

# India's Rice Export Restrictions and BIMSTEC Countries

## Implications and Recommendations

Abul Kamar, Devesh Roy, Mamata Pradhan, and Sunil Saroj

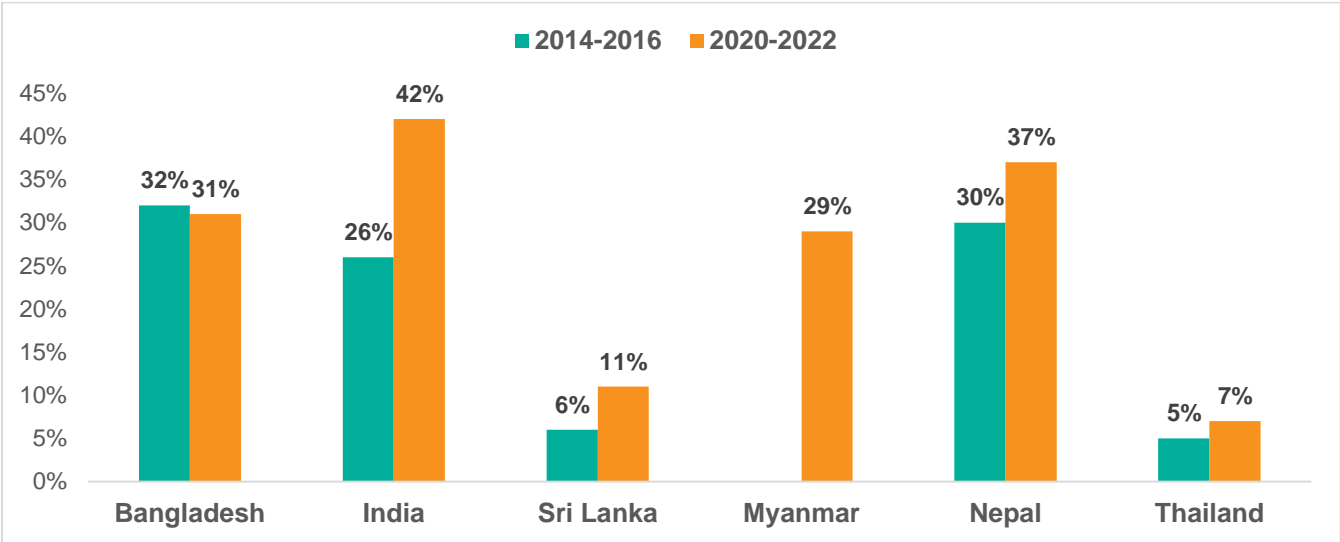
The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) brings together five South Asian countries (Bangladesh, Bhutan, India, Nepal, and Sri Lanka) and two Southeast Asian countries (Myanmar and Thailand). Recent events have raised global concerns on food security, including for BIMSTEC countries; these events include Russia's withdrawal from the Black Sea Grain Initiative with Ukraine, India's prohibition on the export of non-basmati white rice, and its 20 percent export duty on parboiled rice. This policy note spells out the likely impact of one of these events, that is, India's restrictions on rice exports to its fellow BIMSTEC nations.

Trade moves food from surplus to deficit regions and hence is crucial for maintaining a stable food supply. Historically, the global supply of cereals has been stable (Bradford et al. 2022); this implies that trade (or the lack of it) can be directly mapped onto area-specific food insecurity. At the same time, shocks leading to trade disruption can pose serious challenges, particularly for countries with high import penetration in food.

### 1. State of Food Insecurity Among BIMSTEC Members

According to the Food and Agriculture Organization (2023), the BIMSTEC region is currently home to more than 712 million people who are moderately or severely food insecure, making it one of the most food insecure regions in the world. With the exception of Bangladesh, the prevalence of moderate or severe food insecurity in BIMSTEC member countries increased between 2014–2016 and 2020–2022. Food insecurity also varies significantly among countries, with 42 percent of people in India experiencing moderate or severe food insecurity compared to only 7 percent in Thailand (Figure 1).

**Figure 1. Prevalence of moderate or severe food insecurity**



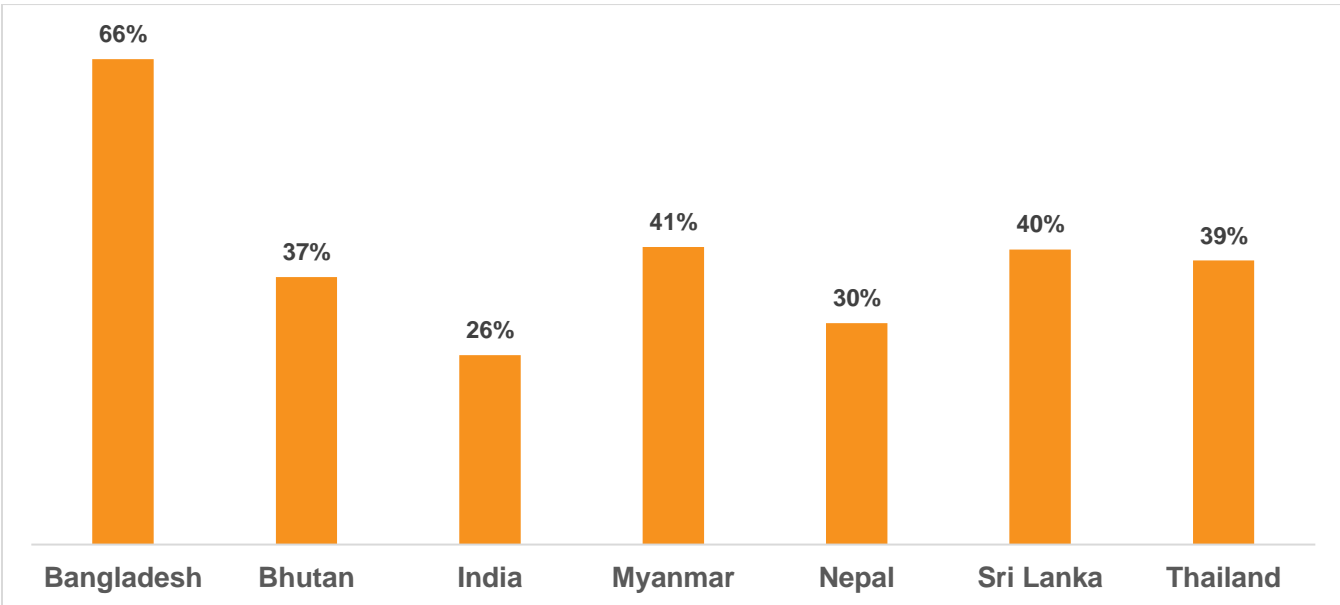
Source: FAO 2023.

Note: Data for India is calculated by taking the difference between estimates for “South Asia” and estimates for “South Asia excluding India”, both of which are given in the report. The data for Bhutan is not reported.

**1.1 Importance of rice in the diet of BIMSTEC member countries’ populations**

Rice is the most important staple in the BIMSTEC region, constituting a significant proportion of daily caloric intake in all member countries. Bangladesh leads with the highest share, at 66 percent; this is followed by Myanmar (41 percent), Sri Lanka (40 percent), Thailand (39 percent), Bhutan (37 percent), and India (26 percent). India, Thailand and, to a lesser extent, Myanmar are rice exporters while other BIMSTEC members depend to varying degrees on imported rice.

**Figure 2. Share of caloric intake from rice as measured by kcal per capita per day, 2020**

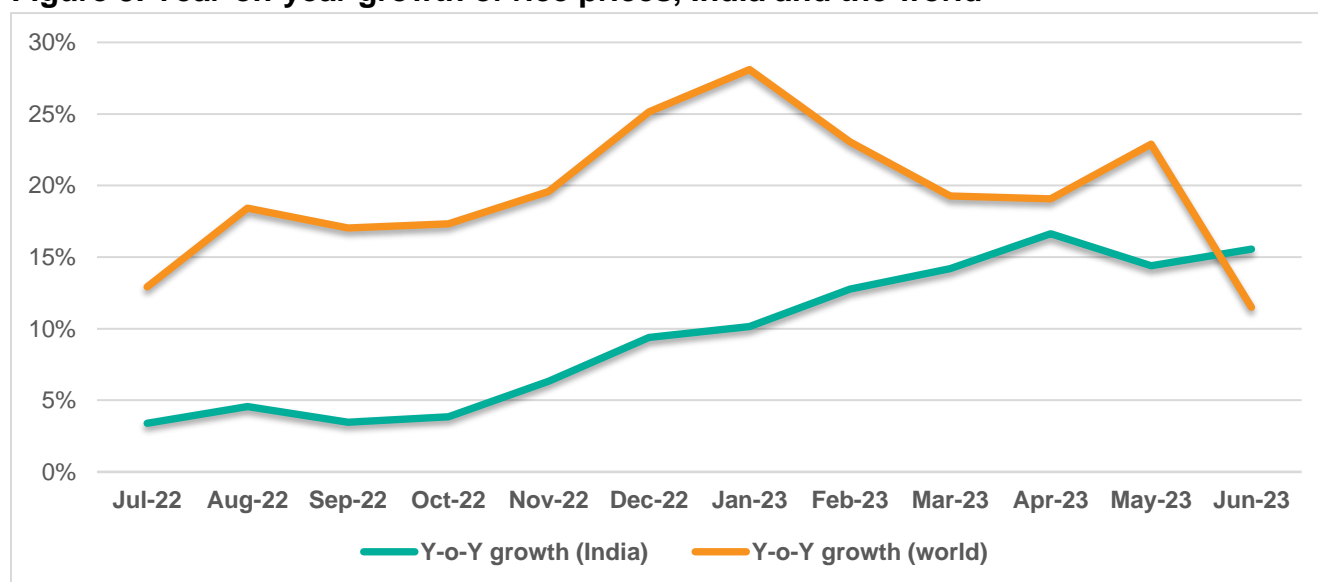


Source: Data form FAOSTAT, <https://www.fao.org/faostat>.

## 2. India's Restrictions on Rice Exports: Implications for BIMSTEC Members

Domestic prices of non-basmati rice in India increased significantly between July 2022 and June 2023, surging by more than 13.8 percent. To mitigate this price increase, on July 20, 2023, the Government of India issued Notification No. 20/2023 which prohibited the export of non-basmati rice. The notification included the condition that, upon request from other countries, the Government of India would grant permission for exports "to meet their food security needs". Non-basmati white rice constitutes about 25 percent of India's total rice exports. The prohibition on Indian exports will lead to lower prices for its domestic consumers. It is, however, a notable setback for the global rice market in terms of quantity and price. On August 25, 2023, India also imposed a 20 percent export duty on parboiled rice. This development has further exacerbated the prevailing upward trend in international rice prices; these have increased by approximately 13.2 percent in the same period, thus potentially contributing to food insecurity. With this frequent change in trade policy, India also stands to lose its credibility as a reliable trading partner.

**Figure 3. Year-on-year growth of rice prices, India and the world**



Source: FAO, Food Price and Monitoring Analysis (FPMA) <https://www.fao.org/giews/food-prices/home/en/>

**Table 1. India's recent restrictions on rice exports**

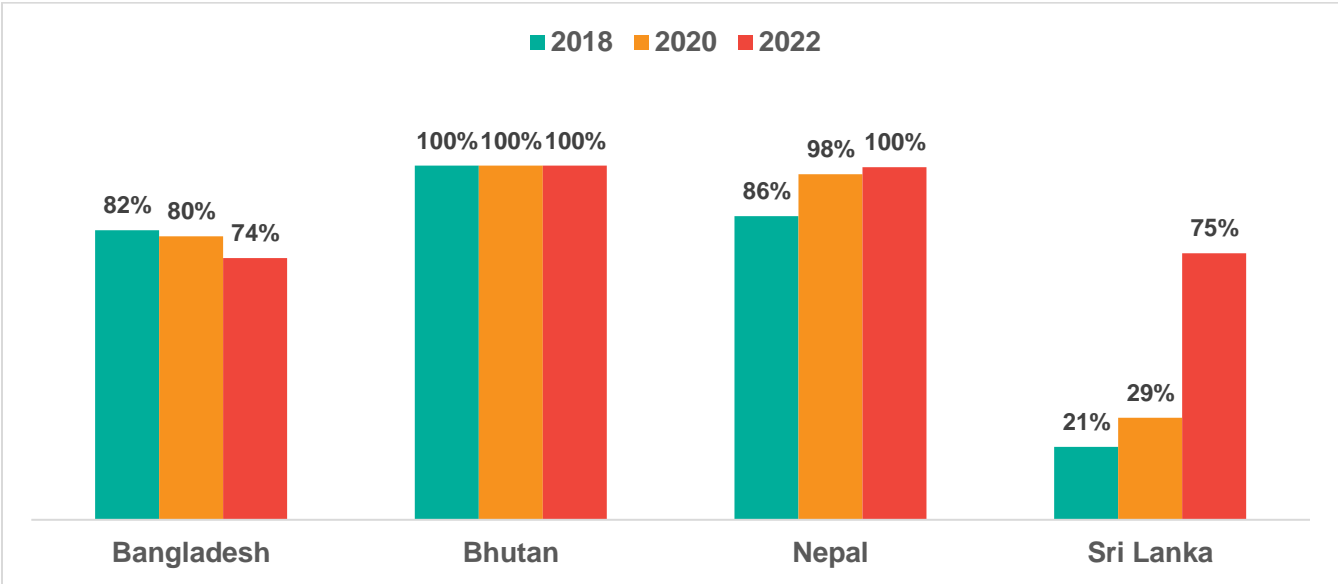
Product	Date imposed	Restriction	Notification
Broken rice	Sep 09, 2022	Ban on export	Notification No. 31/2015–2020
Non-basmati white rice	Jul 20, 2023	Ban on export	Notification No. 20/2023
Parboiled rice	Aug 25, 2023	20% duty on exports	Notification No. 49/2023–Customs

Source: Directorate General of Foreign Trade and Department of Revenue, Government of India, <https://www.dqft.gov.in/CP/> and <https://dor.gov.in/>

### 2.1 BIMSTEC members' import dependency on Indian rice

India plays a pivotal role in the rice supply chain to various markets including Bangladesh, Bhutan, Nepal, and Sri Lanka (Figure 4). Any disruptions in the rice market could thus potentially leave these nations vulnerable to adverse outcomes. With the exception of Thailand and Myanmar, all BIMSTEC member countries currently depend heavily on India, which supplies over 74 percent of their total rice imports. This volume of rice cannot easily be replaced by sourcing from other major exporting countries such as Viet Nam, Thailand, and Pakistan. The dependency relates also to variety of rice; for example, before India became Sri Lanka's main supplier of rice, it imported semi-milled or wholly milled rice from Pakistan.

Figure 4. Share of Indian rice in BIMSTEC members' total rice imports



Source: Author's calculation based on International Trade Centre (ITC) Trade Map  
Note: Myanmar and Thailand's rice imports from India are negligible.

### 3. Potential Impact of India's Rice Restrictions on BIMSTEC Members

The likely impact of India's rice restrictions on BIMSTEC members is contingent on various factors. These factors include: the duration of the export restrictions; the capacity of other rice-exporting countries such as Thailand, Viet Nam, Pakistan, and Myanmar to bridge the gap; whether the country is a net exporter or a net importer; whether the country has foreign exchange constraints (Sri Lanka's forex crisis, for example, gave rise to severe import restrictions); and the ability of BIMSTEC members to adapt to the evolving supply scenario.

**Rice prices:** The cessation of rice exports from India could potentially trigger an escalation in global rice prices. India is a major player in the rice export market, contributing approximately 40 percent of the global rice supply; recent restrictions on its exports could thus lead to scarcities in the global market. This could, in turn, prompt other rice-exporting countries to raise their prices. Thailand and Viet Nam have already raised the price of their rice by US\$50 per ton (Mancombu 2023).

**Supply chain disruptions:** Discontinuation of India's rice exports may result in disruptions across the global rice supply chain. BIMSTEC members that are heavily reliant on Indian rice imports may encounter challenges in securing an adequate supply, leading to potential gaps in availability.

**Food security concerns:** The difficulty faced by BIMSTEC member countries in maintaining a stable rice supply could lead to a worsening of existing food security, particularly in countries where rice is a primary staple, namely Bangladesh, Sri Lanka, Bhutan, and Nepal. Bangladesh, while having recently achieved self-sufficiency in rice, still imports considerable amounts of Indian rice for its domestic needs.

**Trade relationships:** The export ban may influence the trade dynamics between India and its rice-importing counterparts among BIMSTEC members. Nations heavily dependent on Indian rice may seek to renegotiate trade agreements or establish new partnerships to ensure a consistent rice supply, potentially reshaping trade interactions within the rice market. India has trading arrangements with all BIMSTEC members through the Association of Southeast Asian Nations (ASEAN), through the South Asian Free Trade Area (SAFTA), and through the impending BIMSTEC Free Trade Area Framework Agreement (FTA). It is crucial to note, however, that these agreements focus primarily on reducing tariffs for importing partner countries' goods and do not encompass export restrictions. The essence of FTAs lies in facilitating the flow of goods from partner nations into India while offering tariff concessions and helping deal with shocks.

## 4. Recommendations

Rice stands as a primary staple in most BIMSTEC member countries and interruptions in the rice supply chain can result in substantial economic and social consequences. Addressing possible disruptions of Indian rice imports in the BIMSTEC region requires a multifaceted approach that encompasses strategic planning, regional collaboration, and risk management strategies. Below are key recommendations for mitigating such disruptions:

**Diversify the import source:** Depending heavily on a single country for rice imports increases vulnerability to external supply shocks. BIMSTEC nations should thus collaborate on broadening their rice import sources. Establishing trading arrangements and partnerships among members and with other countries can reduce dependence on a single supplier, thereby boosting resilience to disruptions from any specific country or region.

**India may review its export policy to ensure proportionality with domestic needs and assess its external effects:** India currently has a storage target of 13.5 million metric tons (Mmt) of rice in state-run warehouses. As of August 2023, however, Indian rice stocks totaled 37.6 Mmt, including unmilled husk varieties at state warehouses; this is nearly three times what is required.<sup>1</sup> India should carefully reevaluate its rice policies, specifically with regard to its domestic rice needs and buffer stock requirements, in order to assess whether the existing ban on rice exports aligns with its domestic needs. Such an evaluation may help strike a balance between ensuring food security at home and maintaining favourable trade relations with other countries.

**Institute a regional rice reserve:** Keeping in mind the dietary importance of rice and the prevalence of high food insecurity in BIMSTEC member countries, a mechanism should be established for maintaining a regional rice reserve similar to the ASEAN Plus Three Emergency Rice Reserve (APTERR). This would help mitigate the impact of regional rice supply interruptions.<sup>2</sup>

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<sup>1</sup> <https://www.reuters.com/markets/commodities/india-rice-stocks-three-times-target-easing-supply-concerns-2023-08-03/>

<sup>2</sup> The APTERR food bank initiative involves the ASEAN member states of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam; it also includes the "Plus Three" countries, China, Japan, and South Korea (<https://www.apterr.org/>).

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## ACKNOWLEDGMENTS

Funding for this work was provided by the Bill & Melinda Gates Foundation. This publication has been prepared as an output of [Regional Trade and Agricultural Transformation in the Bay of Bengal Countries](#) and has not been independently peer reviewed. Any opinions expressed here belong to the authors and are not necessarily representative of, or endorsed by, IFPRI.

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