

# Trade Facilitation in South Asia through Transport Connectivity

## Operationalising the Motor Vehicle Agreements (MVAs)



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# I. Growing Importance of Transport Connectivity

- For deepening South Asian integration FOUR connectivities are critically important:
  - Trade connectivity
  - Transport connectivity
  - Investment connectivity
  - People to people connectivity
- Transport connectivity is key to all forms of connectivities
- However, South Asia has till now continued to remain the most disconnected region in the world, with high cost of doing business and missed opportunities



# I. Growing Importance of Transport Connectivity

- Earlier studies have identified significantly high cost of business originating from lack of transport connectivity in South Asia:
  - Higher transport cost for moving goods
  - High cost of doing business through the Land Customs Stations (LCSs): Checking points, not crossing points
  - Competitive advantage of Bangladesh's exporters being undermined
  - High cost of import is borne by both domestic producers and exporters in Bangladesh
  - Loss of consumer welfare
  - Low levels of cross-border investment and slow development of regional value and supply chains
  - DF-QF offer of India remains largely unrealised
- CPD study on Bangladesh's export potentials in the Indian market: USD 2.0 bln of lost export opportunities
  - Development of North-East India and the theory of 'Captive Market'
  - High cost of trade with, and for, Nepal and Bhutan



## II. MVAs: Drawing Synergies and Leveraging

- Establishing seamless connectivity is one of the keys to realizing the potential opportunities of deepening SA Cooperation
- The overarching objective of the MVAs is to establish seamless multi-modal connectivity to facilitate movement of vehicles and goods, cars and passengers bilaterally, at sub-region level, within SAARC
- **Three MVAs on the card**
  - BBIN-MVA: signed on June 15, 2015
  - SAARC-MVA: Moving forward
  - Bangladesh-India MVA: proposal was mooted by India in September 2011 during the visit of Indian Prime Minister to Bangladesh
- Communiqué of 7 June, 2015: Article 36. To commence negotiations on a Multi-Modal Transport Agreement between the two countries and to constitute a Joint Task Force for this purpose
- Need for coordination and concordance of Protocols and SOPs among all the MVAs



## II. MVAs: Drawing Synergies and Leveraging

- The MVAs should be examined in view of other recent developments to deepen economic relations taking place at bilateral, sub-regional and regional levels in South Asia
- There is a need to draw synergies and leverage these other concurrent initiatives to deepen South Asian and Sub-regional cooperation:

- Amended Bangladesh-India trade agreement (Article VIII)

*“The Two Governments agree to make mutually beneficial arrangements for the use of their waterways, roadways and railways for commerce between the two countries and for passage of goods between two places in one country and to third countries through the territory of the other under the terms mutually agreed upon.*

*In such cases, fees and charges, if leviable as per international agreements, conventions or practices, may be applied and transit guarantee regime may be established through mutual consultations.”*



## II. MVAs: Drawing Synergies and Leveraging

- Opportunities for export of services by Bangladesh including transport services
- Nepal and Bhutan are now allowed to transit through India to trade with Bangladesh and, through use of Bangladeshi ports, to trade with third countries
- The construction of Padma Bridge
- Linking with Asian Highway routes (AH1, AH2, AH41)
- BCIM-EC and extending South Asian connectivity with China
- New opportunities for Indian investment
  - ✦ Special Economic Zones for Indian investment (Mongla and Bheramara)
  - ✦ Coastal Shipping Agreement
  - ✦ Protocol on Inland Water Transit and Trade – MVA to provide opportunities for seamless multimodal connectivity
  - ✦ Viability of Chittagong, Mongla and Paira Seaports as well as the proposed Matarbari and Deep Seaport at Sonadia
- BBIN-MVA will also facilitate transport movement within Bangladesh



### III. Moving towards BBIN-MVA

**The SAARC MVA was discussed at the 14<sup>th</sup> SAARC Summit (2007) and gradually moved towards signing of an agreement**

- It was expected to get nod at the 18<sup>th</sup> SAARC Summit in Kathmandu in November 2014
  - However, did not come into effect – Pakistan expressed inability on grounds of not completing internal procedures
  - Transport Ministers were advised to settle the issue and give a report within three months, by February 2015
- Work on SAARC-MVA is moving forward
- BBIN-MVA contains 17 articles in line with SAARC MVA
- BBIN-MVA and SAARC MVA (as also the possible Bangladesh-India MVA) need to be mutually complementing and mutually reinforcing. The two should be aligned with one another



## BBIN MVA Milestone

Year and Place	Decisions / Outcome
February 2-3, 2015 (Kolkata)	<ul style="list-style-type: none"><li>• BBIN-MVA was a parallel initiative to the SAARC MVA where progress was slow</li><li>• The membership of the BBIN-MVA was kept open as per recommendation of Bangladesh to allow other neighbouring countries such as Myanmar and China to join in</li><li>• A draft Terms of Reference (ToR) was also prepared for a National Land Transport Facilitation Committee (NLTF) and Joint Land Transport Facilitation Committee (JLTF) to monitor the implementation of the agreement and prepare the protocols for the agreement</li></ul>
April 19, 2015 (Chennai)	<ul style="list-style-type: none"><li>• Transport Ministers of involved countries were to lead the delegations for signing BBIN MVA</li><li>• The BBIN member countries were to complete their internal processes before this meeting and the countries would agree to set up (NLTF) in individual countries</li></ul>
June 15, 2015 (Thimpu)	<ul style="list-style-type: none"><li>• BBIN MVA signed by the Transport Ministers of the four countries</li></ul>
September 2015	<ul style="list-style-type: none"><li>• Finalisation of the Protocols and SOPs</li></ul>
December 2015	<ul style="list-style-type: none"><li>• Completion of all other preparatory works</li></ul>



## III. Moving towards BBIN-MVA

### **BBIN MVA**

#### **The goals are:**

- To facilitate trade and investment in the sub-region through Transport Connectivity
- To promote closer regional economic cooperation and integration through enhanced regional connectivity by allowing movement of goods and passengers through road transport
- To help countries in creating an institutional mechanism for regional integration

#### **Salient Features of BBIN-MVA:**

- BBIN-MVA essentially draws on the SAARC-MVA: Based on the same 17 articles of SAARC MVA
- BBIN-MVA to facilitate cargo, passenger, non-regular passenger and personal vehicular traffic among the four countries



### III. Moving towards BBIN-MVA

- Protocols will need to have details of route, route maps, location of halts, rest or recreation places, tolls and check posts for passenger and cargo transportation
- Permits for regular passenger transportation and regular cargo transportation will be on the basis of multiple entries, valid for one year
- Permits for non-regular passenger vehicles for duty free up to 30 days
- The agreement will not affect any existing bilateral agreements or arrangements between the contracting countries
- To be implemented through bilateral and tripartite protocols
- Open-ended subject to consensus
- Review every three years
- Options to opt out in six months



# The BBIN Joint Statement

- **Joint Statement on the meeting of the Ministers of Transport of BBIN on the MVA states**

*“pleased with the progress of improving physical road connectivity between our countries”*

*“We take note that 30 priority transport connectivity projects with an estimated total cost of over 8 billion US dollars have been identified, which will rehabilitate and upgrade remaining sections of trade and transport corridors in our four countries”*

*“We take note of the finding that transforming transport corridors into economic corridors could potentially increase intraregional trade within South Asia by almost 60 per cent and with the rest of the world by over 30 per cent”*

- **Use of the proposed Indian LoC to establish seamless connectivity taking advantage of BBIN-MVA**

- Development of BBIN routes
- Development of Access roads
- Access to ports



# Possible Bangladesh-India Routes



- Kolkata - Petrapole/**Benapole** - Dhaka - **Akhaura**/Agartala
- Agartala-**Akhaura** - **Chittagong**
- Silchar - **Sutarkandi** -**Chittagong**



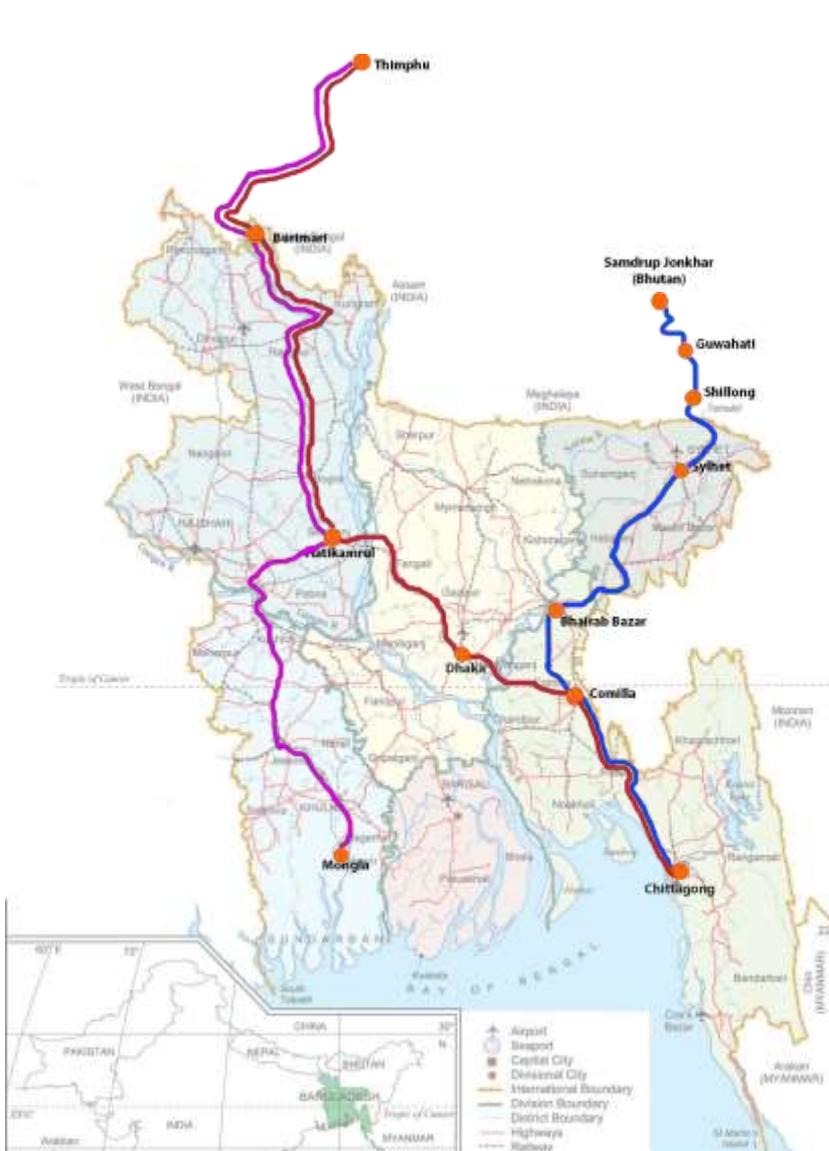
# Possible Bangladesh-Nepal Routes



- Kathmandu -Kakarvita/Phulbari-**Banglabandha-Hatikamrul-Mongla**
- Kathmandu -Kakarvita/Phulbari-**Banglabandha-Hatikamrul-Chittagong**



# Possible Bangladesh-Bhutan Routes



- Samdrup Jonkhar-Guwahati-Shilong –**Tamabil** – Sylhet –**Chittagong**
- Thimpu-Phuentshilong- Jaigaon/**Burimari**-Hatikamrul- **Mongla**
- Thimpu-Phuentshilong- Jaigaon/**Burimari**-Hatikamrul- **Chittagong**



## IV. An Assessment of the BBIN MVA from Bangladesh Perspectives

### Three MVAs (draft) at a glance

Issues	Bangladesh-India bilateral MVA	SAARC Framework MVA	BBIN Framework MVA
<b>Permit Requirement</b>	All vehicles	All vehicles	All vehicles
<b>Quota Restriction</b>	Quota restricted	Unrestricted	Unrestricted
<b>Cabotage operation</b>	Prohibited	Prohibited	Prohibited
<b>Special traffic exemption</b>	No special consideration	No special consideration	No special consideration
<b>Third country traffic</b>	Prohibited	Allowed	Allowed
<b>Routes of operation</b>	Prescribed routes	Prescribed route	Prescribed route
<b>Vehicle Registration</b>	Registration in Home country	Registration in Home country	Registration in Home country
<b>Driver Licensing</b>	National/international driving permit	National/international driving permit	National/international driving permit
<b>Passenger Identification</b>	Internationally recognised travel document	Internationally recognised travel document	Internationally recognised travel document
<b>Visa for crew members</b>	No clause	Multiple entry valid for at least one year	Multiple entry valid for at least one year
<b>Prohibited Goods</b>	Restricted/Prohibited list of travelling country	Restricted/Prohibited list of travelling country	Restricted/Prohibited list of travelling country
<b>Fees and charges</b>	To be decided by contracting parties	To be decided by contracting parties	To be decided by contracting parties



## IV. An Assessment of the BBIN MVA from Bangladesh Perspectives

### Three MVAs (draft) at a glance (*cont.*)

Issues	Bangladesh-India bilateral MVA	SAARC Framework MVA	BBIN Framework MVA
Facilitation measures for transport operators	Permission of opening branch offices and bank accounts in the other country	Permission of opening branch offices and bank accounts in any of the countries	Permission of opening branch offices and bank accounts in any countries
Insurance requirement	Insurance required for passenger, crew, cargo and vehicle	Insurance required for only vehicle	Insurance required for only vehicle
Right of Inspection	Authority designated by government of each state	Authorised Officials	Authorised Officials
Environmental Impact	Considered	Not Considered	Not Considered
Institutional Arrangement	Joint Working Group	No Joint Committees	Joint Land Transport Facilitation Committee
Inclusion of new members into the Contract	Not allowed	Not allowed	Other countries are allowed to join subject to consensus decision



# IV. An Assessment of the BBIN MVA from Bangladesh Perspectives

## Components of MVAs in Best Practices

### Definition and objectives

- *Definition of key terms*
- *Objective of the agreement*

### Scope and principles of operations

- *Scope and coverage of the Agreement*
- *Principles of governance*

### Enabling criteria for road transport movement

- *Types of vehicles permitted*
- *Criteria for licencing of transport operators for cross-border transport operations*
- *Registration of vehicles*
- *Identification of routes/corridors*
- *Permit and quota requirements*
- *Documentation and procedures*

### Technical specifications

- *Vehicle weight and dimensions specification*
- *Roads, bridges designs and construction standards and specifications*

### Customs regime

- *Transit and inland customs clearance regime*
- *Commodity classification system*
- *Customs duties and charges*

### Revenue requirements

- *Taxes, fees, tolls and other charges (including road user charges)*
- *Exemptions*
- *Sharing the benefits*

### Facilitation measures

- *Facilitation measures for border clearance*
- *Facilitation measures for transport operators*
- *Facilitation of frontier cross formalities*
- *Applicable laws and regulations*

### Other binding issues

- *Border security management*
- *Institutional and implementation arrangements*
- *Dispute settlement*
- *Modification, amendments and review mechanism*
- *Validity of the Agreement*



## IV. An Assessment of the BBIN MVA from Bangladesh Perspectives

### BBIN-MVA in light of Global Best Practices

#### Open

- Openness for new membership
- All types of vehicles permitted
- Third country traffic allowed
- Mutual recognition of vehicle registration
- Facilities for transport operators
- Institutional arrangements
- Review system in place

#### Needs to be Detailed Out

- Standard Operating Procedures (SOPs)
- Vehicle weight, axle load and dimension
- Road design and construction standard
- Prescribed routes
- Commodity classification system
- Rates of tax and fees
- Transit: needs clarity

#### Restrictive

- Cabotage restriction
- Permit requirement
- Harmonisation and simplification of documentation and procedures
- Measures to ease frontier crossing e.g. single window system; electronic data exchange
- No provision for priority clearance or green channel



## IV. An Assessment of the BBIN MVA from Bangladesh Perspectives

- **BBIN MVA: What Is Not There ...**
- Does not explicitly talk about TRANSIT (particularly between NE India and rest of India through Bangladesh)
- Plan not articulated for convergence on transport structure and remedies such as axle load and tonnage
- No mention of developing (jointly) special utility vehicle for transportation of goods in container seamlessly
- The issue of environmental protection has not been spelt out clearly
- No mention of BBIN-wide collaboration to develop of road infrastructure
- Lengthy documentation and follow-up procedures for obtaining permit to operate vehicle
- Dispute settlement clause needs further clarification (jurisdiction)
- No discussion on special and differential treatment for LDCs
- The SOPs, Fees, Surcharges, User Charges will need to be determined by participating countries



## IV. An Assessment of the BBIN MVA from Bangladesh Perspectives

### Comparative Scoring

- CPD has carried out an analysis based on openness of road transport agreements (methodology developed by World Bank in 2013)
- The scale ranges between a score of 0 to 100
- 77 MVAs were analysed by the World Bank

MVAs	Openness Score	Ranking
<b>Bilateral MVA</b>	42-51	29-43
<b>SAARC MVA</b>	61	18
<b>BBIN MVA</b>	64	15

Source: CPD, based on WB methodology

- Factors considered in the scoring:
  - Route restriction
  - Allowing third country access
  - Transparency measures
  - Cabotage operation
  - Transit quota limitation



## V. Implementational Challenge

- SOPs will need to be designed in a manner that facilitates implementation of BBIN-MVA .
- The objectives should be to reduce hassle, allowing speedy movement of vehicles, facilitate trade and tourism.
- Security issues also to be given due consideration
- Global best practices: GMS, EU, ASEAN, ECO, EAC
- **GMS-CBTA: Annexes and Protocols could serve as guidelines**
  - Annex 1 Carriage of Dangerous Goods
  - Annex 2 Registration of Vehicles in International Traffic
  - Annex 3 Carriage of Perishable Goods
  - Annex 4 Facilitation of Frontier-Crossing Formalities
  - Annex 5 Cross-Border Movement of People
  - Annex 6 Transit and Inland Clearance Customs Regime
  - Annex 7 Road Traffic Regulation and Signage
  - Annex 8 Temporary Importation of Motor Vehicles



## V. Implementational Challenge

- Annex 9 Criteria for Licensing of Transport Operators for Cross-Border Transport Operations
- Annex 10 Conditions of Transport
- Annex 11 Road and Bridge Design and Construction Standards and Specifications
- Annex 12 Border Crossing and Transit Facilities and Services
- Annex 13a Multimodal Carrier Liability Regime
- Annex 13b Criteria for Licensing of Multimodal Transport Operators for Cross-Border Transport Operations
- Annex 14 Container Customs Regime
- Annex 15 Commodity Classifications System
- Annex 16 Criteria for Driving Licenses
- Protocol 1 Designation of Corridors, Routes, and Points of Entry and Exit (Border Crossings)
- Protocol 3 Frequency and Capacity of Services and Issuance of Quotas and Permits



## V. Implementational Challenge

### ■ **Protocol 2 Charges Concerning Transit Traffic**

#### ○ **Article 5: Efficiency in the Collection of Charges**

- ✦ The Contracting Parties shall prevent the collection of charges from interfering with the facilitation of cross-border transport, e.g., by combining it to the extent possible with other border clearance procedures, as called for by Articles 4 and 35 of the Agreement and Annex 4 to the Agreement.

#### ○ **Article 6: Permissible Charges**

- ✦ (a) The Contracting Parties may levy the following charges on cross-border traffic, subject to the conditions set out in this Protocol:
  - **Tolls:** direct charges for the use of road sections, bridges, tunnels, and ferries;
  - **Charges for excess weight,** where permissible under the national law and/or regulations of the Host Country;
  - **Charges for administrative expenses;**



## V. Implementational Challenge

- **Protocol 2 Charges Concerning Transit Traffic (cont.)**
  - **Charges for the use of other facilities or services;**
  - **Taxes on fuel purchased** in the Host Country; and
  - **Road maintenance charges** (to the extent not included in the charges mentioned above).
- ✦ (b) The Contracting Parties shall refrain from levying any charges on cross-border traffic other than those listed above.
- **Article 7: Fuel Taxes**
  - ✦ (a) The Host Country may collect its fuel tax from vehicles engaged in cross-border traffic refueling within its territory.
  - ✦ (b) The Host Country shall exempt in its territory, from its fuel tax, the fuel contained in the ordinary/original supply tanks of vehicles engaged in cross-border traffic in its territory.
  - ✦ (c) The Contracting Parties shall, however, ensure that no vehicles engaged in crossborder traffic (both transit and interstate) be compelled to refuel before leaving their territories.



## V. Implementational Challenge

- **Protocol 2 Charges Concerning Transit Traffic (cont.)**
  - **Article 8: Road Maintenance Fees**
    - ★ The road maintenance fees levied by the Host Country on vehicles engaged in cross-border traffic (both transit and interstate) shall be commensurate to the road maintenance fees levied by the Host Country on its domestic vehicles. The road maintenance fee charged by the Host Country on vehicles engaged in cross-border traffic (both transit and interstate) may be based on the ratio of the length of their scheduled stay in its territory to the period covered by the road maintenance fee charged on its domestic vehicles.



## V. Implementational Challenge

- Elements that are considered for fixing fees, user-charges and surcharges in BBIN-MVA
  - Cost recovery (fixed and operational)
  - Port use fees
  - Insurance
  - Environmental/pollution surcharge; congestion surcharge
- GMS Special and Differentiation (S&D) Treatment for LDCs (Lao PDR)
- Resource Mobilisation
  - Investment cost in Bangladesh in view of establishing closer connectivity with India was estimated to be about USD 8.0 bln for infrastructure development for roads, rail, IWT and ports
  - Cost per km for upgradation of roads to international standard in view of BBIN-MVA, in the Bangladesh context, is estimated to be Tk. 25-30 crore (or approx. USD 3.7 mln)



## V. Implementational Challenge

- The principles of benefit sharing as a guideline for fixation of fees and charges
- The benefits of transit movement to India
  - Agartala to Kolkata:
    - ✦ through Chicken neck: 1645 km; through Bangladesh: 400km (distance reduced by 76 per cent)
  - Cost of rail cargo movement between NEI and ROI estimated to be USD 30/ton that can be reduced by about two-thirds, to about USD 11/ton USD Similarly, is the case for road cargo: from USD 150/ton to USD 50/ton
- However, other factors that needs to be considered:
  - Reciprocity
  - Investment support by partner countries
  - Incremental gains should offset additional cost of fees/charges



## VI. Way Forward

**JULY 2015**  
Preparation of  
Multilateral  
Protocols

**AUGUST**  
MVA  
Formalisation

**SEPTEMBER**  
Negotiations and  
Approvals

**OCTOBER**  
BBIN Friendship  
Motor Rally

**DECEMBER  
2015**  
Preparatory  
Work Completed

- Monitoring committees will need to be set up for monitoring the implementation of the BBIN MVA
  - National Committee to be set up in each of the four countries
  - Joint Committee that will include representation of all participating countries



## VI. Way Forward

- Concordance ought to be maintained between Protocols, SOPs and Fees of BBIN-MVA and SAARC-MVA (and also proposed Bangladesh-India Multi-modal Transport Agreement)
- Need for a comprehensive connectivity strategy which should be aligned with investment strategy of Bangladesh
- It is not enough to design the implementation modalities to ensure win-win outcomes. It is also equally important that this is perceived to be so by the citizens. Hence, the importance of access to information and transparency as regards the follow-up actions
- All relevant documents including the BBIN-MVA, protocols, permit-forms, information about fees, surcharges, user-fees etc. should be freely available, on dedicated websites

# Thank You