



# DELHI POLICY GROUP

*Advancing India's Rise as a Leading Power*



## DPG Roundtable Reports, Vol. 2, Issue 2 Roundtable on “Advancing the BBIN Sub-Regional Cooperation”

The Hotel Hindusthan International | Kolkata | March 16-17, 2017



**DPG Roundtable on  
Advancing BBIN Sub-regional Cooperation  
Kolkata, West Bengal, 16-17 March 2017**

**Contents**

**Abstract of Proceedings and Power Point Presentations by Ms. Pavitra Bawa,  
Intern, DPG**

---

**Programme  
Advancing BBIN Sub-regional Cooperation, Kolkata**

---

*“Summary Note: Advancing BBIN Cooperation”*  
**by Ms. Tanzoom Ahmed, Research Associate, DPG**

---

**Chair’s note for Economy Session by Ambassador Sanjay Singh,  
Senior Fellow, DPG**

---

*“BBIN— the closer tie for a better regional integration”*  
**Abstract and Paper by Dr. Ramesh C. Paudel  
Visiting Fellow, Australian National University**

---

*“Bhutan’s perspectives on BBIN cooperation”*  
**Abstract of Presentation by Mr. Sonam Tenzin  
Director, Ministry of Economic Affairs,  
Royal Government of Bhutan**

---

*“Interventions for BBIN cooperation”*  
**Abstract of Presentation by Dr. Samir Das**  
**Dean of Arts, University of Calcutta**

---

*“South-South Monetary Cooperation : A Proposal for BBIN”*  
**Abstract and Presentation by Dr. Indrani Chakrabarty**  
**Professor, Institute of Development Studies, Kolkata**

---

*“Implementation challenges of regional connectivity in South Asia”*  
**Presentation by Mr. Estiaque Bari**  
**Research Associate, Centre for Policy Dialogue (CPD)**  
**Dhaka, Bangladesh**

---

*“Strengthening Transport Infrastructure in West Bengal for BBIN ”*  
**Abstract and Presentation by Dr. Mahalaya Chatterjee**  
**Professor at Centre for Urban Economic Studies,**  
**Calcutta University, Kolkata**

---

*“Transit, Ports and Connectivity: West Bengal and the Region”*  
**Abstract of Presentation by Mr. Pratim Bose**  
**Deputy Editor and Chief of Bureau-Kolkata**  
**The Hindu Business Line**

---

*“Bhutan’s perspective on BBIN cooperation”*  
**Abstract and Presentation by Ambassador Lyonpo Om Pradhan**  
**Former Minister of Trade, Industry and Power**

---

*“Hydropower Cooperation in BBIN: Exploring Potentials”*  
&  
*“BBIN Water Negotiations: Political and Institutional Challenges”*  
**Abstract and Presentation by Dr. Abu Salah Md. Yousuf,**  
**Senior Research Fellow,**  
**Bangladesh Institute of International and Strategic Studies**

---

*“Hydropower Sector Development in Nepal”*  
**Abstract and Presentation by Ms. Barsha Shrestha**  
**Former Deputy CEO of Clean Energy Bank**

---

**Presentation by Dr. Tirthankar Nag,**  
**Professor and Dean,**  
**Research and International Relations, IMI Kolkata**

---

*“Energy and Hydropower Cooperation: BBIN MATRIX”*  
**Abstract and Presentation by Dr. Mohor Chakraborty**  
**Assistant Professor in Political Science**  
**South Calcutta Girls' College (affiliated to University of Calcutta)**

---

*‘Security Challenges faced by BBIN Countries’*  
**Chair’s note for Security Session by Brig. Arun Sahgal, Senior Fellow, DPG**

---

*“Major Security Issues related to BBIN”*  
**Abstract of Presentation by Lt. Gen (R) JR Mukherjee,**  
**PVSM, AVSM, VSM,**  
**Honorary Vice President (operations/research and analyses) CENERS-K**  
**and Former Chief of Staff, HQ Eastern Command**

---

*“BBIN, Sub-regional Connectivity and Implications for Security”*  
**Abstract of Presentation by Dr. Anindya Batabyal**  
**Assistant Professor, Department of Political Science**  
**University of Calcutta**

---

*“Transnational Security Cooperation in BBIN”*  
**Paper by Mr. Abu Salah Md. Yousuf,**  
**Senior Research Fellow,**  
**Bangladesh Institute of International and Strategic Studies**

---

\*\*\*\*\*

## *Abstract of Proceedings and Power Point Presentations*

The Delhi Policy Group (DPG) in partnership with The Asia Foundation organized a roundtable on Advancing BBIN Sub-regional Cooperation in Kolkata on March 16-17, 2017. The roundtable hosted 35 participants including participants from Bangladesh, Bhutan, Nepal and West Bengal. The roundtable on BBIN sub-regional cooperation was thematically divided into 5 sessions dealing with Economic issues and Ports, Transit and Water connectivity, Energy-hydropower and water resources, Security Issues, and People to People Connectivity through multi sectoral engagement. In all these sessions, the concerns, issues, challenges and opportunities, were addressed from the perspective of the four countries. After brief presentations by all the participants, breakout sessions were held in each session to brainstorm concrete ideas and recommendations to advance the BBIN cooperation.

The Roundtable started with a welcome address by Ambassador Biren Nanda, Senior Fellow, DPG. He emphasized that South Asia being one of the least integrated regions of the world, must encourage sub-regional cooperation on the basis of mutual advantage and respect for individual sovereignty, at a pace comfortable to all. Ambassador Rajeev Mitter and Mr. Arvind Kumar, Former officer at Indian Economic Service chaired the sessions on Energy and Transit respectively, Mr. Mitter highlighted how cooperation can be a win-win outcome for every country and how the Issues require holistic regional approach. For energy cooperation, he highlighted the need for an integrated grid covering all the 4 countries and online power trading. Mr. Kumar identified two obstacles to economic integration, namely high cost of trading and very high logistics and transportation costs.

The session on Economic Issues opened with Ambassador Sanjay Singh focusing on the ambit of issues related to BBIN trade, investment and finance, value chains, NTBs, measures, customs and electronic data interchange, banking, border trade and border infrastructure, BBIN MVA etc. He pointed out the greater importance of BBIN economic cooperation viewed against the growing opposition against globalization.

The session on Ports, Transit and Water connectivity focused on ports and shipping, Aviation, Waterways, Road, Railways particularly container transportation. The session started with a special address by Special secretary Transport to Government of West Bengal. He gave a gist of all the operational issues and groundwork undertaken by Government of West Bengal, which led to the facilitation of the BBIN Motor Vehicles Agreement.

The Energy-hydropower and Water Resources session opened with a special address given by Ambassador Sanjay Singh. The need to think of connectivity as a way to recreate the past, where the BBIN region was the most prosperous in South Asia, was focused upon. The countries must view the area as a growth quadrangle and regional cooperation should be viewed as a platform to increase regional productivity and competitiveness and provide assistance to landlocked areas. Mr. Ambarish Dasgupta, Partner and Head, Management Consulting, KPMG in India, gave the Keynote Address for the Trade Session. He shed light upon how Asia should integrate and make itself a self-contained region in terms of all kinds of goods and services. He also insisted on India having collaborative federalism in place of competitive federalism, which should extend beyond India to the sub-region.

The Session on Security issues focused on issue of border management, terrorism cooperation; counterfeit money, illegal immigration and drug trafficking. Brigadier Arun Sahgal, Senior Fellow, DPG, traced the multiple challenges faced by BBIN countries to history of regional integration and ethnicity often leading to cross border tensions. The insightful discussion brought forth the interlinked nature of regional integration and national security and other issues related to ensuring the security of the nation, be it economics, energy, power, water, transit.

The People to people connectivity session saw a myriad of perspectives and suggestions based on the foundation of trust building among the four nations. Ambassador Nanda emphasized on the need of socializing BBIN among society at large. The discussion traced the rich historical and cultural engagements within the region from the prehistoric times to the present, where in addition to the prevailing efforts of Border Haats, future avenues of multi sectoral engagements were discussed. These included film and culinary festivals, academic and media exchanges, BBIN scholarships, which can tap young minds to nip prejudices

among neighbors.

The Roundtable witnessed insightful discussions that culminated in specific recommendations from the perspective of all four countries.





**DELHI POLICY GROUP**



**The Asia Foundation**

**DPG Roundtable on Advancing BBIN Sub-regional Cooperation**

Venue: Hotel Hindusthan International  
Kolkata, 16-17 March 2017

**Programme**

**Day I: Thursday, 16<sup>th</sup> March 2017**

**Venue: Zodiac Hall, HHI, Kolkata**

**09.00 – 09.30            Registration**

**09.30 – 10.00            Opening Session**

09.30 - 09.40            Welcome Address by Ambassador Biren Nanda, Senior Fellow, Delhi Policy Group (DPG) [10 minutes]

09.40 – 09.50            Special Address by Ambassador Rajeet Mitter [10 minutes]

09.50- 10.00            Special Address by Mr. Arvind Kumar [10 minutes]

**10.00 –11.00            Session I: Economic Issues**

[The session will deal with Non Tariff barriers/ measures, Customs and electronic data interchange, Banking, Border trade and border infrastructure, BBIN MVA, etc.]

*Chair: Ambassador Sanjay Singh, Chair, Economic Issues [10 Minutes]*

Speakers: [3-5 minutes each]

1. *Dr. Ramesh Chandra Paudel, Representative from Nepal, Visiting Fellow, Australian National University*
2. *Mr. Sonam Tenzin, Director, Ministry of Economic Affairs, Royal Government of Bhutan*
3. *Dr. Samir Das, Dean of Arts, University of Calcutta*
4. *Mr. Prithviraj Nath, Associate Director, CUTS International, Kolkata*
5. *Prof. Imankalyan Lahiri, Faculty, International Relations, Jadavpur University*
6. *Dr. Indrani Chakrabarty, Professor, Institute of Development Studies, Kolkata*

11.00 – 11.15            *Coffee break*



**DELHI POLICY GROUP**



**The Asia Foundation**

- 11:15 – 12:00 Breakout Session for Economic Issues [45 minutes]
- 12.00 – 13.00 Discussions/ Recommendations/ Q&A [60 minutes]
- 13.00 -14.00 *Lunch Break*
- 14.00 - 15.00** **Session II: Ports, Transit and Water connectivity**  
[The session will deal with ports and shipping, Aviation, Waterways, Road, Railways particularly container transportation]–
- Special Address: by Mr. Alapan Bandhopadhyay, Principal Secretary, Transport, Government of West Bengal [15 minutes]
- Chair: Mr. Arvind Kumar, Chair for Transit and Transport Issues*  
[10 minutes]
- Speakers:[3-5 minutes each]
1. *Mr. S. Balaji Arun Kumar, Deputy Director, Kolkata Port Trust*
  2. *Mr. Estiaque Bari, Research Associate, Centre for Policy Dialogue*
  3. *Dr. Ramesh Chandra Paudel, Representative from Nepal, Visiting Fellow, Australian National University*
  4. *Dr. Anita Sengupta, Senior Researcher, Mahanirban Calcutta Research Group*
  5. *Dr. Mahalaya Chatterjee, Professor at Centre for Urban Economic Studies, Calcutta University, Kolkata*
  6. *Dr. Parthapratim Pal, Professor, Economics, IIM Kolkata*
  7. *Mr. Pratim Bose, Deputy Editor and Chief of Bureau-Kolkata, The Hindu Business Line*
- 15.00 – 15.45 Breakout Session for Ports, Transit and Water connectivity [45 minutes]
- 15.45- 16.15 Discussions/ Recommendations/ Q&A [30 minutes]
- 16.15-16.30** **Summary and wrapping up the discussion**



**DELHI POLICY GROUP**



**The Asia Foundation**

**Day II: Friday, 17<sup>th</sup> March 2017**

**Venue: Emerald II, HHI Kolkata**

- 09.30- 09.40**                    **Special Address by Ambassador Sanjay Singh [10 minutes]**
- 09.40-09.50**                    **Keynote Address by Mr. Ambarish Dasgupta, Partner and Head, Management Consulting, KPMG in India, Kolkata [10 minutes]**
- 09.50-10.30*                    **Session III: Energy-hydropower and Water Resources**  
[The session will deal with Hydropower, power sharing and transmission, Non-conventional energy, PPP and Energy investment.]
- Chair: Ambassador Rajeev Mitter, Chair for Energy [10 minutes]*
- Speakers: [3-5 minutes each]*
- 1. Ambassador Lyonpo Om Pradhan, Former Minister of Trade, Industry and Power*
  - 2. Dr. Dipankar Dey, Guest Faculty, Dept of Business Management; Calcutta University*
  - 3. Mr. Abu Salah Md. Yousuf, Senior Research Fellow, Bangladesh Institute of International and Strategic Studies*
  - 4. Ms. Barsha Shrestha, Representative from Nepal, Former Deputy CEO of Clean Energy Bank*
  - 5. Dr. Tirthankar Nag, Professor and Dean, Research and International Relations, IMI Kolkata*
  - 6. Dr. Mohor Chakraborty, Assistant Professor in Political Science South Calcutta Girls' College (affiliated to University of Calcutta)*
- 10.30 - 10.45**                    *Coffee Break*
- 10.45 – 11.15**                    **Breakout Session for Energy-hydropower[30 minutes]**
- 11.15 – 12.00**                    **Discussions/ Recommendations/ Q&A [45 minutes]**



**DELHI POLICY GROUP**



**The Asia Foundation**

**12.00- 12.25**

**Session IV: Security Issues**

[The session will deal with border security and other security threats]

*Chair: Brigadier Arun Sahgal, Chair, Security Issues [10 minutes]*

*Speaker: [3-5 minutes each]*

- 1. Lt. Gen (R) JR Mukherjee, PVSM, AVSM, VSM, Honorary Vice President (operations/research and analyses) CENERS-K and Former Chief of Staff, HQ Eastern Command*
- 2. Dr. Binoda Kumar Mishra, Director, CSIRD*
- 3. Dr. Anindya Batabyal, Assistant Professor, Department of Political Science, University of Calcutta*
- 4. Mr. Abu Salah Md. Yousuf, Senior Research Fellow, Bangladesh Institute of International and Strategic Studies*

12.25 – 13.00

Breakout session for Security Issues [35 minutes]

13.00 – 13.30

Discussions/ Recommendations/ Q&A [30 minutes]

13.30 – 14.30

*Lunch Break*

**14.30 – 15.30**

**Session V: People to People Connectivity through multi-sectoral Engagement**

[The session will deal with Tourism, Higher Education, Health, Cultural heritage, Media, etc]

*Chair: Ambassador Biren Nanda, Chair, People to People Connectivity through multi- sectoral engagement [10 minutes]*

*Special Address: Mr. Pradeep Gooptu, Director General, Bengal Initiative & Director, Financial Journalists Group [10 minutes]*

*Speakers: [3-5 minutes each]*

- 1. Mr. Prithviraj Nath, Associate Director, CUTS International, Kolkata*
- 2. Dr. Sreeradha Dutta, Director, MAKAIS*
- 3. Dr. Ishani Naskar, Professor, Department of Political Science, Rabindra Bharati University, Kolkata*
- 4. Professor Ratan Khasnabis, University of Calcutta(Presentation on Healthcare)*

15.30 – 15.45

*Coffee break*



**DELHI POLICY GROUP**



**The Asia Foundation**

- 15.45 – 16.15 Breakout session for People to People Connectivity through multi-sectoral Engagement [30 minutes]*
- 16.15 – 17.00 Discussions/ Recommendations/ Q&A [45 minutes]*
- 17.00-17.15 Rapporteur Note by Mr. Sanjay Pulipaka, Senior Consultant, ICRIER**
- 17.00-17.30 Concluding Remarks and Vote of Thanks**



## **DELHI POLICY GROUP**

### **ADVANCING BBIN SUB-REGIONAL COOPERATION**

#### **KOLKATA, WEST BENGAL**

**16<sup>th</sup> -17<sup>th</sup> March 2017**

#### **Summary Note and Recommendations by Tanzoom Ahmed: -**

Recommendations for Economic Session-

- Value Chains and Production growth will be enhanced through better connectivity; help to start production sharing network.
- Improve the quality of governance related to the customs- trade facilitation.
- Establish a trade facilitation body; harmonization of trade regulations and procedures.
- Indian Public and Private Investment in the areas adjoining the BBN Countries will benefit the entire sub-region; investment in infrastructure.
- Specific route allotment, efficiency of logistics, Kolkata- Gorakhpur, Kolkata-Raual; Petroleum products supply route.
- Transportation system: UP/ Bihar development will help Nepal directly. Joint authority for inspection at the Kolkata port.
- Investment on Human Resources such as training facility for customs officers/ Capacity to understand the policies
- Common certification for SPS Measures will reduce the operational time and costs.
- Establishment of Railway links b/w Hashimara-Pasakha
- Establishment of Inland Waterways system for trans-country transportation to bring down costs.
- Put in place a BBIN Labour Migration Regime (mainly with ref to cheap and unskilled labour) requires recalibration of domestic policies; evolution of work permit regime.
- Some mechanism to ensure NE States to benefit from Trade and Transit developments.
- Utilize SARSO Better for harmonization of standards.
- Look at efficiency of the corridors, for example: the challenges with Petrapole; Economic-political efficiency, alternative for Petrapole can be Ghoadanga- Bhomra corridor; Siliguri cluster should be further developed; Phulbari- Banglabandha Corridor to prioritise over Changrabandha – Burimari Corridor.
- Internal carnet for India itself to facilitate movements within the country.
- Institutional arrangement for regular interaction b/w working officials on both sides of border.
- Project Idea: Mistrust is hampering trade, Tourism circuit using the Waterways channels and routes

- The significant heterogeneity should be looked at as an opportunity for all BBIN Nations. There should be a level playing field.
- Informal economy along the border should be streamlined and brought into the area of formal regulation.
- External factor should be taken into consideration: China's OBOR should be countered
- MVA: Bhutan's environmental concerns should be addressed. The state of motor roads should be taken into account as well. Bhutan is highly mountainous with a still-to-be properly developed road infrastructure. Motor vehicle drivers need to be trained and qualified to drive on mountainous and narrow roads. Vehicles with the number of passengers need to qualify technically to operate on such roads and at times in high altitudes. If this is not done responsibly by the authorities concerned it may pose grave danger to travelers.
- Transit agreement where desirable should be negotiated, finalised and implemented as soon as possible
- Heterogeneity issues can be addressed through pricing mechanism which could make it acceptable to different population centres, especially in relation to Transit arrangements.
- Reiterate in the BBIN Context, arrangement already put in place
- Roaming charges in the region is an issue; create a sub-regional telecom/ digital connectivity platform
- Connectivity has to include masses not only business
- Sensibilities of the BBIN Nations have to be taken in consideration
- Subsidizing goods for the BBN Nations by India
- Migration issues
- Border Haats needs special attention/ emphasis to meet the requirements of the local population
- **Tapping Third country import opportunity:** Considering low efficiency of Kolkata port, it is high time India allows suitably located deep sea ports including private ports, like Dhamra, to tap the opportunity to cater the (third-country) import needs of the region, including Bangladesh.
- It is also high time for India to remove monopoly of government-owned rail logistics company CONCOR, which is currently dominating Indo-Nepal trade, and allow private players to help improve efficiency.
- Pushing private initiatives in logistics park or transshipment hub might reduce the scope of G2G negotiations and associated red-tapism (as is evident in the ongoing MVA negotiation).
- We can make the discourse more effective by focusing on optimisation of trade costs. India being an exporting economy should take maximum interest. Focus should be on containerization and rail movement of cargo on priority.

## **Recommendations for Ports, Transit and Water Session**

- Digitalised system will benefit the transit system
- Waterways connections can be developed by looking at best practices around the world (Eg: Switzerland)
- Development of the Railway Network, Nepal can benefit from India's rail network.
- No third party transit agreement b/w India-BNG-Bhutan for use of the Brahmaputra.
- Developing the river networks between Bhutan-India-Bangladesh; installing a dam at Sankosh River to make it navigable.
- Hashimara-Pasakha Railway Line is of critical concern to Bhutan is a Govt. approved project but land acquisition issues have thwarted progress
- Feasible Waterways/ Waterways which can be revived: Some channels can be used; Churni, Attra in Dinajpur
- Dredging is not cost effective, heavy duty hovercraft maybe cheaper than dredging. It is suitable for high value cargo.
- Current transit route option is Assam-Brahmaputra route
- Navigable Rivers: Past: Ichamati; ADB Report lists navigable routes, line of Greater Mekong Sub-region
- Need for intergovernmental agreement on standardization and handling of containers.
- The current discourse on BBIN is heavily dominated by MVA dialogues thereby attracting undue attention and resistance as is evident in the case of Bhutan.
- It also undermines that the fast improving rail and road connectivity through the Chicken's neck would reduce the theoretical importance of transit from Kolkata to North East through Bangladesh.
- Considering rail infra gaps in the sub-region, seamless movement of rail cargo is not possible in immediate future. It would be a better idea to create transshipment or logistics hubs inside neighbouring economies, where from containers can move by rail or road depending on local needs.
- Investment in transshipment facility should be India's responsibility.
- India should also urgently ramp up domestic rail and road capacities catering regional trade requirements.

## **Recommendations for Energy Session**

- The framework for existing bilateral arrangements for hydropower development, transmission and sales should be continued, and a separate BBIN framework developed for sub-regional cooperation in hydropower.
- Transmission lines between BBIN countries would have to pass through India in view of the geography. In this regard, direct sales of electricity between producers and end-consumers of electricity should be facilitated by India as the transit country based on minimal charges for use of transmission lines.
- A framework for the efficient management of the water resources of the Himalayan areas of BBIN countries should be worked out. In this regard a joint working group could be established. Plans for environmentally compatible water storage facilities should be



worked out and systematically implemented through joint investments where necessary. In this way the maximum amount of fresh water could be made available for human consumption and irrigation to lower riparian areas in India and Bangladesh. Canals and pipelines for water distribution could be thought of from storage facilities to consumption centres in the lower riparian areas.

- Feasibility Study: storage of water, BBIN can promote study on hp potential and water storage.
- Role of Ind-Bng-Nepal, making a FW and modalities as well as for cross border investments
- Dam projects is encouraged in Nepal, and it will help in development of power and flood control
- BBIN could Investment in HP, as Nepal cannot afford at this juncture
- Agreement on long term perspective for suitable pricing mechanism on energy
- Integrated transmission lines/ Regional Energy Grids should be established, a hub could be made to share electricity
- How to explore mechanism for tapping markets and ensure joint efforts
- There could be a forum of regulators, to ensure harmonizing of regulations and procedures
- Indo-Bhutan EIA Regime has to be transparent
- Surplus wind energy from South Indian states can be tapped
- Investors to be encouraged in keeping up with the investment scenario in India
- Distortion created by energy markets? How do we deal with subsidies in each of the BBIN Countries in creating a unified energy markets and encouraging the private sector to participate?
- BBIN nations have to enter into a power sharing agreement
- Emphasis on solar power, mainly for Nepal, smaller projects/ micro hydel projects
- Integrated energy and utilization of water management committee
- BBIN Water resource management and engagement with China is essential
- Virtual Water Trade is an important issue , India should develop a comprehensive policy to take advantage of the water resources
- Opportunity costs of large multipurpose hydropower projects are very high; long term costs of DVC etc are to be assed properly
- Sector Specific welfare loss/ gains for any sub-regional or regional cooperation needs to be calculated first before entering into any such agreement

### **Recommendations for Security Session**

- Network of counterterrorism (CT) experts who will examine the effectiveness of CT measures developed by each country.
- Possibility of creating a security community/ regime for BBIN: Security community instils greater togetherness/ collective identity. BBIN's ultimate objective is to create a security community but first step is security regime with norm compliance.
- BBIN needs to learn from Best Practices in smart border management

- Spreading knowledge (health and education) and awareness and developing a common BBIN Curriculum for schools/ popularisation module-to create awareness of regional integration issues and potentials
- Real time sharing of data among the BBIN Nations
- Developing common practices within the BBIN Nations
- Establish a work permit system
- Trans-border movement must be regulated and monitored specific recommendation for a regionally recognised identity card
- Much more integrated look at the cyber security issues that help BBIN members in dealing with cyber challenges
- Developing common practices to develop grids
- BBIN Security discussions need to focus in a way to enhance economic cooperation
- Outstanding water disputes should be resolved soon
- Land Ports Functionality: Out of 24 LPs in the BNG-IND Border there are only 4 functional. Petrapole is over burdened (80% Trade). Using LPs in Malda, Murshidabad can resolve some of the issues.
- Smaller airports can help build seamless connectivity

#### **Recommendations for People-to-People Session**

- More Border Haats need to be developed along the India-Bangladesh border, not just for economic opportunities but also to form a greater people-to-people connect by hosting mela, medical camp, food festival in the haats. Learning from the Dilli Haat concept. Tourism aspect of Haats, since some haats are located in picturesque locales.
- BBIN Food and Cultural festival, cultural exchanges in a mass level is also necessary
- BBIN Regional Medical Insurance Regime, insurance policy in each of the countries should allow treatment in other countries.
- Institutional partnerships with common platforms; think-tanks, universities, medical institutes and other research institutes
- Media of the BBIN Nations can highlight positive case studies and help build stronger relations among the four nations.
- BBIN Student exchange program for schools and colleges. One way to build greater connect is to start inculcating values of mutual trust at a younger age.
- Eco tourism/ home-stay across the borders can be an interesting way to enhance people to people understanding
- Inter-BBIN Sports Exchanges/ Sport Meets
- Better Flight Connectivity from Dhaka to North East
- BBIN visa systems should be streamlined
- Dual pricing of tickets for SAARC Citizens for all monuments should be done away with.
- To and fro exhibition of music, movie, theatres and art should be encouraged without the interference of the governments of the respective BBIN Countries.

## **DPG Roundtable on Advancing BBIN Sub Regional Cooperation**

**Kolkata March 16-17, 2017**

**Session 1- Economic Issues**

### **Chair's Opening Remarks by Ambassador Sanjay Singh**

1. The session will focus on BBIN trade, investment and finance. It would also cover, value chains, Non –Tariff barriers/measures, Customs and electronic data interchange, Banking, Border trade and border infrastructure, BBIN MVA, etc.
2. BBIN economic cooperation assumes even greater import when viewed against the growing opposition against globalization.
3. The speakers will focus on markets and on increasing their size, connectivity and utilization of comparative advantage to promote economic growth in the sub region and increase prosperity by giving impetus to investment, production and trade.
4. In the BBIN Trade and Transit roundtable held in Delhi in early October there was recognition of the new commitment to regional cooperation by the political elites of the BBIN countries.
5. There is increasing awareness of the advisability of enhancing BBIN cooperation and strengthening inter-linkages.
6. Development of infrastructure will underpin BBIN connectivity within the region and to South East Asia.
7. Today BBIN Trade is just 3.4% of the BBIN global trade, but the potential is there to increase it to \$ 50billion.
8. Regional cooperation should be viewed as a platform for increasing regional productivity and competitiveness and providing assistance to land locked areas and markets. View the region as a growth Quadrangle .
9. Today 50% of global trade is within value chains and there is need to reestablish value chains disrupted in 1947, which made this region the most prosperous in South Asia. This would imply local sourcing of inputs to manufacturing.
10. Trade in services will be important (tourism, health care, education, trade facilitation services etc)
11. Enhancing investment in the region and strengthening financial inter-linkages will be essential underpinnings for the BBIN economic agenda. Equally important will be networks and cooperation between customs, banks transporters etc.
12. Most important is the need to address impediments created by non-tariff measures and barriers as well as the problem of standards and making them uniform over the region.
13. Connectivity through roads , waterways, coastal shipping, rail, energy grids, digital, institutional and people to people all will have to be addressed.

14. Border infrastructure will need to be improved to make border connectors rather than barriers. Equally important will be the soft infrastructure at borders and bettering land-port connectivity.
15. There is need for regional trade facilitation body to look into all these issues.
16. I trust that the audience has already read the bio-profiles of the participants to make their comments. The participants here are all aware of the basics. We need now to move ahead. The visit of PM of Bangladesh to India scheduled for April will perhaps prove to be another opportunity to push this idea forward. Let us try to put together actionable ideas which DPG will try to put up before policy makers. My request is that the participants keep their opening statements short and confined to actionable points. Any additional points can be made in the breakout session which will follow

**Abstract and Paper on**  
**“BBIN— the closer tie for a better regional integration”**  
**by**  
**Dr. Ramesh C. Paudel**  
**(Visiting Fellow, Australian National University)**

## BBIN— the closer tie for a better regional integration

Ramesh C Paudel, PhD<sup>1</sup>

Delhi Policy Group

March, 16-17, 2017

### **Abstract**

*Bangladesh, Bhutan, India and Nepal (BBIN) account 21% of World's population with just 1.8% of the World's exports indicating very low per capita trade. As a result, it records only 3% of World's gross domestic product (GDP). Notably, BBIN accounts 86% of SAARC population, indicating a closer tie of BBIN facilitates a better South Asian integration too. Thus, BBIN has persuasive merits, not only as sub-regional tie but also as a push factor for SAARC that has been facing an indolent progress for long time. Against this background, BBIN agenda must involve concrete steps to improve the trade facilitation within the region, improving the quality of infrastructure connectivity and governance simultaneously with special focus on vocational education to improve the productivity in the region. Indeed, in the background of heavy import, manufacturing sector should go further to identify the solution on why regional output has been unable to meet the regional/sub-regional demand. This will bring better integration and prosperity.*

### **Context**

1. Bangladesh, Bhutan, India and Nepal (BBIN) account 21% of World's population with just 1.8% of the World's export indicating very low per capita trade. As a result, it records only 3% of World's gross domestic products(GDP). Notably, BBIN accounts 86% of SAARC population.

**Table 1: South Asia at a glance as of 2015**

Country	Land (sq. km)	Population million	GDP US\$ million	Merchandise exports US\$ million	Merchandise imports US\$ million
Afghanistan	652860	33	19331	470	557
Bangladesh	130170	161	195079	32379	3946
Bhutan	38117	1	2058	585	117
India	2973190	1311	2095398	267147	39198
Maldives	300	0	3435	240	187
Nepal	147181	29	21195	720	638
Pakistan	770880	189	271050	22188	4422
Sri Lanka	62710	21	82316	10470	1905
South Asia's share (%) in world	3.68	24	4	2	3
<b>World</b>	<b>1.3E+08</b>	<b>7347</b>	<b>73891889</b>	<b>16482000</b>	<b>1672500</b>

Source: World Development Indicators, 2016

<sup>1</sup> The views expressed are of the author, and not of the Institutions he is affiliated with.

2. South Asia is the region with the lowest intraregional trade share. The largest economy in the region, India, has only 8% of its trade within the region. What does it indicate? Does not it need a serious attention from the Indian policy makers? In fact, it needs the right political will to improve the trade relationship within the region making some regional specific strategies. We pledged to create a preferential trading bloc (SAPTA) two decades ago, the concept of South Asian customs union by 2015 and an economic union by 2020 are very far from implementation. SAARC summits are always in the dilemma, even the decisions are not implemented, regional centers do not function well, and the secretariat remains weak. So just talking big things has not turned into practical actions. Let's focus on a few big things and work to achieve them, i.e., regional and sub-regional integrity and integration.

**Table 2: South Asia's intraregional trade share %**

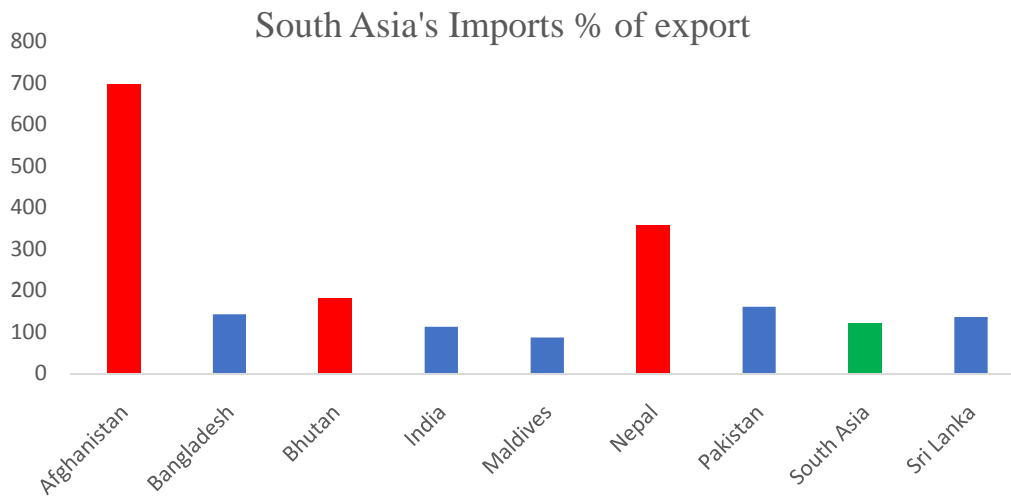
Country	2000	2005	2010	2013	2014
Afghanistan	NA	NA	40.3	32.8	53.1
Bangladesh	12.8	17.0	19.2	NA	NA
Bhutan	NA	83.2	81.0	NA	NA
India	5.8	6.1	5.5	6.3	7.5
Maldives	47.7	40.9	43.6	35.8	38.3
Nepal	88.6	NA	94.6	91.1	91.2
Pakistan	8.5	12.3	17.4	21.1	19.8
Sri Lanka	15.8	30.0	32.8	32.6	34.8

Source: World Bank (2016b)

Note: NA refers data not available

3. *Figure 1* documents a key message— import trade has a dominance on region's international trade, mostly fueled by remittances, particularly in the case of Nepal. This shows that what we consume we do not produce; our manufacturing pattern does not match our needs, neither of others. If we do not believe in our production, how will advanced countries believe? Yes, partly, it is a case of our consumption pattern shifting to more technological products that we do not produce due to lack of investment and technology.

**Figure 1: South Asia's Imports % of Exports (Goods and Services)**



4. Poor regional integration and connectivity, poor quality of governance, and political turmoil are the leading causes of these worst economic and trade scenarios. These have jointly reduced the international competitiveness, which seems impossible to improve with an expansive notion of regional and sub-regional cooperation. We need to evolve from statements of political solidarity into meaningful economic hubs taking the benefits from demographic dividends and natural resources in the region.

#### **Roads ahead**

5. Infrastructures with a wider connectivity are fundamentals to build various trade blocks in the region. Intraregional trade needs to be promoted making it cheaper within the region. Very few inter-country connections within the region are at hand, these should be extended and trade corridors need to be developed, aiming to reach to a big regional market. As the largest economy in the region, India should lead to invest for such connectivity. At this stage, relative to potential, we have few points of entry between countries that need to be extended for greater trade diversity. Building the infrastructure to penetrate the regional market will benefit both the host and investor countries in the long run.
6. Education system should be developed linked with production system. The huge investment for general education is unable to produce required manpower to suit the regional manufacturers' needs in one hand, and the other, educated manpower cannot get jobs in the country that has resulted intense outflow of youths every year for unskilled and semiskilled jobs.



7. The quality of the governance builds the confidence of the investors and provides social security to the people. This will improve the delivery mechanism of the government and up lift the living standard of the people. The quality of the governance should be improved by controlling anarchism, corruption and maintaining rule of the law and contract enforcements. A reform with cautious approach for building institutions can help to create the jobs within the region.
8. Various research works have indicated that regional trade agreements, bilateral and multilateral trade agreements have contributed to international trade substantially in the past. Noting these experiences, we should be motivated for many regional and sub-regional agreements as a part of the second and third generation trade reforms. Not just the tariffs, but we should remove non-tariffs barriers too and facilitate inter-country trades within the region.
9. Landlocked countries face additional costs for the same technology due to hassles in the customs, borders, transits and routes. BBIN can make special provisions for landlocked countries in the region, setting an example for the other regions. These specific roads and fast track economic corridors to enhance connectivity and provide easy access to the big markets in the neighborhood to supplement the additional costs due to the constraints of the landlockedness may help reducing trade costs significantly. The first of such corridors could be the historical link from Kabul to Chittagong, with feeder motorways to Kathmandu and Thimpu.
10. Political economy should support FDI in one's own country as well as for our neighbors so that for investment hubs to revive the manufacturing sector become possible. Because of the diverse climate, the organic agriculture products, agro-tourism, medical tourism, and educational tourism sectors have the uniqueness to attract the investments in the region. These all should be managed as a part of the trade and investment diplomacy. Greater regional production networks in the manufacturing can contribute to economic substantially and make the integration better
11. The sub-region should make specific programs and plans to benefit from Indo-China prosperity. Language, infrastructure, and logistics should be built to target the opportunities both in China and India. For example, advanced countries are producing thousands of Mandarin and other Asian language speaking students every year. They know that 21st century is the Asian Century with the rise of India and China.

**Abstract of Presentation**  
**by**  
**Mr. Sonam Tenzin**  
**(Director, Ministry of Economic**  
**Affairs, Royal Government of Bhutan**

## **BBIN Round Table Discussion from 16-17 March, 2017 in Kolkata**

The BBIN as a sub-regional cooperation with a combined population of about 1.5 billion, endowed with rich natural resources and conducive political environment, has enormous potential to develop as one of the most dynamic and emerging sub-regions. Therefore, there is a need to further deepen the existing engagement and work towards achieving the overall economic prosperity of the region.

The cooperation in the area of trade and investment would not add much meaning without addressing the existing NTBs, transit, and transport challenges. While tariffs and quantitative restrictions have progressively decreased over the years in the region, the increasing use of NTMs have greatly inhibited regional growth and undermined the intra-regional trade potentials. Therefore, it is important that the member countries continue to work toward addressing the trade bottlenecks arising from regulatory burden, inadequate infrastructure, poor logistical facilities, and inefficient customs procedures. This would help the sub-regional cooperation to turn into stepping stones for larger interest of the region.

Given Bhutan's unique structural challenges as a landlocked least developed country, Bhutan sees sub-regional cooperation as an opportunity to build its productive capacities in the process of structural transformation and economic diversification.

**Abstract of Presentation**  
**by**  
**Dr. Samir Das**  
**(Dean of Arts, University of Calcutta)**

## Abstract of the Intervention/Samir Kumar Das

While much of the talk on BBIN remains focused on movement of freight across the countries, is it possible to gradually expand the ambit of BBIN to evolve a regime of labour movement across international borders of these nations? In the BBIN discourse, the issue of undocumented labour migration across the countries is overshadowed by the hairsplitting arguments for facilitating trade and transit. These two are by no means mutually exclusive.

Northeast India has been a standing witness to continuing albeit declining flow of people particularly in recent years - much of which remains undocumented. Sporadically conducted studies in migration in the Northeast focus mainly on

- a) the 'push factors'. Even advocacies are made for making efforts at developing the sending countries so that outmigration can be contained.
- b) The presence of a vast number of immigrants triggers some form of security anxiety particularly on the part of the receiving State. Contrary to these commonplace presuppositions, -
  - i) it is important to look upon undocumented migration mainly as that of cheap and unskilled labour. There is reason to believe that there is demand for this kind of labour in India's northeast.
  - ii) Coupled with it, it is about time that we come to appreciate the unstoppable nature of labour migration. No amount of technological innovation, securitization of the borders or even citizenizing section of the immigrants is going to bring this to a complete halt.

If these two basic facts are given due recognition, is it possible to set in place a regime of labour migration that is not likely to pose any threat to the stability and security of the receiving country? Usually economy and security are seen as two separate domains. I think the regime that I am making the case for, is predicated on the recognition of the intermeshed nature of security and economic development.

**Abstract and Presentation**  
**by**  
**Dr. Indrani Chakraborty**  
**(Professor, Institute of Development Studies, Kolkata)**

## **South-South Monetary Cooperation: A Proposal for BBIN**

Indrani Chakraborty, IDSK

### **Abstract:**

Many South Asian countries have undertaken financial market reforms since the beginning of 1990s. For example, such reforms were started in India in 1991, in Bangladesh in 1992, and in Nepal in 2000. These reforms in the financial sector include financial deregulation and liberalization of capital flows. It is to be noted that capital flows into these developing and South Asian countries during the 1990s were mainly from the developed countries of the 'North'. The negative effects of volatile short-term capital flows were first realized during the East Asian crisis of 1997 which started in Thailand and then had spread to other Asian countries via contagion. When large inflows of short-term capital took place, it led to an asset price bubble that burst when speculative currency attacks and large capital outflows caused sharp depreciations. The fall in the currency created balance sheet disequilibrium for indebted banks, property companies and firms. The global financial crisis of 2007-08 also affected these countries much adversely. The main consequences of this crisis were also reversal of capital flow, high pressure on domestic exchange rates and domestic economic policy in general. The ex-post analysis of this crisis also highlights the presence of balance sheet effects in these countries, which recognises the impact of volatile exchange rates in the presence of a large stock of un-hedged foreign currency denominated debt. The fact that the majority of developing and emerging market economies are able to borrow abroad overwhelmingly in foreign currency has been noted by Eichengreen and Hausmann (2005a), who have labelled the phenomenon as "original sin". This phenomenon illustrates the particular importance of the denomination and composition of domestic and external debt for economic growth and development.

The importance of South-South monetary cooperation and financial integration has been realized since the experience of these financial crises. It was felt that a high level of financial market integration might provide some kind of redemption from original sin. South-South monetary cooperation could help maintain macroeconomic stability in South Asia, including BBIN. The tools of South-South monetary cooperation include introduction of common currency (like Euro), pooling of foreign exchange reserves, opening up of banks in other Asian countries, integration of stock markets so that the size of the economy increases, initiatives like Chiang Mai Initiative (CMI) and so on. Among the four countries in BBIN, India can take a lead towards this direction because India is increasingly becoming open for integration and cooperation with the rest of Asia and in terms of size India has some advantage.

# **South-South Monetary Cooperation : A Proposal for BBIN**

Indrani Chakraborty

Institute of Development Studies Kolkata



- Many South Asian countries have undertaken financial market reforms since the beginning of 1990s.
- For example, such reforms were started in India in 1991, in Bangladesh in 1992, and in Nepal in 2000 (Metzger, 2008).
- These reforms in the financial sector include financial deregulation and liberalization of capital flows.
- Increase in capital inflows which have negative effects
- The risk of short-term capital flows
- capital flows mainly from the developed countries of the 'North'.
- the East Asian crisis of 1997 which started in Thailand and then had spread to other Asian countries via contagion.

- When large inflows of short-term capital took place, it led to an asset price bubble that burst when speculative currency attacks and large capital outflows caused sharp depreciations.
- The depreciation multiplied the burden of servicing foreign debt
- The fall in the currency created balance sheet disequilibrium for indebted banks, property companies and firms.
- The global financial crisis of 2007-08 also affected these countries much adversely.
- The main consequences of this crisis were also reversal of capital flows, high pressure on domestic exchange rates and domestic economic policy in general.
- The ex-post analysis of this crisis also highlights the presence of balance sheet effects in these countries.

- the phenomenon of “original sin” (Eichengreen and Hausmann (2005a)).
- country size in terms of GDP is the key determinant of a country’s ability to issue sufficient local currency denominated debt at home and abroad (Eichengreen, Hausmann and Panizza, 2005b, 2007).
- Thus in the absence of a monetary union which would automatically expand the size of the economic area, a high level of financial market integration might provide some kind of redemption from original sin.
- This highlights the importance of South-South monetary cooperation and financial integration.
- South-South monetary cooperation has the advantage that it could help maintain macroeconomic stability in South Asia, including BBIN.
- The tools of South-South monetary cooperation include introduction of common currency (like Euro), pooling of foreign exchange reserves, opening up of banks in other Asian countries, integration of stock markets so that the size of the economy increases, initiatives like Chiang Mai Initiative (CMI) and so on.
- Among the four countries in BBIN, India can take a lead towards this direction because India is increasingly becoming open for integration and cooperation with the rest of Asia and in terms of size India has some advantage.

**Presentation by Mr. Estiaque Bari**  
**(Research Associate, Center for Policy Dialogue, Dhaka)**

**DPG Roundtable on Advancing BBIN Sub-regional Cooperation**

*Session II: Ports, Transit and Water connectivity*

Venue: Hotel Hindusthan International Kolkata

16-17 March 2017

**Implementation challenges of regional  
connectivity in South Asia**

*Estiaque Bari*

Research Associate  
Centre for Policy Dialogue (CPD)  
Dhaka, Bangladesh  
Email: [estiaque.07@gmail.com](mailto:estiaque.07@gmail.com)

# Achievements and Deficits

- Trade facilitation has become an integral component of raising trade competitiveness of countries in South Asia
- As Bangladesh and other South Asian countries have already ratified the WTO trade facilitation agreement (TFA), from national and global points of view it has become imperative to put in place customs and trade facilitation measures
- In view of addressing the weak trade facilitation scenario in South Asian region, following measures are perceived to be important from operational point of view:
  - putting in place the road and rail network and related infrastructure
  - improving port infrastructure towards seamless connectivity
  - simplification and harmonization of customs procedures e.g. regional single window and integrated (customs) check point, warehousing and electronic data exchange interface
  - common standardization of quality control measures (e.g. common certification, mutual recognition of standards and harmonization)

## Cont.

- Several initiatives have been taken in view of the above. However, concrete measures regards the operational modalities e.g. to promote multi-modal seamless connectivity, setting up the standard operational protocols (SOP), implementation procedures and financing modalities continue to remain largely unattended
- Required investment is yet to be made for development of the needed infrastructure. (it is to be noted that for the identified 30 routes to implement the BBIN-MVA agreement an investment of about USD 8 billion will be needed)
- Alternatively speaking, identification of problems have been well addressed but the follow-up measures remain unfinished. A part of this is on account of lack of political willingness to take concrete measures needing urgent decisions.

# Challenges of Operationalization

## The Bangladesh-India Transit Agreement: A Test Case

The merits of this good initiative are:

- It is expected to considerably reduce the turnaround time between western and eastern parts of India. Consequently, the transport cost is expected to come down significantly for the Indian traders
- Bangladesh expects to generate revenue by way of export of services (through fees/services and user charges). In addition, opportunities will emerge for transport and logistics businesses
- Export competitiveness of Bangladesh will enhance through reduced cost
- ❖ However, in absence of the required infrastructure, turnaround time has not reduced as was expected (e.g. it takes on average 24 days for goods to travel between Kolkata-Ashuganj-Agartala); consequently, the operation cost have not come down inspite of the reduced distance
  - Because of weak infrastructure (e.g. lack of facilities at Ashuganj IRP, narrow roadways in several places) and absence of integrated facilities, the potential benefits of the transit facility remained unrealized -(till now only three cargo consignments have taken advantage of this route and Bangladesh side collected only BDT 0.82 million as a revenue)
  - Charges were fixed at a low-level equilibrium which have often been cause for domestic political economy tensions in Bangladesh. This has harmed such bilateral and sub-regional negotiations



## What needs to be done

- To harness the potential benefits of regional connectivity:
  - Bangladesh should make targeted financing for projects that complement to improve the needed infrastructure for the regional connectivity in all three modes of transport (road, rail and water ways). From this point of view, smart utilization of financing options from AIIB, ADB, Indian USD 2 billion line of credit and beyond will be critically important for Bangladesh
  - Trade facilitation can be a win-win solution to raise competitiveness of all SAARC countries. This will enhance not only the cause of regional integration in South Asia, but also advance the cause of strengthened global integration of South Asian countries

*Related readings on regional integration in South Asia, trade facilitation and connectivity:*

<http://cpd.org.bd/wp-content/uploads/2017/01/Towards-Regional-Integration-in-South-Asia-Promoting-Trade-Facilitation-and-Connectivity-2015.pdf>

<http://cpd.org.bd/wp-content/uploads/2017/01/state-of-the-bangladesh-economy-in-fy2016-17-first-reading.pdf>

<http://cpd.org.bd/wp-content/uploads/2017/01/Monograph-8-Trade-Facilitation-towards-Export-Promotion-in-the-Indian-Market-Addressing-the-Emerging-Gaps.pdf>

# Thank You

**Abstract and Presentation**  
**by**  
**Dr. Mahalaya Chatterjee**  
**(Professor at Centre for Urban Economic Studies,**  
**Calcutta University, Kolkata)**

## The Importance of Strengthening Transport Infrastructure in West Bengal

in the context of BBIN and Look East Policy

Mahalaya Chatterjee

Centre for Urban Economic Studies

Calcutta University

India is closely linked with its smaller neighbours through trade linkages. More than 70% of Bangladesh's import is from India and Nepal and Bhutan being landlocked states, their foreign trade is entirely dependent on India, apart from their direct trade with India. West Bengal is the only state in India which enjoys physical contiguity to all the three – Bangladesh, Bhutan and Nepal. So, to improve sub-regional cooperation, it is essential that the transport infrastructure in the state gets due importance.

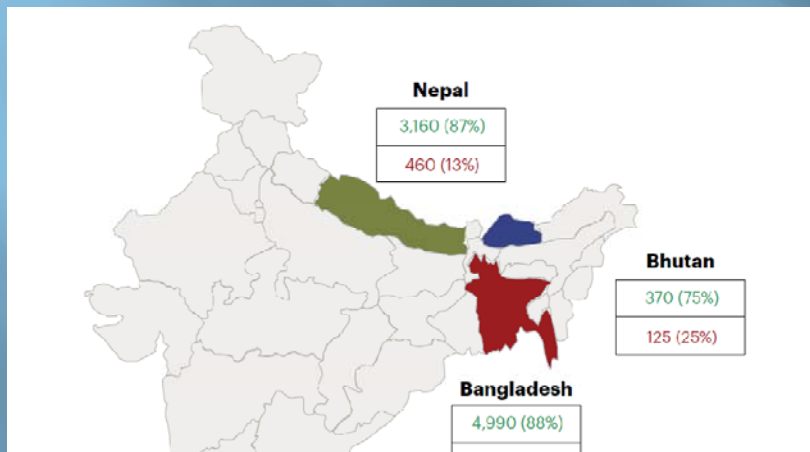
Road transport is the most important in terms of both passenger and goods transport in this part of BBIN. Rail links are not ubiquitous; there is gauge mismatch in Bangladesh and they are absent in the mountain countries of Nepal and Bhutan. As far as roadways is concerned, there is not much addition in the post-independence period, either in terms of length or alternative corridors. So, the routes suffer from chronic congestions and spatial bottlenecks in some stretches. Asian Highway can help parts of north Bengal but there is no similar project in south Bengal, which is vital for trade links with Bangladesh. As land scarcity is there in the densely populated state, alternatives like water and air transport can be thought about. The National Waterway 1 can be well utilized for transportation of cargo from Kolkata/Haldia port to Nepal via Bihar. On the other hand, smaller and newly-built airports can be used for air cargo. Transshipments from the port can reach Durgapur and then flown to Nepal and Bhutan and that can help in financial health of the airport. Airstrips in Balurghat and Cooch Behar can also be utilized in the same way. Most of the proposed container stations along the India-Bangladesh border can start functioning if the road links are strengthened. The relevant authorities should start exploring these alternatives as soon as possible.

# STRENGTHENING TRANSPORT INFRASTRUCTURE IN WEST BENGAL FOR BBIN

Mahalaya Chatterjee  
Centre for Urban Economic Studies  
Calcutta University

# Locational Importance of West Bengal

- ▣ West Bengal is the only state, physically contiguous to all the other countries of BBIN.
- ▣ This locational advantage can be exploited by using the transport infrastructure in the state.



# Transport Infrastructure

- ▣ Kolkata-Haldia Port Complex
- ▣ Roadways
- ▣ Railways
- ▣ Internal Waterways
- ▣ Airways

All of them are crucially important in movement of passenger and cargo. The first two are used in complementary way. The others less frequently used.

# Future Alternatives

- ▣ More use of airways for cargo movement – use of other airports like Durgapur – more suitable for emerging demands like e-commerce;
- ▣ Synchronization of railways for Bangladesh;
- ▣ Use of other land custom stations for all the countries to reduce pressure on Petrapole, Jaigaon etc.
- ▣ Revival of old water routes;
- ▣ Removal of bottlenecks on existing surface routes;



**Abstract of Presentation**  
**by**  
**Mr. Pratim Bose**  
**(Deputy Editor and Chief of Bureau- Kolkata**  
**The Hindu Business Line)**

“The current discourse on BBIN is heavily dominated by MVA dialogues thereby attracting undue attention and resistance as is evident in the case of Bhutan. It also undermines the fact that fast improving rail and road connectivity through the Chicken’s neck would reduce the theoretical importance of transit from Kolkata to North East through Bangladesh.

We can make the discourse more effective by focusing on optimisation trade costs. India being an exporting economy should focus on containerization and rail movement of cargo on priority.

Considering rail infra gaps in the sub-region, seamless movement of rail cargo is not possible in immediate future. It would be a better idea to create transshipment or logistics hubs inside neighbouring economies, where from containers can move by rail or road depending on local needs.

Investment in transshipment facility should be India’s responsibility. India should also urgently ramp up rail and road capacities catering regional trade requirements.

Considering low efficiency of Kolkata port, it is high time India allows suitably located private ports like Dhamra to tap the opportunity to cater third country import needs of the region. It is also high time for India to give chance to remove monopoly of government-owned rail logistics company CONCOR, which is currently dominating Indo-Nepal trade, and allow private players to help improve efficiency.

**Abstract and Presentation**  
**by**  
**Amb. Lyonpo Om Pradhan**  
**(Former Minister of Trade, Industry and Power)**

## **Abstract of Presentation by Lyonpo Om Pradhan**

### **Session III: Energy-hydropower, and Water resources**

The Delhi Policy Group in its previous meetings has already heard presentations and maintained records of the statistical data, potentials, as well as the current state of energy and water resources in the sub region of Bangladesh, Bhutan, India and Nepal (BBIN). Henceforth, discussions should be directed towards furthering the objectives of sub regional cooperation through governmental decisions based on these established potentials.

In this regard it is noted that India borders all the sub regional countries, whereas the others do not have common borders. This should be seen in the context of India's growing role as a global power, and hence, would make India's involvement in sub regional cooperation even more important and vital. Thus far, cooperation has been largely bilateral in nature between India and the other sub regional countries in energy generation and transmission, as well as water resources. If this paradigm has to be altered to achieve increased sub regional as compared to purely bilateral cooperation, then the governments of BBIN will have to clearly indicate their intentions and agree to work towards this objective. Such changes in approach could be influenced by recommendations emanating from discussions of the Delhi Policy Group and intergovernmental interactions.

\*\*\*\*\*

Presentation by Ambassador Lyonpo Om Pradhan (Bhutan)

**Roundtable Discussion on Advancing BBIN Sub-Regional Cooperation**

**16th and 17th March 2017**

**(Hotel Hindusthan International, Kolkata)**

**Session III: Energy and Water**

1. The earlier presentations and discussions under the auspices of the Delhi Policy Group and The Asia Foundation have provided exhaustive information and statistics on the potentials for generation and transmission of energy in the sub region; and the state of water resources in the BBIN countries. It may now be appropriate to examine **what could lie ahead for BBIN cooperation in these sectors**. How would the BBIN countries like to proceed on utilizing the identified potentials, and in tackling water security issues?

Recommendations arising from the Roundtable discussions of the Delhi Policy Group to be made to our governments should be mutually beneficial, acceptable to all, and without much ambiguity especially on water security issues. After that it will be up to our governments.

**Energy**

2. When it comes to generation of hydroelectricity the **bilateral cooperation between Bhutan and India**, during the last four decades or so, has been a good success story. There are mutual benefits that accrue from this bilateral cooperation. The Government of India has met the major portion of the direct investments, in the form of grants and loans, and provided much of the manpower and the technology.

Bhutan on its part has been responsible for the costs of land and preserving and protecting catchment areas, and providing alternative economic and social compensations to any displaced or disadvantaged persons or groups.

The power generated by the projects is consumed domestically, and the surplus exported to India.

Other countries like Austria and Japan have also helped Bhutan to set up small hydropower projects for domestic requirements.

Except for a minor investment made by Tata Power and participation for contractual works in hydropower and power transmission projects by private parties from Bhutan and India, private sector participation and investments remain minimal.

3. The discussion within the framework of BBIN is to make energy, and this

currently, would mainly have much to do with hydropower, and above all, transmission of this power, within a **regional framework as opposed to remaining purely bilateral**.

4. If such a regional framework is to be achieved, the views and decisions to what extent we can go forward on regional lines need to be established. **The political decision has to be taken as to what extent the producers, and consumers of hydropower, are willing to cooperate on a regional basis.** This is of great importance if we are to achieve definitive progress in regional cooperation. A paradigm shift will have to be conceded from the present context. In this regard the hydropower producing countries would have to agree on the nature of investments and ownership patterns outside the prevailing framework. These would clearly be sovereign decisions.

Recommendations could however go from forums like the Delhi Policy Group to our governments and perhaps surface from intergovernmental consultations as well. To what extent the countries concerned would like to put such national and bilateral issues within the framework of regional cooperation has to be determined and decided by the governments concerned.

Since we are **all democracies** such decisions would be subject to the democratic process, like being put through our parliaments, and taken up in public debates. Such decisions to move more to regional cooperation may prove to be elusive in nature, and perhaps time consuming. Change always seems to be difficult. On the other hand, the **temptations to take unilateral decisions by governments that affect bilateral or regional partners** may also have adverse ramifications on regional and bilateral cooperation.

5. Then comes the issue of **power transmission lines to each other's countries.** Here, when it comes to BBIN we notice that **India borders all the regional countries, but none of the other countries have common borders.** In fact this situation should be seen in the context of India's growing role on the global stage, as a leading power. Transmission lines linking the other BBIN countries will have to go through India. Hence, India's decision on this aspect is all but critical if there has to be regional sales of power with transmission lines running through India. The costs of transmission will have an impact on power prices, and affect decisions in other areas as well.
6. With such important decisions required, we have to agree on the **formula for sale of power to each other.** This may largely have to be determined by market conditions, namely, demand and supply. But power supplies will have to take into account the cost of production, and has to include not only direct costs, but also hidden costs. For hydropower projects it is clearly recognized that catchment areas and forests need to be preserved and maintained. We cannot deny that there is a cost to this. There is further the issue relating to costs incurred for alternate land and resource uses, and loss of opportunities and livelihoods for the population. In democracies with a free press, these aspects will become more pronounced.
7. Then, how is the issue of sharing and distribution of power amongst BBIN

countries to be decided? Cross border **inter-country investments** will play a role. What would be the nature of such investments? All these will be subject of further negotiations.

8. While there is much discussion on the role of the **private sector** there has been a reluctance to yield much ground to private entrepreneurs when it comes to hydropower production and sales. The respective policies of the governments need to be firmed up on this issue. Coordination amongst countries will have to be worked out if our countries at all agree to a greater private sector role in trans-boundary production, and sale of energy.
9. There is also the issue of **alternative sources of renewable energy** that BBIN countries should explore vigorously. Among others, this includes nuclear, solar, sea and wind. As we explore such alternative sources of energy and integrate our transmission systems, we also need to consider the reliability and stability of the interconnecting grids. The science, economics and development of these sources of energy are becoming more and more positive and may one day change the entire scenario of energy generation and usage.

## **Water**

10. The situation and prognosis of the water situation in the BBIN region was provided by Dr. Lam Dorji (Bhutan) in a previous meeting of the Delhi Policy Group: **South Asia** with 3% of global lands is able to sustain about 25% of the global population because of its richly endowed fresh water resources and fertile flood plains and delta areas. The BBIN region, because of the Himalayas is referred to as the '**third pole**' as it is the largest source of fresh water in the region.

“The Ganges, Brahmaputra and the Meghna river systems support agriculture and economic activities of both rural and urban communities of the BBIN region.”

The impact of **climate change** was also projected to further worsen due to continued global dumping of more carbon into the atmosphere. Under high emission scenarios, regional climate model simulations project a temperature rise of 4-5 C by 2080. Within the BBIN region, this rise in temperature would be more pronounced in the higher altitudes indicating melting of Himalayan glaciers. The models further project increased intensity of rainfall with no indications of increased number of rainy days. Rather, frequency of extreme hot and rainfall days are projected to be likely. This essentially means that the already wet monsoon will be wetter – a situation of more water when we do not need and less during times of need. Sea level is projected to rise by 0.05–0.25 meters by 2050 and by 0.18–0.80 meters by the end of this century.

11. With regard to cooperation on the use of water resources as separate from hydropower production, **I don't think that this has really taken place between Bhutan and India**, like in the case of India and some of the other sub regional countries. The lower riparian receives the natural water flow and perhaps utilizes it in the best manner it deems fit.

We understand that India's water cooperation with countries in the region, as Professor Chandan Mahanta said at a previous meeting, has been bilateral. However, with Bhutan there is no such known agreement on water cooperation.

Presently, Bhutan does not have the dams or storage facilities to conserve and control water flows, though the two governments have touched upon the subject in the past in intergovernmental discussions. Water security for the sub region requires major investments for dams and storage facilities, and which definitely requires cooperation and understanding amongst the countries of the sub region. Bhutan's hydro projects are presently run-of-the-river with only small diversion dams to power the generators.

12. We don't even utilize the **de-silted water** coming from our projects to divert for use to towns and villages in Bhutan or further downstream. This water, which could with little further treatment, be utilized for safe human consumption, besides the surplus going into irrigation or other purposes, is now not optimally utilized. This is a real pity when we see the ground water depletion and arsenic pollution in lower riparian areas.

**Development and use of waterways and other multimodal transportation** at affordable costs to landlocked neighbors would be good incentives to open up cooperation in areas of regional interest to BBIN countries.

13. But whether such cooperation will be **bilateral or multilateral is dependent primarily on the decision of India as the largest and the central country, with inputs from other concerned regional partners.** The discussions within the Delhi Policy Group had even brought up the need to take up **issues with our northern neighbor, China**, as it is an upper riparian country. Several of the rivers emanate from these upper Himalayan regions. Such decisions have to be left to governments as it involves extraneous and sometimes sensitive issues.
14. **Bhutan's own overall approach would be flexible.** But the maintenance of peace and security amongst regional countries is a primary requirement. All the sub regional countries can be assured of our friendship and cooperation in the interests of mutual benefit and advancement of our peoples. When we talk about hydropower and water resources we must remember that there should be a greater sense of urgency. This is especially so when we see reports on climate change, and amongst others, the Asian Water Development Outlook (AWDO) of ADB, which provides a country-wise snapshot of the status of water security in Asia and the Pacific region.
15. Thank you and Tashi Delek!



**Abstract and Presentation**  
**by**  
**Dr. Abu Salah Md. Yousuf**  
**(Senior Research Fellow)**  
**(Bangladesh Institute of International and**  
**Strategic Studies)**

## **Hydropower Cooperation in BBIN: Exploring Potentials**

Energy cooperation can explore the immense potentiality of development in the BBIN region. The shortage of energy is impeding development activities of Bangladesh, India and Nepal. Exporting energy has been contributing as a major source of in the GDP for Bhutan. It is argued that there are commendable potential of regional cooperation in the energy sector, which can benefit all the countries. Hence, hydropower cooperation can be one of the important areas of cooperation. Nepal and Bhutan have huge potentials of hydropower, which can be exported to Bangladesh and India within the regional framework.

As reported by 2016 Hydropower Status Report by the International Hydropower Association, Bhutan boasts immense hydropower potential, estimated at around 30,000 MW, of which 23,760 has been identified as economically feasible. Nepal's theoretical hydropower potential has been estimated to be around 84,000 MW, of which 43,000 MW has been identified as economically viable. India's hydropower potentials are concentrated in states like Arunachal Pradesh, Sikkim, Uttarakhand and Himachal Pradesh.

At the bilateral level, Nepal and Bhutan already have frameworks for cooperation in place. To promote a regional framework, investment would be considered as one of the major challenges where all the countries need to come forward to find out the solution. Multilateral financial institutions can be a possible source for the investment. However, before that countries need to agree at political level that they would further regional arrangement for hydropower cooperation. Since India connects all the countries of the region, its role in the regional energy cooperation is crucial. The formation of an institutional framework to study the feasibility of hydropower generation, transmission and distribution can help to harness the benefits. Nevertheless, the cooperation in hydropower issues should be part of the wider energy cooperation in the region, which may help all the countries to exploit their desired national interests.

# Hydropower Cooperation in BBIN: Exploring Potentials

*Abu Salah Md. Yousuf*

Senior Research Fellow

Bangladesh Institute of International and  
Strategic Studies (BIISS)

# Hydropower Potentials

- As reported by 2016 Hydropower Status Report by International Hydropower Association:
  - ✓ Bhutan boasts a very high hydropower potential, estimated at around 30,000 MW, of which 23,760 has been identified as economically feasible.
  - ✓ Nepal's theoretical hydropower potential has been estimated to be around 84,000 MW, of which 43,000 MW has been identified as economically viable.
  - ✓ India's hydropower potentials is concentrated in states: Arunachal Pradesh, Sikkim, Uttarakhand and Himachal Pradesh.

# Cooperation Challenges

## • Framework

- ✓ Nepal and Bhutan can export hydropower to India and Bangladesh
- ✓ Bangladesh as an energy deficit country wants to cooperate
- ✓ Nepal needs electricity for domestic consumption
- ✓ An important source of Bhutan's GDP

## • Challenges

- ✓ Role of India
- ✓ Investment
- ✓ Technological know how
- ✓ Multilateralism vs Bilateralism
- ✓ Generation, transmission and distribution
- ✓ Addressing environmental concerns
- ✓ Effective Negotiation

# Recommendations

- Assessing the feasibility
- Political decision
- Searching investment (International Financial Institutions and private investments)
- Engaging Non-state Actors (Civil society, epistemic communities and media)
- Articulation of domestic priorities
- Confidence building
- An institutional framework comprising different stakeholders (may not be limited for only hydropower)

**Abstract and Presentation**  
**by**  
**Dr. Abu Salah Md. Yousuf**  
**(Senior Research Fellow, Bangladesh Institute**  
**of International and Strategic Studies)**

# **BBIN Water Negotiation: Political and Institutional Challenges**

## **Abstract**

Water security has emerged as a major concern almost in all the regions of the world. The multipurpose usages of water pushed modern civilization towards water scarcity and threatens peaceful relations among many countries. Since the flow of water resources is not limited within state boundaries, rather a number of countries share water from same origins and nation states have developed technologies to divert water from its original channels; the lower riparian countries face obstacles to receive sufficient water flow to continue their day to day life and to further development activities. In this respect, internationally and regionally, many countries have developed different norms and regulations for water sharing and to prevent any unexpected conflict among them. Moreover, the countries also furthered cooperation for better use of water from commonly shared sources.

The BBIN countries share a common source of water of Ganga, Brahmaputra and Meghna (GBM) basin water. Hence, negotiation on water issues has emerged as a critical area to forge stable and peaceful relations among the countries. Moreover, to achieve trust and confidence as well as to harness untapped benefits of cooperation, the countries need to negotiate water related issues. In BBIN, Bangladesh is the lowest riparian country and most of its rivers receive water flow from India. On the other hand, cooperation in water resources can open undiscovered potentials of hydropower in Nepal and Bhutan. In different occasions BBIN countries expressed their interest to cooperate water issues under sub-regional framework. Though some bilateral progresses can be mentioned, any commendable progress at the regional level is yet to be achieved. In this backdrop, present paper is an endeavour to identify some of the political and institutional challenges to achieve the desired goals of water cooperation within BBIN framework. The paper identifies that the main areas of cooperation would be water sharing, disaster management and harnessing unexplored benefits. The main political challenges are political will, domestic political compulsions and lack of confidence building measures. Beyond political challenges, strong institutional networks are also lacking in the region regarding norms setting and engaging multi-level stakeholders in the negotiation process. At the end, the paper recommends that water cooperation should not be seen as a separate area of cooperation rather the political leadership has to understand the benefits from the spillover effects in such cooperation. Hence, the countries need to come forward to develop effective institutional frameworks for furthering strong and effective negotiations to attain desired goals.





# **BBIN Water Negotiations: Political and Institutional Challenges**

**Abu Salah Md. Yousuf**

Senior Research Fellow

Bangladesh Institute of International and Strategic  
Studies (BIISS)



# Areas of Negotiation

- Water Sharing
- Disaster Management
  - ✓ Floods and droughts
  - ✓ Climate change
- Harnessing Benefits
  - ✓ Hydropower
  - ✓ Irrigation



# Political and Institutional Challenges

- Political Challenges

- ✓ Political will
- ✓ Domestic compulsions
- ✓ Bilateral vs regional
- ✓ Leadership
- ✓ Politicization
- ✓ Discontinuity
- ✓ Long term vision

- Institutional Challenges

- ✓ Norms setting
- ✓ Bureaucratic in nature
- ✓ Information and data sharing
- ✓ Expertise and joint study
- ✓ Sensitivity
- ✓ Engagement of stakeholders



# Way Forward

- Focusing benefits
- Measuring spillover effects
- The cost of non-cooperation
- Developing institutional frameworks
- Continuity of negotiations
- Engaging epistemic communities
- Role of stakeholders i.e. opposition parties and state governments
- Norms setting and capacity building

**Abstract and Presentation**  
**by**  
**Ms. Barsha Shrestha**  
**(Former Deputy CEO of Clean Energy Bank)**

From signing a Common Minimum Agenda for Hydropower Development in 2013 where all major political parties committed to work together for the development of hydropower sector in Nepal to, most recently, the endorsement of the Electricity Regulatory Commission Bill by the Council of Ministers, Nepal has made significant strides for energy sector reform in the last half-decade. The Power Summit 2016, then the Infrastructure Summit 2017, and now the Nepal Investment Summit 2017 have all acknowledged that energy sector development provides key impetus for economic transformation of Nepal. Furthermore, the display of political commitment for working towards creating a more conducive policy regime for facilitating doing business and attracting higher investments in all sectors (including energy) has given all Nepalese people reasons to hope for a “brighter” future of Nepal. But the dividends of these political commitments from the political actors and the ensuing investment commitments from investors (domestic and foreign) do not end there. As the sub-continent gears up for making economic leaps, availability of clean energy to fuel the forthcoming economic activities is going to be a crucial factor towards guaranteeing a sustainable growth of the region. With the vision of BBIN cooperation, the substantial need of Bangladesh and India for clean energy, the potential that Nepal holds in terms of being able to meet the massive demands of the region, and finally the cross-border power trading/sharing chips beginning to fall in place, these recent developments in Nepal hold an even greater promise - that of a sub-regional economic transformation.

That said, the path ahead is anything but free from practical challenges. How each country deals with these domestic challenges individually, and regional challenges together will eventually be the determinants of whether the shared-dream materialises. In case of Nepal a clear framework for benefit-sharing that is acceptable to both the developers of hydropower and the locals is one. A practical mechanism of acquisition of land for transmission system development to harness and evacuate the power within and beyond borders is another. From the regional cooperation point of view, development of a unified energy market through cross-border grid connectivity, and a system whereby all parties have access to the power-trading platforms across the sub-region is another must; this will have to be achieved through a clear legal framework that facilitates the operation of the market. These are the infrastructural and legal issues that the region will have to tackle next.

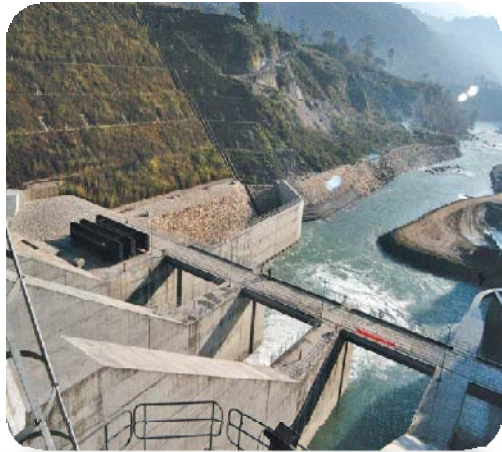
# Hydropower Sector Development in Nepal

Opportunities for Regional Transformation

**Presenter:**

Barsha Shrestha,  
Former Deputy CEO,  
Clean Energy Development Bank,  
e: barshapani@yahoo.com

# Gearing up for a leapfrog



## PDA signed for Arun III

•Ekatipur Report, KATHMANDU



Nov 25, 2014-The Investment Board Nepal and the Indian developer Satluj Jal Vidyut Nigam Limited (SJVN) have signed the Project Development Agreement (PDA) on a 900 megawatt Arun III Hydropower project on Tuesday.





Hydropower Project (in the pipeline)	Capacity (Mega Watts)
Upper Karnali	900
Arun III	900
Upper Marsyangdi II	600
Upper Trishuli I	216
Tamakoshi III	650
West Seti	750
Upper Arun	335
Upper Tamakoshi	456
Budigandaki	1200

*According to the Nepal Electricity Authority, thousands of MWs worth of HEPs and another over-a-thousand circuit km worth of TLs are planned, proposed, and at different stages of development*

Projects Under Construction	Capacity
Upper Tamakoshi	456
Tanahu	140
Rasuwagadhi	111
Mid-Bhotekoshi	102
Uppper Trisuli III A	60
Sanjen	42
Upper Trisuli	42
Rahughat	32
Chamelia	30
Kulekhani III	14
Upper Sanjen	14
<b>Total</b>	<b>1044</b>

S.N.	Capacity (kV)	Transmission Lines	Length (km)	Type of Ckts
1	220	New Marshyangdi- Matatirtha	85	Double
2	132	Singati- Lamosangu	40	Double
3	132	Kabell- Damak	90	Double
4	133	Dumree-Damauli	18	Single
5	132	Butwal- Kohalpur Second Circuit	208	D/C Tower
6	220	Bharatpur-Bardghat	73	Double
7	132	Hetauda-Kulekhani-II-Siuchatar Second Circuit	44	D/C Tower
8	220	New Hetauda-Dhalkebar-Duhabi	283	Double
9	220	Bardghat-New Butwal	30	Double
10	220	Trisuli-Thankot	54	Double
11	220	New Hetauda-Matatirtha	45	Double
12	132	Kohalpur-Attariya Second Circuit	153	D/C Tower
13	132	Middle Marshyangdi-Dumre-Marshyangdi	44	Double
	<b>Total</b>		<b>1,167</b>	

Independent Power Producers		
Category	No. of projects	Total Capacity
Under operation	50	324 MW
Under construction	91	1721 MW
Different stage of dev	44	784 MW

*\*Sources: Nepal Electricity Authority & Investment Board of Nepal*

# Major Fiscal Incentives for Investors

- Income Tax cuts
  - *BOOT model projects for power house construction, HP generation, and transmission*
  - *for export oriented projects*
- Tax holidays
  - *100% exemption for first 10 years and 50% for the next five years for projects commissioned by April 2024*
  - *10% exemption in normal tax rate for industries engaged in hydro generation and transmission and listed in the stock exchange.*
- VAT exemptions
  - *on the import of machinery, equipment, tools and their spare parts, penstock pipes or iron sheets used in hydro power projects and not produced in Nepal*
- Customs duty concessions

# Opportunities for Regional Transformation

- Nepal-India Power Trade Agreement
- Bangladesh-India consensus on Bangladesh importing power from Nepal via India
- SAARC Framework Agreement on Energy Cooperation

# Challenges and future steps

- Clear legal framework for benefit sharing in Nepal
  - A practical lawWhat can the locals demand from the developers?
  - How much are the developers supposed to give to locals?
  - What is the role of the government in case of conflict between locals and developers?
- Land acquisition mechanism in Nepal
- Transmission system synchronisation

**Abstract and Paper**

**by**

**Dr. Mohor Chakraborty**

**(Asst. Prof. in Political Science, South Calcutta Girl's College)**

# **Water Sector Cooperation: Prospects and Challenges in BBIN Matrix**

**- Dr. Mohor Chakraborty**

**Assistant Professor in Political Science**

**South Calcutta Girls' College (aff. to Calcutta University)**

**Kolkata**

The approval of the National Waterways Act (2016) cleared the decks for increasing the use of India's extensive network of rivers, canals and other water stretches for transport and navigation. The Act proposes to develop 111 national waterways in the country for shipping and navigation. Presently, inland waterways and coastal shipping account for 6% of India's transport modal mix, in spite of the country having a 7500 km coastline and an extensive network of navigable inland waterways stretching over 14500 km, of which about 5200 km of the river-ways and 4000 km of canals can be used by merchandised crafts. Unfortunately, the logistics sector has so far been dominated by road and rail transport, despite water transport being fuel-efficient, cost-effective and environment-friendly.

Given this backdrop, the presentation attempts to analyze the importance of exploiting the potential of inland waterways, with particular emphasis on Indo-Bangladesh cooperation in this sphere and its impact on the development of India's northeast. It would also try to focus on the challenges facing this highly prospective sphere of cooperation, prominently placed on the BBIN agenda and recommend some measures for addressing the same.

## **Energy and Hydropower Cooperation: BBIN MATRIX**

**Presentation by: Dr. Mohor Chakraborty**

**Assistant Professor in Political Science,**

**South Calcutta Girls' College,**

**Kolkata**

**Email: mohor\_5@yahoo.co.in**

### **Issues with Hydropower Cooperation between India and Bhutan:**

Bhutan is a leading exporter of hydropower to India, but emerging trends question whether the generated hydropower would be enough to sustain Bhutan's needs itself in near future. Since Bhutan runs into serious power shortages in winter, an energy banking mechanism with India can be suggested, based on complementarity provided by India's demands being greater in summer. This could be done in addition to the energy pooling mechanism with Nepal and Bangladesh.

### **Analysis of Existing Infrastructure or Mechanisms and their Applicability:**

There are some environmental, ecological and macroeconomic issues between India and Bhutan with respect to Hydropower cooperation. The vigor with which Bhutan and India are cooperating in this sphere has led to serious concerns about the sustenance of Bhutan's aquatic ecosystem; impact on narrowing of river channels due to the debris generated during excavation activities; consequences of dam failures due to Glacier Lake Outburst Floods triggered by climate change, etc. Besides, headway is needed for establishing the India-Bhutan Joint Rivers Commission, pushed by West Bengal in order to address the danger of frequent floods that particularly affect North Bengal. West Bengal will also pitch proposals for construction of barrages and reservoirs in Bhutan to regulate water flows.

The Government of Bhutan is also concerned with India dominating the hydropower sector in the country, preventing local capabilities from developing, thereby challenging an increase in gainful employment for a growing labour force in the Himalayan nation.

Friday, 17 March 2017

Finally, Bhutan feels that the Environmental Impact Assessment (EIA) mechanism followed by India is inadequate, alleging that agencies entrusted with Detailed Project Reports carrying out engineering, procurements and construction are of dubious track record. Therefore, a more transparent EIA regime is the need of the day.

### **Policies Unveiled and Proposed by Government of India to Incentivize Private and Foreign Investment in Power and Energy Sectors:**

Developments related to the revival of the Tri-Nation gas pipeline project (India-Bangladesh-Myanmar) as part of the Hydrocarbon Vision 2030 for Northeast India (2016): India, in order to exploit the potential of the NER is keen on using the excess gas that is currently flared as it cannot be piped to consumers. It also envisions doubling the production of oil and natural gas in the NER and promoting power trade with neighbours. For instance, huge investments by Oil and Natural Gas Corporation (ONGC) in Tripura are in the offing to explore more gas by 2022. Besides ONGC has plans to set up a fertilizer plant in Tripura, for which gas wells will be drilled to feed gas to the fertilizer plant. Such associated developments not only open up opportunities for gainful employment, but also greater avenues for investments.

Under the given circumstances, policies of the Government of India which will incentivize private participation and encourage greater investments in the energy field need emphasis:

1. There is a major thrust on hydro-sector in a bid to bring down cost of electricity from this source and make it competitive: the Power Ministry will declare all hydropower projects as renewable energy which would ensure coverage under Renewable Purchase Obligation and qualify for dispatch priority.
2. It also recommends that renewable energy be given a zero rate tax status under Goods and Services Tax (GST) in order to prevent adverse effects on agriculture and domestic consumers; adverse impact on industrial production and GDP; adverse impact on 'Make in India', and adverse impact on export competitiveness of Indian products and services. Besides, the Ministry is also considering providing cheaper credit to hydropower projects above 25 MW with a view to make tariff competitive and engage with Central Electricity



Friday, 17 March 2017

Regulatory Commission (CERC) to work out modalities to reduce tariff by changing/rationalising other tariff parameters like depreciation, etc.

3. To address differential pricing followed for Coal-Bed Methane (CBM): the Indian Cabinet will take up a Petroleum Ministry proposal allowing market pricing of CBM to encourage exploration and production firms to tap coal-seam gas. It will help operators to quickly put into production CBM blocks they hold and reverse the trend of investors relinquishing coal-seam blocks because of viability issues regarding pricing.
4. The first round of bidding for oil and gas blocks under the new Hydrocarbon Exploration Licensing Policy (HELP) that promises pricing and marketing freedom (Open Acreage Licensing) to operators as well as letting them choose their own blocks will be held in July 2017. The objective of this policy would be to increase India's indigenous oil and gas production by maximising the potential of already discovered hydrocarbon resources in India. Under this new regime, the Government will not micromanage or micro monitor with producers; rather it will only share revenue, making it an open and regular affair.
5. 'Make in India' and the expanded umbrella of reforms aims to make investments in India more business-friendly through measures like increasing the sectoral limit of existing sectors; providing Ease of Doing Business; reduction of minimum capitalization etc. Besides, state governments have been accorded their own investment policies offering various incentives based on the amount of investments, project location, and prospects for employment generation.

Finally, while challenges pertaining to hydropower cooperation exist between India and Bhutan, the easing of investment environment in India will enable a win-win situation for investors by incentivizing them.



## DELHI POLICY GROUP

### Chair's Note on Security Session – 'Security Challenges faced by BBIN Countries' by Brigadier Arun Sahgal

1. BBIN: Countries face multiple security challenges. These can be characterised in four or five different dimensions as under;

- (a) Firstly there are traditional security challenges rooted in history, regional integration, and ethnicity. Interplay of these has often led to cross border tensions.
- (b) Second set of security challenge relates to open border which two out of three BBIN states have. An associated aspect till recently un-demarcated border with Bangladesh. Open borders, lack of integration of North Eastern states with rest of the country and prevailing insurgent movement have exacerbated tensions.
- (c) Third issue relates to the problem of wide scale migration. This problem prevails across all borders; In case of Bangladesh with the Indian states of to Assam and West Bengal, with Nepal the issue relates to the future of Madeshi in their country post promulgation of the new constitution and attempts downplay their representation despite being the dominant ethnic community. Given their strong cultural ties with India there is a tendency to play this as a bilateral issue between India and Nepal rather than internal. In the case of Bhutan, open Southern Border with India, poses the problem of Indian militant groups taking sanctuary in the Bhutanese territory – ULFA, NDFB or Kamatpur Liberation Army (KLA). Although these groups have been flushed out by RBA operations, cross border movement remains a perennial problem.
- (d) Next challenge is rise of radical forces, giving fillip to insurgency in the region. NSCN(K) for example is receiving weapons & equipment through conduits of PLA via Myanmar, radical forces in Bangladesh such as JMB/JI etc. supported by political parties such as BNP, are being propped up by the ISI and their affiliates. All these attempts are aimed at radicalising the border belt, promoting cross border terror. These organizations are often seen as working in close collaboration with each other e.g. like HUJI-B, Bangladesh working in close collaboration with ULFA.
- (e) India-Bangladesh-Myanmar border previously quiet has also been used for terrorist & militant activities, latest example being the organization like Rohingya Solidarity Organisation (RSO), Harkat Ul Jihad Al Islami Arakarn (HUJI-A), indulging in arms smuggling, drug trade and terrorist activities including cross border sanctuaries.
- (f) Proliferation of Islamic fundamentalism from Bangladesh remains major threat. Growing IS threat and attempts at political exploitation of radical forces including IS & AQ in South Asia. Similar extremist activities are also on the rise along the Nepal-India border. Large numbers of Madrasas have come up and increasingly open border is being used as a conduit by ISI/Jaish/Other militant groups, for infiltration both to the Indian heartland and to the J&K.

Lastly is the issue of China as a major security factor. China looms large in the calculus of all BBIN countries. India and Bhutan have an on-going boundary dispute that remains unresolved till date. China is also making major inroads in the region through major donor and infrastructural assistance as also connectivity initiatives. Intrinsically, India does not have any objections to improving economic relations and infrastructural investments like roads, communications etc. Indian issue however is with the strategic construct of Chinese overtures that are aimed more at enlarging their strategic footprints than at building bilateral partnerships.

Problem is exacerbated by unresolved border dispute, e.g. Western Bhutan, which provides direct access to vulnerable Siliguri Corridor. China is attempting through aid and assistance, political understanding attempting to enlarge its footprint. Recent statements coming from Chinese leaders and scholars clearly indicate attempts at inducting Nepal into Chinese sphere of influence by Nepalese political elites too often are tempted to play the China card and balance India.

It is in above context the BBIN need to define our respective interests with regard to China, and come to a common understanding of these, so that actions do not create undesired misgivings.

Within the above backdrop were posed for addressing as major security challenges:

- a) Regional stability
- b) Border management & migration
- c) Concrete terrorism cooperation
- d) Illegal drug trafficking

**Abstract of Presentation**  
**by**  
**Lt Gen JR Mukherjee, PVSM, AVSM, VSM (Retd)**

**Abstract of Presentation on Major Security Issues related to BBIN**  
**by Lt Gen JR Mukherjee, PVSM, AVSM, VSM (Retd)**

The five minute presentation will highlight the major issues impacting security between the BBIN countries that need resolution, which are as follows –

- Indo Bangladesh – long border - 4096.7 km (covered by 1105 BSF BOPs) with problems of immigration; terrorist threats on both sides; sharing of river waters; Indian plans for linking of Rivers; sanctuary to Insurgent Groups; smuggling of drugs, counterfeit currency, livestock, food items; border fencing; shooting of Bangladeshis by BSF; trade imbalance; transit to the NER; increasing Chinese closeness to Bangladesh; suspicion over increasing defence capabilities by both countries. Essential that India resolves as many issues as possible to strengthen hands of present Bangladesh Govt.
- Indo Nepal – again long border - 1751 km (covered by SSB 450 BOPs) with problems of alleged interference in Nepal's politics; Nepal's turning to China; Smuggling; sanctuary to terrorists; immigration; trade imbalance; transit corridor; border disputes at Kalapani & Susta; the Madhesi Issue; alleged interference in defining electoral constituencies; five month blockade of the Indo Nepal border in 2015/16; Nepal acceptance of OBOR; Essential India & Nepal resolve these issues quickly.
- Indo Bhutan – border 699 km (132 SSB BOPs) – good relationship – security issues – Chinese threat; trade imbalance; possibility of insurgent groups again getting sanctuary; Nepali immigration (Bhopalis).

In light of above security issues necessity for proper Border Management by all BBIN countries based on following guidelines - Government border agencies are responsible for the processing of people and goods at points of entry and exit, as well as for the detection and regulation of irregular flows of people and goods across borders. These agencies are faced with the challenge of facilitating the legitimate movement of people and goods, while also maintaining secure borders. The high prevalence of irregular migration, move of terrorists, drugs, weapons, smuggling and counterfeit currency in the region, with coupled with related transnational crimes call for the strengthening of the immigration and border management structures between the BBIN countries. The need of the hour is proper joint Integrated and Coordinated air, river, sea and land Check Posts with a single window system for clearance, supported by suitable infrastructure with excellent and automated communications. This must be backed by good intelligence, reserve forces to deal with unexpected situations and effective domination of gaps between check posts. Situation at the moment is most unsatisfactory.

**Abstract of Presentation**

**by**

**Dr. Anindya Batabyal**

**(Asst. Prof., Dept. of Pol Science, University of Calcutta)**

## Abstract

### **BBIN, Sub-regional Connectivity and Implications for Security**

Dr. Anindya Batabyal

The core tenor of the BBIN is economic in nature since its inception although political and strategic factors have undoubtedly cast their influence on the activities of this sub-regional grouping. In an age marked by increasing economic interdependence, seamless communication across frontiers has become the fulcrum of commercial and socio-cultural interaction. Although the necessity of improved transport infrastructure to facilitate trade and investments between South Asian states has been acknowledged since the establishment of SAARC in 1985, the ground reality has been rather different till date. The partition of former British colonial India in 1947 was a watershed that led to division of age-old connectivity linkages between the states of South Asia. As a result, this region has emerged as internally disconnected but otherwise geographically contiguous. This paper will critically look into the potential that a sub-regional initiative like the BBIN offers and the challenges which it requires to overcome in order to become fully operational. BBIN has four principal objectives which are trade, connectivity and transit among the four states; power generation and investment for water management; mutual trade in energy and power and increasing people to people contacts. However, for making these initiatives successful, there is need for ironing out the differences that exist among these four BBIN states on several security and political issues. For example, the Madhesi issue and Nepal's growing proximity to China in the last few years have resulted in mistrust between India and Nepal. There are also several sensitive bilateral issues between India and Bangladesh that needs to be addressed in order to make BBIN successful.

In this connection, it needs to be said that connectivity is one of the aspects on which greater stress is now being laid, particularly after the signing of the Motor Vehicles Agreement (MVA) between the four BBIN states in June 2015. However, problems have cropped up regarding its implementation since the agreement has not been ratified by the upper house of Bhutan's parliament on the ground that implementing the agreement will impair the serenity of the land of Bhutan and result in destruction of ecology and traditional lifestyles of the Bhutanese people. In spite of the potential that the sub-regional initiative holds for benefitting the people of these four member states, the extent to which the objectives behind this initiative will become a reality still remains uncertain.

---

- Dr. Anindya Batabyal is Assistant Professor at the Department of Political Science, University of Calcutta.

**“Transnational Security Cooperation in BBIN”**  
**Paper by Dr. Abu Salah Md. Yousuf**  
**(Senior Research Fellow, Bangladesh Institute of**  
**International and Strategic Studies)**



## **Transnational Security Cooperation in BBIN**

Transnational security issues have emerged as a major concern in all the regions across the globe. Any regional cooperation can be impaired without proper security arrangements. The geographical contiguity among the BBIN countries underlines the importance of cooperation to face the emerging challenges of transnational security threats. For long, the countries of the region have been sharing border without any strict surveillance. However, emerging developments regarding trans-boundary connection among the smugglers and traffickers have pushed the countries to re-examine their security arrangements. Moreover, the rise of international terrorism and their transnational connections emphasises to forge a regional arrangement to counter the menace of terrorism. The ideology driven terrorist groups seems to be using transnational routes to target countries to spread their ideology and organise clandestine activities in different parts of the region.

While BBIN countries adopted new agendas for cooperation in the areas of connectivity and energy, it is necessary for them to identify the security loopholes and to come forward for sharing information for strengthening security measures. It is always argued that sharing of data and information helps nation states to prevent transnational crimes and enhance confidence levels among the countries, but the contemporary developments suggest that identifying the ideologues spreading extremist ideologies can benefit all the countries to develop sustainable efforts to counter terrorism and transnational crimes. Taking other regions strategic experiences in consideration, the countries of BBIN needs to come forward to develop a common strategic platform to face transnational security threats. Traditional counterterrorism cooperation in the region is mainly focused on tactical level, where the countries take measures only initiated by the security forces. Comparing some other regions like South East Asia, South Asia is lagging behind to develop any strategic level cooperation to face ideology driven terrorist organisations.

The strategic cooperation to face transnational security threats should include the security forces as well as other actors in the society like civil society and media. The first and foremost priority would be to understand emerging dynamics of security. Here, defining terrorism and extremism and identifying the masterminds behind the clandestine activities would be the primary challenge for countries of the region. However, BBIN countries have no stern differences regarding the understanding of terrorism, but regular communication and

sharing of knowledge can enhance their capability. Nevertheless, the countries can share their experiences with each other which will benefit them and would enhance their capabilities.

The new security dynamics emphasise that nation states need to rethink about their security arrangements. In the one hand, the countries need to cooperate with each other where movement of people and goods among the countries are critical for development; on the other hand, transnational security challenges are increasing the compulsion for sufficient surveillance in the border. In this respect, security cooperation among the countries has emerged as a major issue. The trust building and information sharing can help all the countries to face such emerging transnational challenges. When the BBIN countries have a strong desire of cooperation, it is urgent for them to develop an efficient and effective security strategy where sharing of information, capacity building, training of security forces and engaging other stakeholders from non-state actors would make their efforts more successful.

# DPG Roundtable Reports, Vol. 2, Issue 2

## Roundtable on “Advancing the BBIN Sub-Regional Cooperation”

The Hotel Hindusthan International | Kolkata | March 16-17, 2017



**Delhi Policy Group**

Core 5A, First Floor, India Habitat Centre

Lodhi Road, New Delhi-110003

Ph. +91-11-48202100

[www.delhipolicygroup.org](http://www.delhipolicygroup.org)