

## **Renewing NE India–Bangladesh Connectivity: Analysis of transport corridors**

### **1. Introduction and Motivation**

Pursuant to domestic compulsions of identifying cost-effective and climate friendly transportation routes to facilitate business and trade from the east and the north-eastern part of the country with the outside world, and given the obligations under the WTO's 2013 Trade Facilitation Agreement, the Indian government has stepped up administrative and policy actions in beefing up logistics infrastructure, in particular aimed at integrating the Northeast (NE) India to the major trade and transport corridors of Asia. The most obvious and priority corridors run through India's eastern neighbor, Bangladesh, with the two sharing a congenial relation and both keen to benefit from mutual economic growth. India also has its geostrategic motivations for reducing geo-economic isolation of the NE region and reviving the pre-independence trade, investment and socio-cultural relations in the region.

With a population of almost 50 million, the NE India's landlocked landmass, which has over 5,000 km of international border with Bangladesh, Bhutan, China, and Myanmar<sup>1</sup>, has large market potential not yet fully exploited. The region is also by and large isolated from the Indian mainland given that it is connected with the rest of the country by only a very narrow (of about 20 km wide) stretch of land in West Bengal called the 'Chicken's Neck'. Moreover, given the locational proximity and geo-social similarities, information technology, computer hardware and housing/construction materials are being increasingly sourced from China while FMCG and miscellaneous consumer products come from Bangladesh and China, largely through informal and grey areas of trade. Formalizing these trades by connecting the region to the external market will open up many other avenues of economic opportunity. These advantages are envisaged to accrue from greater market access for goods, services and energy, elimination of non-tariff barriers, better trade facilitation, investment in infrastructure development and creation of industrial zones (viz. in industrial infrastructure for boosting regionally viable industries such as processing, manufacturing and commerce logistics), development of value and supply chains based on comparative and competitive advantages, water management, tourism and closer people to people/cultural contact.

Of the possible avenues of opening up the NE Indian states to the world, building or reviving the transportation and connectivity channels (in particular using the extensive regional waterways and maritime ports to create dedicated inland riverine trade-lanes for cargo and passenger transportation on a regular scheduled basis) with a rapidly growing neighbour such as Bangladesh is a no-brainer. This interconnectedness would facilitate cross-border flow of people and goods, minimize current overland trade obstacles, ensure greater market access and increase multilateral trade from the region with South East Asia (ASEAN) and even the rest of India. To that end, the government of India in the past decade has undertaken new initiatives under Sagarmala, as well as speeding up earlier construction projects on trade and transportation infrastructure in NE India towards completion.

On a priority basis, infrastructure is being beefed up on the border customs check posts (land and riverine), coastal shipping infrastructure and regulations, and along the 6 identified Inland Waterway protocol routes traversing India and Bangladesh (detailed pictorial representation from IWAI below),

and including provision of financial and technical assistance to Bangladesh to complement the initiatives taken on Indian territory. Specific initiatives are undertaken in the following areas: (i)dredging the riverine channels for round-the-year navigability; (ii)improving the river and sea ports and associated maritime/ docking infrastructure, for reducing the dwell time for cargo and associated infrastructure and port connectivity costs; (iii)upgrading the key Land Customs Stations (LCS) on its international borders to Integrated Check Posts (ICPs) to provide secure, seamless, e-enabled and efficient state-of-the-art integrated infrastructure facilities for cargo and passenger movement and to reduce dwell time and trade transaction costs<sup>ii</sup>; and (iv)developing Multi-Modal Logistics Parks (MMLPs) in designated hubs to facilitate use of optimal modal choice for cargo transport and passenger travel. These initiatives are complemented by the ongoing budgetary support to build and upgrade rural and linking roads, bridges and access routes (road, rail and waterways) to the ICPs, ports and MMLPs in the bordering states, to address “last mile” connectivity.



Simultaneously, India is keen to begin operationalization of the Bangladesh-Bhutan-India-Nepal (BBIN) Motor’s Vehicle Agreement (MVA), which was signed in 2015 but awaits implementation subject to

ratification by Bhutan<sup>iii</sup>. The agreement will permit the signatory states to ply their vehicles in each other's territory for transportation of containerized cargo and passengers, including third country transport and personal vehicles under certain terms and conditions; customs/tariffs and other protocols will be decided by the respective countries and these would be finalized at bilateral and trilateral forums. India, Bangladesh and Nepal have agreed on the text of the Passenger Protocol, the document detailing procedures for cross-border movement of buses and private vehicles, and will soon complete the internal approval processes for signing of the passenger protocol. Trial runs for cargo vehicles under the MVA were conducted along the Kolkata-Dhaka-Agartala and Delhi-Kolkata-Dhaka routes. The members have agreed to continue to conduct more trial movement of cargo vehicles along scheduled routes from April 2018 onwards, before finalising the protocol for cargo vehicular movement. A study by the ADB has proposed 10 regional road networks as South Asian Corridors, out of which 7 have been identified in the BBIN region<sup>iv</sup>, and is aimed to link proposed economic corridors development in the region, modeled on the Greater Mekong Sub-region economic corridor approach. It is expected that transforming transport corridors into economic corridors could potentially increase intra-regional trade within South Asia by almost 60%, and with the rest of the world by over 30%.



The BBIN MVA can potentially add significant value to regional integration through development of a regional cross-border road freight network, and consequent economic clusters. It is planned essentially as a road freight network that reduce costly and time-consuming transshipment of people and goods at border crossings and works along the same lines as an ocean going container vessel that travels along dedicated trade-lanes with shipments bound for multiple destinations along the route, and has the ability to deliver and pick up shipments (including third party consignments) all along the route. The development of such regular shipping services transformed the face of international shipping by allowing reduction of operating costs through economies of scale, predictability of delivery schedules, and operational flexibility that allowed even small and medium scale shippers (i.e. traders with relatively smaller consignments) to avail the same level of service efficiency that were typically on offer only for larger shippers. Advanced road freight networks in Europe, ASEAN and North America, which is the model for the BBIN MVA, have been able to similarly transform cross-border road freight services and have played a major role in regional integration and development of regional production networks.<sup>v</sup>

Recent news reports indicate that BBIN countries have agreed to begin discussions on the possibility of a BBIN rail agreement; an agreement on the rail linking between India and Bangladesh was signed during PM Hasina's visit to New Delhi in January 2010. One of the biggest advantages of containerized trade is that it is potentially multi-modal; therefore, an integrated and seamless road, rail and maritime network will further facilitate containerization in South Asia and help reduce trade costs. Containerized trade also helps risk management, policing and monitoring of cargo security easier, since fears of damage and pilferage of cargo is an important impediment to bilateral trade growth and deepening connectivity between these two South Asian economic powers. The NE India and the landlocked countries Bhutan and Nepal will also benefit significantly from the BBIN MVA road and rail network, through reduced overland trade distances as well as easier access to the Chittagong port in Bangladesh. For example, Tripura can get access to Bangladesh's Ashugunj port; both Chittagong and Mongla ports can be accessed from Kolkata and the NE region more economically and time efficiently using the riverine routes. As mentioned above, the ADB has outlined ambitious plans of creating trans-Asia road and rail networks, and the BBIN initiative synergises well with the India-Myanmar-Thailand Trilateral Highway (AH1) project of ADB.

## **2. Objectives, scope and methodology**

This study evaluates the state of infrastructure and logistical readiness of reintegrating NE India with rest of Asia and the world via Bangladesh, and local stakeholder sentiments along the proposed BBIN MVA corridors and India-Bangladesh inland waterways' (IW) protocol routes (1-6), aims to facilitate knowledge and information sharing on the on-ground infrastructure conditions and policy initiatives. Based on that analysis and socio-political imperatives, we then suggest zones/areas that need to be accorded priority for comprehensive physical and economic infrastructure development. According to a recent CUTS survey of 7 land ports on the India-Bangladesh border, the existing barriers are mostly related to the sub-optimal/non-existent trade infrastructure; trade facilitation issues have emerged as key issues blocking the expansion of bilateral/intra-regional trade. The present study examines these in detail and outlines the different infrastructural, procedural and political challenges of operationalizing the BBIN-MVA and the IW cargo routes, to facilitate subsequent optimal use of these new transport corridors and resulting market access potential by the business and logistics stakeholders. A corollary outcome of our research was an assessment of the implementability of a BBIN MVA type of agreement between India and Bangladesh, till the BBIN MVA is operationalized.

The study involved primary interviews and survey of relevant government and private stakeholders to assess business needs at these aforementioned priority routes and ports, secondary desk research, and follow-up review and comments by interviewees with respect to the new proposals of trade and transit connectivity between India and Bangladesh. We have primarily used qualitative methods of data and policy analysis and in-person interviews with policymakers and business stakeholders in India and Bangladesh (a complete list of interviewees available in the Annex), to provide recommendations that could assist in framing and implementing policies. The evaluation also looks at regional action, particularly by prominent international funding agencies, in boosting the necessary infrastructure for knitting together the eastern sub-region of the South Asian sub-continent. This study builds on past trial



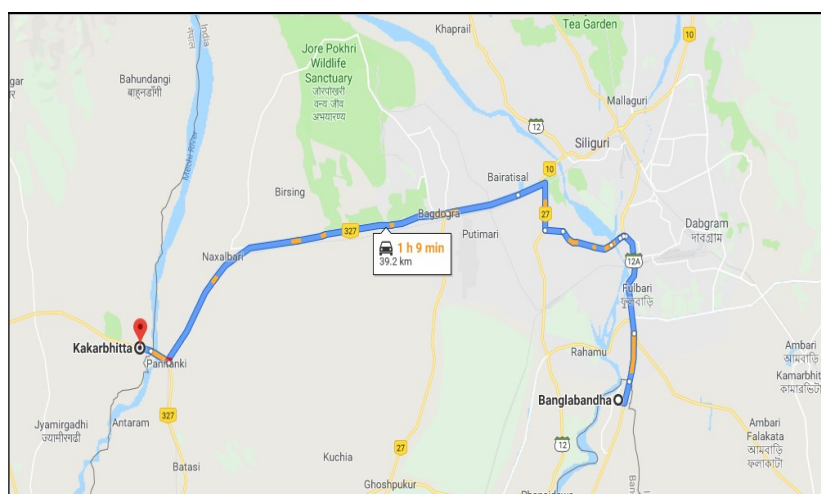
run evaluation, analysis and studies undertaken by both global logistics firms such as DHL and international donors and consultants such as ADB, KPMG, CUTS and SANEM among others.

The following sections will now discuss our findings on outstanding infrastructure and policy gaps, and offer recommendations based on identified gaps in implementation of projects and initiatives.

### 3. Outstanding infrastructure and policy gaps for seamless connectivity in the BBIN sub-region

To supplement national initiatives, multilateral organizations such as the World Bank and ADB has been financing infrastructure creation in the region. The ADB in particular has been investing in a big way in the sub-region under its SASEC programme, with identified detailed operational priorities for *road transport* to upgrade and expand the road network along major trade routes, access roads to border and ports to address “last mile” connectivity; *rail connectivity* between India and the landlocked regional countries, between seaports and riverine ports in Bangladesh and India, and ports with their hinterlands; *maritime transport* targets improving port handling efficiency and port capacity, including developing new deep water ports and/or floating container transshipment terminals at Chittagong and Kolkata; *inland waterways* prioritizing promotion of coastal shipping and inland water transport to handle international trade; and expanding *airports* capacity to handle both passenger and air freight traffic, to accommodate growth in tourism and global value chains in the region.

With the BBIN MVA in sight and to benefit from the third party trade and transit rights with Bangladesh on the IW and coastal shipping routes<sup>vi</sup>, India in particular has been speeding up key last mile connectivity projects in roads, rail bridges and for ensuring yearlong navigability on the IW protocol routes. On the India-Nepal border, transit has been opened between Panitanki to Kakarbhitta via a newly constructed Mechi river bridge, which will reduce travel time on the BBIN MVA corridor of Kakarbhitta (Nepal)–Panitanki (India)–Phulbari (India)–Banglabandha (Bangladesh). In the upper Assam region, the combined road-and-rail Bogibeel bridge over the Brahmaputra has started operations since December 2018, cutting the train journey between Assam and Arunachal Pradesh from 500 to 100 km.



Source: Google maps show an indicative travel time by car

In the NE, India is developing road networks spanning 5,200 km. Strategic projects for roads and bridges will be fast-tracked under the North East Road Sector Development Scheme (NERSDS), launched in 2015-16. Last October, the Centre announced a plan for construction of a 19-km bridge over the Brahmaputra from Dhubri in Assam to Phulbari in Meghalaya, which is proposed to be completed in 10 years. Some national highway projects and upgrades are also in the pipeline under the Bharatmala Pariyojana.<sup>vii</sup> A broad-gauge railway line connecting Bairabi and Sairang, under Northeast Frontier Railway zone (NFR), is being developed to connect capital cities of the north-eastern states by 2020.

However, due to several reasons discussed below, many of the projects in both India and Bangladesh still remain in a state of ‘advanced stage of completion’. For example, among major projects, the opening of a second rail-bridge over the Jamuna river (next to the Jamuna multipurpose Bangabandhu bridge, 1998)<sup>viii</sup>, the ongoing construction of the Padma multipurpose bridge (expected completion by 2021)<sup>ix</sup> and the Dhaka-Chittagong transport corridor (expected completion by 2028)<sup>x</sup>, dredging and last mile connectivity between Ashuganj port via Zakiganj to Karimganj in Assam (funded by India), and other in-progress strategic transport corridors for regional connectivity under the BBIN MVA can facilitate trade between Bangladesh and India’s NE and West Bengal, and energize the economies of BBIN sub-regional bloc. Better linkages between in-country economic corridors will generate synergies from improved infrastructure and connectivity, industrial value chain linkages, and urban development.

### *3.1 The road connectivity corridors and gaps, upgradation in-progress*

For the road sector, identified gaps are usually poor quality roads that cannot accommodate reliable all-weather travel, or need for frequent maintenance due to overloading and excess demand-led improper maintenance. With financing from ADB, several roads in the region are being upgraded to 4-lanes and Class 1 quality highway surfaces. Key for India-Bangladesh connectivity<sup>xi</sup> are: (i) Banglabandha–Dhaka–Chittagong–Cox’s Bazar Economic Corridor (Bangladesh); (ii) SAARC Corridor 4: Kathmandu (Nepal)–Kakarbhitta (Nepal)–Panitanki (India)– Phulbari (India)–Banglabandha (Bangladesh)–Mongla/Chittagong (Bangladesh); (iii) SAARC Corridor 8: Thimphu (Bhutan)–Phuentsholing (Bhutan)–Jaigaon (India)–Changra-bandha (India)–Burimari (Bangladesh)–Mongla/Chittagong (Bangladesh). In India, the SASEC Road Connectivity Investment Program is financing upgrading works for the road corridor Kakarbhitta (Nepal)–Panitanki/Fulbari (India)–Banglabandha (Bangladesh), and the link road from Imphal to Moreh close to the border with Myanmar.

In Bangladesh, the 70-kilometer Dhaka Northwest Corridor upgrading to 4 lanes (Joydevpur–Chandra–Tangail–Elanga Road) and land ports in Benapole and Burimari, are being implemented under the Bangladesh SASEC Road Connectivity Project approved in November 2012. The Bangladesh Corridor has the advantage of providing a passage for trade with Southeast Asia via Bangladesh as well as being shorter (450 km less) than the Chicken’s Neck Corridor. It follows the AH1 route, except that it re-enters NE India at Agartala rather than Dawki. They also provide through connections for the Chicken’s Neck region. The road link between Chittagong and Dhaka cannot be considered as a main corridor but could qualify as a feeder corridor, which would be **useful when a Bangladesh–India road transit agreement (at least a bilateral MVA to begin with) is implemented**; Bangladesh is yet to confer road transit facilities for NE Indian goods to the Chittagong Port. From a development and connectivity perspective,

the Chittagong deepwater sea port in Bangladesh with appropriate investments for capacity-building (including floating container transshipment terminals) can turn into a hub providing services to NE India, Bhutan and Nepal, while also connecting them with Myanmar and other ASEAN countries.

### *3.2 Upgrading and modernizing the land and river/sea ports*

The past few years have been extremely eventful in terms of development of the overland and inland waterway/ coastal maritime transportation of cargo and passengers between India and Bangladesh. Currently 3.5 MMT cargo is transported on protocol routes through inland waterways which is expected to increase substantially after the declaration of additional Ports of Call and extension of protocol routes. This is important for both to unclog and decongest the current trade routes (Petrapole-Benapole land ports account for nearly 80% of bilateral overland trade, but sub-optimal infrastructure-led delays and detention costs are making further trade growth unviable<sup>xii</sup>) and open new routes for diverting traffic to and from the NE India region. Some of the existing routes also seem unsustainable for further expansion, as despite opening of 24x7 services at the Indian side (launched in August 01, 2017) and expanding quality and quantity of services, cutting the time lag on the border is difficult given the mismatch of service capability (manpower and inadequate infrastructure and handling equipment) on the two sides of the land port border<sup>xiii</sup>.

India has begun upgrading its land customs stations on the India-Bangladesh border to ICPs, under the aegis of the Land Ports Authority of India and the Border Management Division under the Ministry of Home Affairs. In Phase I of the project, total approved expenditure for the seven ICPs is more than Rupees 700 crores. Other than the ICP at Petrapole and ICP Agartala on India-Bangladesh border, there are other functional land ports in the sub-region at advanced or proposed state of upgradation. Work on ICP Dawki on India-Bangladesh border is in advanced stage of completion. In Phase II, officials have been asked to take up construction of additional 13 ICPs of which 10 are in the region, at Hili, Jaigaon, Ghojadanga, Mahadipur, Changrabandha, Fulbari, Rupaidiha, Kawrpuichhuah, Panitanki and Sutarkandi, and a dedicated Passenger Terminal at Petrapole. Some projects which have been pending due to issues related to acquisition of land or delays in tendering issues have resumed following Shri Rajnath Singh's letters to Governments of West Bengal, Uttar Pradesh, Meghalaya, Tripura and Bihar towards the end of 2018. Projects under the Border Area Development Programme (BADP) to improve road and mobile connectivity in the border villages as well as imparting skills to the people living there have also made good progress.

The Indian government has accorded topmost priority for capacity augmentation of the maritime sector through initiatives like Sagarmala, and expansion of Port Capacity has been accorded the highest implementation priority. Ports handle around 90% of Indian EXIM Cargo by volume and 70% by value. Towards facilitating *Ease of Doing Business*, the shipping ministry has identified various parameters for reducing dwell time and transaction costs at the major ports, which include elimination of manual forms, accommodation for laboratories to participating government agencies, direct port delivery, installation of container scanners, e-delivery orders, radio frequency identification-based gate-automation system, etc, which is already in use by the major public ports and will be implemented in the private ports by the end of the current month<sup>xiv</sup>. The upgraded PCS — called PCS1x — which was

launched in December 2018, is a digital collaboration platform that connects marine terminals, transport service providers (shipping lines, forwarders, truckers, and railroads), and related intermediaries (customs brokers, storage yards, and stevedores, among others) through a single window. The application enables users to electronically process delivery orders, transport orders, gate open cut-off times, delivery gate schedules, gate-in bookings, and pre-gate schedules, rather than manually on paper, increasing efficiency. The government is also looking at providing the same facilities in the ICPs/LCSs.

Bangladesh and India signed an agreement in 2015 to the use of their waterways for commerce between the two countries and for passage of goods between two places in one country and to third countries through the territory of the other, with a transit guarantee regime established through mutual consultations. This thus allows use of Chittagong and Mongla Ports in Bangladesh for transit of goods and passengers to and from India, especially the NER, and has subsequently identified several new Ports of Call; Ashuganj in Bangladesh was declared a key “port of call” and “transshipment point” since 2015 using which India transships goods to the north-eastern state of Tripura. Additionally, the Indo-Bangla coastal shipping agreement has opened up new avenues of connectivity and trade facilitation, linking the marine and river ports in the eastern coast of India with Mongla and Chittagong in Bangladesh, and further to Sittwe in Myanmar once it starts functioning commercially. To improve coastal security, 121 Coastal Police Stations have been operationalized, 30 jetties have been constructed and Biometric Cards have been issued to 18.5 lakh fishermen.<sup>xv</sup>

Our findings from secondary research and the primary survey/ interactions with stakeholders indicate that while the proposed routes and facilitating protocols exist in principle, the concerns for viable cargo transportation on the IW routes under discussion stem from: (i) lack of year-round navigability, both on waterways and connecting link roads; (ii) high passenger fares and complicated travel formalities, and procedural hassles for cargo transit and transshipment which has dampened interest in the NE India to avail the facility; (iii) restrictions on the goods for cross-border trade officially permitted in the region; and (iv) labour unrest and congestion around Chittagong.

The river dredging and riverine port infrastructure upgradation and maintenance is a continuous process, and India has agreed to financially support Bangladesh to meet the missing infrastructure, with a soft loan to Dhaka for the development of container terminal at Ashuganj. A \$338.8-million loan was granted for redevelopment of the road from Ashuganj to Akhaura. As discussed above, while the two countries signed a waterway cargo and passenger transit agreement in 2015 and subsequently the protocol agreements, interest from Indian passengers and cargo handlers from the NER to avail the routes have so far been minimal<sup>xvi</sup>. For all season navigability, India has been funding the dredging activities in Bangladesh since early 2018. New Delhi has tied up with the Bangladesh Inland Water Transport Authority (Biwta) to dredge two river stretches — from Sirajganj to Daikhawa (175 km) in the Jamuna in Bangladesh (which is the Brahmaputra in India) and from Ashuganj to Zakiganj (295 km) in the Kushiara, a distributary river across Bangladesh and Assam and a branch of the Barak river of south Assam. India has committed 80% of Rs 305 crore required for these two stretches; the remaining will come from Bangladesh. Dredging on the Sirajganj – Daikhawa stretch is expected to be completed by end of 2020, according to the Chairman of Mongla Port Authority.<sup>xvii</sup> This will also improve the commercial viability of the Jogighopa MMLP and the Dhubri river port-customs facilities.



The goods transit through Ashugunj river port has not been popular among the cargo handlers in Tripura, and only three shipments were routed through Ashugunj in the first 6 months of operation. Inaugurated in June 2016, it allows Indian users to ferry cargo from Kolkata port to Ashugunj in Bangladesh via inland water. From Ashugunj the cargo would travel 50 km to reach Akhaura border gates with Tripura. The long turnaround time (21-28 days), rudimentary port facility, transit related procedural hassles, and uneconomical transit fee vis-a-vis the road and rail transport through the Siliguri corridor are some of the reasons for its limited use. On the other hand, transporting goods through Siliguri become an attractive option after the introduction of broad-gauge commercial freight services to Agartala in January 2016, leading to significant modal shift to railways for most of the cement, rice, steel, construction material and petroleum products movements in the State. But an indication of India's continued interest in the project is seen in the recent declaration of Badarpur on river Barak (NW 16) as an Extended Port of Call of Karimganj in Assam and Ghorasal of Ashuganj in Bangladesh on reciprocal basis, and the Indian proposal for extension of the protocol routes from Kolkata upto Silchar in Assam is expected to further improve connectivity for commercial cargo trade and transit in the region. The NFR has already undertaken work to lay a 15-km rail track to connect Agartala with Bangladesh's railway station at Akhaura<sup>xviii</sup>, which if facilitated with a RO-RO containerized cargo transshipment centre (ideally a MMLP) can help boost viability of the cargo transit protocol for connecting with Chittagong port.

In June 2015, the prime ministers of both the countries had flagged off bus services between Agartala in Tripura and Kolkata in West Bengal through the Bangladeshi capital of Dhaka. The State transport departments of West Bengal and Tripura offered to run two separate services for three days a week. Policy makers expected the service to be welcomed by travellers, as the distance travelled is only 500 km compared with the 1,650 km journey through the chicken's neck or Siliguri corridor. While the cross-border passenger bus service from Kolkata is functional, Tripura suspended the service after a couple of years. Passengers needing multiple entry visa from Bangladesh to travel, long journey time of 17-20 hours and the steep fare at ₹2,000 became key irritants; compared with this, a flight between Kolkata and Agartala takes only an hour and costs about the same. In these circumstances, it seems more viable at the moment to use the transit protocol for passengers from Tripura and the NE India to connect to the Chittagong and Mongla ports and the upcoming SEZs in the southern parts of Bangladesh, once the passenger and cargo vessels start plying commercially. However, the Indo-Bangla MoU on the use of Chittagong and Mongla ports by India could further enhance connectivity not only bilaterally but also sub-regionally when the BBIN MVA is implemented.

However, despite the ADB funded Chittagong Port Trade Facilitation Project in Bangladesh that boosted port capacity and operational efficiency<sup>xix</sup>, **the Chittagong port** as on date continues to remain a choke point, and major developments are needed on this front if the above objectives and plans can be fulfilled. Currently, about 90% of the local trade takes place through this main sea port in Bangladesh. But major concerns remain with labour unrest and congestion in the Chittagong port and industrial zone, and also capacity of the port and its services. Productivity of the port continues to remain low due to multiplicity of reasons including limited automation of port operations and [lack of e-enabled and paper-less processing](#) of EXIM documents. Loading and unloading of ships at Chittagong port are often delayed for reasons such as unjustified formation of labour gangs, bribes and tips, worker movements

and the 'go slow policy' of the workers' union. If tips are not paid at agreed rates to handling and equipment workers, equipment is left unmaintained, handling is not done and containers are deliberately damaged (Mahmud & Rossette 2007<sup>xx</sup>). Many vessels experience delays in berthing schedules, leaving ships waiting at the outer anchorage, where wait times are four to five days. Shipping lines levy congestion surcharges where excessive delays — and thus excessive costs — are incurred due to port congestion. Low draft also often cripples loading and unloading at Chittagong port, nearly doubling the average time vessels spend in port.

All these lead to the average turnaround time at this port at be at a humongous 3.5 days to 2 weeks, compared to lesser-than-a-week average timelines reported in other ports in the region<sup>xxi</sup>. Coming to average dwell time, while it takes 2 to 3 days to clear a vessel in Bangladesh, the same is only a couple of hours in Singapore or Thailand (Ethan Huang, 2017<sup>xxii</sup>). The majority of the respondents from the trading community stated that the Chittagong Port Authority (CPA) is an important government department which suffers due to inadequate port facilities, labour movement, largely manual operation/restrictive automation and corruption. The political-economy context is therefore critical, and often requires intervention from local authorities and the Chittagong City Corporation. Given the current state of infrastructure and severely sub-optimal port capacity, there also seems to exist an understandable strong resistance from local businessmen to open up the port to foreign exporters and regional transit services, and consequent surge in demand for port services. China is investing to modernize and upgrade the port, but more concerted action is needed with multiple players to meet the infrastructure deficits for it to be useful for BBIN MVA trade and also for the Mirsarai SEZ. Bangladesh has commissioned two studies of the technological and economic feasibility of a mid-sized seaport north of Chittagong and a floating terminal in Chittagong, to resolve chronic maritime trade bottlenecks.<sup>xxiii</sup>

#### **4. Way Forward – identifying priority policy, transport infrastructure and economic zones for development**

The discussion above clearly underlines that while a lot of transport infrastructure projects are ongoing and proposed, there is a lot to be done before trade and transport infrastructure in the BBIN sub-region adequately meets the requirements of current business, and projected higher demand from the opening up of the transit routes and new economic zones. The difficult and divergent terrain (soft loamy soil to hilly tracts) and the range of diversity of climate, soil and vegetation in much of the BBIN sub-region under discussion in this paper, sustainable development of the economy, energy and transportation requirements should be a key focus of commercial and environmental policy. Boosting economic growth and demand should thus go hand in hand with creation of trade and transport infrastructure, as the latter often sees supply response to rising demand. National governments and regional multilateral donors should also prioritize investment to completely develop one zone quickly rather than spreading limited resources thin over multiple projects. Usually, positive economic feedback from a project is the only means of reducing local discontent often fermented by vested interests that likely to be affected. On the other hand, in democracies visible gains from successful projects have a greater chance of generating popular support for such potentially-disruptive projects down the line, much more than is possible through advocacy and political will. Sustainable Development and a more

even distribution of the gains of growth and development can lead to greater overall welfare, less inequality and less social unrest.

To that end, we believe that the following policy actions can be taken. We make these suggestions on a timeline based classification.

#### *4.1 Short-term actions*

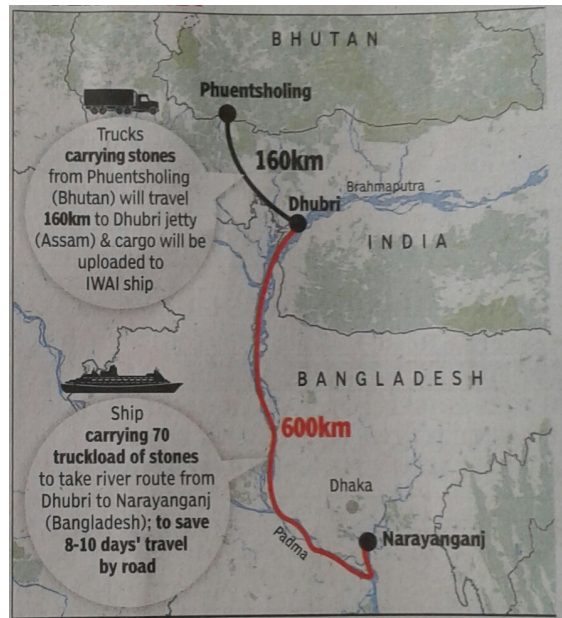
(i) **Boosting economic activity:** India and Bangladesh should consider trading more items through the LCS/ICPs in the region than is allowed at present. Restrictions on tradable items for fear of export surge only pushes the trade underground, in the process losing tax and tariff revenue for governments and raising health scare. Informal trade in sub-standard products across the border can be stopped only when the trade itself is formalized. This however should go hand-in-hand with making adequate provisions of testing facilities at the ICPs (for many products, including perishable ones, getting samples assessed at testing labs in Kolkata is required, which becomes a non-tariff barrier and a major trade impediment that can be resolved by providing at least the first-level testing services at the ICPs), which can turn around the negative public and business sentiments about a legitimate non-tariff measure being deployed as a non-tariff barrier. Further, local economies need to be integrated for these communities to benefit from these initiatives, which calls for promoting sustainable industrialization of locally demanded and tradable signature products, making most of the natural agro, forest and mineral resources of the region. The potential for NE India, Nepal and Bhutan to export surplus energy to power-starved Bangladesh needs to be exploited, and the regional energy grid be used for the purpose. Significant levels of transmission systems are already in place across BBIN and they are now being interconnected across borders, especially India-Nepal and India-Bhutan.<sup>xxiv</sup>

(ii) **Digitization of trade processes:** This essential facilitation measure called for under the TF Agreement of the WTO is often resisted by vested interests and rent seekers who benefit from the manual processing of documents and systems. The affected sectors like C&F agents, freight forwarders, dishonest traders and courier service providers, thus need to be engaged with continuously through advocacy and stakeholder outreach programmes, simultaneously with targeted programmes aimed at bringing them into the official fold. For example, rather than adding to new parking facilities at the ICPs, existing informal parking lots can be first regularized through sub-contracting and exerting political support to convince them to comply with the government regulations on fee structure, facilities provided, etc. This along with digitization of processes can eliminate unwarranted wait times and irrational pricing issues.

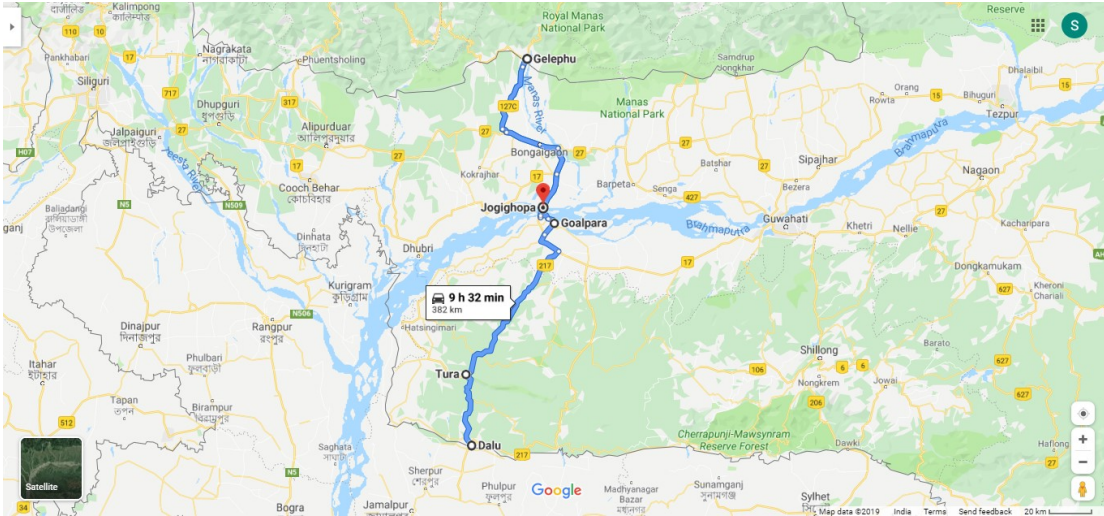
#### *4.2 Medium-term actions: Target investment in trade and transit infrastructure in clusters/zones*

India has initiated mega-investment projects for upgrading transport infrastructure under the Bharatmala Project. While the road and rail linkages are being built, investments for creating facilities in the newly announced MMLP at Jogighopa have begun. It is being proposed that the government(s) should also consider investments on building the following:

(i) The **cargo customs clearing facility at Dhubri** in Assam<sup>xxv</sup> that started operations in the second week of July 2019 will complement the under-construction Jogighopa MMLP. The construction of the Northeast Economic Corridor under the Bharatmala programme of the road ministry and the signing of the MoU between India and Bangladesh for developing the Dalu-Tura-Goalpara-Gelephu multimodal trade route will make Jogighopa MMLP a highly vibrant inland trade and transport hub not only for the BBIN sub-region but also for the eastern ASEAN region. Concurrently, the existing ferry services should be expanded and improved keeping in view the increasing number of passengers and volume of goods ferried. Many steamers may need repairing and there may be a need to increase the fleet strength of the steamers of different sizes. The facilities for quick repairing of steamers and boats, and for rescue and relief operations need to be set up at different designated river ports-of-call.







Similarly, a MMLP and **cargo-processing customs and immigration terminal at Karimganj** in south Assam could be considered. Going forward this will help to integrate the region with the ADB-proposed AH2 at Moreh in Manipur, once the planned NE roads and NFR rail tracks are upgraded/built. India has already committed to fund, supervise and monitor dredging of Ashuganj-Zakiganj and Sirajganj-Daikhowa stretches of Indo-Bangladesh protocol route(s) in Bangladesh.

(ii) Creation of **Combined border check-posts** (customs and immigration) for India and Bangladesh will help facilitate customs checking and inspection of goods cargo and passengers and increase efficiency by eliminating duplication of actions. This is widely followed in Europe on efficiency grounds. Since India has almost completed upgradation of the ICP at Dawki, while Tamabil on the Bangladesh side needs upgradation, it is being proposed that the existing reservations regarding border security be resolved at the top policy levels and the Tamabil check-post be allowed to expand closer to the border, with a view of future amalgamation of the two check posts at the border, following the model of 'border haat's' common sanctified zones. However, this being a brownfield activity, needs political buy-in and persuasion on both sides.





An easier option for fresh Greenfield action along the above lines is being suggested for Phulbari in West Bengal, which is proposed for upgradation to ICP. Creating a joint ICP, a common practice in Europe, in the Phulbari-Banglabandha 5.5 km stretch as a test case will allow experimentation of viability and risk assessment of such systems in South Asia. This has the added advantage of saving on duplication of facilities that will be in high demand when the BBIN MVA route Banglabandha-Phulbari-Kakarbhitta becomes operational, while at the same time allowing for this zone to be developed as a regional trade and transshipment hub.

#### *4.3 Operationalizing a bilateral Motor Vehicles Agreement*

The BBIN MVA need not stop the two major trade partners India and Bangladesh from agreeing on and implementing the Bangladesh-India part of the MVA; they are also the most ready to implement the BBIN MVA agreement. There are major economic gains to be had from such an action, and being modeled on /subset of the existing BBIN MVA, there will be little procedural challenges for adding Nepal and Bhutan once they finish their national ratification processes and are ready to join in. An added advantage of proceeding bilaterally will be in terms of demonstration effect for the other two members, whose politicians might be persuaded that the project is beneficial once the bilateral MVA proves successful and thus provides the much needed assurance to the skeptic vested interests in the other partner countries.

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<sup>i</sup> 96% of the borders of the North Eastern Region (NER) constitute international boundaries. The region accounts for 8% of the country's total geographical area and 3.1% of the country's total population according to the 2011 census.

<sup>ii</sup> All ICPs have passenger and freight processing facilities such as cargo process buildings, cargo inspection sheds, warehouses, cold storages, quarantine, currency exchange counters, clearing agents, banks and vehicle scanners, and are set up in border states to encourage trade. ICPs are already functional at Attari in Punjab along the Pakistan border; Petrapole in West Bengal, Akhaura in Tripura and Dawki in Meghalaya along the Bangladesh border; and Raxaul and Jogbani in Bihar on the Nepal border. The latest addition is Moreh in Manipur, which aims to boost trade with Myanmar. The lack of a mandate to a single agency to manage all the facilities in LCS/ICPs makes border trade management a challenge. There are other clearances apart from customs that need to be taken for wildlife, agriculture, drug controller, health and sanitation and others, and coordination among them is haphazard. The alignment of these systems is part of India's commitment under the WTO Trade Facilitation Agreement.

<sup>iii</sup> In April 2019, the Bhutan government decided to send the bill for ratification of the BBIN MVA initiative for road and rail connectivity to its upper senate. Bhutan is yet to ratify the pact for its entry to come into force. However, Bhutan had given its consent for the BBIN MVA to enter into force amongst the other 3 countries i.e. Bangladesh, India and Nepal, who have already ratified it. (Source: <https://www.insightsonindia.com/2019/04/16/bangladesh-bhutan-india-nepal-bbin-initiative/>). The BBIN subregional architecture allows member countries to formulate, implement and review quadrilateral agreements across areas such as water resources management, connectivity of power, transport and infrastructure.

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<sup>iv</sup> [South Asia Subregional Economic Cooperation Highway Improvement Project](#): Regional Cooperation and Integration: The [road pact linking India, Nepal, Bhutan and Bangladesh augurs well](#), but there are socio-environmental concerns.

<sup>v</sup> Media report dated 15 Jan 2018, accessed at <https://www.livemint.com/Politics/kVaw1u3uvAq3SVugqTGkCI/BBIN-pact-India-Bangladesh-Nepal-okay-vehicle-movement-pr.html> ; BBIN Pact: [India, Bangladesh, Nepal Finalize Vehicle Movement Procedure](#)

<sup>vi</sup> <https://economictimes.indiatimes.com/news/politics-and-nation/opening-up-shipping-routes-bangladesh-pact-to-make-travel-to-northeast-easier/articleshow/53273934.cms>;  
<https://www.mea.gov.in/Portal/LegalTreatiesDoc/BG15B2421.pdf>

<sup>vii</sup> To knit the NE India together, the [North East Corridor proposed under the Bharatmala Scheme](#) will span 3,246 km of roads with 22 Traffic Survey Points along: (i) Bongaigaon – Guwahati – Nagaon – Tezpur – Dibrugarh – Margherita; (ii) Dudhnoi – William Nagar; (iii) Gohpur – Itanagar; (iv) Nagaon – Dimapur; (v) Numaligarh – Dimapur – Kohima – Imphal; (vi) Kohima – Jessami – Ukhrul – Imphal; (vii) Jorabat – Jowai – Silchar – Karimganj – Agartala; (viii) Manu – Simglung – Aizawl – Imphal; (ix) Silchar – Aizawl; (x) Silchar – Jiribam – Imphal.  
Source: <https://www.india.gov.in/spotlight/bharatmala-pariyojana-stepping-stone-towards-new-india>

<sup>viii</sup> Govt to construct [railway bridge beside Bangabandhu bridge](#), January 22, 2019 / The Daily Star. “One more double-gauge rail bridge will be built beside the Bangabandhu bridge (the latter is located on the Asian Highway and the Trans-Asian Railway and carries road and rail traffic, as well as gas, electricity and telecommunications) with the finance of Japan,” said the railway minister of Bangladesh. This is part of the mega projects in the railway sector undertaken by the government.

<sup>ix</sup> Quader: [67% work of Padma Bridge completed](#); May 20th, 2019 / The Dhaka Tribune. The 6.15 km long Padma multipurpose road-rail bridge is expected to be completed by 2021/22. Construction work of the approach roads at Janjira and Mawa points along with service area has already been completed; the overall progress of the work of the project is 67%. Some 76% work of the main bridge has been completed while 55% of the river training and 100% work of the connecting roads are done. The two-level steel truss bridge will carry a four-lane highway on the upper level and a single track railway on a lower level, and has provisions for rail, gas, electric line and fibre optic cable for future expansion.

<sup>x</sup> [Dhaka-Chittagong expressway route](#) to offer cheaper, faster truck transport; Bangladesh Special Correspondent | Nov 30, 2018. Bangladesh is moving forward with its project to build a \$2.2 billion new highway to connect Dhaka to Chittagong port, as the existing Dhaka-Chittagong four-lane national highway corridor is congested with truck traffic and is one of the costliest thoroughfares in South Asia. The new, four-lane, access-controlled expressway — a toll road — will enable quicker transport of export-import cargo, as Bangladesh’s trade volume continues to vector higher. The land acquisition process has started and expected to take until 2023, when the government will facilitate land acquiring, development, and the shifting of utility services. After that, the bulk of construction work on the 217.5 km road will begin. The project is expected to be completed by 2028.

Bangladesh Goods Transport Owners Association President Mukbul Ahmad said the cost of metric tons per km transported on the Dhaka-Chittagong highway is at 6.70 cents, and that fee rises to up to 18 cents during strikes and political activism/demonstrations. This is substantially higher than the transport cost of metric tons per km in other countries: India - 2.7 cents; Pakistan - 2.1 cents; and Vietnam, the United States, and Brazil between 2.5 and 4.8 cents. The cargo transportation cost and time taken on the Dhaka-Chittagong highway is one of the highest in

the world. Experts have also expressed the need for a multimodal transport corridor and prioritizing the development of the rail network between the two cities.

<sup>xi</sup> <https://www.adb.org/sites/default/files/linked-documents/52097-001-sd-02.pdf>

<sup>xii</sup> [Benapole, Petrapole ports not ready to boost bilateral trade](#); [Petrapole parking woes choke border trade](#) with Bangladesh; [Customs fail at land-port](#); etc

<sup>xiii</sup> Insufficient human resources, manual manning and checking of the customs department, and inadequate road-width, infrastructure and handling equipment more on the Bangladesh side has remained as an important element in delaying the consignment of trucks, which remain stranded for 6 days on an average at the Petrapole-Benapole Integrated Check Post (ICP). While some trucks get cleared by a day, some are left waiting for as long as 15 days to clear – even despite 24x7 operation. However, it is affirmative that most of the trucks which are laden with perishable goods generally gets released within a time period of 3-4 hours. According to the 2017 SANEM study findings, the Benapole land port has been facing challenges of insufficient operation hours, lower storage capacity than the demand, inadequate equipment, transport and space facilities, unsatisfactory regulatory and administrative procedure, poor facilities to use digital and advanced technology for risk management and significant requirement of additional workforces.

<sup>xiv</sup> [India sets deadline for digital ports platform](#): Bency Mathew, Special India Correspondent | Jul 11, 2019.

<sup>xv</sup> Union Home Minister reviews Integrated Check Posts and Border Management projects: [09 NOV 2018, by PIB Delhi](#).

<sup>xvi</sup> [No takers for transit facility through Bangladesh](#); August 16, 2017/ The Hindu BusinessLine.

<sup>xvii</sup> Why [India is dredging rivers in Bangladesh](#); October 8, 2017/ The Economic Times. Also, <http://www.uniindia.com/brahmaputra-dredging-in-bangladesh-to-be-completed-next-year/east/news/1767606.html>

<sup>xviii</sup> For providing cross-border rail linkage, foundation stone for Agartala-Akhaura Rail-Link was laid in July, 2016 which will connect the existing Agartala station in Tripura to Akhaura Station of Bangladesh Railways. The 1,650-km distance between Agartala and Kolkata would be reduced to only 550 km once the new rail track is linked through Bangladesh. Of the total track of 15.054 kms, only five km will be on the Indian side and the rest in Bangladesh; acquisition of land for the Agartala-Akhaura rail link has already started. The cost of Indian portion of the project is Rs.580 crore, which is being borne by Ministry of DoNER while the Bangladesh portion is being funded by Ministry of External Affairs as grant assistance.

<sup>xix</sup> The project was completed in June 2014: ADB, 2014. Project Completion Report: Chittagong Port Trade Facilitation Project in Bangladesh. Manila (Loan 2147).

<sup>xx</sup> Mahmud, T & Rossette, J, 2007, 'Problems and potentials of Chittagong Port: a follow-up diagnostic study', [www.ti-bangladesh.org/research/ES\\_CTG\\_Port2007%28eng%29.pdf](http://www.ti-bangladesh.org/research/ES_CTG_Port2007%28eng%29.pdf) : [https://www.ti-bangladesh.org/beta3/images/max\\_file/rp\\_ES\\_CTG\\_Port2007\\_en.pdf](https://www.ti-bangladesh.org/beta3/images/max_file/rp_ES_CTG_Port2007_en.pdf);

<sup>xxi</sup> Review of Maritime Transport 2017 - PORTS – UNCTAD; [https://unctad.org/en/PublicationChapters/rmt2017ch4\\_en.pdf](https://unctad.org/en/PublicationChapters/rmt2017ch4_en.pdf)

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<sup>xxii</sup> Major delays at Chittagong port; Source: <https://www.morethanshipping.com/major-delays-chittagong-port/> . Congested Chittagong; [https://www.joc.com/port-news/congested-chittagong-tightens-turnaround-times\\_20171222.html](https://www.joc.com/port-news/congested-chittagong-tightens-turnaround-times_20171222.html)

<sup>xxiii</sup> The Mirsarai Economic Zone is expected to anchor the port, and the floating terminal near Chittagong would be used as a transshipment point where containers from feeder vessels will be offloaded to small container ships to reach inland container terminals near Dhaka, which would help ease the regular congestion at Chittagong. Dhaka-based shippers will be able to avoid congestion on highways and in Chittagong Port if they use river routes to the harbor for carrying containers. Both time and cost will also be saved. Vessels from Dhaka and inland container terminals throughout the country will bring their cargo to the floating harbor for loading onto vessels bound for Singapore or Colombo. Government data show that nearly 70% of containers at the Chittagong Port originate from, or are destined for Dhaka, of which only 17% are being transported by river or rail. The remaining 83% move by truck.

<sup>xxiv</sup> BBIN Initiatives: [Options for Cross-Border Power Exchange](#); Mahendra Lama, April 2016, ORF Issue Brief no. 137.

<sup>xxv</sup> [India's waterways to facilitate cheaper transit for Bhutan-Bangladesh trade](#); July 12, 2019/ The Hindu BusinessLine. Cargo handling at the redeveloped Dhubri port in Assam (with customs facility, jetty and two warehouses that can handle bigger vessels) has now been inaugurated with 1,000 tonnes of crushed stone from Bhutan being shipped to Bangladesh in a single 2,000-tonne, self-propelled IWAI vessel MV AAI, replacing 70 trucks of 12 wheels or 50 trucks of 16 wheels. The transit that would take upto 20 days via roads in the past, due to the customs clearance time and long queues of truck for transshipment at the India-Bangladesh border is now being cut to 8-10 days; the ship will take 6 days to cover the 600 kms between Dhubri and Narayanganj. IWAI will get a user fee of two paise per tonne per km, leading to a cost saving of 30% which will be higher if the return cargo is taken into consideration. The stone aggregates will sail on the IWAI vessel from Dhubri river port in Assam to Narayanganj in Bangladesh through India's National Waterways 2 and Indo-Bangladesh Protocol Route1 & 2. India has agreed to provide ₹305 crore to Bangladesh for maintaining the navigable water depth on this route for 7 years, and dredging works have been awarded through 80:20 sharing (80% by India and 20% by Bangladesh) between Sirajganj and Daikhawa, and Zakiganj and Ashuganj in Bangladesh; dredging works to maintain year-long navigable stretches of at least 2.5m depth is expected to be completed by end of 2020, as per latest estimates.