

DPG Roundtable Reports, Vol. 1, Issue 2 Roundtable on "Advancing BBIN Trade and Transit Cooperation"

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DPG Roundtable on Advancing BBIN Trade and Transit Cooperation October 4-5, 2016

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Abstract of Proceedings and Power Point Presentations

The Delhi Policy Group (DPG) in partnership with the Asia Foundation organized two roundtable discussions on "Advancing BBIN (Bangladesh-Bhutan-India-Nepal) Trade and Transit Cooperation" on October 4-5, 2016. Eight distinguished participants, one each from Nepal, Bhutan, Bangladesh and India participated and presented at each of the round-tables. The discussion on BBIN Trade and Transit addressed concerns and issues from the perspective of each of the four countries; and brought out ideas and recommendations to assuage issues and advance this cooperation.

The Roundtable on BBIN Trade opened with a keynote by Dr. A. Didar Singh, Secretary General, Federation of Indian Chambers of Commerce and Industry (FICCI). Dr. Singh highlighted that, since the impasse of the last SAARC Summit in Kathmandu the prospects for BBIN Cooperation has brightened. Recently, BBIN has received considerable political traction; and hence there is an increased focus on development of BBIN trade and economic integration. The BBIN cooperation will further people to people relationship and diminish political issues.

The BBIN trade roundtable identified the existing issues and made recommendations to address the impediments in order to forward this economic integration. Trade experts from all the four countries agreed that BBIN should facilitate trade linkages by investing on better infrastructure, addressing issues with non-tariff barriers/ non-tariff measures, creating value chains by enhancing relations within the private sector. Further analysis showed that the establishment of the BBIN economic corridor will help the landlocked countries of Bhutan and Nepal to a great extent. Additionally, it can be identified that energy trade is the future of this trade engagement and has large potential to push the overall economic growth.

The Roundtable on BBIN Transit opened with a keynote address by Ms. Sripriya Ranganathan, Joint Secretary, Bangladesh and Myanmar Division, Ministry of External Affairs. Ms. Ranganathan stated that currently India's Foreign Policy has an increasing focus on improving relations with its neighbors. She reiterates that Government of India is committed to advance regional integration. She highlighted that BBIN Rail Agreement is currently a priority and negotiations continue. There are also efforts to develop an e-knowledge network for the BBIN Countries. Government of India is also looking at developing the North Eastern city of

Guwahati into an air transportation hub to improve connectivity between India and its three eastern neighbors.

This session conducted an in-depth analysis on the prevailing state of Transit cooperation in the sub region. It is important to note, that the biggest challenges in transit are weak infrastructure, lack of regulatory harmonization, no effective interaction process between cross border businesses, and lack of efficient coordination mechanisms between land port authorities, businesses and logistical companies. In order to improve transit cooperation, it is important to improve infrastructure and also maintain similar standards in all four countries to ensure seamless connectivity. Additionally, developing soft infrastructure and creating a secured electronic data management system, where data can be fed and shared by the four countries should be a priority to ensure hassle free transit without any threat to the security of the nations.

DPG does not take specific policy positions; accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author(s).

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Programme





DPG Roundtable on Advancing BBIN Trade and Transit Cooperation

Venue: Willow Room, India Habitat Centre Lodhi Road, New Delhi 4 – 5 October, 2016

Programme

Rountable I: Advancing BBIN Trade Cooperation

Tuesday, 4th October, 2016

Venue: Willow Hall, India Habitat Centre

10:00-13:30 Hours

5 Minutes	Welcome: Ambassador Hemant Krishan Singh, Director General, Delhi Policy Group
5 Minutes	Opening Remarks: Ambassador V.P. Haran, Chair for Trade Session
20 Minutes	Keynote Speech: Dr. A. Didar Singh, Secretary General, Federation of Indian Chambers of Commerce & Industry (FICCI)
30 Minutes	Bangladesh's Perspective on BBIN Trade Cooperation Speaker: Dr. Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM
10 Minutes	Discussant: Mr. Pranav Kumar, Head of International Policy and Trade, The Confederation of Indian Industry
30 Minutes	Bhutan's Perspective on BBIN Trade Cooperation Speaker: Amb. Dago Tshering, Former Bhutanese Ambassador to India
10 Minutes	Discussant: Mr. Pranav Kumar, Head of International Policy and Trade, The Confederation of Indian Industry





10 Minutes	Tea Break
30 Minutes	India's Perspective on BBIN Trade Cooperation Speaker: Prof. Partha Pratim Pal, Professor, IIM Kolkata
30 Minutes	Nepal's Perspective on BBIN Trade Cooperation Speaker: Mr. Swarnim Wagle, Member, National Planning Commission, Nepal
10 Minutes	Discussant: Prof. Partha Pratim Pal, IIM Kolkata
13:30 -14:30	Lunch
<u>14:30 -17:00 Hours</u>	

- 14.30 16.30Comments by Amb. Tariq Karim, Former High Commissioner of
Bangladesh to India; followed by Open Floor Discussion
- 16:30-17:00 Concluding Session





Roundtable II: Advancing BBIN Transit Cooperation

Tuesday, 5th October, 2016

Venue: Willow Hall, India Habitat Centre

10:00-13:30 Hours

5 Minutes	Welcome: Ambassador Biren Nanda, Senior Fellow, Delhi Policy Group
5 Minutes	Opening Remarks: Prof. Prabir De, Chair for Transit Session
20 Minutes	Keynote Speech: Ms. Sripriya Ranganathan, Joint Secretary (BM), Ministry of External Affairs
15 Minutes	Special Presentation by Mr. Y.S. Shahrawat, Chairman, Land Port Authority of India
30 Minutes	Bangladesh's Perspective on BBIN Transit Cooperation Speaker: Dr. Mohammad Yunus, Senior Research Fellow, Bangladesh Institute of Development Studies
10 Minutes	Discussant: Mr Bipul Chatterjee, Executive Director, CUTS International, Jaipur
30 Minutes	Bhutan's Perspective on BBIN Transit Cooperation Speaker: Dasho Sonam Tshering, Former Secretary of Economic Affairs & Board Director (Druk Holdings & Investments)
10 Minutes	Discussant: Mr Bipul Chatterjee, Executive Director, CUTS International, Jaipur
13:30 -14:30	Lunch





14:30 -17:00 Hours

30 Minutes	India's Perspective on BBIN Transit Cooperation Speaker: Dr Manoj Singh, Adviser, Niti Aayog, New Delhi
10 Minutes	Discussant: Mr. Pratim Ranjan Bose, Bureau Chief, The Hindu Business Line
30 Minutes	Nepal's Perspective on BBIN Transit Cooperation Speaker: Mr. Purushottam Ojha, Former Secretary, Ministry of Commerce and Supplies, Nepal
10 Minutes	Discussant: Mr. Pratim Ranjan Bose, Bureau Chief, The Hindu Business Line
16:00 -16:30	Presentation and Comments on BBIN Transit Cooperation by Mr. Sanjay Pulipaka, Senior Consultant, ICRIER followed by Open Floor Discussion
16:30-17:00	Concluding Session

"Next Steps to Strengthen the Sub-Regional Cooperation"

> Presentation by Sanjay Pulipaka Senior Consultant, ICRIER

- " Next Steps to Strengthen the Sub-Regional Cooperation " Presentation by Mr. Sanjay Pulipaka, Senior Consultant, ICRIER

An important objective of the evolving Bangladesh, Bhutan, India and Nepal (BBIN) cooperation is to deepen regional integration for peace, stability, and prosperity.1 The BBIN framework seeks to achieve this by promoting cooperation in trade, finance, energy, infrastructure and implementing projects in time-bound manner. 2 A significant achievement in this direction has been the agreement on the Regulation of Passenger, Personal and Cargo Vehicular Traffic between Bangladesh, Bhutan, India and Nepal (BBIN MVA).

Various geopolitical factors contributed to the progress of the BBIN framework. The SAARC has been witnessing slow movement for decades and the downturn in India-Pakistan relations also contributed to delay in South Asian regional integration. As a consequence, the locus of regional cooperation has witnessed shift eastwards resulting in the emergence of frameworks such as BBIN and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Improved relations between India and Bangladesh also hastened the evolution of such frameworks. Further, international actors such as Asian Development Bank (ADB) and Japan, through its Official Development Assistance (ODA), have been prioritizing the infrastructure development in and around India's eastern frontiers. For instance, Japan International Cooperation Agency (JICA) has approved a soft loan of Rs.15,000 crore for construction of approximately ten highways (1,000 kms of roads) in Northeast Indian states such as Mizoram. Meghalaya, and Manipur. 3 Similarly, Japan has launched The Bay of Bengal Industrial Growth Belt (BIG-B) to strengthen infrastructure in Bangladesh. All this contributed to the signing of BBIN motor vehicles agreement in 2015.

The BBIN MVA has seventeen articles with three annexures. The following are some of the important components of the MVA: Only 'authorized operators' will be permitted for passenger and cargo transport; operators cannot carry passengers within another country; multiple entry permits will be issued which will be valid for one year; installation of tracking systems; and refers to the necessity of operationalising international road signs/signals on the specified routes.4 While the

¹ "Meeting of the Ministers of Transport of Bangladesh, Bhutan, India, and Nepal on the Motor Vehicles Agreement for the Regulation of Passenger, Personal and Cargo Vehicular Traffic between Bangladesh, Bhutan, India, and Nepal," Ministry of External Affairs, Government of India, available at <u>http://www.indianembassythimphu.bt/pages.php?id=283</u> ² Ibid.,

³ Rajat Arora, "Japan may back 10 Northeast highway projects", *Economic Times*, April 05, 2016 <u>http://economictimes.indiatimes.com/news/economy/infrastructure/japan-may-back-10-northeast-highway-projects/articleshow/51691573.cms</u>

⁴ "Motor Vehicles Agreement for the Regulation of Passenger, Personal and Cargo Vehicular Traffic between Bangladesh, Bhutan, India and Nepal," Ministry of Road Transport and Highways, Government of India, June 15, 2015, available at http://www.morth.nic.in/showfile.asp?lid=1715

MVA is a significant step forward, the following measures may be considered for further strengthening the BBIN sub-regional grouping:

- In addition to developing regulatory frameworks, the governments should focus on creating platforms, specifically in the energy sector, that will hasten the participation of private sector.
- ✤ There is a need for bringing-in the regional planning frameworks in conceptualising the integrated customs posts to facilitate cross-border trade and passenger movement. This will require coordinating among various levels of government resulting in the emergence of smart-border towns.
- While the welfare gains are discussed often, the cost associated with regional cooperative frameworks such as stress on infrastructure should also be discussed.
- In addition to road connectivity, there is need focus on rail and waterway connectivity among the BBIN countries.
- ✤ Given the diversity and scale of issues that need to be addressed, institutional frameworks such as BBIN secretariat or a BBIN centre should be operationalised. This nodal centre will work in close collaboration with various ministries in all the BBIN countries such as the MDONER in India.
- Technology should be used to strengthen the government agencies that are dealing with the BBIN trade on the ground. A BBIN App can be developed to facilitate deployment of technology to empower the traders/users to become active participants in improving the BBIN processes.
- There is a need to study the ASEAN Customs Transit Systems (ACTS) more closely to identify best practices. For instance, the ACTS is working to ensure that there is a single Electronic Goods Declaration Form, whereas the BBIN MVA stipulates 11 such forms.
- There is a need to study the possible impact of enhanced BBIN trade on ethnic politics of the region.
- While working to strengthen the BBIN framework, it is important to carry forward the bilateral trade discussions forward. It is distinctly possible that the forward movement on bilateral trade will spill-over into BBIN frameworks.

"Advancing BBIN Trade Coop: BBIN trade connectivity - Recent developments, hurdles and possible solutions"

> Presentation by A. Didar Singh Secretary General, FICCI

BBIN region in recent times

- A sub-regional initiative under SAARC
- Considerable political traction and alignment at highest political level
- Strategic shift by India Look East to Act East
- Major investments in infrastructure related to multimodal connectivity
- Number of bilateral and multilateral agreements inked in the region
- Greater action on people-to-people connectivity



BBIN: Linking South Asia with Southeast Asia

- Bangladesh, Bhutan, India, Nepal (BBIN) envisages improvement in sub-regional economic cooperation and greater connectivity
- Aims to enhance intra-regional trade relations
- Aims to realise regional connectivity goals with Southeast Asia
- Aims to enhance integration with regional value chains. Would support and reinforce India's trade agreements in the region.
- Aims to develop the **North Eastern Region** of India through crossborder cooperation

"Implementation of BBIN Motor Vehicle Agreement (MVA) could potentially increase intraregional trade within South Asia by almost 60% and with the rest of the world by over 30%" – World Bank Study



BBIN: An Important Vehicle for Furthering India's FTA/Eco.

<u>Engagement</u>

India's FTA Engagement in South Asia

- SAFTA
- APTA (formerly known as Bangkok Agreement)
- BIMSTEC
- India-Sri Lanka FTA
- India-Afghanistan PTA
- India-Bhutan Trade, Commerce and Transit Agreement
- India-Nepal Treaty of Trade Agreement of Co-operation to Control Unauthorized Trade; and Treaty of Transit

India's FTA Engagement in Southeast Asia

- India-ASEAN CECA
- India-Singapore CECA
- India-Malaysia CECA
- India-Thailand Free Trade Agreement (Early Harvest Scheme)
- Regional Comprehensive Economic Partnership (RCEP)

 (ASEAN + 6) regional trade agreement under negotiations

Landscape of Major Regional Trade Agreements



Total intra-regional trade in SAARC (2015)

USD 46.51 bn (some 4% of total global trade) (Source: International Trade Centre, Intracen)

India's share in total intra-regional trade in SAARC (2015-16)

USD 21.60 bn (around 46.44%) (Source: Export-Import Data Bank, MoC&I, GoI)

India's bilateral trade with:

Bangladesh (2015-16): USD 6.46 bn Bhutan (2015-16): USD 0.72 bn Nepal (2015-16): USD 4.28 bn (Source: Export-Import Data Bank, MoC&I, GoI)

India's total trade with BBIN countries USD 11.46 bn



Trade Connectivity is the Key

<u>Roadways</u>



<u>Recent positive developments in roadways</u> connectivity

- BBIN Motor Vehicle Agreement signed on June 15, 2015
- Trial runs from Kolkata-Dhaka-Agartala and Dhaka-Kolkata-New Delhi have already been done
- Letters of Exchange between Nepal and India for transit between Nepal and Bangladesh through Kakarbitta-Banglabandh corridor
- Protocols for passenger vehicles agreed upon and protocols for cargo vehicles being finalised
- Bridge on river Feni to connect Sabroom of Tripura with the Chittagong Sea Port
- Kaladan Multi-Modal Transit Transport Project expected to be completed in 2016
- Rs. 20,000 crore road projects declared by the Indian Government in the North-East

Larger connectivity initiatives





BBIN proposed routes





Waterways



<u>Recent developments in Maritime</u>

<u>connectivity</u>

- Delimitation of the Indo-Bangladesh Maritime Boundary in July 2014, welcomed by both countries
- Agreement on the Coastal Shipping in June 2015 and Standard Operating Procedure (SOP) signed in November 2015
- Coastal shipping started from March 2016. Earlier freight charges (via Colombo or Singapore) between USD 1,700 to USD 2,400 (per container of 4,000-5,000 tonnes) with transit time of around 30 to 40 days, expected to be reduced to around USD 400 and 8-10 days respectively
- MoU between India and Bangladesh on the use of Chittagong and Mongla Ports to majorly benefit Nepal and Bhutan as well via transit
- Letter of Exchange between Nepal and India to provide for transit facilities for Nepal through the Vishakhapatnam port
- India launched the Sagarmala project in July 2015 comprising of 150 projects with plans to invest Rs. 12 lakh crore under various programmes



Coastal shipping routes





<u>Recent developments in Inland Waterways</u> connectivity

- Protocol on Inland Waterways Transit and Trade (PIWTT) between India-Bangladesh, renewed and now provisions for automatic renewal every 5 years.
- India pans to invest INR 25 lakh crores in a phased manner to improve Inland Waterways and to increase the share of coastal/ IWT mode in the country's total transportation volumes from 6-7% to 10% by 2019-20
- Bangladesh Regional Inland Water Transport Project initiated to improve the navigability of 900 km of Inland Waterways along Dhaka-Chittagong and Dhaka-Ashuganj river corridors

<u>Railways</u>



Recent developments in Rail connectivity

- Letters of Exchange between Nepal and India on Rail Transport
- In addition to Dhaka-Kolkata, a second railway line between Khulna and Kolkata has been planned
- Bangladesh, Bhutan, India and Nepal (BBIN) Railway Agreement, being explored
- Indian Government investing INR 7,000 crores in rail projects in North East to connect all seven NE states with 18 already ongoing projects in the region covering 2,254 km and likely completion between 2016-17 to 2019-2020
- India also working on Jiribam-Moreh and Tamu-Kaley rail links, which will connect India to Myanmar, respectively, and will also be part of the Trans-Asia Railway network
- Bangladesh Railway is looking to revive five routes to India. The routes are Benapole-Bangaon, Birol-Radhikapur, Akhaura-Agartala, Banglabandha-Shiliguri-Nepal and Khulna-Kolkata
- Bangladesh is converting the Dinajpur-Birol-Radhikapur tracks from metergauge to broad-gauge

<u>Recent developments in institutional</u> <u>connectivity and cooperation</u>

- Establishment of South Asia Regional Standard Organisation (SARSO) which started functioning from April 2014 and has now developed regional (SAARC) standards on six products that are of interest to regional trade
- Bilateral Cooperation Agreement between the Bangladesh Standards and Testing Institution (BSTI) and Bureau of Indian Standards (BIS)
- MoU between Council of Scientific and Industrial Research (CSIR), India, and University of Dhaka, Bangladesh for Joint research on Oceanography
- MoU between India and Bangladesh on Blue Economy and Maritime Cooperation
- MoU between the Coast Guards of India and Bangladesh to ensure jointly marine security and prevent crimes at sea
- Inauguration of Muzaffarpur-Dhalkebar transmission line (Initial supply of 80 MW, to be augmented to 200 MW by October 2016 and 600 MW by December 2017)



<u>Recent developments in people-to-people</u> <u>connectivity and cooperation</u>

- Ratification of the Land Boundary Agreement on 6th June, 2015
- MoU and mode of operation of Border Haats with Bangladesh for setting up Border Haats on India-Bangladesh Border.
- MoU between India and Bangladesh on the prevention of human trafficking
- MoU between Jamia Milia Islamia, India and University of Rajshahi of Bangladesh to develop academic and cultural exchanges
- Agreement between the Bharat Sanchar Nigam Limited (BSNL) and Bangladesh Submarine Cable Company Limited (BSCCL) to boost the signal strength of Internet available in the North-East of India
- MoU- Nepal Academy of Music and Drama & Sangeet Natak Academy



Hurdles and possible solutions



<u>Availability of proper infrastructure at ports</u> and corridors

- Effective and efficient infrastructure is lacking. Some of the important ports that are used for transit cargo, a point of particular interest for Bhutan, Nepal and Bangladesh, like Banglabandha in Bangladesh (opposite Phulbari) and Panitanki/ Naxalbari in India (opposite Kakkarbhita in Nepal) lack the infrastructure like parking space, quarantine office/ testing facilities, proper customs quarters/ offices, basic amenities, proper roads, etc.
- In terms of the waterways, 24x7 navigational aids are not available for many channels and routes, making them less efficient and jacking up transit time and cost
- In terms of railways, incompatible transport technology platforms are affecting interoperability. For example a major part of the rail system in Bangladesh is meter gauge and is incompatible with the Indian broad gauge systems.

<u>Availability of proper infrastructure at ports</u> <u>and corridors</u>

 Not enough thrust on the inter-modality is observed. While all three modes, roads, rail and waterways are seeing infrastructure development, emphasis needs to be given on inter-connections between these various modes and putting in place the missing links between them.

Possible solutions:

- Improving the existing infrastructure and exploring common infrastructure wherever possible to lower capital costs. Eg -the one-stop border post at Chirundu Border Post between Zambia and Zimbabwe, where both countries use same infrastructure thereby lowering capital and operational costs.
- The region will need major infrastructure enhancements in most ports, land, sea or riverine to be able to effectively exploit the connectivity visions for the region



Insurance and guarantee of cargo in transit

- Major issues of guarantee of goods in transit and also insurance. Regulations are not harmonised across borders and there aren't many third party logistics services available to act as aggregators and book cargo from multiple traders, through multiple countries.
- Lack of mechanisms to transport less-than-truckload (LTL) and those relating to sabotage also need to be looked at, particularly from the view point of small and medium enterprises in the region

Possible solutions:

 Acceding to conventions like the TIR convention and also encouraging third party logistics services in the region will help. Appropriate custom policies and related infrastructure needed to enable small players to benefit from enhancement in trace and connectivity.

<u>Lack of institutional and regulatory</u> <u>connectivity and harmonization</u>

- Institutional, regulatory & digital connectivity is a major issue. Without regulatory (traffic rules, vehicle norms, safety norms, etc.) harmonisation and/ or mutual recognition of standards and conformity assessment procedures, non tariff barriers become a major hindrance when trading between countries.
- South Asia Regional Standards Organisation (SARSO) is a welcome development in this direction.
- The visa processes are also not harmonised and streamlined for a major part of the region impeding people-to-people connectivity and communication.

Possible solutions:

• Promote higher cooperation between the state, national and transboundary regulatory authorities through harmonization of relevant regulations on transport (traffic, vehicle, pollution norms, etc.), food safety, health sector regulations, financial sector regulations, etc. and also creating the platforms/ institutional mechanisms for regular exchange **FICCI**
Lack of institutional and regulatory connectivity and

Possible solutions: *harmonization*

- Acceding to international conventions eg. Convention on Road Traffic, 1968, Convention on Road Signals and Signs, 1968, Customs Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention), etc. Out of the seven conventions promoted by the United Nations, India has signed only 2, the Convention on Road Traffic and the Convention on Road Signs and Signals and Bangladesh has signed only the Convention on Road Traffic.
- Align domestic standards with international norms and also build capacity of institutions
- The ambit of SRASO needs to be enhanced with a particular thrust on Mutual Recognition Arrangements (MRAs).
- and • Stakeholder awareness on standards, regulations FICC institutions need to be enhanced

Capacity gaps and information asymmetry

 There are substantial gaps in understanding & operationalising procedures and regulations. In many instances, understanding on regulations and procedures vary across the border points with the lack of clarity on the implementation aspects, leading to different interpretations of policies and regulations across the borders and also between different border points within the same country.

Possible solutions:

- It will be important to do wide consultations to understand capacity and information gaps.
- undertake thorough mapping of all relevant policies, rules and regulations as applicable and make that available to all stakeholders through a single web portal.



Socio-Political and Security issues

- Some of the countries in the region experience volatile political and social climates. At times legitimate domestic security concerns impair cooperation dialogues and higher cross-border trade (e.g. SPS regulations)
- Also, larger cooperation gains are not always in tandem with how gains are perceived at the local level, leading to low political buy-in at the local levels.

Possible solutions:

 It is important to use diplomatic channels and forums to peacefully negotiate contentious issues with adequate technical capacity building on how to undertake such trade and transit related negotiations. Commercial diplomacy is a discipline that needs to be more actively engaged with and imbibed by political and diplomatic negotiators.

Socio-Political and Security issues

Possible solutions:

- Countries could explore and evolve joint mechanism for greater communication and surveillance at ports and sensitive territories
- Creating political ownership of the developmental projects through continued dialogues and capacity building of local stakeholders
- Initiatives like Border Haats have the potential to create not only the economic dividends but political (local gains), security (lower informal trade) and peace (better cross-border relationships) dividends. Such initiatives need to be promoted and replicated



"Bangladesh's Perspective on BBIN Trade Cooperation"

Presentation by Selim Raihan,

Professor, Department of Economics, University of Dhaka and Executive Director, SANEM - "Bangladesh's Perspective on BBIN Trade Cooperation", Presentation by Dr. Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM

Though there is a strong demand for a deeper regional integration in South Asia, the progress has been rather slow. Actual implementation of agreements often does not match the declared ambitions, and in this context, lack of political will and leadership, institutional weaknesses and capacity and resource constraints have been argued to be the major impeding factors. The political rivalry between India and Pakistan has often constrained the SAARC to be a functional regional forum. The recent cancellation of the SAARC summit is such an example.

In order to take forward the regional integration process in South Asia a good and effective initiative is the Bangladesh, Bhutan, India, Nepal (BBIN) initiative, which is a sub-regional coordinative architecture of countries in South Asia. BBIN operates through Joint Working Groups (JWG) comprising official representation from each member state to formulate, implement and review quadrilateral agreements. Areas of cooperation include water resources management, connectivity of power grids, multi-modal transport, freight and trade infrastructure. Focused on the subcontinent's northeast, it endeavored to cooperate on trade, investment, communication, tourism, energy and natural resources development. Its objectives have been expanded over years to incorporate substantial land and port connectivity.

The economic needs and drivers for a deeper integration in the BBIN sub-region are more prominent compared to these countries' integration with the rest of South Asia. Especially, a deeper integration among the BBIN countries is very important to place BBIN as the gateway for further integration with China and Southeast Asian countries. The political economy drivers also seem to be more favorable. In the context of some structural factors, especially the political rivalry between India and Pakistan, which has confined the progress of SAARC, and landlocked nature of Nepal and Bhutan, the BBIN sub-regional initiative has seen a great interest from the political elites from these four countries. The extra-regional drivers for BBIN are also favorable as there are growing interests from the international organizations like the Asian Development Bank (ADB) and the World Bank for improvement in connectivity and infrastructural development in this sub-region.

As far as intra-BBIN trade is concerned, there are substantial potentials for the rise in intra-regional trade. However, despite that India has already provided almost full duty-free-quota-free of its market access to exports from South Asian LDCs, Bangladesh, Nepal and Bhutan are facing escalated challenges to at least secure and then to increase their exports to the Indian market. These challenges are related to their limited export capacities, lack of diversification of their export baskets, and various non-tariff measures (NTMs) and procedural obstacles (POs) due to inadequate infrastructure and lack of support facilities both at home and in the Indian market. However, streamlining of NTMs and removal of associated POs are very important as such actions are likely to intensify further market integration in the BBIN sub-region through development of regional value chains. These will also encourage larger intra and extra regional investments in the BBIN sub-region, which can be instrumental for growth integration among these countries. To make these happen there is a need for policy integration among the BBIN countries.

Domestic capacities of the exporters in Bangladesh, Bhutan and Nepal need to be improved to meet different international standard requirements. Unless and until these exporters develop their capacities, they will not be able to diversify exports and become competitive in the regional and international markets. A number of supply side factors at home can actually undermine the exporters' competitiveness and constrain economic and export diversification. These factors are directly associated with the domestic production and investment environment. Most prominent of these factors are access to finance, weak physical infrastructure, inefficient ports and high transport costs, shortage of skilled workers, technological bottlenecks, lack of entrepreneurship and management skills, lack of information, and high costs of doing business.

There are some signs of heightened 'new' commitment among political elites of the BBIN countries. The recent speedy resolution of land boundary agreement (LBA) between Bangladesh and India, the positive reception of the India-Bangladesh Maritime Arbitration Award announced in July 2014, establishment of border haats along the border between India and Bangladesh, and the BBIN Motor Vehicle Agreement are signs of such 'new' political commitments.

However, the aforementioned 'new' commitments have not yet been translated much to resolve the issues related to NTMs and POs discussed above. There is a need to put renewed emphasis on this. There are some recent initiatives by the Government of India to solve the trade infrastructural problems at the border by setting up of Integrated Check Posts (ICPs) at major entry points on the land borders between Bangladesh and India. Two such ICPs have been put in place recently. Such ICPs need to be established at the borders between India and Nepal and India and Bhutan.

There is also a need for cooperation among different institutions in the BBIN countries to deal with NTMs and removal of POs. Cooperation is needed in a number of areas for harmonization of TBT and SPS measures, Mutual Recognition Agreements (MRAs) among respective organizations of these countries, and for introduction of increased automation of their customs clearance procedure.

"Enhanced Regional Economic Cooperation in the BBIN Sub-Region: The Bangladesh Perspective"

Presentation by Selim Raihan Professor, Department of Economics, University of Dhaka and Executive Director, SANEM

Outline

- I. We need a political economy framework for understanding regional integration
- II. Looking at the BBIN with a political economy framework
- III. Intra-regional trade in South Asia: Current pattern and potentials
- IV. Problems of NTMs, POs and trade facilitation
- V. What is to be done?

Three drivers for a deeper regional integration

- Economic drivers: market integration, investment integration, growth integration and policy integration.
- Political economy drivers: primary institutions, secondary institutions, regional public goods, structural factors and role of political elites.
- Extra-regional drivers: global economic and political factors that have influence over the region.



How do three sets of drivers work in South Asia and BBIN?

Economic drivers

Market integration

- SAFTA, SATIS
- Growth integration
 - Existing RVCs in textile and wearing apparels
 - Energy cooperation, connectivity

• Investment integration

- Weak.
- Prospects of intra-regional investment
- SEZs in Bangladesh: Good steps

• Policy integration

- Harmonization of trade and investment policies
- Harmonization of customs regulations, standards, nontariff issues

Political economy drivers

Primary institutions

- SAARC secretariat, relevant ministries and organizations (ex: MOC, MOF, NBR, Standard organizations)
- Secondary institutions
- Private sector, business associations, CSOs, think tanks, media (and rules governing primary and secondary institutions)
- Regional public goods
 - Regional infrastructure is very weak. Border custom points, connectivity weak. High transaction cost
- Structural factors
 - Landlockedness of Nepal, Bhutan and Afghanistan, size of India, India-Pakistan political rivalry, trade through land
- Role of political elites
 - 'Trust deficit'?
 - Hesitant and inconsistent leaderships

Extra-regional drivers

- In South Asia, countries are at different levels and with different patterns of integration with the rest of the world.
- Different extra-regional trade agreements
 - RCEP
 - India's FTA with ASEAN and East Asian countries, EU
 - Pakistan's FTA with China
- Extra-regional political factors
- Development partners like World Bank, ADB (SASEC)

Intra-regional trade in South Asia

- Common understanding is that intra-regional trade is 5% in South Asia.
- However, if we look at some numbers the picture is not that frustrating!

	Regional import as % of country's total import		Regional export as % of country's total export	
	2006	2014	2006	2014
Afghanistan	42.4	33.4	29.7	60.6
Bangladesh	13.1	15.8	2.5	1.9
Bhutan	70.0	72.6	28.5	74.1
India	0.8	0.6	5.2	5.8
Maldives	12.9	13.8	19.6	6.9
Nepal	37.5	52.2	38.9	62.2
Pakistan	4.4	4.2	9.4	12.8
Sri Lanka	20.3	20.8	9.3	7.9
Total region	3.9	4.5	5.9	7.0
Intra region trade	2006 = 4.7%		2014 = 5.5%	

Intra-regional trade in South Asia



Decomposing the rise in intra-regional trade during 2006 and 2014 (1) Incremental Incremen

- During 2006 and 2014, the incremental intraregional export (=import) was 15.39 billion US\$. Therefore, incremental intra-regional trade was 30.78 billion US\$.
- At the same time, the incremental total trade of this region was 594.58 billion US\$

	Incremental intra regional export as % of incremental total export	Incremental intra regional import as % of incremental total import	Incremental intra regional trade as % of incremental total trade	
Afghanistan	113.4	28.7	32.4	
Bangladesh	1.4	17.2	11.2	
Bhutan	207.8	74.4	99.1	
India	6.2	0.4	2.8	
Maldives	-23.7	14.8	12.2	
Nepal	300.9	58.3	61.6	
Pakistan	18.5	4.0	7.8	
Sri Lanka	5.8	21.2	16.9	
Total	7.8	4.9	6.0	

Decomposing the rise in intra-regional trade during 2006 and 2014 (2)

- During 2006 and 2014, the rise in intra regional export (import) was 15.39 billion US\$.
- India had the 79.3% share in the rise in intra-regional export and 43.6% share in total trade.
- Bangladesh had 33.5% share in the rise in intra-regional import.

Contribution from	% share in incremental intra regional export	% share in incremental intra regional import	% share in incremental total intra regional trade
Afghanistan	1.8	9.8	5.8
Bangladesh	1.7	33.5	17.6
Bhutan	1.9	3.0	2.5
India	79.3	7.9	43.6
Maldives	-0.1	0.7	0.3
Nepal	1.6	22.7	12.2
Pakistan	12.2	7.6	9.9
Sri Lanka	1.6	14.8	8.2
Total	100.0	100.0	100.0

The major export market in South Asia is India's market!

 The other markets are Bangladesh, Pakistan, Sri Lanka, Nepal.

	Size of the total import as a proxy of the market size (billion US\$)
Afghanistan	8
Bangladesh	46
Bhutan	1
India	458
Maldives	1.7
Nepal	8.5
Pakistan	59
Sri Lanka	21

But, Bangladesh has exploited very small fraction of its export capacity!

- Bhutan and Nepal already have high proportions of their exports destined to India.
- Bangladesh has exploited very small fraction of its export capacity.
- Challenge is to retain the current status.

	India's import from other countries in 2014 (million US\$)	Export capacity of other countries in 2014 (million US\$)	Export to India as % of total export capacity in 2014
Afghanistan	220	659	33.4
Bangladesh	462	30,199	1.5
Bhutan	383	555	69
Maldives	4	192	2.1
Nepal	547	920	59.5
Pakistan	481	27,052	1.8
Sri Lanka	610	10,923	5.6
Total from South Asia	2,708	70,500	3.84
Total from ROW	457, 804		

India is the major source of import for most of the South Asian countries!

- India is the prime source of import for Bhutan and Nepal.
- India is the major source of import for Bangladesh.

	Total import in 2014 (million US\$)	Import from India in 2014 (million US\$)	Import from India as % of total import in 2014
Afghanistan	7,991	443	5.5
Bangladesh	45,610	6,580	14.5
Bhutan	1,040	749	72
Maldives	1,700	140	8.2
Nepal	8,486	4,405	52
Pakistan	58,945	2,182	3.7
Sri Lanka	20,538	3,978	19.4
Total	144,310	18,477	12.8

Composition of bilateral trade between Bangladesh and India

Bangladesh's export to India

\$SU noillim 300

HS1

HS2 HS3 HS4 HS5 HS6 HS7

HS8 HS9





Source: Raihan (2016). Data from ITC Trade MAP



Potential for rise in India-Bangladesh bilateral trade

Bangladesh's export to India

India's export to Bangladesh



Source: Raihan (2016). Data from ITC Trade MAP





Demystifying NTBs

- Many NTMs are legitimate and thus cannot be negotiated away.
- NTMs often impose additional costs on trading, and thus may have substantial effects on trade
- Most of the SMEs face this challenge, especially with respect to meeting the SPS and TBT standards.
- Weak capacities of the National Standards Authorities, and thus certificates issued by them are not accepted in other countries.
- Lack of harmonization of standards and custom procedures exacerbate the problem

Demystifying NTBs..

- The intra-regional trade in the BBIN countries happens predominantly through the land borders.
- Many NTM related complaints are related to weak infrastructure at the land custom stations and lack of testing and laboratory facilities nearby the land custom stations.
- Due to various procedural obstacles, which are related to complicated bureaucratic process, delays, corruption, and frequent changes in the policies, many legitimate NTMs turn into NTBs.

Welfare effects of reduction in transaction cost in bilateral trade

Country/Regions	SAFTA - zero tariff with no sensitive list		Reduction in transaction cost in bilateral trade by 10%	
	EV (Million US\$)	EV as % of GDP	EV (Million US\$)	EV as % of GDP
Bangladesh	173.15	0.25	939.04	1.37
India	1950.44	0.16	3148.27	0.26
Nepal	595.12	5.79	669.16	6.51
Pakistan	433.34	0.30	771.27	0.54
Sri Lanka	284.66	0.88	1386.33	4.29
Rest of South Asia	294.14	2.45	472.71	3.93

Source: Raihan (2016) using the GTAP model

Seven areas to look at

- 1. Proper dealing with NTMs can boost economic drivers for a deeper regional integration in the BBIN
- 2. Trade infrastructure and facilitation in the BBIN sub-region: Improving poor regional public goods
- 3. Pragmatic solutions to structural factors
- 4. Signs of 'new' commitment among political elites of the BBIN countries
- 5. Pro-active role of the primary institutions
- 6. An effective policy advocacy strategy of the secondary institutions
- 7. Effective use of the favorable external factors

"Bhutan's Perspective on BBIN Trade Cooperation"

Presentation by Amb. Dago Tshering, Former Bhutanese Ambassador to India

- "Bhutan's Perspective on BBIN Trade Cooperation", Presentation by Amb. Dago Tshering, Former Bhutanese Ambassador to India

The Bangladesh, Bhutan, India and Nepal Motor Vehicle Agreement (BBIN MVA) signed in Thimphu in 2015 is a leap forward to foster sub regional cooperation and would promote cross border trade as the Agreement enables vehicles to enter any of the four nations without the need for trans-shipment at the border check posts.

Given the geographical proximity, commonality of history and culture, Bangladesh, Bhutan, India and Nepal have great opportunities trade, investment and economic cooperation by improving infrastructure, connectivity, roads, air, railway linkages and riverine facilities. These will not only make intra- regional trade easier and more cost effective but also will have better linkages with the North East Region states of India. These will also facilitate the landlocked countries to overcome their geographical predicaments owing to transit facilities to and from the ports in Bangladesh and India.

However, there are challenges of connectivity and Non Tariff Barriers, which should be removed for BBIN to march towards cooperation and integration of the sub region. It can be stressed that the region need to do this for fostering more trade, more investment, more economic cooperation and progress and for greater happiness for 1.5 Million people.

"India's Perspective on BBIN Trade Cooperation"

Presentation by Prof. Partha Pratim Pal Professor, IIM Kolkata

- "India's Perspective on BBIN Trade Cooperation" Presentation by Prof. Partha Pratim Pal, Professor, IIM Kolkata

The BBIN initiative is a welcome sub-regional integration project for India. It allows India to bypass Pakistan and discuss connectivity issues with Bhutan, Bangladesh and Nepal. It also integrates well with India's 'Look East Policy'. This initiative can solve India's longstanding problem of locational disadvantage and poor connectivity to is Northeastern states. The BBIN initiative also fits well with the new wave of developing massive transnational road and rail connectivity networks. All these will facilitate intra- and inter-regional trade in goods and services. BBIN may open up untapped and unexplored trade possibilities in various goods and, more importantly, services including tourism, energy, education, health, finance and logistics. It may also help develop sub-regional and regional value chains, which can be further integrated with global production networks.

There may be certain challenges ahead, too. India has been a dominant member of SAARC and without Pakistan and Sri Lanka, India's dominance in BBIN will be even more pronounced. It will be a responsibility that India will need to address in the sub-regional grouping.

Secondly, countries in the group may not have their priorities completely aligned with each other and the member countries of BBIN need to accommodate these diverse views while taking the initiative forward. It will also be important to keep in mind that even within the BBIN countries there are political problems and issues of mistrust.

The other challenge is related to informal economy, arising as a result of inefficiencies and trade facilitation problems (like transshipment), along these countries' borders. Economic agents who are part of this informal economy are essentially rent-seekers who have gained from the non-transparency and inadequacy of the system. Any process to streamline trade and transport logistics can meet strong resistance from these economic agents and the local informal economies.

Finally, for the BBIN initiative to achieve success, it will be important to calibrate the speed and level of its ambitions. It must be recognized that even within the BBIN group there is significant heterogeneity in terms of economic size and level of economic development. Therefore, political objectives and policy priorities of these countries might be very different. Increasingly national security issues are becoming an area of major concern, which can put a brake on regional or subregional integration. Long-term acceptability and success of BBIN will depend on how well these concerns and sensibilities are taken into account within this framework.

"Nepal's Perspective on BBIN Trade Cooperation"

Presentation by Swarnim Wagle, Member, National Planning Commission, Nepal

- "Nepal's Perspective on BBIN Trade Cooperation" Presentation by Mr. Swarnim Wagle, Member, National Planning Commission, Nepal

Sub-regional economic cooperation among Bangladesh, Bhutan, India and Nepal (BBIN) has compelling merits. First, it sets the stage for greater symmetry and reciprocity with the economic sub-unit of Northeast India as the lynchpin. Second, this is a second-best recourse when full-fledged regional cooperation through the aegis of SAARC is not possible. Third, the region is the gateway to Southeast Asia. A proactive BBIN agenda must involve concrete steps to lowering trade costs across borders; boosting firm competitiveness at home; broadening tradability of services, especially in energy and tourism; investing in physical infrastructure to connect major centers of commerce and aid people's mobility; and by aligning the vision of policymakers with the aspirations of people, conceive of a future where shared fiscal and monetary instruments and harmonized regulations lay a ground for greater prosperity.

"Advancing Regional Trade: BBIN from a Nepali Perspective"

> Presentation by Swarnim Waglé, PhD

Advancing Regional Trade: BBIN from a Nepali Perspective

Swarnim Waglé, PhD

Delhi Policy Group October 4, 2016

- 1. BBIN cooperation on trade and transit has three compelling merits.
 - 1.1 Greater symmetry and reciprocity: size of Subcontinental India skews priorities and exaggerates anxieties; it has to be viewed by neighbors as 'economic sub-units'
 - 1.2 Second-best recourse when full-fledged regional cooperation is not possible
 - 1.3 Gateway to Southeast Asia
- 2. To say that South Asian regional integration is unsatisfactory is a huge understatement. We have long been peddling the 5% statistic (the intra-regional share in South Asia's overall trade).¹ India's asymmetric size will always limit this share (relative to ASEAN), but it is disappointing even when compared to Mercosur where Brazil looms large. This is because it costs more to trade within South Asia than with countries in Latin America.² When trade costs are so prohibitive, it is no surprise that the outcome is dismal.
- 3. Most of our barriers, as well as opportunities, are policy-induced and man-made. They can be changed, or seized upon, with the right political will. We need to cohere our project of regional integration with 21st century aspirations. Regional and global developments over the past 30 years have been so rapid that we are still playing catch-up. For a start, smaller countries in South Asia need to find creative ways to ride the boom of our giant neighbors, India and China.
- 4. Over the past 20 years, we have talked tall but delivered little. We pledged to create a preferential trading bloc (SAPTA) two decades ago. The Group of Eminent Persons submitted a roadmap in 1999 which foresaw a South Asian customs union by 2015 and an economic union by 2020. This proposition now is ludicrous. Everyone agrees that declarations of SAARC summits are not implemented, regional centers do not function well, and the secretariat remains weak. Perhaps time has come for self-introspection and to unburden ourselves of the numerous goals and mandates. Let us focus on a few big things and work to achieve them instead of accumulating promises that are not kept.
- 5. We need to change the narrative from trade being a reciprocal tariff exchange program (beneficial to consumers) to a multi-dimensional platform for enhancing regional competitiveness (beneficial to producers). To reduce poverty and make economies dynamic, we need an expansive notion of regional cooperation. We need to evolve from statements of political solidarity into meaningful economic clubs. Cooperation that enhances prosperity must assume a broader appeal through common programs, from regional infrastructure related to energy and transport to shared monetary and financial institutions, comparable regulatory standards to the movement of labor across borders. While they facilitate trade, they are worth pursuing on their own merit. Regional markets

¹ For ASEAN, this is above 30%; for EU and North America, over 50%.

² Latest bilateral trade cost database prepared by UN-ESCAP and the World Bank.
can only be sustainable if they are investment platforms for industries that can participate vigorously in the world market. In this regard, the South Asian Free Trade Agreement (SAFTA) has a choice: it could either be a poor man's consortium riddled with sensitive lists and non-tariff barriers or a means to reorient the subcontinent's economies toward international competitiveness.

6. Nepal's trade and competitiveness deficit has worsened dramatically. The export-to-import ratio is almost 1:10, with the deficit exceeding 30% of GDP. Imports are remittance-fuelled and exports suffer from supply-side hurdles: labor, cost of inputs, poor infrastructure exacerbated by landlockedness. Over two-thirds of merchandise trade is with India: this presents major challenges (productivity divergence, currency peg) as well as opportunities (GVCs, services).

What should be the policy priorities then?

7. First, lower the cost of trading.

All else equal, countries trade more with neighbors than those far away. However, it is cheaper for South Asian countries to export to any other region in the world than within. India and Pakistan account for 90% of the region's economy, but trade cost between them is double that between China and the United States despite the latter pair separated by a vast ocean. It is cheaper for India to trade with Latin America than with Afghanistan or Maldives. This is because of poor connectivity and rigid trade barriers that persist not to facilitate exchange but to obstruct and control.³

7.1 Take BBIN, the northeast of South Asia. Cali, Farole, Kunaka and Wagle 2014) study trade complementarity (using employment data that proxy for production patterns). Indian districts (Darjeeling and Uttar Dinajpur) demonstrate greatest potential for new trade opportunities with the Bangladesh's Panchagarh. That is partly due to the importance of rice production in Panchagarh and in consumption in Indian districts. Complementarity between the Nepalese (Ilam and Jhapa) and the Indian districts is lower, partly because of the greater importance of tea production in Nepalese districts than in Indian households' consumption. However, consumption is above average for milk, meat, potato.

A related examination of price differentials in an array of consumer items across borders also shows significant wedges, of up to 50% between Nepalese and Indian districts and up to 90% between Indian and Bangladeshi districts. These wedges can be expected to be reduced if border-related costs of policy barriers and delays can be "thinned." However, burden at the border is not the only hurdle. It is worsened by within-country inadequacies in infrastructure, firms' productive capacity, institutions, and investment climate.

Take tea; the growers are often small firms or farmers who face problems with scale and marketing, connectivity and access to quality inputs. Further, with the auction system structuring the market in India, the greater role of value chain intermediaries improves information exchange and helps build

³ Relative to potential, we have few points of entry between countries. India and Pakistan can trade fewer than 150 products across the Wagah land border. The distance between Dhaka and Lahore can be shortened by one third; Northeastern states of India can be reached much faster through Bangladesh.

networks. National regulations can be discriminatory by design. The right to excludability enshrined in the GI system, for example, disadvantages an important export from Nepali districts neighboring Darjeeling. There are limitations on cross-border trucking and the lack of mutual recognition of quality standards and testing. These contribute to the Nepal tea sector being fragmented, resulting in low levels of coordination among supply chain participants and limited access to market information, perpetuating the perception of lower quality.

- 7.2 More generally across South Asian borders, goods often have to be trans-loaded; and clearance is slow because of differing standards and protocols. More than 85% of non-tariff barriers in South Asia are accounted for by technical barriers and sanitary and phyto-sanitary measures. Even on tariff rates, over 50% of intra-regional imports are on the sensitive list shielded from cuts. There is no provision in SAFTA to phase them out. While it is true that given the size of India, even if all other SAARC countries doubled their exports to each other, the share of intra-regional trade would still remain low, we can do much better than now by bringing trade in services into the picture. While services account for more than half of the regional economy, its tradability is constricted. The potential for intra-regional tourism, education, healthcare, energy, transport and ICT services is by now well documented. Competitiveness in services now determines manufacturing productivity.
- 8. Second, be business-friendly, attract investment, and revive manufacturing.

Even under a scenario where such cross-border restrictions were substantially reduced or removed, competitiveness of firms in the region would remain a concern. Chief among these is the productivity of firms that affect the quality of exports and the broader enabling environment afforded by quality transport and logistics infrastructure and services. Even when markets are open, they remain unexploited because of supply side weaknesses. Indeed, policies that do not help domestic production but only increase imports in the name of free trade create a backlash against trade liberalization. This is now the case in Nepal where imports have ballooned because of remittances at the same time exports have stagnated because of low competitiveness.

- 8.1 In the 2016 Doing Business indicators, South Asian country ranks ranges from 71 to 177 out of 189 economies (NPL-99; LKA-107; IND-130; PAK-138; BGD-174; AFG-177). There is no reason why our region cannot reform business regulations so that we can be as attractive as, say, post-conflict Rwanda which ranks 62nd (or Jamaica at 64th). Here, the Indian reform ambitions are being watched carefully: landlocked countries are heavily dependent on the quality of soft and hard infrastructure (Collier 2007).
- 8.2 Our FDI regime is also disjointed from trade. The intra-regional share in total FDI is about 4%, much of it accounted for by India. Several sectors remain closed or restricted to foreign ownership of equity. The costs and procedures for setting up foreign subsidiaries remain cumbersome. In Nepal, the ban on outward FDI has been in place for the past 50 years. We have seen that even entrepreneurs from small countries can exploit their niche competencies to succeed in larger markets (Nepali noodles in Northeast India).
- 8.3 New trade paradigm evolving where BBIN can create space for shared production:
 - Task, not industries

- Firms, not countries
- Private barriers, not just public barriers
- Flows (and competencies), not stocks (or endowments)
- 8.4 The big picture is that developing countries are "de-industrializing" at levels of income much lower than attained by advanced industrialized countries when their share of manufacturing in employment peaked. While in the United States or South Korea, such a share reached nearly 30% before decreasing, in India manufacturing employment lost ground after reaching just 13% (Rodrik). India's Make in India campaign presents an opportunity for us to latch on to fragments of the manufacturing value chain. We have lagged in GVCs in South Asia. Sectors like textiles, auto parts, electronics, food-processing and pharmaceuticals embed low-hanging fruits. We in Nepal await these opportunities eagerly as our manufacturing sector has now plunged to about 5% of GDP from a peak of 10% in 1996.⁴
- 9. Third, enhance connectivity and promote fast-track economic corridors. We have not invested enough in shared infrastructure. This is an important agenda for lagging regions like Nepal, Northeastern states of India (plus Afghanistan and Northwestern Pakistan). We are starting from such a low base that any concerted effort to fill the infrastructural gap in South Asia will facilitate trade and create jobs.
 - 9.1 Visakhapatnam to Jogbani/Birgunj rail; four road routes.
 - 9.2 The logical point to start is from existing transport corridors and have them evolve into trade and logistics corridors to eventually become urban hubs. These can be thought of as dynamic intercountry versions of Special Economic Zones where customs and institutional barriers are simplified and supporting infrastructure like multi-modal transport is built better. The first of such corridors could be the historical link from Kabul to Chittagong, with feeder motorways to Kathmandu and Thimpu.
 - 9.3 South Asia is the least urbanized region in the world. While in 1990, we compared well with East Asia, our rate of 31% today is way below East Asian and global average of over 50%. The region is expected to require 7% to 10% of its GDP (or between US\$1.3 to US\$2 trillion) to fill these gaps between 2011 and 2020. In Nepal, the upper case estimate is 12% of GDP (about US\$18 billion). It would make sense to invest in regional infrastructure such as the transport corridors by pooling resources and identifying cost-saving synergies.
- 10. Fourth, share surplus energy. Just like the EU began with the Paris Treaty of 1951 as a Steel and Coal Community, we in South Asia could anchor our regional integration around trade in energy. In Nepal, we are greatly encouraged by the signing of the agreement with India on electric power trade, cross-border transmission interconnection and grid connectivity. While Nepal is likely to more than double electricity generation over the next three years, we will still face severe power cuts in the rainy season which we hope to mitigate by importing about 600 MW of electricity from India. In the medium term, we expect to have surplus

⁴As recent evidence shows, manufacturing as a sector is quite special: it exhibits unconditional convergence in labor productivity, absorbs a large workforce, and caters to demand that is not constrained by a small domestic market.

energy which we will export to India and other neighbors. South Asia presents us a market with an insatiable appetite. Without Indian assurances to purchase surplus energy, Nepal remained a small market unable to tempt large foreign investors.

- 10.1 Shared grid to trade energy: need policies on cross-border power exchange; investment in infrastructure (and grid code); management of risks to tempt FDI
 - Relative edge for Bangladesh (natural gas), India (coal), Nepal and Bhutan (hydro) matching of time/peak diversity; optimized transmission network (proximity of load and generating systems); economies of scale
 - Climate change dictates a switch from dirty to cleaner sources
- 10.2 In 2014, Nepal signed a landmark Power Trading Agreement (PTA) with India, as well as Power Development Agreements (PDA) with GMR and Sutlej, to harness 1800 MW of export-oriented hydro projects. As of 2016, they have not progressed as expected. One major challenge that countries like Nepal face in developing its power sector is its capacity to manage risks. There is too much uncertainty, from power purchase default, political force majeure, foreign exchange fluctuations, threat of confiscation and expropriation, and operational hydrology. Perhaps regional solutions on innovative risk mitigating instruments can be explored as regional cooperation matures.
- 11. Fifth, prepare a roadmap from a functioning FTA to an optimum currency area.

There is a deficit of trust in bilateral relationships within South Asia. Trade embargo along the Indo-Nepal border (September 2015 to February 2016) for the third time in modern history worsened relations in decades. We have to move to honor the spirit of FTAs and transit treaties. Not all countries will gain equally at the same time from FTAs/customs unions. Some may even face large adjustment costs. Economic models, too, do not always capture all the dynamic gains of such a union. However, if the final goal is clear, countries in the region can sequence the march to suit their political and economic conditions.

- 11.1 Motor Vehicles Agreement is a good first step to build confidence, and to show people win-win outcomes. This will help implement FTAs and CUs.
- 11.2 The <u>eventual</u> goal is deeper integration. Common regional currency will lower risks, enhance price competition, reduce trade costs, and enhance transparency. On the flip side, there is the sensitive issue of national pride in giving up a national currency. A more serious challenge is the loss of policy flexibility in the face of asymmetric shocks across regions of the currency union. The theory of optimum currency has two pre-conditions. The first is unfettered mobility of labor and the second is a form of fiscal integration that permits the transfer of funds to regions hit by shocks.
- 11.3 While these preconditions appear far-fetched, we must begin to think about the steps if we believe in true integration in South Asia. In fact, labor mobility is already a reality in some countries, and the implementation of development funds over the next decade or two can give countries a foretaste of the way fiscal transfers could work. After all, even the European Union had a mundane origin: it began by pooling coal and steel, in the hope that deeper integration would not only make war unthinkable but materially impossible.

Presentation

by Bipul Chatterjee Executive Director CUTS International

- Presentation by Mr. Bipul Chatterjee, Executive Director, CUTS International

- a) For seamless connectivity in the BBIN region, there should be better understanding of its economic geography among the policy makers, politicians and other stakeholders. This unique economic geography, which was well connected till a few decades ago, should be explored through the involvement of local stakeholders so that the region gets back its prosperity.
- b) Before political boundaries were re-drawn, the region was highly connected via roads, railways and waterways. There should be emphasis on inter-modal connectivity projects, which will help better transit of goods as well as people. Hard infrastructure development should be accompanied by soft infrastructure through capacity building of officials dealing with regulations and awareness generation of people to be affected by them. In order to generate better political (local) buy-in for such infrastructure projects, there should be ex-ante impact analysis of their effects on poverty and employment generation.
- c) For better implementation of the BBIN Motor Vehicles Agreement, particularly for facilitating transit trade, these countries should seriously considering joining the TIR (Transports Internationaux Routiers) Convention the Customs Convention on the International Transport of Goods under Cover of TIR Carnets as that would help achieve the objective of seamless movement of cargoes across borders.
- d) Finally, there should be political push for converging connectivity initiatives in the BBIN region with those in the BIMSTEC the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. For that to happen, there should be greater emphasis on economic development around the Bay of Bengal region, including connecting land-locked countries such as Bhutan and Nepal through inland waterways.

"Special Presentation" by Mr. Y.S. Shahrawat Chairman Land Port Authority of India

- "Special Presentation by Mr. Y.S. Shahrawat, Chairman, Land Port Authority of India

Bangladesh, Bhutan, India and Nepal signed the historic BBIN Motor Vehicle Agreement for the Regulation of Passenger, Personal and Cargo Vehicular, Traffic amongst the BBIN during the BBIN Transport Minister's meeting in Thimphu on 15th June, 2015.

- 2. Border are not barriers, but are connectors. Integrated Check Posts being developed by the Land Ports Authority of India on our land borders provide seamless connectivity for the movement of passengers, cargo and traffic. Lack or total absence of infrastructure is a major barrier for commerce or trade. Integrated Check Posts provide state-of-art infrastructure to ensure smooth and secure movement of both export and import cargo. Resultantly, the Trade transaction costs, which is the highest in our region, will decrease. The time taken to cross the border in either direction will also be reduced. Greater economic engagement with our neighbours will usher prosperity for the four countries and co-laterally ensure development of North East region as a part of "multiplier effect". Integrated Check Posts will generate economic gains and create wealth and will be the "Game Changers" ensuring socio-economic and political benefits.
- 3. The BBIN Agreement would ensure reciprocity in trade and deeper engagement in commerce and thus help address the mistrust among the neighbours that they face many barriers in their trade with India.

"Special Presentation" by Mr. Y.S. Shahrawat Chairman Land Port Authority of India

ICP LOCATIONS Phase - I

S. No	ICP Location	State	Indian Border with
1	Attari	Punjab	Pakistan
2	Agartala	Tripura	B'ladesh
3	Petrapole	W' Bengal	B'ladesh
4	Raxaul	Bihar	Nepal
5	Jogbani	Bihar	Nepal
6	Moreh	Manipur	Myanmar
7	Dawki	Meghalaya	B'ladesh

Functional







ICP LOCATIONS Next

S No	Location	State	Border
1	Hili	W' Bengal	B'desh
2	Changra bandha	W' Bengal	B'desh
3.	Panitanki	W' Bengal	Nepal
4.	Jaigaon	W' Bengal	Bhutan
5.	Sunauli	U' Pradesh	Nepal
6.	Sutarkandi	Assam	B'desh







Road map

S.No	Location	State	Border
1.	Rupaidiha	Uttar Pradesh	Nepal
2.	Kawrpuichhuah	Mizoram	Bangladesh
3.	Mahadipur	West Bengal	Bangladesh
4.	Fulbari	West Bengal	Bangladesh
5.	Garuiphanta	Uttar Pradesh	Nepal
6.	Bhithamore	Bihar	Nepal
7.	Ghojadanga	West Bengal	Bangladesh



FACILITIES AT CARGO TERMINAL

Warehouse/Refrigerated storage space.

Cargo Complex.

Bank, Cafeteria, Parking etc.,

Drivers Rest Area.









FACILITIES AT CARGO TERMINAL

Electronic Weigh Bridge

CCTV

Cargo Scanner-FBTS





Inspection Shed

Confiscated Goods Shed

Quarantine Block



FACILITIES FOR PASSENGERS







Trolley & wheel chair

Parking and Taxi

Cafeteria



FACILITIES FOR PASSENGERS

Waiting Area

Health Check





Wash Room

Prayer Room

Child Care Room



ICP Attari





LCS Attari









ICP Agartala





LCS Agartala









ICP Raxaul







LCS Raxaul









ICP Petrapole









LCS Petrapole









ICP Jogbani









LCS Jogbani



"Bangladesh's Perspective on BBIN Transit Cooperation"

Presentation by Mohammad Yunus Senior Research Fellow, Bangladesh Institute of Development Studies

- "Bangladesh's Perspective on BBIN Transit Cooperation", Presentation by Dr. Mohammad Yunus, Senior Research Fellow, Bangladesh Institute of Development Studies

Bangladesh will act as the hub of regional and sub-regional transit. In providing transit under various agreements one can identify at least 10 road, 8 rail and 2 inland water corridors. However, massive investment is required in developing infrastructures such widening of roads, construction of bridges, compatibility of rail gauge, purchase of locomotives and rolling stocks, dredging of shoals, developing ports of call as well as trade facilitation infrastructures at the land ports and sea ports. It is estimated that USD 10 billion would be required to finance such investment. In order to recover costs of transit services Bangladesh can legitimately impose charges that are compatible with GATT article V. It has been found that Bangladesh would economically benefit if such charges were based on long run marginal costs. Since many of the transit agreements would be overlapping the country should assess which ones are likely to yield maximum benefits. Further, as Bangladesh is a land scarce country, it should provide transit mostly through rail and inland water corridors.

"Bangladesh and BBIN: Connectivity and Beyond"

Presentation by Mohammad Yunus Senior Research Fellow, BIDS

Introduction

- Bangladesh is placed to be the regional hub of connecting 40% of the world population residing in South Asia, South-East Asia and East Asia.
- Bangladesh remains involved in several multisectoral forums and processes: SAARC, BCIM, BIMST-EC, and BBIN-MVA.
- Of a different kind, Bangladesh and India are also engaged in SASEC.

Imperatives and Complementarities

- Bangladesh and India's 'Look East', China's 'Look South' policy, Myanmar's opening up;
- Increased connectivity could increase efficiency and productivity via more efficient industries based on comparative advantage, enlarging the effective market size and increasing access to it;
- Joining regional and global production network;
- Structural changes and emerging complementarities;
- Growing trade linkages.

Characterizing Economic Corridor

- Economic Corridors
 - connect economic agents along a defined geography;
 - provide connection between economic nodes or hubs in which large amount of economic resources and actors are concentrated;
 - link the supply and demand sides of markets;
 - are not mere transport connections along which people and goods move but are integral to the economic fabric and the economic actors surrounding it; and
 - do not generate significant economic benefits in isolation, but rather they have to be analyzed as part of integrated economic networks, such as GVCs, etc.

Road Transit Corridors

- RD-1: Dawki/Tamabil–Mawa–Bhanga–Narail–Jessore– Benapole/Petrapole
- RD-2: Silchar/Sutarkandi–Mawa–Bhanga–Narail–Jessore– Benapole/Petrapole
- RD-3: Agartala/Akhaura–Mawa–Bhanga–Narail–Jessore– Benapole/Petrapole
- RD-4: Dawki/Tamabil–Comilla-Chittagong Port
- RD-5: Silchar/Sutarkandi–Comilla-Chittagong Port
- RD-6: Agartala/Akhaura–Comilla-Chittagong Port
- RD-7: Phulbari/Bangalbandha–Rangpur–Natore–Mongla Port
- RD-8: Chengrabandha/Burimari–Rangpur–Natore–Mongla Port
- RD-9: Sabroom/Ramgarh–Fatickchari-Chittagong Port
- (Map I)

Rail and IWT Transit Corridors

- A. Rail Transit Corridors
- RL-I: Mahishashan/Shahbazpur-Dhaka-Mawa-Darshana/Gede
- RL-2: Agartala/Akhaura-Dhaka-Mawa-Darshana/Gede
- RL-3: Mahishashan/Shahbazpur-Comilla-Chittagong Port
- RL-4: Agartala/Akhaura-Comilla-Chittagong Port
- RL-5: Sabroom/Ramgarh-Heako-Nazir Hat-Chittagong Port
- RL-6: Haldibari/Chilahati-Parbatipur-Hili-Ishwardi-Darshana-Khulna-Mongla Port.
- RL-7: Radhikapur/Biral-Parbatipur-Hili-Ishwardi-Darshana-Khulna-Mongla Port.
- B. IWT Transit Corridors
- IWT-I: Raimongal-Mongla-Narayanganj-Ashuganj-(by road) Akhaura
- IWT-2: Raimongal-Mongla-Chandpur-Aricha-Bahdurabad-Char Rajibpur.
- (Maps 2-3)

Constraints to Seamless Connectivity

- Critical gaps in roads, rails, and IWT in Bangladesh, India and to some extent in Nepal which bridges these countries among themselves as well as with the rest of the world;
- The three major ports Kolkata, Chittagong, and Mongla - connecting the subregion and other regional countries suffers from:
 - numerous limits to capacity,
 - including shallow channels,
 - operational inefficiencies; and
 - severe restrictions on road and rail access.
- However, Bangladesh started two deep sea cum feeder ports at Matharbari and Payra are being developed.

Characterizing the BR

- East Zone has 1283.04 route-km of MG and 83.60 route-km of DG operational. However, 24.14 route-km of MG has been closed.
- West Zone has 501.64 route-km of MG, 507.10 route-km of BG and 280.55 route-km of DG (a mix of MG and BG) operational. Again, 29.51 route-km of MG and 175.09 routekm of BG have been closed.
- The MG and BG system has seen in the country since the beginning but DG in Bangladesh has been introduced since 2001.
- Even though Bangladesh is surrounded by India, there are problems with regard to gauge compatibility, axle load, and structural dimensions of containers, air brakes vis-à-vis vacuum brakes.
Regional Rail Connectivity

- The BR was originally connected with the Indian BG system at Benapole, Darsana, Rohanpur and Chilahati and the MG system at Birol, Burimari, Mogolhat and Shahbazpur.
- At present only three BG rail corridors are active: through Benapole, Darsana and Rohanpur.
- The BG link of Chilahati-Haldibari and the MG links of Burimari-Chengrabandha, and Shahbazpur-Mahishasan are not currently in operation.
- Birol-Radhikapur portion has been converted into BG in India, while Bangladesh connection to Birol in still MG.

Investments for the Rail Corridors

- A total of 235 projects worth Tk. 2,33,944 crores (USD 30 billion) have been proposed in the Master Plan to be implemented by BR over of 20 years (FYII-FY30) in four phases.
- Phase-I: A total of 113 projects: 48 ongoing (Tk. 23,782 crores), 31 to be funded by GOB (Tk. 9,925 crores) and 34 to be funded through foreign assistance (Tk. 94,264 crores).
- Phase-II: A total of 48 projects: 25 to be funded by GOB (Tk. 28,113 crores) and 23 to funded through foreign assistance (Tk. 19,113 crores).
- Phase-III and IV: Both the phases have equal number of projects- 37 in each phase and all are proposed to be implemented from GOB fund. Cost for Phas-III is Tk 43,970 crores and for Phase-IV is Tk 33,870 crores.

Current Predicaments in Roads

- The road connecting Benapole/Petrapole to Kolkata is merely 5.5 meter wide and highly congested where nearly 70% overland trade passes through.
- Trucks cannot move across the borders and freight traffic needs to be transshipped at the border points, resulting in congestion, and high time and costs.
- There are no direct truck movement across the borders with Bhutan, Nepal and the NER either: freight consignments are transshipped at the respective borders.

Investments for the Road Corridors

- A total of US\$ 2.3 billion investment is needed in road, ports and land port infrastructures and facilities.
- Of this about US\$ 138 million is prorated for transit facilities at different components of the transit corridors.
- Of this amount, about US\$ 76 million is needed to rehabilitate critical segments of roads along the transit corridors.
- US\$ 33 million is needed to improve efficiency of Chittagong Port.
- The figure is US\$ 30 million for improvements at Tamabil, Akhaura, Ramgarh, Sutarkandi, Benapole Burimari, and Banglabandha land customs ports/stations.

Current Predicaments in IWT

- IWT provides a potentially lower cost alternative for transporting low-value cargo in the region, particularly for Bhutan, parts of Wes Bengal and Assam.
- IWT corridors are at a competitive disadvantage because of:
 - insufficient navigational aids,
 - rapid siltation,
 - low speeds, and
 - physical constraints such as poor warehouse facilities, and narrow access roads to the ports of call.



Investments for the IWT Corridors

- The IWT corridors need hydraulic survey and dredging in the Raimongal-Mongla section and at several hot spots near Bhabanir Char and between Mongla and Ghasiakhali.
- Further, the corridors need installation of equipment for nighttime navigability.
- Ashuganj and Dhubri need to be developed as full-fledged river ports with modern transshipment facilities to handle transit cargo.
- All these activities would require about US\$ 51 million investment plus addition US\$ 4 million for the Akhaura land port.

Trade Facilitation Issues

- Cover a wide range of issues, activities and stakeholders along the entire supply line and production network;
- Consider factors affecting the time and monetary cost of moving goods across international borders, including customs procedures, transit procedures, application of ICT to facilitate transport related transactions;
- Trade facilitation needs for:
 - Customs modernization;
 - Streamlined and transparent regulations;
 - Improved services and information for traders and investors;
 - Modern border infrastructure, including border crossing points, and traffic planning.

Costs to Bangladesh

Direct Costs:

- Damage to infrastructures,
- Congestions,
- Accident externalities,
- Environmental pollution costs.
- Trade facilitation costs
- Indirect Costs:
 - Border Processes
 - Subsidy in Fuel

Benefits of Transits to Bangladesh

Direct Benefits:

- Transports charges earned by road and water transport operators, and the BR;
- Charges for transit facilitation measures at the sea ports/land ports/land customs stations;
- Toll charges for major bridges, and ferry crossings;
- Transit charges (GATT Article V).
- Indirect Benefits:
- Trade Efficiencies;
- Network Externalities; and
- Leveraging Private Investment.

Financing for investment

- I. Public investments: Arrange financing of non-commercial infrastructures by loans or grants;
- II. Off-budget: Use existing public sector corporations as platforms for investment in national infrastructure projects specific for connectivity;
- III. Public-private partnerships: Identify, develop, and procure PPP projects wherever commercially feasible and bankable;
- IV. Financial intermediary lending: Enable long-term infrastructure financing by extending the tenure of loans through lines of credit to financial institutions and banks; and
- V. Bond markets: Focus on developing local and regional bond markets to mobilize resources for infrastructure projects, including the use of credit enhancement structures and guarantees.

Decision(s) based on Informed Bangladesh needs to negotiate issues in regional and subregional agreements carefully as subregional agreements such as **BBIN** is likely to make other regional agreement(s) redundant. • Given scarce land resource, Bangladesh needs to assess the relative advantage and disadvantage of each of mode (road, rail, and IWT) and decide which mode(s) to offer.

• In this regard, a rigorous comparative assessment is warranted to determine which courses of action accrue more benefits to the country.

Knowledge



Modalities and Way Forward

- Take a 'balanced approach' not just mere connectivity to enhance peace stability, stability, prosperity and amity
- Define clear rules of engagement
- Greater stakeholder involvement across the partners, countries and subregion and beyond.
- Implement quick impact projects
- Undertake 'early harvesting' or piloting of some parts of agreed framework (low hanging fruits)

"Bhutan's Perspective on BBIN Transit Cooperation"

Presentation by Dasho Sonam Tshering, Former Secretary of Economic Affairs, Royal Government of Bhutan

- "Bhutan's Perspective on BBIN Transit Cooperation", Presentation by Dasho Sonam Tshering, Former Secretary of Economic Affairs, Royal Government of Bhutan

The impetus received by the formal launching of BBIN has provided the right platform for bilateral trade as well as the economic corridor linking Nepal, Bhutan and Bangladesh with East and North East India and ultimately to the ASEAN market. The implementation of the Motor Vehicle Agreement amongst the four countries is a pre-requisite to realize the transit aspiration of the BBIN countries. A time frame for its implementation needs to be agreed amongst the partnership countries taking into account the sensitivities of the partners. Frank, open discussions are necessary to iron out differences and achieve consensus. However, in order to boost bilateral trade and facilitate transit, two issues need to be developed on priority viz. the physical infrastructure and the soft infrastructure. The need to develop infrastructure is the most basic of requirements. BBIN countries have done little in this area and there is a huge potential to engage the private sector in the development of trade facilitating infrastructure such as roads, airports, railways, waterways, ports, industrial zones, integrated border management systems and so on. The need to develop the road sector needs to be given the highest of priority. Airports in South Asia are not developed for transit passengers. This needs to be looked into so that passengers can seamlessly transit to other destinations. For the Railway link, there is already a draft agreement under SAARC, which could be modified and adopted for BBIN along with a clear time line. Waterways, as an efficient and cost effective mode of transport for regional traffic, need to be developed. For Bhutan the route would be via Dhubri, Daikhawa to Mongla/Chittagong with the long-term possibility of linking all the way up to Bhutan through Manas/Sunkosh Rivers. Land ports along Indo-Bhutan border linking with Samtse, Phuentsoling, Gelephu and Samdrupjongkhar need to be expedited. While energy exchange is being discussed separately, it is a vital part of trade and hence cannot be delinked from trade talks. Development of a BBIN grid along the lines of South African Electricity pool or the Nordic Pool needs to be initiated. Visas for transit crew and passengers are seen as an issue at this moment. In this respect, something akin to what is prevalent in air transport should be adopted. Clearance time in border areas needs to be addressed. Procedures need to be made more transparent to discourage informal arrangements. Standards of World Customs Organization should be benchmarked for clearance times. Integrated border management needs to be developed to allow customs or other entities to take a central role in border management and conduct multiple functions through a

'single-stop' facility. Trade facilitation comprises a complex set of functions that involve multiple agencies. A sub-regional trade facilitation framework needs to be developed. The benefits of the trade facilitation among the BBIN countries are very obvious but last mile challenges remain and if we have reached so far it is logical to bring it to its rational conclusion. The BBIN MVA can transform border roads/transit corridors into economic corridors and will reduce transport of goods and foster multi-modal transport and transit facilities strengthening economic relations between the four countries. The need to address both the physical and soft infrastructure on priority basis is important.

"BBIN Transit"

Presentation by Sonam Tshering

Outline of the presentation

- Overview of the Bhutanese Economy
- Bhutan's Trading Partners
- Trade statistics
- Challenges in the Bhutanese Economy
- The Five Jewels
- The Way Forward for BBIN to enhance transit

Overview of the Bhutanese Economy

GDP (at current prices): Nu 119,545.8 Million (2014)

- **Real GDP growth: 5**.17% (2014)
- ➤Average GDP growth: 6.4% per annum (2010-2014)
- **≻Per Capita Income:** Nu 153,282.9 (2014)
- ► Average Inflation rate : 8.9% (2014)

External Debt: Nu 105,456.91 million (2014)

≻From this, Nu 37,586.76 million outstanding on convertible currency loan

≻Rs. 67,870.16 million outstanding rupee loans.

≻Of total rupee debt, 75% are outstanding debt on hydropower projects.

External Debt as percentage of GDP : 88.21% .

Trade as a percentage of GDP: 77.35 %

Percentage Share of GDP by Major Sector in Current Prices, 2010 – 2014

Sector	2010	2011	2012	2013	2014
Primary	16.80	16.33	15.96	16.10	16.77
Secondary	42.78	40.98	41.62	42.35	40.55
Tertiary	40.42	42.69	42.42	41.55	42.68
Overall GDP	100	100	100	100	100

Bhutan's Trading partners

- Trade and Transit Agreement with India since 1972
- Trade Agreement with Bangladesh since 1980
- Party to SAFTA (2004) and SATIS (2010)
- ✤Observer in WTO since 1998
- Trade and Economic Co-operation Agreement with Thailand 2013
- Trade Agreement with Nepal under negotiations



Millions of Nu.

Countries	2012	2013	2014	2015
Imports	53,093.61	53,272.98	56,884.54	68,037.32
Exports	28,420.13	31,852.98	35,584.99	35,229.31
Total Trade	81,513.74	85,125.96	92,469.53	103,266.63
Balance	(24,673.48)	(21,420)	(21,299.55)	(32,808.01)

Trade with BBIN Countries

Millions of Nu.

Country		2012	2013	2014	2015
India	Import	41,834.29	43,889.37	47,847.62	53,740.50
	Export	26,627.35	28,979.16	31,801.44	31,801.35
Bangladesh	Import	281.28	161.42	169.60	169.66
	Export	1,172.16	1,464.97	1,661.88	1,817.47
Nepal	Import	467.75	244.34	121.71	94.84
	Export	107.44	87.09	178.48	80.69

Source : Department of Revenue and Customs, Ministry of Finance

Challenges in the Bhutanese

economy

- ≻Fiscal deficit is high and balance of payment is weak.
- ≻Mounting public debt
- ≻Difficult to sustain FE reserves
- Small domestic market
- ➢Inadequate infrastructure
- ≻High transportation cost
- ➤Access to finance
- ≻Lack of skills
- ≻Low labor productivity

Competitive Advantage

≻Political stability

- ➢Peace and security
- ≻A vibrant and living culture
- ≻Natural and pristine environment
- Emergence of BBIN and open access to the Indian market
- ≻Reliable and competitively priced electricity
- ► Nation of GNH
- ➤Wide use of English language

Five Jewels of the Bhutanese Economy

Energy
Tourism
Mines and Minerals
Cottage and Small Industries
Agriculture

The Way Forward For BBIN Transit

As a matter of priority address two important issues to facilitate transit:

The Physical InfrastructureThe Soft Infrastructure

The Way Forward ...contd.

The Physical Infrastructure

Physical infrastructure such as
Highways
Railways
Airports
Waterways
SEZs at border areas
Grid connectivity
Dryports
Access to finance

The Way Forward ...contd.

The Soft Infrastructure

Political support
Implementation of the MVA
Visa issues
Automated border posts
Integrated border management
Trade facilitation
Member differences

"Nepal's Perspective on BBIN Transit Cooperation"

Presentation by Purushottam Ojha, Former Secretary, Ministry of Commerce and Supplies, Nepal

- "Nepal's Perspective on BBIN Transit Cooperation" Presentation by Mr. Purushottam Ojha, Former Secretary, Ministry of Commerce and Supplies, Nepal

The eastern South Asia comprising of Bangladesh, Bhutan, Northeast India and Nepal (BBIN) is a densely populated sub-region sharing the common border, culture and social values. Although, the disconnect in terms of transport infrastructures and thick borders has impeded the economic growth and common welfare of the people across the sub-region. However, conclusion of the Motor Vehicle Agreement (MVA) in June 2015 among four countries can be considered as the milestone in the continuing aspiration of member countries in creating a highly integrated sub-region in South Asia. The importance of motor vehicle agreement is of highly importance to the land-locked countries and to the hinterland part of the coastal countries for creating transport network, easing the transit transport arrangement and reducing the cost of transaction.

There are several challenges in way of enhancing the transit transport cooperation among the countries. The inadequacy of the physical infrastructures and missing links is just a part of the story. Development of the appropriate physical infrastructures need to be supplemented by the development of soft infrastructures like simplification and harmonization of the customs and border procedures and regulatory requirements, conclusion of sub-regional transit and rail services agreement, promotion of intermodal competition of transport businesses, application of electronic data interchange (EDI) and ICT in clearances of transport vehicles and cargo in transit. Member countries should also focus on developing a comprehensive trade facilitation action plan, based on the international standards and conventions on movement of traded goods. Appropriate institutional mechanisms should be formed and make operational for promoting dialogue and interaction between the government agencies, service providers and the businesses.

"Nepal's Perspective on BBIN Transit Cooperation"

Presentation by Purushottam Ojha, Former Secretary, Ministry of Commerce and Supplies, Nepal

Outlines

- Trade with neighboring countries
- Transport and communication infrastructures and services.
- Transport and transit linkages
- Issues on transit transportation
- Making inroads to enhancing sub-regional cooperation.

Trade with neighboring countries

a. Trade with India (million Rs.)

Fiscal year	Export	Major products	Import value	Major products	Trade balance
2011-12	50,933.2	Textile(Yarn and Fabrics) Iron Steel and Their Products Cardamom Juice Jute and Jute Goods	321,346.4	Petroleum Products Iron Steel and Their Products Vehicle and Parts Machinery and Parts cereals	-270,413.2
2012-13	51,788.5	Iron Steel and Their Products Textile(Yarn and Fabrics) Cardamom juice Jute and Jute Goods	397,957.9	Petroleum Products Iron Steel and Their Products Vehicle and Parts Cereal Machinery and Parts	-346,169.4
2013-14	59,458.4	Iron Steel and Their Products Textile(Yarn and Fabrics) juice Cardamom Jute and Jute Goods	482,345.3	Petroleum Products Iron Steel and their Products, Vehicle and Parts Cereal Machinery and Parts	-422,886.9
2014-15	55,859.3	Textile(Yarn and Fabrics) Iron Steel and Their Products juice Cardamom Jute and Jute Goods	500,044.5	Petroleum Products Iron Steel and Their Products Vehicle and Parts Cereals Machinery and Parts	-444,185.2
2015-16	39,695.1	Textile(Yarn and Fabrics) Iron Steel and Their Products Large Cardamom Jute and Jute Goods Juice	487,597.3	Petroleum Products Iron Steel and Their Products Vehicle and Parts Cereals Machinery and Parts	-447,902.2

Trade with neighboring countries

b. Trade with Bangladesh (million Rs)

Fiscal Year	Exports	Major Export	Imports	Major Import	Balance
2011/12	2,578.1	Lentils Wheat bran Food preparations Kattha Hide and Skin	1,502.8	Jute and Jute Goods Lead acid accumulators Knitted or crocheted fabrics Dairy products Medicines	1,075.3
2011/12	2,578.1	Lentils Wheat bran Food preparations Kattha Hide and Skin	1,502.8	Jute and Jute Goods Lead acid accumulators Knitted or crocheted fabrics Dairy products Mixture of juices	1,075.3
2013/14	2,140.5	Lentils Wheat bran Surveying instruments Oil-cake Hide and Skin	1,728.6	Lead acid accumulators Jute and Jute Goods Mixture of juices Medicine Cotton waste	411.8
2014/15	1,084.4	Lentils Food preparations Medicinal Herbs Wheat bran Kattha	2,731.1	Potatoes Mixture of juices Lead acid accumulators Jute and Jute Goods Non-alcoholic beverage	-1,646.7
2015/16	1,208.1	Lentils Wheat bran Food preparations Hide and Skin Medicinal Herbs	4,000.5	Jute and Jute Goods Juice Lead acid accumulators Non-alcoholic beverage Semi-conductor	-2,792.4

Trade with neighboring countries

c. Trade with Bhutan (million Rs.)

Fiscal Year	Exports	Major Export	Imports	Major Import	Balance
2011/12	543.8	Iron and Steel Products Articles of aluminum alloy Transformers Granulated slag from the manufacture of iron or steel Electric conductors	249.4	Gypsum Coal Nonalcoholic beverages Semi-manufactured silver plated with gold Statue of precious metal	294.4
2012/13	333.9	Iron and Steel Products Soaps Dog or cat food Readymade Garments Dalmott, papad, salted bhujiya	273.1	Gypsum Coal Nonalcoholic beverages Tableware/ kitchenware of wood Statue	60.8
2013/14	99.5	Iron and Steel Products Soaps Readymade Garments Dalmott, papad, salted bhujiya Paintings, drawings and pastels	353.2	Gypsum Coal Mixture of juices Live bovine animals Tableware, Kitchenware of woods	-253.7
2014/15	121.4	Iron and Steel Products Surveying instruments Wire of aluminums Soaps Dalmott, papad, salted bhujiya	405.8	Gypsum Coal Plaster Dolomite, not calcined/ sintered Incense sticks	-284.4
2015/16	152.7	Statues Transformer Readymade Garments Hydraulic Turbine Aluminum Wire	547.9	Gypsum Original sculptures Coal Nonalcoholic beverages Limestone flux	-395.2
Trade with neighboring countries

Characteristics of trade

- Nepal's two-third of total trade is with India. figure goes above 98 percent if compared with the total trade with South Asian countries.
- Constant trade imbalances with India. Negative trade balance with Bangladesh since last two years and with Bhutan since last three years.
- Trade with the BBI countries much less than its true potential. Negligible volume of trade with Bhutan and Bangladesh around 0.006 percent of the total trade of Nepal.
- Exports are low value, labor intensive products including agricultural and primary products. Imports from India are manufactured articles, vehicles and machinery, electronic goods, medicines and agricultural products. Imports from Bangladesh are also manufacture based.

Transit costs and transport connectivity have remained as one of the factors in having low level and lack of diversification of Nepalese trade.

Transport infrastructures and services

(Road length till the end of 2014-15 in km)

Type of road	National level	District/Rural	Total
Earthen	9411	38898	48309
Graveled	6287	12548	18835
Paved	11798	1697	13495
Total	27496	53143	80639

Source: Economic Survey, Ministry of Finance, GON; 2016.

Upgrading of the earthen roads, construction of bridges and maintenance is a big challenge; haphazard development of local road is also inviting the environmental problems

Transport infrastructures and services

- Two rail lines are operational: one for passenger traffic with a rail length of 52 km from Jayanagar (India) to Janakpur (Nepal); another cargo rail link (5 km) from Raxaul (India) to Sirsiya, Birgunj (Nepal).
- Under construction: Bathnaha-Katahari (18 km), Simara-Bardibas (108 km), Jayanagar-Jankpur-Bijulpura (69 km).
- Planned: east-west railway (945 km), and north-south railway (Rasuwagarhi-Kathmandu-Pokhara-Lumbini)-519 km.

Development of railway infrastructure has been a challenging task due to difficult geographical terrain.

Transport infrastructures and services (Air transport)

- Altogether 32 airports are in operation; 22 of them are all weather airports.
- One international airport; two national airlines and 26 international airlines providing services to and from the international airport.
- Seventeen domestic airlines provide the domestic air services.

Improvement of air safety standards, upgrading of the international airport, improving the efficiency of national flag carrier, development of additional international airports and addition of modern fleets are the major challenges in the air transport sector.

Communication infrastructures and services

- User of land line telephone: 846,940
- User of mobile phones: 27.52 million
- District having the broadband services: 72
- Internet users: 12.29 million person (46.6%)
- Television channels: 25, FM Radio: 582 (in operation)

Improving efficiency and providing reliable services is the major challenge, particularly on telephone and internet services.

Transport and transit linkages



Fifteen road and one rail corridor with three ports of India

Three corridors (one road and two rail corridors) and two ports with Bangladesh

Transport and transit linkages

With India

- Treaty of transit-1991, valid till 2020 with a provision of automatic renewal for a period of seven years.
- Rail Services Agreement-2004
- Operation modality on Kakarbhitta-Panitanki-Phulbari-Banglabandha corridor-1997.
- LOE for operationalization of Visakhapatnam port for Nepalese transit traffic-2016.
- LOE for operationalization of Singhabad-Rohanpur corridor-2016.
- Agreement on movement of passenger bus between the major cities in India and Nepal-2014. With Bangladesh
- Transit agreement-1976

With Bhutan

 No direct treaty or agreement; bilateral trade is carried out under the provisions of bilateral treaty of trade and transit concluded between Bhutan and India.

Sub-regional agreement:

• BBIN Motor Vehicle Agreement-2015.

Issues on transit transportation

- Inadequacy of physical infrastructures (port facilities-transport in transit-border infrastructures and domestic transportation, missing links)
- Documentary and procedural hassles (Set of documents required by the customs, paperwork, red tape in border clearances; burden of additional seals, added costs om account of services and other charges, specific arrangement on Phulbari-Bnglabandha corridor)
- Play of the shipping lines and customs agent (non-transparent operations in terms of application of charges and fee)

Issues on transit transportation

- Lack of inter-modal competition of transport (truckers develop cartels)
- Lack of optimum utilization of Nepalese ICDs/ dry port (limitation on the type of wagons)
- Lack of EDI connectivity between port and LCS (depends upon the paper works and their physical delivery)
- Poor coordination (G2G, B2G and B2B)

Issues on transit transportation

Specific issues related with the motor vehicle agreement:

- Protocol to the agreement is yet to be finalized.
- The duration of permit for a year for regular passenger and cargo transportation seem to be short. The need of requiring renewal each year may be burdensome.
- Duration of visa for the crew members for one year at a time may be insufficient.
- The provision of deciding the volume of traffic by mutual consultation and agreement would be too restrictive
- Provision of applying the transit fee to the vehicle of the other contracting party is a new provision and contrary to the international transit provisions.

Making inroads to enhancing sub-regional cooperation

- Develop and implement the trade facilitation action plan: develop such plan in consistent with WTO TF agreement, RKC and Vienna Program of Action.
- Invest in improving the transportation and border infrastructures (optimum utilization of regional fund and mobilization of resources from the regional banks and development partners). Harmonize the standards of road and railway infrastructures.
- Encourage the use of multi-axle vehicles (concessional financing to the investors):
- Consider acceding to the international legal instruments for facilitation of transit services:
- Negotiate and conclude agreement on transit transportation at the regional/sub-regional level:

Making inroads to for enhancing sub-regional cooperation

- Renegotiate the provisions of bilateral treaty of transit and rail services agreement between Nepal and India.
- Enhance cooperation under the framework of Vienna Program of Action (VPOA), that provides framework of cooperation between LLDC and transit partners:
- Work on enhancing cooperation on NTM related issues (capacity enhancement, harmonization of standards, test and certifications, rules of origin, quota, import licensing and so on)
- Create sub-regional trade facilitation body and enhance cooperation among the service providers (a public-private dialogue mechanism for facilitation of transport, transit and border clearance processes)
- Encourage study and research on trade, transport and trade facilitation issues (cooperation among the think tank and research institutions, government support on study and research):

"Summary of Presentation"

by Pratim Ranjan Bose, Bureau Chief, The Hindu Businessline

- "Summary of Presentation" by Mr. Pratim Ranjan Bose, Bureau Chief, The Hindu Businessline

BBIN is the most welcomed concept in the stagnant waters of regional cooperation. But we must use it to enhance scope of cooperation beyond MVA, fast. Since power trade is already on between the four, it is possible to create a regional power exchange and inviting the stakeholders to participate in the clearinghouse. Given paucity in transmission infra it can augur limited quantities electricity trade but might generate cross-border B2B interests. Nepalese investors may go for hydropower investment - an area that remains closed in G2G cooperation spectrum. Lack of B2B and people's participation are two major drawbacks of the spate of cooperation initiatives. Measures like reducing the call charges between these nations and removing visa obstacles to Bangladesh may go a long way in creating public demand for such cooperation initiative removing political risks.

"Summary of Roundtable Discussion on BBIN Trade and Transit" by Amb. Sanjay Singh

Summary of Roundtable Discussions on BBIN Trade and Transit, Organised by DPG, New Delhi 4-5 October, 2016

Background

SAARC faces political and strategic constraints, which prevent the collective pursuit of the development imperative by member countries.

- 1) BBIN prospects have brightened since the impasse at the last SAARC Summit in 2014 leading to a new commitment by the political leaders of the BBIN countries to strengthen the sub-regional cooperation. BBIN can build on SAARC agreements and arrangements that have already been concluded. BBIN should also look at ASEAN and SASEC 2030 vision, which set out the collective goals of countries in the region.
- 2) Good bilateral relations underpin regionalism. In this respect the narrative is changing for the better in the region. The conclusion of the India-Bangladesh Land Boundary Agreement has engendered confidence in the prospects for bilateral cooperation, building on the change in Bangladeshi perspective after the LBA, which has reduced the trust deficit. This also created conditions, which facilitated the coastal shipping agreement and power trading arrangement.
- 3) It is good that countries of the region are thinking of regrouping and consolidating their ties. However, the European experiment is not replicable in South Asia, as South Asian countries are still in the process of nation building and are wedded to the construct of the nation state and will be reluctant to share sovereignty. It is therefore important to calibrate ambitions in this regard. Politically it would be advisable to call for strengthening inter-linkages rather than integration.
- 4) India is the biggest country in the sub-region, which is why it has a larger responsibility. It has worked consistently to towards strengthening relations with its neighbours and strengthening regional integration. It is ready to work with more vigour with countries that share this approach.

- 5) Bangladesh is at the geographic centre of BBIN region and will play a critical role. It is the hub as well as the strategic partner for the transit corridor. Its opening to Myanmar is the "Act East" policy of Bangladesh, and if this corridor is through India, it is important to see if India can play a role.
- 6) West Bengal and the North East India are geographically similar in nature to the neighbouring countries in the sub-region and share their relations in many ways. Development of India's North East, infrastructure is fundamental to underpin BBIN connectivity. India is planning to invest US\$ 4 bn in strengthening the rail network and US\$ 10 bn in the road network in these states.
- 7) Three main drivers of deeper cooperation are:
 - a) Economic forces (markets, growth, investment, economic policy etc.)
 - b) Political forces (trust, institutional arrangements viz. governmental initiatives by commerce ministries, utilisation of regional public goods, private sector involvement, etc.)
 - c) Extra-regional forces (global economic change, rules and arrangements).

Trade

- 8) BBIN's intra-regional trade of around US\$ 10 bn is just 3.4% of BBIN's global trade. In contrast, ASEAN's intra- regional trade is around 25%. BBIN trade potential is estimated to be US\$ 50 bn., and a substantial part of this potential has been unrealised due mainly to presence of large barriers to trade.
- 9) Trade contributes to economic development, promotes people-to-people contacts and helps to diminish political differences. Regional integration should be viewed as platform for increasing regional productivity and competitiveness. There is a case for establishing BBIN economic corridors.
- 10) No predictable global trade regime is in sight and barring India, other BBIN countries are not part of any mega FTA. BBIN countries shall continue to build economic linkages with developing world.
- 11) Bhutan and Nepal have FTAs with India, whereas Bangladesh has a broad based trade relation with India. Both are members of SAFTA. BBIN FTA may be explored. All four countries are members of SAFTA. Further, India has extended duty free imports to all LDCs.

- 12) Landlocked countries will substantially benefit from BBIN trade.
- 13) Three of the BBIN countries are LDCs and they could leverage this status especially in promoting investments from India. About 50% of global trade is within value chains and there is scope of setting up sub-regional value chains. Integrating economic zones around Integrated Check Posts (ICPs) could assist in this.
- 14) While trade in goods is important, investment is complementary to it. Trade in services (viz. tourism, energy, health care, education, trade facilitation services) are equally important. Investment is trade creating. Indian FDI in the subregion will help the other BBIN countries to reduce trade deficit with India.
- 15) Energy trading should be identified as a major objective leveraging strengths derived by member countries from their natural advantages based on potential from water, gas, coal and non-traditional sources. BBIN countries need to develop a cross-border power trade policy. Energy exchange infrastructure should be strengthened.
- 16) The Indian power grid is already connected to the other three BBIN countries. An India-Bangladesh cross-border diesel pipeline from Assam is in the process of being constructed. The development of the Chittagong LNG Terminal is part of this effort. The development of the oil pipeline to Nepal should be expedited.
- 17) Financial interlinkages which will underpin the BBIN economic agenda should be promoted through encouraging the setting up of joint venture banks and institutions, greater banking cooperation and facilitation of banking and financial exchanges. A BBIN App for traders for payments across borders and a centre to process it could be created. This could be linked to India's Gagan System.
- 18) There is need to create networks of customs institutions, bankers, transporters, SMEs, etc.
- 19) Tariff concessions cover 98% of items. It is now important to look at nontariff barriers to trade.

- 20) It is important to deal with NTMs and NTBs, concentrate on infrastructural facilitation, and apply pragmatic solutions to structural factors.
- 21) Institutional problems include lack of uniform standards, weaknesses of standard authorities, border infrastructure and border procedural issues such as different working hours and days, local rent seeking, etc.
- 22) Visa problems between Bangladesh and India must be addressed and interconnection of the systems supporting the National Identity Card of Bangladesh and Aadhar Card of India could provide technical support.
- 23) BBIN has substantial agenda whereas BIMSTEC has a secretariat. BBIN and BIMSTEC can join hand to promote integration.
- 24) BBIN countries may consider exporting bandwidth in the subregion.

Transit

- 25) BBIN provides connectivity to North East India and to ASEAN. The region requires a multimodal transport arrangement. SAARC study of multimodal corridors needs to be updated with new a study for BBIN.
- 26) Connectivity in the region can be enhanced through roads, waterways, coastal shipping, rail, energy grids, maritime cooperation, digital, institutional (standards), and people-to-people links through border haats (already functional at four places), tourism (put tourism operators together and develop the Buddhist circuit, etc.) education, and science and technology exchanges, etc. Bhutan could revisit applicability of dollar tourism for nationals of BBIN countries.
- 27) We need to convert connectivity corridors into development corridor.
- 28) ICPs should be developed along the BBIN corridors.
- 29) There is need to increase connectivity at the level of companies and firms, who should be among the primary drivers of economic cooperation. Connectivity would develop with increasing intra-regional economic activity.

- 30) BBIN countries should put more emphasis on river transportation, which is natural to the sub-region, less expensive and environment friendly.
- 31) Issues retarding connectivity include inadequate border infrastructure, upgradation of connectivity infrastructure (different rail gauges, lack of river ports and river dredging), insurance and cargo guarantees, digital connectivity, harmonization of visa processes.
- 32) Borders should not be barriers but connectors. Instead of duplicating infrastructure, BBIN countries may consider sharing border infrastructure. There is need to develop testing labs in border post area and encourage automation of ICPs.
- 33) Development of soft Infrastructure is equally important and there is need for harmonisation of regulatory systems including standards.
- 34) MVA is game changer. There is need to support it through setting up smart borders, introduce electronic screening, GPS-enabled transport vehicles, biometrics for transport licences, testing labs, etc. There is a need to examine MVA details more closely and study its effect on ethnic groups living near the border.
- 35) MVA is a pathway for transit arrangement, but we need to go beyond it. BBIN countries are negotiating protocols of MVA, trial runs have been made, a BBIN Motor Rally has been organised, bus services are operational between Kolkata-Dhaka and Dhaka-Agartala and another service Dhaka-Shillong-Guwahati with extensions to Bhutan and Nepal is to be introduced. An apple cargo trial run from Bhutan to Bangladesh and to India should next be tried.
- 36) India is working closely with Bangladesh to develop the rail grid network for both cargo and passenger traffic. India has projects to extend railways to both Nepal and Bhutan. Nepal has been provided facility for transit to Vizag. Completion of Agartala and Sabrum BG line and the Belonia-Feni railway link will connect North East India to Chittagong port. We need to complete the survey of the Belonia-Feni railway link. A BBIN railway agreement is necessary and for this the SAARC draft could be used. Negotiations on arriving at a Railway Agreement have been initiated.

- 37) Bhutan, Bangladesh, and India are already discussing development of waterways. During PM Modi's visit to Bangladesh, agreement was reached to amend the waterways arrangement to give India access to its North East and Bangladesh to Nepal and Bhutan. Ashuganj-Akhaura transit corridor is part of this effort. It is to be noted that the development of the Udaipur power station led to the development of Ashuganj infrastructure. There are also ongoing efforts to develop ports for containerised cargo. However, critical gaps in connectivity remain and there is need to implement quick impact projects.
- 38) Transit facilitation has costs for Bangladesh but also benefits. In principle, it can levy transit charges as per GATT Article 5.
- 39) A BBIN e-knowledge network is being developed.
- 40) India is developing Guwahati as an air transport hub for the BBIN region.
- 41) Bangladesh and India may consider simplification of screening and checking documentations of railway passenger traffic which cause delays and harassments.
- 42) To decongest Petropole Benapole border area, an elevated highway from Chakdah in West Bengal to Petrapole border may be considered.
- 43) India may consider setting up SEZ at India-Bhutan border area.
- 44) Border posts in Meghalaya and Bangladesh shall be developed to facilitate trade and invetsment. For example, Bangladesh has already developed Nakugaon border post, whereas Dalu border post on Indian side is yet to be developed.

General

45) At the policy level an advocacy group should be created through a BBIN think tank network, mobilising the business lobby and Exim banks, media to push regional integration. A Facilitation centre hosted by Think Tanks could be considered. Governments must encourage study and research on intra-BBIN trade and transit.

- 46) There is need to identify end goals, which will give BBIN cooperation impetus.
- 47) BBIN countries need to conclude a comprehensive transport agreement.
- 48) BBIN countries may consider setting up a sub-regional trade facilitation body. They could also consider setting up a mechanism to look at sub-regional development in a holistic manner. This could also examine better coordination of extra-regional assistance and investments.
- 49) BBIN cooperation to proceed further would require support from an institutional mechanism, and the BIMSTEC Secretariat could initially provide it in some form.
- 50) West Bengal and North East India must be stakeholders in the BBIN discussions.
- 51) Business should be an important driver of sub-regional cooperation and BBIN should provide platform for B-to-B interaction.
- 52) None of the airports in the sub-region have user friendly transit facility. This must be developed to enhance BBIN connectivity.
- 53) BBIN should develop energy trading and grid connectivity.
- 54) BBIN should develop land port coordination mechanism.
- 55) Cross-border trade procedures should be simplified and documents for cross-border trade utilised at ICPs and ports should be harmonised. E-documents such as used by the Singapore, Thailand and Malaysia model could be considered.
- 56) Permits issued under the MVA should be for more than the one year they are at present and BBIN countries should accede to international legal instruments to facilitate increased cross-border transportation.

Specific wish-list

- Mr. Purushottam Ojha—In order to reduce trading costs, develop a trade facilitation action plan
- Amb. Dago Tshering—Urge member countries to finalise protocols to the MVA. Set up eminent persons' groups for a specific duration (6 months) to develop a programme of action for BBIN.
- Amb. Haran -- Set up eminent persons' groups for a specific duration (6 months) to develop a programme of action for BBIN. Promote standardisation and harmonisation of rules.
- Mr. Sagar Prasai: Improve standardisation conformity in the BBIN sub-region
- Dr. Salem Raihan: Increase cooperation under the South Asian Regional Standards Organisation (SARSO).
- Ms. Diya: promote capacity building for manning and operating border infrastructure such as ICPs.
- Amb. Tariq Karim—Fourth round of joint working group which was to be have been held last July should be held urgently and should consider agreements on rail and water transportation, the latter, river navigation, which will restore old connectivity. It must also launch work to develop plan for infrastructure development.
- Ms. Tanzoom Ahmed: Give further overall momentum to the integration process.
- Dr. Joyeeta Bhattacharya: BBIN countries shall facilitate skill development at border.
- Prof Yunus: Improve connectivity infrastructure and first implement quick impact project viz. rail line at Petrapole-Benapole border.
- Mr. Sanjay Pulipaka: Develop an institutional framework for BBIN cooperation.
- Prof. Prabir De: Set up a JWG for dealing with NTMs and NTBs.

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