BANGLADESH AND REGIONAL CONNECTIVITY:
BEST PRACTICES FROM GLOBAL EXPERIENCES

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The present paper titled **Bangladesh and Regional Connectivity: Best Practices from Global Experiences** has been prepared under the CPD-TRRPD programme. This paper has been prepared by *Mr Hasanuzzaman*, Senior Research Associate, CPD; and *Ms Zeeshaan Rahman*, Senior Research Associate, CPD.

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Acronyms

ACIS	Advance Cargo Information System
AHN	Asian Highway Network
AITD	Asian Institute of Transport Development
ALTID	Asian Land Transport Infrastructure Development
APA	Almaty Programme of Action
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
CAR	Central Asian Republic
COMESA	Common Market for Eastern and Southern Africa
CPD	Centre for Policy Dialogue
EC	European Commission
ECO	Economic Cooperation Organization
EDI	Electronic Data Interchange
EU	European Union
GATT	General Agreement of Trade and Tariff
GDP	Gross Domestic Product
GoB	Government of Bangladesh
ICAO	International Civil Aviation Organization
ICD	Inland Container Depot
ICT	Information and Communication Technology
IRU	International Road and Transport Union
ISO	International Organization for Standardization
IT	Information Technology
IWTT	Inland Water Transit and Trade
LCS	Land Customs Station
LDC	Least Developed Country
LPI	Logistics Performance Index
L/C	Letter of Credit
MMT	Multimodal Transport
MT	Metric Ton
MoU	Memorandum of Understanding
mm	Millimetre
NTB	Non-tariff Barrier
ODC	Over Dimensional Cargo
PSI	Pre-shipment Inspection
RoO	Rules of Origin
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SRMTS	SAARC Regional Multimodal Transport Study
TAR	Trans-Asian Railway
TIR	Transports Internationaux Routiers
TTFA	Transit Transport Framework Agreement
UN	United Nations

UNECE	United Nations Economic Commission for Europe
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
US	United States
USD	United States Dollar
WCO	World Customs Organization
WDR	World Development Report
WTO	World Trade Organization

1. INTRODUCTION

In the era of unprecedented globalisation, little thought is paid to how goods move around the world and end up either on our tables or wardrobes. According to the World Development Report (WDR) 2009, titled *Reshaping Economic Geography*, falling transport costs in the 100 years or so before the World War II (1939-45) brought close economic integration within and between countries, which continued in the twenty-first century albeit through large infrastructure investments and advancements in transport and communications technology. Interaction of low transport costs and scale economies helped to induce high trade flows within the same industries, and thereby strengthened intra-industry trade, further increasing industrial competitiveness.

In case of South Asia, it is one of the least integrated regions in the world today (Ahmed *et al*. 2010). Intra-industry trade between South Asian countries is abysmally low with India as the chief source of import of raw materials. A regional assessment of the South Asian economy reveals that it has been one of the fastest growing economic regions in the world (averaging around 6 per cent growth per year) in the recent past. Despite such a growth, however, intra-regional trade among the South Asian Association for Regional Cooperation (SAARC) member states has been only around USD 10 billion in 2006, or around 5 per cent of their total global trade, compared to 45 per cent in East Asia and 26 per cent in the ASEAN (Association of Southeast Asian Nations) sub-region. This is happening despite the fact that tremendous potential exists to enhance such trade up to USD 40 billion, once the political environment becomes supportive and transport network gets further improved and integrated.

Though South Asia inherited an integrated transport system from the British, this was fragmented not only by the partition of the Indian Subcontinent, but by its political aftermath. The region now needs to be integrated again within the context of greater political harmony as it has entered into the second era of SAARC regional cooperation (SAFTA[1] and Beyond). However, due to lack of integration of the transport system in South Asia, the logistic costs are very high and ranges between 13-14 per cent of the gross domestic product (GDP), compared to 8 per cent in the United States (US) (Rahmatullah 2010). Integration of the transport network of South Asia is especially crucial to countries such as Nepal and Bhutan, and regions such as North East India. The North East India shares 98 per cent of her border with the neighbouring countries and only 2 per cent with the mainland India. Cross-border infrastructure alone, however, would not suffice to facilitate the movement of goods and vehicles between countries if non-physical barriers are not removed. In this connection it needs to be noted that direct policy instruments such as tariffs and quotas are less important compared to barriers such as lack of infrastructure, informational institutions, law enforcement and local distribution costs (Anderson and van Wincoop 2004). Hence, costs associated with movement of goods, including freight and time costs, information costs, trade facilitation measures such as inadequate logistics of moving goods through ports, inefficient handling of customs documentations, harmonisation of regulation standards, etc. will need to be thoroughly curtailed for countries to benefit from greater integration through enhanced transport connectivity. Such integration could serve to end their landlocked or semi-isolated

[1]South Asian Free Trade Area.

status and provide shorter transport, transit and connectivity links to their desired destinations including access to the sea.

Effective integration of the transport system in South Asia could also contribute greatly by mainstreaming remote areas, thereby channelling benefit of economic development. But in order to make a real dent on poverty reduction, it is fundamentally important to work out strategies as to how to engage the people at the bottom of the pyramid to participate in the development process. Recent studies affirm that the European Union (EU) and to some extent, even South East Asian countries, have made commendable progress in the development of their respective regional connectivity and trade. According to Rahmatullah (2004), this essentially reflected the people's conviction that cooperation was in their greater interest. Such urgency for cooperation translated to the leadership level, through the domestic and regional political dynamics, which gradually fostered a sense of regional identity. However, the same does not apply in case of South Asia. Such urgency for cooperation has been sorely missing here which has invariably rendered into the growing trade deficit between neighbouring countries such as Bangladesh and India. For instance, Bangladesh imports approximately ten times more from India than it exports to the latter, and the bilateral trade deficit has been widening over the years.

According to Sobhan (2000), given Bangladesh's geographical advantage, she stands to gain through using the SAARC relationship in the area of transport integration. A *Regional Multimodal Transport Study*, commissioned by the SAARC Secretariat, has spelt out the need, scope and actions needed to reconnect South Asia's transport network. The SRMTS (2006) identified several regional transit and connectivity routes such as ten Regional Roads, five Regional Railways, two Regional Inland Waterways, ten Maritime Gateways and sixteen Aviation Gateways for implementation in SAARC region in the Phase I. Besides, regional infrastructure through economic corridors in South Asia are being planned to help facilitate international and national transportation, and also promote industrialisation in the hinterland.

India has made it clear that she will not keep her transport links with the North East or the ASEAN region hostage to Bangladesh's political sensitivities. Bangladesh, therefore, has much to lose by her political uncertainty, and much to profit by encouraging the use of her transport network to connect North East India with the rest of India, as well as the global economy (Sobhan 2010). However, it is possibly politically more expedient for Bangladesh to promote these linkages through the SAARC process, through moves to integrate South Asia's transport system with the Asian Highway and Railway network. Bangladesh provides a highly attractive option for both Nepal and Bhutan, who remains exclusively dependant on India's ports, to trade with the global community. At the same time, Bangladesh would have an interest in opening up transport links with Pakistan through the road and rail routes across India.

All these possibilities of reaping the economic benefits of improved connectivity in the SAARC region have been given a fresh impetus in the wake of the recently concluded summit in New Delhi, in January 2010, between the Bangladesh Prime Minister, *Sheikh Hasina* and the Indian Prime Minister, *Dr Manmohan Singh*, whose party has also been recently reelected in office with an enhanced majority in parliament. The summit declaration offered the North East Indian states access to Chittagong Port, and West Bengal

access to Mongla Port in South West Bangladesh. In turn, India indicated her willingness to provide unrestricted transit to Nepal and Bhutan not just for their bilateral trade with Bangladesh, but to use her ports for third country trade. These agreements will need, in due course, to be operationalised but have already opened up a new set of opportunities for improving connectivity, not just between India and Bangladesh, but across South Asia.

1.1 Methodology and Objectives

It is in the aforesaid context that this paper makes an attempt to study the state of transport connectivity in South Asia, with a particular focus on Bangladesh and India. The researchers consulted *Dr M Rahmatullah*, Former UNESCAP Director, and at present, Policy Advisor for Transport Sector Management Reform of the Planning Commission, Bangladesh, in order to elicit updated information on the current state of affairs in Bangladesh's transport sector in particular, and in case of South Asia in general. Relevant literature dealing with trade facilitation measures and needs from the least developed countries' (LDC) perspectives was reviewed as well. Using secondary sources of information such as United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), World Bank and recent studies that have done on this topic by renowned economists and researchers, the Centre for Policy Dialogue (CPD) researchers have explored the intricacies of transport connectivity, which would be applicable and relevant for the case of operationalising the transit and connectivity agenda from Bangladesh perspective which has been proposed in the recent Bangladesh-India joint communiqué.

The Asian Land Transport Infrastructure Development (ALTID) project, launched by the ESCAP Commission in 1992, provided a framework for the coordinated development of a regional transport network, with a focus on three main components: the Asian Highway Network (AHN), the Trans-Asian Railway (TAR) network, and the facilitation of land transport.[2] The AHN and TAR projects have identified major routes across Bangladesh which are increasingly being included in national and sub-regional programmes for transport development, and they are also receiving priority attention for funding. The ALTID extended the programme to incorporate the software (transport facilitation measures involving inter-country conventions and agreements) components needed to operationalise the regional connectivity agenda. The overarching objective of the present paper is to assist the policymakers in their endeavours of preparing a "Transit/Transport/Connectivity Agreement." This is relevant for the entire South Asian region, since there is no such agreement in place, in order to move the SAARC agenda forward. In doing so, the paper examines prevailing global agreements, protocols and procedures governing cross-border movements and draws lessons for the policymakers in Bangladesh (and also India).

[2]Current members of ALTID are: Afghanistan, Armenia, Azerbaijan, Bangladesh, Cambodia, China, India, Indonesia, Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Republic of Korea, Russian Federation, Singapore, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Turkey, Uzbekistan and Vietnam.

1.2 Organisation of the Paper

The paper is organised in four sections. The following section provides a brief literature review relevant to the topic of this paper, given the large volumes of work already done on the transport connectivity discipline. The literature review has been prepared in a manner that helps to set the tone of the present paper, i.e. non-cooperation, at both the bilateral or regional level is no longer a viable option for countries in South Asia, especially for Bangladesh. Before proceeding with the discussion on the prevailing transit/connectivity agreements, protocols and procedures, Section 3 provides a comprehensive overview of the possible routes in and out of Bangladesh connecting it with the rest of Asia and also Europe. This section has been prepared on the basis of two key documents – Rahmatullah (2010) and UNESCAP (2009b). Section 4 reviews prevailing global agreements, protocols and procedures governing cross-border movements and practices in transport connectivity. It also presents some common elements that will need to be considered by the concerned government authorities when they are working out an agreement for transit and connectivity. Section 5 concludes by providing some policy recommendations in moving forward the transit and connectivity agenda from the Bangladesh perspective.

2. LITERATURE REVIEW: TRANSPORT AND CONNECTIVITY

At the outset, it needs to be pointed out that the lion's share of South Asia's merchandise trade is carried over land, through land borders such as those between India and her neighbouring countries. However, goods also need to be transhipped since direct movement of goods and vehicles (transit) is neither allowed across borders between India and Pakistan, nor between India and Bangladesh. Afghanistan, Nepal and Bhutan, being landlocked countries, have to entirely depend on connectivity through neighbouring countries, which as studies show are existing but not operational. Only transhipment, between India and Bangladesh, is operational; but it reflects the dire need for implementing efficient trade facilitation measures.

In the backdrop of the worldwide recession and the global decline in trade in 2009 (estimated as 9 per cent by the World Trade Organization (WTO)), managing the costs associated with movement of goods across borders has emerged as an important policy agenda for South Asia. Traditionally, well-equipped and integrated infrastructure has played a bridging role alongside other trade facilitation measures in the form of simplification, harmonisation, standardisation and modernisation of custom procedures, in connecting a region with global market networks. Physical infrastructure such as transit or transhipment aided by efficient trade-related protocols not only reduces the cost of transportation both within and across regions, but more fundamentally, it facilitates improving a region's market access in the global arena, augments its income level, and thereby helps to alleviate its poverty status. Sobhan (2000) puts it down succinctly that the physical integration into the global system of the marginalised countries of South Asia with more dynamic adjacent regions adds up to much more than the sum of its parts and is expected to unleash certain economic synergies, which could have a transformatory impact on the fortunes of these countries linked by the transport network.

Trade facilitation is defined broadly as encompassing measures which serve to improve the efficiency of the processes associated with movement of vehicles and cargoes across national borders. According to UNESCAP (2009b), trade facilitation is an essential component of a comprehensive strategy to exploit rapidly declining export opportunities. The report confirms a daunting fact: at present, complying with export and import procedures in most developing economies of South Asia takes at least 50 per cent more time than it does in developed economies. During the SAARC Summit in 2007, member countries recognised the full benefits of an integrated transport system in the region. They emphasised that higher intra-regional trade would not be attained until and unless physical infrastructure and matters relating to trade facilitation were not attended to. They also opined that South Asia required full regional connectivity in order to realise its full potential.

Countries in a region that are not connected to each other through transit or transhipment networks, the integration process may never end up being initiated. Not surprisingly, infrastructural facilities, whether linking major regional transport networks, simplifying documentation procedures at borders, or developing more efficient customs services are the vital factors in promoting regional integration. In short, "infrastructure is a seen as a regional public good moving factors of production within and across regions thus helping the regions to attain productivity and growth" (De 2009a). Thus, in the context of implementing transit (or transport) agreements, the problem is to ensure that there are no "free riders" reaping benefits of such a public good.

Wilson and Ostuki (2007) have also elaborated on issues pertaining to trade facilitation. They emphasised that South Asia needs to build upon four areas of trade facilitation: (a) port efficiency, (b) customs environment, (c) regulatory environment, and (d) service sector infrastructures, such as electronic documentation, harmonising regulations, etc. Wilson and Ostuki (2007) show that if countries in South Asia raise capacity building in trade facilitation half way to that of East Asia's capacity, average trade would increase by USD 2.6 billion, which is close to 60 per cent of the total intra-regional trade in South Asia (Table 1). Countries in the region also have a stake in the success of efforts to promote capacity building outside borders. According to the same authors, if South Asia and the rest of the world were to raise their levels of trade facilitation halfway to the East Asian average, the gains to the region would be revised to USD 36 billion. In overall terms, regional expansion of trade in South Asia can substantially be developed with programmes of concrete action to address barriers to movement of vehicles and cargoes.

Table 1: Trade Gains from Capacity Building by Each South Asian Country and the Entire South Asian Region in Trade Facilitation

(in USD Million)

Country	Port Efficiency (Air and Maritime)	Customs	Regulation	Service Sector Infrastructure	All
Bangladesh	228	144	71	339	782
India	314	193	123	519	1149
Pakistan	74	29	42	191	336
Sri Lanka	97	63	41	175	377
South Asia	712	429	278	7224	2644

Source: Wilson and Ostuki (2007).

The experience of Europe, Latin America and parts of East Asia where the presence of cross-border infrastructure is comparatively higher than other parts of the world, reflects the gains that could be accrued to participating countries. Even experience in Africa, where the development of cross-border infrastructure has taken a new shape, suggests that regional cooperation promotes economic and social development (UNCTAD 2008). However, from the global perspective, performance of South Asian economies in terms of cross border infrastructure to promote trade has been alarmingly low. Only Sri Lanka managed to improve her global rank in infrastructural development while the others have deteriorated. Nevertheless, infrastructure in South Asian countries is largely inadequate and generally of poor quality, thereby undermining prospects for regional cooperation and connectivity (De 2009a).

Prabir De, in his study on "Regional Cooperation for Regional Infrastructure Development: Challenges and Policy Option for South Asia," discusses the regional infrastructure development situation in South Asia. The paper demonstrates a positive and direct relationship between infrastructure stock and per capita income in South Asia, which has grown over time. De (2009b) shows that as a country's amount of infrastructure grows, its per capita income also increases - a one per cent increase in the stock of infrastructure has been associated with a one per cent increase in per capita income in South Asia. On the other hand, rising inequality in infrastructure stock has also been responsible for widening the rich-poor gap in South Asia (De 2009b). It is of little surprise that the benefits of trade liberalisation have not percolated to those living below the poverty line in South Asia, since the region by large has failed to reduce the cross-border costs.

Hence, reducing trade costs and putting in place necessary trade facilitating measures to promote seamless movement of vehicles and cargoes across borders are two of the key determinants for achieving a more inclusive growth through trade. This will also help to reduce the gap between the centre and periphery of each of the South Asian economies, and stimulate trade activity at and across borders, generating employment opportunities for the poor living near the border areas. Banik and Gilbert in their research on "Regional Integration and Trade Costs in South Asia" identified trade costs as hindering the integration process of the region. Much of the trade costs results from deficiency in trade facilitation measures and the lack of availability of physical infrastructure, namely transit and transhipment services. Banik and Gilbert (2008) estimates logistics costs in India to be among the highest in the world standing at 13 per cent of GDP. They have further estimated that inadequate infrastructure has been responsible for restraining GDP growth by roughly 2 per cent. Their research reflects that factors such as lack of infrastructure both physical (roads, railways, etc.) and service-related infrastructure, government regulation, port inefficiency, corruption in customs, all reinforce each other in contributing to the higher trade costs in South Asia.

Dayal (2009) focuses on the major non-tariff barriers (NTBs) in intra-regional movement by road, railways and inland waterway corridors, all of which are of interest to India and Bangladesh in order to facilitate and expand the scope of trade across the borders. Dayal observes that one crucial non-physical barrier in the context of regional road connectivity has been the lack of a bilateral transport agreement to facilitate uninterrupted movement of goods and vehicles across the borders. The costs incurred through loss of time in the

absence of permission to cross over borders, delays at customs, and even for vehicles returning to their country with empty cargoes, add to the overall expense of transhipment. For example between India and Bangladesh, restrictions over land routes often compel the trade to be diverted over sea routes resulting in increased transit time and high transaction costs. Dayal's example shadows the ludicrousness of transactions that cast additional burden on transport costs at land crossing stations. Table 2 provides a somewhat detailed picture of costs and delays associated with cross-border movement of goods. The indicators help to shed some light in the current state of affairs in terms of measurers adopted to facilitate trade and business activities.

Despite benefits arising from falling tariffs, trade in South Asia is not growing because of the presence of higher trade costs in the form of complicated and cumbersome documentation procedures. This has not only restricted trade but most importantly it has discouraged investment flows and greater regional cooperation in South Asia. This is reflected in the Doing Business Indicators 2010 (Table 2).

Table 2: Doing Business in South Asia

Country	Rank		Documents for Export (Number)		Time for Exports (Days)		Cost to Export (USD per Container)		Documents for Import (Number)		Time for Imports (Days)		Cost to Import (USD per Container)	
	2008	2010	2008	2010	2008	2010	2008	2010	2008	2010	2008	2010	2008	2010
Bangladesh	112	107	7	6	28	25	844	970	9	8	32	29	1148	1375
Bhutan	149	153	8	8	38	38	1150	1210	11	11	38	38	2080	2140
India	79	94	8	8	18	17	820	945	15	9	21	20	910	960
Nepal	151	161	9	9	43	41	1600	1764	10	10	35	35	1725	1825

Source: World Bank-IFC (2009).

The World Bank's Logistics Performance Index (LPI) suggests that customs reforms, better border management, improved infrastructure with little transport regulations have a significant impact on logistics performance. The LPI is a comprehensive tool for evaluating trade facilitation measures on the ground, and it helps countries identify the challenges and opportunities they face in their performance on trade logistics. Countries that top the LPI rankings are major global transport and logistics hubs, such as Singapore, or the base of a strong logistics service industry, such as Switzerland. These countries tend to benefit from economies of scale and generate innovative technologies in lowering trade-related transport costs. The lowest rankings tend to be geographically isolated or suffer from poor governance, mainly landlocked countries of Africa and Asia. They tend to face geographic disadvantages that cause high trade costs and delays, limited access to competitive markets for logistics services and rely on the performance of transit countries.

Table 3 below depicts LPI for different regions. Europe and Central Asia, alongside Latin America and Caribbean ranks the highest with a LPI of 2.74, followed closely by East Asia and Pacific with an LPI of 2.73. The Middle East and North Africa region has an average of 2.6 together, Sub-Saharan Africa 2.4 with the South Asian region hovering between the regions. By its own merit, contrary to one's findings on the state of the trade facilitation measures in South Asia, the LPI average reflects a situation which is not far from that of the

developed regions, some of which even benefit from transit agreements (e.g. COMESA, MERCUSOR).

Table 3: LPI by Region

Country (Regional Avg.)	LPI	Customs	Infrastructure	International Shipments	Logistics Competence	Tracking and Tracing	Timeliness
Europe and Central Asia	2.74	2.35	2.41	2.92	2.60	2.75	3.33
Latin America and Caribbean	2.74	2.38	2.46	2.70	2.62	2.84	3.41
East Asia and Pacific	2.73	2.41	2.46	2.79	2.58	2.74	3.33
Middle East and North Africa	2.60	2.33	2.36	2.65	2.53	2.46	3.22
South Asia	2.49	2.22	2.13	2.61	2.33	2.53	3.04
Sub-Saharan Africa	2.42	2.18	2.05	2.51	2.28	2.49	2.94

Source: World Bank (2010).

It is to be noted that LPI does have its limitations and not all its performance indicators are able to fully reflect the state of trade facilitation measures. The rankings of LPI also pose a doubt with regard to Bangladesh's potential to do even better in the presence of a transit agreement. In the context of South Asia, India leads the LPI score followed closely by Bangladesh, while the rest of the countries in the region lag greatly behind. This is mainly because Nepal, Bhutan and Afghanistan are all landlocked countries and shares ports of India and Pakistan respectively through transit agreements. Bangladesh, if she is able to provide connectivity to her neighbours, the country would be directly benefited as her transport and transit-related infrastructure and other intangible trade facilitation capacity would expand to meet the international standards as mandated by transit agreements.

Countries need to not only target traditional areas of trade facilitation, but also create an encouraging conductive environment for logistics service providers. They need to focus not only on costs and delays, but also on predictability and reliability of shipments. Towards this, it is important to have good coordination among government agencies and to encourage participation of the private sector. However, such public-private cooperation may not be widely acceptable since in laces where government officials benefit from informal payments, they will be inclined to work for preserving the status quo.

ADB (2008) summarises some of the key issues pertaining to the lack of physical, industrial and communication infrastructure impeding growth in South Asia. Air and maritime ports are ranked as less competitive in South Asia as compared to East Asia. While it takes 2 hours to clear a vessel in Singapore and Laem Chabang, Thailand, it takes to 2-3 days in Chittagong (ADB 2008). Similarly, Rahmatullah (2010) has emphasised the importance of regional connectivity in South Asia and the potential gains that a transit agreement could accrue to both India and Bangladesh and for the region in general.

De *et al*. (2008) has demonstrated, using empirical evidence, the existing linkages of trade costs, transit and trade flows. That is the higher the transaction costs between each pair of partners, the less they trade. Their study shows that a 10 per cent fall in transaction costs at border has the effect of increasing a country's exports by about 3 percent. According to the World Development Report (2009), a 10 per cent increase in trade costs is estimated to reduce trade volumes by 20 per cent.

There is also the issue of information technology (IT) infrastructure that could greatly reduce the cost of inventory at borders. Among the measures of trade facilitation next to port efficiency, harmonising standard, reducing bureaucratic burdens to cross borders, the World Bank (2009) expects that improvement of IT infrastructure would result in the highest trade gains (40 per cent), followed by port efficiency improvements (30 per cent). Yet, despite the benefits that could increase competitiveness to such degrees, there is a dearth of investment flows to develop both the soft and hard infrastructure between countries. Instead, inter-South Asia disparity in terms of infrastructure facilities has been growing over the years.

The World Bank has declared South Asia as being the least integrated region in the world. Most of these countries, which once formed part of an integrated economy, comprise one of the least internally connected sub-regions in the world today. These countries have maintained a higher level of protection within the region than with the rest of the world. Studies clearly highlight the advantage of geographical proximity that is being eroded due to inefficient and complex transport logistics. India-Bangladesh trade suffers as a result of high transaction costs, involving time-consuming procedures, lack of inventory facilities in transit storage and transhipment. The transport system of the mainland countries of South Asia have developed only in the national context with little consideration given to cross-border issues of compatibility, uniformity of standards in infrastructure and equipment design.

Studies in response to the lack of trade facilitation measures reflect the costs and consequences associated with regional non-cooperation. Existing framework of transhipment as shown by Dayal, De and many others, lack the efficiency that a transit/connectivity agreement could offer, provided that the necessary dimensions of trade facilitation is in place. The conclusions derived from existing literature on South Asia reflect that time is ripe to forge ahead with the goal of integrating this vast and diverse region—for the benefit of all its citizens through building pan-Asia infrastructure connectivity and operationalising the existing transport network routes.

The following section evaluates regional and bilateral (between India and Bangladesh) interventions to facilitate movement of goods in South Asia. Then the study examines global agreements and practices to draw some lessons in order to operationalise the transit and connectivity agenda as decided in the Indo-Bangladesh joint communiqué of 2010.

3. CONNECTING BANGLADESH: EXAMINING POSSIBLE ROUTES

Bangladesh's location in the globe can be considered to possess a unique geographical advantage whose potential can only be tapped through connecting the country at both the regional and global level. As maybe recalled from Section 1, this section has been prepared

on the basis of two key documents – Rahmatullah (2010) and UNESCAP (2009b). This section is divided into three parts. The first and second parts focus on regional and bilateral (Indo-Bangladesh) transit and connectivity routes respectively where the current status of Asian Highway Network (AHN) and the Trans-Asian Railways (TAR) projects, alongside Indo-Bangladesh routes, have been discussed in length. The third part pulls together the discussion and explores ways for effective multimodal transport operations. Before proceeding with the discussion, it needs be reminded that Article 15 (Clause 3) of the Asian Highway Network agreement stipulates: "Nothing in this agreement should be construed as an acceptance of an obligation by any party to permit the movement of goods and passenger traffic across its territory." Therefore, to grant transit facilities through these routes, it will require a separate agreement and the issues of protocols which will have to be addressed are discussed in Section 4. The ensuing discussion will focus on examining the potential routes for movement of vehicles and cargoes.

3.1 Routes: Overview of Regional Interventions

According to Sobhan (2000), the AHN and TAR projects sought to ensure that all the physical gaps in the highway and railway systems along the southern corridor comprising South-East Asia, South Asia, Islamic Republic of Iran were bridged through a programme of collaborative interaction by countries along the land route from Asia to Europe. The renowned political economist affirmed that the economics of any transport investment depends on two principal concerns:

- **Diversion:** whether the new investment is more cost-effective mode for moving traffic when compared with the prevailing mode in use.
- **Generation:** whether the project stimulates economic development which was hitherto inhibited by inadequate transport links.

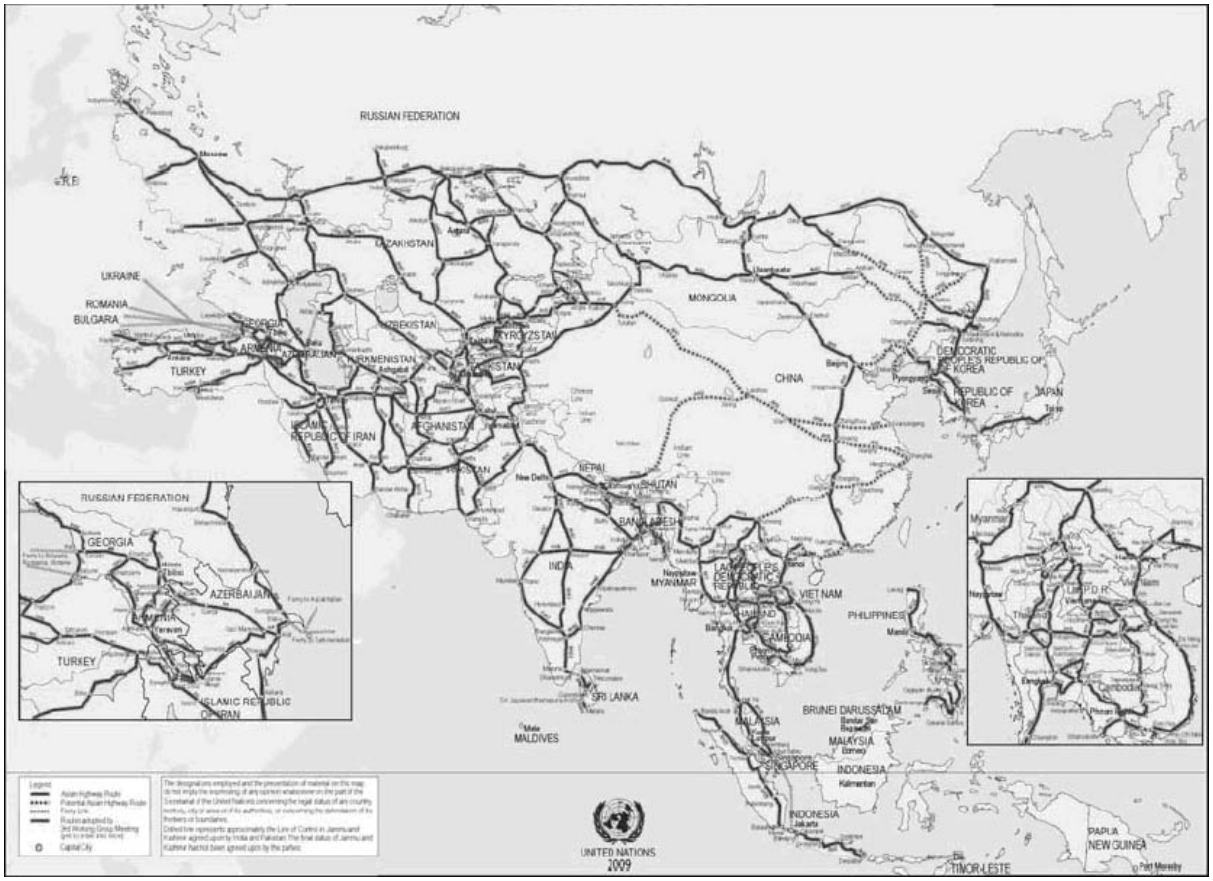
Rahmatullah (2004) affirmed that, "an increasingly integrated transport system at the regional/sub-regional level is essential to facilitate and sustain the economic integration process in today's interdependent world economy." As the proceeding discussion amply bears out, in case of the Asian Highway, no major investments are required to bridge gaps which would need to be justified by the traffic to be generated by such investments. The main investment involved for the Asian Highway lies in upgrading some parts of its route to meet the standards set by the ALTID. However, the same does not apply in case of TAR. The more problematic aspects of ALTID arise from the economics of investments made in the development of the rail network. The gaps in the TAR network connecting Yunnan with both Myanmar and Thailand, through Lao PDR or Myanmar, as well as between Myanmar and India remains sizeable and expensive to bridge.

3.1.1 Asian Highway Network (AHN)

The Intergovernmental Agreement on the AHN entered into force on 4 July 2005. As of 31 August 2009, 29 Member States had signed the Agreement, and 25 are contracting parties to it. The AHN project, also known as the *Great Asian Highway*, scheduled for completion in 2010, is a cooperative project among countries in Asia and Europe, and the UNESCAP, to improve the highway systems in Asia. The main obligations of the contracting parties are to:

- Adopt the AHN as a coordinated plan for the development of highway routes of international importance (see Map 1);
- Bring the network into conformity with the Asian Highway classification and design standards; and,
- Place Asian Highway route signs along the network within five years from the date of entry into force of the agreement for the State concerned.

Map 1: Asian Highway Route



Source: UNESCAP (2009).

Today, the AHN has reached 142,000 km connecting two continents by road – Europe and Asia. There are 55 routes on the network which passes through 32 ESCAP member countries. The extent of the AHN varies with the geographical location and size of the country. China accounts for the longest national portion of the AHN of any ESCAP country, with 26,707 km. Four other countries have more than 10,000 km of AHN: the Russian Federation (16,841 km); Kazakhstan (12,958 km); India (11,810 km); and the Islamic Republic of Iran (11,134 km). At the other end of the scale, Bhutan and Singapore have only 165 and 19 km of AHN, respectively. It may be mentioned here that two Britons, Richard Meredith and Phil Colley, were the first to travel on the AHN (see Box 1). Though they faced many difficulties, their journey helped to establish a benchmark for policymakers to identify real bottlenecks.

Box 1: AHN: First Car Cross from Asia to Europe

What is believed to be the first car crossing of the full extent (East to West) of the new Asian Highway was achieved by Britons Richard Meredith and Phil Colley in 2007 driving an Aston Martin. Following the AH1 and the AH5 from Tokyo (the Highway grid's furthest point East) to Istanbul (furthest West), they drove a total of 12,089 km (7,512 miles) before joining the European motorway network for another 3,259 km (2,025 miles) to London. Including ferry trips and customs clearance delays, the journey took 49 days and crossed 18 countries.

Although the trip was facilitated by UNESCAP through its member nations, there were still extensive problems including enforced detours and interminable customs clearance delays in China, pot-holed roads in Kazakhstan and leaded-only fuel in Uzbekistan. In Tbilisi, Georgia, the journey car crashed after being left on a hillside with its handbrake unsecured. When the record-setting car returned, a welcome-home reception was staged by Aston Martin at the Park Lane Hotel in London, and Meredith later received a civic award from his home town of Milton Keynes.

Source: Aston Martin on the Asian Highway http://www.autoracing.com/blog/aston-martin-on-the-asia-pacific-highway/

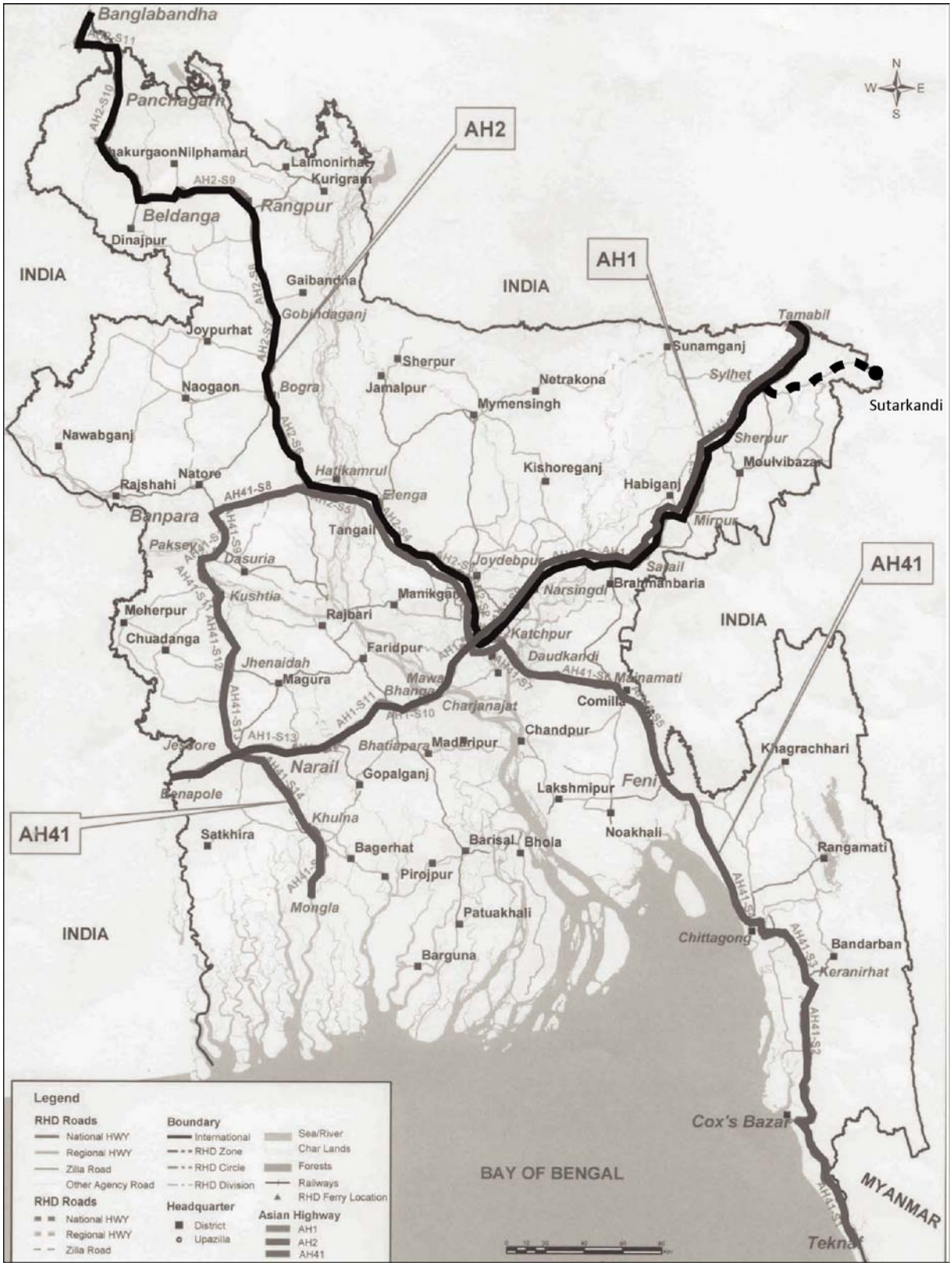
In case of Bangladesh, the classification of the UNESCAP proposed Asian Highway routes are the following (see Map 2):

- AH1: Benapole-Jessore-Narail-Bhatiapara-Mawa-Dhaka-Kachpur-Sarail-Sylhet-Tamabil
- AH2: Banglabandha-Panchagarh-Rangpur-Bogra-Jamuna Bridge-Tangail-Dhaka-Kachpur-Sarail-Sylhet-Tamabil
- AH41: Mongla Port-Jessore-Bonpara-Hatikamrul-Kachpur-Comilla-Chittagong-Cox's Bazar-Teknaf

Bangladesh has proposed the principal Asian Highway route to go along Benapole-Jessore-Narail-Bhatiapara-Mawa-Dhaka-Kachpur-Comilla-Chittagong-Cox's Bazar-Teknaf (length: 608 km) where the country is expected to construct a 25 km road section under a bilateral agreement with Myanmar along this route.

All these routes eventually connect Bangladesh to East and Southeast Asia (AH41 and AH1 respectively) and to Central Asia, Middle East and Europe through India. The Intergovernmental Agreement is facilitating the process to secure financial resources to upgrade roads and highways. The UNESCAP (2009) report observes that much progress has been made in the development and upgrading of the AHN. Various sections of the network in member countries have been improved to higher class standards. For example, about 10,000 km have been upgraded to meet the minimum standards, thereby reducing the percentage of Asian Highway routes below the minimum standards of Class III from 16 per cent in 2004 to 9 per cent in 2006 *(ibid)*.

Map 2: AHN Routes Crossing Bangladesh



Source: Rahmatullah (2010).

The preliminary assessment of the Asian Highway database (2008) with data received from 20 countries indicates that over the period 2007-2008, at least another 10,000 km of the Asian Highway have been upgraded to higher standards, including about 1,000 km that were upgraded to meet the minimum standards. However, about 11,000 km (8 per cent of the network) still needs to be upgraded to Class III or higher standards. Most significantly, the Asian Highway Network now connects to all landlocked countries of the region.

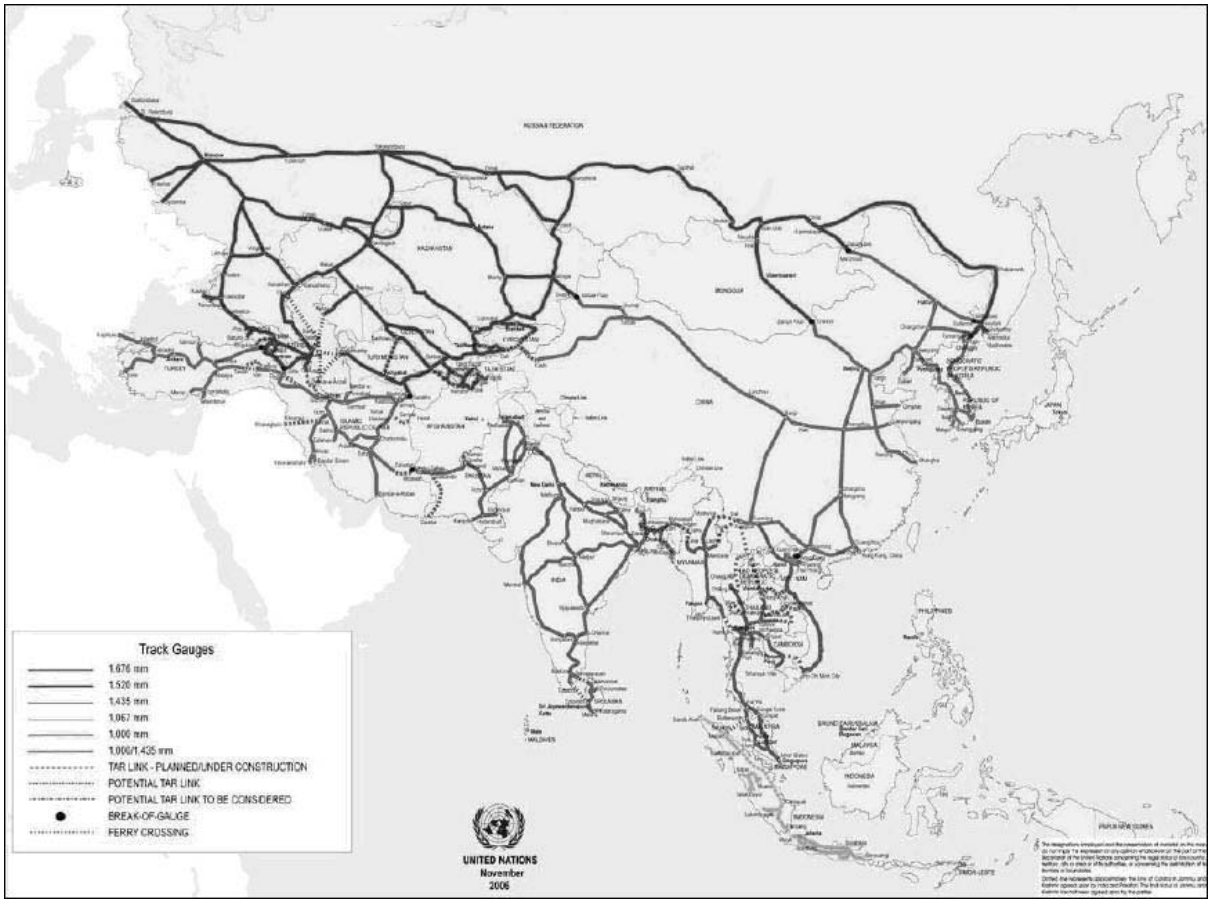
3.1.2 Trans Asian Railway (TAR)

In 2004, an agreement was reached to endorse the development of an Intergovernmental Agreement on the Trans-Asian Railway (TAR) Network and it entered into force on 11 June 2009. To date, 22 member States have signed the Agreement and 13 have deposited their instrument of ratification/acceptance/approval/accession with the Secretary-General of the United Nations (UN) in New York. The 1st meeting of the Working Group on the TAR took place in December 2009 in conjunction with the first session of the Forum of Asian Ministers of Transport Development of the TAR. Five of the nine countries participating in the runs have signed a Memorandum of Understanding (MoU) at the ministerial level.[3] The MoU is articulated on a series of Steering Committee Meetings which agreed on four runs of container block trains along key segments of the Northern Corridor of TAR between November 2003 and July 2004.

The first such run was successfully organised between the Chinese port of Tianjin and Ulaanbaatar in Mongolia; the second one between the Chinese port of Lianyungang and Almaty in Kazakhstan; the third one between Ulaanbaatar and Brest; and the fourth one between Vostochny in the Far East of the Russian Federation and Malaszewicze in Poland. These runs demonstrated the capability of railways to develop efficient container services and to serve the international movement of containers within Asia, and between Asia and Europe. Bhattacharyay and De (2009) reports that the number of trains that operated on the route of Nakhodka-Vostochnaya–Almaty-Assake, which started operation in February 2003, reached 107 trains from January to August 2007; and that in 2007, 31 container block train services were in operation along the route linking China, Kazakhstan, Mongolia and the Russian Federation (Map 3).

[3]China, Kazakhstan, Mongolia, the Republic of Korea, and the Russian Federation have signed the MoU at the ministerial level. Relevant authorities of the Democratic People's Republic of Korea have indicated their agreement in principle. The other participating countries are Belarus, Germany and Poland.

Map 3: Trans-Asian Railway Network



Source: UNESCAP (2009).

The TAR network comprises approximately 114,000 km of rail routes serving 28 ESCAP member countries. Table 4 below outlines the regions and countries along the TAR network.

Table 4: TAR Network Distribution

Region	Countries	Network Length (km)
South-East Asia	Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Singapore, Thailand, Vietnam	12,600
North-East Asia	China, Democratic People's Republic of Korea, Mongolia, Republic of Korea, Russian Federation	32,500
Central Asia and Caucasus	Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	13,200
South Asia, plus Islamic Republic of Iran and Turkey	Bangladesh, India, Islamic Public of Iran, Nepal, Pakistan, Sri Lanka, Turkey	22,600
Total		80,900

Source: UNESCAP (2009).

The TAR network in Bangladesh consists of three main routes linking the country's main cities, industrial centres and ports. The TAR enters Bangladesh from three directions from the Indian state of West Bengal and exits through a single gateway in the east at Gundhum,

Myanmar. The routes go through industrial centres in the north and south-west of the country, through the capital's outskirts of Joydebpur and into Chittagong.

- The first entry point is at Gede, India and the route goes through Darshana, Iswardi, Jamuna Bridge, Joydebpur, Akhaura, Chittagong, Dohazari, and Gundhum, Myanmar.
- The second entry point is at Singabad, India and goes through Rajshahi, Iswardi, Jamuna Bridge, Joydebpur, Akhaura, Chittagong, Dohazari, and Gundhum, Myanmar.
- The third entry point is through Radhikapur, India and goes through Dinajpur, Iswardi, Jamuna Bridge, Joydebpur, Akhaura, Chittagong, Dohazari, and Gundhum, Myanmar.

Much of the railway network already exists, although some significant gaps remain as evident in the tardy progress over the past five decades. The Southern Corridor, which will travel from Europe to Southeast Asia, connecting Turkey, Iran, Pakistan, India, Bangladesh, Myanmar and Thailand, with links to China's Yunnan Province, and via Malaysia, to Singapore, is the most strategically relevant from Bangladesh perspective. One of the most contentious issues that have not allowed integration of the region's railway sector is the break-of-gauge.[4] The result: an interruption to the smooth flow of railway traffic.

3.2 Routes: Overview of Indo-Bangladesh Connectivity

The preceding discussion laid out the potential routes connecting India and Bangladesh through regional interventions, as proposed by the AHN and TAR agreements, which also have significant implications for Indo-Bangladesh connectivity relations. The interests of Bangladesh and India can be conceptualised in a simple two-level game: national and supranational. India has a high national (political) stake to connect with her seven sisters, whilst Bangladesh has her own developmental interest to connect with global markets and also with North East India. In the backdrop of the never-ending energy crunch situation in Bangladesh which has severely undermined industrial performance, the North East India with her abundant amount of natural resources could help to reduce the yawning demand-supply gap. Leaving aside the inland water transportation, there are no formal agreements that allow transit through Bangladesh to Indian vehicles and cargoes, or vice versa (Table 5).

Sobhan (2010) asserted that Bangladesh's reluctance to provide India with transit and connectivity rights to connect North East India with the rest of India has remained a crucial factor in mending these broken links. India has countered Bangladesh's denial of transit rights by limiting transit for Nepal and Bhutan across her land area to Bangladesh. Also, India denies Bangladesh and Pakistan opportunities to transport their traded goods across India by road or rail. As a result, cost of non-cooperation has been extremely high. For instance, tea shipment from Assam to Europe travels 1,400 km from Assam to Kolkata Port through the "chicken neck" between Bangladesh and Nepal, instead of 600 km, since no bilateral agreement exists to use Chittagong Port (Verghese 1996). Another similar example is that though southern border of Tripura State is only 75 km from Chittagong Port, Indian goods travel 1,645 km to Kolkata Port (Rahmatullah 2004).

[4]The track gauge is the distance between the inner surfaces of each rail and it is conveniently measured in millimetres (mm).

Table 5: Transport Interchange Matrix

Component	Rail	Road	Water
Transit through Bangladesh	Presently not allowed	Presently not allowed	Allowed
Access of vehicles/vessels across the border	Goods trains from India are allowed upto the next station across the border	Different practices	Transportation of the cargo is shared equally between two countries
Passport requirement (for the crew)	Yes	No	Yes
Visa requirement (for the crew)	Multiple entry visa valid for a period of one year granted to railway staff on-duty in connecting with interchange of rail traffic	At the Petrapole-Benapole interchange point, the truck crew are allowed upto the warehouse with any passport or official permit In case of Dawki-Tamabil interchange point, Bangladesh customs authorities issue a temporary permit valid for specified hours, impounding the driving licence of the truck driver	Officers supervising or controlling the fleet of the operators in either country are required to carry passports endorsed with multiple entry visas; for personnel manning vessels, no visa is required

Source: Dayal (2009).

Transit and connectivity, nevertheless, has become a multilateral issue – Nepal and Bhutan want transit through India and Bangladesh, to sea ports in the latter. The SAARC Regional Multimodal Transport Study (SRMTS) recommended connectivities to be implemented sub-regionally through all modes of transport (railway, road and water). The SRMTS (2006) also underlined some cross-border facilitation problems which have been presented in Box 2.

Box 2: Cross-border Facilitation Problems

At Rauxal (India)

All inspections, export and import, take place in the customs examination yard which has a small area (1.23 acres), located immediately adjacent to the border that can accommodate only 15 vehicles at one time. Trucks typically require one day for the full procedures, although most of this time is spent queuing. The inspection and document examinations themselves take only a couple of hours.

At Benapole (Bangladesh)

Indian trucks move across the Bangladesh territory at Benapole and after unloading, the trucks return to India. The typical waiting is 2-3 days at the parking yard, though the delay of upto 15 days has also been observed particularly if the cargo requires special type of storage or handling.

Source: SRMTS (2006).

In the following discussion, the paper will examine the potential routes between India and Bangladesh, which also have implications for regional connectivity. Since the paper's focus is on protocols and procedures governing transit and connectivity activities, the ensuing discussion will also reflect these issues from Indo-Bangladesh perspective. We will start by focusing on the potential of railway connectivity, since it is the preferred mode of transport to carry regional traffic due to structural limitation of Bangladesh's road network, and then discuss the other two modes of transport – roads and inland water. Furthermore, in the recent Indo-Bangladesh joint communiqué, the Government of Bangladesh (GoB) has declared its willingness to provide transit facilities to cargoes from Nepal and Bhutan. The joint- communiqué stipulates, "broad gauge railway link would be available for transit to Nepal [and] to convert Radhikapur Birol railway line into broad gauge and requested for railway transit link to Bhutan as well" (Para 26). However, the air transport connectivity will not be examined since there is no infrastructural impediment; rather, there is substantial underutilisation of the 61 flights per week permitted from both sides under the bilateral Air Services Agreement.

3.2.1 Railway Transport

Before partition of India in 1947, the intra-sub continental movements were mainly carried out by railway. Although these physical links exist, very little cross-border movement by rail is taking place today between India and Bangladesh, and almost no movement between India and Pakistan. At present, railways systems of India and Bangladesh are linked to each other at five places, including:

- Gede (IR) - Darsana (BR)
- Singhabad (IR) - Rohanpur (BR)
- Petrapole (IR) - Benapole (BR)
- Radhikapur (IR) - Birol (BR)
- Mahishasan (IR) - Shahbazpur (BR)

Among these the last two links are dormant at present (Dayal 2009).

Freight trains from India crossing the border are broken into small units and hauled to convenient destinations in the vicinity for unloading/transhipment. Goods trains from India via Petrapole or Gede undergo joint train examination, which takes about two and a half hours during which period customs examination is also carried out by the staff of the two railways at Ranaghat station. Customs working hours are, however, from 6 am to 4 pm implying that trains arriving earlier or later have to wait for customs officials for much longer periods. A "vehicle guidance" memo to the Bangladeshi customs is submitted by the Indian Railways authorities which contains wagon number, type of wagon, commodity carried and weight. Clearing agents submit the packing list, letter of credit (L/C) and commercial invoice and customs then check a sample of some 5-10 per cent of the wagons without unloading the cargo. This is followed by affixing lead seals on the doors of the wagons. Interestingly, in case of trains interchanged through Petrapole, no such examination is carried out, and hence the waiting period is much less.

From Bangladesh perspective, as a result of structural limitations of Bangladesh's road network (12 tonnes vs 10 tonnes or 8 tonnes), railway has been opted to be the best mode of transportation to carry regional traffic. There is no other means of inland container transportation besides railways though it represents only 10-11 per cent of container traffic to Dhaka. Other containers are loaded/unloaded in the Chittagong Port itself, thereby contributing to congestion in the port resulting in its lower productivity. Indeed, Chittagong and Mongla Ports have about 40 per cent and 80 per cent surplus capacity respectively whose profitability will be enhanced by further utilisation (Rahmatullah 2010).

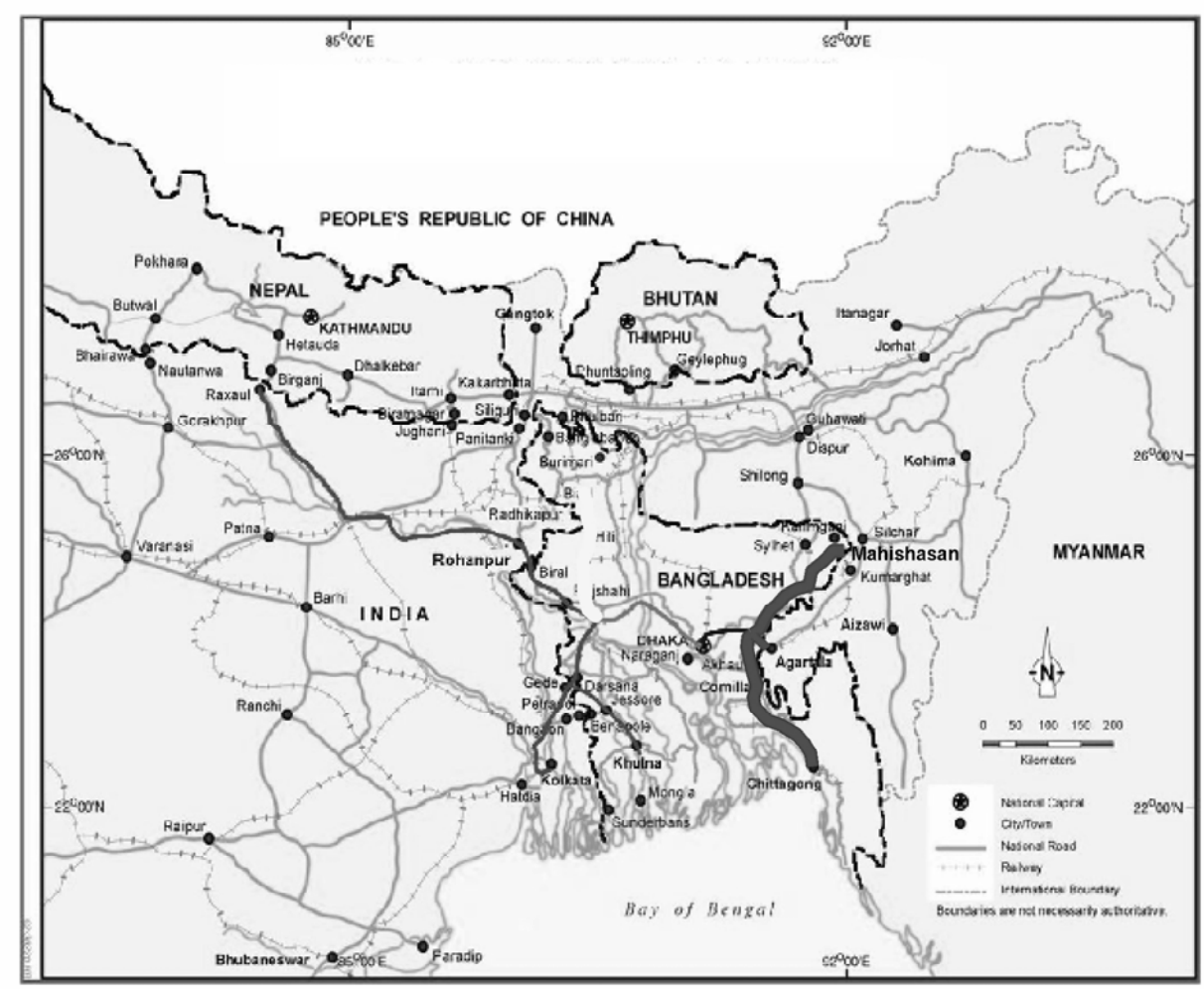
Having analysed the current state of affairs in railway transport, we now turn to examine some strategic railway routes which could be considered by the GoB to provide transit facilities to not only to India, but also Nepal and Bhutan. There are mainly two strategic routes –

- Route 1: Mahishasan-Kulaura-Chittagong rail connectivity, with a link to Agartala (see Map 4)
- Route 2: Gede/Darsana-Jamuna Bridge-Tongi-Kulaura-Mahishasan rail connectivity, with a link to Agartala (see Map 5)

India has offered assistance by way of grant to construct the Akhaura-Agartala rail link, a distance of less than 13 km, of which 7 km are in Bangladesh and 6 km in India. Through the Akhaura-Agartala-Myanmar-Kunming rail link, Bangladesh can also link up with the TAR route going through India (Manipur) via the north of Myanmar to China as also to other South East Asian countries. Several projects are being discussed including doubling the Laksham-Akhaura line (80 km), and building a new line for port connectivity from Khulna to Mongla (50 km). The Khulna-Mongla project can play a bridging role in providing greater access to Mongla Port for goods coming from or going to Nepal.

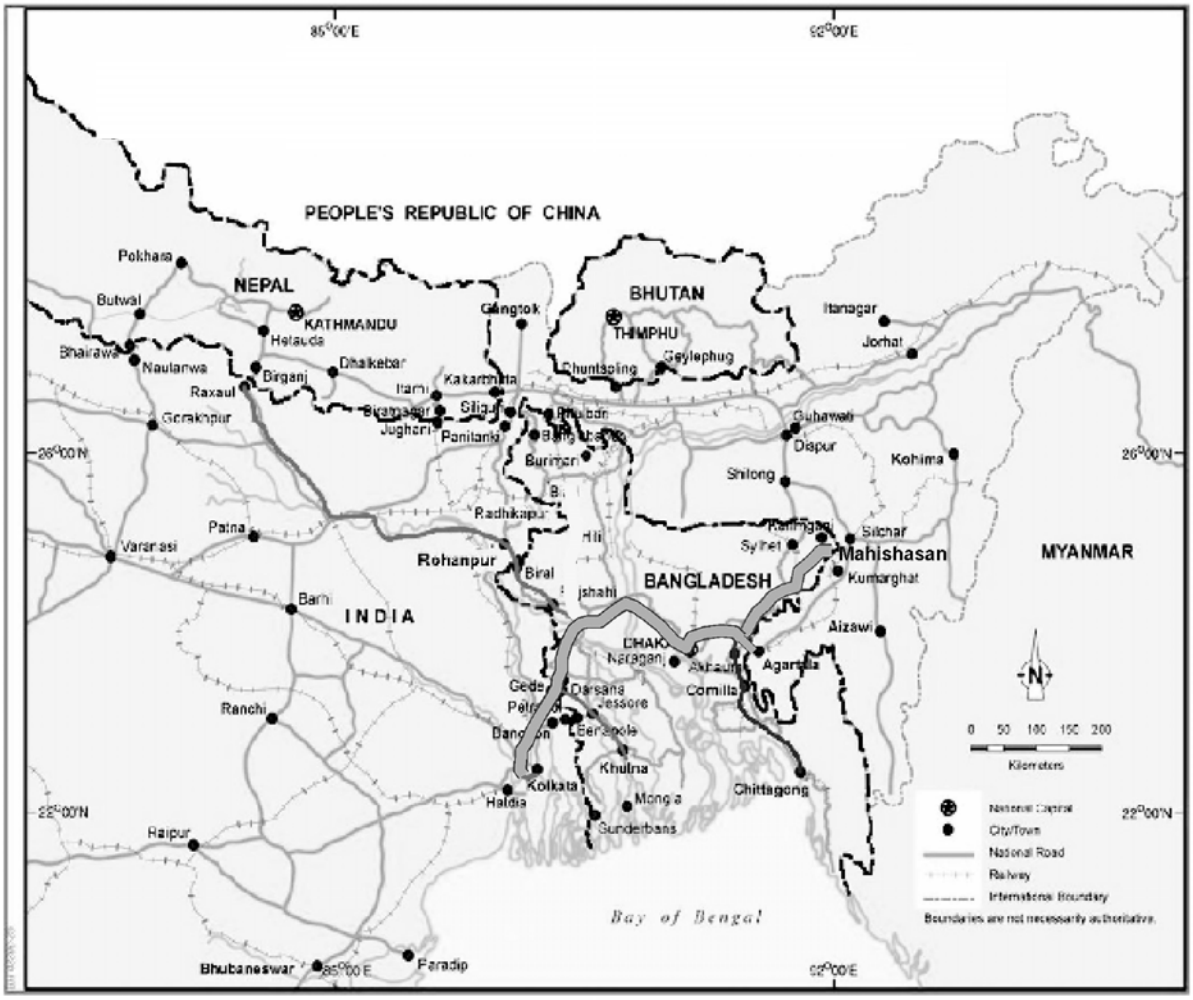
Bilateral cooperation for the modernisation and strengthening of Bangladesh's railway network, preferably through a Transit Agreement, is necessary to derive the maximum benefit from bilateral/regional connectivity. The interests of Bhutan and Nepal also need to be integrated in order to ensure that trade in the entire sub-region is facilitated.

Map 4: Agartala Rail Link: Route 1



Source: Rahmatullah (2010).

Map 5: Agartala Rail Link: Route 2



Source: Rahmatullah (2010).

3.2.2 Road Transport

Bangladesh has a unique geographical location, with three land locked countries/territories (Nepal, Bhutan, North East India) at the hinterland, and she shares an extensive land border with India – West Bengal in the west, Assam and Mehghalaya in the north, Assam, Tripura and Mizoram in the east. The border between the two countries is mostly porous which leads to considerable informal trade. In South Asia, though transportation by road is the most expensive, it is the dominant mode of transport and its importance is growing in all countries. The trade agreement between India and Nepal has a list of 22 border posts for the movement of goods between the two countries, out of which 15 are authorised for transit traffic (ADB 2006). Moreover, India also permits trucks from Nepal and Bhutan to operate on designated transit routes within India. Indian trucks are allowed anywhere into Nepal but they have to return to India within 72 hours. Nepalese trucks need permit for every trip to India with a validity of three month.

Historically, 83 land customs stations (LCSs) as gateways for the transit of goods, services and people were notified for facilitating India's trade with Bangladesh. At present, only one-

third are active, of which, four are rail-based, three riverine, and the rest road-linked (including one with both rail and road connection). Traffic congestion is a major issue of concern - Petrapole-Benapole handles 60-70 per cent (by value) of India's exports to Bangladesh and close to 90 per cent of Bangladesh's exports to India (Sikri 2009). The trucks returning with Bangladesh export cargo to India are off-loaded in transit shed located in "no-man's land."

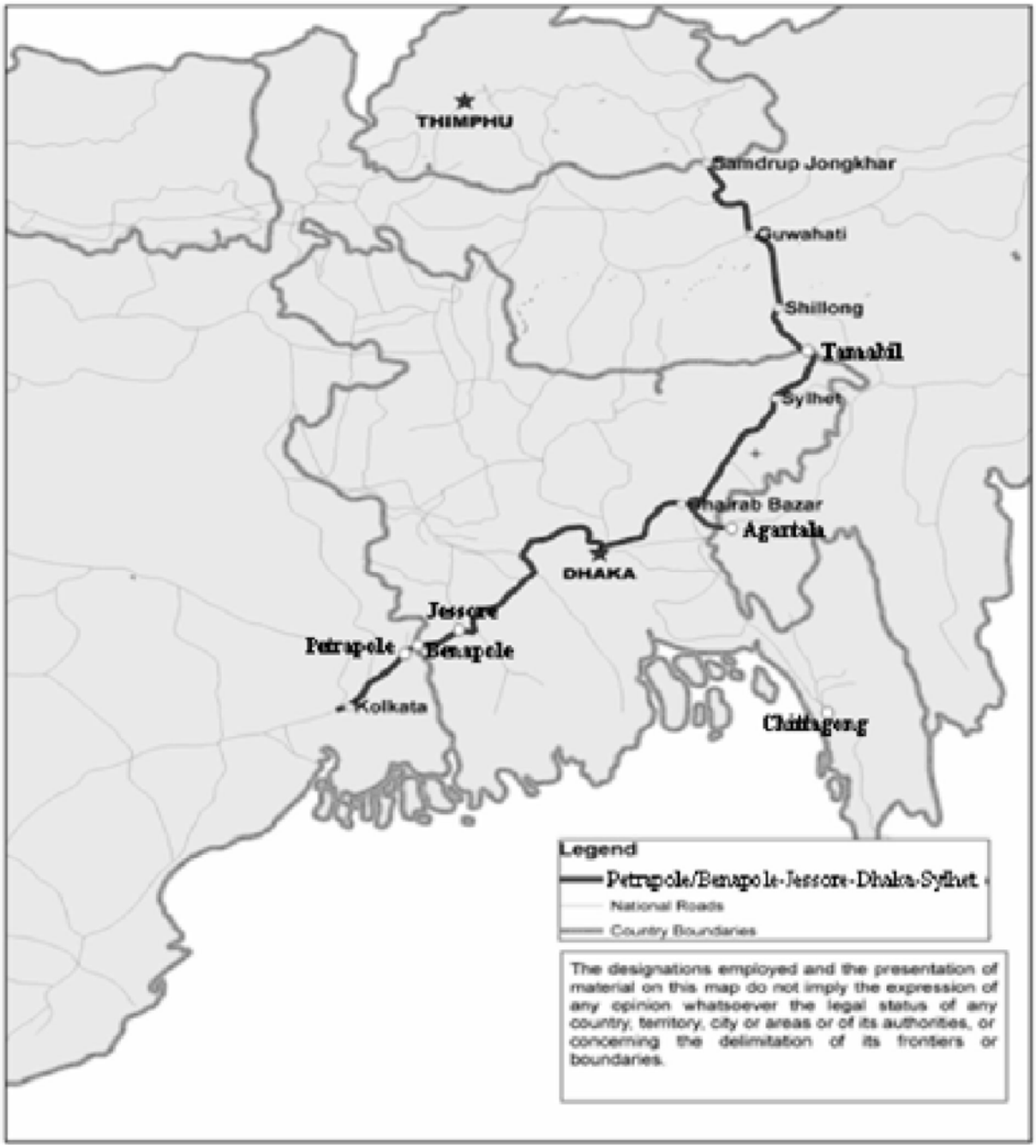
We now turn to examine some strategic road routes which could be considered by Bangladesh to provide transit facilities to not only to India, but also Nepal and Bhutan. There are mainly two strategic routes –

- Petrapole/Benapole-Jessore-Dhaka (via ferry)-Sylhet-Tambail road connectivity, with a link to Agartala.
- Sylhet-Imphal through Austagram, Karimganj and Silchar

According to Rahmatullah (2010), the present AHN routes, which travel through Tamabil, is not ideal for international traffic since it passes through mountainous region and calls for a detour of 400 km (see Map 2). Bangladesh and India need to collaborate in bringing a proposal to UNESCAP, to add a new shorter route from Sylhet to Imphal through Austagram, Karimganj and Silchar, which would pass through a level terrain, and provide a savings of 400 km for international traffic, even for Indian traffic from Mainland to Myanmar *(ibid)*. This route is also expected to provide a direct access to Manipur and Mizoram states, through Bangladesh. As a result of Bangladesh's joining the AHN, there is more impetus for both countries to work towards signing a comprehensive bilateral Motor Vehicles Agreement. The eminent transport expert strongly opines that a joint venture in trucking company with a fleet of medium sized multi-axles covered trucks, and/or truck-trailers having a special colour (for easy identification) may be considered.

In a recent Indo-Bangladesh dialogue held in mid-October 2009, organised jointly by the Asian Institute of Transport Development (AITD), New Delhi and Centre for Policy Dialogue (CPD), Dhaka, *Dr M Rahmatullah* put forward recommendations to operationalise the transhipment agenda. According to him, for immediate trade facilitation purposes by road, until expressways are built on higher specifications, inter-district Bangladeshi truckers could provide logistic support to carry goods across Bangladesh using multi-axle vehicles. Further, transhipments could start immediately as Phase I of the regional connectivity programme, and to support this, efficient transhipment facilities will have to be built on both sides of Bangladesh to facilitate inter-country truck movement. In Phase II, establishment of a joint Bangladesh-India venture in a trucking company, with a fleet of medium sized multi-axles covered trucks, and/or truck-trailers having a special colour (for easy identification) may be considered. Bangladesh will own most shares with India, Nepal and Bhutan all having some shares whilst vehicles of the joint venture will need patronage of both the governments.

Map 6: Agar tala Link: Road Route



Source: Rahmatullah (2010).

3.2.3 Inland Water Transport

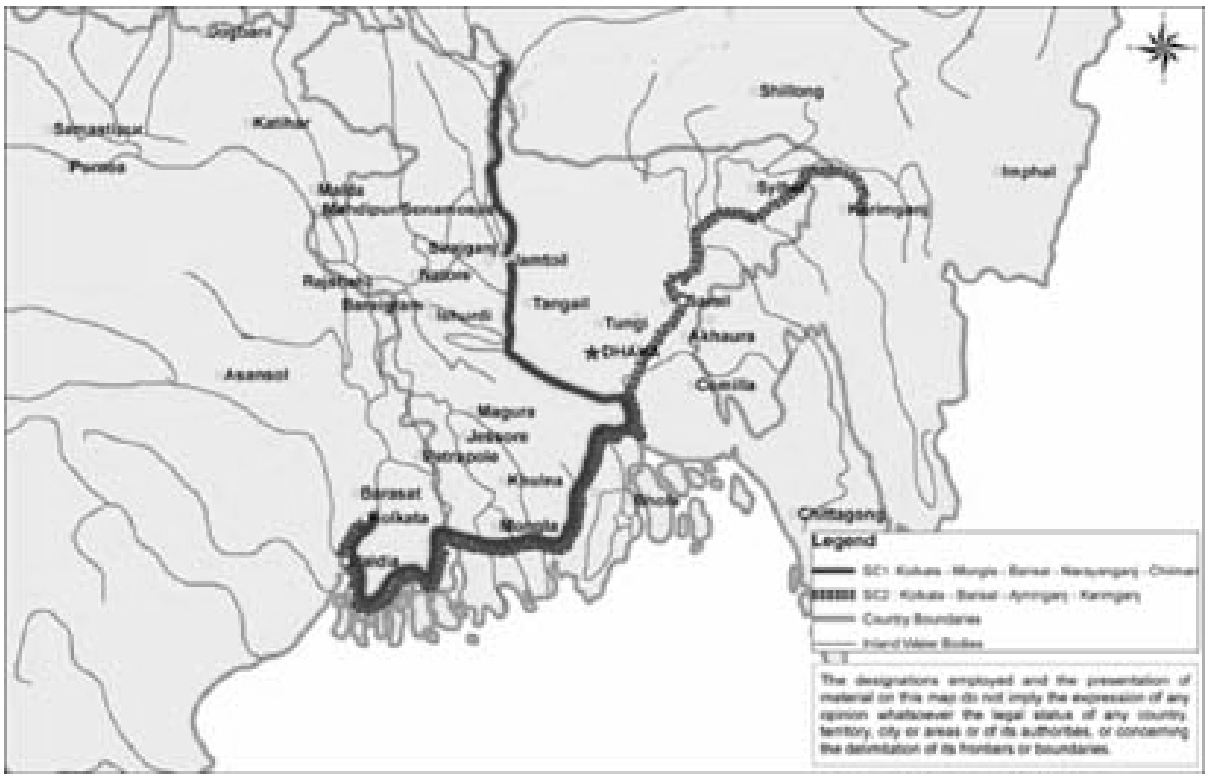
In South Asia, inland water transport links, being the cheapest mode of transportation, prevail only between India and Bangladesh and it has great potential for development. Indo-Bangladesh bilateral traffic move along the inland water transport routes (see Map 7) under the protocol on "Inland Water Transit and Trade" (IWTT) of October 1999, which is derived from the provision of the "Trade Agreement between Bangladesh and India" dated 4 October 1980. This is the only transit facility for India through Bangladesh for serving the

requirements of North East Indian states though the routes are highly underutilised due to damage caused by periodic floods, manual operations, and given that there are no exclusive jetting for handling inland water transport cargoes.

The joint India-Bangladesh communiqué stipulated "Ashuganj in Bangladesh and Silghat in India shall be declared ports of call. The IWTT Protocol shall be amended through exchange of letters. A joint team will assess the improvement of infrastructure and the cost for one-time or longer term transportation of ODCs (Over Dimensional Cargo) from Ashuganj" (Para 22). Therefore, in this connection, long-term planning on the role of inland waterways and joint assessment on a regular basis are required to facilitate trading activities.

However, due to poor implementation and underutilisation of the facilities, between 1995 and 2002, the goods transported was slightly more than 100,000 metric tonnes (MT) a year; more disappointingly, the Standing Committee under the IWTT Protocol met only 10 times in the last 37 years (Sikri 2009). It is important to reduce pressure on Benapole and Petrapole land ports, and in this regard, Chittagong and Mongla Ports need to be substantially developed in order to provide riverine connectivity between Bangladesh and North East India.

Map 7: Inland Water Transport Routes



Source: Rahmatullah (2010).

3.3 Trade Facilitation: Multimodal Transport

Sobhan (2000) affirmed that Bangladesh perceives herself as a prospective Singapore of the land routes provided it can enjoy both market access and seamless physical linkages with

Nepal, Bhutan, India, as a while, North East India, Myanmar, Thailand and Yunnan. The transformation of Bangladesh will be anchored around the development of Chittagong Port as a regional hub and the Bangabandhu Bridge as the land link between South East and South Asia. Multimodal transport (MMT) and logistics operations play a dominant role in facilitating trade (see Section 2 for more information on this topic). In case of Bangladesh, cross-border trade should be able to move seamlessly through all modes of transportation. Containerised movement of goods is essential in order that the customs examination procedures can be streamlined and restricted to just "one-stop." In order to achieve the full benefits of the integrated infrastructure facilities, parallel measures are required to bring about a mutually agreed regulatory framework, including harmonising of documentation and customs procedures and the harmonised use of electronic data interchange (EDI). The perceived cost of these deficiencies and delays, when aggregated with the estimated excess time costs, provide estimates of the total excess costs involved. These estimates expressed as a percentage of the average value of a typical shipment from Kolkata to the point of customs clearance in Bangladesh amounted to 12.31 per cent of the value of the shipment, against an "ideal" cost of 1.93 per cent of the value of the shipment (Dayal 2009).

As analysed in the previous sections, it is evident that there is much scope for improvement in the port infrastructure to facilitate trade activities. A journey of 34 days by land-cum-sea routes could be performed within 9-10 days if appropriate policies and infrastructure are put in place (Sikri 2009). The cost of transport for one 20 feet loaded container from Delhi ICD to Dhaka is USD 2,500 which comes down to USD 1,900 if the shipping route is via Mumbai, Kolkata and then Chittagong, instead of the Mumbai, Singapore and then Chittagong *(ibid)*. Likewise, according to another estimate, the distance of around 2,000 km between Dhaka and New Delhi could have been covered in 2-3 days (Subramanin 2001).

As an integral part of the AHN and TAR development, intermodal interfaces have been proposed at vantage locations to serve industrial and other clusters, and centres for an inclusive development in the economy. However, in order to make effective utilisation of these routes, relevant government authorities need to put their concerted effort in reducing the high transaction costs involved in the movement of vehicles and cargoes. Table 6 presents the points of interface in case of Bangladesh.

Table 6: Intermodal Interfaces in Bangladesh along AHN and TAR

Route	Sea Port	Land Port	Major Interface Locations
AH1		Benapole, Tamabil	Jessore, Dhaka, Narayanganj, Bhairab Bazar, Sylhet
AH2		Banglabandha	Rangpur, Sirajganj, Dhaka, Narayanganj, Bhairab Bazar, Sylhet
AH41	Chittagong, Mongla	Teknaf	Khulna, Jessore, Pakshi, Sirajganj, Dhaka, Narayanganj, Comilla, Feni, Chittagong
TAR-1	Chittagong	Darshana, Akhaura	Pakshi, Sirajganj, Tongi, Bhairab Bazar, Akhaura, Comilla, Feni, Chittagong
TAR-2	Chittagong	Akhaura	Parbatipur, Sirajganj, Tongi, Bhairab Bazar, Akhaura, Comilla, Feni, Chittagong
TAR-3	Chittagong	Birol, Akhaura	Rajshahi, Sirajganj, Tongi, Bhairab Bazar, Akhaura, Comilla, Feni, Chittagong

Source: Dayal (2009).

The key benefit of such integrated MMT connectivity is that it will entail significant positive benefits for Bangladesh by transforming her ports into "hot-hubs" serving the entire hinterland of Nepal, Bhutan and North East India, and thereby increasing the government's revenue from trade in transport services. Within such an integrated and seamless transport network, Bangladesh would be able to upgrade her rail system and develop Chittagong Port or even invest in a new sea port, to establish itself as a regional hub. Most importantly, transport connectivity would help Bangladesh to establish direct "networks" with the global market. For effective introduction of MMT and provision of efficient logistic services, it would be necessary to organise short and long-term training programmes for transport operators and freight forwarders to promote the concept of MMT operations and its implementation in practice. Supportive legislation will need to be adopted for introduction of MMT operations among countries of South Asia coupled with the supporting infrastructures, in the form of well-equipped inland container depots (ICDs) established at strategic locations in order to enable uninterrupted movement of containers under the MMT system. Simplified procedures such as through-bill-lading or combined-transport-bill-of-lading can be introduced toward this end.

At present, it appears that the Asian Highway link through North East India would be more serviceable to link upper Myanmar with North East India and Bangladesh and beyond to the rest of India. For traffic between North East and the rest of India, assuming no trade diversion takes place to Bangladesh, the AHN and TAR network, over the Bangabandhu bridge would remain the most effect artery of communication along with the stimulus to reactivating the traditional riverine route through Bangladesh (Sobhan 2000). The construction of a 6 km Bangabandhu Bridge over the Jamuna River in May 1998 has integrated the hitherto divided transport network of East and West Bangladesh. For the first time in her history due to the bridging of the Jamuna River, Bangladesh now has a fully integrated market through her transport network *(ibid)*.

The use of Asian Highway and TAR routes and the rivers would mean that the existing road and rail links along the Siliguri gap would become largely redundant for commercial traffic. The Siliguri gap could also be useful to link Nepal, Bhutan and the areas in India adjacent to this route such as North East Bihar and Darjeeling district with the North East India. Nevertheless, this diversion of traffic is contingent on major developments in both political relations as well as trade relations between India and Bangladesh *(ibid)*. The UNESCAP cannot do no more than facilitate the ALTID process since it commands neither the financial resources nor the executive authority to implement the project. According to Sobhan (2010), the emergence of a South Asian community would be greatly accelerated if its governments, and particularly the government of India, were to commit themselves to invest their political and diplomatic resources in advancing the process of integration. This would require an element of statesmanship by its lenders, but particularly by India, whose leaders must be willing to override bureaucratic obstacles, advanced in the name of security concerns, to open up her connectivity routes and markets to her neighbours, including Pakistan. India would need to invest her resources in enhancing the economic capacities of her weaker neighbours to benefit from the integration process. In supporting such initiatives India would need to move beyond the bilateralism, which has been favoured by her bureaucracies to seek solutions within a broader South Asian community.

4. GLOBAL PRACTICES: LESSONS FOR BANGLADESH

Before analysing the prevailing global, regional and bilateral transit/transport/connectivity agreements "steering" such activities, it needs to be noted at the outset that to address the issues pertaining to transit, the most notable effort by the international development community has been the adoption of the *Almaty Programme of Action* (APA) in 2003, following a Ministerial Conference in Almaty, Kazakhstan. The APA is predicated on the fact that landlocked developing countries had grown more slowly than other low-income countries, and that unless trade competitiveness improved significantly, this situation was likely to deteriorate. The objective of the APA was to establish a new global framework for developing efficient transport connectivity systems in landlocked and transit developing countries taking into account the interests of both. This section is divided into three parts. The first presents a selection of global agreements pertaining to transit protocols. The second part analyses existing bilateral and regional transit/connectivity agreements from where Bangladesh can draw lessons in her future endeavours in the context of operationalising the connectivity agenda with the neighbouring countries. The third part pulls together the discussions and puts forward a framework of protocols and procedures which could be considered by the GoB when preparing a transit or a connectivity agreement.

4.1 Global Agreements

The overarching pillar of the International Conventions and Agreements, the Depository of which is the Secretary-General of the UN, is to facilitate safe, secured and environment-friendly movement of vehicles and cargoes in transport. There are seven UN conventions, alongside the General Agreement of Trade and Tariff (GATT) which set out a basic framework for cross-border movement of goods and vehicles. The seven international agreements include:

- Convention on Road Traffic (1968)
- Convention on Road Signs and Signals (1968)
- Customs Convention on the Temporary Importation of Commercial Road Vehicles (1956)
- Customs Convention on Containers (1972)
- Convention on International Transport of Goods under cover of TIR Carnets (1975)
- Convention on the Contract for the International Carriage of Goods by Road (1956) and its Protocol (1978)
- International Convention on the Harmonisation of Frontier Controls of Goods (1982)

In South Asia, Bangladesh, India, Pakistan and Sri Lanka have signed the *Convention on Road Traffic* (1968), while India and Pakistan are also members of the *Convention on Road Signs and Signals* (1968). Bhutan, Maldives and Nepal have not signed any one of these seven UN conventions. Barring Afghanistan, no South Asian countries have signed the *Customs Convention on the Temporary Importation of Commercial Road Vehicles* or the *Convention on the International Transport of Goods under cover of TIR Carnets*. The sub-regional extents of accession to these Conventions have been presented in Table 7.

Table 7: International Conventions and South Asian Countries

Convention	Afghanistan	Bangladesh	Bhutan	India	Nepal	Pakistan	Sri Lanka
Convention on Road Traffic (1968)	No	Yes	No	Yes	No	Yes	Yes
Convention on Road Signs and Signals (1968)	No	No	No	Yes	No	Yes	No
Customs Convention on Temporary Importation of Commercial Road Vehicles (1956)	Yes	No	No	No	No	No	No
Customs Convention on Containers (1972)	No	No	No	No	No	No	No
Convention on International Transport of Goods under cover of TIR Carnets (1975)	Yes	No	No	No	No	No	No
Convention on the Contract for the International Carriage of Goods by Road (1956)	No	No	No	No	No	No	No
Convention on the Harmonisation of Frontier Controls of Goods (1982)	No	No	No	No	No	No	No

Source: UNESCAP (2007).

In recognition of the fact that harmonised transport facilitation measures at the national and international levels are a pre-requisite for enhancing intra-regional trade, the UNESCAP recommended that the countries in South Asian region to consider the possibility of acceding to all the seven international conventions in the field of land transport facilitation which are elaborated below. The most commonly referred international rules and regulations are the TIR Convention and the Vienna Convention on Road Traffic (1968) which replaced the Geneva Convention on Road Traffic 1949. The remaining five conventions are also relevant to the field of land transportation facilitation which were originally developed under the auspices of the United Nations Economic Commission for Europe (UNECE).

4.1.1 Vienna Convention on Road Traffic (1968)

The Vienna Convention on Road Traffic is designed to facilitate international road traffic and increase road safety by standardising traffic rules among the contracting parties. It came into force on 21 May 1977. The following requirements must be fulfilled when driving outside the country of registration:

- Cars must display their registration number at the front and rear, even if legislation in the jurisdiction of registration does not require a front vehicle registration plate on cars.
- Motorcycles need to display their registration number only at the rear.
- Registration numbers must be displayed in Latin characters and Arabic numerals.

In addition to this, the registration number may optionally be displayed in a different alphabet. A distinguishing sign of the country of registration must be displayed on the rear of the vehicle. In practice, the requirement to display the white oval has been mutually waived between some countries, for example, between many European countries the white oval may be substituted by a blue strip on the vehicle registration plate. Mainland China is the most notable example of a non-signatory country. All foreign registered vehicles in mainland China must display a mainland Chinese vehicle registration plate. This requirement even applies to vehicles from China's special administrative regions of Hong Kong and Macau. The convention also addresses minimum mechanical and safety equipment needed to be on board and defines an identification mark (Annex 4) to identify the origin of the vehicle.

4.1.2 Vienna Convention on Road Signs and Signals (1968)

This Convention is designed to facilitate international road traffic through internationally agreed road traffic signs and signals. In Article 2, the Convention classifies all road signs into a number of categories and lays out precise colours, sizes and shapes for each of these classes of sign. It also specifies the symbols, pictograms and the orientations in which they may be used. When more than one is available, the same one must be used nationally. This Convention is beneficial as it promotes road traffic safety.

4.1.3 Customs Convention on Temporary Importation of Commercial Road Vehicles (1956)

The main objective of this Convention is to facilitate temporary admission of foreign-registered vehicles and containers under customs supervision. The key provisions include international customs document, “Carnet de Passage en Douane” (for vehicles); the international guarantee of import taxes if vehicles/containers are not re-exported; harmonised procedures for temporary importation and public-private partnership. The two main benefits of this Convention are that there are no payments of vehicle/container import taxes and it reduces delays and transaction costs.

4.1.4 Customs Convention on Containers (1972)

This Convention stipulates temporary importation of containers, free of import duties and taxes, subject to re-exportation within 3 months and without the production of customs documents or security. The Convention also provides for the approval of containers under customs seal which are identical to those in the Convention on the International Transport of Goods under cover of TIR Carnets – the TIR Convention, 1975.

4.1.5 Convention on International Transport of Goods under cover of TIR Carnets (1975)

The Transports Internationaux Routiers (TIR) system not only covers customs transit by road but a combination, i.e. MMT is possible with other modes of transport (e.g. rail, inland waterway and even maritime transport), as long as at least one part of the total transport is made by road. The International Road and Transport Union (IRU) is the international guarantor of the TIR system that relies on the TIR Treaty under which trucks are sealed by customs upon departure and can cross several borders without further checks until they

reach their destinations. The IRU's mission is to facilitate road transport worldwide and through its training arm promote professional competence in the sector and to improve the quality of services it offers. TIR Carnets have been adopted by the countries in the Central Asian Republic (CAR) region and the main features of this system include:

(i) Goods are transported in a customs-secure vehicle or container. The TIR Convention sets out standards and certification procedures for the load compartment (i.e. the cargo carrying area) of vehicles and for containers that can be used in customs transit under the TIR system. The standards are designed to ensure that the interior of a load compartment or a container is not accessible when it is sealed by customs and any tampering would be clearly visible.

(ii) While goods are in transit, the duties and taxes at risk are covered by a "chain guarantee" provided by the national associations of transport operators that control access to the TIR system. If an irregularity occurs during a TIR transit operation and the transport operator fails to pay the taxes and duties that become due as a result of the irregularity, then the national transport operators' association of the country where the taxes and duties need to be paid by them. If a different national association has issued the TIR Carnet for the transit operation, that association reimburses the expenses of the association that has paid the taxes and duties. Since the national associations are not financial institutions, their guarantee obligations under the TIR system are backed by insurance companies.

(iii) Goods are accompanied by a TIR Carnet, which is an international customs document issued in the country of origin and serves as a customs control document in the countries of origin, transit and destination. A TIR Carnet serves as a proof that the goods it is accompanying are covered by a guarantee. The IRU prints TIR Carnets and distributes them to the national associations.

(iv) Customs control measures taken in the country of origin are accepted by the countries of transit and destination. This does not, however, preclude customs officials in a transit country from undertaking spot checks on the basis of an identified risk. If they do so, then they must reseal the load compartment or the container.

(v) National associations of transport operators control access to the TIR system and issue TIR Carnets. To obtain such rights, the associations and their members need to meet certain requirements. In particular, the associations need to have an agreement with the customs administration of their countries, whereby they provide a guarantee for all transit operations undertaken under the TIR system in their countries, irrespective of where the TIR Carnets are issued.

It is because of the stringent obligations and conditions set by the IRU that it would be difficult to introduce the TIR carnet in the South Asian region as it would involve enormous resources which would be beyond for countries like Bangladesh, Bhutan, etc. However, the principles of the TIR system could help to develop a similar system initially between Bangladesh and India, and then for the wider region.

4.1.6 Convention on the Contract for the International Carriage of Goods by Road (1956)

This Convention (shortly titled as CMR) was signed in Geneva on 19 May 1956. It relates to various legal issues concerning transportation of cargo, predominantly by lorries using road. It has been ratified by the majority of European countries. The CMR waybill is prepared in three languages in order to ensure that it is accepted and recognised throughout Europe. Although this document can be made in any form, there is a minimal of information required on the CMR. The benefit accrued from this Convention lies in its predictability strength of settling legal disputes.

4.1.7 Convention on the Harmonisation of Frontier Controls of Goods (1982)

The main objective of this Convention is to reduce the formalities and controls on movement of goods at borders. The key provisions of this Convention include procedures for efficient border controls (customs, medico-sanitary, veterinary, phyto-sanitary and technical compliance), coordination among various national services, and cooperation and collaboration between neighbouring countries. It also includes specific requirements for vehicles that need to taken cognisance of in the international technical inspection certificate and vehicle weight certificate at the cross borders. This Convention helps to reduce border delays and lowers costs for carriers.

4.1.8 GATT Article V (Freedom of Transit)

Other than the common global agreements on transit-related issues, GATT Article V also sets out the basic requirement of freedom of transit through the most convenient route. Since almost all countries in South Asia are signatories to this agreement, it appears to be the most relevant one to move forward the regional connectivity agenda. It stipulates that no discrimination be made on the basis of flag of vessel, place of origin, departure, entry, exit or destination. It also calls on parties not to discriminate based on ownership of goods or means of transport. Furthermore, Article V stipulates the obligation not to impose any unnecessary delays or restrictions on transit. It also requires Members to impose reasonable fees and charges that would be non-discriminatory and limited to the cost of service provided.

Simplification of Procedures for Transit

WTO Members have made suggestions on simplification of required documents and procedures for facilitating transit. As these bear a close resemblance to the provision of Article VIII, the submissions made by Members automatically apply to transit. In this context suggestion to make requirements and procedures for transit less tedious than for importation, implement mechanisms that would enable cooperation among Member countries, harmonise transit policies and create information sharing among customs authorities were made to help facilitate transit. It may be mentioned here that the Indo-Nepal Treaty of Trade and Transit on *Agreement for Cooperation to Control Unauthorized Trade* was revised in 1996, in which new procedures were applied in the clearance of containerised traffic to and from Nepal.

Exception to the Principle of Non-discrimination for Sensitive Items and Goods Requiring Transhipment

Certain goods are subject to special provisions, which need to be published, and in the case of illegal release of transit goods (as in the case of landlocked countries), more sophisticated risk management techniques may be required. Also goods in transit that require transhipment may need additional inspection (in relation to those that do not require transhipment) to prevent the smuggling into the transit country. This is very relevant for Bangladesh's case when it provides transhipment facilities to India for goods to be taken to North East India through Bangladesh. Lessons can be learnt from the existing problems of leakage of third country goods in local market as India provides transit facilities to Nepal.

Regional Transit Agreements

The existing Article V mandates WTO Members to operate national transit schemes, but does not recognise the issue of transit at a regional level. Members have pointed out that the solution to transit can be found through regional cooperation as is witnessed in the existing global instruments such as TIR Convention, the European Conventions on common transit, the ASEAN Framework agreements on the facilitation of goods in transit and the UN instruments relating to transit. These global practices are discussed in detail later in this section.

Use of International Standards

Instruments relating to transit such as the TIR Carnets, the ATA Carnet are international standards for transit. These instruments are designed to facilitate the transportation of goods through simplified and harmonised administrative formalities between countries. Although these would simplify transit considerably, the use of such instruments is absent within the South Asian region as shown earlier. The rigorous requirements of the Conventions would demand enormous resources and a fairly large time span which at this stage would be an unrealistic expectation from countries such as Bangladesh, India and Nepal.

Relevance of the Revised Kyoto Convention

The World Customs Organization (WCO) encourages its members to accede to international conventions relating to transit such as the TIR Convention and instruments provided by the WCO on customs transit. But they also suggest that if member countries are not in a position to accede to these conventions, they should take into account customs transit standards and recommended practices mentioned in the Revised Kyoto Convention when drawing up multilateral or bilateral agreements.

The GATT Article V (see Box 3) has immense relevance for Bangladesh since it has potentials to offer transit facilities to nearby landlocked countries and landlocked region with a country. Both Nepal and Bhutan are interested to use two seaports of Bangladesh viz. Chittagong and Mongla. However, it is yet to be determined as to what specific measures Bangladesh has taken as a part of the requirement to fulfil the obligations under this Article. India, on the other hand, has taken the first step to meet the requirements stipulated in

GATT Article V by extending transit facilities to her neighbouring landlocked countries, Bhutan and Nepal. Transit of goods through India from or to countries adjacent to India is regulated in accordance with the bilateral trade and treaties.

Box 3: GATT Article V: Freedom of Transit

"National treatment: with respect to all laws, regulations, requirements and procedures affecting the internal passage of traffic in transit across the territory of a member and all fees and charges imposed on or in connection with transit, including transportation charges ("Transit fees and charges"), and without prejudice to the legitimate customs control and supervision of goods in transit, each member shall accord to traffic in transit to or from the territory of any Member, treatment no less favourable that accorded to domestic goods, exports and imports and their movement."

"Most-favoured-national treatment: with respect to all laws, regulations, requirements, procedures and fees and charges, including transportation charges, on or in connection with transit, each Member shall accord to traffic in transit to or from the territory of any other Member treatment no less favourable than the treatment accorded to traffic in transit to or from any third country."

"Treatment following transit: Each Member shall accord to products which have been in transit through the territory of any other Member treatment no less favourable than that which would have been accorded to such products had they been transported from their place of departure to their destination without going through the territory of such other Member. Any member shall, however, be free to maintain its requirements of direct consignment existing on the date of the GATT 1994 in respect of any goods in regard to which such direct consignment is a requisite condition of eligible for entry of the goods at preferential rates of duty or has relation to the Member's prescribed method of valuation for duty purposes."

Source: World Trade Organization (WTO).

The above discussion focused on the general global agreements in place governing the movement of goods and vehicles across national borders. In the following part, we look at some specific regional and bilateral agreements in order to draw some general policy conclusions for Bangladesh.

4.2 Global Practices

In view of recent developments with regard to the connectivity agenda in the South Asian region, the issue of establishing appropriate mechanisms and systems of connectivity, regionally or at least bilaterally, in order to facilitate movement of vehicles and across national borders and over land, has assumed a measure of urgency. The importance of designing a well-equipped regime that addresses the needs and concerns of Bangladesh in this context need not be overemphasised. The most important constraint is to design a connectivity regime to move goods from the home into the transit country while the duties are collected in the host country (destination). In practice, as was seen from the preceding discussion, a transit system would require:

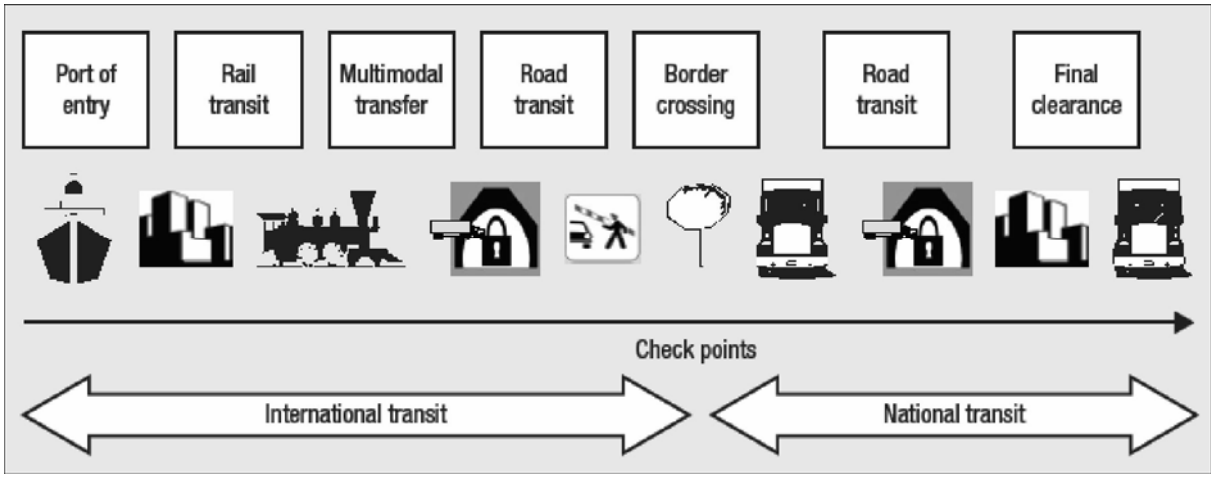
- Physical cross-border infrastructure
- An enabling framework for cross-border operation; i.e. specific (bilateral or regional) agreements, typically a transport treaty for the movement of goods and vessels

(such as trucks).[5] This may include movement of vehicles and drivers and mutual recognition of insurance; adequate transit procedures to implement the agreements; capable national agencies to implement the system.

- Competent service providers

As can be deduced from the information presented in the preceding sections, based on cross-country experiences, the cornerstone of a transit system is the customs regime in both transit and destination countries. Transit is a delayed clearance regime, which developed to facilitate overland trade over long distances and potentially several territories and avoid excessive fragmentation of the supply chain and cost escalation (the alternative would be a succession of imports and exports, loading and unloading). And in many instances clearance at the border may not be an efficient solution (Figure 1).

Figure 1: Transit: A Chain of Operations



Source: World Bank (2008).

The transit procedure relies primarily on a private-public partnership; i.e. the transit operator has freedom of transit in the customs territory as long as it is qualified and provides financial security to the customs. Implementation requires rather simple and universal instruments and principles, such as:

- Secured vessels (seals)
- Financial guarantee to fiscal risk of the customs of the country of transit
- Proper documents and tracing the flow of shipments in the country of transit
- Authorisation of transit operators.

Transit regimes are implemented, in the first place, by national institutions and private operators. But there are major gains in harmonising and chaining a transit regime within a regional system. Western Europe went the furthest in the development of such simple door-to-door transit. It began in the 1950s with the Transports Internationaux Routiers (TIR)

[5]This is the focus of the present paper. In Section 4.3, we have some common elements which need to be taken into consideration by policymaker when they are preparing a transit/transport agreement.

system, which provides a reliable system based on a single manifest (Carnet TIR) and a chain of guarantees, which eliminated duplication of procedures and sped movement through borders. The carnets or guarantees are produced and distributed through responsible private channels—road transport associations—to professionally and financially qualified freight transporters. A union of national associations of operators, the IRU, provides oversight and capacity building to the members handling the work. With deepening integration, this system has evolved into a common transit

Table 8 highlights the status of some transit building blocks in developing countries around the world.

Table 8: Status of Main Transit Building Blocks in Developing Countries

Building Block	Latin America	East Asia	South Asia	East Africa and South Africa	West Africa and Central Africa
Regional agreements on transport	Restrictive Andean countries Open MERCOSUR	Very restrictive	Very restrictive	Open	Very open
Strength of relevant institutions	Varies by country	Varies by country	Varies by country	Weak	Very weak
Transit regime and implementation	Ad hoc national or per corridor Some components missing	Ad hoc national Very weak	None	National systems No chain	Nominal and almost unused
Regulation of transit operators	Varies by country	Fair	Poor	Varies by country	Very poor
Transport market structure	Varies by country	Weak, except Thailand	Weak	Good	Very weak

Source: Analysis by World Bank International Trade Department.

Most Asian countries retain considerable restrictions on passage of foreign-registered freight vehicles, and they have no international transit regime in operation, although the ASEAN countries are gradually moving toward one. In Latin America, the situation varies but there are still no broad regional transit systems. A transit agreement between Russia, Mongolia and China has been under negotiation for a long time and is nearing closure. Although the draft agreement does not include a guarantee system, Russia and Mongolia are already members of the TIR system, and China is negotiating membership.

Sub-Saharan Africa, with needs in some ways most similar to those of Europe due to the large number of inland international frontiers, is more open to international freight movements and has negotiated a range of sub-regional transit agreements. The freedom of movement of vehicles is more advanced and effectively implemented than in most other parts of the world. But weak institutions, and inherited mindsets attuned to control and rent-seeking rather than to providing good services to compete for customers, have resulted in very little effective implementation. The binding constraint is often not the lack of

regional or bilateral agreements, but the unwillingness to implement them, or the inadequacy of implementation mechanisms.

4.2.1 Regional Agreements

In the following analysis, we will examine four regional agreements which are in operation today. The examination rests on the premise of identifying some common elements in terms of operationalising the transit agenda from Bangladesh perspective.

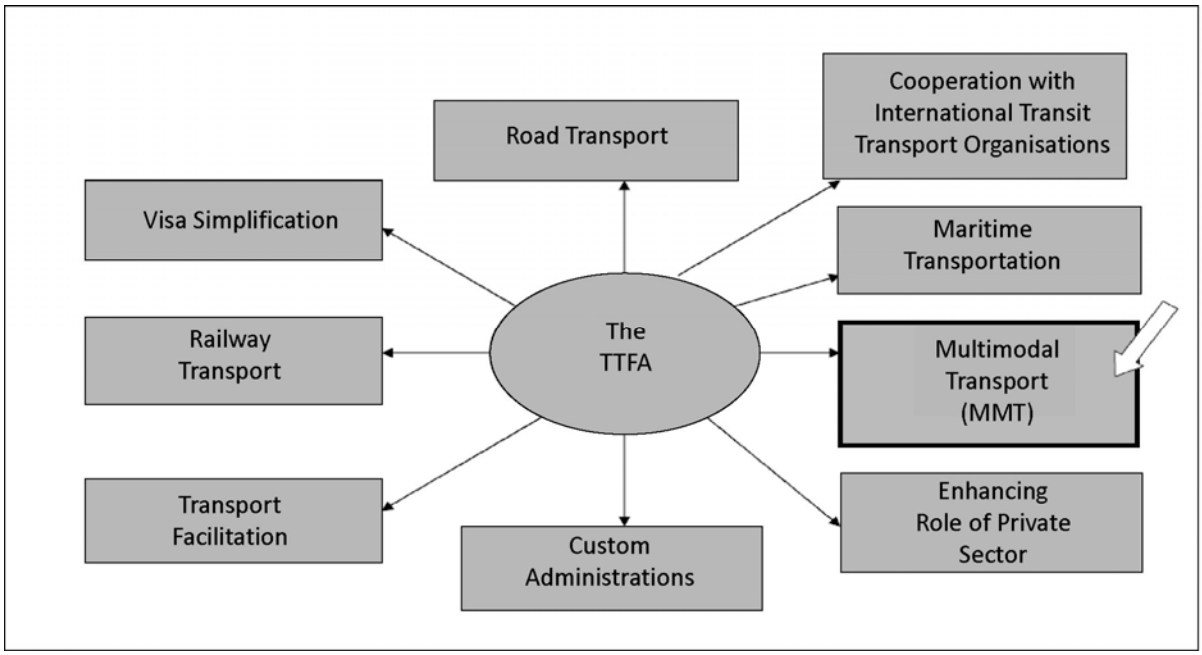
A. Transit Transport Framework Agreement (TTFA)

The Economic Cooperation Organization (ECO) is an intergovernmental regional organisation established in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the member states. In 1992, the organisation was expanded to include seven new members, namely: Islamic Republic of Afghanistan, Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Turkmenistan and Republic of Uzbekistan. Over the past 12 years, the member states have been collaborating to accelerate the pace of regional development through their common endeavours. In the context of transport development in that sub-region, considerable progress was made toward connecting the road networks of Central Asian republics with the network of Iran, Pakistan and Turkey. The TTFA, signed by the five Central Asian member countries of ECO in 1998, is another important development towards improving land transportation facilitation measures at the sub-regional level.

Besides shared cultural and historic affinities, they have been able to use the existing infrastructural and business links to further fortify their resolve to transfer their hopes and aspirations into a tangible reality. The ECO has embarked on several projects in priority sectors of its cooperation including energy, trade, transportation, agriculture and drug control. The TTFA has been signed by all member states, excluding Uzbekistan, and one more ratification is required to enforce the agreement.

The TTFA is a historical movement towards the reduction of cost and acceleration of transport of services through harmonisation and modernisation of transit transport in the region. In terms of price, traffic in transit by motor vehicles has been exempted from customs duties, taxes and other charges except charges for the specific services rendered in accordance with the domestic legislation including toll taxes, road maintenance fees, etc. The contracting parties are expected to take steps necessary for the insurance of their motor vehicles to cover third party liability incurred in the course of transit traffic. Furthermore, traffic in transit by motor vehicles shall be exempt from customs duties, taxes and other charges. The contracting parties, which are also parties to the *Customs Convention on the International Transportation of Goods under cover of TIR Convention 1975*, are going to apply the provisions of that Convention amongst themselves. The contracting parties which are not yet parties to that Convention will consider the possibility of acceding to this Convention. Measures to simplify the customs control means of transport, goods, luggage and passengers passing through their territories in accordance with the provisions of the Annexure VII.

Figure 2: ECO Transit Transport Framework Agreement



Source: United Nations Economic Commission for Europe (UNECE).

In terms of institutional intervention, the contracting parties are expected to grant permission to transport companies engaged in transit services on their territories to establish offices for the purpose of operating such traffic. Establishment of these offices are going to be in accordance with domestic legislation of the contracting parties. Also, periodical reviews with regards to the need for and usefulness of all documents and procedures prescribed for transit traffic are going to take place in order to eliminate any documents and formal requirements which are agreed to be considered superfluous or not serving any particular purpose.

B. Association of South East Asian Nations (ASEAN)

The performance of the ASEAN community has often been compared with that of SAARC. In contrast to ASEAN, the SAARC initiatives in relation to ALTID have tended to move cautiously on all fronts. The growing trade deficit of Bangladesh with India provides its own independent logic for upgrading transport links not just along the Asian Highway and TAR alignments, but also along secondary routes, in order to ensure that Bangladesh gains from trade in transport services (Sobhan 2000). Similarly, Nepal and Bhutan's search for alternative outlets to the Bay of Bengal through Bangladesh provide its own dynamic to their commitment to the Asian Highway network.

The ASEAN adopted a long-term vision *(Vision 2020)* for an integrated and harmonised Trans-ASEAN transportation network to facilitate transportation of goods in transit; to support the implementation of the ASEAN Free Trade Area, and further integrate the region's economies; to simplify and harmonise transport, trade and customs regulations, and requirements for the purpose of facilitation of goods in transit; and, to establish an effective, efficient, integrated and harmonised transit transport system in ASEAN. In terms

of the *ASEAN Framework Agreement on the Facilitation of Goods in Transit*, motor vehicles travelling to the territory of another contracting party will comply with the compulsory motor vehicle insurance required in the host contracting party. The contracting party, on the other hand, will attempt to simplify, consolidate and harmonise charges and other financial obligations, which are levied on the means of transport. In terms of customs, the contracting party is expected to simplify, and whenever possible harmonise the customs control procedures of inter-state transport to ensure compliance with the laws and regulations, which the customs are responsible for enforcing. Joint-customs inspection, wherever possible, of inter-state transport at the designated frontier points is mandated to take place. There is also mutual recognition in terms of drivers' licenses.

With regard to institutional intervention, the National Transit Transport Coordinating Committee, established under Article 29 of the ASEAN Framework Agreement on the Facilitation of Goods in Transit shall also be responsible for the coordination and implementation of this Agreement. As Sobhan (2000) observes, "the quality of the transport links is…too important to the commercial interests involved on both sides of the border to permit for perpetuation of these [NTBs] through the medium of a primitive transport system." He concludes that Bangladesh will move towards a stronger articulation of her commitment to ALTID and may use this to access resources to upgrade the Asian Highway and TAR routes within Bangladesh and upto her borders with India.

C. Central Asia Transit Policy

Following independence, the CAR developed national transit systems, which apply to customs transit not covered by the international or regional agreements that the CAR concerned has signed. Key features of these transit systems, including acceptable forms of a guarantee, are specified in the customs code of the respective CAR. The design of the national transit systems has improved markedly over the last several years, reflecting the considerable progress the CARs have made in revising their customs codes in line with the *Convention on the Simplification and Harmonisation of Customs Procedures* (commonly known as the *Revised Kyoto Convention*) and WTO standards.

The major remaining problem with the national road transit systems is that they cover only one country and do not provide a "chain guarantee." Consequently, a transport operator undertaking customs transit under different national road transit systems has to submit separate transit documents and provide separate guarantees in the country of origin, the country of destination, and each of the transit countries. The need to submit separate transit documents in several countries can increase transport time substantially. Providing a guarantee even in one country can be quite costly, let alone providing separate guarantees in several countries. Customs legitimately require that the guarantee must cover not only the cost of the potential duty and tax liabilities, but also the recovery costs and the amount of the potential penalties. Hence, the amount required for the guarantee can be substantially greater than the amount of the potential duty and tax liabilities.

The most important international road transit system used in the CARs is the so called "TIR system"—that is, the international transit system based on the *Customs Convention on the International Transport of Goods under Cover of TIR Carnets* (often referred to as the TIR

Convention). The main features of the *TIR* system has already been discussed in the Section 4.1.

D. Common Market for Eastern and Southern Africa (COMESA)

The Treaty establishing the Common Market for Eastern and Southern Africa (COMESA) was signed on 5 November 1993, in Kampala, Uganda, and was ratified a year later in Lilongwe, Malawi on 8 December 1994. Member countries are Angola, Burundi, Comoros, D.R. Congo, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

COMESA replaced the former Preferential Trade Area (PTA), which had existed from the earlier days of 1981. One of the key achievements of the COMESA has been in the sector of telecommunications, where special emphasis has been placed on network development to enable direct telecommunication links through more reliable infrastructure in order to avoid third country transit systems, which prove to be very costly. In terms of physical transit, the region has made commendable progress.

Prior to the introduction of uniform road transit charges in July 1991, road haulers were subjected to a multiplicity of road charges and licenses. Transit traffic is required to pay transit charges for use of roads, bridges and other facilities. However, different practices in countries of transit, a proliferation of charges and fees (entry fees, fuel charges, toll fees) and unpublished charges and rates is an obstacle to trade. As can be seen from Table 9, the consolidated transit charges are based on vehicle size.

Table 9: Harmonised Road Transit Charges

Type of Vehicle	Charges per 100 km (in USD)
Big Buses carrying >25 passengers	5.0
Rigid Heavy Goods Vehicle	6.0
Heavy Goods Vehicle with >Axles	10.0

Source: COMESA Secretariat.

Harmonisation of vehicle dimensions or specification is a priority area for transit facilitation because roads, bridges tunnels are constructed with a view to accommodating certain vehicle sizes, in terms of height, width and maximum lengths. Vehicles which exceed technical specifications pose danger to road assets and road users, and contravene domestic legislation. A regional solution, i.e. harmonisation of vehicle specification is therefore an important element of transit facilitation. In Latin America, the MERCOSUR (known as the *Southern Common Market* in English) member countries have adopted domestic legislation based on agreed technical specifications. The COMESA region as indicated in Table 10 has also adopted harmonised vehicle dimensions.

Table 10: Harmonised Vehicle Dimensions

(in Metrs)

Vehicle Type	Max. Length	Max. Width	Max. Height
Rigid Single Chassis	12.50	2.65	4.50
Articulate Vehicle	17.00	2.65	4.60
Truck and Draw Bar Trailer	22.00	2.65	4.60
Articulated Vehicle with Articulate or Interlink Trailer	22.00	2.65	4.60

Source: COMESA Secretariat.

The successful introduction of the "COMESA Yellow Card" or *Third Party Regional Motor Vehicle Insurance Scheme* allows the pre-purchase of insurance, honoured by all participants, in local currency, at the point of origin. It facilitates smooth movement of motor vehicles in the region, encourages freer movement of people and goods, promotes the development of trade and tourism between member states, and establishes a common system for the settlement of claims arising from inter-state motor vehicle accidents. The Yellow Card is less expensive than third-party motor insurance cover purchased at borders. For example, a Yellow Card for a truck between Harare and Nairobi costs about USD 70 per year. In the absence of the card, insurance would cost USD 350.

To facilitate trade, the COMESA has introduced three initiatives: (a) COMESA customs document which was introduced in September 1996 and reduced documentation costs by an estimated 25 per cent, and reduces delays at border crossings; (b) COMESA customs bond guarantee scheme introduced in October 1997 to eliminate the avoidable administrative and financial costs that are associated with the current practice of nationally executed customs bonds for transit traffic; and, (c) Advance Cargo Information System (ACIS) to manage information system which has enhanced performance, communications and exchange of information between transport operators and shippers on one hand, and between modes of transport on the other hand.

4.2.2 Bilateral Agreements

The bilateral transit agreements deal with a variety of issues including transport infrastructure, visa, permit and vehicle regulations. The regional agreements tend to have a broader coverage and focus relatively more on policy directions. These agreements are key building blocks of customs harmonisation initiatives, and are necessary for transit in the absence of a fully functioning TIR system. In the case of landlocked countries, bilateral agreements are particularly important when access to a seaport depends on a single transit country.

A. Turkey-Iran

Turkey and Iran share a bilateral agreement where the rules are specified, and both countries have to abide by it in order to ensure smooth and continued trade of goods and services. The agreement stipulated that no contracting party will levy any import or export tax or charge (including customs tax) on vehicles of the other contracting party, which are in transit in its territory other than the charges for using road network infrastructure (road and

bridge tools), to meet the expenses relating to the maintenance, protection and administration of road and transport, fees, on a non-discriminator basis, to cover the difference between the national and the international price of fuel and charges, if weight, dimensions or load of the vehicle exceed the prescribed limits in the national legislation of the contracting parties. All carriages to be performed in accordance with this Agreement is to be covered by a third-party-liability insurance, and any kind of insurance complying with the laws and regulations in force in the contracting party in which the vehicle is registered – shall be applied to passengers, baggage and/or goods.

The contracting parties are also expected to take all the measures which they deem necessary in order to facilitate, simplify and accelerate to the greatest extend possible the customs and other formalities relating to carriage of passengers and goods. In terms of institutional intervention, a Mixed Commission consisting of representatives of the two contracting parties has been formed. The terms of reference of the Mixed Commission are:

- To supervise the proper implementation of this Agreement;
- To determine the form, the time and the ways of exchange of permits;
- To study and make proposals for the solution of possible problems not settled directly between the competent authorities referred to in Article 24 of this Agreement;
- To review all other relevant issues that fall within the scope of this Agreement and make recommendations thereof for settlement;
- To consider any other matters to be mutually agreed upon relating to transportation.

B. India-Bhutan

Between India and Bhutan, with regard to transit-related charges, the importer or his agent is mandated to present the Letter of Guarantee in the prescribed form in five copies, including all fees. The last two columns pertaining to classification of goods and duty is to be completed by the Indian Customs. On arrival of the goods at the Indo-Bhutan border, the importer presents to the Indian customs officer the goods as well as his copy of the Letter of Guarantee and the sealed copy for the customs officer. The officer then compares the two copies and allows movement of goods into Bhutan after checking the seal.

The Bhutan Customs issues a Transit Declaration in the prescribed form to the owner of Declaration the goods or his agent. In the case of third country goods, the Transit Declaration would also carry an undertaking from the customs authorities of Bhutan that the goods are meant for consumption in Bhutan only, and in cases of deflection, the laws of both Indian and Bhutan Customs would be applicable. Movement of goods through India accompanied by the Transit Declaration is not be subject to any sample checking by the Indian authorities except in cases where a specific information is made available to the Indian Customs authorities about consignment(s) carrying goods which are contraband in nature or contrary to the importability of those in any manner. These goods will be examined by Indian Customs while transiting through India.

C. India-Nepal

India and Nepal signed a bilateral trade agreement "Treaty of Trade" in 1991, which includes a protocol that defines the operational modalities including the list of bilateral trade routes. Relations between India and Nepal have since 1991 became close again resulting in the smooth flow of trade and operation of transit facilities accorded to the Government of Nepal by the Government of India in 1999, under the provisions of respective bilateral treaties. The trade and transit agreement specifies waiving of insurance to compensate the Government of India for possible revenue losses in the event of diversion of transit goods into Indian Territory. A protocol to the Treaty of Transit between Nepal and India specifies detailed operational modalities including entry and exit points to and from India for the transit trade of Nepal. Satisfactory agreements were also reached on various other issues relating to the simplification of documentary requirements and facilitation of procedural formalities in connection with the clearance of transit cargo. The agreement includes specified rules on charges, customs, and states that in order to facilitate effective and harmonious implementation of this Treaty, the contracting parties is mandated to consult each other on a regular basis.

4.3 Drawing Lessons for Bangladesh

The demand for cross-border infrastructure, both hardware and software of this, is growing fast in South Asia, as regional countries strive to make cooperation work for growth of trade, commerce and investment. A failure to respond to this emerging demand will mean that opportunities in various areas will remain unrealised, and the costs of non-cooperation will continue to remain high. Trade facilitation through transport connectivity can only serve its purpose if it is based on harmonised legislation, institutions and practices at sub-regional, regional and international levels. International conventions related to transport are essential in facilitating the movement of vehicles and cargoes, especially at border crossings by reducing procedures and formalities.

Drawing insights from the various multilateral and bilateral agreements with regard to protocols and procedures for cross-border movements, a brief discussion will be presented on some of the common elements. First and foremost, the agreements on transit stipulate the requirements for moving goods under bond either into or across the transit country. The trade and transit agreements sets out the rights of transport companies in the participating countries to participate in these transactions (see Box 4).

Box 4: MERCOSUR Agreement and Cross-border Movements

The regional agreement for integration of the trading union among the MERCOSUR countries in Latin America introduced a uniform legal regime for international transport by authorised transport companies. It provided for the development of an international transport document, a customs regime modelled after the TIR Convention (but without a guarantee scheme) and obliged the participants to implement an international third party liability scheme. Among the general provisions is:

"Each contracting Party undertakes to give, on the basis of reciprocity, national treatment to the transport companies authorised by other Parties to carry out international transport under the terms of the Agreement. Such transport companies from other countries can also be given exemption from domestic taxes, duties and rates to reciprocal basis."

The Agreement has provisions that apply to both bilateral and transit road transport. It provides for reciprocity in the allocation of passenger and goods traffic between the parties. It also distinguishes between goods carried on own account and those carried by third parties. Finally, it allows for temporary use of the vehicles of third countries by an authorised transport company.

Source: World Bank (2005).

From the Bangladesh perspective, operationalisation of the connectivity agenda through agreements, when these are concluded, will require incorporation of five key components:[6]

- Interconnection – identifying major nodes along the connectivity routes
- Border clearance procedures – one-stop services/collocation of clearance facilities
- Interoperability – technical standards for infrastructure and services
- Secured transport market access – ability to offer transport services in other countries. Additionally, ensure proper allocation of responsibility for damage or loss of goods and for duty due of these goods and associated requirements for insurance or guarantees.
- Route capacity – Promote development in available infrastructure.

Within each strategy, there are various mechanisms that can be employed to operationalise the Indo-Bangladesh and regional connectivity agenda. Table 11 presents a summary between these linkages.

The major constraint on connectivity performance is generally found at the points of interconnection. To ensure efficient operations and effective management of the services provided at the interconnections, it is necessary to provide sufficient capital investment for infrastructure. Maintaining general efficiency in border clearance will also need to be addressed in order to ensure uninterrupted operations of the interconnections. Mechanisms for simplifying border clearance procedures include the introduction of:

- Single administrative document with a standard format;
- Enhancing usage of EDI and internet-based systems;
- Channelling and risk management;

[6]See World Bank (2005) for a more general discussion of this topic.

- Movement of transit cargo under improved one-time seals without border inspections (e.g. TIR carnets);
- Improved inspection facilities and equipment;
- One-stop services; and
- Collocation of clearance facilities.

Table 11: Strategies and Mechanisms for Developing and Improving Transit Routes

Strategy	Mechanisms	Impacts
Increase and improve interconnections	• Establish new transfer points • Add facilities • Simplify procedures and documentation • Standardise documentation • Consolidate inspections • Relocate inspection inland or at marshalling yards (for rail) • Provide new logistic services • Monitor performance	• Shorten door-to-door routes • Reduce door-to-door delays • Reduce administration • Reduce processing time • Increase transparency • Simplify handling of vehicles and cargo • Value added • Reduce delays
Establish interoperability	• Harmonise technical standards and rules for operators • Simplify allocation of liabilities • Standardise certification	• Increase cross-border competition and provide economies of scale • Reduce equipment exchange
Increase market access	• Allow cross-border movements • Eliminate cabotage • Deregulate pricing • Commercialise public services • Regulate anti-competitive behaviour	• Reduce equipment exchange and cargo handling • Improve variety and quality of services • Increase availability of services • Introduce competitive pricing and variety of services
Augment route capacity	• Capital investment (new, expansion, rehabilitation) • Operational changes	• Improve equipment utilisation • Increase operating speed and reduce congestion

Source: World Bank (2005).

These mechanisms can help to significantly reduce the time for clearance and inspection, and by implication, augment the capacity of the border crossing and international gateways. For instance, the single administrative document not only replaces individual documents for trade, but more fundamentally, it increases the efficiency of the clearance process by reducing discrepancies between documents, and preventing the proliferation of special procedures and signatures for each documents submitted. While it may be still mandatory to provide a number of supporting documents from both public and private sources, the list of these documents, which includes commercial invoice, packing list and Bill of Lading or waybill, is relatively standard.

In case of Indo-Bangladesh connectivity, interoperability is a major issue of concern (e.g. break of gauges in rail, technical standards of roads, capacity of ports). Interoperability can be defined as the ability of transport units to operate across the countries through which the transit route passes. This requires compatibility of transport infrastructure on both sides of the border, harmonisation of the physical characteristics, policies and procedures that

would otherwise prevent cross-border movements, and mutual recognition of certifications. Harmonisation requires an agreement on a common set of technical standards or an acceptance of the technical standards applied by adjoining countries (e.g. a Motor Vehicles Agreement). For roads, the latter approach is the most commonly used through an agreement to gradually adjust designs towards a common standard (as had been the case in the Mekong sub-region). For railroads, it is necessary to have a common set of standards since the critical standards, rail gauge, has been a major impediment for the countries in South Asia. For seaports and airports, most of the standards are based on general engineering standards, many of which are promoted by international agencies, e.g. International Civil Aviation Organization (ICAO).

It needs to be recalled here that Western Europe went the furthest in the development of such simple door-to-door connectivity through the introduction of the TIR system. The European Commission (EC) has developed an extensive set of technical standards for transport units covering the parameters shown in Table 12. In general, it has been difficult to develop a common set of standards for road transport or to gain acceptance of the standards applied on the route.

Table 12: Technical Parameters for Transport Units

Mode of transport	Parameter
Road	Truck length overall Axle weight Gross vehicle weight Registration plate
Rail	Axle load Vehicle loading gauge Minimum breaking distance Maximum train length
Inland water transport vessel Coastal vessel	Freeboard Vessel class and classification
Aircraft	Type certification Certification of airworthiness

Source: EU Directives.

Market access is an important complement to interoperability. Their linkage lies in the ability of service providers from one country to compete in the provision of transport services in other countries. A legal framework is an ex-ante requirement in order to promote effective competition between countries. This is also necessary from the risk management perspective given that a general problem for intermodal freight transport, and a special problem for cross-border trades, is the liability in the event that the cargo is lost or damaged. The European case is a good example on how this issue can be addressed. For European road transport, the liability concern has been addressed through a self-insurance programme managed by transport associations as part of the TIR convention (see Section 4.1 for more information on this topic). However, attempts to create similar systems in West Africa (the TIE system), in Southeast Asia (ASEAN), in MERCOSUR, and in South Africa (COMESA) have had limited success.

Finally, assuming connectivity routes between the two countries come into operation, governments of both India and Bangladesh will need to maintain a close vigilance on route capacity. Two areas in which capital investment can increase productivity are the facilities for cargo inspection and supporting information and communication technology (ICT) systems. The former are truck docking facilities that allow rapid off-load and reload cargo for physical inspection, and full trucks scanner for goods that are fragile, perishable or otherwise require special handling. Communication systems link border crossing with central customs offices and other border agencies in order to be able to better coordinate activities with shippers and transport companies, and to facilitate the submission of cargo documents. They also provide important virtual bridges with other border crossing to monitor the flow of vehicles and cargo in transit. On a positive note with regard to recent developments, in March 2010, the government of Bangladesh approved a project titled *Establishment of South Asia Sub-regional Economic Cooperation Information Highway (Bangladesh Part)*, which is scheduled to begin in July 2010 and complete by December 2011. The project is expected to provide a new information highway in order to link Bangladesh with her neighbours, India, Nepal and Bhutan, countries that are expected to install a fibre optic cable network in their own territory.

5. POLICY CONCLUSIONS

One of the major insights from the present research and the cross-country experience is that the relationships between transport costs, production location, and trade patterns are not static. For instance, China's enormous trade is almost certainly a manifestation of low transport costs which has also encouraged countries to relocate production networks to China. Development requires well-thought out government intervention in the form of policy changes, regulation or improvements in infrastructure. The best case transit scenario is presented in the Box 5.

Box 5: Best Transit Practices

Containerised goods are discharged in the port. All documentation is in order and has been transmitted electronically to Customs, which has pre-cleared the goods for transit. Customs inspects the seal and the transport operator gives a guarantee for the amount of the duty. There is a transit agreement in place that allows a number of transport operators to handle the goods along the transit route. The MMT operator selects one of these operators to undertake the whole transit operation. There are harmonised customs transit documents. At the borders, joint border team inspects the cargo documents, the seal and the driver's documents. Everything is in order and the driver repeats the procedure at the next border. Customs representatives have been informed of the expected arrival time at the consignee's premises, and are there shortly after the arrival of the truck and container to clear the goods. The truck has found a return load through a local cargo exchange so that the return journey will generate revenue, and simultaneously make use of the empty container.

This simple but effective procedure can work with the use of software programming such as Electronic Data Interchange (EDI) and Automated System for Customs Data (ASYCUDA) which will facilitate the implementation of the transit/connectivity agreement. EDI is used to transfer electronic documents from one computer system to another, i.e. from one trading partner to another trading partner. It is more than mere email. For instance, organisations might replace bills of lading and even cheques with appropriate EDI

(Box 5 contd.)

(Box 5 contd.)

messages. On the other hand, ASYCUDA is a computerised customs management system which covers most foreign trade procedures. The system manages customs declarations, accounting and transit procedures. ASYCUDA takes into account the international codes and standards developed by International Organization for Standardization (ISO), WCO and the UN, and can be configured to suit the national characteristics of individual customs regimes, national tariff, legislation, etc. ASYCUDA ++ is already being installed in all the major customs stations in Bangladesh, but it needs to be implemented across countries and regions, if the economies in question are to take advantage of transport connectivity.

Thus, with the existing software technology, Bangladesh simply requires to upgrade her physical infrastructure in order to reestablish the silk routes of Asia and to be able to reap the full benefits from regional connectivity.

In conclusion, some policy recommendations from global experiences maybe placed as follows:

5.1.1 Seamless Borders

- Streamlining of national procedures, rules and regulations using international instruments, standards and recommendations.
- Modernisation and harmonisation of regulatory institutional and managerial systems.
- Observance and adoption, after doing the necessary homework, of international agreements and regulations on Transit Transport Framework (e.g. TIR). A Transit Declaration is in operation between Bhutan and India, and Bangladesh and India could contemplate of establishing this linkage along those lines.
- Signing of bilateral protocols on customs and other administrative processes and harmonisation of standards and certifications, including reciprocal recognition of standards and laboratories.
- Harmonisation of IT operating systems to allow digital transfer of all forms and signatures.
- Making availability of adequate modern communication facilities and logistics support at the border.
- Signing of pre-shipment inspection (PSI) protocols with private sector (industry chambers) participation.
- Adaptation of modern risk management techniques, including protocols for capacity building in such techniques for the less advanced member countries such as Bhutan, Laos People's Democratic Republic, Myanmar and Nepal.
- In the present context, Bangladesh would be able to offer transhipment services to India, Nepal and Bhutan until the development of physical and non-physical transport infrastructure is made, after which Bangladesh can offer transit services through the use of international transport system of TIR, as has been recommended in this paper.

5.1.2 Technology

- Use of standardised containers with a harmonised system of barcodes that provide a unique identification sequence for each container.

- Automation of weighbridges at all border crossings.
- Installation of X-ray machines compatible for use for large containers.
- Provision of electronic lock systems that prevent or allow detection of tampering with all containers while in transit.

5.1.3 Administrative Protocols

- Improve customs clearance, border agency inspections and border crossing facilities by reducing illicit trade and eliminating unofficial payments. In this connection, it is pertinent to set an objective to reduce the time spent in obtaining customs clearance and crossing borders, especially for rail freight. Construct, maintain and improve transport storage and other transit related facilities.
- Introduction of a Single Administrative Document could be explored by the GoB to reduce administrative barriers.
- Member states must allow the use of their roads by commercial vehicles of other countries, which would eliminate the need for transhipment between trucks at borders and is a necessary condition for seamless border.
- All commercial vehicles that are allowed cross-border travel permit must be issued a special Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) registration number, and must be assigned a unique barcode that allows their identification with all details of origin, cargo consignment, ownership, and point of entry.
- Customs administrations of member states will set the goal of completely harmonising their product classification systems according to the HS coding system upto a six-digit level of disaggregation within five years of the agreement on trade facilitation coming into force.

5.2 Transport and Logistics Facilitation

A crucial element of the regional trade facilitation agenda would have to be an ambitious transport and logistical development programme that creates multimodal linkages between member states, paying special attention to behind-the-border segments of such a transport and logistical network. Towards this end, establishment of logistics centres offering efficient clearing-forwarding and multimodal services could encourage the development of national skills certification system for logistics service providers. Some general recommendations in the areas of rail, road, and shipping are highlighted below.

5.2.1 Roadways

The paper has, in some length, discussed the possible routes connecting Bangladesh with the wider Asian region and Europe. Dedicated road transit routes joining important overland border crossings with main economic centres and ports need to be identified. Based on an agreed-on timeframe, these routes need to be upgraded to international standards, preferably with private sector involvement. A Motor Vehicles Agreement between Bangladesh and India could facilitate the movement of vehicles across borders without spending too much at the crossings.

5.2.2 Railways

Since the government of Bangladesh has agreed to provide transit initially through railways, as a general pre-condition, the first step would be to harmonise track gauges and freight cars, and to integrate the traffic control systems of Indian, Bangladeshi, and Nepalese railways.

5.2.3 Ports

South Asian ports, both inland and at sea, will have to be rapidly expanded and upgraded. It is important to use private sector resources and open up the ports for private investment. The development of free ports should be encouraged. Key inland ports for development include: New Delhi (India), Varanasi (India), Birgunj-Raxaul (India-Nepal border), Benapole (India-Bangladesh border), Kakkarbhitta (India-Nepal border), Nautanwa-Sunali (India-Nepal border), Phulbari (India-Bangladesh border), Hyderabad (India), Bangalore (India), Ledo (India), Moreh-Tamu (India-Myanmar border), and Teknaf (Bangladesh-Myanmar border).

The key seaports that need to be developed or expanded are Mumbai (India), Tuticorin (India), Colombo (Sri Lanka), Visakhapatnam (India), Haldia (India), Chittagong (Bangladesh), Mongla (Bangladesh), Sittwe (Myanmar), and Dawei (Myanmar). Logistical elements such as state-of-the-art warehousing facilities and multimodal linkages should be a part of the port development process.

5.3 Role of the Private Sector

The importance of private sector involvement has been underlined throughout the discussion on priority policies for trade facilitation. The private sector in all member countries, with the industry associations taking the lead, should be encouraged to develop proposals for all aspects of the trade facilitation agenda. The nodal trade facilitation secretariat (as proposed, a reformed, reoriented BIMSTEC) should have a special private sector cell that will engender cross-border private sector cooperation and investment. The private sector will have to take the lead in the development of logistics facilities and ports as well as evolving protocols on rules of origin (RoO) and PSI agreements. Private sector inputs and experience will be vital to the development of common IT platforms and cross-border digital information systems. The development of standardised containers and barcodes for trucks and containers will not be possible without the proactive support of private sector stakeholders.

To fully engage the private sector in the development of transport and logistics, some of the behind-the-border regulations on distribution services transport services and shipping would have to be revised in the member states, allowing for investment and removal of other disincentives that prevent effective private sector participation in these sectors. The cross-border flow of capital needs to be allowed so that larger companies can develop integrated cross-border supply chains involving several modes of transport. The interests of small-scale service providers can be protected through in-built local content arrangements for these services, which would require larger companies to integrate the smaller players into their logistics network.

Thanks to Bangladesh's geographical advantage, the government has the political leverage of setting the terms of reference in any transit agreement. To be successful, the regional trade facilitation agenda must include measures that are mandatory on the contracting parties and set a specific timeframe for achievement of these measures. Focus will have to be on border issues of customs modernisation and the development of cross-border rail, road, and ship linkages. Equally important are behind-the-border issues like providing decent logistics and transport networks that feed into the regional transport corridors. While such behind-the-border issues are best handled unilaterally, setting region-specific targets will provide incentives for policymakers to prioritise. A regional integration agenda will find it difficult to succeed without proper trade facilitation measures. The analysis in this paper is built on documenting the existence of high trade costs in South Asia. Factors such as lack of infrastructure both physical (roads, rails, etc.) and services-related infrastructure (computer and internet use), government regulations (pertaining to documentation and investment in infrastructure), port inefficiency (higher shipping turnaround time), corruption in customs, etc. all contribute to the prevalence of high costs associated with movement of vehicles and cargoes in South Asia. The paper has attempted to address some of the relevant and attendant issues with regard to establishing better connectivity in South Asia by drawing on cross-country best practices. Recommendations based on the lessons from this rich experience could help South Asian countries to get on with the immediate tasks in a speedy manner.

According to Sobhan (2000), Bangladesh will prefer to use the patronage of SAARC and also ALTID to upgrade her transport links, both to the West and East with India, rather than to pure this as a purely bilateral exercise. For Bangladesh (and North East India), the primary link remains their regional grouping of SAARC. Bangladesh's economic horizons could be transformed once investment decisions are made on the assumption of targeting the entire SAARC market. However, for both Bangladesh and North East India, SAARC is just one window of opportunity. Putting the ALTID network in place involves a process of establishing the right political climate for integrating the SAARC network. If South Asian countries are to remain competitive, both in their respective and foreign markets, they ought to get on with the task of establishing better connectivity within the region. Reduction of transaction costs can lower their overall cost of production, and help consumers of final goods, exporters as well as importers in South Asia to source and sell at competitive prices. Establishing better connectivity by putting in place appropriate regimes and protocols are vital for advancing the cause of more effective cooperation among South Asian countries, and also for strengthened global integration of the South Asian region. In the EU and the ASEAN, economic benefits have successfully trumped political impediments and it remains the driving force behind decisions on transport integration. After a long time Bangladesh's political leadership is demonstrating an awareness that the future is impinging on its present much more rapidly than it did in the past. Their main challenge may therefore be to seize the moment and lead the way into the future rather than being content with the prevailing status quo by allowing short-term political considerations to trump long-term economic interests.

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