

Identifying the hindrance to increased trade flow between India and Bangladesh

Topic: CGE and Econometric Input-Output Modeling

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In their bilateral trade, India and Bangladesh have always have been natural markets for each other. But issues related to this bilateral trade have been quite a few and hence there have been much attempt time and again at addressing these issues from both the sides. Given this backdrop the present study uses a CGE analysis to assess the prospect of a FTA between the two economies by considering alternative scenario of trade liberalization. To do this some assumptions of the standard CGE model are altered to capture the economic structure in these countries. The results of this exercise suggest that an FTA between the countries will not only increase the bilateral trade but will also fetch welfare gain to both parties. Further to this, the paper provides an assessment of the non tariff barriers to this bilateral trade flow using an augmented model of trade and suggests that removal of some of these barriers may go a long way in strengthening this bilateral trade flow.