



# Tariff Exemption on Bangladesh Exports: China

## Why in News

Recently, China has announced tariff exemption for 97% of exports from Bangladesh.

## Key Points

- **Background:** Bangladesh had written to China to exempt its export items from tariffs in the background of the economic hardship triggered by the **Covid-19 pandemic**.
- **The Latest Move:**
  - China considered Bangladesh's request and has granted the tariff exemption to Bangladesh on account of its **Least Developed Countries (LDCs)** status.
  - The Chinese move has been described as a major success in the China-Bangladesh relationship.
- **Benefits to Bangladesh:**
  - The move will help Bangladesh to remove the economic impact of the pandemic and also emerge as a possible beneficiary alongside Vietnam and Chile of the **U.S.-China trade war**.
    - The supply chain disruption caused by the U.S.-China trade war is likely to be filled by a boost in export of tariff-exempted goods from Bangladesh.
  - It will also help Bangladesh to reduce its trade deficit with China.
  - As a result of the latest announcement, a total of 8256 goods from Bangladesh will be exempted of Chinese tariffs.
    - Earlier, Bangladesh used to receive tariff-exemption for 3095 items under the **Asia Pacific Trade Agreement (APTA)**.
- **Concerns for India:**
  - China's heavy investment in India's neighbourhood has increased its dominance in the Indian Ocean.
  - Despite having cultural and historical relations with India, its neighbours are siding with China on diplomatic issues.
  - Nepal is redrawing its map to include some Indian territories, presumably under a nudge from China.
  - Earlier, Maldives and Sri Lanka have also expressed anti-India sentiment under the influence of China.

## Asia Pacific Trade Agreement

- Asia Pacific Trade Agreement (APTA), previously the Bangkok Agreement, **is a preferential tariff arrangement that aims at promoting intra-regional trade** through the exchange of mutually agreed concessions by member countries.
- Its current Members are Bangladesh, China, India, Republic of Korea, Lao PDR and Sri Lanka.

## Least Developed Countries

- LDCs are low-income countries designated by the **United Nations**, confronting severe structural impediments to sustainable development.
- They are highly vulnerable to economic and environmental shocks and have low levels of human assets.

## India-China Rivalry and Bangladesh

- Bangladesh has benefitted from the India-China rivalry. It has used the rivalry to increase its investment and strengthen its security.
- **Trade:**
  - In 2015, China became Bangladesh's top trading partner, knocking India out of the position it had held for 40 years.
  - As a member of **China's Belt and Road Initiative**, Bangladesh has seen an influx of Chinese investment in recent times.
  - To counter Chinese dominance in Bangladesh, India announced \$5 billion in loans for Bangladesh in 2017, which is the largest amount ever invested by India in Bangladesh.
- **Security:**
  - China has become Bangladesh's top source for arms imports; and Bangladesh likewise is China's second-largest arms export destination in the world, behind Pakistan.
  - Most recently, in 2017 the Bangladesh Navy took delivery of two Chinese submarines at a minimum price.
  - To counter this, India has expressed its interest in offering submarine training for the Bangladesh Navy.

## Issues in India-Bangladesh Relation

- India's **hegemonic posture** and **coercive tactics** has created deep resentment among ordinary Bangladeshis, especially when contrasted with **China's model of noninterference in domestic affairs along with lavish spending**.
- India's domestic policy on the **National Register Citizens (NRC)** and the **Citizenship Amendment Act (CAA)**, both of which directly impact Bangladesh, has generated some unpleasantness in the relationship.

## Way Forward

- India must keep up the partnership with Bangladesh that allows for economic growth and improved developmental parameters for both countries.
- India and Bangladesh share a great relationship, areas of concern remain, which need to be looked into holistically and resolved as soon as possible so that "best of the best" of ties between the two neighbours can be sustained forever.
- India's neighborhood first policy can help in competing with China for influence in the neighbourhood.

**[Source: TH](#)**