectivity between Bangladesh and Tripura is poor leading to high transport cost and thus this infrastructure needs to be developed.

Comparison between Formal and Informal Channels of Trade - Exports

- The composition of formal exports from Tripura to Bangladesh shows that Tripura exports 17 items to Bangladesh and the value of these exports amount to ₹170 crores during 2010-2011.
- The composition of informal exports from Tripura to Bangladesh consists of more than 43 items and the approximate value is more than ₹195 crores monthly. The basket consists from animals to manufacturing products including perishable and non-perishable products. However, few items have more demands during festive seasons like Cows and Buffalos during 'Eid' and few are seasonal in nature like JackFruits, Orange, etc.
- Another interesting finding is that only perishable items like Jackfruit, Ginger, Orange, Betel Leaves, etc. are exported both formally and informally, and the value/consignments through informal route is 100 times more than that through formal exports for these items. The bulk value items are not traded through both routes.

Comparison between Formal and Informal Channels of Trade - Imports

- The composition of formal imports from Bangladesh to Tripura during 2010-2011 shows that Tripura imported 41 items from Bangladesh and the value of these imports is approximately ₹256 crores.
- On the other hand, Tripura imports informally more than 39 items from Bangladesh. The value of these imports can be anywhere between ₹70-90 crores monthly and all items are demanded through out the year (there are negligible seasonal demand/supply). However, readymade garments, plastic items, Juices, household grocery items and fish of various categories are imported both formally and informally.

Tripura has a comparative production advantage in the following commodities in terms of National Specialization Index:

- rice,
- total cereals,
- total foodgrains,
- tea,
- natural rubber,
- banana,
- chillies,
- potatoes,
- ginger and
- turmeric.

So, policy makers and stakeholders should initiate steps to boost trade based on the specialization criteria.

Policy Initiative to Boost official Trade between Bangladesh and Tripura

- South Asia a “Free Trade Area”.
- There were regular visits by the Chamber of Commerce of both the countries.
- The Bangladesh government has already agreed to allow India to use Chittagong international port, which is about 75 km from southern Tripura's bordering town Sabroom, situated on the bank of Feni River. It is believed that this port is the key driver of trade relation between North East India and Bangladesh.
- Bangladesh government will also soon undertake a survey to set up a rail track connecting Agartala, the capital city of Tripura.
- Bangladesh government has accepted the proposal of the Chief Minister of Tripura to construct a bridge over river Feni to connect India's southern Tripura with Bangladesh's Khagrachari for easy movement of men and materials between the two countries using Chittagong international port.

- Union Home Minister P Chidambaram on 17th May 2011 has laid the foundation stone for the construction of one Integrated Check Post at Agartala (one for Tripura) out of the thirteen ICPs finalised to be set up along India's border with Bangladesh, Nepal, Pakistan and Myanmar. The ICPs are envisaged to overcome infrastructural bottlenecks at various entry and exit points on land borders of the country.
- Proposal for seven border haats along the Indo-Bangla border.
- Proposal and initial arrangements were made for setting up an exclusive 'Bangladesh Market' at Agartala for promoting Bangladesh products in association with Bangladesh Market Limited.
- For promoting trade, Integrated Development Complex will be set up in all the seven Land Custom Stations.

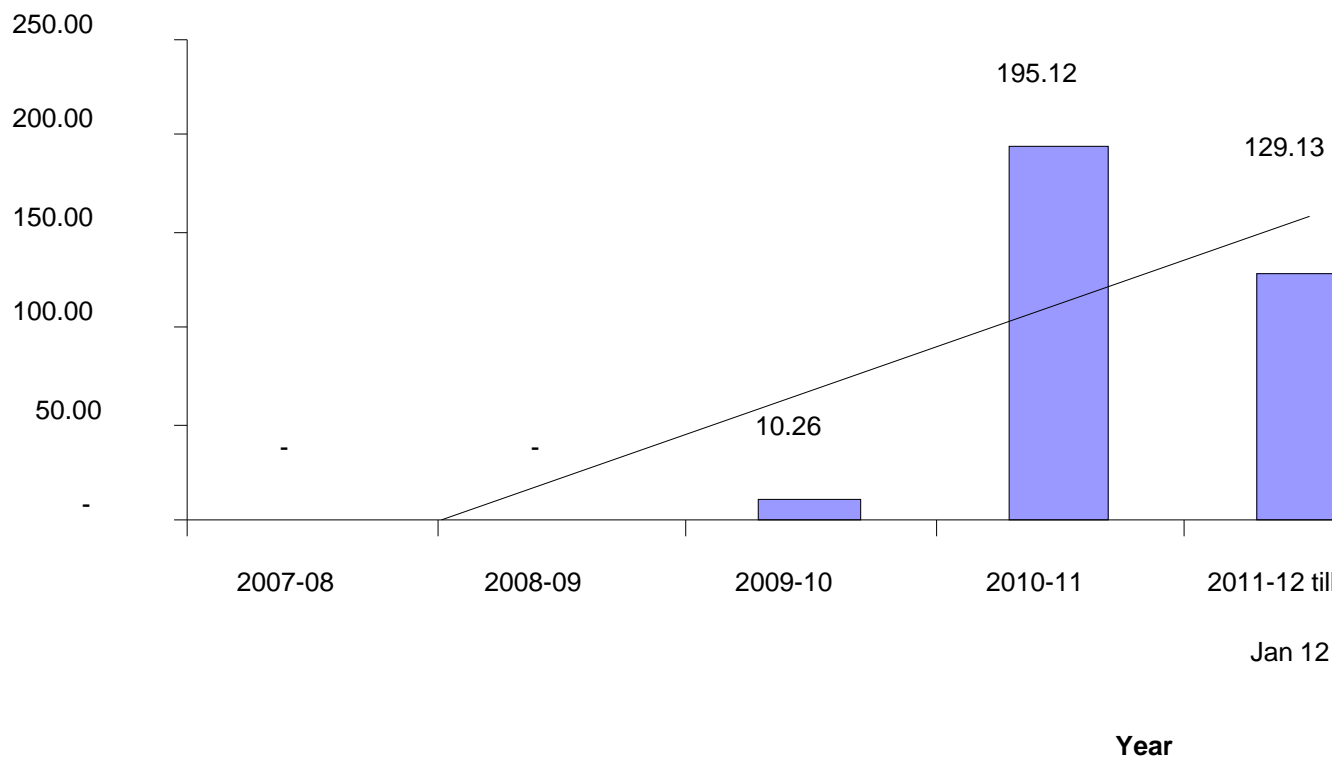
Case study of Firms – One each from Bangladesh and Tripura.

Abhisar Build well Pvt. Ltd., Tripura, is considered for the case study because this is the only major manufacturing company of Agartala which is involved in the manufacturing and export of products since 2006 with Bangladesh and is benefitted with the recent trade agreements between the two countries.

Abhisar Build well Pvt. Ltd. is a manufacturing company involved in the manufacturing and sale of Heat Resistant Latex Rubber Thread (Vulcanized Rubber Thread) since 2006. The company is a part of DS Group (The group has more than 24 manufacturing units spread across Delhi, Noida, Himachal Pradesh, Assam & Tripura), and has a State-of-Art Micro Processor Controlled Rubber Thread Plant at Agartala, Tripura with complete Machinery & Technology from Europe. It uses state-of-the-art Italian technology to manufacture one of the best rubber thread products in Asia under the name of Unitex,

ABPL -Export to Bangladesh

Value (□ lacs)



The company has 300 employees approximately and 90 % of the employees are from the state of Tripura. The positive developments towards trade and investment environment will further increase the output and export potential of ABPL and hence, will improve the growth and developments prospects of Tripura.

Bangladesh – PRAN Group - ‘PRAN’ started its operation in 1981 as a processors fruit and vegetable in Bangladesh. “PRAN” is currently one of the most admired food & beverages brand of Bangladesh and other 77 countries of the world where PRAN Products are regularly being exported. Export growth reflects huge demand for the groups product in overseas market.

PRAN BEVERAGES (INDIA) PVT. LTD. has submitted a project to establish a manufacturing unit in Tripura in collaboration with PRAN-RFL group. The proposed project consists of Lichi Drinks Plant, Ice Pop Drinks Plant, Cup Jelly Plant and Tetra Pack Juice Plant. It will be an agro-based food processing industry based on importables as well as locally available machinery and semi-processed importable raw materials. Some portion of the raw materials may be procured from the local market.

Recommendations:

- The government should expedite the process of opening a branch of a foreign bank, especially from a Bangladesh Bank.
- Agartala-Akhaura Land Port needs to be upgraded into at least 8 lane route on the both side of the border for smooth movement of vehicles and loading-unloading of products on both sides as this is the busiest Land Port among Tripura and Bangladesh.
- Labour and Vehicle Syndicate create problems and increases transaction cost in both countries. This increases the cost of commodities imported or exported. The government Law Enforcement Agencies of both the countries should dealt with this issue for getting the optimal benefit from trade liberalization.
- Since the role of trade and investment in Tripura is increasing, so necessary arrangements may be made to create a Custom Appellate Office (CAO) at Agartala because it becomes time consuming if any dispute arises at the port requiring the interference or approval from CAO, Shillong, Meghalaya.

- Human Capital base in Tripura is high, so Government of Tripura should identify knowledge-based industries which will help the state to manufacture and export knowledge-based products with high value addition.
- The government of Bangladesh should allow 'Transit Route' through Bangladesh to other Indian states as this will help both sides for importing and exporting of goods including raw materials and a large market, and
- The government of Tripura should explore possibilities to set up industries or export products where there is a high import demand in Bangladesh but where Tripura and/or India has not been able to capture all of the opportunity available as recommended by Ernst & Young through its Export Development Plan for Tripura.

Thank you