POLICY BRIEF

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Border Frictions and Rising Trade Costs: The Impact of Recent Port Access Restrictions Between Bangladesh and India

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Abstract: This article examines the trade and freight cost implications of recent land port restrictions imposed by Bangladesh and India on selected bilateral trade flows. Drawing on Bangladesh Customs data and the UNCTAD Trade and Transport Dataset, the analysis quantifies the volume of trade affected and estimates the additional transport costs arising from forced rerouting of goods via sea or air. India is a major destination for Bangladesh's apparel exports, where products currently benefit from duty-free market access. However, the imposition of port restrictions, particularly the prohibition of apparel shipments through land routes, effectively undermines this preferential access by raising trade costs to prohibitive levels. Findings show that apparel exporters may face ad valorem freight costs rising from 1 per cent to as much as 25.5 per cent, severely eroding export competitiveness. On India's side, the restriction on yarn exports via land ports marginally increases freight costs, but the overall impact remains limited given the pre-existing reliance on established seaport routes. The paper calls for urgent policy coordination to restore predictable cross-border trade and cautions against the use of restrictive port access measures that compromise mutual trade gains.

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I. Introduction

The two neighbouring countries of Bangladesh and India share a land border of approximately 4,096 kilometres (2,545 miles), making it the fifth-longest international land border in the world. Under ideal circumstances, such geographic proximity should facilitate trade between the two countries by lowering transportation costs and promoting intra-industry trade, particularly given the likelihood of similar consumer preferences shaped by a shared history and broadly comparable development trajectories. In reality, however, bilateral trade relations have been characterised by recurring restrictions, especially concerning cross-border land-based trade flows. Most recently, bilateral trade has suffered a serious setback, as both countries imposed restrictions affecting trade through key land ports.

The border traverses several Indian states, including West Bengal, Assam, Meghalaya, Tripura, and Mizoram. In April 2025, Bangladesh imposed a ban on the import of Indian yarn through all land ports. Citing the need to protect the domestic spinning sector, Bangladeshi authorities justified the measure; however, it disrupted well-established supply chains that had allowed yarn to be delivered within 2–5 days via land, in contrast to much longer and more expensive seaport routes. In response, in May 2025, India's Directorate General of Foreign Trade introduced land port restrictions on approximately US$ 798 million worth of imports from Bangladesh—accounting for around 34 per cent of total bilateral imports from Bangladesh—including ready-made garments, processed foods, plastics, jute products, and other items. These products were barred from entering India's northeastern states via land ports and redirected to designated seaports, such as Kolkata and Nhava Sheva.

These developments point to a broader pattern of border-induced trade frictions: closure of major land trade corridors, disruption of efficient and time-sensitive supply chains, increased logistics costs, and delayed shipments.

This policy brief seeks to estimate the trade and freight cost implications of the recent bilateral land port restrictions between Bangladesh and India. Using Bangladesh Customs data, the analysis first quantifies the volume and composition of affected trade flows. It then draws on the UNCTAD Trade and Transport Dataset to estimate the likely increase in freight costs incurred by exporters and importers if forced to shift to alternative transport modes, thereby assessing the broader economic burden resulting from the disruption of established overland trade routes.

II. Geographical Borders, Trade Flows and Restrictions

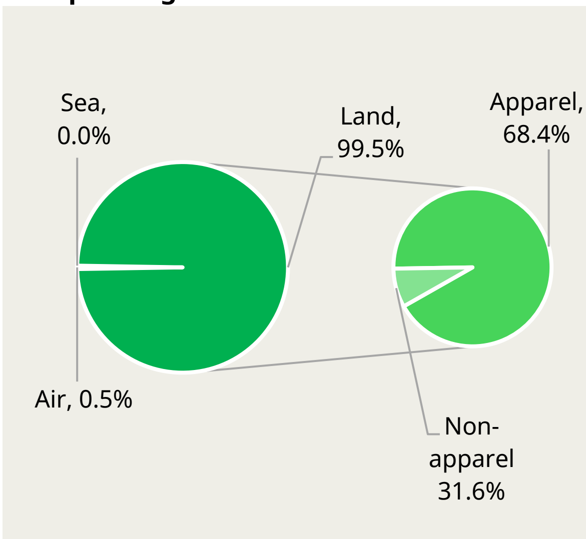
It is well established in international trade literature that national borders impose substantial and measurable costs on cross-border trade flows—costs that go beyond those associated with geographic distance. These border-related trade frictions arise from regulatory, administrative, and currency-related barriers, as well as broader institutional and cultural differences. McCallum's seminal study (1995) demonstrated that trade between Canadian provinces was, on average, 21 times higher than trade between Canadian provinces and U.S. states, even after controlling for income and distance. This so-called "home bias" has since been interpreted as reflecting both formal and informal border barriers. Subsequent studies have refined these estimates using more sophisticated methods, such as structural gravity models with multilateral resistance terms, and have continued to find persistent and significant border effects, albeit smaller in magnitude (Havranek & Irsova, 2017; Requena & Llano, 2010). Moreover, when restrictions are placed not only on the existence of a border but also on the type and location of border crossings (e.g., restricting goods to specific ports or prohibiting land routes in favour of seaports), trade costs inevitably increase.

In 2024, bilateral trade between India and Bangladesh amounted to approximately US$ 14 billion, with Bangladesh exporting US$ 2 billion and importing US$ 11.5 billion. The trade balance has historically favoured India, although Bangladesh, as a member of the South Asian Free Trade Area (SAFTA) and by virtue of its least developed country (LDC) status, has benefited from duty-free access for most of its exports to the Indian market. Bangladeshi traders, however, have long raised concerns over a range of non-tariff barriers (NTBs) imposed by Indian authorities. These include stringent product standards and certification requirements, the application of anti-dumping duties and countervailing measures on specific Bangladeshi goods, and procedural delays at ports of entry (Rahman 2019). Inadequate infrastructure and inefficient management at land ports also continue to be among the most significant trade barriers affecting businesses on both sides.

Of Bangladesh's total exports to India—valued at USD 2,357 million in 2022 (Figure 1)—more than three-quarters, or US$ 1,774 million, were routed through land ports. Following the imposition of recent policy restrictions, US$ 798 million, representing approximately 45 per cent of current land-port exports (or nearly 34 per cent of total exports to India), will need to be rerouted via sea or air. Notably, approximately 70 per cent of these affected land port exports, by value, are apparel products (Figure 2). Meanwhile, only US$ 4.1 million of apparel exports by air transport will now be restricted, which is 0.5 per cent of the total restricted exports

Figure 1: Distribution of restricted and unrestricted export products to India by mode of transport (US$ Million)

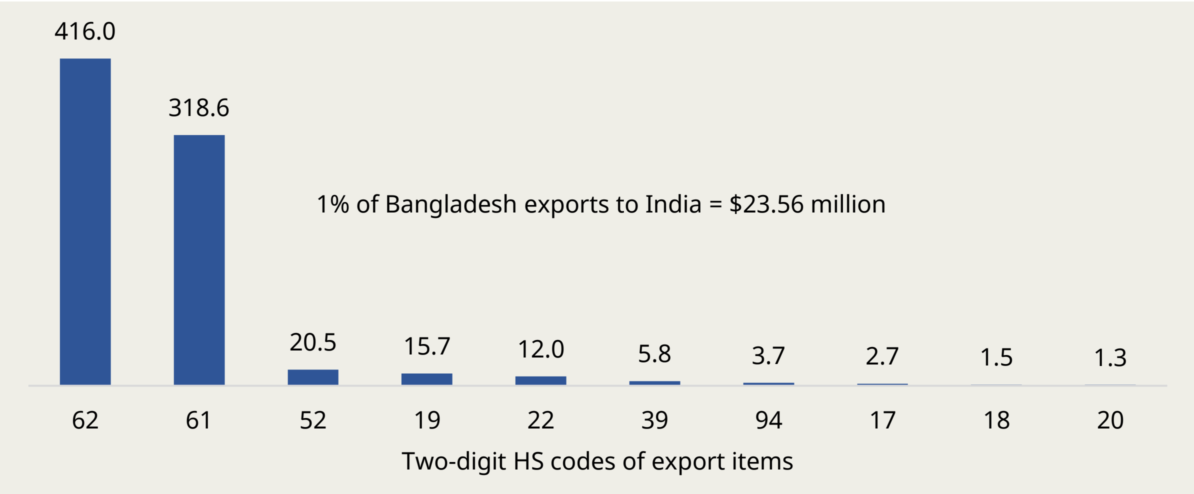
Figure 2: Share of restricted exports by mode of transport and product type under land port regulations



Source: Authors' representation using the data from Bangladesh's Customs Data

Apparel items from Bangladesh are now strictly barred from entering through any Land Customs Station (LCS) and can only enter through the Nhava Sheva and Kolkata seaports. Non-apparel products subject to restrictions are not allowed through certain LCS.[2] As shown in Figure 3, except for apparel items (as under Harmonised System of Classification codes of HS 61 and HS 62), none of the restricted export items have a share of more than 1 per cent of total exports to India. Therefore, the apparel sector in particular will be affected in terms of increased freight costs due to the change in mode of transport. The time to reach the market will also increase considerably.

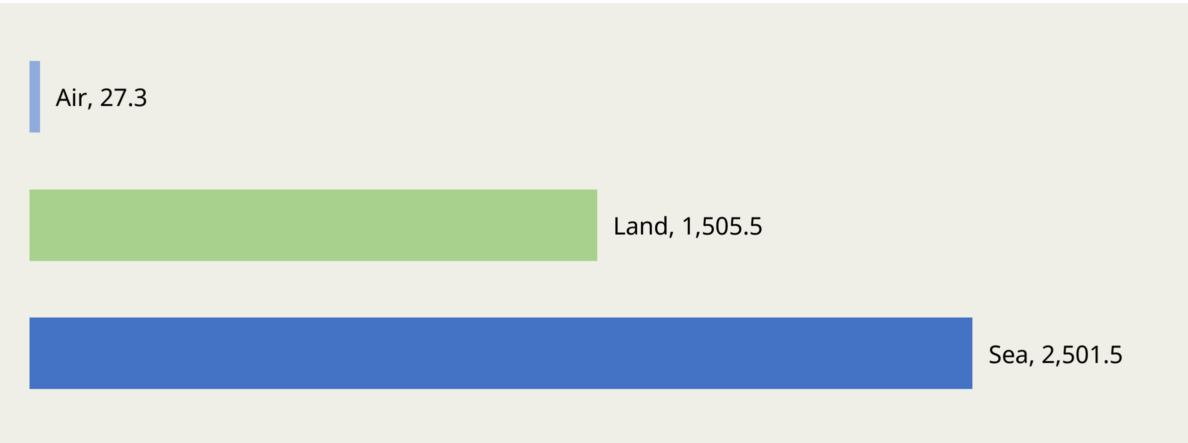
Figure 3: Bangladesh's exports subject to port restrictions by India by two-digit HS codes (US$ million)



Source: Authors' representation using the data from Bangladesh's Customs Data

On the other side, Bangladesh imported US$ 4 billion worth of yarn from India in 2022, with 62 per cent of the imports arriving through the seaport (Figure 4). That is, US$ 1.51 billion (37.15%) worth of yarn imports are subject to the restrictions imposed by Bangladesh that will require those yarns to be brought through seaports.

Figure 4: Bangladesh's yarn imports from India by mode of transport (US$ million)



Source: Authors' estimates using Bangladesh Customs data.

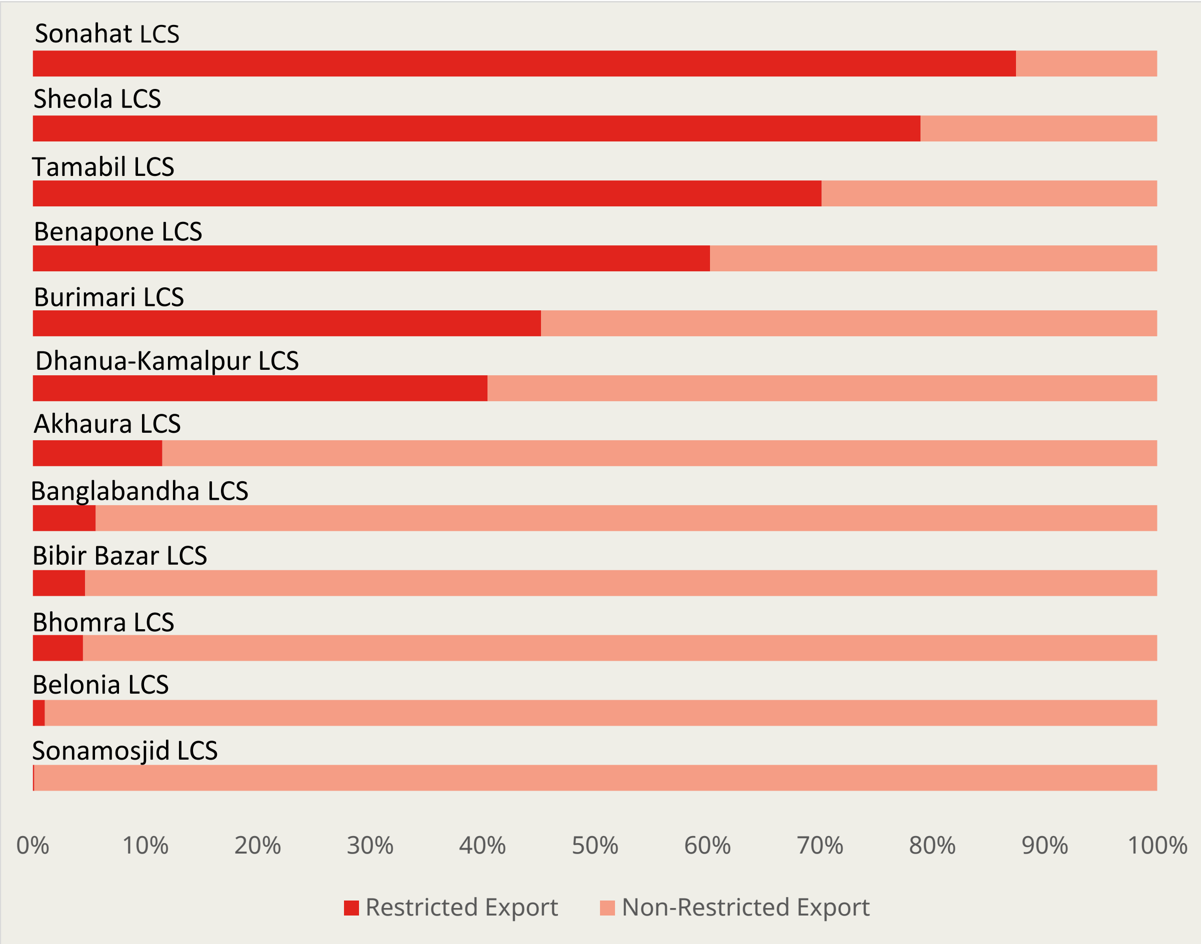
[2] The restricted Bangladeshi products are barred from entering India through any Land Customs Station (LCS) or Integrated Check Post (ICP) located in Assam, Meghalaya, Tripura, and Mizoram; and LCS Chengrabandha and Fulbari in West Bengal.

III. Alternative modes of transportation to maintain current exports and the cost implications

For Indian exporters, compliance with the new requirement could be relatively straightforward, as the majority of yarn shipments to Bangladesh already utilise established seaport routes. In contrast, the adjustment is more complex for Bangladeshi exporters. While apparel products must now be exported exclusively via seaports, other restricted items may still be rerouted through any of the three alternative options, depending on relative transport costs.

Figure 5 shows the current LCS of Bangladesh with India, indicating the share of restricted exports in the total export value by each LC station. About 44.7 per cent of all exports through land ports have been restricted. The most affected stations include Sonahat, Sheola, Tamabil, and Benapole, among others. Benapole Custom Port, which accounts for nearly 66 per cent of all land port exports, is the largest LCS. More than 60 per cent of the exports through this port are apparel items, which are now restricted from using land ports.

Figure 5: Share of restricted exports by restricted land port stations



Source: Using the data from Bangladesh Customs

Bangladesh maintains a limited export presence in India's landlocked northeastern region, commonly referred to as the "Seven Sisters" (comprising Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura). In 2022, exports routed through the seven Land

Customs Stations (LCSs) serving this region amounted to just USD 93.16 million. Of this total, USD 28.3 million—including USD 19.1 million in apparel—is now subject to export restrictions via land ports. As apparel exports are also not permitted by air under current rules, direct trade in these items to the region is effectively suspended. The remaining USD 9.2 million in non-apparel exports could potentially continue, either via air transport or through the nearest unrestricted LCSs.

From two restricted LCSs in West Bengal—Burimari and Banglabandha—exports subject to the restrictions amount to USD 44.12 million, out of a total export volume of USD 114.61 million. For these consignments, two options are available: rerouting through nearby open LCSs such as Hili and Sonamosjid or shifting to air freight to sustain market access. Given the constraints, air transport may be the only practical means to preserve existing market share—provided exporters are able to absorb the increased transportation costs required while remaining competitive.

Understanding the potential increase in freight costs associated with alternative routes is essential. To estimate these costs, the UNCTAD Trade and Transport Dataset—though experimental—has been used as a reference source to provide indicative insights.[3] As shown in Table 2, air is generally the most expensive mode of transport for exports to India, followed by sea and land, except in the case of apparel. For apparel items (HS 61 and 62), sea freight is nearly three times more expensive than air, reflecting the longer maritime routes to Kolkata compared to the shorter and more direct air corridor. This pattern reflects Bangladesh's geographic context, where land remains the most economical option, air offers the fastest route, and sea transport involves extended detours that significantly raise costs for time-sensitive apparel shipments. On the other side, the freight cost of importing cotton and yarn from India through LCS are the cheapest (see Table 3).

Table 2: Freight cost of India by HS code (US$/per ton)

Mode/ Product	HS 17	HS 18	HS 19	HS 20	HS 22	HS 39	HS 52	HS 53	HS 61	HS 62	HS 94
Air	11,165	4,140	14,383	2,294	4,013	6,798	1,457	4,392	1,437	2,051	5,356
Land	15	2	1	19	196	65	0.011	84	2	71	18
Sea	326	682	446	322	159	464	31	192	4,131	7,223	538

Source: Information gathered using UNCTAD Trade and Transport Dataset

Table 3: Freight cost of Bangladesh's imports from India by HS code (US$/per ton)

Mode/ Product	HS 50	HS 51	HS 52	HS 53	HS 54	HS 55	HS 56	HS 57	HS 58	HS 59	HS 60
Air	8,769	9,266	3,120	3,657	8,495	10,011	3,656	1,868	10,719	11,051	7,808
Land	456	66	0.13	89	1	0.24	42	1469	3	853	0.01
Sea	745	1,483	97	175	189	65	177	315	2,749	1,030	73

Source: Information gathered using UNCTAD Trade and Transport Dataset
Note: Mirror data for freight costs from India to Bangladesh are used

[3] The dataset has been developed jointly by UNCTAD and the World Bank. It uses as main sources *UN Comtrade* (https://comtradeplus.un.org) and a transport network model based on geographic information systems developed by Equitable Maritime Consulting (Halim et al. 2018).
Estimated values derived from information in UN Comtrade for the same observation are "Estimated". Estimated values derived from the values of other observations using Econometrics are "Experimental".

The value of Bangladesh's apparel exports to India, excluding those destined for the Seven Sisters region and subject to Indian restrictions, stands at US$ 725.4 million. According to the UNCTAD Trade and Transport Dataset, these items were previously exported at a transport cost of US$ 6.5 million, implying an ad valorem freight cost of approximately 1 per cent.[4] However, if exporters are compelled to use waterways for shipping these items, and current freight rates to India (as reported in the same dataset) are applied, the cost would escalate to US$ 185.17 million. This would translate into an ad valorem freight cost of 25.5 per cent. Such a high rate appears exorbitant and is likely attributable to the absence of established and commercially viable trade routes. If the cost of a well-functioning route, such as that between Bangladesh and Germany, is taken as a benchmark, the transport cost would be at least US$ 64 million, or an ad valorem freight cost of 8.8 per cent. Therefore, the cost implications of India's policy restrictions could raise trade costs for apparel items by anywhere between 8 per cent and 24 per cent on an ad valorem basis.

On the other hand, Bangladesh's restriction on yarn imports from India via land ports would require Indian exporters to reroute US$ 1,501 million worth of exports through seaports. Based on earlier calculations, Indian exporters had previously incurred transport costs of approximately US$ 1.9 million for these shipments—resulting in an average ad valorem freight cost of just 0.1 per cent. If rerouted through seaports, however, the transport cost would increase to $42.83 million, raising the average ad valorem freight cost to 2.8 per cent.

IV. Policy Implications

The imposition of non-tariff measures such as port restrictions, whether motivated by sectoral protectionism or retaliatory trade policy, can significantly increase trade costs, as they disrupt established and efficient trade routes. The resultant increased costs are not merely transactional; they translate into real economic losses such as reduced producer margins and thus weakened export competitiveness, higher consumer prices, and ultimately affect national welfare. In the current context, the recent land port restrictions between Bangladesh and India threaten precisely these outcomes.

Escalating trade costs and eroding export competitiveness

The evidence presented shows that Bangladesh's apparel exports, a sector accounting for over 70 per cent of the affected trade, could face freight costs rising from just 1 per cent to as much as 25.5 per cent of export value due to forced rerouting through seaports. Such a rise in ad valorem freight cost is perhaps equivalent, in value terms, to imposing prohibitive tariffs on a sector that thrives on thin margins and time-sensitive delivery. India is a major destination for Bangladesh's apparel exports, where products currently enjoy duty-free market access.[5] However, the imposition of land port access restrictions effectively undermines the value of this preferential treatment by raising trade costs to prohibitive levels.

[4] Ad valorem freight cost equals the total transport cost divided by the total trade value.
[5] In 2024, Bangladesh exported US$ 634.3 million of apparel items to India, out of a total of US$ 51010.8 million apparel exports, accounting for 1.24 per cent of the total apparel exports. Despite this small volume, Bangladesh continues to be India's leading apparel supplier, representing roughly 41 per cent of India's total apparel imports.

For India's yarn exports to Bangladesh, the estimated increase in freight costs from 0.1 per cent to 2.8 per cent, though more modest, remains economically inefficient given the availability of shorter and cheaper land routes. Both countries are thus incurring unnecessary welfare losses by making trade artificially more expensive.

Risk of sustained trade friction and strategic miscalibration

The current cycle of restrictions reveals the fragility of bilateral trade relations in the absence of robust dispute resolution and coordination mechanisms. Bangladesh's restriction on yarn imports was aimed at safeguarding domestic spinners, yet it triggered a retaliatory response from India that disproportionately affected Bangladeshi exporters. The asymmetry in cost burden, combined with the limited capacity to shift to viable alternative routes, creates a trade environment marked by uncertainty and fragmentation. Such policy barriers by both sides undermines trust and predictability in bilateral trade, posing risks not just to current trade volumes but to future investment and supply chain integration between the two economies.

Two geographically proximate neighbours like Bangladesh and India should aim to promote bilateral trade and connectivity and to gain from deepened bilateral trade and economic cooperation. Trade, when facilitated rather than restricted, generates efficiencies, lowers costs, and promotes welfare-enhancing integration. Conversely, the use of restrictive port access policies and other non-tariff measures erodes these gains and can also undermine any likely effort to improve connectivity and trade facilitation measures. Going forward, urgent policy actions must recognise the fact that inflicting avoidable trade costs damages regional integration and hurts both exporters and consumers on either side of the border.

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