CPD Research Monograph 8

Trade Facilitation towards Export Promotion in the Indian Market

Addressing the Emerging Gaps

Mustafizur Rahman
Khaleda Akhter

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CENTRE FOR POLICY DIALOGUE (CPD)

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About CPD

The Centre for Policy Dialogue (CPD) was established in 1993 as a civil society initiative to promote an ongoing dialogue between the principal partners in the decision making and implementing process. Over the past 21 years the Centre has emerged as a globally reputed independent think tank with local roots and global outreach. A key area of CPD's activism is to organise dialogues to address developmental policy issues that are critical to national, regional and global interests with a view to seek constructive solutions from major stakeholders. The other key area of CPD activities is to undertake research programmes on current and strategic issues. Major research themes are: macroeconomic performance analysis, poverty and inequality, agriculture, trade, regional cooperation and global integration, infrastructure and enterprise development, climate change and environment, human development, development governance, policies and institutions. CPD maintains an active network with institutions that have similar interests, and regularly participates in various regional and international fora. At present CPD is spearheading two global initiatives. *LDC IV Monitor* is an independent global partnership for monitoring the outcome of the Fourth United Nations Conference on the Least Developed Countries (UN LDC IV). *Southern Voice on Post-MDG International Development Goals* is a network of 48 think tanks from the developing South which seeks to contribute to the ongoing global discourses on post-MDGs. In recognition of its track record in research, dialogue and policy influencing, CPD has been selected as one of the awardees of the Think Tank Initiative (TTI) through a globally competitive selection process for two consecutive times. CPD's publications include more than 375 titles including Books, Monographs, Working Papers, Dialogue Reports and Policy Briefs. CPD publications and other relevant information are regularly posted on its website cpd.org.bd

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Preface

Issues of promoting and deepening Bangladesh-India economic relationship have attracted renewed interest in recent times in the backdrop of the offer made by India to provide duty-free quota-free (DF-QF) market access to virtually all export items from the least developed countries (LDCs) in the South Asian Association for Regional Cooperation (SAARC) region, including Bangladesh. This offer, made on a non-reciprocal basis, builds on India's earlier measures in the form of preferential tariff within the ambit of the South Asian Free Trade Area (SAFTA), and also on bilateral basis. The offer, made at the Seventeenth SAARC Summit in 2011 in Malé, allows DF-QF treatment for all LDC exportables barring 25 items of low economic significance (arms, tobacco, liquor). Thus, the offer virtually does away with India's 'negative list' under the SAFTA and the bilateral quotas on the readymade garments (RMG) exports from Bangladesh in place earlier. As is known, India is the second-most important trading partner of Bangladesh, after China. Whilst all SAARC-LDCs would benefit from this predictable market access, studies show Bangladesh is the country most strongly positioned to benefit from this new initiative. However, a number of bottlenecks will need to be addressed if Bangladesh is to take full advantage of this enhanced market access opportunity.

A number of studies, including those carried out by the Centre for Policy Dialogue (CPD), have identified trade facilitation, as the single-most formidable obstacle to realising the potential benefits accruing from preferential tariff regimes. Importance of trade facilitation measures has been on the rise in recent years also in view of the declining tariff rates and the consequent loss of preferential tariff margins. The decision reached at the Ninth Ministerial Conference of the World Trade Organization (WTO) in Bali in December 2013, as regards the Trade Facilitation Agreement has once again emphasised the urgent need to address the attendant concerns. As is widely known, the potential gains from a Trade Facilitation Agreement in the WTO have been estimated to exceed one trillion dollar.

It is in view of this growing importance and urgency that, the CPD, in collaboration with the Asia Foundation Office in Dhaka, decided to undertake a comprehensive study to examine trade facilitation as a binding constraint to deepening Bangladesh-India trade relations. As would be appreciated, weak trade facilitation raise cost of doing business with India, undermine Bangladesh's export competitiveness in the Indian market, lead to delays and consequent cost escalation, raise cost for enterprises using Indian inputs, and results in higher consumer prices of finished goods in Bangladesh. Thus, the study has attempted to look at trade facilitation as key to raising Bangladesh's export competitiveness in the Indian market, competitiveness of Bangladesh's domestic enterprises using Indian inputs, and also from the perspective of raising consumer welfare.

Apart from the review of the available published materials, a distinctive feature of the study has been the extensive field-level surveys undertaken to generate relevant information. Information and data for the study were generated from exporters, importers, chamber leaders, freight-forwarders, government and customs officials at border points and other relevant stakeholders through questionnaire-based surveys, focus group discussions (FGDs) and key informant interviews.

Findings of the study presented in this monograph are based on an in-depth examination of four key aspects of trade facilitation that will need to be addressed to deepen Bangladesh-India cooperation in trade-related areas: a) infrastructure-related bottlenecks; b) inadequate customs and port facilities; c) non-tariff barriers (NTBs); and d) cumbersome export procedures and documentation.

The study comes up with a number of concrete proposals for consideration by policymakers. The bottlenecks identified in each of the aforesaid four areas cover a wide range of issues involving both at-the-border and behind-the-border factors. They relate to both regulatory issues as well as investment-centered and infrastructure-oriented interventions. Some of these concern development of the required infrastructure at the customs points, introduction of single window, establishment of information and communication technology (ICT) facilities and data interface, building of approach roads, reorganisation of vehicular movements, availability of laboratory testing facilities at the border points, putting in place regulatory reforms, deployment of standard operating procedures, and human resource development. Some of the identified measures would call for coordinated work on both sides of the border: signing

of Mutual Recognition Agreement (MRA) concerning certification, lab testing, etc. and motor vehicle agreement towards better connectivity, establishment of data interface and electronic data exchange between land customs stations (LCS) of the two countries. Better coordination will also be needed for developing LCS, putting in place the required facilities in no man's land, ensuring compatibility of working hours, and introducing harmonised customs inspection procedures and protocols and green channels.

The study has argued that, resource spent to transform the borders from control points to crossing points will pay high dividends to exporters, importers, consumers and producers on both sides of the border. This will result in significant welfare gains for both the economies. Returns to the investment made by Bangladesh to improve the state of trade facilitation would be very high both in terms of efficiency gains and competitive strength in the domestic as well as in the external markets, the study stressed.

Acknowledgement

The study was undertaken as part of collaboration between the Centre for Policy Dialogue (CPD) and The Asia Foundation, Dhaka Office. The partnership and generous support of The Asia Foundation in the conduct of the study are sincerely acknowledged.

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Dhaka
August 2014

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Acronyms

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
BAPA	Bangladesh Agro-Processors' Association
BCSIR	Bangladesh Council of Scientific and Industrial Research
BDT	Bangladeshi Taka
BFFEA	Bangladesh Frozen Foods Exporters Association
BIPA	Bilateral Investment Protection Agreement
BIS	Bureau of Indian Standards
BKMEA	Bangladesh Knitwear Manufacturers & Exporters Association
BSNL	Bharat Sanchar Nigam Limited (India)
BSTI	Bangladesh Standards and Testing Institution
B/E	Bill of Entry
CDSCO	Central Drug Standard Control Organization (India)
CFL	Central Food Laboratory (India)
CPD	Centre for Policy Dialogue
CVD	Countervailing Duty
CWC	Central Warehousing Corporation
C&F	Clearing and Forwarding
DAE	Department of Agricultural Extension (Bangladesh)
DF-QF	Duty-Free Quota-Free
EIA	Export Inspection Agency (India)
EPB	Export Promotion Bureau (Bangladesh)
ETI	Enabling Trade Index
EU	European Union
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FIPB	Foreign Investment Promotion Board (India)
FSSAI	Food Safety Standards Authority of India
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
GTAP	Global Trade Analysis Project
HS	Harmonized Commodity Description and Coding System

IBCCI	India-Bangladesh Chamber of Commerce and Industry
ICP	Integrated Check Post (India)
ICT	Information and Communication Technology
IT	Information Technology
LCS	Land Customs Station
LDC	Least Developed Country
MFN	Most Favoured Nation
MRA	Mutual Recognition Agreement
MRP	Maximum Retail Price
MoU	Memorandum of Understanding
NABL	National Accreditation Board for Testing and Calibration Laboratories (India)
NBFI	Non-Bank Financial Institution
NBR	National Board of Revenue (Bangladesh)
NH	National Highway
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
OECD	Organisation for Economic Co-operation and Development
PPP	Public-Private Partnership
PRAN	Programme for Rural Advancement Nationally (Bangladesh)
RCA	Revealed Comparative Advantage
RMG	Readymade Garments
RoO	Rules of Origin
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SAPTA	SAARC Preferential Trading Arrangement
SARSO	SAARC Regional Standards Organisation
SASEC	South Asia Subregional Economic Cooperation
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
SPHL	State Public Health Laboratory (India)
SPS	Sanitary and Phytosanitary
TAR	Trans-Asian Railway
TBT	Technical Barrier to Trade
TIDC	Tripura Industrial Development Corporation (India)
TLP	Trade Liberalization Plan
TRQ	Tariff Rate Quota
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
WEF	World Economic Forum
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION: THE BACKDROP OF DUTY-FREE OFFER BY INDIA

1.1 Market Access: Evolution and Recent Indian Offer

India has emerged as a key trading partner of Bangladesh over the past years. In view of this growing importance, the offer made by the Indian Prime Minister at the Seventeenth Summit of SAARC (South Asian Association for Regional Cooperation) in Malé in November 2011, to grant duty-free (and quota-free) market access for virtually all export products originating from the SAARC-LDCs (least developed countries) demands special attention and consideration. Since most of the other SAARC-LDCs are already enjoying preferential (duty-free) market access in India for virtually all products under various bilateral arrangements, it is Bangladesh (as also Afghanistan) which stands to reap most of the incremental gains originating from the new initiative. Indeed, considering the supply-side capacities, among the five SAARC-LDCs, it is Bangladesh, which is best positioned to take advantage of this new *window of opportunity* to enter the fast-growing Indian market. The offer would mean that, of the more than 5,050 items imported by India (at 6 digit level), Bangladesh will now be able to gain duty-free market access for all but 25 items (these 25 items include arms, tobacco and liquor which do not have significant trade value for Bangladesh). Subject to compliance with the rules of origin (RoO), all other items should now enjoy duty-free status at the Indian customs points.

The Indian offer actually goes much beyond what was stipulated in the Free Trade Agreement (FTA), and the preceding preferential arrangement. As may be recalled here, under the four rounds of the SAPTA (SAARC

Preferential Trading Arrangement) negotiations (1995-2006), carried out on the basis of *offer* and *request lists*, a large number of export items from Bangladesh were given preferential treatment in the Indian market, with the preference margin varying from zero to 100 per cent on MFN (most favoured nation) duties. However, majority of these items continued to remain outside the purview of SAPTA. Consequently, these had to enter the Indian market by paying the MFN duties at customs points.

When the SAFTA (South Asian Free Trade Area) was put into effect in July 2006, Bangladesh's market access scenario in relation to India experienced some positive changes. However, SAFTA fell far short of a truly free trade area. As may be recalled, according to the Trade Liberalization Plan (TLP) under the SAFTA, 763 items continued to remain in the negative (sensitive) list of India. This meant that these items could enter the Indian market only by paying MFN duties. Between 2008 and 2011, through two rounds of revisions and pruning, the number of items in the sensitive list of India was brought down to 480 for the LDCs. However, many items of export interest to Bangladesh, including apparels, continued to remain in the negative list. The aforesaid 480 items in India's sensitive list included 154 readymade garments (RMG) items and 326 non-RMG items. It is important to recall, however, that as a gesture of goodwill India offered, on a bilateral basis, duty-free access to Bangladesh's RMG items, albeit under a quota regime – initially for 6 million pieces, which was later increased to 8 million pieces, and then further to 10 million pieces. After some initial difficulties, Bangladesh was able to exhaust the full quota. However, export of apparels beyond the quota could be carried out only by paying MFN duties.[1]

1.2 Export Potentials in Indian Market

A number of studies have examined the potential benefits accruing from closer economic ties between Bangladesh and India. In two seminal works, Sobhan (2000 and 2004) argued that the ancient silk routes and traditional trade relations between Bangladesh and India provide solid foundations for deepening economic cooperation between the two countries. Sawheny and Kumar (2008) argued that bilateral cooperation was a more effective way of advancing trade interests among South Asian countries; Bhuyan and Ray (2006) demonstrated that bilateral FTA was the best framework to foster the process of regional integration. By employing the GTAP

[1]To be fair, it should be noted here that Bangladesh herself also had a long list of 1,152 items in her sensitive list when she signed the SAFTA accord. It has been agreed that sensitive lists will be further reduced by 20 per cent, and will thus be subject to the TLP.

(Global Trade Analysis Project) model, Raihan and Razzaque (2007) showed that by deepening bilateral cooperation both countries stood to gain relatively more compared to the full implementation of the SAFTA. A number of studies have argued that in order to maximise the benefits, bilateral cooperation should be stimulated in the areas of both trade in goods and services through deepening connectivity in investment and transport, and by way of infrastructure development.

Several studies have drawn attention to the importance of better regional connectivity to promote trade and for deepening the economic cooperation between the two countries. The need for taking a multidimensional approach to realise the potentials of Bangladesh-India trade has been highlighted by a number of studies including Rahman (2001), Ahmed and Ghani (2010), and Kelegama (2012). World Bank (2006) found that both Bangladesh and India could gain significantly from initiatives which include coordinated improvements in transport, trade facilitation and development of infrastructures at the Bangladesh-India land borders. By using the Gravity model, De *et al*. (2012) concluded that bilateral trade between India and Bangladesh is contingent upon regional transit and trade facilitation.

A number of studies have examined the benefits originating from removing non-tariff barriers (NTBs) and addressing trade facilitation issues. Rahman (2012) identified several NTBs in India that are faced by Bangladeshi exporters including tariff rate quotas (TRQs), import through trading enterprise, customs valuation, health and sanitary regulations, and anti-dumping and countervailing duties. In a recent study, Raihan *et al*. (2013) identified prevailing non-tariff measures (NTMs) at specific product levels and suggested policy measures to address those.

De *et al*. (2012) considered India's unilateral duty-free quota-free (DF-QF) offer to Bangladesh and found out that Bangladesh's export to India would rise by 134 per cent with the DF-QF market access. They also considered India-Bangladesh full FTA and India-Bangladesh full FTA with improved connectivity, and showed that gains from exports from Bangladesh to India will be significantly higher under these two scenarios rather than just from the DF-QF market access.

One of the major weaknesses of most of the studies on Bangladesh-India trade and Bangladesh's export potential in the Indian market is that the analyses are mostly based on static analysis. On the other hand, situation on the ground has been changing very rapidly, and calls for a

more in-depth and detailed analyses of the current dynamics, nature of impediments and future prospects.

Despite the rich literature on Bangladesh-India trade, not many studies have addressed the core issues of trade facilitation as a major impediment to realising the potential gains from the duty-free offer of India to Bangladesh. The present monograph focuses on issues related to trade facilitation, particularly at the border points, as a major contributing factor hindering the realisation of potential benefits of duty-free market access to India. The organisation of the monograph is as follows. Following Chapter 1, Chapter 2 provides an overview of data and methodology of the study. Chapter 3 presents some stylised facts as regards Bangladesh-India trade and investment, and identifies export potential of Bangladesh in the Indian market. Chapter 4 deals with trade facilitation-related issues, and presents a set of proposals to address those. Chapter 5 concludes.

CHAPTER 2

DATA AND METHODOLOGY

The analyses presented in the study are based on both primary and secondary data. Secondary data has been gleaned from Export Promotion Bureau (EPB), Bangladesh Bank, National Board of Revenue (NBR) of Bangladesh, Commerce Ministry of India and Trade Map dataset.

Primary data for the study was generated through perception survey where Bangladeshi exporters to the Indian market were the respondents. The questionnaire was designed with the idea of documenting major problems faced by exporters to India.[2] Considering the scope of the study, the number of total respondents was limited to 25. Majority of the exporting companies participating in the survey were manufacturing companies whilst a few were trading companies.[3] These exporting companies were in business for between 5 to 30 years. The sample covered all major items being exported to India – surveyed companies exported 17 types of products (2 digit HS code). Five respondents were chosen from the group exporting agro-processed items (HS chapters:

[2]To identify an appropriate sample from the target population and also the relevant knowledgeable exporters, Centre for Policy Dialogue (CPD) held a consultation with the India-Bangladesh Chamber of Commerce and Industry (IBCCI). Consultations were also held with the Bangladesh Agro-Processors' Association (BAPA), Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA), Bangladesh Frozen Foods Exporters Association (BFFEA) and EPB to ensure that the representatives from important product groups are included in the survey.

[3]It is also important to note that, all these are nationally-owned companies, and there was none of foreign ownership.

08 and 23) in view of the fact that these products face specific problems in the Indian market.[4]

Two focus group discussions (FGDs) were held with concerned stakeholders. Participants included exporters in the Indian market, leaders of IBCCI, government officials dealing with Indo-Bangladesh trade issues and trade experts. The objectives of the FGDs were to: (a) validate the questionnaire; (b) get feedbacks on the ideas of the study team; and (c) get inputs as regards trade facilitation problems faced by exporters to the Indian markets. The first FGD was held in Dhaka where exporters and several government officials from NBR, Ministry of Shipping, EPB, Bangladesh Standards and Testing Institution (BSTI), Ministry of Commerce and Bangladesh Tariff Commission participated. The second FGD was held at the Benapole Port. Exporters to the Indian market, members of the Jessore Chamber of Commerce and Industry, and Clearing and Forwarding (C&F) agents were present. Several interviews and consultations were held with the NBR and BSTI officials to identify the ground-level challenges faced by the exporters.

A field visit to the Benapole-Petrapole border ports was undertaken to identify the field-level problems at the port and customs points that inhibit Bangladesh's export to the Indian market. At the time of this visit, the study team had an opportunity to closely examine the work of the export terminal, Car Pass office, warehouse area in Bangladesh, activities in no man's land, and customs office in Petrapole on the Indian side. The five-member CPD team discussed relevant issues with customs officials of India, and participated at a round table meeting with the Indian C&F agents to get an in-depth understanding of the problems faced by traders from Indian side also.

[4]Exporters who were interviewed for the survey not only export to India, but also to other South Asian and several other countries in Europe, North America and Africa. Exporters were thus able to respond from a comparative perspective, particularly taking into cognisance the specifics of exporting through land borders.

CHAPTER 3

BANGLADESH-INDIA BILATERAL TRADE: SOME STYLISED FACTS

3.1 Current State of Bilateral Trade

India, as may be recalled, is the second most important import source for Bangladesh (USD 4,740.7 million in FY2012-13), conceding only to China (USD 6,307.6 million in FY2012-13). If informal trade with the country is factored into the trade equation, India could as well turn out to be Bangladesh's foremost trading partner. To compare, Bangladesh's ranking in terms of India's import sourcing was 62nd in FY2012-13, whilst India's ranking in Bangladesh's export was 12th. Till now, Bangladesh has not been able to take advantage of the increasingly large Indian import market in any significant manner. True, and it is satisfying to note that, in recent years Bangladesh's export to India has experienced quite a robust growth, rising from USD 144 million in FY2004-05 (Bangladesh's import from India over the corresponding year was USD 2,026 million) to USD 563 million in FY2012-13 (Table 1). Nonetheless, her bilateral trade deficit with India has been on the rise over the corresponding period – between FY2004-05 and FY2012-13 bilateral trade deficit with India, through the formal channel, has more than doubled, from USD 1,882 million to USD 4,176 million. Share of Bangladesh's export in the global import of India (USD 490 billion in FY2012-13) was an insignificant 0.1 per cent; to compare, Bangladesh's own import from India accounted for about 16.3 per cent of her total import (USD 34 billion) in the same year, indicating India's importance as an import source.

However, the issue of trade deficit needs to be treated with some nuance. It is true that in a globalised world it is the global trade deficit which

Table 1: Dynamics of Bangladesh's Bilateral Trade with India: FY2000-01 to FY2013-14

(Million USD)

Year	Export	Import	Bilateral Trade Deficit
FY2001	63	1184	-1121
FY2003	99	1358	-1259
FY2005	144	2026	-1882
FY2007	289	2226	-1937
FY2009	277	2822	-2546
FY2011	513	4569	-4057
FY2013	563	4740	-4176
FY2014	457	5568*	-5111*

Source: EPB (2014a; 2014b) and Bangladesh Bank (2014a).
Note: *Available import figures for first six months of FY2013-14 (July-December) has been projected (doubled) to arrive at provisional import and trade deficit figures for the full fiscal.

should be of concern to countries, not bilateral trade deficit. Additionally, as is well-known, a large part of the Indian import included raw materials that go for export-oriented industries in Bangladesh. If one looks at the structure of imports from India, it will be seen that a significant share in Bangladesh's import was accounted for by imports of cotton, yarn and fabrics, as also other inputs which are used by Bangladesh's export-oriented industries including for the RMG. As India's supply-side capacities experienced diversification, technological endowments improved, and power to compete gradually strengthened, Bangladesh's producers, entrepreneurs and traders started to import more from India as they found Indian goods to be competitive and of good value for money. Indeed, imports from India help Bangladesh maintain a healthy and hefty trade surplus with some of her other important trading partners such as United States of America (USA) (Bangladesh's bilateral trade surplus with USA was to the tune of about USD 4,882 million in FY2012-13). As is known, a large part of Bangladesh's export to the USA (90 per cent) constitutes apparels, some of which are made from cotton, yarn and fabrics imported from India.

Having conceded the above, one ought to also keep in mind that, a persistent and widening bilateral trade deficit with India should necessitate a closer examination of the factors that are not allowing Bangladesh to ensure a more prominent presence in the growing Indian market for imports. India's own import from the world has seen a significant rise in recent years: from USD 141 billion in 2005 to USD 350 billion in 2010, and USD 489 billion in 2013. However, Bangladesh has not been able to take advantage of this growing opportunity offered by the Indian market. The issue has now become more relevant and

assumed growing importance in view of India's duty-free market access offer. It is from this perspective that the offer by India calls for a careful examination and scrutiny with a view to identify concrete measures to take advantage of the enhanced market access. Realising the potential opportunities of higher export to the Indian market will enable Bangladesh to bring down her bilateral deficit. This is why the Indian offer of duty-free market access is very important for Bangladesh.

3.2 Change in Structure of Export

Traditionally, Bangladesh's major exports to India included raw jute, jute items, fertilisers and frozen foods. This has changed over time (Annex 1).[5] For example, the share of jute in total exports in the Indian market was 43 per cent in FY2002-03 which has come down to 24 per cent in FY2012-13. In contrast, the share of home textile in Bangladesh's total export to India used to be virtually zero, but has changed significantly to rise to 14 per cent in FY2012-13.[6]

In recent years, Bangladesh's major export items to India included jute, home textile, food items, cotton and woven items. Table 2 shows that most significant contribution has been made by jute (24 per cent), home textile (14 per cent), fruit (12 per cent), woven (11 per cent) and cotton (5 per cent) in FY2012-13. The composition of Bangladeshi products exported to the Indian market is distinct from that of Bangladesh's overall export destined for the global market. Export to India from Bangladesh is dominated by non-RMG exports; this is a distinctive feature when compared to Bangladesh's traditional export markets of USA, Canada and the European Union (EU). Whilst RMG constitutes about four-fifths of Bangladesh's global export, more than three-fourths of Bangladesh's export to India is accounted for by non-RMG products. These include traditional export items such as raw jute and jute goods, frozen food items, dry cell batteries, fertilisers and chemicals, and also new goods such as plastic items, cement, ceramic and melamine products, leather and footwear, juice and accessories. As a result, exporting more to India should

[5]Rahman *et al.* (2010) analysed compositional change of Bangladesh's export share in Indian market and found export potential for selected commodities based on the Revealed Comparative Advantage (RCA) indices.

[6]Similar compositional changes have taken place for edible fruits and food items. While the export share of edible fruit, nuts, peel of citrus fruit, melons (HS code: 08) was almost 4 per cent in FY2002-03 and FY2007-08, this has increased to about 12 per cent in FY2012-13 in the Indian market. Export share as a percentage of total export in the Indian market for woven items was 5 per cent in FY2002-03 and it has doubled by FY2012-13 (see Annex 1). It is important to note here that export share in total export for food items has risen to 2.9 per cent in FY2012-13 from negligible share both in FY2002-03 and FY2007-08. Food items have been showing some competitiveness in the Indian market, particularly in the North-East Indian markets.

Table 2: Major Exportable Commodities of Bangladesh to India: FY2012-13

HS Code	Major Export Items	Share (%)
53	Vegetable textile fibres, nes, paper yarn, woven fabric	23.8
63	Other made textile articles, sets, worn clothing, etc.	13.8
08	Edible fruit, nuts, peel of citrus fruit, melons	11.9
62	Articles of apparel, accessories, not knit or crochet	10.8
52	Cotton	4.6
74	Copper and articles thereof	4.4
27	Mineral, fuels, oils, distillation products	3.4
23	Residues, wastes of food industry, animal fodder	2.9
85	Railway, tramway locomotives, rolling stock, equipment	2.6
28	Inorganic chemicals, precious metal compound, isotopes	2.5
61	Articles of apparel, accessories, knit or crochet	2.5
	Others	19.3
Total		**100.0**

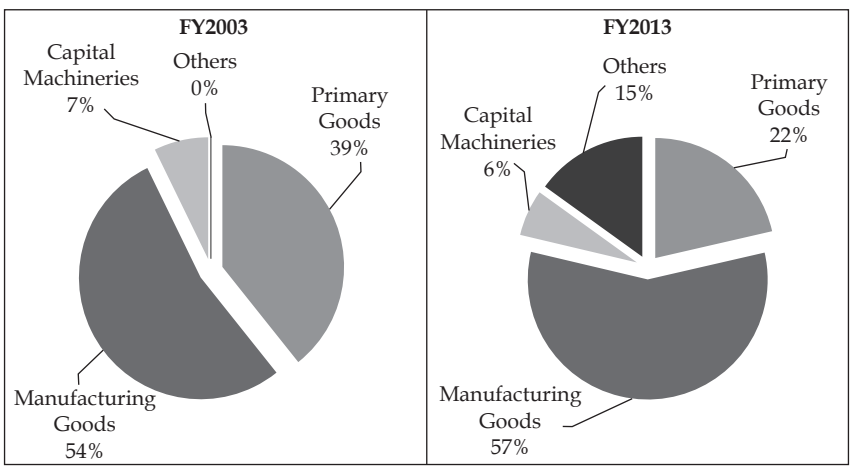
Source: EPB (2014a).

help Bangladesh not only in terms of market diversification (away from the traditional markets of the EU and North America), but also product diversification (beyond the RMG). This prospect of twin diversification is of crucial importance to enhancement of Bangladesh's overall trade.

3.3 Trends in Bangladesh's Import from India

As can be seen from Figure 1, primary and manufacturing commodities account for a significant share in the total import of Bangladesh from

Figure 1: Share of Imports from India: FY2002-03 and FY2012-13



Source: Bangladesh Bank (2003 and 2014a).

India. However, share of primary goods in total import from India has reduced to 22 per cent in FY2012-13 from nearly 40 per cent in FY2002-03. Import structure reveals significant diversification over the past years.

Whilst the share of primary goods has come down significantly between FY2002-03 and FY2012-13, and the share of manufacturing and capital goods have not changed considerably, the 'others' category has jumped notably from an insignificant share to about 15 per cent in total imports.

3.4 Trade with North-East India

North-Eastern states of India remain a market with most export potential for Bangladesh because of the region's close proximity with Bangladesh. Trade transaction cost between this region and rest of the India is rather very high. Trade between Bangladesh and North-East India is carried out through 17 land customs stations (LCS).[7] Bangladesh mainly exports food items, RMG, cement, pharmaceuticals, cotton waste, plastic products, battery, tissue paper, PVC pipe and soap; her imports mainly constitute paper board, plastic waste, citrus fruit, limestone, spices, natural rubber, fabrics, etc.

As may be seen from Table 3, Bangladesh has a trade deficit with North-East Indian states as well. In FY2012-13, Bangladesh's export to North-East Indian states was USD 65.9 million against an import of USD 152.2 million. A major reason for Bangladesh's low level of export to this region is their lower level of development, not least driven by North-East's relative isolation from rest of the country and lack of connectivity. One

Table 3: Bilateral Trade between Bangladesh and North-East India: FY2009-10 to FY2013-14

(Million USD)

Year	Export	Import
FY2010	46.27	87.07
FY2011	62.91	82.80
FY2012	54.45	126.61
FY2013	65.88	152.17
FY2013 (July-December)	43.68	52.21
FY2014 (July-December)	22.98	64.91

Source: NBR (2014).

Note: Trade data were taken from LCS in Tamabil, Sheola, Betuli, Chatlapur, Balla, Borochhora, Chhatak, Jokiganj and Bholaganj; data from other LCS were not available.

[7]These are Tamabil, Sheola, Chhatak, Jokiganj, Gobrakura, Karaitala, Belonia, Borochhora, Balla, Chatlapur, Bibir Bazar, Akhaura, Dhanua Kamalpur, Betuli, Nakugaon, Noarai and Bholaganj. Of these, major LCS which account for the larger part of the trade are Tamabil and Akhaura.

could argue that Bangladesh has a vested interest in the development of the North-East region of India. North-East region of India will be able to attain higher growth if it is able to gain better connectivity with the rest of the country, and thus be able to attract investment nationally as well as from Bangladesh. Bangladesh's role is critically important on both counts. The hypothesis that North-East India is a captive market of Bangladesh is not a correct one as is demonstrated by the trade pattern of Bangladesh with the region. When the region will become economically developed and prosperous, their higher purchasing capabilities will turn into higher imports from Bangladesh, and then, it can become a 'captive market of Bangladesh'.

3.5 Export Potential in the Indian Market

During the survey, FGDs and consultations, exporters expressed their view that the offered duty-free market access to Bangladesh has substantial potential to increase her export to India significantly.[8] They mentioned knit and woven products, foods items, cement, soap, leather articles, ceramic products, fish, betel nuts and chemicals, among others as the most prospective export items. Interestingly, about one-third of the respondents felt that knit and woven wear items have robust export potentials in India. Several exporters also felt that there is huge potential for food items both in North-Eastern region and other states of India.

An analysis of Bangladesh's export to the global market and India's import from the global market shows that there is a sub-set of items where Bangladesh has supply-side capacities, and is currently exporting to the global market, but not to India. On the other hand, India is importing these items from the global market, but not from Bangladesh. With the advantage of the presently initiated duty-free access in the Indian market, Bangladesh can increase her export of these items significantly, by enhancing supply-side capacities, addressing trade facilitation issues, and raising competiveness of the products.

The number of the aforesaid items, at 6 digit level, increased from 1,403 in 2005 to 1,658 in 2012 (Table 4). The amount of trade potential has also seen significant rise.[9] Some of these items which have export potential

[8]It may be noted here that, exporters in our survey informed that they came to know about the offer in 2012 from various sources including notice from EPB, newspapers, C&F agents, importers and Ministry of Commerce.

[9]In 2005 it was estimated to be USD 0.69 billion, but after seven years the trade potential stands at USD 1.25 billion in 2012, which is almost double of that in 2005.

Table 4: Opportunities for Export Enhancement: 2005-2012

Indicator	2005	2006	2007	2008	2009	2010	2011	2012
Number of items at 6 digit level	1403	1467	1561	1653	1622	1658	1685	1658
Total amount of potential trade (billion USD)	0.69	0.75	1.42	0.97	0.83	1.01	1.28	1.25
India's global import (billion USD)	34.87	49.17	69.72	96.48	154.08	208.96	248.01	116.31
Number of items at 6 digit level (Bangladesh's export>USD 50,000)	48	57	69	107	112	148	769	176
Total amount of potential trade (billion USD)	0.13	0.28	0.49	0.45	0.27	0.33	0.61	0.61
India's global import (billion USD)	3.13	7.51	14.60	24.43	12.35	22.54	40.10	48.80

Source: Estimates based on Trade Map (2014).
Note: Items that India imports globally but not from Bangladesh, and Bangladesh exports globally but not to India.

include bicycles and other cycles (871200), medicaments (300490), optical elements (900190), made up articles including dress patterns (630790), articles of leather (420500), handbags (420221), footwear, outer soles (640391), sleeping bags (940430). Over the years India's global imports have also increased manifolds which further indicate the higher export potential from Bangladesh. Number of export items, where Bangladesh's export is over USD 50,000, increased from 48 in 2005 to 176 in 2012. India's import of such items from the global market is also rising, which hints towards Bangladesh's potential of increasing exports of these items to India.

There are a number of items which are exported by Bangladesh to the Indian market, but only by a limited amount; however, India's imports for these items are not insignificant. As Table 5 indicates, these items have high export potential for Bangladesh.

It is of interest to note that the major commodities with high potential include mainly footwear, knit and woven items, home textile, leather, plastic and petroleum bi-products for which Bangladesh has formidable supply-side capacities. Bangladesh's global export of footwear was

Table 5: Items with Export Potential in Indian Market: 2012

(Million USD)

HS Code	Chapter Heading	Description	India's Import from Bangladesh	Bangladesh's Export to World	India's Import from World	Indicative Trade Potential
871200	Bicycle	Bicycles and other cycles (including delivery tricycles), not motorised	0.08	65.51	41.69	41.60
640399	Footwear	Footwear, outer soles of rubber/plastics uppers of leather, nes	0.26	149.92	41.54	41.29
640419	Footwear	Footwear o/t sports outer soles of rubber/plastics uppers of tex mat	0.47	63.85	31.86	31.39
620342	Woven wear	Men's/boys' trousers and shorts, of cotton, not knitted	13.61	3857.78	41.41	27.80
410799	Leather	Leather 'incl. parchment-dressed leather' of the portions, strips or s	1.44	27.48	29.51	26.04

Source: Estimates based on Trade Map (2014).
Note: Exportable commodities where trade takes place but has higher export potential.

worth USD 150 million in 2012 compared to only USD 0.26 million to the Indian market in the same year. On the other hand, India's import of footwear from the world was worth USD 42 million which indicates an export potential of USD 41 million in the Indian market. Indian import woven wear (620342) items was worth USD 41 million in 2012, while Bangladesh's global export of the item was USD 3,858 million, of which only USD 14 million was exported to India.[10]

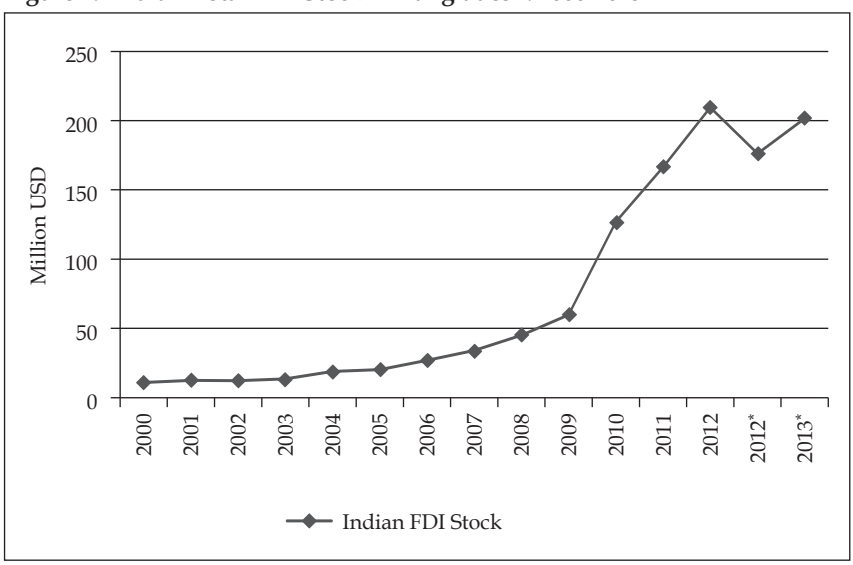
[10]Among the knit items the most potential products are t-shirts made of cotton, t-shirts made of materials other than cotton, men's/boys' shirts, pullovers and cardigans made of cotton, women's blouse or shirts, babies' outfits, etc. Bangladesh is well-known for exporting knitted items all over the world, but its exports of these items to India is comparably much lower. The exports of men's trousers and shorts, shirts (knitted), women's trousers and shorts jackets, blazers, etc. has the potential to grow much beyond her current level of exports to India as well.

3.6 Promoting Indian Investment

As is evident, attracting foreign direct investment (FDI) will be a critical factor if the potential benefits originating from the duty-free market access offer of India are to be realised. Attracting FDI from Indian investors, targeting the Indian market, to take advantage of the duty-free market access, should be given the highest priority. For many items, ability to comply with the RoO requirements under the duty-free market access offer will also depend on Bangladesh's capacity to attract new investment in backward and forward linkage industries. It has also been argued that Indian investors could target Bangladesh's export markets, and thereby, be eligible for Generalized System of Preferences (GSP) benefits that Bangladesh gets in developed country markets.[11]

However, as it is known, FDI flow to Bangladesh, particularly from India, has not been very encouraging. Figure 2 shows that Indian FDI stock and inflow in Bangladesh remains at a low level. The FDI stock from India in early 2000 was very low, only about 0.5 per cent of the total stock in Bangladesh. The Indian stock increased to USD 60 million in 2009, and USD 127 million in 2010.[12] FDI stock was USD 202 million in 2013 (end-

Figure 2: Indian Total FDI Stock in Bangladesh: 2000-2013



Source: Bangladesh Bank (2014b).
Note: *Till June end.

[11]In a similar vein, Taneja (2012) argued that Indian investors could target the export markets for Bangladesh, and by doing so, the investors could accrue the GSP benefits to the European markets.
[12]Share of Indian investment in total FDI stock of Bangladesh also increased to 2.1 per cent in 2010.

Table 6: Sector-wise Distribution of FDI Inflow from India: 2009-2013

(USD Million)

Sector	2009	2010	2011	2012	2012 (Jan-Jun)	2013 (Jan-Jun)
Bank	3.80	35.90	7.90	9.80	5.77	4.36
Textile & wearing	1.30	3.70	12.20	6.50	1.86	13.19
Telecommunication	0.00	0.02	0.00	0.00	0.02	0.01
Agriculture & fishing	0.80	0.90	0.00	2.00	1.11	0.02
Metal & machinery products	0.00	0.00	0.05	0.00	0.00	0.00
Power	0.00	0.00	0.07	0.00	0.00	0.00
Chemicals & pharmaceuticals	0.00	0.70	1.70	0.91	0.16	1.15
Food products	0.00	0.00	0.70	1.70	0.00	0.00
Computer software & IT	0.00	0.02	0.00	0.00	0.00	0.01
NBFIs & leasing & trading	0.30	0.50	0.50	0.43	0.24	0.00
Trading	0.00	0.00	0.00	0.00	0.19	0.00
Vehicle & transport equipments	0.00	0.00	0.00	0.00	0.00	5.00
Others sector	1.90	1.60	2.70	7.10	2.99	2.26
Total	**7.90**	**43.20**	**25.70**	**28.40**	**12.34**	**26.00**

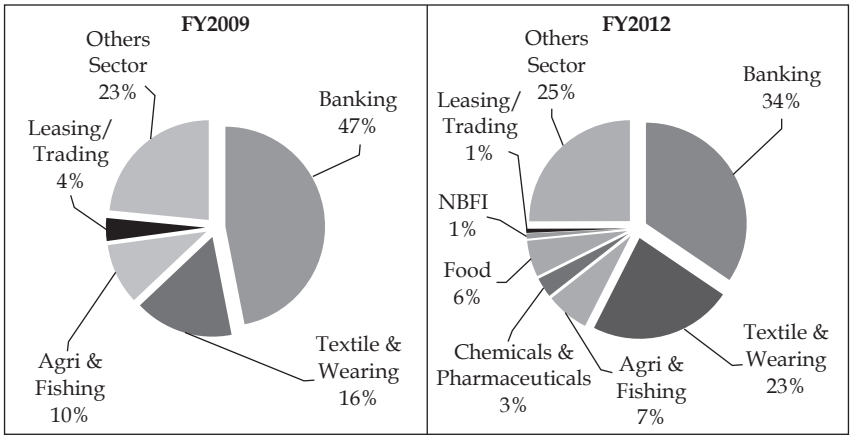
Source: Bangladesh Bank (2014b).
Note: IT: Information technology; NBFI: Non-bank financial institution.

June). However, the FDI stock from the world during the same time stood at USD 8,363 million which means that India's share was still only 2.4 per cent (see Annex 2). Sectoral composition data in Table 6 shows that the Indian investment was concentrated mainly in banking, textile and pharmaceuticals. The banking sector received the USD 9.8 million from India, and USD 6.5 million went to textile and wearing.

Figure 3 shows the comparison of sector-wise composition of FDI inflow from India between FY2008-09 and FY2011-12. Sectoral share of Indian FDI inflow increased to 23 per cent in FY2011-12 from 16 per cent in FY2008-09 for textile and wearing, whereas it decreased to 34 per cent in FY2011-12 from 47 per cent in FY2008-09 for banking sector.

Bangladesh and India have signed Bilateral Investment Protection Agreement (BIPA) and Double Taxation Avoidance Agreement in 2009. Focus should now be given on investment that will enable Bangladesh to comply with RoO under the duty-free market access initiative.

Figure 3: Sector-wise Composition of FDI Inflow from India: FY2008-09 and FY2011-12



Source: Bangladesh Bank (2014b).

Memorandum of Understanding (MoU) between stock markets of both countries could help raise equity for financing Indian FDI in Bangladesh. Signing of a Redressal of Grievances Agreement (commercial dispute resolution mechanism) could also help to promote Indian investment in Bangladesh.

Till now FDI from India has been dominated by services sector such as banking, although in recent years some investment are also coming in the textile and clothing sectors. It is still to be seen whether Indian market access offer will have any significant positive impact in terms of attracting Indian FDI targeting the Indian market. This will depend on several factors including access to adequate infrastructure, investment environment, incentive regime, and availability of dedicated facilities such as in the form of special economic zone (SEZ). However, it is reckoned that facilitation of bilateral trade which face myriads of difficulties at present, will act as an added inducement in attracting Indian investment targeting the Indian market. It is also to be kept in mind that, though in small ways, some Bangladeshi companies such as PRAN have also started to invest in India (see Box 1). Addressing trade facilitation-related problems will also be crucial in terms of promoting cross-border investment by Bangladeshi entrepreneurs. A number of studies have also shown the possibilities of developing regional supply and value chains including the participation of India and Bangladesh (Banga 2013). However, all these potential opportunities will depend on easing border formalities and promoting cross-border trade facilitation between the two countries. This will be particularly important if small

Box 1: PRAN's Investment in the North-East States of India

PRAN (Programme for Rural Advancement Nationally), a leading food processing company in Bangladesh, invested about USD 14 million to set up five agro-food processing units in Tripura as the first Bangladeshi investor in India. PRAN received the permission from the Foreign Investment Promotion Board (FIPB) of India in 2011, following which the investment was made. The factory came into operation since early 2014. At PRAN's new location in Bodhjungnagar Industrial Zone, potato crackers, chanachur, litchi drinks and ice pop are being produced.

The North-East Indian states were selected for investment because of the higher demand of the produced items in the region, and for its close proximity to Bangladesh that allowed lower cost for transporting raw materials from Bangladesh to India. The Tripura Industrial Development Corporation (TIDC) has allotted 2 acres of land to PRAN. Since setting up its plant in Tripura, PRAN reported fixed assets worth of USD 12.34 million and working capital worth of USD 1.11 million. The total expected turnover of the investment was about USD 27.3 million in the first year.

It is important to note that, Indian Government had lifted the ban earlier which was imposed on Bangladeshi investment in the North-East India. They have also extended infrastructure and power support to PRAN for setting up the factories.

However, in spite of all these facilities, setting up the plant in India, as a Bangladeshi investor, involved a rather difficult and cumbersome process. At first, PRAN had to acquire permission from Bangladesh Bank for making investment in a foreign country which was quite time-consuming. Next, they had to apply to the FIPB of India which again took few years to process that involved significant paper works. There is a need to ease the cumbersome processes at both ends to promote investment by Bangladeshi companies in North-East India.

Source: Field Survey (2014).

and medium enterprises (SMEs) are to be involved in such value chains since it is the SMEs which are most adversely affected due to weak trade facilitation.

CHAPTER 4

TRADE FACILITATION: MAJOR FINDINGS FROM FIELD-LEVEL INVESTIGATION

While the tariff has now gone down to zero with India, non-tariff related issues continue to remain major concerns for exporters and traders from Bangladesh. This was clearly evinced from the survey carried out under this study. Four major categories of problems that were mentioned are: (a) infrastructure-related bottlenecks; (b) inadequate customs and port facilities; (c) cumbersome export procedures and documentation; and (d) NTBs related to testing requirements, registration or licensing, certification, packaging and labelling, and restriction on the use of food additives.[13] However, other NTMs such as port restrictions, restrictions on post-sales service, distribution restrictions and countervailing duties (CVDs) were also mentioned during the survey.

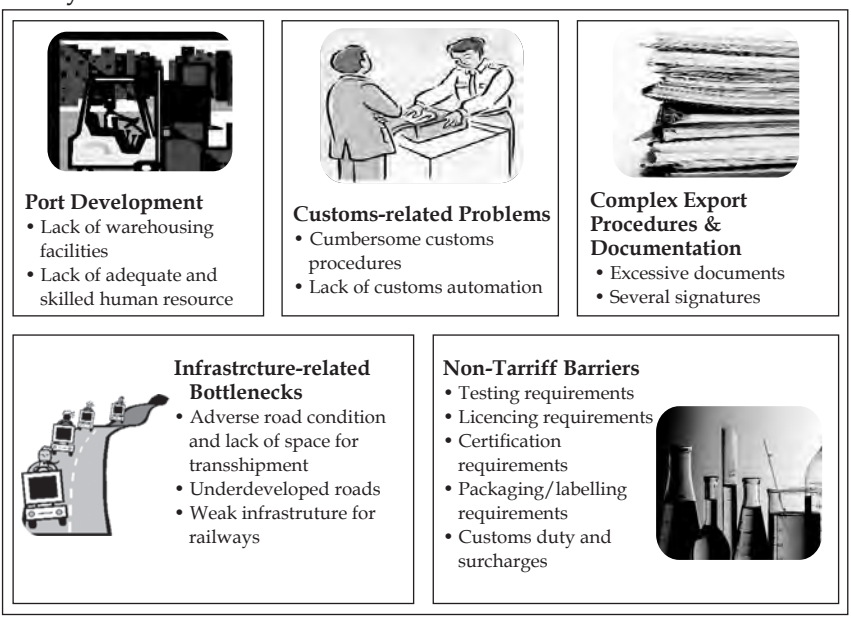
4.1 Infrastructure-related Bottlenecks

Poor quality of physical infrastructure at the ports was mentioned as a major challenge by the traders. Weak infrastructure cause significant disruptions in trade flows, and lead to higher cost as well as delays.[14] Two-thirds of the respondents mentioned lack of infrastructural facility at and behind the border as a high priority concern.

[13]Diagram 1 and Annex 3 illustrate the major findings of the survey as regards concerning issues of trade facilitation for Bangladesh-India trade.

[14]Rahmatullah (2010) pointed out that poor transportation between Bangladesh and India and within the region leads to higher cost of doing business in South Asia with the cost ranging between 13-14 per cent of the gross domestic product (GDP).

Diagram 1: Key Trade Facilitation Areas of Concern: Major Findings of the Survey



Source: Field Survey (2014).

Table 7: Enabling Trade Index (Transport and Communication Infrastructure) for Bangladesh and India: 2008-2012

Country	Year	Transport and Communications Infrastructure	
		Rank	Score
Bangladesh	2012	123	2.74
	2010	117	2.53
	2008	103	2.51
India	2012	84	3.58
	2010	81	3.34
	2008	52	3.54

Source: WEF (2008), (2010) and (2012).

It is important to note that trade-related infrastructure is not well-developed in both India and Bangladesh compared to other developing countries. Table 7 evinces this dismal picture on the basis of the ranking for transport and communications infrastructure for Bangladesh and India during 2008-2012.

In 2012, Bangladesh was ranked 123rd among 132 countries in the Transport and Communications Infrastructure sub-index which indicates the weak infrastructural facilities available across the main

transport mode in Bangladesh.[15] Indian situation was somewhat better, being ranked 84th, but the score was still poor. The infrastructure at the border supported this dismal scenario.

4.1.1 Adverse Road Condition and Lack of Space for Transshipment

Exporters felt that narrow roads and lack of space in the transshipment area create a major hindrance for trade by delaying the delivery of the goods and increasing the costs. This causes severe congestion in all the major ports of Bangladesh, particularly at the Benaople-Petrapole land port.

On the Indian side of the Benapole-Petrapole Port, most of the trucks carrying exportable goods need to unload in the no man's land area. Adjacent roads to enter the no man's land were found to be very narrow; this creates severe congestion for the goods-carrying trucks. Exporters mentioned that the demurrage fee per truck varies between BDT 1,500-3,000 per day due to the congestion. The small size of no man's land area make the work of loading and unloading difficult as only 20-25 trucks could be accommodated at a time.[16] In general, 200-220 Bangladeshi trucks are unloaded at the Benapole-Petrapole Port each day, while another 400-600 trucks usually remain in line waiting to enter the no man's land for loading-unloading.[17] Traders complained that it takes on average 2-3 days for a truck to unload its cargo at the Beanpole Port due to lack of space and heavy congestion. This leads to damage and waste of products, and escalation of business cost. The situation gets worse during the rainy season.

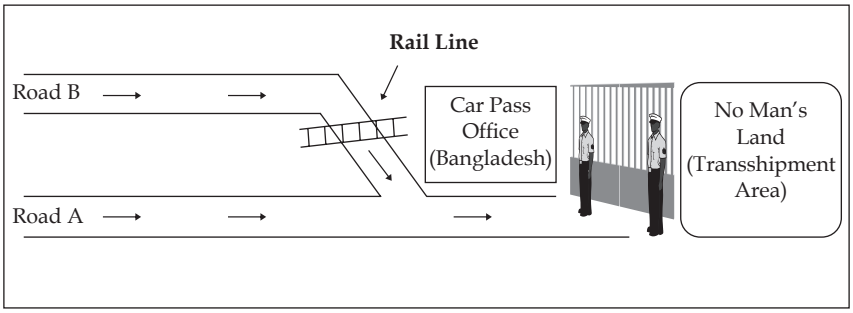
As can be seen from the Flow Chart 1, there are two different roads at the Benapole Port, which connect the no man's land as entry points: Road A is dedicated to trucks carrying most of the products, whereas Road B is dedicated for trucks carrying only RMG and jute products. Both roads are rather narrow, and quality of maintenance is less than

[15]Transport and Communication Infrastructure is a sub-index of Enabling Trade Index (ETI) prepared by the World Economic Forum (WEF). ETI includes four broad indices, namely market access, border administration, infrastructure and business environment. Transport and Communication Infrastructure sub-index shows the infrastructural facilities available across the four main transport modes: air, sea, rail and road.

[16]The size of the no man's land area is only 0.2 hectares. There would also be 20-25 Indian trucks waiting for transshipment.

[17]The situation gets worse if there is any strike or some other problems. During the Ramadan in 2012, more than 1,200 trucks were standing in the queue, and had to wait for 7-8 days on an average to get its turn to enter the no man's land in the Benapole-Petrapole Port.

Flow Chart 1: Link Roads to Enter No Man's Land



Source: Field Survey (2014).

satisfactory. This leads to congestion and long queues. An interesting point to note is that after unloading in the no man's land area, trucks have to return by the same road which creates more congestion at the port. There is also a rail line through Road B which adds to delays.

It is also important to note that there is another unloading space called Central Warehousing Corporation (CWC) Parking with a capacity to handle 950 trucks at a time.[18]

The solution as suggested by traders, is in construction of multi-lane and well-developed connecting roads in the port area, particularly in no man's land. At the Benapole Port, Roads A and B should be developed in such a way as to allow trucks to enter the no man's land area easily without creating congestion. As mentioned earlier, the no man's land area is on the Indian side at Petrapole. Larger space in no man's land area to load-unload the goods is needed to reduce congestion and remove the chaos.[19] Indian side could make provision to permit any vehicle to unload in the CWC Parking, irrespective of cargo content, which would reduce congestion in the no man's land area.

4.1.2 Underdeveloped Roads

Most traders felt that the road network in Bangladesh is not adequately developed to support the growing volume of bilateral trade with India. Two-thirds of the respondents, amongst those who identified infrastructure

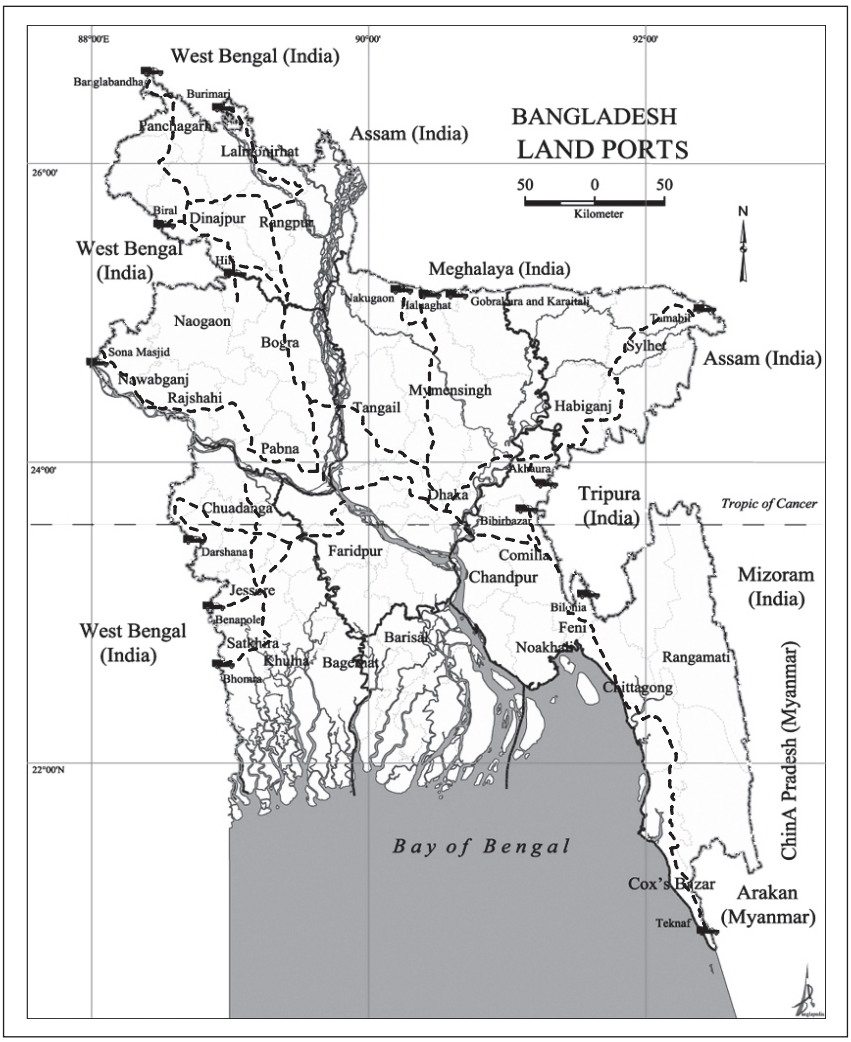
[18]Exporters informed that nearly 75-100 trucks can be unloaded at CWC Parking at the Petrapole Port at a time. However, Bangladeshi trucks carrying only a few selected items such as jute and jute goods, betel nuts and hilsha fish are allowed to enter this CWC Parking for unloading. Special permission is also required from the Indian Customs Authority to use the CWC Parking.

[19]The current situation with narrow roads and lack of space is visible from the photographs taken at Benapole and Petrapole Ports during the field visit taken under this study (see Annex 8).

as a major problem, thought that road-related problems are a major obstacle in increasing export to the Indian market. Exporters felt that the poor condition of connecting roads to the land ports disrupts the supply chain and undermines the export competiveness of Bangladesh. Higher lead-time leads to undermining of competitive strength of Bangladeshi products. Importers also have to bear additional costs for this reason.

The dotted lines in Map 1 show the road routes in Bangladesh which are linked with the major land ports between Bangladesh and India. It is important to note that Bangladesh's national highways are all two-lanes

Map 1: Connecting Roads with the Major Land Ports in Bangladesh



Source: Mazid (n.d.).

only, and simultaneously used for trading and other communication purposes.[20] Some particular road routes are indentified to have more importance for Bangladesh-India trade.[21] These are:

- Dhaka-Magura-Jessore-Benapole (Benapole-Petrapole Port)
- Dhaka-Lalmonirhat-Burimari (Burimari-Changrabandha Port)
- Dhaka-Kanchpur-Sarail-Brahmanbaria-Akhaura (Akhaura-Agartala Port)
- Dhaka-Mirpur Bazar-Kulaura-Sheola (Sheola-Sutarkandi Port)
- Dhaka-Tamabil (Jaflong) (Tamabil-Dawki Port)

Dhaka-Bogra-Joypurhat-Hili (Hili-Hili Port) and Dhaka-Joydebpur-Elenga-Hatikamrul-Banpara-Rajshahi-Chapainawabganj-Sonamasjid (Sonamasjid-Mehedipur Port) road routes also have high significance for Bangladesh's export to the Indian market.

The condition of Jessore-Benapole road route (N706) connecting Benapole-Petrapole Port is relatively better as per the opinion of exporters. However, some parts of the road need better maintenance. On the other hand, Dhaka-Lalmonirhat-Burimari road is not in good condition. Exporters complained that a stretch of approximately 30 km road, from Bogra to Lalmonirhat, connecting Burimari-Changrabandha Port, is in dreadful situation. Despite the high pressure for trade purpose, the Dhaka-Kanchpur-Sarail-Brahmanbaria-Akhaura road route for Akhaura-Agartala Port remains narrow and underdeveloped. It was, however, noted that the road condition of Dhaka-Mirpur Bazar-Kulaura-Sheola (Sheola-Sutarkandi Port) is in relatively better shape. However, poor quality and sub-optimal alignment are identified for Dhaka-Tamabil (Tamabil-Dawki Port) road route. Exporters also complained that roads, particularly after Jaflong, need significant upgradation.

In India, Indian National Highway (NH) 40 which connects Dawki-Shilong-Guwahati is narrow and underdeveloped. The suspension bridge in Meghalaya, after crossing the Dawki land port, restricted movement of cargo-carrying heavy trucks. Table 8 shows that a significant overhauling of the roads connecting major border points is needed.[22]

[20] Rahmatullah (2009) also observed that Bangladesh's highways are built based on an axle-load limit of 8.2 tonnes compared to 10.2 tonnes axle-load limit in India, Nepal and Bhutan.

[21] Annex 4 gives the details about the major roads which are linked to the land ports in Bangladesh.

[22] Absence of adequate bridges on the rivers is another major problem for the exporters. In order to reach the Benapole Port, trucks need to pass the Padma River on ferry at the Aricha-Goalanda point which usually takes 5-6 hours.

Table 8: Suggestions for Major Road Routes

Land Port	Routes	Road No.	Suggestions
Benapole	Dhaka-Magura-Jessore-Benapole	N7, N702, N706	- Proper maintenance and refurbishment needed - Axle-load limit of the road need to be enhanced
Akhaura	Dhaka-Kanchpur-Sarail-Brahmanbaria-Akhaura	N1, N2, N102, R120	- Well-developed and multi-lane roads needed
Tamabil	Dhaka-Tamabil (Jaflong)	N2	- Well-developed and multi-lane roads required (Indian side) - Refurbishment needed (Bangladesh side)
Burimari	Dhaka-Lalmonirhat-Burimari	N5, N509	- Well-developed and multi-lane roads needed - Axle-load limit needs to be increased
Sheola	Dhaka-Mirpur Bazar-Kulaura-Sheola	N2, N207, R281	- Somewhat satisfactory, but regular maintenance required

Source: Field Survey (2014).

Exporters urged that the Lamonirhat-Burimari road routes should be multi-laned and designed in a manner that loaded vehicles and trucks could reach the Burimari-Changrabandha Port in good time. Road connectivity is important for this route particularly, as it connects Bangladesh with not only the West Bengal of India, but also with Bhutan and Nepal. Axle-load limit and number of lanes should be increased for this route. Considering the importance of Benapole-Petrapole and Akhaura-Agartala land ports, three national highways (N7, N702 and N706) should be given the utmost priority.[23] To seize the higher export potential in the North-Eastern states in India, a well-developed road is required in Brahmanbaria-Akhaura road route because this is the major gateway for Bangladeshi exports to the North-East region. Road situation should also be improved for Chatlapur (Bangladesh)-Manu (India) land ports with higher axle-load limit.

4.1.3 Weak Infrastructure for Railways

Making good use of railways could bring considerable benefits for Bangladesh's exporters to the Indian market. Exporters felt that

[23]Government of Bangladesh has undertaken several projects to improve road conditions connecting the land ports. At present development work is ongoing to improve the approach roads of a number of land ports including Bhomra, Nakugaon and Bijoypur.

infrastructure for railways is rather weak in Bangladesh. Use of railways for carrying exportable goods for the Indian market is limited by design.[24] As it stands, Bangladesh at present has broadgauge rail corridors with India through only three points. These are:

- Darshana (Bangladesh) – Gede (India)
- Benapole (Bangladesh) – Petrapole (India) and
- Rohanpur (Bangladesh) – Singhabad (India)[25]

Rahamatullah (2009) pointed out that a container usually takes 20-25 days, and occasionally even up to 60 days, to move from New Delhi to Dhaka, as the maritime route is via Mumbai and Singapore/Colombo to Chittagong Port. It was mentioned that the same container could have been moved to Dhaka within 3-4 days if direct rail connectivity and operation were in place between New Delhi and Dhaka. This indicates the potential benefits that could be accrued from more extensive use of the rail system to facilitate Bangladesh-India trade.

Hence, to take advantage of the duty-free market offer, Bangladesh Government needs to strengthen the capacity of the railway as an important mode of transportation for exporting to the Indian market. A rail link from Akhaura to Agratala would benefit both Bangladesh and India considerably. At present there is no rail link to connect Bangladesh and the North-East region of India. In 2013, Bangladesh and India signed an MoU regarding the Agartala-Akhaura rail link at the Joint Consultative Commission Meeting. Establishing this new rail route will help Bangladeshi exporters to export to the North-East India.[26] It may be noted here that, at present, negotiations are ongoing between Bangladesh and India with respect to three rail connecting points: Birol-Radhikapur, Chilahati-Haldibari and Akhaura-Agartala. An agreement for providing railway corridors between these two countries will also open new window of opportunity to augment Bangladesh's export to the Indian market.

[24]However, Bangladeshi importers are permitted to use the railway for some import items at the Benapole-Petrapole Port.

[25]Rahamatullah (2009) showed that there were some gauge differences in railway network of India and Bangladesh, but with modern transshipment facilities, these should not pose any problem.

[26]This link would also be vital for the Trans-Asian Railway (TAR) Network, of which both India and Bangladesh are members. As part of the TAR, India is already constructing a 350 km rail link from Jiribam (India) to Moreh (Myanmar). Bangladesh can also benefit by using this connection.

4.2 Inadequate Customs and Port Facilities

Development of customs points and land ports is essential to simplify trade facilitation between Bangladesh and India. Exporters identified lack of proper facilities at the customs and port points as a major obstacle to enhancing Bangladesh's export to the Indian market. About two-thirds of the exporters strongly felt that customs and port-related problems, in both countries, slow down the trading process and raise the cost of doing business. This was perceived to be a major obstacle inhibiting the full realisation of opportunities of the duty-free market access initiative offered by India.

4.2.1 Cumbersome Customs Procedures and Lack of Customs Automation

The study team found that in Bangladesh only Benapole Port has custom automation system installed with the Automated System for Customs Data (ASYCUDA); other ports and customs stations do not have similar facilities and the entire customs clearance procedure is carried out manually. This is a major cause of delay in trade.[27] Exporters also complained about unnecessary checking and inspection of export consignments in the absence of appropriate machineries.

Exporters and C&F agents felt that the process that is followed at the customs points was both cumbersome and lengthy. At the customs, C&F agents need to undertake lengthy tasks in preparation for handling the export consignments.

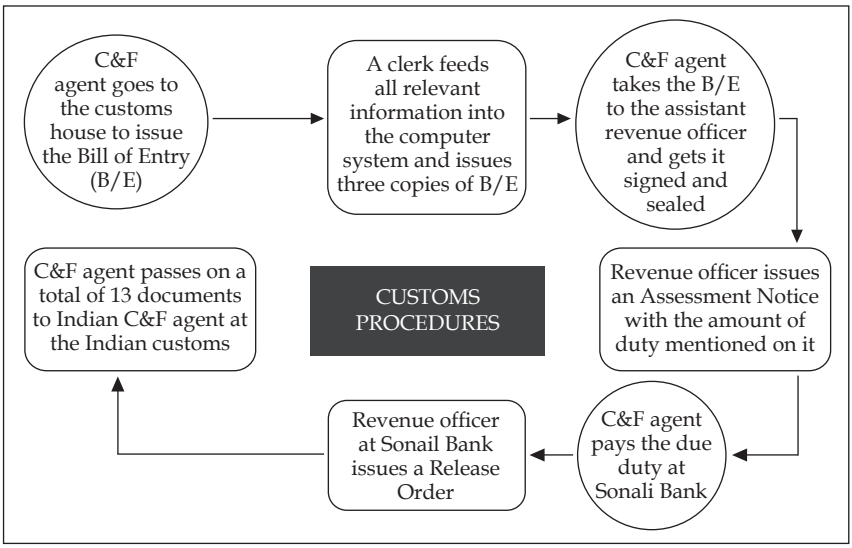
Flow Chart 2 illustrates the customs procedures that a C&F agent needs to follow for customs clearance at the Benapole-Petrapole Port.[28]

C&F agents need to go to the customs house situated at the Benapole border and issue a Bill of Entry (B/E) after receiving several documents from exporters. As the Benapole Port is automated, a computer operator feeds all the relevant information regarding the consignment from the documents into the database, and issues three copies of B/E and gives them to the C&F agent. The B/E also assigns an assistant revenue officer to whom the C&F agent goes next. The next step is that the assistant revenue officer signs and seals the B/E following which the

[27]However, the NBR has a plan to introduce the ASYCUDA system to six more LCS soon, and thereby expanding the coverage of automation to more than 95 per cent of the total volume of trade in the country.

[28]C&F agents conduct the customs procedures at the port on behalf of exporters.

Flow Chart 2: Procedures at the Customs Points



Source: Field Survey (2014).

revenue officer issues an Assessment Notice (*Challan*). After that, the C&F agent needs to go to the bank; the revenue officer from the bank signs and provides the Release Order.[29] The C&F agent, by this time, has acquired a total of 13 documents. They need to make duplicate copies of all these documents to submit to the Indian C&F agents who then handle the proceedings on the Indian side. This entire procedure reveals how lengthy and complex the customs procedures are. Doing Business Report (World Bank 2014) indicated that Bangladeshi exporter needed three days for customs clearance and technical control which costs about USD 100.[30] Exporters mentioned that the existing customs procedures lead to significant delays and require paper submission of signed documents even after filing all the information in computerised system at the Benapole Port.

An electronic system is thus needed for filing, processing and exchange of customs information. In many developed and some developing countries web-based systems allow traders to submit their documents from anywhere and pay the duties online. The opportunity for electronic submission and processing of data and information before arrival of the cargo should be there to expedite the process.

[29]At the Benapole Port, the C&F agents need to go to the Sonali Bank which is a government approved bank to pay the duties. A revenue officer of the customs office is stationed at the Sonali Bank branch to issue a Release Order after the duty has been paid.

[30]The trading cost in Bangladesh and India is quite high as well. Cost of import (per container) is USD 1,470 for Bangladesh, whereas the cost is USD 1,250 for India (see Annex 5).

Establishing ASYCUDA system in all major ports is important to modernise the customs. Streamlining the trade process and procedures through the establishment of trade portals is also needed. In this regard, harmonisation of customs procedures between the two countries will be crucial to reduce the hassles faced by exporters.[31]

Several stakeholders complained about the frequent and sudden failures of network experienced by Indian LCS in Petrapole that leads to a halt of the export-import procedure.[32] The Indian customs end does not have any alternate system for manual processing in case of power failures. Consequently, the entire process comes to a stop when there is a power failure.[33] Bangladesh's exporters complained that this often costs them highly since they have to bear the waiting cost of truck, terminal fee and sometimes wastage too, in case of perishable goods. There is a need to develop compatible electronic system involving both the customs authorities to expedite processing of trade. A Customs Cooperation Agreement between the two countries on information and data exchange, harmonisation of HS code and interpretation of rules could be an important initiative in this regard.

4.2.2 Absence of Single Window

It is time for Bangladesh to take initiative to introduce a Single Window system for trade facilitation linking the involved agencies, ministries and stakeholders at one point electronically.[34] The Single Window system

[31]World Bank (2006) also identified that harmonisation in customs procedures is very important to augment the trade between India and Bangladesh.

[32]Exporters complained that this is a major problem since this type of failure occurs regularly, at least once in every week, and stops the export-import process for the day. Petrapole recently has automated its system and started to take trade-related information electronically. However, the system server is located in Delhi and maintained by the Bharat Sanchar Nigam Limited (BSNL). The optical fiber cable is often disrupted due to construction works or accidents.

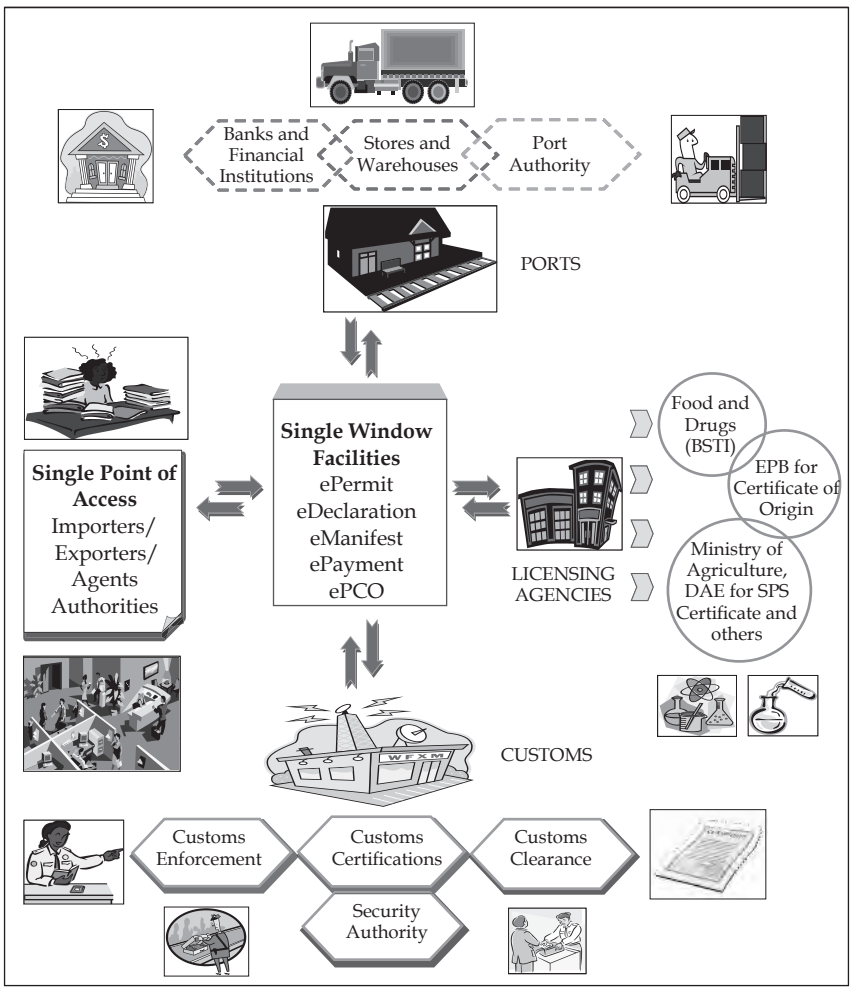
[33]India has already signed an agreement with the Tata to provide a back up support to their online system in case of power failures. Network failure is much less frequent on the Bangladeshi side; and beside, Bangladesh has a back up system for manual entry in case of such emergencies. This is indeed a safeguard against the total halt of the trading system that saves valuable time and money for the traders.

[34]A Single Window is a system where all facilities are available at one place. This is a *one stop point* for importers, exporters, agents and authorities alike. UNECE (2005) describes the Single Window as "a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single-entry point to fulfill all import, export and transit-related regulatory requirements." According to the Doing Business Report (2014), "A single window system can improve information flows by sharing needed information with all parties involved in trade, including private participants such as banks and insurance companies and public agencies such as immigration and vehicle registration authorities." The report also shows that currently 73 countries have adopted the Single Window system in some form or another.

will ensure that hassles concerning documentation involved in trade procedures between the two countries will be significantly reduced and further simplified. This will ensure better efficiency. If implemented effectively, the Single Window system will enable exporters and importers to submit information and documents through a single gateway. This will remove unnecessary procedures, and improve coordination and cooperation between various involved agencies.

The Single Window model proposed here for Bangladesh (see Diagram 2) is in line with the measures taken by several countries to speed up trade procedures and facilitate trade transactions. It includes three

Diagram 2: Proposed Single Window



Source: Authors' elaboration.

Note: DAE: Department of Agricultural Extension; SPS: Sanitary and phytosanitary.

major components: port, custom authority and licensing agencies; and these agencies will create a *single point of access* where all the relevant details and information is processed through an automated system.[35] The automated system allows fast and easy trade facilities through introduction of e-based processes: ePermits, eDeclarations, eManifest, ePayment, Electronic Preferential Certificate of Origin (ePCO), etc.

In the Single Window system, the port should include banks and financial institutions, warehouses along with port authority to ensure faster transaction, storage and other port-related facilities. Exporters can also submit the fees and get the necessary documents signed electronically. The Single Window will also need to be linked with licensing agencies including EPB, BSTI and the Department of Agricultural Extension (DAE) in Bangladesh which can provide e-certificates and significantly reduce the processing time required for trade transactions.[36] Finally, the presence of customs authority in an automated system would help to ensure that customs rules and regulations are followed effectively, which would lead to higher efficiency in clearance and inspection of goods.

4.2.3 LCS-based Bilateral Trade

As is well-known, more than 90 per cent of Bangladesh-India trade takes place through various LCS. This complicates the flow of goods between the two countries. Hence, port development should be seen as a high priority to facilitate bilateral trade between the two countries. Exporters perceived lack of good management practices at land ports as a major hindrance. Table 9 shows that exporters need five days for port and terminal handling; the cost involved was about USD 450.

Table 9: Cost and Days Required for Export from Bangladesh: 2014

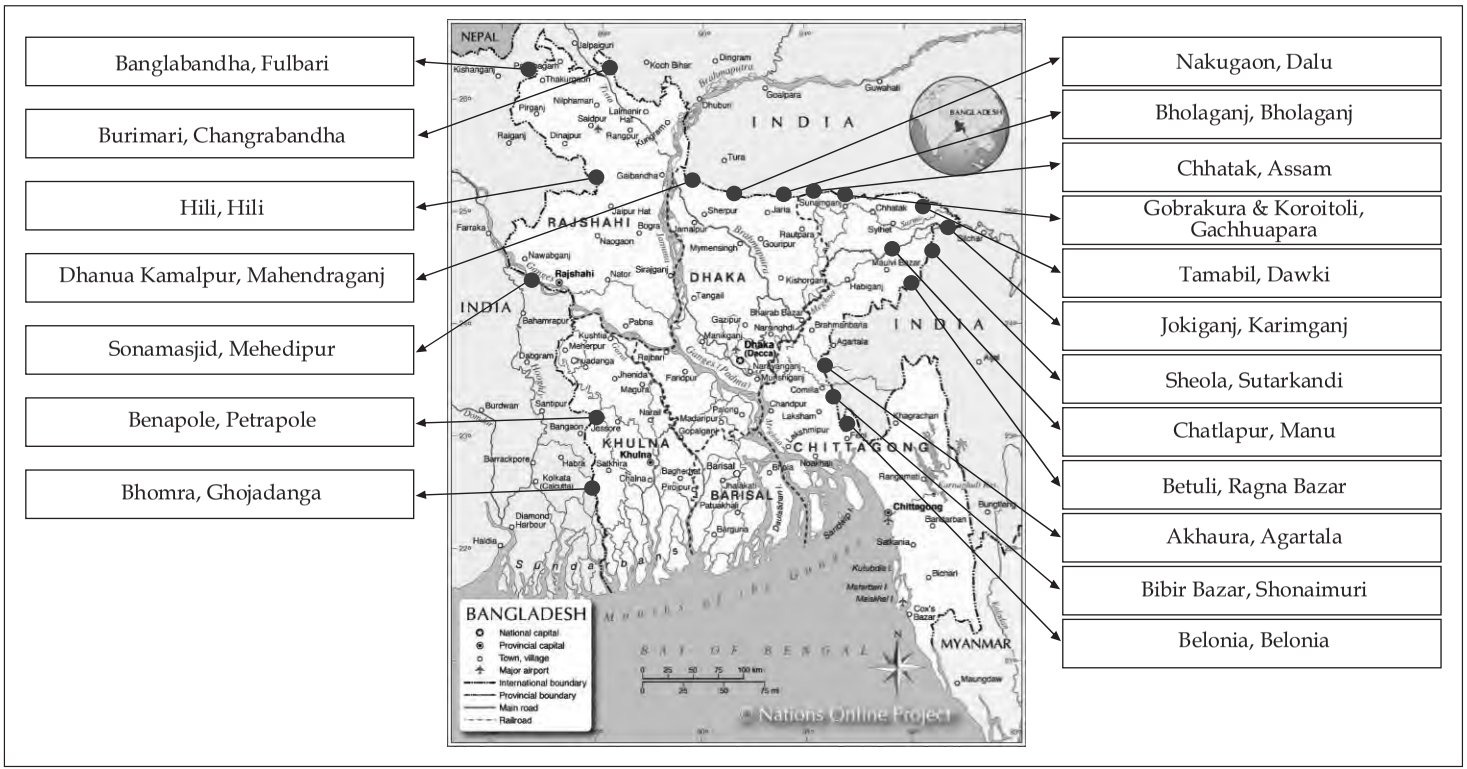
Indicator	Duration (Days)	Cost (USD)
Documents preparation	14	225
Customs clearance and technical control	3	150
Port and terminal handling	5	450
Inland transportation and handling	3	250
Total	**25**	**1075**

Source: World Bank (2014).

[35]It is to be noted that, through an envisaged project under the SASEC (South Asia Subregional Economic Cooperation), financed by the Asian Development Bank (ADB), the NBR is currently undertaking a plan to establish a national Single Window system. However, this project is to be initiated only on a pilot basis, and indeed is in its very early stage as of now.

[36]Licensing agencies such as the DAE of the Ministry of Agriculture can allow e-certification at the points of export, and save exporters' hassle of processing and collection of certificate from Dhaka.

Map 2: Major Land Ports between Bangladesh and India



Source: Field Survey (2014) and NBR (2014).

Currently there are 33 active ports/LCS between Bangladesh and India. Among these, Benapole (Petrapole), Banglabandha (Fulbari), Akhaura (Agartala), Burimari (Changrabandha), Tamabil (Dawki), Bhomra (Ghojadanga) and Sheola (Sutarkandi) are considered as important ones for the purpose of Bangladesh-India trade.[37] Map 2 shows major land ports through which bilateral trade takes place between the two countries.

Nearly three-fourths of the exporters in the survey mentioned that they use Beanpole (Bangladesh)-Petrapole (India) for export to the Indian market. One-third of the respondents also use Sutarkandi (Bangladesh)-Sheola (India) Port, particularly those who export to the North-East Indian states. Exporters also use Tamabil (Bangladesh)-Dawki (India), Bhomra (Bangladesh)-Ghojadanga (India), Chittagong Port (sea) and Shahjalal International Airport to export to India. Exporters felt that lack of warehouse, poor facilities in the existing warehouse, human resource-related problems and timing are major impediments inhibiting export through land ports.

4.2.4 Lack of Warehousing Facilities

Exporters mentioned warehouse problem as another major obstacle which hinders export of Bangladesh to the Indian market. As it was mentioned earlier, warehousing facility is poor at the Petrapole LCS to handle exportable items from Bangladesh.[38] Exporters also informed that there are no warehousing facilities at all at the Betuli (Bangladesh)-Ragna Bazar (India), Bhomra (Bangladesh)-Ghojadanga (India), Hili (Bangladesh)-Hili (India) LCS on the Indian side for Bangladesh's exportable goods. This often leads to wastage and/or loss of quality of exportable items.[39] In the rainy season, lack of sheds creates severe problem for exporters as their goods get damaged and they suffer from financial losses.

Exporters complained that goods are stolen or damaged from the ports due to inadequate security. Another problem pointed out by exporters

[37]Other important land ports are Hili (Hili), Sonamasjid (Mehedipur), Nakugaon (Dalu), Darshana (Gede), Birol (Radhikapur), Bibir Bazar (Srimantapur), Belonia (Belonia), Dhanua Kamalpur (Mahendraganj) and Chatlapur (Manu).

[38]At the Beanpole Port, there are 42 warehouses in the unloading zone for Indian trucks to unload their consignments. However, there is no air conditioned storage facility at the Beanpole Port for pharmaceutical products or food items.

[39]Raihan (2011) showed that the capacity of the warehouse was about 37 thousand tonnes, whereas on average 60-70 thousand tonnes of products enter the land port every day. This creates huge congestion and time loss and hike in monetary cost. Additional cost borne by Bangladeshi importers for this was to the tune of Tk. 1,000 per 10 tonnes truck and Tk. 1,200 per 12 tonnes covered van.

is the high cost of warehousing at Petrapole. They mentioned that some warehouses are privately-owned and charge higher rent.[40]

Lack of warehousing facility at the ports/LCS (Indian side) in North-East India continues to remain a major problem. While exporters are required to get the certificate from State Public Health Laboratory (SPHL) in Guwahati, food products are kept in trucks in open spaces which damages the products. Absence of warehousing facilities also increases the cost of doing business, and some exporters informed that they have in fact quit exporting due to significant losses.[41] If there were adequate warehousing facilities at the Hili land port, consignments could be kept in warehouses while the tests are carried out at the Central Food Laboratory (CFL) or at the Export Inspection Agency (EIA) in Kolkata.

To augment Bangladesh's export to India, there is no alternative to significantly improve the warehouse facilities. Several warehouses needed to be built along the land ports, on both sides of the border, and proper sheds needed to be constructed at the LCS/ports in both the countries. Bangladeshi exporters have also suggested that private investment be encouraged in the warehousing sector at the Benapole and Akhaura Ports. Public-private partnership (PPP) initiative could be taken to build and strengthen the warehousing facilities. Integrated Check Post (ICP) in the Indian side could be an effective solution to the warehouse problem once it is established. This is at the planning stage yet.[42] Indian authorities should be requested to build at least one cold storage facility in each major land ports. This will benefit Bangladeshi exporters of perishable goods.

4.2.5 Lack of Adequate and Skilled Human Resource

According to the exporters, lack of trained manpower is a cause of concern. They complained that unskilled and untrained manpower both

[40]In case the export destination is other than India (Nepal or other countries), then exporters are not permitted to use these private warehouses even for higher prices.

[41]According to the World Bank (2014), Bangladesh's exporters need to spend USD 1,075 per container for export. The traded product travels in a dry-cargo, 20-feet, full container load. It weighs 10 tonnes, and is valued at USD 20,000.

[42]ICPs would incorporate all regulatory agencies including immigration, customs, border security, etc. together with support facilities such as parking, warehousing, quarantine facilities, banking, proper surveillance, green belt, hotels, etc. in a single complex. The first ICP of India with Bangladesh has been opened very recently in November 2013 at the Agartala Port. In total, 13 ICPs will be built in two phases. In the first phase, two more ICPs will be opened at the Tamabil-Dawki and Benapole-Petrapole Ports in the Bangladesh-India border. In the second phase, four more ICPs will be built at the Hili-Hili, Burimari-Changrabandha, Sheola-Sutarkandi and Thegamukh-Kawarpuchia land ports. However, exporters of Bangladesh informed that the progress in this respect is rather slow.

sides of Benapole-Petrapole Port are often responsible for the delay in managing the loading-unloading process. Exporters also felt that customs officials on both sides are not adequately acquainted with customs rules and regulations; they sometimes do not have updated knowledge about changes in rules and regulations. This creates additional hassles for exporters. Exporters in Benapole complained about frequent change of customs officers on the Indian side as a problem since new officer often tend to change existing documentation procedures. To ease manpower-related problems for loading-unloading, number of cranes, forklifts, forklift trucks should be increased which could replace workers. Training of customs officials as regards customs procedures, harmonisation, etc. was suggested by the exporters.

Exporters also complained about the office timing and holidays which disturbed the rhythm of work at the port. They informed that Bangladesh side is ready to start the trading activity at 9.00 am in the morning and closes at 5.00 pm. On the other hand, the Indian side generally starts between 11.00 am to 12.00 pm and closes by 5.00 pm; this leads to about three hours of time gap in the work at the port. On the other hand, exporters also complained about difference in weekly holidays that virtually leads to two days' of closure in the work.[43] In 2013, customs officials of both sides came to an agreement to keep Benapole-Petrapole Ports open for seven days of the week to facilitate trading activity and reduce congestion. However, it is yet to be implemented, for two reasons. Firstly, the port authority charged BDT 1,500 as 'holiday charge' per consignment for work on Friday and Saturday; but traders have declined to pay the extra charge and have urged for its withdrawal. Secondly, there is not enough manpower to work for seven days a week. Customs officials at the ports complained that they were not consulted when this decision was taken, and there was not enough officials to follow the new timing and put in place the needed roster. There is, thus, a need to increase the number of officials on both sides.

4.3 Non-Tariff Barriers

With the tariffs going down to zero after the duty-free market access, NTBs continue to remain as a major challenge inhibiting Bangladesh's export to the Indian market.[44] Rahman (2012) identified several NTBs in

[43]In Bangladesh, Friday and Saturday are holidays, whereas on the Indian side port work remains closed only on Saturday. Trading activity remains open on Sunday for smooth facilitation.

[44]NTBs are policy measures, other than ordinary customs tariffs, that could have an adverse effect on international trade.

the Indian market faced by Bangladeshi exporters including health and sanitary regulations, restricted port of entry and inland customs port, anti-dumping and countervailing duties and customs valuation which affect exporters adversely.[45]

More than three-fourths of the survey respondents thought that there are a number of NTBs which pose problems for them. Respondents felt that regulations and requirements related to SPS and technical barriers to trade (TBTs) are creating obstacles for them.[46] They cited SPS and TBT regulations in India in the form of testing requirements, registration and licensing requirements, certification, packaging and labelling requirements.

4.3.1 Testing and Certification Requirements

Exporters felt that Bangladesh's export is adversely affected due to the testing and certification requirements of the Indian authorities. Almost all the exporters perceived that the testing and certification requirements are major problems faced by Bangladeshi exporters for both food and non-food items.

Exporters from Bangladesh face a number of testing and certification requirements for different products which include processed food, paper and paper items, light engineering products and sensitive plastic items. Several food items such as fruit drinks, chanachur, candies, jelly and jam, biscuits, etc. face strict SPS-related testing requirements of various laboratories in India. Food items exported from Bangladesh to Indian market are subject to testing from the following laboratories:

a. Export Inspection Agency (EIA) in Kolkata
b. Central Food Laboratory (CFL) in Kolkata
c. State Public Health Laboratory (SPHL) in Guwahati[47]

[45]Other NTBs mentioned by Rahman (2012) included customs surcharges, health, religious, environmental and balance of payments purposes, and quantitative restrictions.

[46]SPS measures can be applied to protect human, animal or plant life or health within the territory of a country. UNCTAD (2012: 7) defined SPS as, "measures that are applied to protect human or animal life from risks arising from additives, contaminants, toxins or disease-causing organisms in their food; to protect human life from plant-or animal-carried diseases; to protect animal or plant life from pests, diseases, or disease-causing organism; to prevent or limit other damage to a country from the entry, establishment or spread of pests; and to protect biodiversity." SPS measures are set forth by the importing countries to safeguard health protection issues, while TBT measures ensure that all technical, labelling and voluntary standards are met.

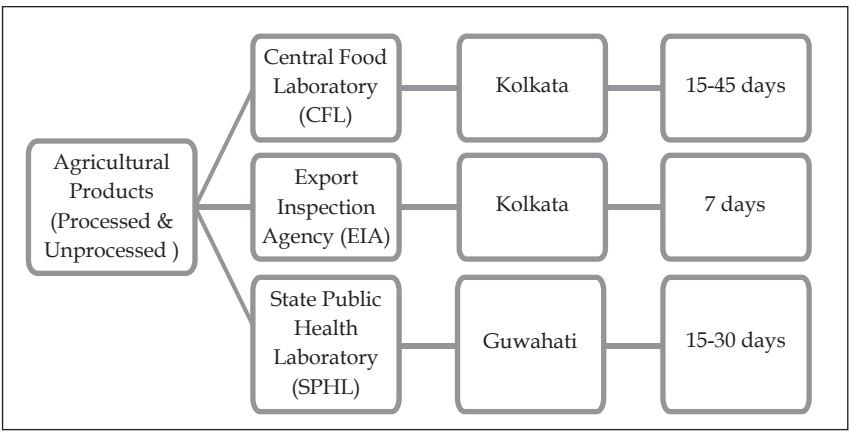
[47]The products need to be tested at EIA or CFL if the destination is West Bengal. For the North-Eastern states, testing needs to be done at the SPHL in Guwahati.

Complaints have been received of contradictory and misleading test results from the Guwahati testing centre. Exporters complained that SPHL often declined to issue Human Consumption Fitness Certificate which was subsequently issued by the Kolkata authority (CFL) for the same consignment.[48] Exporters complained that such double testing in Guwahati or in Kolkata also adds to cost of compliance or undermines the competitiveness of Bangladesh's products in the Indian market. It is also mentioned that during the testing time the food items are left out in the open area where it is exposed to sunlight and rain. It damages the quality of the product and reduces the shelf-life of the goods. Moreover, the results of the Indian testing authorities cannot be challenged anywhere. These testing requirements and procedures are creating challenges for the food exporters of Bangladesh.

Field-level investigation revealed that the number of days required by SPHL for coming up with the test results is 15-30 days, and time required for testing in CFL varies between 15-45 days (Diagram 3). EIA takes nearly one week to finish testing requirement for agricultural food products. Table 10 shows the required time and testing fees for a number of exportable items from Bangladesh to India.

As can be seen from the Table, licensing fees for cement and copper items are considerably high. Required time to get the initial license in exporting cement takes 3-4 years, while the time needed to get the preliminary license for copper items is almost one year.

Diagram 3: Testing Requirements for Agricultural Products in India



Source: Field Survey (2014).

[48]One such instance was with mango juice from Bangladesh.

Table 10: Testing and Licensing Requirements for Export to India

Product	Fees (USD)	Time Required	Requirement	Relevant Authority
Prepared foodstuffs	50	7-45 days	Testing	CFL, EIA & SPHL
Vegetable oil	50	7-45 days	Testing	CFL, EIA & SPHL
Cement	16,500	3-4 years	Licensing	BIS
Copper items	14,000	6-12 months	Licensing	BIS

Source: Field Survey (2014).
Note: BIS: Bureau of Indian Standards.

There are several testing requirements for jute, RMG items, light engineering, paper and paper products. Garments exported from Bangladesh to India need to be tested at Textile University of Bangladesh and receive certificate to ensure that no harmful chemical residue exists in the fabric.[49] This test is an obligatory requirement only for India. Paper and paper products exported to India also face testing requirements from Bureau of Indian Standards (BIS). Jute and jute items are tested at the Jute Goods Testing Lab at Demra or Khulna in Bangladesh before being exported to India. The lab issues an Oil Content Certificate which has to certify that the oil content was below 3 per cent in order to enter the Indian market. The oil content test for Bangladesh's jute products was not mandatory for other importing European and African countries. It is of interest to note that testing requirements for light engineering are also not mandatory for export to some of the European countries.

In order to export food items, paper products and jute goods to India, Bangladeshi exporters also need to get a Phytosanitary Certificate from the DAE, Ministry of Agriculture (at Khamarbari, Dhaka). In this connection, exporters felt that they also face behind-the-border problems as there is no single authority in Bangladesh that can provide necessary health certification for all the exportable items.[50] As such, the exporting companies have to set up separate certification division along with a health officer to manage necessary certification. Rejection of the BSTI-accredited certificate by Indian authorities also cause problem for exporters.

In a welcome move, the National Accreditation Board for Testing and Calibration Laboratories (NABL) of India has accredited 25 items that

[49]Exporters generally need two kinds of tests: AZO test (both single and multicolours) and the composition test from Textile University in Bangladesh.

[50]Exporters often need a Health Certificate which does not match with the SPS Certificate given by the DAE in Dhaka. Moreover, Bangladesh Council of Scientific and Industrial Research (BCSIR) can provide the test report that exportable items do not contain any harmful particles, but they do not have the authority to provide any Health Certificate.

include biscuits, chanachur, noodles, instant noodles, fruit juice, fruit drinks, jam, jelly, marmalade, pickle, sauce, tomato ketchup, chutney, fruit squash, fruit syrup, fruit cordial, tomato paste, edible jelly, drinking water, cement, MS rod, MS angles, GI pipe, soap, and textiles and garments. However, it was found that no official document was sent to the border points, and as a consequence, Indian customs officials are not accepting the certificate from BSTI for the above mentioned commodities. It is also worth to mention here that, at the Eighth Meeting of Bangladesh-India Joint Working Group on Trade in 2013, Bangladesh reiterated her request for allowing exports of these items that have already been accredited by NABL; however, this has not received favourable response from India.[51] It is felt that a comprehensive Mutual Recognition Agreement (MRA) between Bangladesh and India will reduce the testing and certification-related obstacles for the exporters. It is of interest to note that, an MoU between BSTI and BIS was signed in 2007.[52] The summary of the MoU between BSTI and BIS is given in Box 2. However, the MoU lacks comprehensive framework to address the complexity of testing, registration and certification requirements. For example, setting a specific timeframe for accepting the Certificate of Origin for the aforesaid 25 products would have created positive impact. Establishing a separate Dispute Settlement Mechanism (as in place at the Association of Southeast Asian Nations (ASEAN)) to deal

Box 2: Memorandum of Understanding between BSTI (Bangladesh) and BIS (India)

The MoU between the Bangladesh Standards and Testing Institution (BSTI) and the Bureau of Indian Standards (BIS) is to facilitate technical cooperation in the field of standardisation, certification, testing, measurement and quality assurance systems in order to exchange information and expertise and facilitate mutual trade of goods and services. This MoU promises closer cooperation between BSTI and BIS, and provide mechanisms by which the two institutions can work together towards the common aim of strengthening standardisation, certification and testing activities, and facilitate sharing of expertise and mutual trade. The possible areas of cooperation include:

Standardisation

Through this memorandum the two institutions have agreed to exchange information and documents in the fields of standardisation including information on organisational structure for standardisation, rules and procedures for standards formulation, and programmes for standards formulation. In addition they may also exchange scientific and technical information on standardisation problems faced by both the parties.

(Box 2 contd.)

[51]Indian side informed that guidelines for import of food items into India are prescribed and regulated by the Food Safety Standards Authority of India (FSSAI); and some of the parameters for a few products are not covered by NABL accreditation.

[52]It has been later renewed in 2010 and in 2013.

(Box 2 contd.)

Certification
BSTI and BIS agree to exchange details about each other's organisational structure, rules and procedure for third party product certification as well as Quality Systems Certification.

Calibration and Measurement
The two institutions have agreed to share information about the calibration facilities available to each of them, and also share each other's procedures of calibration of testing equipments.

Testing
BSTI and BIS agree to examine each other's organisational structure, procedures for laboratory tests, approval of laboratories and the development of laboratories based on international criteria with the aim of allowing mutual recognition of test reports.

Technical Information
The two organisations have colluded to share knowledge relating to compilation, storage, retrieval, application and dissemination of scientific and technical information on standardisation, certification, calibration and testing.

Training
They have mutually agreed to train each other's personnel and organise training programmes on mutually agreed terms in the field of standardisation, quality, assurance and testing.

Duration
This MoU will remain valid for three years from the date of its signing, and on expiry its provision may be reviewed. The agreement may be terminated by either party by giving four months' written notice to the other party.

Dispute Settlement
Any dispute, controversy or claim arising out of this MoU shall be settled by mutual consultations and negotiations.

Financing
The costs of carrying out activities under this understanding will be incurred on mutually agreed terms and conditions, although no specific framework for financing has been mentioned.

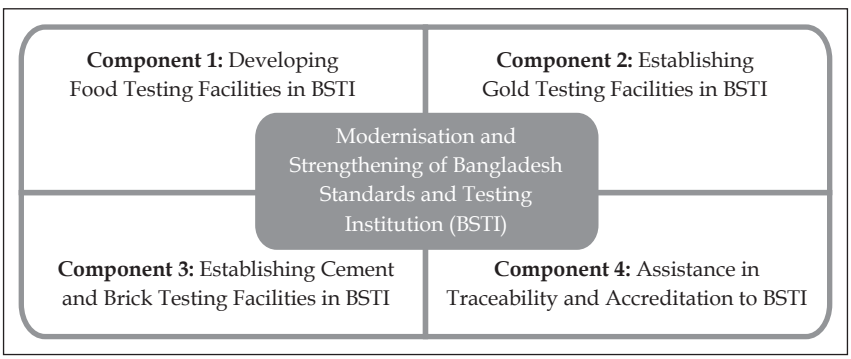
Source: BSTI (2014a).

with disputes regarding NTBs instead of the Committee of Experts (stipulated in the SAFTA) was also called for. However, this would require significant strengthening of the BSTI. Indeed, at present a project is being implemented at the BSTI with support from the USD 1 billion worth of Line of Credit to raise the capacity of the BSTI. The decision to establish SAARC Regional Standards Organisation (SARSO) could also be helpful in this context.

Setting up testing labs at the Petrapole Port will be another step to resolve the problems associated with sending the samples and receiving the test results for food items and other sensitive products. Complaints as regards discrepancies in the test results should be addressed at the Bangladesh-India Joint Working Group on Trade meetings. Authorities should also jointly agree to accept the test results from the country of origin for the food items. Stringent testing requirement for jute and jute products and RMG items may be relaxed by the Indian authority as it is not a mandatory requirement by other countries. For non-food items such as light engineering products, the high cost of testing should be reduced along with the time required for getting the test results. New testing labs or branches should be established at North-East Indian land ports to reduce the costs involved with sending electrical products to the testing centre in Bangalore. Bangladesh Government also needs to set up a body for issuing health certificates for export items which will reduce hassle. Acquiring the Phytosanitary Certificates from Dhaka creates problem for exporters. In view of this, a system for submission of phyto forms electronically should be put in place.

The capacity of the BSTI needs to be enhanced significantly in order to realise the full advantage of the duty-free market offer. BSTI should build the required capacity for food testing and establish laboratories so that it is able to get certification and accreditation from an internationally-recognised testing organisation. Bangladesh Government is at present implementing a project on modernisation and strengthening of the BSTI at the cost of USD 2.22 million with support from the aforementioned Line of Credit extended by India. The project has four components as shown in Diagram 4.

Diagram 4: Modernisation and Strengthening of BSTI



Source: BSTI (2014b).

Modernisation of the laboratories and getting accreditation will help exporters to benefit significantly and enable them to take advantage of India's duty-free market access offer. The Indian technical assistance towards capacity building of BSTI in the areas of accreditation, certification and standards compliance should be made best use of. Additionally, Bangladesh should make necessary investment to enhance her capacities in related areas. SAARC Sectoral Technical Committee under the aforesaid SARSO could be an important forum to deal with testing and certification-related issues.[53]

4.3.2 Registration and Licensing Requirements

Exporters felt that the cumbersome registration and licensing requirements for a number of exportables have led to the products being less competitive. One such case is related to cosmetics or beauty soaps (HS code: 3401.11.90) exported from Bangladesh to India. Recently India has made it a mandatory requirement to have registration certificate from the Central Drugs Standard Control Organization (CDSCO) for export of cosmetics products to India.[54]

Table 11 provides a detailed list of NTBs that Bangladeshi business people face while exporting selected items in the Indian market.

Cement exports to India have fallen drastically over the last few years due to stringent NTBs put in place by India. Cement exporters need to get license for export to India from the BIS which has to be renewed every year at a cost of USD 1,074. The process of issuing the license also is very difficult and lengthy (see Box 3).

Copper cables exported to India also pass through strict barriers such as acquiring license from the BIS.[55] The licensing procedure for copper items is extremely complex and cumbersome, and a mandatory one for exporting Bangladeshi copper items. In addition, only Indian importers can apply for this license.[56] Exporters felt that it is rather difficult to find

[53]The SARSO has been established in Dhaka in 2012. The needed infrastructure and capacity should be developed as speedily as possible.

[54]In April 2013, India has made that provision after the amendment of the Drugs and Cosmetics Rule 2010.

[55]It is important to note that the copper items are the seventh most important among the top ten products exported to India from Bangladesh during the period of July-December of FY2013-14.

[56]Once the Indian importer has filed the application on behalf of the Bangladeshi exporters, the exporter needs to submit the required documents and samples. Exporters have to go through a very complicated process which often requires the Indian importer to be present at the BIS office.

Table 11: NTBs which Adversely Affect Bangladesh

Affecting NTB Policy	Product Name & HS Code
Testing requirement	- Prepared foodstuffs (17, 20, 21, 22) - Paper and paper items (4803.00) - Sesame oil (1515.50) - Light electrical engineering products (8504.23) - Sensitive plastic articles (3923.30) - Knit and woven garments (61 & 62)
Registration or license requirement	- Beauty soaps (3401.11) - Copper products (74) - Portland cement (2523.29)
Certificate requirement	- Prepared foodstuffs (17, 20, 21, 22) - Jute and jute goods (53 & 6305.10)
Packaging or labelling requirement	- Jute sacks (6305.10) - Synthetic or flavoured foods (17, 20, 21, 22)
Port restriction	- Beauty soap (3401.11)
Distributional restriction	- Copper items (74)
Restriction on post-sales services	- Portland cement (2523.29)
Restriction on use of food additives	- Fruit juices (2009.90)
Non-acceptance of BSTI certificate	- Prepared foodstuffs (17, 20, 21, 22)
Eco-Mark Scheme (removed)	- Laundry soap (3401.11)

Source: Field Survey (2014).

Box 3: Complex Testing and Certification Requirements for Cement Export to India from Bangladesh

Cement was one of the top ten export items from Bangladesh to India in 2005 before Indian authorities imposed a mandatory requirement of obtaining a testing certificate for cement from the BIS. The testing and certification requirements were cumbersome, time consuming and expensive; and hence, discouraged export of Bangladeshi cement in the Indian market.

The process of attaining the license from Indian regulatory body BIS was a complicated one and involved a very high fee. There were three types of fees: license fee, agent fee and testing fee. There was a third party, namely a BIS-approved agent, who was responsible for carrying out the licensing procedure on behalf of the exporter. Hiring an agent was an expensive matter as well with a fee of Rs. 9 lakh, whereas the testing fee was worth Rs. 1 lakh. The high cost of the process was further accentuated by the requirement of a bank guarantee of USD 10,000 per grade.

The testing requirements for cement were also very strict, which had three types of tests are done for cement consignments: Portland Pazzolana Cement (PPC), Ordinary Portland Cement (OPC) and Portland Slag Cement (PSC). In the final stage of the process, officers from India were to come to inspect the manufacturing plant. One of the pre-requisites of this visit was that cement manufacturer must own specialised equipments which cost about USD 12,000. In addition, during the visit of the Indian officers, the exporting firm had to bear all the cost of the officers' accommodation and other logistics cost.

These stringent requirements have ultimately discouraged cement exporters of Bangladesh.

Source: Field Survey (2014).

an importer who would be willing to submit the application on behalf of the exporters, as they are often reluctant to apply due to the lengthy and complex procedures. The time period to get the license varies between six months to one year.

4.3.3 Packaging and Labelling Requirements

Packaging and labelling requirements from Indian authority for several exportable items from Bangladesh have also become major impediments discouraging export from Bangladesh. Exporters felt that several additional barriers are being imposed towards them. For example, synthetic food items such as flavoured biscuits or drinks cannot contain picture of any fruit on the label. Exporters are required to mention on the label that these products are made of synthetic food items. For jute goods, every piece of sack (jute) entering India as exported item must have a 'Made in Bangladesh' label. The contradiction is that although this is a compulsory requirement of the Indian Government, many Indian buyers or importers who are involved in re-exporting of the jute goods do not require 'Made in Bangladesh' label.

4.3.4 Restriction on Use of Food Additives and Post-Sales Service

India has banned the use of Xanthan Gum as food additive although this is allowed for other export destinations. Consequently, Bangladeshi exporters have to use Pectin as food additives exclusively for the Indian market.

Cement exporters need to submit a bank guarantee certificate while renewing their license each year which acts as a restriction on post-sales service.

4.3.5 Customs Surcharges and Duties

Although India has offered duty-free market access facility to Bangladesh, several customs duties and surcharges on Bangladesh's exportable undermine competitiveness of Bangladeshi items in the Indian market. Customs surcharges and duties including Assessable Value (AV), Basic Duty of Customs (BD), Additional Duty, Countervailing Duty (CVD), and Education Cess and Secondary and Higher Secondary (S&H) Cess are imposed on several exportable products.[57] Table 12 shows customs surcharges and duties on soap products.

[57]It is important to note that, several customs surcharges are 'trade neutral' as they are often applied for the local Indian producers too.

Table 12: Customs Surcharges and Duties on Soap Items in India

No.	Duty Description	Duty Rate (%)	Calculated Amount	Formula
1	Maximum Retail Price (MRP)		720.00*	
2	Abatement	35.00	252.00	35 per cent of MRP
3	Net Value		468.00	Abatement deducted from MRP
4	CVD	10.30	48.20	10.3 per cent of Net Value
5	Education Cess	2.00	0.96	2 per cent of CVD
6	Secondary & Higher (S&H) Education Cess	1.00	0.48	1 per cent of CVD
7	Total Duty Payable	6.90	49.65	CVD + Education Cess + S&H Education Cess

Source: Field Survey (2014).
Note: *Rs. 720 is the MRP of a carton which contains 72 pieces of 100 gm washing soap.

CVD, Education Cess and S&H Education Cess are imposed on soap items. Total surcharges on soap (both washing and beauty soap) export from Bangladesh to India were equivalent to 6.9 per cent of its total retail price.[58] In a welcome note, Indian Government has recently withdrawn 14 per cent additional duties on jute goods.

4.3.6 Port Restriction and Distribution Restriction

India imposes port restriction on import of cosmetics from Bangladesh as per the Drugs and Cosmetics Rules 1945 of India. India only allows imports of cosmetics goods through Agartala, Sutarkandi and Old Ragna LCS. Moreover, soap is considered as a cosmetic product. However, according to the HS (Harmonized Commodity Description and Coding System) classification soap items are not considered as cosmetics product. Allowing exporters to use other ports would be a good measure to address the port restriction issue as regards soap; in addition, following the international HS code nomenclature will address the issue related to classification of soap.

Distribution restriction is mainly levied on copper items imported to India. Indian counterpart of Bangladeshi exporter (Indian importer) has the sole authority to distribute the goods in the Indian market. Exporters of Bangladesh considered this type of distributional restriction as a measure to discourage Bangladeshi copper products in India.

[58]CVD was highest among other charges (10 per cent), while the others are charged at a nominal rate.

As was noted, an effective way to resolve all the disputes related to SPS/TBT was to sign an MRA so that all the testing, certification and licensing are harmonised and standardised for both the countries. Given the importance of the issue, both countries should address the matter through the Joint Working Group on Trade and Customs in a time-bound manner. It was also mentioned earlier that an MoU between BSTI and BIS has already been signed. However, specific measures should be taken to establish common standards, procedures and certification.

4.4 Cumbersome Export Procedures and Documentation

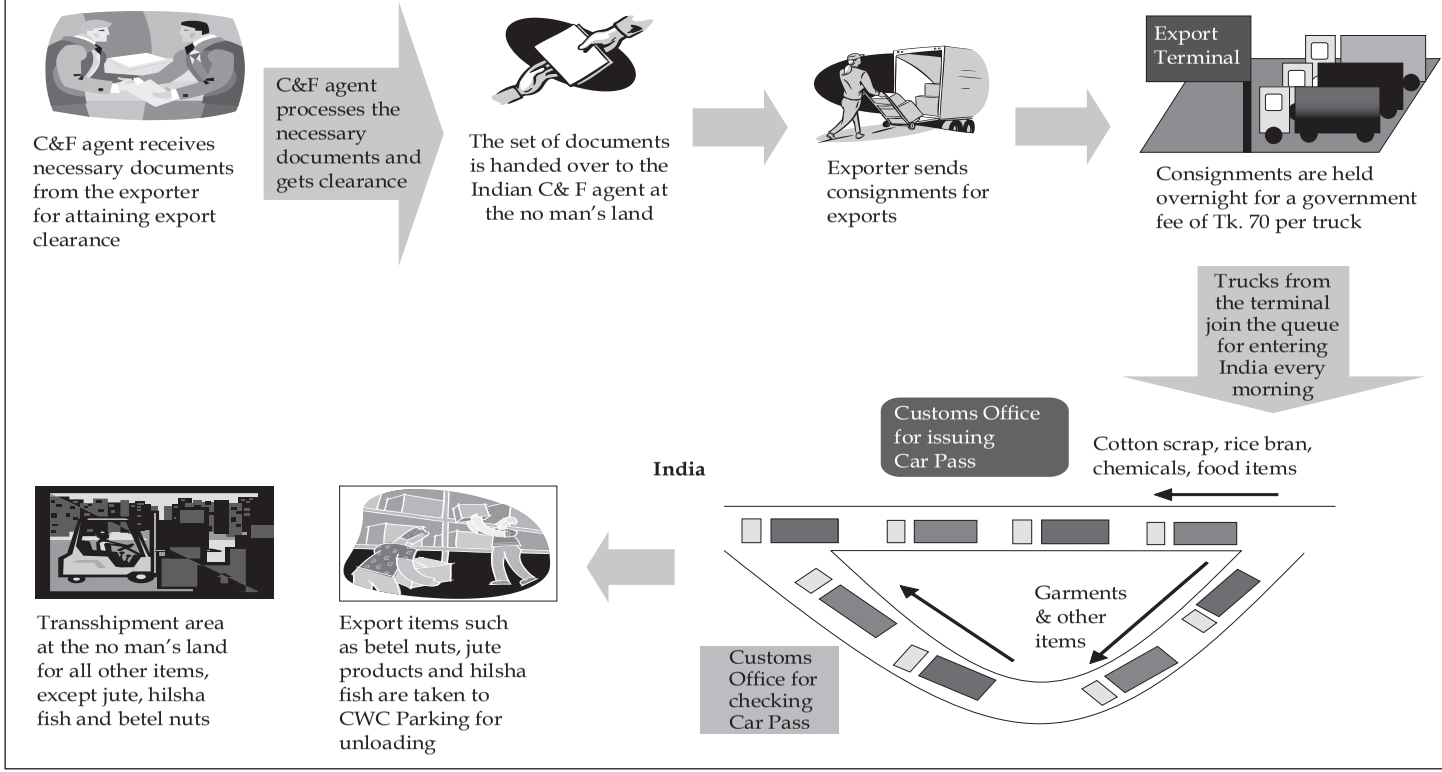
Export process involving Bangladesh and India represents a cumbersome and lengthy documentation process which involves about 16 documents and 38 signatures from different authorities and stakeholders. The entire process of collecting and submitting documents with several signatures requires a significant amount of time and discourages exporters.

Exporters in Bangladesh initially finalise the sales contract with importers from India and collect all export-related documents including SAFTA Certificate, Certificate of Origin, Phytosanitary Certificate and Value Added Tax (VAT) Certificate from several organisations. Exporters prepare these documents and provide to the C&F agent. The C&F agent then takes all the documents to the Bangladesh Customs office at the port to complete the formalities. Then these documents are handed over to the Indian C&F agent. One set of documents is kept with the Indian Customs, while another set is returned to the Bangladeshi C&F agent at the no man's land. Flow Chart 3 demonstrates the export process.

Documents involving the export process include Export (EXP) Form, Certificate of Origin, VAT Receipt, Invoice, Packing List, Bill of Exchange, Sales Contract Letter, Letter of Credit, Certificate of Origin (SAFTA), Test Report, Bill of Entry, Assessment Notice or *Challan*, Release Order and Car Pass. Exporters need to collect those documents from several offices that include EPB, chamber of commerce and banks, and submit those documents for signature and approval before customs and other government agencies.[59] Table 13 shows the number of documents and signatures needed for exporting to the Indian market. It is important to remember that exporters need to submit one original copy of the document along with the several photocopies of the original document.

[59]It is also important to mention that exporters need several other additional papers to collect a form or certificate. For example, they need to submit 7-8 forms, which include Sales Contract, Commercial Invoice, Packing and Weight List, and Truck Receipt, to collect the SAFTA Certificate from the EPB (see Annex 6).

Flow Chart 3: Cumbersome Export Procedures Involving Bangladesh's Export to India



Source: Field Survey (2014).

Table 13: Number of Documents and Signatures Required to Export to India

Srl.	Document	No. of Signatures	No. of Copies	Authority
1	EXP Form	3	3	EPB
2	Commercial Invoice	1	14	Exporter
3	Packing List	1	14	Exporter
4	Sales Contract Letter	2	1	Exporter
5	Letter of Credit	3	1	Exporter's bank
6	VAT Receipt	1	4	Customs Office, Dhaka
7	Bill of Exchange/Truck Receipt	2	10	Transporting agency
8	Certificate of Origin (SAFTA)	5	11	EPB
9	Phytosanitary Certificate	1	10	DAE
10	Certificate of Origin	2	11	Chamber of Commerce and Industry
11	Test Report	3	1	Testing Laboratory
12	Bill of Entry	2	3	Customs Office, Benapole
13	*Challan*/Assessment Notice	3	10	Customs House, Benapole
14	Release Order	1	2	Revenue officer at Sonali Bank
15	Car Pass	7	1	Customs House, Benapole
16	Bill of Entry	1	4	Customs Office, Petrapole
Total		**38**	**100**	

Source: Field Survey (2014).

As is seen from the above Table, documents have to be processed and collected from not one single point or office, but from a diverse range of organisations and bodies. Table 14 gives a comparison of the number of

Table 14: Documents Required for Bangladesh's Export to India and the EU

Srl.	Document	India	EU
1	EXP Form	3	4
2	Sales Contract	1	1
3	Commercial Invoice	14	5
4	Packing List	14	5
5	Certificate of Origin	11	2
6	SAFTA/GSP	11	1
7	Telegraphic Transaction/Letter of Credit	1	1
8	Assessment Notice (Truck *Challan*)	10	3

Source: Field Survey (2014).

documents required for export from Bangladesh to India and the EU. It can be seen that number of documents needed to export to the Indian market is considerably higher as opposed to the EU market.[60] Exporters informed that they need 14 copies (one original and 13 photocopies) of commercial invoice for the Indian market compared to only five copies for the EU. World Bank (2014) noted that it takes eight days to collect relevant documents; collecting and submitting documents costs about USD 400.

To increase export in the Indian market and facilitate trade between Bangladesh and India, number of required documents and signatures should be reduced through discussion and consultation. This will reduce hassles faced by the exporters and will save time. Moreover, the concerning agencies including EPB, BSTI, Agricultural Division for SPS certification should have electronic systems in place so that exporters and C&F agents can complete the formalities electronically. Number of copies required to export to India should also be brought down to reasonable international standards.

[60]Some extra documents such as Bill of Entry, Car Pass and Release Order are needed to export to India, which are not required to export in the EU. It is to be noted here that, only major documents have been taken into account; documents related to port have been excluded from the counting.

CHAPTER 5

SUMMARY OF FINDINGS AND CONCLUDING REMARKS

In the preceding chapters, an attempt has been made to identify major trade facilitation-related challenges that inhibit realisation of the potential opportunities emerging from the duty-free market access offer of India to Bangladesh. It has been argued in the monograph that if trade facilitation-related bottlenecks could be adequately addressed, this would lead to significant reduction in lead-time, resulting into cost reduction, and will raise Bangladesh's competitiveness, and hence export in the Indian market.

Trade facilitation measures which were found to be of key importance in the course of the study have been captured in Annex 7. Some of the major initiatives concerned the followings: (a) introduction of Single Window facilities and establishment of automated systems for cargo processing on both sides; (b) building of dedicated bypass roads to reduce congestion at LCS with designated clearance facilities for specified major items; (c) expansion of areas at LCS, with appropriate parking and warehousing facilities and loading-unloading facilities in the no man's land area; (d) establishment of testing facilities at major borders; (e) standardisation and harmonisation of customs procedures; (f) signing of MRAs with commensurate strengthening of BSTI; (g) coordination of developments at the LCS on both sides of the border; and (h) taking advantage of PPPs to develop the LCS.

As was noted in the monograph, 90 per cent of Bangladesh-India trade takes place through 33 land ports, with the majority of trade taking place through Benapole, Banglabandha, Akhaura, Bhomra, Tamabil, Sheola

and Burimari land ports. Weak infrastructure and lack of connectivity between Bangladesh and India work as a major hindrance in increasing Bangladesh's export in the Indian market. It was found in the course of the study that underdeveloped roads, absence of rail connectivity, poor state of linkages between roads and land ports slow traffic movement, and consequently leads to significant delays and cost escalation for traders. This undermines Bangladesh's export competitiveness in the Indian market, and also raises costs of imports, which in turn harm the interests of consumers, producers and importers of intermediate inputs for domestic and export-oriented industries. Lack of customs automation and harmonisation of customs rules, weak customs administration, lack of warehouses, cumbersome loading-unloading process, deployment of manual labour and infrastructural inadequacies at the port continue to remain as major bottlenecks. Customs clearance procedures remain cumbersome as well. Collecting and issuing export-related documents are lengthy and in serious need of automation. Non-tariff issues such as SPS measures in the form of testing and certification requirements, packaging and labelling requirements and restriction on use of food additives were found to be critical bottlenecks that needed to be addressed. Certifications and registration, port restriction, post-sales service restrictions, distribution restrictions and countervailing duties have remained as major concerns for Bangladeshi exporters to India. In some cases the relevant requirements are more cumbersome when compared to Bangladesh's trade with other countries.

Addressing the challenges identified in the course of the study and the field survey that informed the findings called for specific, dedicated and well-focused policy initiatives on a number of fronts. Complex documentation procedure needs to be significantly simplified to reduce cost and bring down delays. The number of signatures required on each document should be brought down to a minimum; standard international procedures should be followed in this regard. Roads connecting the land ports should be developed to facilitate movement of goods and cargos. The axle-limit of important road routes connecting land ports need to be enhanced. A number of new national highways should be given priority in this respect. This is also true for connectivity with the North-East Indian region. The potential opportunities of establishing rail links should be fully explored.

Increased exports in the Indian market will require significant reforms and modernisation of the customs. The infrastructure in place will need to be significantly improved. Implementation of the ASYCUDA

system, and automation and harmonisation of the customs procedures should be given highest priority so that customs process and clearance could become faster and easier for traders. Use of modern equipments for loading-unloading and scanning, introduction of green channels and development of container handling facilities are needed. Training of the customs officials to deal with customs rules and regulations is necessary. Modernisation and upgradation of port facilities have become an issue of urgency. Software infrastructures at the port need significant improvement. Parking space for the consignment, banking facilities and communication facilities are to be significantly improved. Additional warehouses should be built with proper storage facilities with safety and security measures in place. In this connection, PPP appears to be the way forward. Another important step towards trade facilitation, found to be of immense benefit in other regions, concerns putting in place a Single Window system. Such a system would significantly reduce the hassle faced by traders, and would lessen trade transaction costs, and accelerate movement of goods. Submission of documents electronically should be the norm of doing business at the port.

SPS-related testing and certification requirements can be solved through MRA between BSTI and BIS. Towards this, modernisation and strengthening of BSTI should be given highest priority. Support provided by the Indian Government to strengthen BSTI, as part of USD 1 billion Line of Credit, should be made best use of in this regard. Establishment of SARSO in Dhaka should also be helpful. Licensing, testing and certification issues need to be harmonised and standardised. Bangladesh Government should set up an appropriate body to provide health certificate for food items to support the export of agro-processed and other food items to India, particularly to the North-East Indian market. Disputes over the accreditation and other formalities can be addressed through the Joint Working Group of Trade between the two countries; however, a Dispute Settlement Mechanism, as in place in ASEAN, can also be thought of. The opportunity of Indian investment in Bangladesh, targeting the Indian market, taking advantage of the DF-QF market offer, will critically hinge on addressing trade facilitation-related bottlenecks identified by the study.

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Annex

TABLES AND PICTURES

Annex 1: Export Dynamics of Bangladesh in the Indian Market: FY2002-03 to FY2012-13

(Million USD)

Top 10 Products	FY2003		FY2008		FY2013	
	Total Export	Share (%)	Total Export	Share (%)	Total Export	Share (%)
53: Vegetable textile fibres, nes, paper yarn, woven fabric	36	42.81	76	21.12	134	23.74
63: Other made textile articles, sets, worn clothing etc	0	0.00	6	1.65	78	13.86
08: Edible fruit, nuts, peel of citrus fruit, melons	3	3.55	16	4.38	68	11.98
62: Articles of apparel, accessories, not knit or crochet	4	4.58	4	1.14	61	10.79
52: Cotton	0	0.16	2	0.59	26	4.58
74: Copper and articles thereof	0	0.00	4	1.21	25	4.37
27: Mineral fuels, oils, distillation products, etc.	5	6.14	36	9.99	19	3.37
23: Residues, wastes of food industry, animal fodder	0	0.00	0	0.00	16	2.90
85: Railway, tramway locomotives, rolling stock, equipment	0	0.00	2	0.60	14	2.56
61: Articles of apparel, accessories, knit or crochet	0	0.03	1	0.25	14	2.54

Source: EPB (2014a and 2014c).

Annex 2: Share of Indian FDI Stock in Bangladesh: 2000-2013

(Million USD)

Period	Indian FDI Stock	Total Stock (World)	Share (%)
2000	11	2162	0.5
2001	13	2202	0.6
2002	12	2451	0.5
2003	14	2876	0.5
2004	19	3091	0.6
2005	20	3537	0.6
2006	27	4187	0.6
2007	34	4399	0.8
2008	45	4816	0.9
2009	60	5279	1.1
2010	127	6072	2.1
2011	166	6166	2.7
2012	209	7750	2.7
2012 (June end)	176	6251	2.8
2013 (June end)	202	8363	2.4

Source: Bangladesh Bank (2014b).

Annex 3: Key Trade Facilitation Areas of Concern: Major Findings of the Survey

Srl.	Key Trade Facilitation Areas and Related Concerns
1.	**Infrastructure-related Bottlenecks**
i.	Adverse road condition and lack of space for transshipment
ii.	Underdeveloped roads
iii.	Weak infrastructure for railways
2.	**Inadequate Customs and Port Facilities**
i.	Cumbersome customs procedures and lack of customs automation
ii.	Absence of Single Window
iii.	LCS-based bilateral trade
iv.	Lack of warehousing facilities
v.	Lack of adequate and skilled human resource
3.	**Non-Tariff Barriers**
i.	Testing and certification requirements
ii.	Registration and licensing requirements
iii.	Packaging and labelling requirements
iv.	Restriction on use of food additives and post-sales service
v	Customs surcharges and duties
vi.	Port restrictions and distributive restrictions
4.	**Cumbersome Export Procedures and Documentation**

Source: Field Survey (2014).

Annex 4: Major Roads Linked with the Land Ports in Bangladesh

Port	District	Route	Road No.	Classification of Road
Benapole	Jessore	Dhaka-Magura-Jessore-Benapole	N7, N702, N706	National Highway
Akhaura	Brahman-baria	Dhaka-Kanchpur-Sarail-Brahmanbaria-Akhaura	N1, N2, N102, R120	National Highway (R120-Regional Highway)
Tamabil	Sylhet	Dhaka-Tamabil (Jaflong)	N2	National Highway
Burimari	Lalmonirhat	Dhaka-Lalmonirhat-Burimari	N5, N509	National Highway
Sonamasjid	Chapai-nawabganj	Dhaka-Joydebpur-Elenga-Hatikamrul-Banpara-Rajshahi-Chapainawabganj-Sonamasjid	N3, N4, N405, N507, N6, R680, Z6801	National Highway (R680-Regional Highway, Z6801-District Road)
Nakugaon	Sherpur	Dhaka-Mymensingh-Shombhuganj-Nakugaon	N3, R370, R371	National Highway (R370 & R371-Regional Highway)
Sheola	Moulovibazar	Dhaka-Mirpur Bazar-Kulaura-Sheola	N2, N207, R281	National Highway (R281-Regional Highway)

Source: Compiled by the authors.

Annex 5: Trading Cost across Borders in Bangladesh and India: 2014

Indicator	Bangladesh	India	OECD	South Asia
Documents to export (number)	6	9	4	8
Time to export (days)	25	16	11	33
Cost to export (USD per container)	1075	1170	1070	1737
Documents to import (number)	8	11	4	10
Time to import (days)	35	20	10	94
Cost to import (USD per container)	1470	1250	1090	1968

Source: World Bank (2014).

Note: OECD: Organisation for Economic Co-operation and Development.

Annex 6: Additional Documents Required to Export to India

Major Documents	Additional Documents	No. of Copies	Issuing Authority
SAFTA/SAPTA Certificate	1. Sales Contract	1 (Attested)	Export Promotion Bureau (EPB)
	2. Commercial Invoice	1 (Original)	
	3. Packing & Weight List	1 (Original)	
	4. Undertaking for wrong information (on official pad)	1 (Original)	
	5. Truck Receipt	1 (Original)	
	6. Bill of Lading	1 (Attested)	
	7. Costing Break Up	1 (Original)	
	8. Export Registration Certificate	1 (Attested)	
Certificate of Origin	1. Sales Contract	1 (Bank Attested Photocopy)	Chamber of Commerce and Industries/Trade Associations
	2. Commercial Invoice	1 (Bank Attested Photocopy)	
	3. Packing & Weight List	1 (Bank Attested Photocopy)	
	4. Bill of Lading/Truck Receipt	1 (Bank Attested Photocopy)	
Phytosanitary Certificate	1. Application in DAE's format	1 (Photocopy)	Department of Agricultural Extension (DAE), Ministry of Agriculture
	2. Sales Contract	1 (Photocopy)	
	3. Commercial Invoice	1 (Photocopy)	
	4. *Challan* (from Sonali Bank/Bangladesh Bank)	1 (Photocopy)	
VAT Certificates (VAT 11 & VAT 20)	1. Sales Contract	1 (Bank Attested Photocopy)	Regional Office of Customs, Excise & VAT Division
	2. Commercial Invoice	3 (Photocopy)	
	3. Packing & Weight List	3 (Photocopy)	
	4. EXP Form	1 (Bank Attested Photocopy)	

Source: Field Survey (2014).

Annex 7: Trade Facilitation-related Recommendations to Enhance Bilateral Trade between Bangladesh and India

Trade Facilitation Area	Recommendations	Implementing Authority
1. Infrastructure-related Bottlenecks		
i. Adverse road condition and lack of space for transshipment	• Develop roads from Benapole Port to no man's land • Allow all products unloading at CWC (Central Warehousing Corporation) Parking area in India	• Bangladesh Land Port Authority • Indian Customs, Petrapole
ii. Underdeveloped roads	• Proper maintenance and refurbishment for Jessore-Benapole road and other important trade routes such as Lalmonirhat-Burimari and Akhaura-Agartala, etc.	• Roads and Highways Department
iii. Weak infrastructure for railways	• A rail link from Akhaura to Agratala would benefit both Bangladesh and India considerably • Agreement for railway corridors between the two countries	• Bangladesh Railway • Indian Railway authority
2. Inadequate Customs and Port Facilities		
i. Cumbersome customs procedure and lack of customs automation	• Establish ASYCUDA system in all major ports • Bangladesh Government should initiate the Single Window system • A Customs Cooperation Agreement between these countries on information and data exchange, harmonisation of HS code and interpretation	• Customs House • NBR • Customs authorities in both countries
ii. Lack of warehousing facilities	• Several warehouses and sheds need to be built in the Indian and Bangladesh side • PPP will be helpful to establish warehouses	• Bangladesh Land Port Authority, customs authorities
iii. Human resource development	• Use of cranes, forklifts, forklift trucks instead of human labour • Training of customs officials • Customs cooperation between two countries is needed to reduce the timing gap	• Customs authorities in both countries • Bangladesh Land Port Authority

(Annex 7 contd.)

(Annex 7 contd.)

Trade Facilitation Area	Recommendations	Implementing Authority
3. Non-Tariff Barriers		
i. Testing and certification requirements, registration and licensing requirements, port restrictions, and distributive restrictions	• MRA between Bangladesh and India is needed to reduce the complexity of testing, registration and certification requirements • Establish a separate Dispute Settlement Mechanism (à la ASEAN) to deal with disputes regarding NTBs will be needed • Discrepancies in the test results should be addressed at the Bangladesh-India Joint Working Group on Trade meetings • Capacity of BSTI should be strengthened	• BSTI and BIS • Joint working Group on Trade and Customs
4. Cumbersome Export Procedures and Documentation		
i. Cumbersome export procedures and documentation	• Number of required documents and signatures should be lowered • EPB, BSTI, Agriculture Division should introduce electronic systems • Number of photocopies of the required documents should also be brought down • Allowing electronic submission is also needed	• Customs authorities in both countries • EPB, BSTI

Source: Field Survey (2014).

Annex 8: State of Benapole-Petrapole Port

Picture 1: Export Terminal in the Benapole Port

Description: This is the export terminal where trucks queue up before getting the clearance to enter the no man's land for transshipment. It can hold up to 250 trucks at a time.

Picture 2: Warehouses on the Bangladesh Side

Description: The warehouses on the Bangladeshi side are in poor condition and in need of much improvement. Goods are left out in the open at the warehouse premises due to insufficient space inside.

Picture 3: Long Queue at the Benapole Port to Enter No Man's Land Area

Description: Heavily laden trucks of export items queue up in the approach road leading to India. Sometimes in the busy season this line can stretch up to a few kilometres.

Picture 4: Poor Road Quality

Description: This is the point where the two parallel roads merge into one to enter the no man's land area. However, as is evident from the picture, the condition of the roads is very poor due to lack of maintenance.

Picture 5: Poor Condition of the Rail Line Passing through Connecting Roads

Description: The road intersects a rail line at one point which is in a poor condition as well.

Picture 6: Car Pass Office

Description: The photo above is of the Car Pass office just before the Indian gate where the truck drivers of Bangladesh pay the Car Pass fee and can go into the Indian side for transshipment.

Picture 7: Underdeveloped Port Area

Description: The two parallel roads leading to the no man's land area are underdeveloped; the port area as a whole lacks proper facilities for the truck drivers and other workers. Street-side restaurants and eating places have sprung up for them in such a condition.

Picture 8: No Man's Land

Description: This is the no man's land area where Bangladeshi export trucks are unloaded. The area is rather small (0.2 hectares), and can only unload about 20-25 trucks at a time.

Picture 9: Manual Transshipment in No Man's Land Area

Description: The trucks are unloaded manually at the no man's land; so it is very much dependent on availability of labour. The process takes place in the open area, exposing the goods to sun and rain.

Picture 10: Integrated Check Post in India

Description: This is the under-construction Integrated Check Post (ICP) area in the Indian side. The ICP is designed to have all the necessary facilities for easing the trade process between India and Bangladesh such as testing centres, green belt, bigger unloading area, etc. in a single compound.

The opportunities and potential benefits that could emerge from deepening bilateral trade and investment and economy-wide cooperation between Bangladesh and India are undermined, to a large measure, by significant deficits in the areas of cross-border trade facilitation. This has emerged as a binding constraint that is adversely affecting the ongoing efforts on the part of Bangladesh to take advantage of India's offer of duty-free, quota-free market access for virtually all products of exports for the SAARC-LDCs. The sorry state of bilateral trade facilitation results in significant cost escalation, high lead-time and erosion of competitive advantage of Bangladesh's entrepreneurs and business people. Investment targeting the growing Indian market is discouraged and entrepreneurs searching for market entry in India are frustrated. The present study, based on extensive field-level survey and drawing on insights from key stakeholders, has carried out an in-depth investigation into four major areas of trade facilitation that impede bilateral trade between Bangladesh and India. These concern: a) infrastructure-related bottlenecks; b) inadequate customs and port facilities; c) non-tariff barriers; and d) cumbersome export procedures and documentation. The study identifies a number of practical solutions which could help transform the land customs stations through which about 90 per cent of the bilateral trade takes place from 'control points to crossing points'. Some of the proposed measures include signing of Mutual Recognition Agreements, electronic data exchange, setting up of 'Single Window', standardisation and harmonisation of operating protocols, reducing paper works and documentation, building integrated customs stations, and introduction of green channels and fast lanes. The study argues that, raising efficacy of trade facilitation measures will stimulate development of bilateral, sub-regional and regional value chains, and will strengthen regional and global integration of the economies of the two countries. Resource spent to address the attendant gaps will pay high dividends in terms of efficiency and welfare gains which will benefit key stakeholders on both sides of the border. The study argues that better trade facilitation will stimulate domestic and foreign investment in Bangladesh targeting the Indian market and will enable them to take greater advantage of the preferential market access offer extended by India.

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