Unleashing the investment potential in South Asia

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Plan of presentation

- Background
- Investment facilitating indicators (Regional/ Country rankings)
- .Foreign investment regimes in South Asia- (equity ownership/capital account convertibility).
- Investment-related agreements (BITS/TIPS) in SACs
- Intra-industry trade between India and SACs and potential joint ventures (horizontal integration).
- Composition of India's trade with SACs by end-use classification
- Possibilities of India linking with SACs in global value chains (vertical integration).
- The way forward

Background

- Attempts at regional integration under the auspices of South Asian Association of Regional Cooperation (SAARC) have mainly concentrated on trade integration. The main vehicle for this has been South Asian Free Trade Agreement (SAFTA). The SAFTA Agreement, signed in 2004, entered into force on 1 January 2006 and the Trade Liberalization Programme commenced from 1 July 2006.
- During the initial years of SAARC's functioning, not much attention was given to facilitating investment flows whether intra-regional or extra-regional. It was expected that with the expansion of the regional market through trade liberalisation, investments at both the levels, would flow in automatically. The nexus between investment-led trade was not under consideration.
- Too what extent SAFTA has opened up the regional market is a moot point. But it cannot be denied that a wider and freer market provides the incentive for efficiency seeking investment as against tariff jumping one
- In an increasingly inter-connected global economy where more than 70% of trade is in intermediate goods and services, integration into Global Value Chains (GVCs) today will determine future trade and FDI patterns as well as growth opportunities.

Background (contd)

- Global value chains reflect 21st century production and provide potential mechanisms for countries – large and small, developed and developing – to improve income, employment, and productivity. Open markets are crucial, but alone they are insufficient; GVCs also need to be complemented with appropriate policy frameworks that allow countries and firms to capitalize on their existing productive capacities and spill over benefits from foreign investment, knowledge, and innovations.
- An OECD report noted that trade policy needs to reflect this new reality, and in particular the growing international interdependencies, that are driven by the increasing fragmentation of production. It highlighted the key role played by other forms of market access, in particular investment, and the importance of complementary policies to leverage gains from investment. Further, the report noted that environmental, social, and governance frameworks are needed if GVCs are to create strong development benefits. Strengthened regulation, enforcement, and capacity-building support to local firms for compliance can be important

Past SAARC Initiatives

- The Seventh SAARC Summit (Dhaka 1993) stressed the need for extra-regional Foreign Direct Investment (FDI). The Ninth Summit (Male 1997), stressed the need for initiating specific steps to promote and protect intra-regional investment. The Declaration welcomed the offer of India to host a meeting on promotion and protection of investment and Pakistan to host a meeting on avoidance of double taxation. The Tenth Summit (Colombo 1998) stated that an effort to devise a multilateral investment agreement should provide scope to Least Developed Countries (LDCs) to formulate specific investment policies appropriate to their stage of development. The Eleventh Summit (Kathmandu 2002) called for early finalisation of a regionally agreed investment framework to meet investment needs of SAARC member States. The Fourteenth SAARC Summit (New Delhi 2007) directed that the Agreement on Investment Promotion and protection be finalised. The Fifteenth Summit (Colombo 2008) directed that the Agreement on Investment Promotion and protection be finalised early and the SAARC arbitration council be operationalized. The Sixteenth SAARC Summit (Thimpu 2010) sought to strengthen the role of the private sector through greater intra-regional investment promotion efforts. The Seventeenth Summit (Addu City 2011) proposed for greater flow of financial capital and intra-regional long term investment focussing particularly in renewable energy.

Past SAARC Initiatives (contd)

- The Ninth Meeting of the Sub-Group on Investment and Arbitration will be scheduled after circulation of a revised Draft Agreement by India. The Standing Committee at its Forty-first Session (Kathmandu, 23-24 November 2014) urged early finalization of the text of the Draft SAARC Agreement on Promotion and Protection of Investments. At the time of writing, this is still pending
- The SAARC Limited Multilateral Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters is another step towards investment cooperation among SAARC Member States. It was signed during the Thirteenth SAARC Summit (Dhaka, 12-13 November 2005) and the Amendment in its Article 16 (1) (Entry into Force) – was approved by the Thirty-third Session of the Standing Committee (New Delhi, 31 March – 1 April 2007). The Agreement entered into force on 27 December 2006 but with the amendment, actually started its implementation from April 2011 as per Article 14. For exchange of information and expertise among the tax authorities of Member States, the Meeting decided on conducting Seminars/Training Programmes in each SAARC Member State on a rotational basis on the identified topics

Past SAARC Initiatives (contd)

- The Agreement for Establishment of SAARC Arbitration Council (SARCO) signed during the Thirteenth SAARC Summit (Dhaka, 12-13 November 2005) is another step in the direction of investment cooperation among SAARC Member States. Five Meetings of the Governing Board of SARCO have been held so far. SARCO is in the process of finalising the panel of arbitrators. Among several of its objectives, some are :
- (a) to provide a legal framework within the region for fair and efficient settlement through conciliation and arbitration of commercial, investment and such other disputes ;
- (b) to promote the growth and effective functioning of national arbitration institutions within the region;
- (c) provide fair, inexpensive and expeditious arbitration in the region; act as a co-ordinating agency in the SAARC dispute resolution system; (g) coordinate the activities of and assist existing institutions concerned with arbitration, particularly those in the region.

Past SAARC Initiatives (contd)

- SAARC Agreement on Trade in Services (SATIS) is yet another initiative to promote investment cooperation among SAARC Member States. At the Sixteenth SAARC Summit, the SAARC Agreement on Trade in Services was signed. The Leaders expressed the hope that this will open up new vistas of trade cooperation and further deepen the integration of the regional economies. The Leaders called for an early conclusion of negotiations on the schedules of specific commitments under the Agreement. The Agreement has been ratified by all Member States and has entered into force on 29 November 2012. So far, ten Meetings of the Expert Group on SATIS have been held and it has been agreed that at the Eleventh Meeting, all Member States would table their final offer lists and the Schedules of Specific Commitments will also be finalised and adopted.
- One of the modes of supply of services is by a service supplier of a Contracting State, through commercial presence in the territory of the other Contracting State (Mode 3). This mode of supply of services involves the flow of investment from the territory of supplier country to the host country.

Foreign direct investment inflows in South Asia (USD Million at current prices)

Countries	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Afghanistan	271	238	189	46	198	54	58	27	47	37	163	100
Bangladesh	845	792	666	1086	700	913	1136	1293	1599	1551	2235	2333
Bhutan	6	72	40	10	26	76	29	20	36	17	7	-12
India	7622	20328	25350	47102	35634	27417	36190	24196	28199	34582	44064	44486
Maldives	73	95	132	181	158	216	424	228	361	333	308	448
Nepal	2	-7	6	1	39	87	95	92	71	30	52	106
Pakistan	2201	4273	5590	5438	2338	2022	1162	859	1333	1867	1289	2006
Sri Lanka	272	480	603	752	404	478	956	941	933	894	680	898
Total SA	11293	26272	32577	54617	39496	31263	40050	27655	32579	39312	48798	50363

Source: UNCTADStats, Aug 2016

It will be observed in table 1 that global FDI inflows in South Asia increased from USD 11 billion in 2005 to USD 50 billion in 2016- an impressive increase of nearly fivefold. The success in drawing FDI in the region has however been quite uneven. India has been by far the largest recipient of FDI. In 2016 it attracted USD 44 billion, being nearly 6 times of USD 7.6 billion in 2005. While Bangladesh, Sri Lanka and Maldives were less successful in attracting more FDI, the performance of Pakistan, Afghanistan, Bhutan, and Nepal was quite dismal. The performance of Bangladesh has however been encouraging. Both in terms of value and growth, India vastly outperformed its neighbours in the region.

Foreign direct investment outflows in South Asia (USD million in current prices)

Economy	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Afghanistan	2	..	..		0	0	-1	1	-9	1	0	1	-1
Bangladesh	3	4	21	9	29	15	13	43	34	44	46	41
Bhutan	..	..	..	..	..	..	..	..	..	..	..	..
India	2985	14285	17234	21142	16058	15947	12456	8486	1679	11784	7572	5120
Maldives	..	..	..	..	..	..	..	..	..	..	..	..
Nepal	..	..	..	..	..	..	..	..	..	..	..	..
Pakistan	44	109	98	49	71	47	35	82	212	122	25	52
Sri Lanka	38	29	55	62	20	43	60	64	65	67	54	237
Total SA	3072	14427	17408	21262	16178	16052	12565	8666	1990	12017	7698	5449

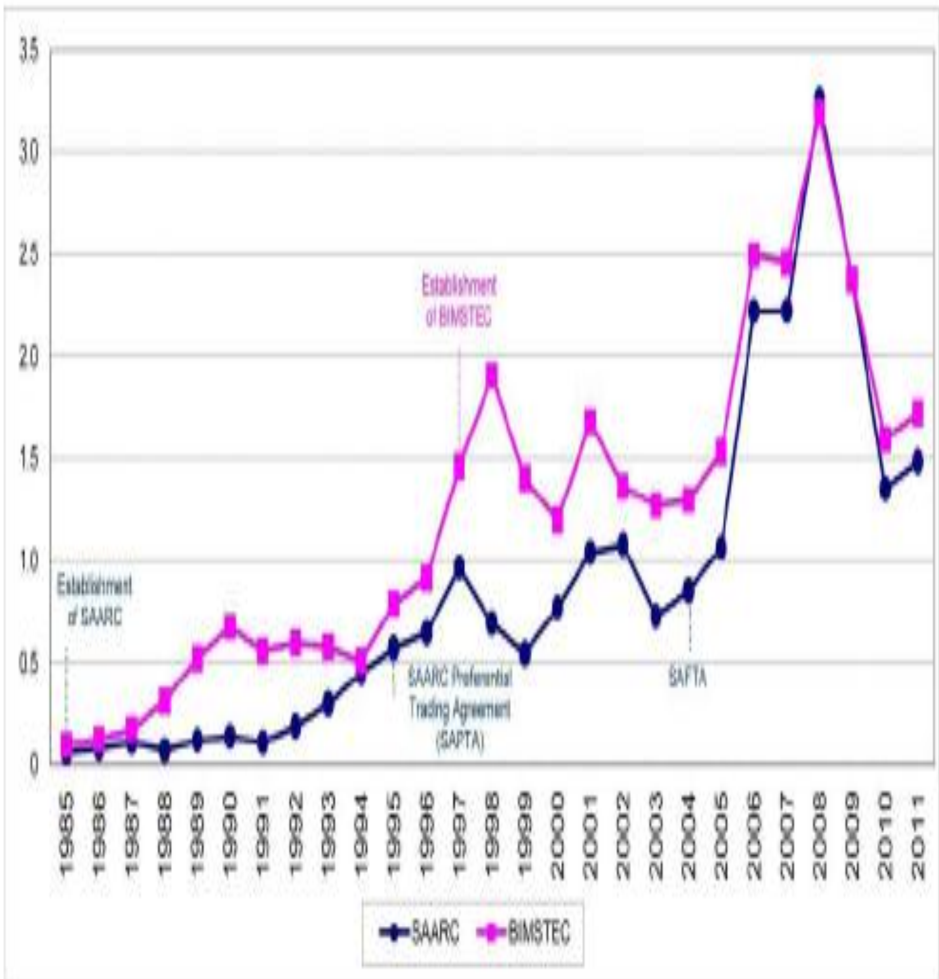
Source: UNCTADStats, Aug 2016

Table shows FDI outflows from South Asian region during the period 2005-16. FDI outflows from this region increased from USD 3 billion in 2005, peaking to 21 billion in 2008, thereafter declining to USD 5 billion in 2014. It is clear that India was by far the largest contributor, accounting for 97.7 per cent of the total outflows from this **region.**

FDI outflows of Bangladesh Sri Lanka, even though modest, has been increasing over time. Outward FDI flows of these countries may be considered a new phenomenon that is attracting attention.

Pakistan's FDI outflows, while neing modest, is extremely volatile and erratic

Intra-regional Investment flows in South Asia



Source: UNCTAD, FDI/TNC database.

An UNCTAD study reveals, the value and share of intraregional FDI in total FDI inflows is much lower in developing regional groupings as compared to developed regional groupings. In case of SAARC, as in case of intraregional trade, intraregional FDI is even lower in SA. During the triennium 2003-2005 FDI inflows to the region was USD 39.7 billion, which increased to USD 71.6 during the triennium 2009-2011. In relation to total FDI attracted by the region, the share of intraregional investment increased modestly from 2-3 per cent.

FDI as per cent of GDP has also improved from negligible value in 1985 to over 3 per cent 2008 (prior to the onset of global financial crisis), declining to 1.5 per cent in 2011 UNCTAD (2013) Investment, Enterprise and Development Commission Multi-Year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development, Geneva, 28–30 January 2013, TD/B/C.II/MEM.4/2. Available at

Investment facilitating indicators
Distance to frontier by regions - Regional (0-100)

Regions	2017	2018
East Asia & Pacific	61.73	62.7
Europe & Central Asia	70.23	71.33
Latin America & Caribbean	58.3	58.66
Middle East & North Africa	55.81	56.72
OECD high income	77.41	77.46
South Asia	**52.64**	**53.64**
Sub-Saharan Africa	49.25	50.43

Source- World Bank-Doing Business 2018

Distance to frontier (DTF)I is the gap between a particular economy's performance and the best practice, and serves as basis for the ease of doing business rankings. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier.

On a regional basis we note that leaving aside Sub-Saharab Africa, South Asia is the most lowly ranked region in terms of DTF.

It is notable that South Asia and all regions have been able to improve their ranks during 2017-2018.

Investment facilitating indicators in South Asia (Trading across borders : Regional)

Region	Trading Across Borders DTF	Time to export: Border compliance (hours)	Cost to export: Border compliance (USD)	Time to export: Documentary compliance (hours)	Cost to export: Documentary compliance (USD)	Time to import: Border compliance (hours)	Cost to import: Border compliance (USD)	Time to import: Documentary compliance (hours)	Cost to import: Documentary compliance (USD)
East Asia & Pacific	68.08	57	401.7	73.3	131.8	71	435.9	70.9	127.8
Europe & Central Asia	84.04	28	195	26.9	110.7	25.8	202.3	26.4	90.9
Latin America & Caribbean	68.26	63.5	526.6	55.7	110.5	65.5	684.7	83.4	119.6
Middle East & North Africa	55.98	64.4	459.6	77.4	261.3	120.6	554.5	101.2	305.1
OECD high income	93.87	12.4	149.9	2.6	35.7	9	115.1	4	26.3
South Asia	**57.89**	**59.4**	**376.1**	**78**	**182.6**	**116.1**	**644.5**	**106.4**	**348**
Sub-Saharan Africa	51.1	103	583.4	92.6	229.6	143.9	675.9	107.4	320.1

Source World Bank Doing Business 2017
SACs rank the lowest in terms of cost to import (documentary compliance while in most other indicators it ranks ranks lowest (excluding Africa/SSA)

Investment facilitating indicators in South Asia (Trading across borders: South Asian countries (2017)

Economy	Trading Across Borders DTF	Trading Across Borders rank(190-lowest)	Time to export: Border compliance (hours)	Cost to export: Border compliance (USD)	Time to export: Documentary compliance (hours)	Cost to export: Documentary compliance (USD)	Time to import: Border compliance (hours)	Cost to import: Border compliance (USD)	Time to import: Documentary compliance (hours)	Cost to import: Documentary compliance (USD)
Afghanistan	30.63	175	48	453	228	344	96	750	324	900
Bangladesh	34.86	173	100	408	147	225	183	1294	144	370
Bhutan	94.25	26	5	59	9	50	5	110	8	50
India	57.61	143	106	413	38	92	283	574	61	135
Maldives	55.87	147	42	596	48	300	100	981	61	180
Nepal	79.75	69	56	288	19	85	61	190	48	80
Pakistan	39.41	172	75	426	59	307	129	957	147	786
Sri Lanka	70.7	90	43	366	76	58	72	300	58	283

Source World Bank Doing Business 2017
In terms of trading across borders all countries rank very lowly except Nepal and Bhutan)

Investment facilitating indicators in South Asia –country rankings (Ease of doing business)

Countries	Ease of doing business (Rank: 1-190)		Overall distance to frontier (0-100)		Trading across borders
	2017	2018	2017	2018	2017
Afghanistan	183	183	37.99	36.19	175
Bangladesh	176	177	40.84	40.99	173
Bhutan	na	75	65.21	66.27	na
India	130	100	56.05	60.75	143
Maldives	135	136	53.78	54.42	147
Nepal	107	105	57.6	59.95	69
Pakistan	144	147	50.94	51.65	172
Sri Lanka	110	111	58.73	58.86	90

Source World Bank Ease of doing business (2017, 2018)

Table shows that in 2017all SACs were quite lowly ranked in terms of Ease of Doing Business indicators . While Nepal and Sri Lanka rank relatively high, Afghanistan and Bangladesh are the worst performers.

What is notable is that while some countries fall in the third quartile, others fall in the last quartile in terms of ranking.

Again, most countries are far from distance to frontierwhile Afghanistan and Bangladesh are below the half way mark the remaining countries have barely crossed it.

In terms of trading across borders, only Sri Lanka and Nepal are in the second quadrille, while all others fall under the fourth quadrille.

In a remarkable move forward, Indias rank in all indicators show a significant in 2018 placing it in second quartile of EDB

Foreign investment regimes in South Asia
(Foreign Equity Indexes: 2016)

Region/Economy	Mining, oil & gas	Agriculture & forestry	Light manufacturing	Telecom	Electricity	Banking	Insurance	Transport	Media	Construction, tourism & retail	Health care & waste management
South Asia	88	90	96.3	94.8	94.3	87.2	75.4	79.8	68	96.7	100
Afghanistan	100	100	100	100	100	100	100	100	100	100	100
Bangladesh	100	100	100	100	100	100	100	100	100	100	100
India	100	50	81.5	74	100	87	26	59.6	63	83.7	100
Pakistan	100	100	100	100	100	49	51	79.6	37	100	100
Sri Lanka	40	100	100	100	71.4	100	100	..	40	100	100

The next criterion for assessing the investment regime in SA is to examine foreign equity ownership patterns in the region across sectors. Restrictions on foreign equity ownership vary considerably across the Member States in the region.

On the one hand we notice that Afghanistan and Bangladesh permit full equity ownership to investors across all sectors.

India offers the same for mining oil and gas, electricity, health care and waste management. Equity restrictions apply in agriculture and forestry, telecom, banking, insurance, transport, media and construction, tourism and retail.

Pakistan offers full equity participation in all the specified sectors excluding banking, insurance, transport, and media.

Sri Lanka offers full equity participation in all specified sectors excluding mining, oil and gas, electricity, and media. Figure 5 provides the details.

World Bank Trading across sectors (2016)

Capital Account Convertibility

- Capital account convertibility is another prerequisite for investing abroad. While most SA countries have undertaken current account convertibility, none of them have undertaken full capital account convertibility.
- As the balance of payment position of South Asian countries are not so good, so they have taken cautious approach to capital account liberalisation. A number of measures were taken by SA countries since 1990s liberalisation of foreign exchange.
- Bangladesh Taka was made convertible on current account transactions in March 1994 in terms of Article VIII of IMF article of Agreement. The Taka is however not convertible on capital account and residents have to seek approval of Bangladesh Bank for remittance of capital abroad.
- India and Pakistan have liberalised the most on capital account outflows. India currently permits companies to invest abroad up to four times their net worth.

Capital Account Convertibility (contd)

- Although having undertaken some liberalization steps, the capital account in Sri Lanka remains quite repressed. Sri Lanka maintains capital restrictions in the form of outright prohibitions (for example in the case of money market instruments and derivatives) and central bank approval
- While Islam et al characterise India and Pakistan's capital account as largely liberalised, the authors consider Bangladesh and Sri Lanka as partly repressed.
- For quite some time, India had Sri Lanka, Bangladesh and Pakistan on the negative list for inward investments. However in 2006 and 2007, India permitted FDI from Sri Lanka and Bangladesh respectively. The announcement by the Indian Government on August 1, 2012, to allowFDI from Pakistan has given yet another fillip to the total opening up of India to allow free flow of capital from all countries in the region

Investment related agreements (BITs/TIPs) by South Asian Countries (2014)

	Bilateral Investment Treaties (BITs)				Treaties with Investment Provisions (TIPs)	
Country	Total	Not in Force	Terminated	with SACs	Total	Not in Force
Afghanistan	3	0	0	0	4	0
Bangladesh	30	7	0	2 (India & Pakistan)	4	1
Bhutan	0	0	0	0	2	0
India	84	10	2	3 (Bangladesh, Nepal-Not in force & Sri Lanka)	14	0
Maldives	0	0	0	0	2	0
Nepal	6	2	0	2 (India-Not in force & Maldives-Not in force)	3	0
Pakistan	51	21	1	2 (Bangladesh-Not in force & Sri Lanka)	7	0
Sri Lanka	29	4	1	2 (India & Pakistan)	5	0
South Asia	203	42	4	11	41	1

Source: Investment Policy Hub, UNCTAD, August 2016

It will be observed that by the end of 2014 South Asian countries had entered into 203 Bilateral Investment Treaties (BITs)worldwide, of which only 11 were from the South Asian region. The region had 41 treaties with investment provisions(TIPs), of which one was not in force.

Bangladesh had 30 BITs worldwise, of which seven were not in force. In South Asia, Bangladesh had two BITs, one each in India and Pakistan. It had four TIPs worldwide, one of which is not in force.

Bhutan had no BITs, only two TIPs. Globally.

. India had as many as 84 BITs, of which ten were not in force and two were terminated. It has two BITs in the region-one with Bangladesh and one with Sri Lanka. It has signed BITs with Nepal, but not yet operational.

Nepal has signed two BITs, one with India (as noted above), and the other with Maldives. None of these are yet operational.

Investment related agreements (BITs/TIPs) by South Asian Countries (contd)(2014)

	Bilateral Investment Treaties (BITs)				Treaties with Investment Provisions (TIPs)	
Country	Tota l	Not in Force	Terminated	with SACs	Total	Not in Force
Afghanistan	3	0	0	0	4	0
Bangladesh	30	7	0	2 (India & Pakistan)	4	1
Bhutan	0	0	0	0	2	0
India	84	10	2	3 (Bangladesh, Nepal- Not in force & Sri Lanka)	14	0
Maldives	0	0	0	0	2	0
Nepal	6	2	0	2 (India-Not in force & Maldives-Not in force)	3	0
Pakistan	51	21	1	2 (Bangladesh-Not in force & Sri Lanka)	7	0
Sri Lanka	29	4	1	2 (India & Pakistan)	5	0
South Asia	203	42	4	11	41	1

Source: Investment Policy Hub, UNCTAD, August 2016

Pakistan has signed 51 BITs globally, of which 21 are not in force. It has two BITs, in the region- one with Sri Lanka, the other with Bangladesh. The latter one has not come in force. Pakistan has seven TIPs.

Sri Lanka has 29 BITs worldwide, of which four are not in force, and one has been terminated. Within the region, Sri Lanka has two BITs, one with India, the other with Pakistan. It has five TIPs.

India's BITs with Bangladesh came in force w.e.f 7 July 2011; with Sri Lanka w.e.f 13 February 1998; with Nepal the BIT was signed on 21 October 2011, but not yet ratified. Sri Lanka's BIT with Pakistan came into force w.e.f 5th January 2000. Pakistan signed BIT with Bangladesh on 24 October 1995, but this never came in force. It can thus be seen that in several cases BITs have been signed, but yet to come to force. Most BITs of South Asian countries are with rest of the world and not among them. Since these years, given the changing global environment, considerable changes have occurred in the content and scope of BITs. Thus the need to rethink and revisit "new generation" BITs is currently in focus.

Major Sectors attracting FDI in South Asia

Pakistan	Value added export industries: manufacturing categories such as garments, bed linens, surgical instruments, and sporting goods High-Tech and IT industries: chip manufacturing, software development and precision equipment manufacturing Others: tourism, housing, engineering, chemicals and construction
Bangladesh	Textiles, electronics, IT, natural gas-based industries, frozen foods, leather, ceramics, light engineering and agro-based production
Nepal	Medicinal and aromatic plants, agro-based (mushroom, spices, vegetables, fruits), dairy, tea, sericulture, hydropower, leather, poultry and textiles
Sri Lanka	Electronics, light engineering, textiles, rubber, mineral and processing, tourism, IT, gems and jewellery, healthcare and pharmaceuticals, ceramics and services
Bhutan	Hydropower, agro-processing, tourism and medicinal plants
Maldives	Marine-based industries, tourism, infrastructure, and air and sea transport

Source Aradhana Agarwal (2008)

India's Intra-industry trade with South Asian neighbours (2015)

Country	No. of matched products (IIT)	No. of products having IIT value of 25% and above
Afghanistan	22	4
Bangladesh	286	84
Bhutan	46	16
Maldives	48	10
Nepal	200	54
Pakistan	182	59
Sri Lanka	417	115
South Asia	1201	342

Source: Calculated from UNCOMTRADE Database, Aug 2016.
Note: Calculation is based on SITC 4 classification

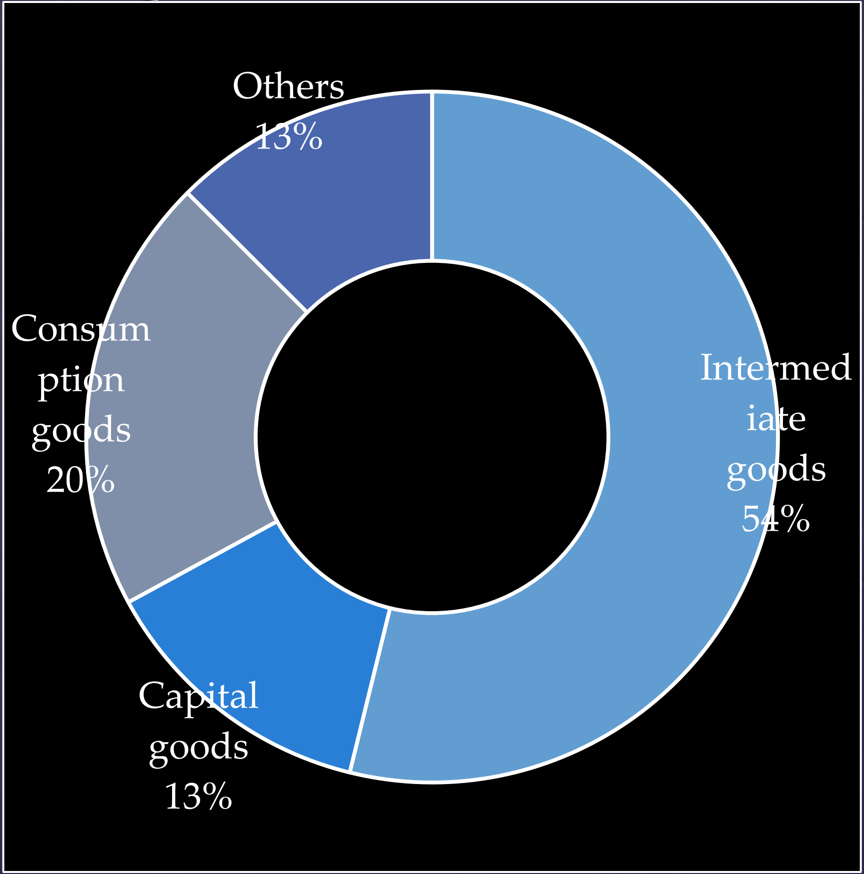
Illustrations of potential joint ventures between India and other South Asian countries on the basis of IIT(2015)

Countries	Industries
Bangladesh	Fish processing, Portland cement, integrated textile mills.
Bhutan	Non-alcoholic beverages, fruit juice
Nepal	Floor coverings, flat rolled products of iron, animal feed, plastics, edible nuts
Sri Lanka	Parts n.e.s of machinery, plastic storage containers

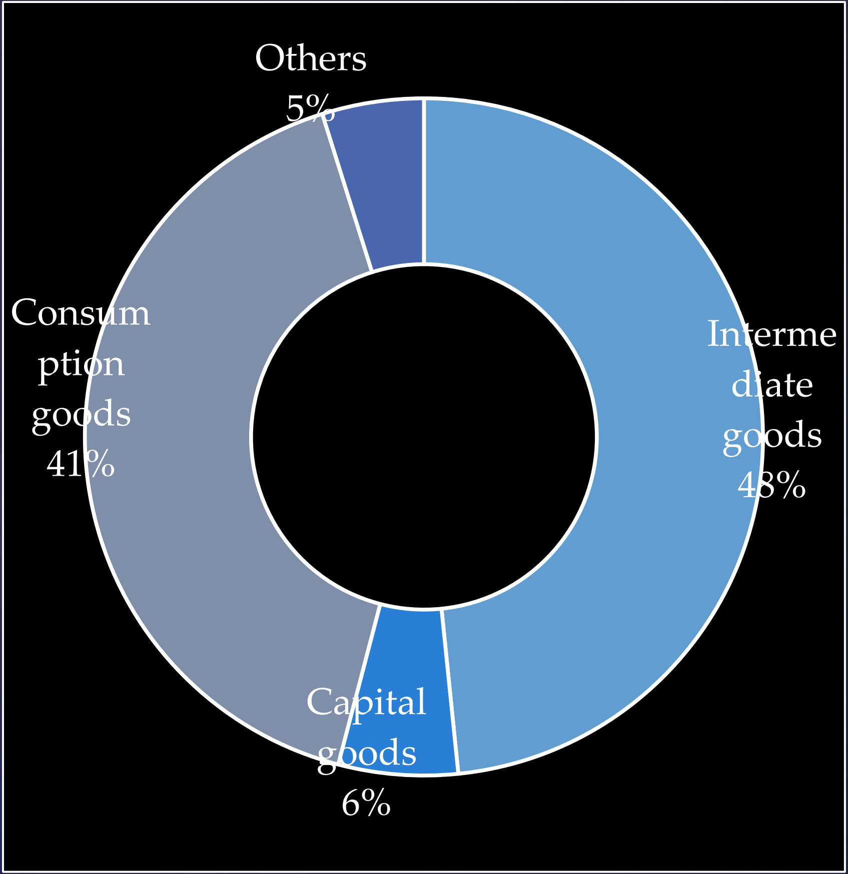
Source: Calculated from UNCOMTRADE Database, Aug 2016.

Composition of India's trade with South Asian countries (2015)

Exports to South Asia
(Total USD 17,198 Million)



Imports from South Asia
(Total USD 17,198 Million)



Based on UNSTAT classification.
http://unstats.un.org/unsd/tradekb/Knowledgebase/Intermediate-Goods-in-Trade-Statistics

India's exports and imports of intermediate goods to South Asian countries (USD Million)

Partner Countries	Intermediate Goods	Export Value	Import Value
Afghanistan	Intermediate Apparel & Footwear	89.09	0.21
	Intermediate Vehicles	3.46	0.04
	Intermediate Electronics	1.53	0.02
Bangladesh	Intermediate Apparel & Footwear	1277.12	16.74
	Intermediate Vehicles	139.22	2.71
	Intermediate Electronics	22.86	0.50
Bhutan	Intermediate Apparel & Footwear	4.04	0.56
	Intermediate Vehicles	0.01	0.02
	Intermediate Electronics	10.51	0.00

Source Extracted from World Bank, WITS, 2017

India's exports and imports of intermediate goods to South Asian countries (USD Million)

Partner Countries	Intermediate Goods	Export Value	Import Value
Maldives	Intermediate Apparel & Footwear	0.00	0.00
	Intermediate Vehicles	4.04	0.01
	Intermediate Electronics	10.51	0.00
Nepal	Intermediate Apparel & Footwear	34.46	43.72
	Intermediate Vehicles	120.50	0.00
	Intermediate Electronics	8.21	0.01
Sri Lanka	Intermediate Apparel & Footwear	440.34	0.02
	Intermediate Vehicles	4.04	22.39
	Intermediate Electronics	10.33	0.00
Pakistan	Intermediate Apparel & Footwear	234.58	21.59
	Intermediate Vehicles	0.07	0.02
	Intermediate Electronics	0.22	0.49

Possible Indian investments in Bangladesh to address supply constraints

Product	Product label	Bangladesh,s exports to India (value)	India.s imports from world	Supply deficit of Bangladesh in relation to Indian demand	Bangladesh,s exports to world
'5208	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m²	10017	91013	80996	24319
'6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches ...	42504	111893	69389	5972843
'6109	T-shirts, singlets and other vests, knitted or crocheted	10283	44465	34182	6100606
'6305	Sacks and bags, of a kind used for the packing of goods, of all types of textile materials	42168	75269	33101	150140

Source Authors estimate from UN Comtrade data using ITC database

Supply side constraints of Bangladesh in trade with India

Product	Product label	Bangladesh,s exports to India (value)	India.s imports from world	Supply deficit of Bangladesh in relation to Indian demand	Bangladesh,s exports to world
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Source Authors estimate from UN Comtrade data using ITC database

The way forward

- In the globalised world of today, trade led investment need to be underwritten by investment-led trade. Both need to work in tandem. In this context, a favourable investment area, both bilateral and regional is called for. In the immediate scenario, the unfinished task of concluding bilateral investment treaties-those that have been signed, but yet to be ratified, needs to be concluded.(India-Nepal)
- The enactment of regional treaty on Promotion and Protection of Investment, being deliberated in SAARC Summits and in its Sub-Group on Investment and Arbitration for quite so long now has to come to a conclusion. Being late in signing has given enough time to this grouping to reflect on the emerging jurisprudence over these years as also to learn from the experience of other countries /regional groupings. Noting that the recipients of FDI today could be the investors tomorrow, a middle path between the competing interests of investors to protect their investments and the right of the governments to regulate in public interest is the key.

The way forward (contd)

- India has a long experience (and its model template) in dealing with BITs and its experience in this regard could be leveraged to the advantage of all Member States of SAARC while finalising their bilateral /regional treaties. Undoubtedly India's role on this process is vital. In this context India should do unto its neighbours what it would expext others to do unto India.
- This paper has further highlighted the enormous opportunities that exist to for investors to integrate both horizontally (via IIT) as well as vertically (through linking with value chains). However success in this direction will require complimentary policies in addressing transport and logistics services, improving local transaction costs, across the region, attracting intra-regional and extra-regional FDI as well as involving local small and medium business enterprises.