TOWARDS REGIONAL INTEGRATION IN SOUTH ASIA

Promoting Trade Facilitation and Connectivity

Edited by

Mustafizur Rahman

CENTRE FOR POLICY DIALOGUE (CPD)
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Preface

The three chapters in the present compendium address a number of issues that are critical to deepening cooperation and integration among the countries of South Asia. These relate to promoting trade facilitation, eliminating non-tariff barriers to trade and strengthening transport linkages. Indeed, together, these are central to addressing the key challenge of strengthening connectivity in South Asia in all its dimensions: Trade Connectivity, Investment Connectivity, Transport Connectivity and People to People Connectivity. A common thread stitches all the papers in this volume – they address the challenges of strengthening economic cooperation and integration in South Asia from the particular vantage point of Bangladesh.

Whilst in recent years SAARC policymakers have taken a number of important decisions to enhance market access, facilitate trade and promote movement of goods in the region, formidable bottlenecks continue to undermine the possibilities of realising the full potentials of such initiatives. In this backdrop, the volume has put forward a number of concrete proposals to overcome the challenges of broadening and deepening regional integration in South Asia. These proposals are based on evidence and knowledge generated through analyses of data, field-level investigations (conducted in Bangladesh and India) and wide-ranging consultations and perception surveys involving all key stakeholders. The proposals include a framework SPS Agreement to deal with non-tariff barriers to trade with India, border measures and infrastructure that need to be put in place to reduce trade transaction costs, and modalities of operationalising the recently signed sub-regional Motor Vehicle Agreement (MVA) by drawing on insights and experiences of global best practices

The articles in this compendium are based on studies undertaken by CPD over the recent past, which focus on concrete steps to deepen economic integration in South Asia at bilateral, sub-regional and regional levels. The first chapter titled *Trade and Transport Facilitation in Bangladesh: An Audit of the State of Play* was part of a regional study titled "Trade and Transport Facilitation in South Asia: Bangladesh Country Report," undertaken in partnership with South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu, Nepal, with support from the Department of Foreign Affairs and Trade (DFAT), Australia. The Bangladesh country report was prepared by CPD; other countries included in this regional study were India, Nepal, Pakistan and Sri Lanka. This study was initially published as a CPD Working Paper (No. 110) in April 2015. The other two studies included in the volume *Addressing Sanitary and Phytosanitary Concerns in Bangladesh-India Trade: Framework for an Agreement* and *Trade Facilitation in South Asia through Transport Connectivity: Operationalising the Motor Vehicle Agreements* were conducted by CPD with generous support extended by the US Embassy in Bangladesh.

One may recall that, in its report to the SAARC leadership, the Group of Eminent Persons set up at the 9th SAARC Summit in 1997, had put forward the vision of a South Asia moving towards a South Asian Economic Union by the year 2020. Regrettably, South Asian history has not lived up to the expectations of these visionaries. However, this is not to say that there has not been any notable progress in terms of deepening cooperation in the region. A large number of initiatives have indeed been put in place towards this at bilateral, sub-regional and regional levels, through SAARC and other avenues: preferential market access has been further enhanced through establishment of a free trade area in the region (SAFTA); sensitive lists are being gradually reduced; preferential market access for services is being discussed in SATIS (SAARC Agreement on Trade in Services) negotiations; India has offered unilateral duty-free access for virtually all goods exported by the SAARC LDCs; a sub-regional MVA (with the participation of Bangladesh, Bhutan, India and Nepal – the BBIN MVA) has been signed and a regional MVA (SAARC MVA) is expected to be inked in the near-term future; initiatives have been taken to stimulate investment cooperation among SAARC members; a SAARC Development Fund has been set up; and a large number of centres and fora have been established to broaden cooperation among professionals and organisations of the eight SAARC member countries.

In spite of the above, and despite some progress in selected areas, overall, cooperation and integration in SAARC continue to remain weak and subdued. A major reason for this is that, whilst at policy level many initiatives have been put in place, much remains to be done at the level of operationalisation and implementation. In view of this, the present volume addresses three key issues from the distinctive perspective of implementation: how trade facilitation can help ensure that borders are not control points but crossing points, how non-tariff barriers can be tackled through win-win measures and how best to operationalise the MVAs.

The first chapter identifies the bottlenecks and delays faced by traders on account of complex documentation, difficulties in moving goods across borders, absence of facilities to exchange data and information, lack of standardisation, weak harmonisation of customs practices and inadequate human resources. The study has put forward concrete suggestions for operationalising a 'Single Window' at the border customs stations and identified the hardware, software and human ware needs to set it up.

The second chapter addresses the most oft-complained issues of non-tariff barriers in the form of SPS-TBT that significantly limit the potentialities of Bangladesh-India bilateral trade. Whilst the diagnostics of this problematic has been carried out in an extensive way, the prescriptive part has tended to remain rather inadequately addressed. In this backdrop, the study proposes the signing of a bilateral SPS Agreement with a Mutual Recognition Agreement (MRA) at its core. The framework SPS Agreement that has been put forward draws on global best practices and includes key elements that must inform such an Agreement.

The third chapter deals with issues of operationalisation of the recently signed MVA among four countries: Bangladesh, Bhutan, India and Nepal. Here also, based on an extensive examination of global best practices, concrete suggestions have been put forward as regards standard operating procedures that will need to be put in place to implement the BBIN MVA as also the needed institutional architecture, charges and fees and financial arrangements, and the required investment for operationalising the MVA.

It may be noted here that, the issues which are dealt with in this volume are very much linked with, and indeed are in continuation of, the research, policy influencing and outreach activities that CPD has carried out since its establishment in 1993. A major focus of CPD's activities

over all these years has been to advance the interests of South Asian cooperation and integration in areas ranging from trade, connectivity and investment to energy and water, climate change, tourism, security and other areas. CPD and the South Asia Centre for Policy Studies (SACEPS) which it hosted for several early years, have always been at the forefront of mobilising public opinion in support of mutually benefitting solutions to address the cause of South Asian integration. The present volume is, thus, also a testimony to CPD's commitment to strengthen regional and sub-regional integration in SAARC and Southern Asia.

The present volume has made a modest attempt at taking the South Asian regional integration discourse further and forward by getting into the relatively less addressed areas of implementation and operationalisation of policies and initiatives. It is hoped that the insights and suggestions presented in the volume will be found useful by both experts and policymakers. It is also hoped that the broader audience of readership who are keen to have an informed understanding about the challenges and opportunities of deeper integration in South Asia will find this volume useful and interesting.

Dhaka
November 2015

Mustafizur Rahman
Executive Director
Centre for Policy Dialogue (CPD)

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The authors would like to take this opportunity to register their sincere gratitude to *Professor Rehman Sobhan*, Chairman, CPD, whose pioneering works, intellectual leadership and unwavering commitment to promoting South Asian identity and advancing regional cooperation in South Asia have always been an inspiration to all of us. This is also an opportunity to recall our debt of gratitude to late *Dr M Rahmatullah* who during his association with CPD had carried out important works to strengthen transport connectivity in South and Southern Asia.

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Acronyms

ADB	Asian Development Bank
ADP	Annual Development Programme
AFAFIST	ASEAN Framework Agreement on the Facilitation of Inter-State Transport
AH	Asian Highway
AIIB	Asian Infrastructure Investment Bank
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
ASSOCHAM	Associated Chambers of Commerce and Industry of India
ASYCUDA	Automated System for Customs Data
BAB	Bangladesh Accreditation Board
BBIN	Bangladesh, Bhutan, India and Nepal (Network)
BCA	Bilateral Cooperation Agreement
BCIM	Bangladesh-China-India-Myanmar (Forum for Regional Cooperation)
BCSIR	Bangladesh Council of Scientific and Industrial Research
BDXDP	Bangladesh Export Diversification Project
BFTA	Bilateral Free Trade Agreement
BFTI	Bangladesh Foreign Trade Institute
BGB	Border Guard Bangladesh
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIS	Bureau of Indian Standards
BIWTA	Bangladesh Inland Water Transport Authority
BLPA	Bangladesh Land Port Authority
BOT	Build-Operate-Transfer

BRICS	Brazil, Russia, India, China and South Africa (Association)
BRTA	Bangladesh Road Transport Authority
BSF	Border Security Force (India)
BSTI	Bangladesh Standards and Testing Institution
CBMP	Coordinated Border Management Plan
CBTA	Cross-Border Road Transport Agreement
CCCI	Chittagong Chamber of Commerce and Industry
CCH	Chittagong Customs House
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreement
CFL	Central Food Laboratory (India)
CII	Confederation of Indian Industry
CPD	Centre for Policy Dialogue
C&F	Clearing and Forwarding
DAE	Department of Agricultural Extension (Bangladesh)
DCCI	Dhaka Chamber of Commerce and Industry
DCH	Dhaka Customs House
DF-QF	Duty-Free Quota-Free
DG	Director General
DSM	Dispute Settlement Mechanism
DTF	Distance to Frontier
D-8	Development Eight
EAC	East African Community
EDI	Electronic Data Interchange
EIA	Export Inspection Agency (India)
EPB	Export Promotion Bureau (Bangladesh)
ETI	Enabling Trade Index
EU	European Union
FBCCI	Federation of Bangladesh Chambers of Commerce and Industry
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FICCI	Federation of Indian Chambers of Commerce and Industry
FSSAI	Food Safety and Standards Authority of India
FTA	Free Trade Area
f.o.b	Free-on-Board
GATS	General Agreement on Trade in Services

GDP	Gross Domestic Product
GEF	Global Environment Facility
GMS	Great Mekong Sub-region
GoB	Government of Bangladesh
GSP	Generalized System of Preferences
HS	Harmonized Commodity Description and Coding System
IBCCI	India-Bangladesh Chamber of Commerce and Industry
ICD	Inland Container Depot
ICP	Integrated Check Post (India)
IDA	International Development Association
IDCOL	Infrastructure Development Company Ltd. (Bangladesh)
IEC	International Electrotechnical Commission
IGGT	Inter-Governmental Group on Transport
IOR-ARC	Indian Ocean Rim – Association for Regional Cooperation
IPPC	International Plant Protection Convention
ISO	International Organization for Standardization
IT	Information Technology
IWT	Inland Water Transport
JCC	Joint Consultative Commission
JDCF	Japan Debt Cancellation Fund
JGC	Joint Group of Customs Officials
JLTFC	Joint Land Transport Facilitation Committee
JRC	Joint Rivers Commission
JWG	Joint Working Group
LCS	Land Customs Station
LDC	Least Developed Country
LLC	Landlocked Country
LoC	Line of Credit
LPI	Logistics Performance Index
MCCI	Metropolitan Chamber of Commerce and Industry (Bangladesh)
MFN	Most Favoured Nations
MoU	Memorandum of Understanding
MRA	Mutual Recognition Agreement
MRL	Maximum Residue Level
MVA	Motor Vehicle Agreement

NABL	National Accreditation Board for Testing and Calibration Laboratories (India)
NAFTA	North American Free Trade Arrangement
NBR	National Board of Revenue (Bangladesh)
NDB	New Development Bank
nes	nowhere else specified
NLTFC	National Land Transport Facilitation Committee
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
NTTCB	National Transit Transport Coordinating Board
OECD	Organisation for Economic Co-operation and Development
OIC	Organisation of Islamic Cooperation
OIE	Organisation for Animal Health
OPEC	Organization of the Petroleum Exporting Countries
PIWTT	Protocol on the Inland Water Transit and Trade
PPIDF	Public-Private Infrastructure Development Facility
PPP	Public-Private Partnership
PSI	Pre-Shipment Inspection
PTA	Preferential Trade Agreement
PUC	Pollution Under Control (Certificate)
RDPP	Revised Development Project Proposal
RHD	Roads and Highways Department (Bangladesh)
RJSC	Registrar of Joint Stock Companies and Firms (Bangladesh)
RMG	Readymade Garments
RTA	Regional Trade Agreement
RTHD	Road Transport and Highways Division (Bangladesh)
RTTA	Road Transport and Traffic Act (Bangladesh)
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SAFTA	South Asian Free Trade Area
SAPTA	SAARC Preferential Trading Arrangement
SARSO	South Asian Regional Standards Organisation
SASEC	South Asia Subregional Economic Cooperation
SATIS	SAARC Agreement on Trade in Services
SEZ	Special Economic Zone
SLSI	Sri Lanka Standards Institution
SOP	Standard Operating Procedure

SPHL	State Public Health Laboratory (India)
SPS	Sanitary and Phytosanitary
SRMTS	SAARC Regional Multimodal Transport Study
STC	Sectoral Technical Committee
TBT	Technical Barrier to Trade
TEU	Twenty-Foot Equivalent Unit
TFIC	Trade Facilitation Impact Calculator
ToR	Terms of Reference
TPN	Trade Promotion Network
TPS	Trade Preferential System
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value Added Tax
WCO	World Customs Organization
WEF	World Economic Forum
WTO	World Trade Organization

1

Trade and Transport Facilitation in Bangladesh
An Audit of the State of Play

Mustafizur Rahman
Khaleda Akhter
Naimul Gani Saif

1.1 Introduction

Trade facilitation is gaining increasing importance as a key driver in unlocking the potential gains that could originate from the international trade. There is a wide acceptance of the idea that trade facilitation reduces cost of doing business significantly, and the attendant measures benefit all involved stakeholders including consumers, producers, exporters and importers. In the recent past, several initiatives have been put in place in Bangladesh towards better trade facilitation. These related to customs reforms, reductions in export-import documentation, introduction of pre-shipment inspection (PSI) system, introduction of better management practices in ports, adoption of the ASYCUDA++ (Automated System for Customs Data), and development of infrastructure at land customs stations (LCSs). Despite the progress achieved through these interventions, inefficiencies and lack of modern operational practices in ports and customs points act as major barriers to trade. These in turn deter the development of value and supply chains and cross-border production networks, and undermine the interests of regional and global integration of the Bangladesh economy.

Several studies have shown that Bangladesh has significant potentials of increasing her trade with South Asian countries if trade facilitation-related issues could be appropriately addressed. By using the Gravity Model, Hossain (2009) shows that Bangladesh was in a position to raise her exports within South Asia by three-folds if trade was facilitated through adequate initiatives. Rahman (2012) finds that trade facilitation-related weaknesses in the areas of customs procedures, standards and certification, and absence of the needed physical infrastructure at the border points are major bottlenecks that work against the interests of Bangladesh's competitiveness. Rahamatullah (2012) convincingly argues that collaboration in the area of transport connectivity will bring significant benefits to Bangladesh. Indeed, tariffs are coming down everywhere as a result of autonomous policies, global commitments and regional initiatives. In view of these, non-tariff matters, particularly those that relate to trade facilitations, have assumed heightened urgency and importance. Since a significantly high volume of Bangladesh's trade with South Asian countries is carried out through land ports, addressing trade-related infrastructure at the border points and ability to deal with sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs)-related issues are of particular importance to Bangladesh. Indeed, better trade facilitation will also open new windows for Bangladesh for closer trade cooperation with South-East and East Asian countries.

In view of the above, trade facilitation has come to occupy a central place in trade discourse in Bangladesh. Indeed, trade facilitation has been a key issue of discussion in the Bali Ministerial Conference of the World Trade Organization (WTO), held in December 2013. The Trade Facilitation Agreement negotiated in the Bali Ministerial obligates all WTO Members (including Bangladesh) to undertake the needed initiatives to address the deficits in this regard.

In this backdrop, it is reckoned that an audit of the state of affairs as regards trade facilitation is important for Bangladesh on three counts: (a) the audit would evince what are the major trade facilitation-related measures which are being undertaken in Bangladesh; (b) identify the gaps in trade facilitation in view of the emerging needs; (c) help promote the cause of undertaking the required investments towards better trade facilitation in Bangladesh.

The present study is based on secondary data and information generated through focus group discussions (FGDs), key informant interviews and selected field visits. Secondary information was collected

from various institutions and organisations including Bangladesh Bank, Export Promotion Bureau (EPB), National Board of Revenue (NBR), Ministry of Commerce and Ministry of Shipping. Quantitative data was accessed from datasets maintained by The World Bank and the Organisation for Economic Co-operation and Development (OECD).

Following this introduction, Section 1.2 of the chapter undertakes a review of relevant literature. Section 1.3 provides some background information and stylised facts about the growing importance of trade for the Bangladesh economy and the dynamics of trade flows within the South Asian region. Section 1.4 presents state of trade logistics in Bangladesh in a comparative setting. Section 1.5 presents key trade routes and corridors of Bangladesh in her trade with South Asian countries. Section 1.6 documents major ongoing activities related to trade facilitation including establishing road and rail links, land and sea ports development, modernisation of customs and strengthening of quality assurance capacities. Section 1.7 presents concluding remarks.

1.2 Literature Review

It is being increasingly recognised that in order to deepen regional integration and raise competitive strength of producers and enterprises in a fast globalising context, trade facilitation-related issues will need to be given priority attention. In the face of a secular decline in tariffs across the board, be it on an autonomous basis or as part of Regional Trade Agreement (RTA) obligations and multilateral commitments, trade facilitation-related issues have emerged as the next frontier which developing countries such as Bangladesh will need to tackle.

As is known, a wide range of activities, stakeholders and factors are involved in promoting the cause of trade facilitation. Core trade facilitation activities include customs procedures and transit arrangements, border and other infrastructure, publication, notification and documentation, and automation of customs and other border agency procedures. Several studies have indicated the high importance of trade and transport facilitation to realise the potential gains that could be accrued from preferential market access. Bhattacharya and Hossain (2006) have identified a number of trade facilitation measures that called for heightened attention of policymakers. These include customs administration modernisation, development of seaports, putting in place new trade-related infrastructure, and revision of documentation

procedures. The authors argue that whilst the sunk and operating costs to be incurred on account of the proposed trade facilitation measures were rather significant, the long-term gains from these will far outweigh the costs incurred. Khan (2004) notes the significance of trade facilitation for Bangladesh and underscores that trade facilitation measures such as withdrawal of licensing system and passbook entry, implementation of ASYCUDA, amendment in the Customs Act, initiation of the PSI, reducing the number of signatures for the clearance of export-import consignment have resulted in substantial gains for Bangladesh. Molla (2001), in analysing the customs reforms procedures in Bangladesh, observes that lack of transparency and overcomplex procedures were major obstacles to trade. Cai and Geddes (2003) argue that Bangladesh could face major challenges if she was to undertake commitments in the area of trade facilitation in the presence of an international agreement at any time in future. They note that even in absence of any trade facilitation obligation, Bangladesh and other least developed countries (LDCs) should continue with customs administration reforms and trade facilitation capacity building initiatives. These measures would raise export competitiveness of their producers and help in attracting foreign direct investment (FDI).

Wickramasinghe (2004) observes that cumbersome export-import procedures, onerous formalities, widespread corruption and higher transaction cost have made international trade complex and inefficient in South Asia. By using four factor scenarios (port efficiency, customs environment, domestic regulatory framework and services sector infrastructure), Wilson *et al.* (2004) have assessed the potential benefits of trade facilitation from global perspective. They find that improvement in port efficiency led to highest export promotion effect (37 per cent) for Bangladesh among South Asian countries. Also trade facilitation measures including development of services sector infrastructures and port development also resulted in significant gains (68 per cent) for Bangladesh.

Arnold (2004) points out that Bangladesh has succeeded in improving logistics through modernisation of customs clearance for export and imports, but has failed to improve the performance of her transportation system when compared with her neighbours. The author also argues that the benefits of multimodal transport system has not been realised while the transport of containers by rail was yet to be the norm due to weak commercial management system of the Bangladesh Railway. Sluggish turnaround of vessel and containers do not allow producers to

establish efficient supply chains connecting the factories to the buyers' warehouses. World Bank (2013) points out that lack of capacity to move containers, absence of required rail inland container depots (ICDs), and absence of commercial incentives for management continue to constrain the rail system, the most potential mode of transport in the context of Bangladesh.

OECD (2013a) finds that Bangladesh performs better than the averages of Asian and low-income countries in the areas of information availability and fees and charges, whereas her performance was below the Asian averages and low-income countries in several areas including governance, advance rulings, and impartiality and procedures.[1]

Emphasising the need for greater connectivity and better trade facilitation, Rahman *et al.* (2014) observe that whilst Bangladesh's commitment and aspiration for regional connectivity is manifested in various official documents and communiqué, the progress in realising the articulated aspiration has been rather slow. They find that much more needs to be done in areas of automation, reduction of documentation, reducing lengthy procedures, ensuring coherence in documentation, developing infrastructure, and building warehouses at the land crossing points.[2] Bangladesh's exporters incur higher costs mainly due to higher transport costs and delays arising from lengthy clearance processes.[3] The study recommends setting up of a National Trade Facilitation Task Force to coordinate all trade facilitation measures.

De (2013) argues that, transit will help Bangladesh, Bhutan and Nepal to reduce the costs and time of transportation, and thereby enable them to benefit from seamless movement of vehicles at the border points. Elimination of transshipment in Banglabandha will reduce required time

[1]It is important to note that to help governments improve their border procedures, reduce trade costs and boost trade flows, OECD has prepared 'Trade Facilitation Indicators', which identify areas for action and enable the potential impact of reforms to be assessed. Indicators for trade facilitation includes information availability, involvement of the trade community, advance rulings, appeal procedures, fees and charges, formality documents, formalities and automation, formalities and procedures, border agency cooperation (internal and external), consularisation, governance and impartiality, transit fees and charges, transit formalities, transit guarantees, transit agreements and cooperation (OECD, 2013b).

[2]The number of documents required for trade with Nepal and Bhutan to Bangladesh ranges between 22 and 36; the numbers of copies of these documents are significantly high – often requiring between 44 to 115 copies (Rahman *et al*., 2014).

[3]Rahman *et al*. (2014) mention that these costs account for about 40 per cent of the overall export cost.

and improve efficiency at the border points. In this context, the importance of sub-regional transit was highlighted – two corridors, Kakarvitta-Panitanki-Phulbari-Banglabandha corridor (between Bangladesh and Nepal), and Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari corridor (between Bangladesh and Bhutan), were particularly mentioned.[4]

Raihan *et al.* (2014) have assessed the impacts of non-tariff barriers (NTBs) that were most often faced by traders in South Asian countries. The study provides an economic analysis of the prevailing non-tariff measures (NTMs) faced by specific products and their impact on regional trade. The authors find that the most cited specific NTMs in South Asia include para-tariffs, port restriction, PSI requirements, SPS restrictions, and fluctuating standards and procedural steps. The authors also find that many NTMs are broad based, and are applied for specific sectors.

While the tariff is going down, the NTB issues continue to remain major concerns in South Asia, especially in case of Bangladesh-India trade. In a recent study, Rahman and Akhter (2014) have identified the major non-tariff related bottlenecks that inhibit the realisation of the potential opportunities emerging from the duty-free market access accorded by India to Bangladesh. Four major categories of problems were identified: (a) infrastructure-related bottlenecks; (b) inadequate customs and port facilitates; (c) cumbersome export procedures and documentation; and (d) NTMs related to testing requirements, registration or licensing, certification, packaging and labelling. Recommendations put forward by the authors include development of trade-related infrastructure at the LCSs, introduction of Single Window and electronic data exchange, signing of Mutual Recognition Agreements (MRAs), harmonisation of standards, development of integrated customs facilities, and simplification of complex export procedures. The authors observe that these measures could help Bangladesh realise the export potentials in the Indian market by taking advantage of the duty-free offer.

Several studies have found that significant economic opportunities could emerge from closer cooperation between Bangladesh and India, but this would call for energetic measures in trade facilitation-related areas. By using the Gravity model, De *et al.* (2012) find that accelerated enhancement of bilateral trade between India and Bangladesh was contingent upon

[4]It is important to develop the border infrastructure in these two corridors including banking and finance facilities, testing labs and equipments, warehouse and parking, cargo handling, service facilities, proper electricity, rolling stock and railway service, etc.

establishment of effective regional connectivity and undertaking effective trade facilitation measures. They find that a 10 per cent reduction in trade-related documentation will lead to 7 per cent increase in bilateral trade between Bangladesh and India. They argue that improved trade facilitation will have the strongest positive impact on Bangladesh's trade: a 1 per cent improvement in trade facilitation would result in an almost 4 per cent increase of Bangladesh's export. Rahman (2012) argues that to take the full advantage of the duty-free offer of India, steps should be taken towards better trade facilitation, customs harmonisation, speedy crossing of goods across borders, and better infrastructure facilities at the border points. In a similar vein, ADB (2012a) also emphasises the need for a comprehensive action plan on the part of Bangladesh to coordinate and promote trade facilitation measures.

Several studies have put particular emphasis on better connectivity to foster and promote trade and to deepen economic cooperation between Bangladesh and India and in the region. Rahmatullah (2010) points out that poor state of transportation leads to higher trade cost in South Asia; this was equivalent to 13-14 per cent of the gross domestic product (GDP). In the 'Cost of Doing Business Report', World Bank (2012) finds that exporters and importers face very high costs when trading across borders, both in Bangladesh and India. Rahmatullah (2009) observes that Bangladesh and her close neighbours, India, Nepal and Bhutan, could gain significantly if seamless regional connectivity can be established through coordinated development of all modes of transportation in these countries. Developing the idea further, Rahmatullah (2012) argues that, as a transport and transit facility-providing country, Bangladesh will start to enjoy several benefits including earnings in the form of transport and port charges, border crossing charges and transit fees. The study notes that, static benefits of transit facilities will be through reduction of time and cost and productivity gains, whereas dynamic benefits will be in the form of trade opportunities, employment creation and poverty reduction. However, significant investment will be required for improving the infrastructure and implementing the Multi-Modal Transport Policy.

It is to be appreciated that in the recent years, Bangladesh has taken some important steps to improve trade facilitation. These were related to reducing the number of import and export clearance signatures, clearance time, computerisation of customs handling in major ports, development of infrastructure in selected areas, physical inspection of import consignments and human resource development in the NBR. Customs

modernisation has helped Bangladesh to address some of the inefficiencies in revenue mobilisation, and has led to some improvements in port governance. However, much more will need to be done if Bangladesh is to take the fullest advantage of an improved trade facilitation. The Trade Facilitation Agreement of the WTO, reduced importance of tariff and the increasing demand of trade and commerce point out to the need of more energetic measures towards better trade facilitation in Bangladesh. An audit of where Bangladesh stands as regards trade and transport facilitation is thus of high importance in the current context.

1.3 Trade Direction and Trade Flows

Despite the fact that in recent times Bangladesh has seen some rise in intra-regional trade with South Asian countries, the volume of trade is still lower compared to her trade with other regions in the world. Bangladesh's total trade with South Asia increased from USD 1.1 billion in FY1997-98 to 7.2 billion in FY2013-14, when the global trade of Bangladesh has seen a rise from only USD 12.7 billion to USD 69.5 billion during the same period. Table 1.1 shows that total trade as a percentage of GDP was 28.8 per cent in FY1997-98, while the figure was 40 per cent in FY2013-14.

Table 1.1: Trend of Total Trade in Bangladesh

(Million USD)

Year	Total Export	Total Import	Total Trade	GDP at Current Market Price	Trade as % of GDP
FY1998	5161	7520	12681	44033	28.8
FY2003	6549	9658	16206	51914	31.2
FY2008	14111	21629	35740	79566	44.9
FY2013	27027	34084	61111	149997	40.7
FY2014	30187	39322	69509	173752	40.0

Source: Bangladesh Bank (2014a).[5]

[5]GDP data of FY2012-13 and FY2014 have been estimated based on the new base year (2005-06); and for FY1992-93 to FY2007-08, previous base year (1995-96) has been used.

Table 1.2: Export of Bangladesh to South Asian Countries

(Million USD)

Country/Region	FY1998	FY2003	FY2008	FY2013	FY2014
Afghanistan	10.7	3.1	2.8	3.6	3.6
Bhutan	0.0	1.6	1.4	1.8	1.9
India	65.6	83.6	358.1	564.0	456.6
Maldives	0.0	0.0	0.1	23.7	26.8
Nepal	1.9	0.4	6.7	1.5	1.7
Pakistan	44.7	31.5	71.0	26.4	13.7
Sri Lanka	1.2	3.8	19.3	68.7	56.0
Total SAARC	124.0	123.0	459.0	689.0	560.0
World	5161.0	6548.0	14112.0	27027.0	30177.0
SAARC as % of World	2.4	1.9	3.3	2.6	1.9

Source: EPB (2014).

As Table 1.2 shows, export earning of Bangladesh from the SAARC (South Asian Association for Regional Cooperation) countries increased to USD 560 million in FY2013-14 from USD 124 million in FY1997-98. On the other hand, Bangladesh's export to the world stood at USD 30 billion in FY2013-14 compared to USD 5 billion in FY1997-98. Share of Bangladesh's export to the SARRC countries as a percentage of global export remained rather low over the years – the share increased to 2.6 per cent in FY2012-13 from 2.4 per cent in FY1997-98; however, it has decreased to 1.9 per cent in FY2013-14.

Table 1.3 shows the country composition of import sourcing of Bangladesh from the SAARC region. India is the most important import source for Bangladesh in the SAARC region and the second most important in the whole world. Import from the SAARC region constitutes 17 per cent of Bangladesh's total import in FY2013-14, whilst India alone account for 15.4 per cent. This would imply that, Bangladesh only imported 1.6 per cent of her total import from the other six SAARC members.

As it is, Bangladesh's exports are mainly concentrated in the European Union (EU) and the North American regions which cover more than 70 per cent of the total export of Bangladesh in FY2013-14 (Figure 1.1). As is well known, Bangladesh's exports are concentrated in the readymade garments (RMG) sector, which account for fourth-fifths of her global export. As distinct from the composition of Bangladesh's export in the EU

Table 1.3: Import of Bangladesh from South Asian Countries

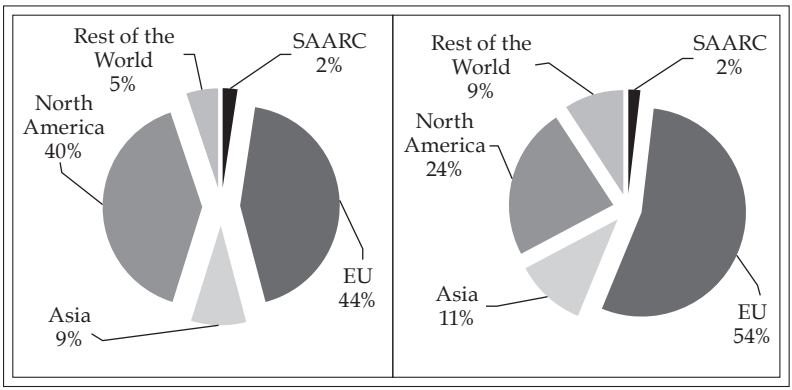
(Million USD)

Country/ Region	FY1998	FY2003	FY2008	FY2013	FY2014
Afghanistan	1 (0.01)	4 (0.04)	4 (0.02)	2 (0.01)	2 (0.00)
Bhutan	5 (0.07)	3 (0.03)	14 (0.06)	25 (0.07)	23 (0.06)
India	934 (12.42)	1355 (14.03)	3384 (15.65)	4774 (14.01)	6036 (15.35)
Maldives	1 (0.01)	1 (0.01)	0 (0.00)	1 (0.00)	0 (0.00)
Nepal	10 (0.14)	6 (0.06)	53 (0.24)	36 (0.11)	22 (0.05)
Pakistan	80 (1.06)	115 (1.19)	239 (1.10)	490 (1.44)	530 (1.35)
Sri Lanka	6 (0.08)	8 (0.08)	15 (0.07)	40 (0.12)	67 (0.17)
Total SAARC	1037 (13.79)	1491 (15.44)	3709 (17.15)	5367 (15.75)	6679 (16.99)
Rest of the World	6483 (86.21)	8167 (84.56)	17920 (82.85)	28716 (84.25)	32643 (83.01)
World	7520 (100.00)	9658 (100.00)	21629 (100.00)	34084 (100.00)	39322 (100.00)

Source: Bangladesh Bank (2014b); (2014c).

Note: Figures in parentheses are the percentage shares in total import.

Figure 1.1: Share of Export to Different Regions during FY1997-98 and FY2013-14



Source: EPB (2014).

and North America, where RMG is the main export item, Bangladesh's export to South Asian markets is more diversified. This is indeed an important structural distinction that informs Bangladesh's export to the region.

Bangladesh's major export items to South Asia include jute and jute goods, fertiliser, frozen fish, cotton, battery, machinery, home textile, woven garments, and pharmaceuticals; whilst her imports from the region mainly constitute yarn, cotton, fabrics, food items, live animals, vegetable, mineral products, textile and textile articles, and transport equipments. Table 1.4 shows composition of Bangladesh's exports to the South Asian market. Over the years, share of Bangladesh's export of jute and jute goods in total exports to the South Asian market has experienced a declining trend: the share fell from 47.4 per cent in FY2002-03 to 27 per cent in FY2013-14. On the other hand, the share of RMG has been on the rise. It is important to note that, the share of woven garments has increased from only 3.3 per cent in FY2002-03 to 14.4 per cent in FY2013-14.

Within the limited scale of intra-regional trade, India, understandably, is the single largest trading partner of Bangladesh in South Asia. It is encouraging to note that, in recent years Bangladesh's export to India has experienced robust growth, rising from USD 9.8 million in FY1992-93 to USD 83.6 million in FY2002-03, and USD 564 million in FY2012-13. However, export to India has decreased somewhat to USD 457 million in FY2013-14.

Table 1.4: Commodity Composition of Bangladesh's Exports to SAARC Countries

Commodity	Export Volume (Million USD)				Share in Export (%)			
	FY03	FY08	FY13	FY14	FY03	FY08	FY13	FY14
Jute and jute goods	58.7	128.5	267.2	151.3	47.4	27.9	38.8	27.0
Fruits	3.0	15.8	67.5	60.7	2.4	3.4	9.8	10.8
Woven garments	4.1	5.6	64.9	80.9	3.3	1.2	9.4	14.4
Cotton	0.3	3.5	28.2	22.6	0.3	0.8	4.1	4.0
Copper wire	-	4.4	24.6	13.8	0.0	0.9	3.6	2.5
Others	57.8	303.5	237.2	231.0	46.7	65.8	34.4	41.2
Total export to SAARC	123.9	461.2	689.7	560.4	100.0	100.0	100.0	100.0

Source: EPB (2014).

India is the second most important import source for Bangladesh (USD 6,036 million in FY2013-14) conceding only to China (USD 7,541 million in FY2013-14). Bangladesh's bilateral trade deficit with India, through formal channel, has increased significantly to USD 5,579 million in FY2013-14 from USD 332 million in FY1992-93 and USD 1,271 million in FY2002-03. Although Bangladesh is enjoying duty-free quota-free (DF-QF) treatment for her exports to India since 2011, as part of India's preferential market access initiative for the LDCs in SAARC, Bangladesh is far from realising the full potentials of the increasingly large Indian import market. However, an interesting feature of Bangladesh's export to India is that whilst the ratio of Bangladesh's global export of RMG and non-RMG items was 80:20, in case of India this was 20:80. This alludes to the potential for significant export diversification of Bangladesh in the Indian market.

It is also to be noted that besides SAARC where Bangladesh receives preferential treatment, there are also other regional and multilateral trading organisations which provide Bangladesh preferential market access.[6] All these regional and multilateral agreements and initiatives include various types of modalities of cooperation in the areas of trade, investment and connectivity. Table 1.5 shows important regional and multilateral trade agreements in which Bangladesh is a member. However, weak state of trade facilitation is not allowing Bangladesh to take full advantage of these market access opportunities.

Energetic measures will need to be taken to strengthen the capacities of institutions and line ministries which are involved with undertaking trade facilitation measures.[7] This task should be seen as an integral component to raise competitiveness of Bangladesh's producers and enterprises, and to enable Bangladesh to participate in the process of regionalisation and globalisation from a position of strength.

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[6]Some of the important bilateral and multilateral organisations of which Bangladesh is a member are: (a) WTO; (b) APTA (Asia-Pacific Trade Agreement); and (c) TPS-OIC (Trade Preferential System among the country members of Organisation of Islamic Cooperation).

[7]In Bangladesh, several ministries and institutions deal with trade and trade facilitation measures either directly or in an indirect way. These include: (a) Ministry of Commerce: EPB; Free Trade Area (FTA) Wing; WTO Cell; (b) Ministry of Finance: NBR; (c) Ministry of Industry: Bangladesh Standards and Testing Institution (BSTI); (d) Office of the Register of Joint Stock Companies and Firms; (e) Ministry of Shipping: Bangladesh Land Port Authority (BLPA); Chittagong Port Authority; Mongla Port Authority; Bangladesh Inland Water Transport Authority (BIWTA); (f) Ministry of Communication: Bangladesh Railway; Bangladesh Road Transport Authority (BRTA); (g) Board of Investment. Besides, in some areas such as land customs administration, there are a number of projects which operate on the basis of public-private partnerships (PPPs).

Table 1.5: Important Regional and Multilateral Agreements

Name	No. of Members	Date of Establishment	Entry Date of Bangladesh	Area(s) of Cooperation
BCIM (Bangladesh, China, India and Myanmar)	4	1999	1999	To promote integration through cooperation in areas of connectivity, trade and investment among the four economies
BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)	7	6 June 1997	6 June 1997	Enabling rapid economic development and social progress in the region
IOR-ARC (Indian Ocean Rim-Association for Regional Cooperation)	20	6-7 March 1997	6-7 March 1997	To promote sustainable and balanced growth, and economic cooperation and to ensure smooth flow of trade in the region
Preferential Trade Agreement (PTA) among D-8 (Developing Eight) countries	8	D-8: 15 June 1997 PTA D-8: 13 May 2006	13 May 2006	Promoting trade by eliminating tariff, non-tariff and para-tariff barriers
SAFTA (South Asian Free Trade Area)	8	Signed: 6 January 2004 Implemented: 1 January 2006	6 January 2004	To eliminate all the barriers to trade in South Asia and promote regional trade

(Table 1.5 contd.)

(Table 1.5 contd.)

Name	No. of Members	Date of Establishment	Entry Date of Bangladesh	Area(s) of Cooperation
SAPTA (SAARC Preferential Trading Arrangement)	7	Signed: 11 April 1993 Implemented: 7 December 1995	11 April 1993	To promote regional trade and economic cooperation in the SAARC region
SATIS (SAARC Agreement on Trade in Services)[8]	8	Signed: April 2010 Implemented: 29 November 2012	April 2010 (at the 16th SAARC Summit)	To improve services sector trade in South Asia by removing barriers and promoting mutual cooperation

Source: Authors' compilation.

1.4 State of Trade Logistics in Bangladesh

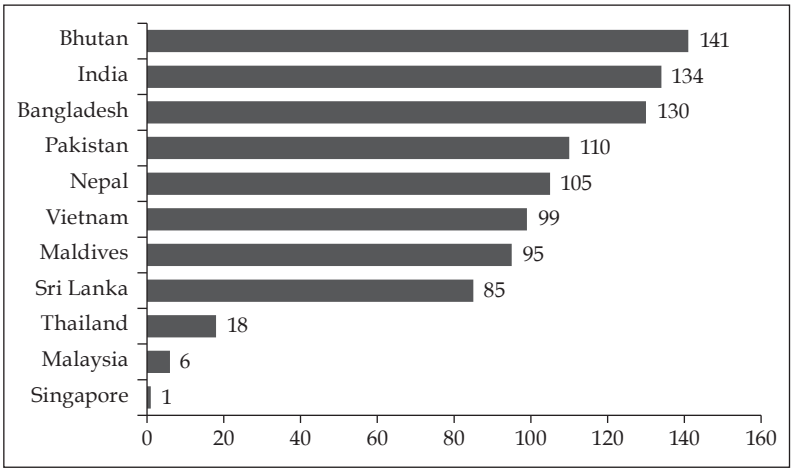
Despite the fact that trade competitiveness depends critically on the quality and performance of logistics, Bangladesh has not managed to register significant improvement in this regard over the past years. Bangladesh's ranking is 130th among the 189 countries according to the Ease of Doing Business Report, 2014. Figure 1.2 shows that Sri Lanka (85th), Maldives (95th), Nepal (105th) and Pakistan (110th) are relatively better performers when compared to Bangladesh. India (134th) and Bhutan (141st) are ranked lower than Bangladesh; however, Malaysia (6th) and Thailand (18th) are ranked significantly higher than Bangladesh in this respect.

Overall Distance to Frontier (DTF) data, however, indicates that Bangladesh's performance is somewhat better, with 51.8 percentage points (World Bank, 2014b).[9] Performance of Bangladesh improved somewhat in

[8]SATIS was signed at the 16th SAARC Summit in Thimphu, Bhutan in 2010. SATIS follows provisions of WTO-GATS (General Agreement on Trade in Services). General obligations under the SATIS include Most Favoured Nations (MFN) treatment, transparency, domestic regulations, safeguard measures, subsidies, and general and security exceptions.

[9]"DTF-The Distance to Frontier (DTF) measures the distance of each economy from the "frontier", which represents the highest performance of all the economies included in Doing Business. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier" (World Bank, 2014b).

Figure 1.2: Ease of Doing Business Rank of Bangladesh and Other Countries in 2014



Source: World Bank (2014a).

the DTF for starting a business (1.8 per cent) whereas 'no change' was discerned in terms of getting credit, protecting investors, paying taxes and enforcing contracts in 2014, when compared with 2013. According to the trading across border indicator, Bangladesh's performance in 2014 has remained more or less at the same level as in 2013.

Data for trading across border reveal a mixed picture as regards trade-related logistic performance of Bangladesh. Table 1.6 shows that Bangladesh has achieved some progress in reducing the time required for export and import, whereas the performance to reduce the number of documents for export was poor between 2006 and 2014. While the number of documents required for import has come down to 8 in 2014 from 16 in 2006, changes in number of export documents has remained almost the same between 2006 and 2014 – number of documents has come down to 6 in 2014 from 7 in 2006.

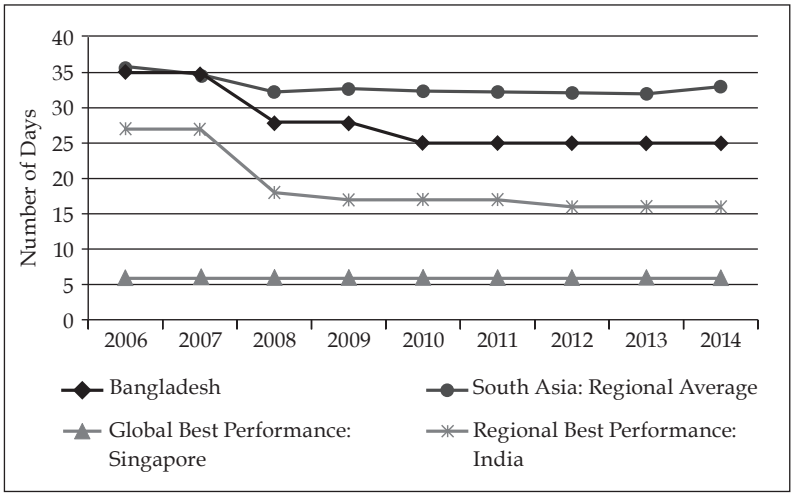
Figure 1.3 shows the performance in reducing the export time for Bangladesh, average for South Asia, global best performance (Singapore) and regional best performance (India) between 2006 and 2014. Though Bangladesh performs better than the regional average, she stands far below the regional best. In India, the best performer in the region, 16 days are required for export while it is 25 days for Bangladesh.

Table 1.6: Performance of Bangladesh in Trading Across Borders Indicator: 2006-2014

Year	Ease of Doing Business Rank	Trading Across Borders						
		Rank	Documents Required to Export (Number)	Time to Export (Days)	Cost to Export (USD per Container)	Documents Required to Import (Number)	Time to Import (Days)	Cost to Import (USD per Container)
2006	65	-	7	35	-	16	57	-
2007	88	134	7	35	902	16	57	1287
2008	107	112	7	28	844	9	32	1148
2009	110	105	6	28	970	8	32	1375
2010	119	107	6	25	970	8	29	1375
2011	107	112	6	22	985	8	31	1390
2012	122	115	6	25	965	8	31	1370
2013	129	119	6	25	1025	8	34	1430
2014	130	130	6	25	1075	8	35	1470

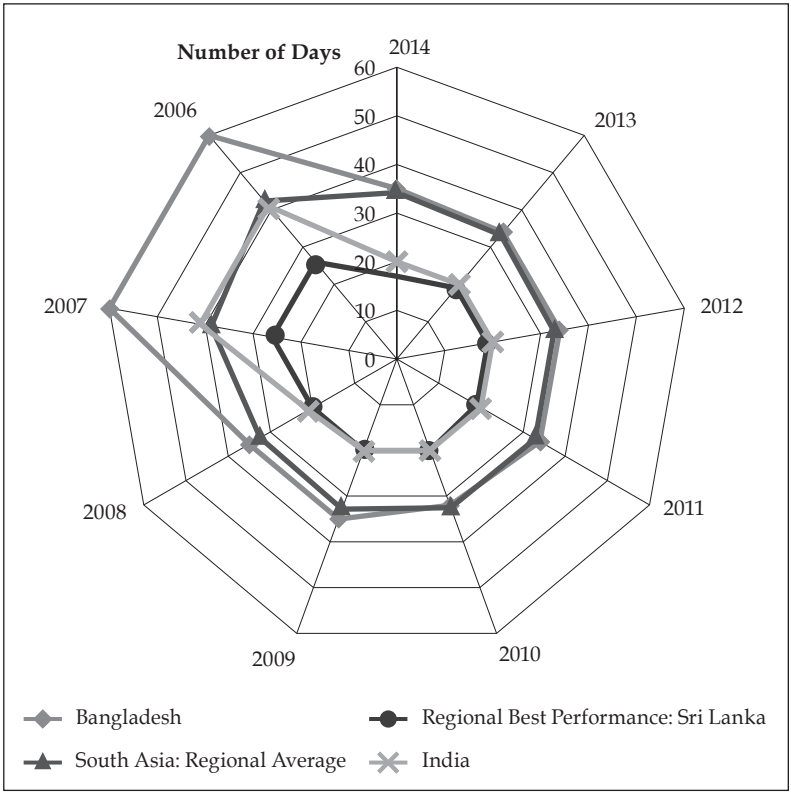
Source: World Bank (2014a).

Figure 1.3: Time to Export for Bangladesh and Other Countries: 2006-2014



Source: World Bank (2014a).

Figure 1.4: Time to Import for Bangladesh and Other Countries: 2006-2014



Source: World Bank (2014a).

Bangladesh has achieved some success in reducing the time required for import between 2006 and 2014. The average number of days to import has been reduced from 57 days in 2006 to 35 days in 2014 (Figure 1.4). However, this is still below the regional best performance.

1.4.1 Logistics Performance Index (LPI)

It is a well-known fact that countries with better trade logistics gain in terms of competitiveness and are able to attract more investment. Bangladesh was ranked 108th in the international Logistics Performance Index (LPI) rankings in 2014, moving down 21 places compared to

Table 1.7: Domestic LPI Performance of Bangladesh and Other Countries in 2014

Indicator	Bangladesh	India	Nepal	Vietnam	South Asia Region	Low-Income Countries	OECD Countries
Shipments meeting quality criteria (%)	72	67	40	76	68	62	90
Number of agencies: Exports	4	3	4	4	3.7	3.5	2.1
Number of agencies: Imports	4	3	5	4	3.7	3.9	2.5
Number of documents: Exports	5	4	6	3	4	4.1	1.9
Number of documents: Imports	5	4	6	5	4.5	4.3	2
Clearance time without physical inspection (days)	2	1	1	1	1.7	2.8	1.1
Clearance time with physical inspection (days)	3	2	1	2	3.2	2.8	1.3
Physical inspection (%)	35	22	9	54	24	41	4
Multiple inspections (%)	7	8	10	7	7	20	2

Source: World Bank (2014c).

2007.[10] The ranking in terms of tracking and tracing consignments (88th) is better compared to that of international shipment (96th), logistic competence (103rd) and customs (125th).

Domestic LPI data evince a mixed picture. As regards shipments meeting quality criteria, Bangladesh's performance is good. However, regarding clearance time (with or without physical inspection) and number of agencies involved, this was not the case. Table 1.7 shows that it takes 3 days to get clearance with physical inspection, whereas it takes 2.8 days in low-income countries, 1 day in Nepal, and 2 days in Vietnam.

Enabling Trade Report

Bangladesh ranked 115th in ranking among 138 countries and scored 3.4 out of 7 in 2014 according to the Enabling Trade Index (ETI).[11] Between 2010 and 2014, Bangladesh has managed to improve somewhat in all the sub-indices of ETI (Table 1.8). Bangladesh performed better than other SAARC countries except for Sri Lanka. Among the four sub-indices, Bangladesh was able to register the best performance in the market access sub-index which indicates the level of openness of the economy.[12] Bangladesh's upward movement in the ranking reflects improvements primarily in terms of market access. Overall, the situation as regards border and trade administration remains largely unsatisfactory. Border administration lacks transparency and efficiency (123rd) and lags far behind international standards. There is a significant room for improvements in this respect, and also for availability and quality of transport infrastructure (119th).

As various reports on rankings would bear out, over the recent past years Bangladesh has indeed been able to post improvements in terms of some of the important indicators. However, performances of many of her comparators and competitors have been better, while Vietnam advanced 19 steps in the ETI ranking (ETI score increased by 0.58) and

[10]Logistic Performance Index (LPI) measures trade-related logistics efficiency among countries and rates them on a scale of 1 (worst) to 5 (best). In the ranking for 2007, 150 countries were included in total whereas there were 160 countries in 2014.

[11]World Economic Forum (WEF) prepares the Enabling Trade Index (ETI) which measures the extent of improvements in institutions, policies and services in facilitating trade. All the indices are measured on a scale of 1 (worst) to 7 (best). ETI incorporates four sub-indices: market access, border administration, transport and communications, and the business environment.

[12]Market access sub-index represents how much a country welcomes foreign goods into her economy, and how much she enables access to foreign markets for her exporters.

Table 1.8: Enabling Trade Index and its Sub-Indices of Bangladesh and Other Competitive Countries

Country	Year	Overall Index		Market Access		Border Administration		Transport and Communications Infrastructure		Business Environment	
		Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Bangladesh	2014	115	3.4	57	3.8	123	3.2	119	2.8	99	3.7
	2012	109	3.5	65	4.0	100	3.3	123	2.7	95	3.8
	2010	113	3.4	52	4.4	100	3.2	117	2.5	114	3.4
India	2014	96	3.6	136	2.4	74	4.2	67	3.8	73	4.1
	2012	100	3.6	130	2.6	77	3.8	84	3.6	74	4.2
	2010	84	3.8	115	3.4	68	4.0	81	3.3	58	4.5
Sri Lanka	2014	84	3.8	104	3.3	87	4.0	83	3.5	53	4.4
	2012	73	4.0	103	3.7	73	3.9	81	3.7	47	4.6
	2010	99	3.6	107	3.7	79	3.7	86	3.3	100	3.7
Vietnam	2014	72	4.0	34	4.2	86	4.0	60	3.9	81	4.0
	2012	68	4.0	41	4.4	94	3.5	56	4.0	69	4.2
	2010	71	4.0	50	4.4	88	3.5	68	3.6	64	4.3

Source: WEF (2014).

Philippines advanced 18 steps in the same ranking (ETI score increased by 0.53). Cambodia's performance was stellar among the competitors of Bangladesh. The ranking of Cambodia moved up by 20 steps and the ETI score experienced a significant leap of 0.75.

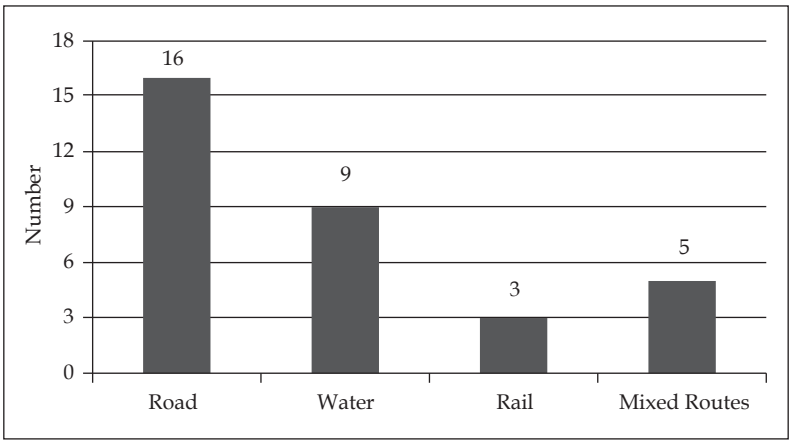
1.5 Main Trade Routes and Corridors of Bangladesh

1.5.1 Road Routes

Road transport is the dominant mode of trading activity between Bangladesh and South Asia. The overwhelming part of trading activities between Bangladesh and India also take place through LCSs and land routes. There are 181 LCSs in Bangladesh, of which 33 stations are active; 148 remain inoperative; trade transactions have been suspended by the Government of Bangladesh (GoB) through these LCSs. Among the active LCSs, 16 stations belong to road routes and nine stations to water routes, while three stations are categorised as rail routes, and five stations fall in the category of mixed routes including road-rail, road-water, water-rail and others (Figure 1.5).

The most important land ports (roadways) are Benapole-Petrapole, Tamabil-Dawki, Hili-Hili, Bhomra-Ghojandanga and Akhaura-Agartala. Major railway-based ports are Darshana, Birol and Rohanpur. Burimari land port (Burimari-Changrabandha) is considered as both road and rail

Figure 1.5: Number of Active Land Customs Stations



Source: NBR (2013).

port. Cox's Bazar is considered as road and water port, whereas Sirajganj (steamer route via Khulna and Barisal, and from there Bangladesh Railway broad-gauge line via Majhdia and Darshana) is considered as both water and rail port. Table 1.9 provides a detailed description of the customs

Table 1.9: Major Land Customs Stations of Bangladesh

Land Customs Station		Permitted Route	Exportable Items	Importable Items
Bangladesh	**India**			
Benapole	Petrapole	Benapole-Bongram (road and railway)	All kinds of exportable products	All importable products except yarns (except yarns imported by 100% export-oriented knitwear industries obtaining Customs Bond License) and milk powder
Tamabil	Dawki	Sylhet-Tamabil-Dawki (road)	All kinds of exportable products	All kinds of importable products except fish, yarn, milk powder, sugar and potatoes (HS Code 0701.90.19 and 0701.90.29)
Sonamasjid	Mehedipur	Shibganj-Sonamasjid-Malda (road)	All kinds of exportable products	All kinds of importable goods except duplex board, newsprint, craft paper, all types of papers and paper board including cigarette paper, yarn, milk powder, juice and tobacco (except tobacco stems imported as raw materials by established VAT registered bidi-producing industrial organisation)

Source: NBR (2013).
Note: HS: Harmonized Commodity Description and Coding System; VAT: Value added tax.

stations which have higher significance for trade between Bangladesh and SAARC countries.

Bangladesh allows export of all items using these customs points, but maintains specific lists for which imports are allowed through different land customs points.

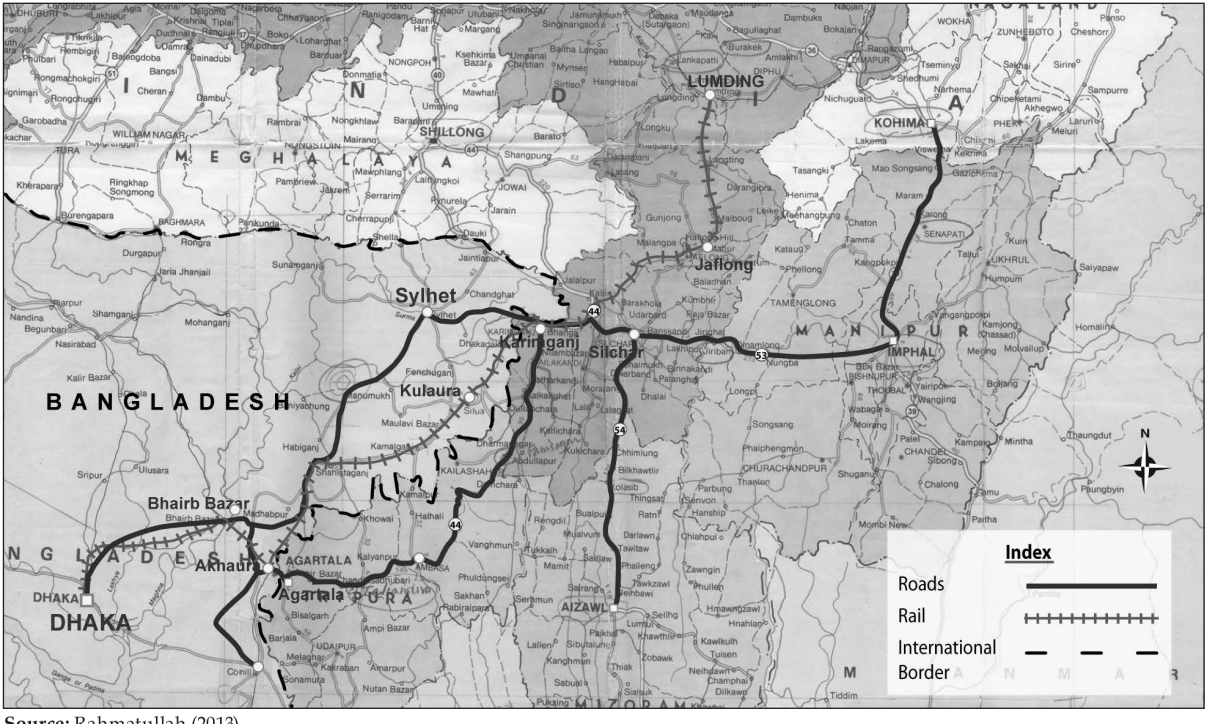
The core committee set up by the GoB for Transit and Transshipment identified nine road routes, nine rail routes and five waterways for trade connectivity with India, Nepal and Bhutan. The committee submitted its report in 2012. Five sub-committees under the core committee prepared reports on transit routes, transit fees, environmental impact, infrastructure development and legal issues. According to their estimation, investment worth USD 6.4 billion will be required to make the routes operational for carrying transit cargoes; the renovation process may take nearly four years.

The border between Bangladesh and India has 10 important land-based customs stations. These include Benapole-Petrapole, Tamabil-Dawki, Sonamasjid-Mehedipur, Hili-Hili, Darshana-Gede, Burimari-Changrabandha and Akhaura-Agartala. In addition, Bibirbazar-Srimantpur, Akhaura-Agartala and Tamabil-Dawki are the crucial ports of Bangladesh that connect with north-eastern states of India.

As is known, India is keen to have transit and transshipment connectivity through Bangladesh territory to carry cargoes from western India to her 'Seven Sisters' states: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Map 1.1 shows the routes between Bangladesh and North-East Indian states. Nepal is also interested to get transit and transshipment facility through Bangladesh to conduct her trade activities involving third countries. There is a need to sign 17-18 protocols to arrive at a final agreement in this regard. Moreover, transit fee, routes, infrastructure cost, environmental cost, the mode of operation and many other technical details have to be finalised before going for operationalisation of such an agreement. Mitra (2009) and other studies show that North-East India, particularly Tripura and Bangladesh, stand to benefit significantly from trade, investment and other forms of sub-regional cooperation. As is well known, poor state of trade facilitation is a major obstacle in this regard.

Bhutan and Bangladesh's trade currently takes place through two LCSs – Burimari and Tamabil. Burimari is approximately 400 km from the south-eastern town of Samdrup Jongkhar; road to Tamabil passes through the Indian states of Assam and Meghalaya. Bhutan is interested

Map 1.1: Bangladesh and North-East Indian States



Source: Rahmatullah (2013).

to use seaports and airports in Bangladesh along with five additional LCSs as have been proposed under the protocol on transit. Bangladesh in her proposed draft transit agreement submitted to Bhutan has sought transit deal for a period of 10 years with a provision to extend the agreement on the basis of mutual consensus.

1.5.2 Seaports and Shipping

In most countries with access to sea, shipping plays an important role for promoting the trade activities. Of the two seaports of the country, Chittagong and Mongla, the former is by far the most important one. The Chittagong Port handles over 90 per cent of the country's external trade. Table 1.10 shows that Chittagong Seaport handled about 41.9 million tonnes of cargo (37 million for import and 4.8 million for export), and 2,076 vessels in 2012 (Chittagong Port Authority, 2013). However, the port suffers from a number of constraints concerning its capacity and operations. ADB (2013) notes that severe capacity bottlenecks impede rail and road traffic between Chittagong Port and Dhaka. Expansion of the port on the north bank of the Karnaphuli River is also restricted by the city boundaries whereas land is available on the South bank, but is constrained by poor connectivity.

Mongla Port handled 2.5 million metric tonnes of cargo and 235 ships in 2012; and 0.7 million metric tonnes of cargo and 59 ships in 2013 (till September). It is important to mention here that lack of specialised

Table 1.10: Cargo and Vessels Handled by the Chittagong Port

Calendar Year	Import (Tonnes)	Export (Tonnes)	Total (Tonnes)	No. of Vessels
2006	23936103	3089550	27025653	1957
2007	24236261	3392974	27629235	1945
2008	24492707	3704862	28197569	2099
2009	30586680	3957894	34844574	2167
2010	36670356	4512439	41182795	2249
2011	38266480	4873562	43140042	2248
2012	37035217	4893379	41928596	2076

Source: Chittagong Port Authority (2013).

equipments for container-handling, port congestion, extended container dwell times and inadequate capacity have limited the opportunities of getting the expected benefits from the two ports.

Considering the importance of seaports to enhance the trading capacity, Ministry of Shipping has taken an initiative to construct the third seaport at Ragnabad Channel in Patuakhali district in Bangladesh, under public-private partnership (PPP). According to the Ministry of Shipping, the new seaport will handle deep draft sea-going vessels (8-10 m). The project will be implemented by 2020.

1.5.3 Major Corridors Connecting Bangladesh with Other Countries

Major corridors which connect Bangladesh and other South Asian countries are:

a) Bangladesh-Nepal corridor through Phulbari-Banglabandha transit route
b) Bangladesh-Bhutan corridor through Changrabandha-Burimari transit route
c) Lahore-New Delhi-Kollkata-Petrapole/Benapole-Dhaka-Akhaura/ Agartala corridor
d) Samdrup Jongkhar-Shilong-Sylhet-Dhaka-Kolkata corridor
e) Agartala-Akhaura-Chittagong corridor
f) Malda-Shibganj-Jamuna Bridge

Phulbari-Banglabandha corridor connects Bangladesh with Nepal through India, and has the potential to provide access to Bangladesh to enter landlocked Nepal. According to the ADB (2012b), the total length of the corridor is 1,152 km (Kathmandu to Dhaka). The corridor uses the Prithbi Highway and the East-West Highway till it reaches the Nepal-India border at Kakarvitta Port. Subsequently, it follows the Indian national highways NH 31 and SH 12A, and reaches Phulbari-Banglabandha Port bordering India and Bangladesh. Table 1.11 shows the major road corridors between Bangladesh and South Asian countries.

Table 1.11: Major Road Corridors between Bangladesh and South Asian Countries

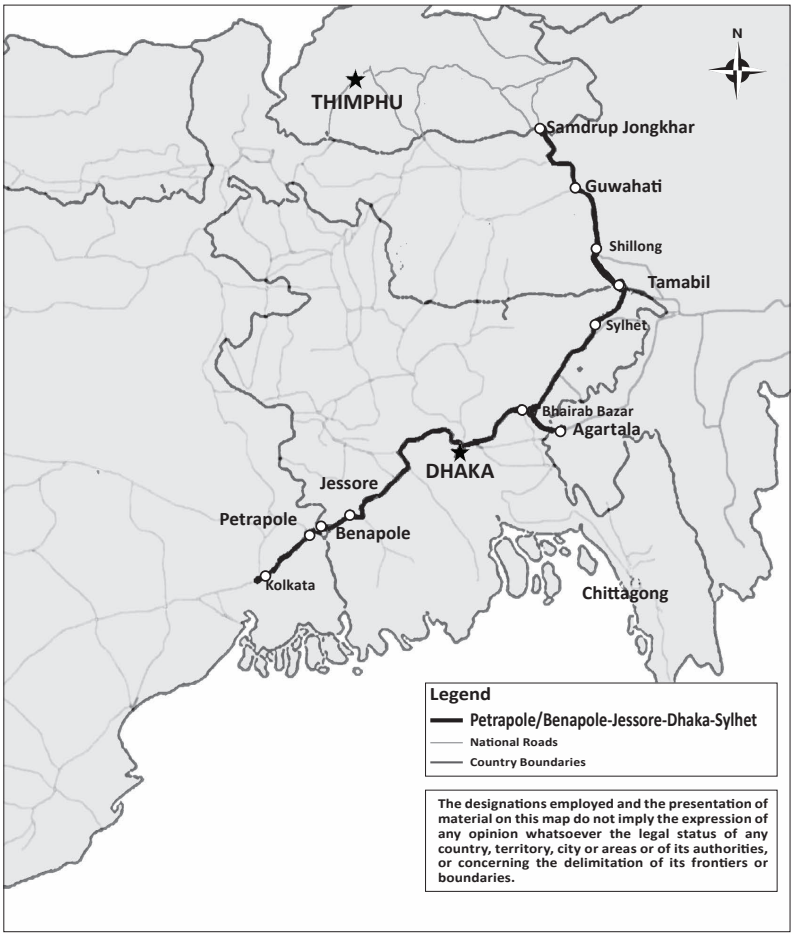
Corridor	Countries	Interchange Points
Lahore-New Delhi-Kolkata-Petrapole/Benapole-Dhaka-Akhaura/Agartala (2,463 km)	Pakistan, India & Bangladesh	Wagha (Pakistan)/Wagha Border (India); Petrapole (India)/ Benapole (Bangladesh); Akhaura (Bangladesh)/Agartala (India)
Kathmandu-Kakarvitta-Phulbari-Banglabandha-Mongla/Chittagong (1,394 km)	Nepal, India & Bangladesh	Kakarvitta (Nepal)-Panitanki (India); Phulbari (India)-Banglabandha (Bangladesh)
Samdrup Jongkhar-Guwahati-Shillong-Sylhet-Dhaka-Kolkata (906 km)	Bhutan, India & Bangladesh	Samdrup Jongkhar (Bhutan)/ Assam (India); Dawki (India)/ Tamabil (Bangladesh); Benapole (Bangladesh)/Petrapole (India)
Agartala-Akhaura-Chittagong (227 km)	India & Bangladesh	Agartala (India)/Akhaura (Bangladesh)
Thimphu-Phuentsholing-Jaigaon-Burimari-Mongla/ Chittagong (880 km to Mongla or 966 km to Chittagong)	Bhutan, India & Bangladesh	Phuentsholing (Bhutan)-Jaigaon (India); Changrabandha (India)-Burimari (Bangladesh)
Malda-Shibganj-Jamuna Bridge (Bangladesh) (252.5 km)	Nepal & India	Mehedipur (India)-Sonamasjid (Bangladesh)

Source: SAARC Secretariat (2006).

New Delhi-Kolkata-Benapole/ Petrapole-Dhaka-Akhaura/ Agartala corridor and Samdrup Jongkhar-Shilong-Sylhet-Dhaka-Kolkata corridor have been identified as possible routes for connectivity between Bangladesh and India with possibility of establishing link between the North-East and the rest of India (Map 1.2). The Samdrup Jongkhar corridor also allows Bangladesh to establish connectivity with Bhutan.

Rahmatullah (2009) estimates that travel distance would reduce down by about 60 per cent for India, if a shorter route through Bangladesh is considered. The average travel distance between North-East India and Kolkata is about 1,400 km via the chicken neck; on the other hand, the travel distance through Bangladesh would be about 600 to 700 km.

Map 1.2: Petrapole-Benapole-Jessore-Dhaka (via Road Ferry)-Bhairab Bazar-Sylhet-Tamabil (with a Link to Agartala) Corridor



Source: SAARC Secretariat (2006).

Bangladesh will have a new source of earnings of foreign exchange by way of service charges, in the form of road transport charges and transit fees. He, however, cautions that modern facilities with multiple transfer points will be needed at the borders for transfer of containers/goods.

1.5.4 Rail Corridors

Railway corridors have the potential to become crucial transport mode for the purpose of trade between Bangladesh and other SAARC countries. However, rail transport system in Bangladesh has remained under developed due to persistent negligence. SAARC Secretariat (2006) has considered a number of rail corridors for inter-country movement between Bangladesh and other countries. These are:

a) Ranaghat (India)-Dhaka (Bangladesh)
b) Bongaon (India)-Khulna (Bangladesh)
c) Old Malda (India)-Ishwardi Jn. (Bangladesh)
d) Barosi (India)-Parbatipur (Bangladesh)
e) New Mayanguri (India)-Lalmonirhat (Bangladesh)
f) Karimganj (India)-Kulaura (Bangladesh)
g) Badarpur (India)-Bhairab (Bangladesh)

Two important rail corridors were identified as priorities in several studies in view of their relatively high importance in terms of promoting connectivity within the region.

The Lahore-Delhi-Kolkata-Dhaka-Imphal rail corridor (2,830 km) would connect Bangladesh, India and Pakistan. The corridor will ease intra-regional traffic and shorten the transit time between the three involved countries. The other important corridor, Birgunj-Katihar-Chittagong (1,146 km), would connect Bangladesh, Nepal and India. It is important to note that this corridor has higher significance for Bangladesh and India as it would reduce the distance for north-eastern states of India through Bangladesh. It is important to mention that these corridors have been only identified on paper, and to actually operationalise these would require extensive measures in developing the needed hardware and software. SAARC Secretariat (2006) notes that road transport has grown rapidly in South Asia, but has been largely constrained by lack of cross-border agreements between India and Bangladesh. Rahmatullah (2010) argues that various issues including mobilisation of political support will be needed to promote the cause of regional transport connectivity and trade facilitation.

1.5.5 Inland Water Transport (IWT) Corridors

Water transport is considered to be the cheapest mode of transport in terms of costs/km for freight. A number of inland waterway corridors were identified in a number of studies. SAARC Secretariat (2006) identified four existing and potential IWT corridors:

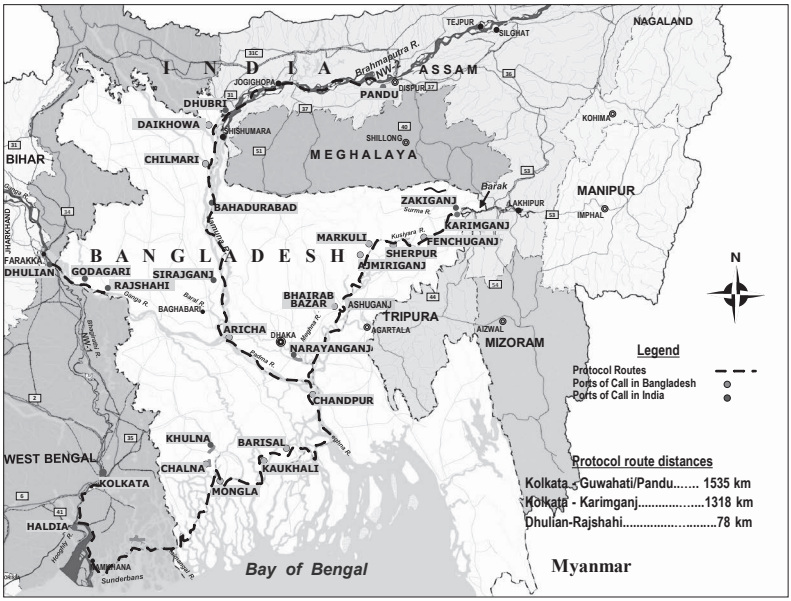
a) Kolkata-Haldia-Raimongal-Mongla-Kaukhali-Barisal-Hizla-Chandpur-Narayanganj-Aricha-Sirajganj-Bahadurabad-Chilmari-Pandu between India and Bangladesh
b) Kolkata-Haldia-Raimongal-Mongla-Kaukhali-Barisal-Hizla-Chandpur-Narayanganj-Bhairab Bazar-Ajmiriganj-Markuli-Sherpur-Fenchuganj-Zakiganj-Karimganj between Bangladesh and India
c) Rajshahi-Godagari-Dhulian between India and Bangladesh
d) Karimganj-Zakiganj-Fenchuganj-Sherpur-Markuli-Ajmiriganj-Bhairab Bazar-Naryanganj-Chandpur-Aricha-Sirajganj-Bahadurabad-Chilmari-Dhubri-Pandu between Bangladesh and India

The first two corridors were identified as important and cost-effective inland water corridors between Bangladesh and India. These routes remain highly underutilised, partly due to lack of adequate drafts, navigational aids, limited number of ports of call and non-renewal of the protocol for longer periods (Rahmatullah, 2010). ADB (2013) notes that the size of the vessels that are able to use the Chittagong Port, is limited by the width and curvature of the Karnaphuli River. Rail and road traffic between Chittagong Port and Dhaka also faces several bottlenecks that need to be addressed on an urgent basis.

Bangladesh and India have renewed the Protocol on Inland Water Transit and Trade which will remain in force till March 2015. Map 1.3 shows the protocol on Inland Water Transit and Trade routes between Bangladesh and India. This protocol allows transshipment of cargo by shallow draft vessels.

Under the protocol, each country permits the vessels of the other country to utilise all available cranes and other handling facilities on the

Map 1.3: Protocol on Inland Water Transit and Trade Routes between Bangaldesh and India



Source: BIWTA (2013).

same terms and conditions as are applicable to local vessels.[13] Four of the priority routes under the protocol are listed below:

a) Kolkata-Chandpur-Pandu-Silghat-Kolkata
b) Kolkata-Chandpur-Karimganj-Kolkata
c) Silghat-Pandu-Ashuganj-Karimganj-Pandu-Silghat
d) Rajshahi-Dhulian-Rajshahi

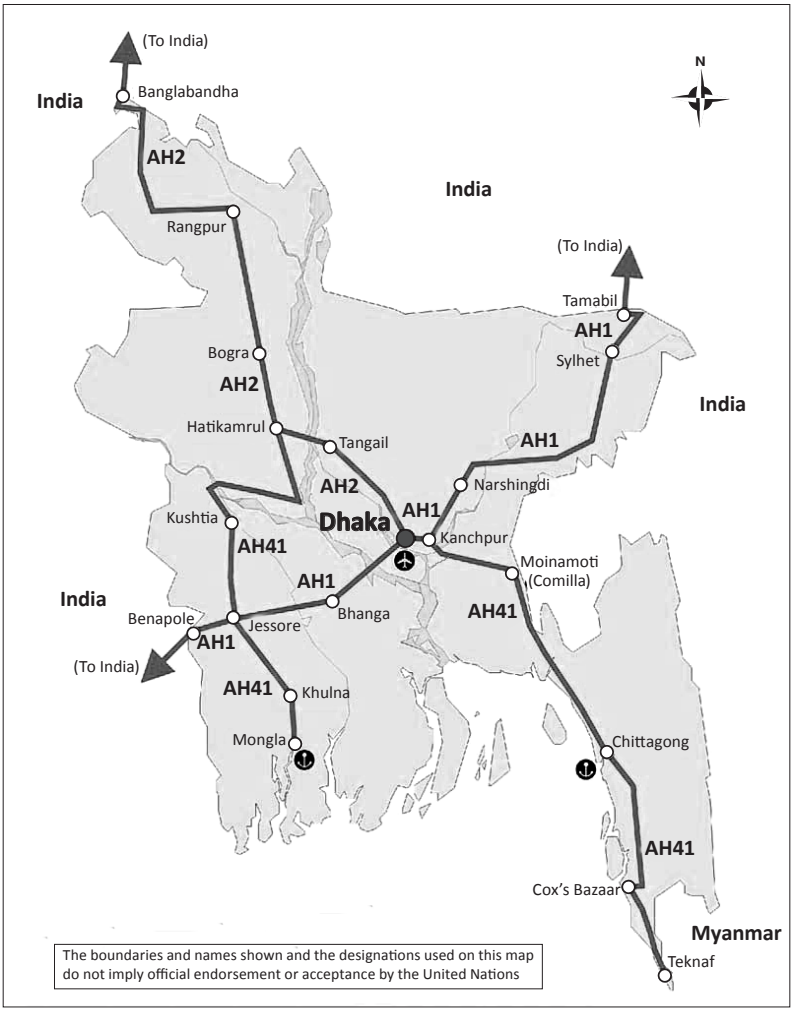
1.5.6 Asian Highway

Asian Highway which included designated routes, totalling nearly 38,000 km, could become a flagship artery in promoting connectivity within the Asian region. Bangladesh is connected with this proposed highway

[13]Under this protocol, 1.1 million metric tonnes of trade cargo and 18,684 metric tonnes of transit cargo were carried by Bangladesh and Indian vessels during July-March, 2013.

through three routes – AH1, AH2 and AH41 (Map 1.4). However, operationalisation of these routes remains a challenge, both from the perspective of mobilising the needed investment, and also ensuring inter-country coordination.

Map 1.4: Asian Highway Routes in Bangladesh



Source: ESCAP (2003).

1.6 Ongoing Activities Relating to Trade Facilitation

1.6.1 Land Port Development and Road Connectivity

Bangladesh has been implementing several projects aimed at modernising major land ports including Benapole, Bhomra and Nakugaon. In FY2012-13, USD 3.1 million was allocated to modernise these ports (Table 1.12). Bangladesh is also implementing projects to construct new roads in Satkhira, Nakugaon, Birishiri and Hatipagar areas which will be directly linked to land ports.

Table 1.12: Trade Facilitation Projects Undertaken by the Bangladesh Land Port Authority

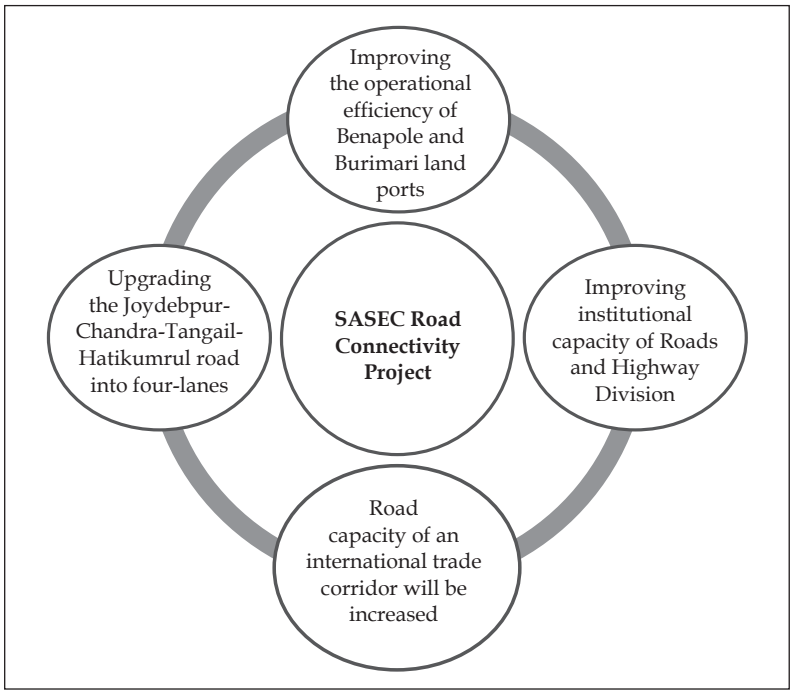
Project Title	Total Estimated Cost (Million USD)	ADP Allocation in FY2013 (Million USD)
Modernisation of Benapole Land Port (1st Stage - 2nd Revised)	6.5	1.1
Development of the Bhomra Land Port	2.4	1.0
Development of the Nakugaon Land Port	1.9	1.0
Total	10.8	3.1

Source: Ministry of Shipping (2013).
Note: ADP: Annual Development Programme.

Priority road projects, under the South Asia Subregional Economic Cooperation (SASEC) road connectivity project, include improving infrastructure of three roads: i) Joydebpur-Chandra-Tangail-Hatikumrul road section in N4 and N405 (110 km); ii) Faridpur-Barisal road section in N8 (128 km); and iii) Dhaka-Mawa-Bhanga Highway in N8 (60 km). This project is also expected to improve the operational efficiency of Benapole and Burmari land ports. Under the project, institutional capacity of Roads and Highway Division of the Ministry of Communication[14] will also be strengthened in the areas of developing and maintaining roads and bridges (Diagram 1.1).

[14]The Ministry of Communication of the Government of Bangladesh had been renamed as the Ministry of Road Transport and Bridges as on September 2014.

Diagram 1.1: Outcomes of the SASEC Road Connectivity Project



Source: ADB (2013).

Apart from donor support, a project to develop Dhaka-Chittagong Expressway is being implemented under PPP.[15] Technical assistance will be provided by the Asian Development Bank (ADB) to assist the Ministry of Communication (the present Ministry of Road Transport and Bridges) to update the feasibility study and prepare the details of the design document. A Public-Private Infrastructure Development Facility (PPIDF) programme has been designed to improve the needed infrastructure facilities. The total cost of the PPIDF programme is estimated at USD 165 million.[16] Table 1.13 shows recent works of land port development and road connectivity.

[15]USD 13 million is planned to be spent on the Dhaka-Chittagong Expressway to improve the road facilities between these two important cities of Bangladesh.

[16]PPIDF II has two components. Component one will provide funding directly to sub-borrowers in the form of providing long-term loans for infrastructure project; while component two will channel funding from Infrastructure Development Company Ltd. (IDCOL) through participating organisations to the end-users who are typically households in the off-grid areas.

Table 1.13: Land Port Development and Road Connectivity Projects

Project Title	Total Cost (Million USD)	Source of Funding (Million USD)	Status of the Project	Description of the Project
Construction of Satkhira Town Bypass with link to Bhomra Land Port	17.0	GoB	Ongoing	Construction of new roads
Nakla-Nalitabari-Nakugaon Land Port Road	24.0	GoB	Ongoing	Construction of new roads
Construction of Birishiri-Bijoypur Land Port Road with Madupara Link	6.7	GoB	Ongoing	Construction of new roads
Construction of Border (Hatipagar-Sandhakura-Dhanuakamalpur) Road (Z-2834)	13.5	GoB	Ongoing	Construction of new roads
Priority Roads Project	1.0 (Technical Assistance)	TA Special Fund: 0.8 Counterpart: 0.2	Ongoing	Linking priority roads to increase domestic and international trade
Dhaka-Chittagong Expressway Public-Private Partnership Design Project	12.5	Asian Development Fund: 10.0 Counterpart: 2.5	Ongoing	Agreed upon design of the Dhaka-Chittagong Expressway for implementation under a PPP
Road Network Improvement and Maintenance II	121.3	Asian Development Fund: 60.2 Counterpart: 61.1	Ongoing	To provide better access to the Banglabandha border point by improving roads

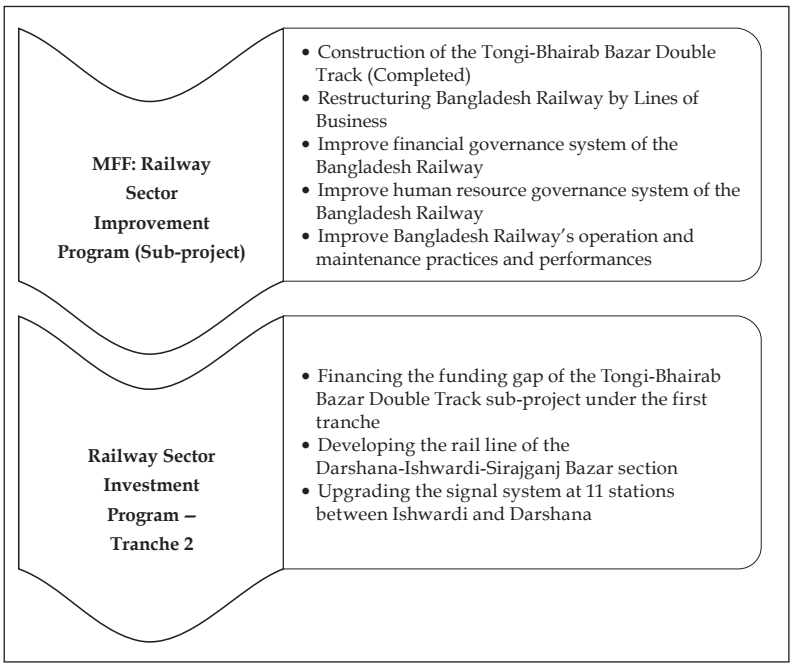
Source: Ministry of Communication (2013); ADB (2013).

Japan has extended technical assistance worth USD 1.5 million to improve the operational efficiency of Benapole and Burimari land ports. ADB has also come up with support to undertake feasibility study for modernising the Benapole Port. So has the United States Agency for International Development (USAID) to improve trade facilitation at the Benapole Port.

1.6.2 Railway Infrastructure

Under the SASEC project, ADB has financed Bangladesh/MFF-Railway Sector Investment Program for restructuring of Bangladesh Railway through development of lines of business, improvement of financial governance, and strengthening of human resources (Diagram 1.2). The total cost of the programme is USD 162.5 million (Table 1.14).[17] Of this,

Diagram 1.2: Description of the SASEC Projects in the Railway Sector



Source: ADB (2013).

[17] USD 150 million will be given by ADB and USD 15.2 million will be provided from the GoB.

Table 1.14: Railway Infrastructure Development Projects

Project Title	Total Cost (Million USD)	Source of Funding (Million USD)	Status of the Project	Description of the Project
MFF – Railway Sector Investment Program (Sub-project)	162.5	GoB: 32.5 ADB: 130.0	Ongoing	Upgrading the rail tracks, improving financial governance system and human resource governance system of Bangladesh Railway, and Bangladesh Railway operation and maintenance practices and performances
Railway Sector Investment Program – Tranche 2	165.2	ADB: 150.0 GoB: 15.2	Ongoing	Financing the funding gap of the previous project and rehabilitation and upgradation of different sections of rail lines
Railway Sector Investment Program (Facility Concept)	539.5	Ordinary capital resources: 400.0 Asian Development Fund: 30.0 Technical Assistance Special Fund: 2.0 Counterpart: 107.5	Ongoing	Improving Bangladesh Railway's commercial orientation and financing priority investments
Regional Rail Traffic Enhancement Program	1.2	Japan Special Fund: 0.9 Technical Assistance Special Fund: 0.1 Counterpart: 0.2	Ongoing	Promoting international rail traffic with efficient cross-border and customs procedures

Source: ADB (2013).

USD 100 million was allocated for an infrastructure investment project to overcome the Bangladesh Railway's capacity-related bottlenecks, and USD 62.5 million was allocated towards commercial focus of the Bangladesh Railway, and improvement of its governance and accountability through sectoral policies and organisational and capacity building reforms. As of September 2013, 52 per cent of the work has been implemented. Activities being undertaken as part of the project are described in Diagram 1.2.

Rehabilitation of yards and extension of loops at different stations in the Darshana-Ishwardi-Sirajganj Bazar section will also be undertaken under the project.[18] The project will also support upgradation of the signal system of 11 railway stations between Ishwardi and Darshana.

Bangladesh has also been taking advantage of the Indian Line of Credit (LoC) scheme worth USD 1 billion for implementing several projects which are geared towards improvement of the trade facilitation in Bangladesh.[19] The projects under the LoC are mainly related to development of Bangladesh's transport and communication sectors.

Renovation of the rail line from Kulaura to Shahbazpur will be undertaken with the help of the LoC. As is known, Shahbazpur is a bordering area with India. The abandoned 40 km long meter-gauge line between Kulaura and Shabazpur will be converted into a broad-gauge which will enable transportation of goods between Bangladesh and north-eastern India.

Under the joint initiative of GoB, ADB and OPEC (Organization of the Petroleum Exporting Countries), a project has been undertaken to improve the 110 km Dhaka-Northwest corridor by upgrading the Joydebpur-Chandra-Tangail-Hatikumrul Road into four lanes. Additionally, under the ongoing Railway Sector Investment Program (USD 539 million), supported by the ADB, measures have been taken in the areas of organisational restructuring and policy reforms to improve Bangladesh Railway's commercial orientation, institutional capacity and overcoming the existing bottlenecks.

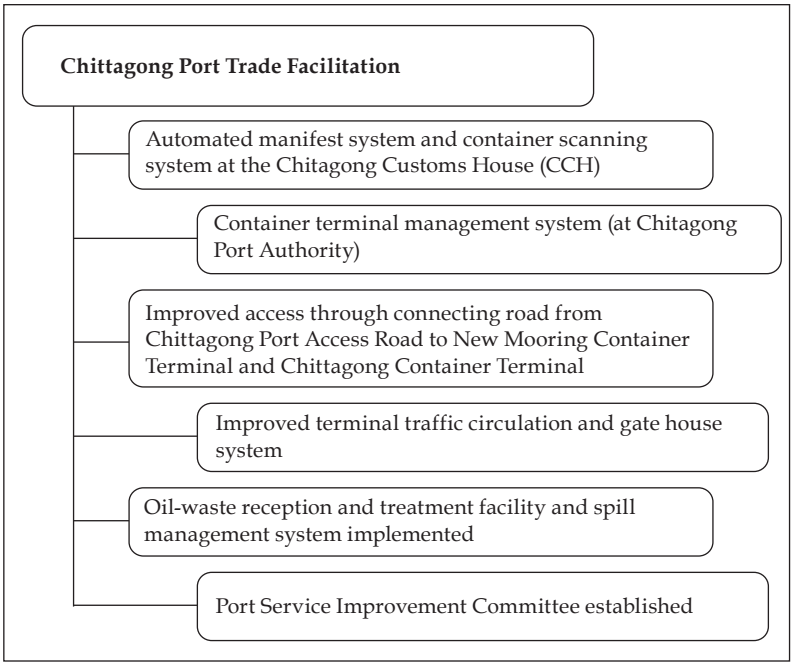
1.6.3 Seaport Development

Chittagong Port Trade Facilitation Program is designed to increase the capacity of the container terminal at the Chittagong Port, to enhance

[18] The contract was signed on 24 September 2013.

[19] India has converted an amount of USD 200 million out of the USD 1 billion LoC into grant.

Diagram 1.3: Chittagong Port Trade Facilitation Project Outcomes



Source: ADB (2013).

port security and to ensure high environmental standards. Diagram 1.3 shows the major outcomes of the Chittagong Trade Facilitation project. This project is being jointly implemented by the GoB and the ADB with a total cost of USD 42 million. Technical assistance component of the project focuses on improving management and practices of Chittagong Port Authority and customs at the Chittagong Port for ship berthing and container clearance by improving procedures and simplification of documentation. The project will also come up with a framework to implement Electronic Data Interchange (EDI) at the Chittagong Port. This programme will also help to improve the container clearance process in Chittagong Port.[20] Another component of the project will focus on

[20]According to ADB, this programme will include recommendations for improvement of the physical layout of container yards and container freight stations, better vehicle traffic flow within the port operation area as well as preliminary engineering of structures, buildings and internal circulation roads needed within the port area to efficiently link with the proposed port access road.

environmental management including oil spill impact and handling of hazardous materials.

Under the Strategic Master Plan for Chittagong Port, relevant authorities are preparing a comprehensive plan with the overarching goal of multidimensional development of the port. This programme will also provide support to the integrated intermodal port development as regards both maritime and land sides of the port based on updated traffic forecast.[21] ADB has also provided funds for the Mongla Port Development Plan. An amount of USD 1 million was given for a feasibility study and improvement of the port and its logistics efficiency. Table 1.15 shows major projects related to port development.

In November 2013, BIWTA and Chittagong Port Authority completed the work as regards building the Pangaon Inland Container Terminal at a cost of Tk. 1.5 billion which is expected to play an important role in terms of facilitating movement of goods through waterways. The project aims to ease the pressure of cargo movement in the Dhaka-Chittagong railway and highway corridors. The container terminal would have a storage capacity of 3,500 twenty-foot equivalent units (TEUs) of containers and handle 0.1 million TEU containers annually. The capacity of handling TEU containers will be raised to 0.2 million of TEU containers later.[22] The terminal will help reduce cost of carrying goods from Chittagong and Mongla, and ease traffic pressure on Dhaka-Chittagong and Dhaka-Khulna highways. The GoB has given approval to build 30 vessels to carry goods through the terminal.[23] Pangaon Inland Container Terminal has been built (on 64 acres of BIWTA land) along the Buriganga River. The work included construction of Roller-Compacted Concrete yards, jetties and sheds (on 35 acres of land) and bank protection works and roads (on 29 acres). More than 1 million TEU containers are handled at Chittagong Port annually. Of these, only 10 per cent can be taken to the ICD at Kamalapur in Dhaka by trains. The existing situation is expected to improve through the new measures.

[21] ADB also provided USD 1 million for the Strategic Master Plan for the Chittagong Port.

[22] Three vessels – Pangaon Express, Pangaon Success and Pangaon Vision – have already been procured from China at a cost of USD 6.43 million to operate the terminal. Each vessel can carry 128 TEU containers.

[23] Two container-laden vessels can be berthed at a time at the jetty. Of the total number of containers released from the Chittagong Port, 70 per cent travel to Dhaka and Narayanganj areas. Only 10 per cent of these containers come by trains, while the rest are transported by the road which is more expensive and lead to traffic congestions.

Table 1.15: List of Projects related to Port Development

Project Title	Total Cost (Million USD)	Source of Funding (Million USD)	Status of the Project	Description of the Project
Chittagong Port Trade Facilitation	42.0	ADB: 30.6 GoB: 10.7	Ongoing	Increasing the capacity of the container terminal and enabling international port security and environmental standards to be met
Chittagong Port Trade Facilitation Project	0.5	Japan Special Fund	Ongoing	Improving the management practices, automation, physical layouts and environmental management
Strategic Master Plan for Chittagong Port	1.0	Japan Fund for Poverty Reduction	Ongoing	Preparing a master plan for port development and supporting the integrated intermodal port development
Port and Logistics Efficiency Improvement	0.9	Technical Assistance Special Fund: 0.8 Counterpart: 0.1	Ongoing	Overall port development framework, sea and land ports development and modernisation

Source: ADB (2013).

1.6.4 Customs Automation and Modernisation

Relevant authorities in Bangladesh have been taking a number of initiatives as regards improvements in customs administration and customs clearance procedures. World Bank had funded several projects in the early 1990s to ease and speed up the customs procedures in Bangladesh. Under the purview of the World Bank projects, ASYCUDA

system was first introduced in Dhaka and Chittagong Customs House.[24] Currently, ASYCUDA++ (version 1.18d) is being used in all the major customs houses including Dhaka, Chittagong, Mongla, Benapole and Kamalapur. Customs Administration Project was also initiated in 1999 to automate customs clearance. Major initiatives for customs automation are listed in Table 1.16.

Table 1.16: Major Initiatives for Customs Automation (Completed and Ongoing)

Year	Initiatives
1994	Live operation of ASYCUDA version 2.0 started in Dhaka Customs House (DCH)
1995	Live operation of ASYCUDA version 2.0 started in Chittagong Customs House (CCH)
1999	Operation of the Customs Administration Project-1 started
2001	'ASYCUDA++ Migration Project' designed to interface the ASYCUDA++ software with the computer system at five customs houses in the country
2001	PSI was made mandatory
2001	Automation of CCH; Operation of Import General Manifest and Export General Manifest launched
2002	ASYCUDA++ version 1.16f implemented
2003	Introduction of Direct Trader Input
2007	ASYCUDA++ Version 1.18d implemented
2008	Under the PPP agreement among CCH, Chittagong Chamber of Commerce and Industry (CCCI) and Data Soft, Data Soft developed the automation system of CCH and launched it
2009	Inauguration of the Dhaka Customs House Automation Project
2009	Installed four container scanners at the Chittagong Port
2010	Deal signed between NBR and the United Nations Conference on Trade and Development (UNCTAD) to interconnect 12 major customs houses of the country under the 'ASYCUDA World' project

(Table 1.16 contd.)

[24] ASYCUDA is computerised customs management system developed by the United Nations Conference on Trade and Development (UNCTAD). The system deals with manifests and customs declaration, accounting procedures, transit and suspense procedures. It also produces trade data systematically which can be used for economic and statistical analysis.

(Table 1.16 contd.)

Year	Initiatives
2013	Full-fledged live operation of ASYCUDA World at the CCH and the Kamalapur ICD
2013	Work progressing to introduce Green Channels at customs points
2013	CCH is going to set up mobile container scanning machine

Source: Compiled by the authors based on Mozumder *et al*. (2012), Kumar and Mukherjee (2006) and Hossian *et al*. (2009).

Whilst it is true that implementation of the ongoing customs automation and modernisation projects will help Bangladesh to make tangible progress in terms of trade facilitation, much more will need to be done to put in place the required efficiency at and behind the border measures needed for undertaking twenty first century trade. Rahman *et al*. (2014) have suggested that a National Task Force on trade facilitation be set up, the proposed trade facilitation focal point be strengthened with the needed human and financial resources and a 'Single Window' be introduced to take care of trade facilitation-related matters.

Bangladesh should also adopt the Revised Kyoto Convention which provides a benchmark for customs modernisation. Indeed, this convention is expected to be implemented, in principle, by all customs. Recently, ADB is providing assistance to Bangladesh in acceding to, and complying with, the provisions of this convention and in applying SAFE Framework of Standards to Secure and Facilitate Global Trade of the World Customs Organization (WCO). Table 1.17 demonstrates the major projects related to customs automation and modernisation in Bangladesh. ADB is also providing fund for enhancement of the customs management system. Under the SASEC trade facilitation programme, technical assistance is being provided to improve border clearance mechanism, strengthening automation of customs and enhancing access of information to traders.[25] Additionally, a project related to the SAFE framework has been initiated in Bangladesh. This programme will introduce various aspects of SAFE including the 'Authorized Economic Operator' concept which has important significance for both in-bound and out-bound trade.

[25]USD 1.5 million is given to Bangladesh under the South Asia Sub-regional Economic Cooperation Trade Facilitation Program.

Table 1.17: Major Projects for Customs Automation and Modernisation in Bangladesh

Project Title	Total Cost (Million USD)	Source of Funding (Million USD)	Status of the Project	Description of the Project
Customs Administration Modernization-1 (CAM-1)	CAM-1 was a component of BDXDP project: 42.9	IDA: 30.9 Private Fund: 9.5 GoB: 3.0	Completed	Simplifying customs procedure, upgrading the ASYCUDA system, expanding automation coverage, etc.
Modernization and Automation Project (MAP)	4.0	IDA: 3.0 GoB: 1.0	Completed	Automation and computerisation of customs, improving information sharing, further implementing targets of CAM-1
Supporting Participation in the South Asia Sub-regional Economic Cooperation Trade Facilitation Program	1.5	Japan Fund for Poverty Reduction	Ongoing	Improving border clearance mechanisms, strengthening automation of customs

Source: Mozumder *et al*. (2012); ADB (2013).
Note: BDXDP: Bangladesh Export Diversification Project. IDA: International Development Association.

1.6.5 Strengthening the Bangladesh Standards and Testing Institution (BSTI)

Strengthening the existing capacity of the BSTI and establishing new laboratories and facilities have become a *sine qua non* for improving the state of trade facilitation in Bangladesh. A plan has been put in motion to modernise and strengthen the BSTI in several ways. The first project,

Table 1.18: Major Projects to Strengthen and Modernise the BSTI

Project Title	Total Cost (Million USD)	Source of Funding
Establishment, Modernization and Development of BSTI Regional Offices at Sylhet and Barisal	2.6	GoB
Modernization of BSTI through Procurement of Sophisticated Equipments and Infrastructure Development of Laboratories for Accreditation	3.3	GoB & Japan Debt Cancellation Fund (JDCF)
Modernization and Strengthening of BSTI	2.2	GoB & Exim Bank of India
Removal of Barriers to Cost-Effective Development and Implementation of Energy Standards and Labeling (BRESL)	2.7	GoB & Global Environment Facility (GEF)

Source: BSTI (2013).

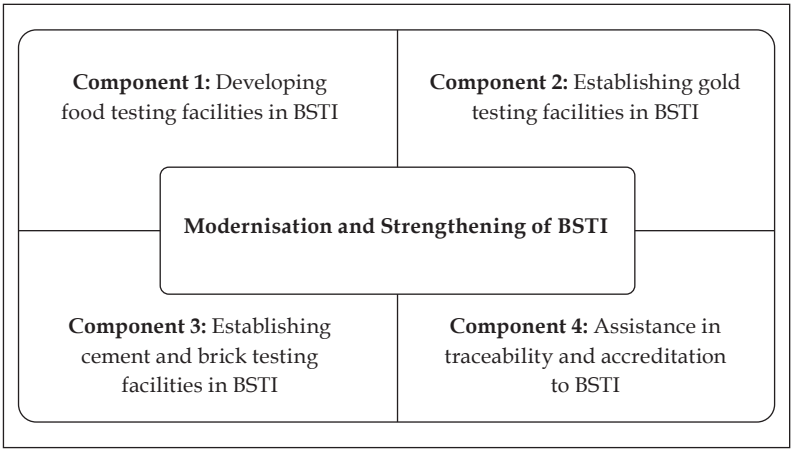
with financial commitment of about USD 2.6 million, is geared towards establishment, modernisation and development of BSTI offices in various districts of Bangladesh (Table 1.18). Additionally, the government has planned to establish BSTI regional offices and laboratories in Sylhet and Barisal divisions to strengthen metrology and certification marks-related activities. This project also envisages procurement of modern and sophisticated equipments for testing and metrology laboratories, procurement of vehicles for market verification, inspection and for setting up mobile courts.

The second project, jointly undertaken by the GoB and Japan Debt Cancellation Fund (JDCF) aims at construction and refurbishing of laboratories for the purposes of accreditation.[26] The project also helped in upgrading laboratories in the BSTI headquarter and Chittagong regional office. The aim was to set up accreditation facilities for calibration, testing and certification to ensure that specific exportable products from Bangladesh receive necessary certification.

GoB with the help of Global Environment Facility (GEF) initiated an important project titled Removal of Barriers to Cost-Effective

[26]Total cost of the project is USD 3.34 million.

Diagram 1.4: Modernisation and Strengthening of BSTI



Source: BSTI (2013).

Development and Implementation of Energy Standards and Labeling (BRESL).[27] The project was expected to be completed by end-June 2014 (BSTI, 2013).

At present, as part of the Indian USD 1 billion LoC, BSTI is implementing a project on modernisation and strengthening at a cost of USD 2.2 million. The project has four components as can be seen from Diagram 1.4.

First component of the project foresees establishment of food testing laboratory with modern and sophisticated equipments. Second component envisages establishment of gold testing lab with modern and sophisticated equipments. Third component relates to establishment of cement and brick testing labs, while fourth component will assist traceability and accreditation. It is important here to recall that exporters from Bangladesh often face certification and SPS-related difficulties in the Indian market, particularly for processed agricultural foods and cement. Recognition from BSTI for product certification for exportable items will hopefully reduce the NTBs and contribute to facilitating export of Bangladeshi products to the Indian market.

[27] GEF is an initiative which provides assistance to countries to address environmental issues and give support to national sustainable development initiatives. GEF provides grants for projects related to various environmental issues.

It is also important here to mention that, it has been decided to establish the South Asian Regional Standards Organisation (SARSO) in Bangladesh. SARSO is expected to play an important role in promoting trade facilitation between Bangladesh and SAARC countries. Some of the upcoming development projects of BSTI are the followings:

- Better Quality Infrastructure of Better Work and Standards Program (BEST)
- Expansion and strengthening of BSTI (in five districts)
- Establishment of Chemical Metrology Laboratory (CML) in BSTI

1.6.6 Single Window

At present, the Ministry of Commerce is undertaking an important project which will help to establish a 'Single Window' for trade facilitation in Bangladesh. ADB is providing assistance to establish this facility which is expected to play an important role towards better trade facilitation. Table 1.19 outlines the brief information about the pilot project for Single Window.

Table 1.19: Pilot Project for Single Window

Project Title	Total Cost (Million USD)	Source of Funding	Status of the Project
Supporting Participation in the South Asia Subregional Economic Cooperation Trade Facilitation Program	1.5	Japan Fund for Poverty Reduction	Ongoing

Source: ADB (2013).

The project was approved in 2013 and the implementation period is August 2013 to July 2015. Under this SASEC Trade Facilitation Program, Bangladesh is planning to establish a national Single Window. The technical assistance of ADB will support NBR in its transition from ASYCUDA++ to ASYCUDA World which will be interfaced with a pilot national Single Window programme connecting the back-end electronic data processing systems of selected agencies including for Ministries of Commerce and Shipping.

1.6.7 Information for Traders and Investors

ADB is assisting the GoB in implementing reforms which will help exporters and importers in accessing trade-related information. According to ADB (2013), SASEC Trade Facilitation Program will coordinate with other regulatory agencies and help address issues related to quarantine (animal and plant health) standards and other TBTs, and also help to deal with transport/connectivity agreements.

1.6.8 Regional Transport Connectivity

ADB is providing financial assistance to improve the transport infrastructure in some of the corridors in Bangladesh. It has sanctioned USD 23 million in support of a number of transport projects in roads and railways, and towards greater connectivity (Table 1.20). The projects relate to conducting feasibility studies, undertaking detailed design, procurement assistance and safeguard implementation.

Table 1.20: Regional Transport Connectivity Projects

Project Title	Total Cost (Million USD)	Source of Funding (Million USD)	Status of the Project	Description of the Project
SASEC Road Connectivity Project	316.2	ADB: 198.0 GoB: 86.7 OPEC: 30.0 Japan Fund for Poverty Reduction: 1.5	Ongoing	Improvements of roads and major land ports
Sub-regional Transport Project Preparatory Facility	23.0	Asian Development Fund	Ongoing	Preparing a series of Regional Cooperation and Integration transport projects in roads and railways and ensuring implementation of the projects

Source: ADB (2013).

Regional Rail Traffic Enhancement Programme, implemented at a cost of USD 1.2 million, is providing technical assistance to Bangladesh to promote sub-regional rail connectivity. The programme is designed to identify appropriate institutional arrangements and operating principles including conventions and other agreements which will be required to promote international rail traffic with efficient cross-border and customs procedures.

1.6.9 Trade Policy Support Programme

Trade Policy Support Programme, jointly funded by the GoB and the EU, is designed to provide assistance to the Ministry of Commerce to formulate a comprehensive trade policy, to raise capacity in the areas of trade negotiation and to improve efficiency of the Ministry (Table 1.21). This programme also supports EPB to automate the Generalized System of Preferences (GSP) certification system and seeks to establish an online information checking system.

Table 1.21: Trade Policy Support Programme

Project Title	Source of Funding (Million USD)	Status of the Project	Description of the Project
Bangladesh Trade Policy Support Programme (BTPSP)	GoB and EU	Ongoing	- Capacity building of the Ministry of Commerce - Support to policy research and training capacity at the Bangladesh Foreign Trade Institute (BFTI) - Support to EPB in the automation and handling of GSP certification

Source: Bangladesh Trade Policy Support Programme (2013).

1.6.10 Country Strategy towards National and Regional Connectivity

Connectivity and trade facilitation issues have been given high importance and priority in key national policies of Bangladesh. Sixth Five Year Plan (2011-2015) and the Ten Year Perspective Plan of Bangladesh (2011-2020) have given high importance to issues related to regional

connectivity and trade and transport facilitation. The Sixth Five Year Plan envisaged construction of two seaports which will be connected to the capital city, Dhaka; railway system will be expanded to establish connectivity between East and South-West zones of the country. Building transport network to facilitate domestic trade and regional connectivity and market integration are being given priority attention in the Seventh Five Year Plan (2015-2019) as well.

1.7 Concluding Remarks

The preceding sections of the chapter have made an attempt to present a detailed picture of the state of trade and transport facilitation measures in place in Bangladesh which are relevant to regional connectivity and regional cooperation in South Asia. Major projects and initiatives in Bangladesh which deal with strengthening of trade-related institutions, building of infrastructure, better access to information, improvements in customs processes and procedures and reducing NTBs were documented to learn about ongoing efforts to address some of the attendant and emerging concerns. This information, gleaned from a diverse range of sources, will be helpful in having the needed information about efforts that are in place in Bangladesh in the areas of trade and transport facilitation. This will also help identify the gaps and propose measures that are needed to address the gaps. This knowledge will be pertinent also in view of the Trade Facilitation Agreement negotiated in Bali. As was noted, the Bali decision will require Bangladesh to undertake appropriate measures towards improved trade facilitation, now and in future. Bangladesh will need to notify which trade facilitation measures she already has in place, which she plans to undertake within the stipulated time, and those trade facilitation measures for which she will need technical and financial assistance from the WTO and other organisations. The information presented in this study will help Bangladesh in addressing her regional and global obligations, and identifying the activities for which she can seek support. It goes without saying that trade facilitation measures are of heightened importance to reduce cost of doing business, bring down the lead-time, raise compliance and improve overall competitive strength of Bangladesh's trading sector. These will help Bangladesh's exporters to be competitive in the global market, will contribute to reducing production cost of importers, and will also benefit consumers through reduced import prices. As is known, in the current business dynamics, development

of regional and global value and supply chains is becoming critical to ensuring competitiveness of firms and enterprises. For this to happen, modern and efficient trade and transport facilitation is a necessary pre-condition. From this perspective, an audit of the state of trade facilitation is reckoned to be of priority importance to Bangladesh. This audit will also hopefully help Bangladesh to mobilise the significant financial resources that will be required to address the existing gaps and deficits in trade and transport facilitation that is so critical to raising competitiveness of the globalising economy of Bangladesh.

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2

Addressing Sanitary and Phytosanitary Concerns in Bangladesh-India Trade *Framework for an Agreement*

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2.1 Introduction

India is a key trading partner of Bangladesh, manifested through high imports and rising exports. India is the second most important source of import for Bangladesh, whilst export to India has seen four-fold rise over the past 10 years. Import from India rose from USD 2 billion in FY2004-05 to USD 6 billion in FY2013-14, whilst exports increased from USD 0.1 billion to USD 0.5 billion over the matched period. However, whilst India accounted for 14.8 per cent of Bangladesh's total import in FY2013-14, Bangladesh's exports were less than one-tenth of one per cent of India's total import of USD 459 billion in 2014 (calendar year). Several studies have convincingly demonstrated that potential opportunities to enhance Bangladesh's export to India remains quite significant. It is in this backdrop that the duty-free quota-free (DF-QF) market access offer of India to Bangladesh merits closer attention. As may be recalled, the DF-QF market access offer was made at the 2011 Summit of the South Asian Association for Regional Cooperation (SAARC) held in Malé, by India, on a unilateral, non-reciprocal basis. This offer must be seen as a

key milestone in deepening trade relations in South Asia. Whilst the offer was made to all the least developed countries (LDCs) of the SAARC, by all reckoning, it was Bangladesh which stood to gain the most from this offer.[1] With its supply-side capacities, knowledge about Indian market and capacity to leverage other advantages that she enjoyed, Bangladesh is relatively better positioned among the SAARC LDCs to reap the potential benefits accruing from the Indian offer. However, whilst the duties were brought down to zero for almost all items[2], the non-tariff barriers (NTBs) and concerns have continued to pose significant challenges undermining Bangladesh's ability to take advantage of India's duty-free offer. In this connection, sanitary and phytosanitary (SPS) measures have come to occupy the central place of concern in recent times. SPS measures include stringent requirements in the areas of product marking, labelling, packaging and testing, as well as several hygiene and safety-related regulations that aim at protecting human, animal and plant life. These measures are particularly relevant in case of trade in agricultural and food-related products. It is to be noted that, to protect human, animal and plant health and to ensure environment and human safety, countries are allowed to adopt a diverse range of SPS measures as part of international conventions and as Members of the World Trade Organization (WTO). However, entrepreneurs and business people have tended to perceive SPS measures as a major hindrance to promoting trade between and among countries. Indeed, measures originating from SPS concerns such as laboratory testing, necessity for detailed product information, bio-security and sanitary permit for agricultural exports do lead to delays and cost escalation, undermining Bangladesh's competitiveness, and consequently, harming the cause of realisation of Bangladesh's export potential in the Indian market. In view of the above, strengthened capacity to address SPS issues and concerns will help raise Bangladesh's ability to take advantage of the fast growing Indian market.

It may be noted here that, export structure of Bangladesh in the Indian market provides significant opportunities for export diversification. The ratio of Bangladesh's export to India of readymade garments (RMG) and non-RMG items was 20:80; the ratio of the two categories in Bangladesh's global export was 80:20. Accordingly, India offers Bangladesh an

[1]Bhutan and Nepal already had duty-free access in the Indian market under Bilateral Free Trade Agreements (BFTAs). Afghanistan, the other LDC, does not have the supply-side capacities, at least for now, to take significant advantage of the offer.

[2]Barring 25 items belonging to liquor, tobacco, arms and drugs categories.

opportunity for both market diversification and product diversification. Since SPS-related difficulties concern non-manufactured exports mostly, the importance of tackling these in view of raising exports to India thus cannot be overemphasised.

It is to be reckoned that, SPS measures start to act as NTBs primarily when appropriate mechanisms are not put in place to address the attendant concerns, and there is no institutional-regulatory arrangement to deal with compliance issues in a speedy manner. This then also creates opportunities to use SPS to serve protectionist purposes inter-country in trade relations. There is, thus, justified reasons and rationale for identifying mechanisms and modalities to address SPS-related concerns and reduce the burden of compliance assurance.

Cross-country experience suggests that a bilateral SPS Agreement could serve as an appropriate instrument to resolve the attendant concerns. The design of such an SPS Agreement will need to take into cognisance the SPS regimes in both countries, and come up with suitable modalities for mutual recognition of standards, certification and laboratory testing. SPS Agreement could also help bridge the gap between the national standards and practices relating to health, hygiene, SPS measures in place in both the countries. Such Agreements also create incentive towards harmonisation of standards between and among countries. Since compliance with SPS standards in place in India is a major concern for Bangladeshi exporters, such an Agreement should merit attention and be of heightened interest to Bangladesh. In all likelihood, this will help reduce cost of export and likely to raise export competitiveness of Bangladesh. This type of Agreement should also stimulate collaboration between relevant institutions in participating countries; in this case those in Bangladesh and India. Such collaboration could include cooperation in standard setting, technical assistance geared towards capacity building of national standardisation institutions, exchange of information relating to testing and certification, and mutual recognition of standards. The proposed SPS Agreement is likely to reduce the burden of exporters significantly in dealing with compliance assurance to the satisfaction of importing agencies, reduce both cost and hassle, bring down the lead-time, and do away with significant paper works. Evidently, exporters would stand to gain; but also importers, because at the end of the day, costs involved in compliance assurance get to be passed on to the importers. Consumers also benefit as they have quality assurance as regards food items and related products, and a part of the cost savings is passed on to them.

The objective of the present study is to identify major SPS-related issues and concerns which act as NTBs in Bangladesh-India trade and to propose a framework for an SPS Agreement between the two countries. The study examines major SPS-related irritants inhibiting Bangladesh-India trade, reviews existing cooperation mechanisms and comes up with a framework for a possible SPS Agreement which can be the basis for future cooperation to remove SPS-related NTBs between the two countries. The organisation of the chapter is as follows: the next section presents methodology of the study; Section 2.3 outlines the dynamics of trade between Bangladesh and India; Section 2.4 reviews findings from literature. Section 2.5 outlines the survey results; Section 2.6 provides a framework for a bilateral SPS Agreement; concluding remarks are presented in Section 2.7.

2.2 Methodology

The analysis in this study is based on information collected from both primary and secondary sources. Secondary information was collected from relevant institutions in both India and Bangladesh. In Bangladesh, from the Export Promotion Bureau (EPB), Bangladesh Bank, National Board of Revenue (NBR), Bangladesh Accreditation Board (BAB) and Bangladesh Standards and Testing Institution (BSTI); and in India, from the Bureau of Indian Standards (BIS) and Food Safety and Standards Authority of India (FSSAI).

Primary data for this study was generated from a perception survey which covered key stakeholders including exporters, importers and clearing and forwarding (C&F) agents. Respondents were selected through purposive sampling. Total number of respondents was about one hundred. The study also draws on information and insights generated through focus group discussions (FGDs) and key informant interviews with concerned stakeholders including exporters, policymakers, researchers and government officials from NBR, EPB, BSTI, customs and port authorities and Ministry of Commerce. Several interviews were also conducted in India by the study team. They included relevant policymakers, exporters, importers, C&F agents and government officials from BIS and FSSAI, as well as customs authorities both at the regional offices in Kolkata and central offices in New Delhi. Information was also collected during several field visits that covered major land ports through which bulk of Bangladesh-India bilateral trade takes place. These included Benapole-Petrapole, Hili-Hili and Akhaura-Agartala land

customs stations (LCSs). It is to be noted that, interviews were conducted on both sides of the borders.

2.3 Dynamics of Trade between Bangladesh and India

2.3.1 Some Stylised Facts and Recent Trends

For Bangladesh, trade with India constitutes a key component of her global trade. Indeed, the significance of Bangladesh's bilateral trade with India has been on the rise over the past years, from the perspectives of all key stakeholders: for consumers, who depend on imports of finished goods from India; for producers, who import capital machineries and intermediate inputs and raw materials; for exporters, who depend on intermediate products from India. It may be recalled here that, in FY2000-01, total bilateral trade between Bangladesh and India was to the tune of USD 1,247 million; growing at a compound annual growth rate of 13.5 per cent, the trade increased to USD 6,493 million in FY2013-14. However, it may also be noted that, Bangladesh's import from India was significantly higher than her export to India.[3] On the other hand, Bangladesh's importance as an import source for India was rather marginal: in FY1999-00, Bangladesh's position as India's import source was 53rd, which climbed down further to 67th in FY2013-14. Bangladesh sourced 16.6 per cent of her global import from India, while India sourced merely 0.1 per cent of her global import from Bangladesh. Consequently, Bangladesh's bilateral trade deficit with India was quite large and growing. It should, however, be noted here that Bangladesh was able to increase her export to the Indian market significantly over the recent years. Bangladesh's export to India was only USD 63 million in FY2000-01 which has increased by more than seven fold in FY2013-14, when export reached USD 456 million. As was noted above, at the same time, Bangladesh's bilateral trade deficit has seen a notable rise in spite of the aforesaid rise in export. In FY2000-01, Bangladesh's trade deficit with India was to the tune of USD 1,121 million which increased by about five times to reach USD 5,579 million in FY2013-14 (Table 2.1).

Whilst in a globalised economy bilateral trade deficit should not be a concern, Bangladesh's inability to increase export to India further and

[3]In FY2000-01, India was the most important import source for Bangladesh (USD 1,184 million). In FY2013-14, India was the second largest import source for Bangladesh (USD 6,036 million), conceding only to China (USD 7,541 million).

Table 2.1: Trade Dynamics and Growing Deficit

(Million USD)

Year	Export to India	Import from India	Bilateral Trade Deficit
FY2001	63	1184	-1121
FY2005	144	2026	-1882
FY2009	277	2822	-2546
FY2011	513	4569	-4057
FY2013	563	4740	-4176
FY2014	456	6036	-5579
FY2015 (Jul-Dec)	257	2925	-2667

Source: EPB (2015) and Bangladesh Bank (2014 and 2015).

thereby reduce the bilateral deficit calls for a closer look at the attendant reasons driving this state of affairs.

Considering the particular scope of the present study, it is important to examine the product composition of the bilateral trade between Bangladesh and India. Of special concern here is the agricultural products since SPS measures are mainly relevant and applicable to this product category in the bilateral trade.

2.3.2 Export of Agricultural Products of Bangladesh to India

As was noted above, product composition of Bangladesh's export to India is different from that of her global export. RMG, the dominant export of Bangladesh globally, has less significance in Bangladesh's export to India, whilst agricultural and other items are of much higher importance for Bangladesh. While RMG accounts for more than 80 per cent of Bangladesh's global export revenue, only about 21 per cent of export earnings from India was accounted for by RMG in FY2013-14. On the other hand, agricultural products accounted for a mere 4.2 per cent of Bangladesh's global export in FY2013-14, while in the same period, 22 per cent of Bangladesh's export to India was in agricultural products. Indeed Bangladesh's trade in agricultural goods with India has been on the rise in recent years – Bangladesh's export of agri-items was USD 101 million in FY2013-14 compared to only USD 49 million in FY2009-10. Export was indeed higher in FY2011-12, at USD 135 million, experiencing some decline in the following years. What is disquieting though is that the decline in

agri-exports was experienced at a time when Bangladesh was enjoying duty-free access for all items of export to India following the DF-QF offer in 2011.[4]

As would be appreciated, Bangladesh has significant supply-side capacities in agriculture. About 18 per cent of her gross domestic product (GDP) comes from this sector where about 46 per cent of total labour force is employed. Over the years, India has emerged as a key export destination for Bangladesh's agri-items. In 2001, India was ranked 29th in terms of export; but a decade later she has moved up in importance to become the third biggest destination for Bangladeshi agri-products (Trade Map, 2015). On the other hand, according to Trade Map (2015) data, in 2014, Bangladesh was ranked 25th as an import source for India for agricultural products. To compare, India's largest suppliers of agri-products were Indonesia (USD 4,294 million), Malaysia (USD 2,625 million) and Argentina (USD 1,583 million) in 2014.

Major agricultural export items of Bangladesh in the Indian market include various types of prepared foodstuffs, fruits and nuts, edible oils, and fish (Table 2.2). The product composition of Bangladesh's global agricultural export is distinct from that concerning India. Global agri-export of Bangladesh mainly include raw products such as shrimp, vegetables, cut flowers; to contrast, export to India is mainly concentrated in prepared foodstuffs.

According to the Harmonized Commodity Description and Coding System (HS) classification, all products belonging to HS chapters 16 to 24 are considered as foodstuff. As will be noted, six of the top 10 primary commodities (Table 2.2), at 2 digit HS codes, belong to the foodstuff category. In FY2013-14, Bangladesh exported USD 27 million worth of foodstuff to India which was about one-fourth of Bangladesh's agri-export to India (in FY2008-09, this was only about USD 10 million or 17.4 per cent of total agri-export to India). Over the last five fiscal years, Bangladesh's export of foodstuff has increased by almost three times in the Indian market. Important foodstuff items exported from Bangladesh to India include flavoured drinks, fruit juice, biscuit, chanachur and snack items, chocolate, fruit jelly or jam, etc. However, there is still a long way to go. As can be seen from Figure 2.1, Bangladesh exported only USD 17 million worth of foodstuff to India in 2013, whereas its export potential in these

[4]It is, however, encouraging to see that in the first seven months of FY2014-15, export of agri-products to the Indian market has picked up to register a rise of 77.2 per cent compared to the same period of the previous fiscal year.

Table 2.2: Top 10 Primary Commodities (2 Digit HS) Exported by Bangladesh to India in FY2014-15

(Million USD)

Sl. No.	HS Code and Commodities	FY2014	FY2015	Growth (%)
1	08: Edible fruit, nuts, peel of citrus fruit, melons	60.7	37.7	-38.0
2	22: Beverages, spirits and vinegar	9.8	13.5	37.7
3	20: Vegetable, fruit, nut, etc. food preparations	4.0	8.8	117.1
4	15: Animal, vegetable fats and oils, cleavage products, etc.	8.5	7.5	-11.3
5	17: Sugars and sugar confectionery	3.9	6.4	65.5
6	03: Fish, crustaceans, molluses, aquatic invertebrates nes	4.0	6.3	57.5
7	19: Cereal, flour, starch, milk preparations and products	2.1	4.4	106.5
8	23: Residues, wastes of food industry, animal fodder	6.6	2.5	-61.4
9	11: Milling products, malt, starches, inulin, wheat gluten	0.2	1.1	438.0
10	04: Dairy products, eggs, honey, edible animal product nes	0.1	0.6	468.0
	Other primary commodities	0.5	1.7	213.3
	Total primary commodities	**100.5**	**90.5**	**-9.9**

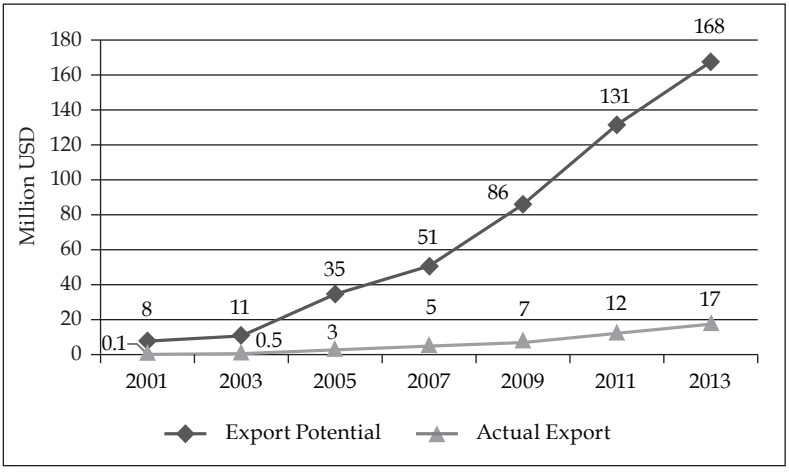
Source: EPB (2015).

Note: nes: nowhere else specified.

items was about USD 168 million, meaning current exports being about one-tenth of potential export.

Figure 2.1 clearly depicts that the gap between actual export and potential export is quite significant; indeed the gap has been on the rise in each successive past years. Field-level evidence provided by Bangladeshi exporters and Indian importers, gleaned during field visits, also testify to the significant opportunity that awaits to be tapped. This opportunity is particularly visible in case of Bangladesh's export opportunity to India's north-eastern states. However, because of various bottlenecks including NTBs and poor state of trade and transport infrastructure, the

Figure 2.1: Export Potential and Actual Export of Bangladesh for Prepared Foodstuffs in the Indian Market



Source: Trade Map (2015).

opportunities have continued to remain unrealised. Rahman and Akhter (2014) find that Bangladesh has trade deficit even with the north-eastern states of India, to a large extent accounted for by the aforesaid reasons.

It was noted above that, export of agri-products to India offers Bangladesh dual opportunities of product diversification and market diversification, as distinct from export of the dominant apparel items on the one hand, and the export concentration in the traditional European Union (EU) and North American markets. Considering the perishable nature of agri-products, India could be an ideal destination for export of agri-items. Yet another distinctive feature of this trade is that, the value addition in agri-products is very high compared to some of the other traditional export items of Bangladesh such as RMG where domestic value addition tends to range between 25-40 per cent of the free-on-board (f.o.b) value. There is a strong backward linkage in case of agri-exports as most of the raw materials for the processed export is sourced locally. Thus, in terms of value addition, job creation, and also equity consideration (agri-export items are primarily sourced from small-holding farmers), increasing agri-item export is also very well-tuned to Bangladesh's overall development objectives. Hence, the rationale to address SPS-related concerns with some urgency.

2.3.3 Trends in Import of Bangladesh from India

Bangladesh imports a significant amount of agricultural products from India. In FY2013-14, Bangladesh imported USD 1,732 million worth of agricultural products from India which was 28.1 per cent of her total import from India in that year. These imports have grown by 36.1 per cent in FY2013-14 compared to the previous year (Department of Commerce, Government of India, 2015). It may be recalled here that, in FY2000-01, import of agri-items was only USD 238 million indicating a compound annual growth rate of 16.5 per cent per year over the above mentioned period. About 18.1 per cent (USD 314 million) of Bangladesh's agricultural import from India in FY2013-14 included prepared foodstuff; in FY2012-13, the figure was 33.7 per cent.[5] Major agricultural import items of Bangladesh which are sourced from India include cereals (especially wheat), vegetables, coffee/tea, fruits, dairy products, etc.[6]

As is known, in a globalised world, it is not the bilateral deficit, but overall deficit, that should be a cause of interest and concern. However, the fact that Bangladesh is potentially capable of exporting more agri-items to India, and thereby reduce the existing bilateral trade deficit should merit urgent attention of policymakers. In view of this, modalities and mechanisms to deal with and address the SPS-related NTBs are emerging as issues that call for urgent attention of Bangladesh's policymakers.

2.4 Literature Review

In the backdrop of falling tariffs and elimination of quotas in world trade, driven by various bilateral initiatives and regional and multilateral trading arrangements, a tendency to resort to non-tariff measures (NTMs) is becoming increasingly evident in recent years. Of the different types of NTMs, SPS measures have become particularly visible. It may be noted here that, the WTO does allow Member countries to set their own SPS-TBT standards. ADB and UNCTAD's (2008) somewhat dated data found that, 86.3 per cent of total NTBs existing in the region are related to SPS and technical barriers to trade (TBT) measures. Deb (2007) also flagged

[5]The data represents Indian fiscal year which is between April and March.

[6]It may also be noted here that, some of the key agricultural products such as wheat, dairy products and infant meals that are sourced from India, play significant role in ensuring food security of Bangladesh. Sourcing these essential products from alternative sources, from distant lands, would have led to higher prices for these items in Bangladesh.

SPS measures as the most crucial NTB for the agricultural exports of LDCs such as Bangladesh, Cambodia and others. SPS measures tend to be related mainly to food safety, human, animal and plant health. According to UNCTAD (2013), SPS measures include those that are applied to protect human, animal or plant life or health from any possible threat. These threats may take different forms which could include, among others, additives, contaminants, disease-causing organisms, plant or animal-carried diseases, and entry and spread of pests. Measures undertaken to protect biodiversity and the health of fish and wild fauna as well as forests and wild flora are also considered as SPS measures. However, UNCTAD (2013) states that measures adopted for the purpose of environmental protection should not be considered as an SPS measure. WTO (2015) comes up with a more concrete definition of SPS measures: "SPS measures are those which are applied with the purpose of protecting human or animal health from food-borne risks, human health from animal- or plant-carried diseases, animals and plants from pests or diseases, and to prevent or limit damage to a country from the entry, establishment or spread of pests."

Several studies have identified SPS measures as major bottleneck in Bangladesh-India bilateral trade. However, as was noted earlier, it is Bangladesh whose interests are undermined more from SPS-related difficulties since a large part of Bangladesh's exports, destined to India, relate to primary and agricultural products. Basher (2013) identifies a number of problems associated with compliance with SPS measures in place in India: lack of clarity and transparency of Indian SPS standards; lack of transparency in issuance of SPS certificates and import permits by the Indian Ministry of Agriculture for food import; bureaucratic hassle and delay in Indian standards testing laboratories; arbitrary and non-transparent process of determining shelf-life; complex rules and regulations; non-acceptance of test results of Bangladesh for food products; lack of jurisdiction of Bangladeshi exporters to challenge Indian test results. Another study, Rahman and Akhter (2014), has also showed how SPS-related measures undermine Bangladesh's export to India. According to this study, major SPS-related trade barriers include testing and certification requirement, registration and licensing requirement, packaging and labelling requirements, and restriction on use of food additives. In another recent study, Raihan *et al.* (2014) have identified the most prevalent NTMs for each of the SAARC countries, and also the salient features of NTMs in place in these countries. The authors find that India maintains SPS measures for 250 product categories which are

subject to quarantine laws, certifications and inspection requirements related to SPS issues. Besides, there are complex procedural steps such as mandatory testing of processed food products at the Central Food Laboratory (CFL) instead of the standard practice of risk management by random sampling for testing. In addition, the BIS tends to change Indian standards and conformity assessment procedures rather frequently. Raihan *et al.* (2014) have identified the top 50 products where Bangladesh had full export capacity to service the Indian market (in 2011), but actual export to India from Bangladesh were almost non-existent. The authors also identify corresponding NTMs associated with such products. It is found that seven of these top 50 products were agricultural items, and they face at least one type of SPS barrier in India, if not more. The SPS measures applicable to these items include special authorisation requirement, inspection requirement, restricted use of certain substances, and testing requirements.

A number of other studies have identified SPS measures which inhibit the bilateral trade between the two countries. Bhuyan (2008), Raihan (2011), De *et al.* (2012), Raihan and De (2013) and Kumar and Mukherjee (n.d.) have investigated relevant issues in some detail. Bhuyan (2008) identifies chemical testing requirement for imported food products as an important trade barrier for the Indian importers arising from the absence of relevant infrastructure at the LCSs. The importers of North-East India face particular difficulties on this account. The study identifies several other measures including health and quality standards, requirement for health certificates, and quarantine requirements. Basher (2013) and De *et al.* (2012) mention that SPS certificates and import permits are required from the Ministry of Agriculture in order to import most of the livestock, agricultural and food items into India. Raihan (2011) points out that, eligibility for import permit is subject to risk analysis and this is a complex process that lacks transparency. The study further points out that for about 600 items, India maintains import licensing requirements for ensuring safety of human, animal and plant lives. Kumar and Mukherjee (n.d.) highlight the case of Bangladesh's hilsha export to India where there is a mandatory requirement of consignment-wise SPS permits.[7] Considering the findings of all the aforesaid studies, one can safely infer that SPS issues have continued to remain a major concern for Bangladesh

[7]Bangladesh requested India to ease this measure and also to allow all land ports for exporting hilsha fish so that consumers in all the Indian states have access to this item.

which tend to undermine her endeavours to realise the potential export opportunities originating from the DF-QF market access offered by India.

Rahman and Akhter (2014) have listed a number of SPS measures in place in India which are negatively perceived by Bangladeshi exporters. The authors have made an attempt to figure out how these measures actually affect trade. They find that certification requirements for food products require a long time for customs clearance which affects the quality of the product and shelf-life. Absence of testing labs at the LCSs or in nearby cities is the main reason for this delay. They have noted the need for strengthening and modernisation of BSTI and setting up decentralised laboratories in strategic locations as priority areas to deal with these concerns. Establishing a separate Dispute Settlement Mechanism (DSM), as the one in the Association of Southeast Asian Nations (ASEAN), is also put forward as a suggestion to deal with SPS-related disputes.

Whilst conceding that SPS-TBT measures have detrimental effect on trade, quantification of the value of the adverse impact has remained a problematic area. Winchester *et al.* (2012) have not found any evidence of strong negative relationship between divergences in regulations and trade in their Heterogeneity Index of Trade Regulations, except in the case of Maximum Residue Level (MRL) of pesticide in plant products. However, the paper concludes that coordination and convergence on regulatory standards would generally increase trade flows. Studies focusing on Bangladesh-India trade voice the general concern that SPS measures affect trade adversely. Traders often complain about these negative impacts. However, there is no particular economic theory that distinctly predicts the impact of SPS measures on trade potentials. Nevertheless, a number of studies have tried to establish the nature of the adverse implications of SPS measures on international trade. These studies have covered a wide-range of issues concerning SPS measures, starting from conformity assessment to divergence in standards between the trading partners. Estimating a Heckman selection model, Crivelli and Gröschl (2012) argue that conformity assessment related to SPS measures raises fixed costs because such procedures (i.e. certification, testing and inspection) are often different in different export markets; they are burdensome too. However, the authors also show that SPS standards regarding product characteristics have a positive impact on trade flows because such standards provide product safety information to the consumers and importers. Those who are able to underwrite the fixed costs involved do try to comply with these standards, and they reap the benefits through enhanced market share

and additional profit. As it is, excepting for only some selected exporters, the majority of Bangladeshi manufacturers of prepared foodstuff, most affected by Indian SPS measures, do not have the required capacity to comply with the different product standards followed by India. Field-level investigation shows that conformity assessment procedures maintained by India affects the Bangladeshi exporters most. The Indian conformity assessment procedure has been presented in the subsequent sections in this chapter.

Moenius (2004) shows, using a Gravity model, that trade volume of countries with larger common and harnomised standards tends to be higher. The results of the model also show that country-specific standards affect agricultural trade negatively. Djankov *et al.* (2006) have tried to figure out the impact of time variable on trade and estimated that each additional day of delay reduces agricultural trade by 6 per cent, on average, whereas the same delay reduces general trade by 1 per cent on average. This finding is particularly relevant for Bangladeshi exporters of prepared foodstuffs to India since it takes several days to get clearance from the Indian customs due to the complex conformity assessment procedures. Fontagné *et al.* (2005) have used a censored Tobit model with random effects to estimate the impacts of environmental SPS and TBT measures; their estimates also confirmed the fact of significant negative impacts on trade of such items as fresh or processed foods. Especially for beverages such as juice, wine or beer, the negative impact is particularly significant. Findings of Fontagné *et al.* (2005) is particularly important for Bangladesh, because for the purpose of analysis, Bangladesh was included in the study sample as an exporting country. It is pertinent to recall here that juice is an important export item of Bangladesh in the Indian market.

WTO itself recognises the fact that SPS measures can be used as a protectionist device. And because of the technically complex and deceptive nature of such measures, it is not easy to address this particular barrier (WTO, 2015). Experts have tried to introduce appropriate tools that could limit the trade-distorting effects of SPS measures. In this context, mention may be made of the work carried out by Raihan *et al.* (2014). The authors have come up with an outline of the monitoring and reporting framework for NTMs in South Asia. They developed a template in a 'matrix' format for this purpose. After several reviews of the template, the SAARC Trade Promotion Network (TPN) has decided to set up three NTM desks at three TPN partner organisations which were entrusted with the task of conducting the NTM reporting and monitoring

mechanism in Bangladesh, Nepal and Pakistan. Product-specific NTMs were to be reported semi-annually by the aforesaid desks to relevant public institutions and the focal persons of each SAARC countries. Corrective measures should then follow.

A review of relevant literature indicates that countries generally do not have dedicated bilateral SPS Agreement with partners[8]; rather they go for detailing out SPS measures in the bilateral or regional Free Trade Area (FTA) arrangements, often as separate chapters. Naanwaaab and Yeboah (2012) have examined the effects of North American Free Trade Agreement (NAFTA) on trade of agricultural commodity in the region. The authors use a partial equilibrium model and the regression analysis, but their findings show mixed results. However, counterfactual approach indicates that agricultural trade would have been way lower if NAFTA had not existed. Indeed, literature shows that NAFTA had a positive impact in terms of removing the barriers to agri-trade, thanks to the implementation of provisions relating to SPS measures in the Agreement. As is known, signing of an FTA between Bangladesh and India is not on the card at present.[9] In this backdrop, considering the growing importance of the issue, the two countries may think of signing a bilateral SPS Agreement to address the emerging concerns regarding SPS measures.

Analysis of the existing SPS frameworks in the bilateral or multilateral FTAs reveals that a bilateral SPS Agreement should contain detailed provisions on some key issues. These issues must include harmonisation, equivalence and mutual recognition of conformity assessment procedures among others. Detailed framework of the SPS Agreement is discussed in Section 2.7 of this chapter.

2.5 Survey Results

The objective of the perception survey was to identify major SPS-related measures which impede Bangladesh-India trade. As it was mentioned earlier, survey respondents, numbering 102, included exporters, importers and C&F agents. Among those, 42 were exporters and 38 were importers.

[8]Only a few studies which have ventured to estimate the impacts of bilateral or regional SPS Agreements on trade. Number of such agreements is also very limited indeed.

[9]Since Bangladesh is already getting duty-free access in the Indian market for almost all her products, it may not be advisable for her to go for any BFTA with India at the moment. However, the possibility of a Comprehensive Economic Partnership Agreement (CEPA) should not be ruled out, at some future point in time.

The perception survey also included 22 C&F agents who helped the team to identify field-level concerns. Their inclusion was important because C&F agents were involved directly with the trading processes at the ports. The survey covered five major LCSs related to Bangladesh-India bilateral trade[10]:

- Benapole (Bangladesh)-Petrapole (India)
- Akhaura (Bangladesh)-Agartala (India)
- Bhomra (Bangladesh)-Ghojandanga (India)
- Hili (Bangladesh)-Hili (India)
- Tamabil (Bangladesh)-Dawki (India)

The perception survey covered important export and import items in Bangladesh-India bilateral trade (Annex 2.1). It is important to note that, the focus of the survey was mainly on food and agricultural products which were items that primarily concerned SPS measures. Prepared food items such as fruit juice, fruit drinks, biscuits, jam, jelly, edible oil and live fish were the exportable items, whereas rice, wheat, fruits, spices and food additives were the importable items considered for this study.

2.5.1 Identification of SPS Measures

Survey results show that a number of SPS measures are faced by traders most frequently. These relate to product registration, testing, labelling and packaging requirement. Existing SPS measures which were found to affect export of Bangladesh in the Indian market include: (a) testing requirement; (b) certificate requirement; (c) labelling and packaging requirement; (d) registration requirement; (e) inspection requirement; (f) quarantine requirement; (g) tolerance limits for residues or pesticides; and (h) treatment for elimination of pest.

Respondents also identified other SPS measures such as restricted use of particular substances in products, and use of microbiological criteria. It is important to note that, the existing SPS measures in Bangladesh-India trade match with the SPS classification constituted by the United Nations Conference on Trade and Development (UNCTAD). As per Indian

[10]Respondents also use Sonamasjid-Mehedipur, Burimari-Changrabandha, Banglabandha-Phulbari, Sheola-Sutarkandi and Zakiganj-Karimganj LCSs. Some part of the bilateral trade was also carried out through Dhaka Airport (air cargo) and Chittagong Seaport.

regulations, Bangladeshi exporters need to satisfy the 'Microbiological criteria' set by relevant Indian organisation. UNCTAD (2013) identifies 'Microbiological criteria of the final product' as technical regulations under SPS measures.[11] Moreover, it also includes restricted use of certain substances in foods, feeds and their contact materials. Similar restrictions and prohibition as regards use of certain substances have also been found in case of Bangladesh's export items entering Indian market.

2.5.2 Labelling and Packaging Requirement

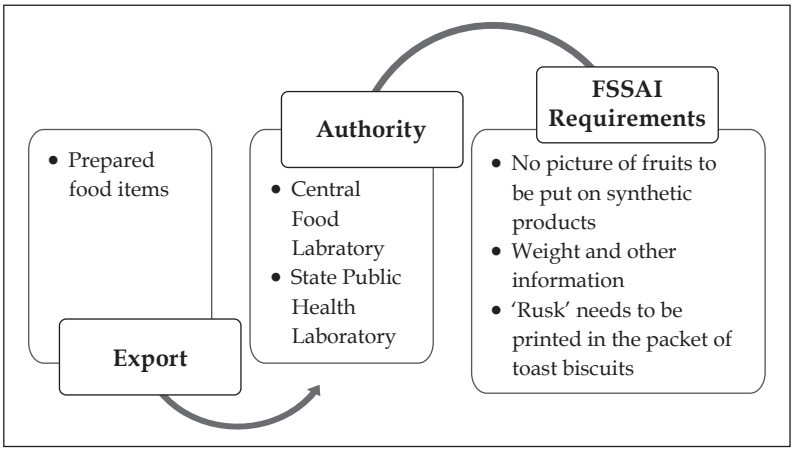
Majority of the respondents identified 'labelling or packaging requirement' as a major impediment to exporting goods in the Indian market. Exporters mentioned that there are several packaging and labelling requirements for export of food items from Bangladesh. Food items should contain pictures of 'veg or non-veg sign' which they do not require for other countries. Information regarding 'veg or non-veg sign', and name and address of the importer have been made mandatory in the Food Safety and Standards (Packaging and Labelling) Regulations, 2011.[12] Moreover, pictures of fruits are not allowed to be shown for products for which use of synthetic items is significant. On the packet of toast biscuits, the word 'rusk' needs to be printed beside the word toast in the brackets. Bangladeshi exporters feel that these requirements are restrictive. Diagram 2.1 shows the labelling and packaging requirements for food items in the Indian market.

Bangladeshi exporters informed that products need printed FSSAI logo and importers' license number given by FSSAI for every packet. Interestingly, they informed that the above conditions are needed to be followed while exporting through seaports, but not through land ports. For products exported to India, exporters need to write the weight of

[11]UNCTAD (2013, 10) defines 'Microbiological criteria of the final product' as "Statement of the microorganisms of concern and/or their toxins/metabolites and the reason for that concern, the analytical methods for their detection and/or quantification in the final product: Microbiological limits should take into consideration the risk associated with the microorganisms, and the conditions under which the food is expected to be handled and consumed. Microbiological limits should also take account of the likelihood of uneven distribution of microorganisms in the food and the inherent variability of the analytical procedure."

[12]However, if information is missing on imported products, importer or customs house agent can sometimes affix such information, after the consignments reach India. Certificate of Analysis can be used for verification as well.

Diagram 2.1: Labelling and Packaging Requirements in India for Food Items



Source: Survey results (2014).

their products following certain procedures.[13] Moreover, as per the FSSAI regulations, Indian importers need to give an undertaking that future consignments will comply with FSS rules, regulations and guidelines. However, it is also important to note that exporters from India need to check conformity with the packaging rules of BSTI in Bangladesh. Several imported items need to be marketed in accordance with the Bangladesh Packaging Rule, 2007. The retail price and net weight needs to be printed on the body of the packet. In addition, importer's name and address, mark of the BSTI and dates need to be printed on every packet.

2.5.3 Certification, Registration and Testing Requirement

It is important to mention here that it is the mandate of the BIS to cover product quality certification, hallmarking and systems certification, and development of technical standards. Exporters of Bangladesh follow BIS certification, testing, packaging and other regulations for export of goods to the Indian market. As per the BIS rule, exporters of Bangladesh need to follow general rules for certification system for the purpose of determining conformity of products with relevant standards through initial testing

[13]Weight of the products should be mentioned in such way that the number can be the multiple of 50 only. For example, if the weight of the product was 170 ml, then it cannot be written as 170 ml. It needs to be written as 150 ml and the extra 20 ml needs to be shown as free.

and assessment of quality management system of the respective factory. Currently, there are 92 items for which mandatory BIS certification is required.[14] However, 14 food-related products including milk powder, skimmed milk powder and packaged natural mineral water are still being covered under the BIS certification scheme (full list in Annex 2.2). Apart from these 14 products, exporters need to get certificate from the newly established FSSAI.[15] On behalf of the exporters of Bangladesh, Indian importers need to get the product approved by the Product Approval Division of FSSAI.[16]

Survey results for this study show that, food products need 'Fit for Human Consumption' certificate from the CFL and the State Public Health Laboratory (SPHL) (Table 2.3). It is also important to note here that, exporters need to test the products from specific laboratories which are recognised by the National Accreditation Board for Testing and Calibration Laboratories (NABL) in India. Rahman and Akhter (2014), in an earlier study, have found that food items exported from Bangladesh to the Indian

Table 2.3: List of Tests and Testing Agencies for Tradable Products

Item	Flow	Purpose	Testing Agency	Testing Country
Prepared food items	Export	Fit for human consumption	CFL, SPHL	India
Seeds	Export	Treated to ensure use for plantation purpose	Indian Plant Quarantine Offices	India
Sesame oil	Export	Fit for human consumption	CFL, SPHL	India
Food additives	Import	Safe for human health	BSTI, BCSIR	Bangladesh
Fish	Import	Formalin test	Department of Fisheries	Bangladesh

Source: Survey results (2014).

Note: BCSIR: Bangladesh Council of Scientific and Industrial Research.

[14]These products cover cement, household electrical goods, food and related products, diesel engines, oil pressure stoves, automobile accessories, cylinders, valves and regulators, medical equipment, steel products, and electrical transformers.

[15]The FSSAI was established in 2008 under the Ministry of Health and Family Welfare in India.

[16]According to the FSS Act, it is mandatory to obtain license from FSSAI to do import business in India concerning food products.

market are subject to testing from several laboratories including CFL and SPHL. Exporters inform that testing procedures require long time which raises cost. They also inform that test reports are delivered to customs by post which is rather time consuming. Furthermore, there is no customer care division at the FSSAI where an applicant could go for general queries. FSSAI officials, however, informed that the website of the FSSAI covers all important information related to import procedures of food items and their testing requirements in a comprehensive manner.[17] FSSAI officials also insisted that any question can be asked through online. However, the perception of Bangladeshi exporters was that this involved a significant amount of time, and often they did not get any response from the FSSAI as regards their queries in spite of repeated calls.

On the other hand, Bangladeshi importers complained that about 30-40 per cent of the total import consignments of flavours (a type of food additives) are tested by the Bangladesh Customs. Importers need to send the sample to testing labs in Dhaka and submit the report to the customs authority. This takes more than seven days. It is interesting to note that, both traders and C&F agents felt that some testing and registration requirements were actually not trade-distortionary. These certification, quarantine and testing requirements have not been discussed in this study. For example, Health Certificate is required in case of export of fish to India. This does not work as a trade barrier as per the opinion of fish exporters in Bangladesh as this is perceived to be a reasonable requirement, and getting certification is not difficult. Similarly, Bangladeshi importers informed that while importing dry fish from India they needed certificate from Animal and Plant Quarantine Office in Bangladesh. This was also not perceived to be an impediment as these were readily available, and was not perceived to be cumbersome or time consuming.

2.5.4 Pest Elimination, Quarantine and other Requirements

For sesame seed and potatoes, fumigation certificate is required to confirm that the consignment has been treated/fumigated for pest elimination. Imported fruit consignments are checked for presence of radiation in goods. This is done by the Bangladesh Atomic Energy Commission. For fruits, flower and seeds, several certificates are needed as quarantine requirement along with SPS Certificate.

[17]FSSAI also informed that all the forms related to import procedures (from any country), concerning India, are found on their website.

Exporters informed that there are some requirements which are to be followed in case of export to India, but was not needed for export to, for example, the EU. It was mentioned that, there is no requirement as regards minimum fruit pulp in tomato sauce in case of exports destined for the EU market, whereas exporters needed to maintain at least 25 per cent of fruit pulps for tomato sauce when exporting to India. Furthermore, fruit juice exporters of Bangladesh informed that there was a lack of harmonisation in the standards that are followed in Bangladesh and India. Table 2.4 shows that standards maintained for fruit juice import by Bangladesh and India were different.

Table 2.4: Requirements for Import of Fruit Juice in Bangladesh and India

Requirement	Bangladesh	India
Fruit pulp	7-10 per cent	15-20 per cent
Food additives	Xanthum Gum	Pectin

Source: Survey results (2014).

Survey results also show that, about 20-30 per cent of the export consignments of prepared foodstuffs are subject to inspection by relevant customs authorities in India and Bangladesh. Importers mentioned that Bangladesh customs carry out inspection for security reasons, whereas exporters thought that goods are mainly checked on the ground of contamination and infection-related issues.

2.5.5 Efficiency of Relevant Institutions

Respondents felt that majority of institutors which deal with SPS-related measures are not efficient and adequately equipped. Traders were asked to rank the institutions on the basis of quality of the services received as regards testing, certificate and registration-related indicators.[18] Most of the traders felt that performance is satisfactory only in case of a very few institutions in Bangladesh. Bangladesh University of Textiles and Department of Fisheries were mentioned in this connection.

Table 2.5 shows average efficiency value for different institutions, both in Bangladesh and India.[19] As can be seen, traders are not happy with

[18]It is important to note that this ranking is solely based on perception of traders.

[19]Traders were asked to give their scores on a scale of 1 to 4 regarding the efficiency of the SPS-related agencies and offices; 4 means an agency is efficient, while 1 indicates the agency is inefficient in performing their tasks from the perspective of benefitting the traders.

Table 2.5: Efficiency of Different SPS-related Agencies and Offices

Sl. No.	SPS-related Agencies/Offices	Country	Average Efficiency Value	Remarks
1	Bangladesh University of Textile	Bangladesh	4.0	Efficient
2	Department of Fisheries	Bangladesh	3.0	Efficient
3	Export Inspection Agency (EIA)	India	2.6	Average
4	Department of Agricultural Extension (DAE)	Bangladesh	2.7	Average
5	Central Food Laboratory (CFL)	India	2.0	Less than average
6	State Public Health Laboratory (SPHL)	India	2.0	Less than average
7	Bureau of Indian Standards (BIS)	India	2.0	Less than average
8	Bangladesh Standards and Testing Institution (BSTI)	Bangladesh	1.3	Less than average

Source: Survey results (2014).

performance of either BSTI or BIS. Procedures for testing, registration and certification were perceived to be rather cumbersome, lengthy and expensive. For Bangladesh, the performance of Department of Agricultural Extension (DAE) was perceived to be only about average, whereas the performance of the BSTI was perceived to be the lowest among all relevant institutions. The results underpin the importance of raising the capacity of SPS-related institutions, and quality of services rendered by them.

2.5.6 Average Time Taken to Clear Inward and Outward Goods

It was found from the survey that average time to clear both inward-bound and outward-bound goods between Bangladesh and India was rather high. This was particularly true for trade in food items. For Bangladesh, time taken for export of this item to India ranged widely – between 3 to, in some cases, 35 days. For rice and wheat, it takes about 1 to 3 days for Indian exports to get to Bangladesh. Maximum number of days to clear outward goods for edible oil and seeds were also found to be high

Table 2.6: Average Time Taken to Clear Inward and Outward Traded Goods

(Number of Days)

Name of the Product	Minimum	Maximum
Outward Goods		
Prepared foodstuffs	3	35
Jute and jute goods	2	3
Seeds	3	9
Edible oil	3	20
Inward Goods		
Foodgrains	1	3
Fish	1	2
Food additives	2	3
Fruits	1	1

Source: Survey results (2014).

(Table 2.6). On the other hand, time taken for imports from India to Bangladesh was relatively short, varying between 1 to 3 days.

2.5.7 Impact of SPS Measures on Trade

As was revealed from field visits and perception survey results, traders felt that SPS-related measures impede mainly trade in agricultural and food products, as the hassles causing significant delays and cost escalation. Majority of traders felt that the quality of the products deteriorated and shelf-life of the products suffered due to the existing SPS measures. Traders often need to pay high demurrage or detention fees which raise their costs and undermine the competitiveness of their export items. High testing, licensing and registration fees work as barriers to trade with India. Respondents identified several negative impacts originating from SPS measures: (a) fall in product quality; (b) reduced shelf-life of the products; (c) high cost of doing business due to high testing, licensing and registration fees; (d) complex and expensive license renewal procedures; (e) damage of products at the port; (f) higher clearance time; and (g) disruption in the supply chain.

Exporters felt that licensing processes were very complex, cumbersome and time consuming which act as barriers to trade. Samples are often sent to testing laboratories which are far from the customs stations. This raises lead-time for export, results in wastage, and increases cost. Bangladeshi

exporters complained that exportable items need to be sent to several Indian laboratories which are situated at some distance from the LCSs and ports. Establishment of Integrated Check Posts (ICPs) at major land ports in India could address this problem, if these are adequately equipped. Similarly, Bangladeshi importers complained that because of absence of BSTI offices at LCSs and ports, they had to face difficulty in releasing agri-imports. Establishment of regional offices of BSTI in suitable locations could be helpful in this regard. This is being planned now, as was informed by relevant officials.

2.6 Ongoing Cooperation and Existing Concerns

2.6.1 Bilateral Memorandum of Understanding and Bilateral Cooperation Agreement

Despite the importance of SPS measures to protect animal, health and plant life, field visit testifies that these have emerged as major impediments to promoting and stimulating Bangladesh-India bilateral trade. To be true, policymakers have been trying to address these issues at both bilateral and multilateral levels. There is a Memorandum of Understanding (MoU) between BSTI in Bangladesh and BIS in India which was initially signed in 2007 for three years, and was subsequently renewed in 2010 and 2013.[20] The MoU is aimed at facilitating closer cooperation between BSTI and BIS, and providing a mechanism for the two institutions to work together towards a common aim of strengthening cooperation in such areas as standardisation, certification and testing, and also in facilitating sharing of expertise. Areas of cooperation identified in the MoU included the following areas: (a) standardisation; (b) certification and testing; (c) calibration and measurement; (d) technical information and training; (e) dispute settlement; and (f) financing.

Whilst the MoU between BSTI and BIS puts emphasis on cooperation in several areas, it lacks a comprehensive framework for addressing the complexity of testing, registration and certification requirements (Rahman and Akhter, 2014). In addition, the MoU lacks a guideline for mutual acceptance of results from respective standards institutions. A Bilateral Cooperation Agreement (BCA) between BSTI and BIS is being

[20]BIS (India) has signed 21 MoUs in areas of standardisation and conformity assessment, and is in the process of having such an arrangement with several other countries including Bangladesh, United States of America (USA), Germany, France, Ghana, Afghanistan and Bhutan. In addition BIS has also signed a Mutual Recognition Agreement (MRA) with Sri Lanka Standards Institution (SLSI).

prepared at present. In the 8th meeting of Joint Working Group (JWG) on Trade, both sides had agreed to expedite the finalisation of the BCA. This was discussed both at the Third Meeting of the India-Bangladesh Joint Consultative Commission and at the ninth Meeting of the Bangladesh-India JWG on Trade in 2014. As may be recalled here, during the recent visit of Indian Prime Minister to Bangladesh (on 6-7 June, 2015), the BCA between BSTI and BIS was concluded and signed. The two partner countries also agreed to inform each other as regards any new rules and regulations related to safety and testing requirements. This was done with a view to making it easier to comply with on the part of traders and to facilitate upgradation of the testing facilities accordingly.[21] This was a welcome development; however, the task of putting the necessary preparatory steps on the ground will need to be undertaken with due urgency.

2.6.2 The Case of NABL Accreditation and Issues related to FSSAI

It may be recalled here that, with a view to expedite the process of addressing the SPS issues, BSTI had applied to the NABL for accreditation. Several labs including chemical, mechanical and biological laboratories of BSTI got accreditation from NABL in 2011. Initially 15 products were covered under the accreditation process which mostly related to food products including such items as biscuits, fruit juice, fruit drinks, jam, jelly, pickle, sauce, tomato ketchup, chutney, fruit squash, fruit syrup, drinking and mineral water. There were also two non-food items – cement, and textile and garments. List of products was increased to 27, and the additional items included some food items such as fruit cordial, tomato paste and noodles (Table 2.7).

Despite the aforesaid accreditation, several issues and concerns continue to persist which are yet to be resolved. Official orders have not been issued to inform the LCSs about the new developments in the areas of accreditation. Bangladeshi exporters informed during the survey that the above mentioned products cannot be exported with BSTI certificates as stipulated, certificates are not accepted by the Indian side. A nagging complaint was that NABL accreditation did not cover all the parameters of products. As is known, several parameters were involved including

[21] At the national dialogue held in April 2015 to discuss an earlier draft of the present study, CPD (Centre for Policy Dialogue) had urged for speedy finalisation and implementation of the draft of the BCA.

Table 2.7: List of NABL Accredited Exportable Products of Bangladesh

Phase	Food Items	Non-Food Items
Initial list of products (as of 2011)	Biscuit, fruit juice, fruit drinks, jam, jelly, marmalade, pickle, sauce, tomato ketchup, chutney, fruit squash, fruit syrup, drinking and mineral water	Cement, textile and garments
Added products (till 2015)	Fruit cordial, tomato paste, edible jelly, chanachur, noodles, instant noodles, carbonated beverages and soft drink powder	M.S. rod, M.S. angles, GI pipe and soap

Source: BSTI (interviews with officials).

Table 2.8: List of Parameters Not Covered by NABL

Types of Parameters	Test Parameters (FSSAI Regulations)	Coverage by NABL
General	Total Soluble Solids	Covered
	Acidity	Covered
	Sugar	Not covered
	Moisture	Not covered
Preservatives	Benzoic Acid Contents	Covered
	Sulfur Dioxide (SO2)	Covered
	Sorbitol	Not covered
	Sodium Chloride	Not covered
Contaminants	Arsenic	Covered
	Zinc (as Zn)	Covered
	Cadmium	Not covered
	Mercury	Not covered

Source: Survey results (2014).

general, preservatives, antifoaming agents, antioxidants, stabilising agents, colouring agents, pesticide residue, contaminants, microbiological, etc. that are applicable for a product. When not all parameters are certified, exporters cannot take advantage of what has been agreed between BSTI and NABL. Table 2.8 shows a comparison of the parameters which are not covered by the NABL Accreditation.

For packaged natural mineral water, most of the parameters are covered by the NABL accreditation except pesticide residue-related parameters. Bangladesh had repeatedly forwarded her concerns as regards Recognition of Certificates issued by BSTI both during JWG on Trade meetings and at the Meetings of the Joint Consultative Commission. On the Indian side, it has now been put into practice that "Bangladesh traders could utilise the facility provided under a notification permitting consignments to be imported without testing, if five previous consignments of the same product by the same exporter have been released with the testing certificates" (Joint Working Group on Trade, 2014). In the JWG on Trade meeting in 2014, it was also decided that Bangladesh will sensitise its business community to avail of the opportunity of using the green channel after clearance of goods of previous five consignments. However, exporters informed the study team that this decision has not been implemented at the field-level by the Indian side. What is to be noted here is that, Indian side also informed that food-related standards would henceforth be addressed by the newly established FSSAI. This is a new development which calls for careful consideration. The interface and interrelationship between the two government bodies, BIS and FSSAI, will need to be transparent so that the BSTI is able to work effectively with these institution on matters of SPS measures and compliance. Possible areas of cooperation between BSTI and FSSAI need to be put in place, on an urgent basis, to address certification-related issues and promote trade in agri-products between the two countries.

2.6.3 Strengthening of BSTI, DAE and BAB

For the proposed bilateral agreement to be effective, the capacity of BSTI, DAE and BAB needs to be strengthened significantly. BSTI will be required to set up the needed laboratories with modern facilities to deal with the Indian standard and testing-related requirements. Currently, the Government of Bangladesh is implementing a project named Revised Development Project Proposal (RDPP) to modernise the BSTI. Financial support of USD 2.2 million is part of the Indian USD 1 billion Line of Credit (LoC).[22] Major components of the project are: Developing food testing facilities; Establishing gold testing facilities; Establishing cement and brick testing facilities; Assistance in tractability and accreditation

[22]Bangladesh was given USD 1 billion LoC for 14 infrastructure projects in 2010.

to the BSTI. The objectives to develop food testing laboratories are to: (a) establish a modern laboratory for testing food items; (b) ensure quality of food products going to consumer; and (c) facilitate export by improving the testing quality of food and agricultural products.

It is important that BSTI undertakes the needed initiatives, on an urgent basis, to give certification in the areas of standardisation and quality control which are accepted by the Indian relevant authorities and institutions. Making necessary arrangements and providing the needed facilities for testing and calibration of instruments and other apparatus, in compliance with the required standards, will be critically important in this regard.

DAE is another organisation that plays a key role in ensuring safety of agricultural products imported by Bangladesh. DAE issues Phytosanitary Certificate for export consignments of agricultural products, and also certifies that exportable items are safe for human and environment. The Department operates through the Plant Quarantine Stations at the border points. However, majority of these stations lack skilled manpower and modern equipments. There is, thus, an urgent need to modernise border stations of DAE to ensure that no harmful products enter Bangladesh. Capacity building of DAE will also ensure recognition of SPS-related certification by customs authorities on the Indian side and facilitate bilateral trade.

In recent years, there has been some capacity building at the BAB to provide better accreditation services in accordance with the international standards. The BAB is the statutory body which was established in 2006 as an autonomous organisation with the responsibility of upgrading quality assurance infrastructure and conformity assessment procedures in Bangladesh. The objective was also to facilitate recognition and acceptance of products and services in international, regional and domestic markets. BAB's mission was to assist overall development of national capacity in testing, measurement, certification and inspection. However, currently the capacity of BAB is rather limited in view of the growing demand in areas of testing and certification. Testing and certification facilities, and calibration reports were not up to the mark according to traders. Modernisation and expansions of facilities are thus needed on an urgent basis. A part of the proposed USD 2 billion second LoC may be directed towards further strengthening of BSTI, DAE and BAB.[23]

[23]This was proposed during Indian Prime Minister's visit to Bangladesh in June 2015.

2.6.4 Multilateral Cooperation through South Asian Regional Standards Organisation (SARSO)

SARSO was established in Dhaka in 2014 to help develop regional standards and harmonise those, and more broadly, to facilitate intra-regional trade among SAARC countries. It was set up following the Agreement on the Establishment of South Asian Regional Standards Organisation (SARSO) which came into force on 25 August 2011.[24] SARSO has six Sectoral Technical Committees (STCs) to address regional standards-related issues. These relate to: (a) Food and Agricultural Products; (b) Building Materials; (c) Jute, Textile and Leather; (d) Chemical and Chemical Products; (e) IT (Information Technology) and Electrical Products; and (f) Conformity Assessment.

The STC on Food and Agricultural Products has already identified 23 products for which regional standards will be developed. It has also finisalised regional standards for biscuits and refined sugar which will be published soon. Further, SARSO is also in the process of finalising regional standards for five more products: (i) instant noodles; (iii) black tea; (iii) vanaspati/banaspati (vegetable ghee); (iv) skimmed milk powder; (v) standards on microbiological requirements for cream portion of filled biscuits.

STC on Food and Agricultural Products is also involved in the process of setting a National/Codex Standard for Hygienic condition. It has identified a number of other non-food items for harmonisation of standards.[25] Indeed, SARSO could play an important role to boost coordination and cooperation among standardisation institutions in the SAARC region.

2.6.5 Possible Modalities for Bilateral Cooperation

Now that the Bilateral Agreement between BSTI and BIS has been signed, the two countries can get on with the task of signing a bilateral SPS Agreement. A bilateral SPS Agreement will lead to mutual recognition of standards, compliance requirements and conformity assessment. An MRA could be helpful in this regard. The proposed SPS Agreement could

[24]The Agreement has now been ratified by all member states of the SAARC.

[25]The non-food items are steel tube for structural purposes, ordinary portland cement, steel bars for concrete reinforcement, ceramic tiles, identified hessian and tarpaulin fabric, jute bags for packing of various commodities, etc.

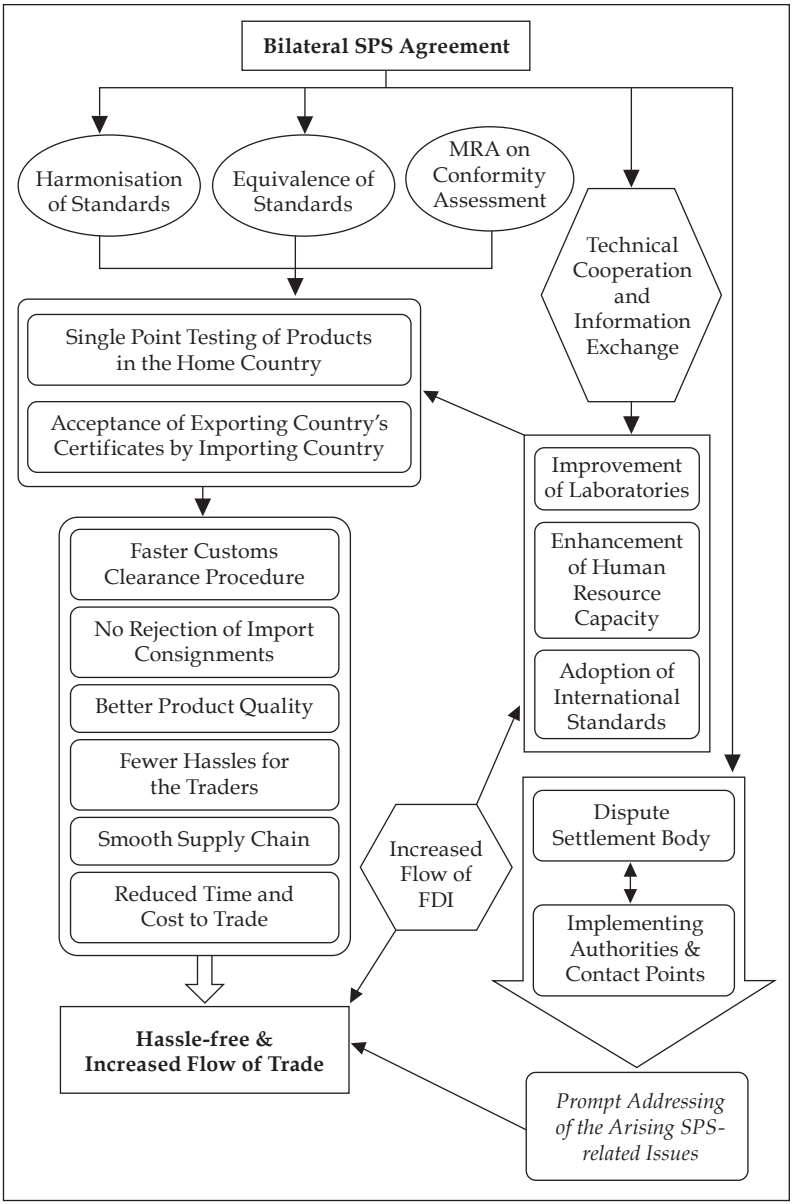
provide a proper framework and guideline on standards and conformity assessment. Agreement on SPS measures could be implemented through cooperation between relevant organisations, and in this context, BAB and NABL may take the initiative to sign an MRA on SPS measures. There is an urgent need for expediting resolution of NABL accreditation and addressing attendant concerns. However, this will require cooperation and coordination on standards and conformity assessment between BSTI and FSSAI for food and agricultural trade between the two countries. As was mentioned earlier, FSSAI is now the sole authority empowered to issue certification for food-related products in India. Hence, there is an urgent need to set up a mechanism for cooperation between BSTI and FSSAI.

2.7 Framework for an SPS Agreement

As has been argued in this chapter, the best way to move forward in addressing SPS-related problems in bilateral trade between Bangladesh and India is to sign an SPS Agreement. The proposed SPS Agreement will have to be intelligently designed. To start with, a framework for the SPS Agreement will need to be designed. The rules and disciplines of the Framework Agreement will guide development, recognition, adoption and enforcement of SPS measures. This study has taken cue from the global best practices to come up with the design of the proposed framework. The Framework will also provide guidelines as to how to promote understanding about each party's standards, technical regulations and conformity of assessment procedures. Furthermore, the Agreement will provide guidelines as regards implementation of the SPS Agreement, applicable international standards and recommendations developed by the WTO and other SPS-related relevant international organisations, including the International Organization for Standardization (ISO), Codex Alimentarius Commission and International Electrotechnical Commission (IEC). This will also help to improve communication and consultation on SPS issues among key stakeholders and relevant institutions. This Framework will also provide a list of competent authorities from the two countries and set up principles, criteria and guidelines for establishing and managing timelines in resolving SPS-related disputes. Diagram 2.2 shows important components of the proposed SPS Agreement and the associated benefits to be accrued.

As was noted earlier, several FTAs include provisions about addressing and resolving SPS measures and disputes to reduce NTBs and promote

Diagram 2.2: Proposed Bilateral SPS Agreement: Key Components and Associated Benefits



Source: Authors.

trade. Such Agreements exist between India-Singapore, ASEAN-China, New Zealand-Malaysia, China-Singapore, China-Switzerland, USA-Australia, and also between several other countries. The SPS Agreement generally covers the following issues: (a) Objectives; (b) Scope and Coverage; (c) Harmonisation; (d) Equivalence; (e) Mutual Recognition of Conformity Assessment; (f) SPS Committee; (g) Dispute Settlement; (h) Transparency; and (i) Technical Cooperation and Exchange of Information.

2.7.1 Objectives

The objective of the Agreement should clearly define the benefits to be drawn by signing the SPS Agreement and the means through which these were to be achieved. The objectives should aim to achieve, inter alia, the followings:

- Maintain and uphold SPS Agreements developed by relevant international and regional authorities as well as applicable international standards.
- Develop mechanisms to improve cooperation and communication on SPS issues between Bangladesh and India.
- Improve collaboration between organisations in Bangladesh and India that are responsible for SPS standards and guidelines.

In view of the proposed framework for Bangladesh-India SPS Agreement, it is important to review relevant international practices to draw pertinent lessons. It is to note here that the majority of the Agreements are being implemented in accordance with the principles and disciplines as articulated in the WTO SPS Agreement (Annex 1A). Indeed, several agreements aim at promoting implementation of the WTO SPS Agreement. For example, the ASEAN-China MoU states that in order to conform to the requirements related to safety, hygiene, health and the promotion of regional trade on food and agricultural product, ASEAN and China will take necessary steps in line with the principles set out in the WTO SPS Agreement.

2.7.2 Scope and Coverage

The scope and coverage section will need to state clearly about areas and sectors which will be covered by the proposed SPS Agreement. Several

Agreements cover SPS measures under Annex 1A of the WTO SPS Agreement which have implications, both direct and indirect, for trade in goods. The India-Japan CEPA, for example, covers all SPS measures in the two countries that could affect trade in agricultural and food products.

2.7.3 Harmonisation

Harmonisation will have to be an integral part of the SPS Agreement between Bangladesh and India. Harmonising the SPS measures should be based on international standards, guidelines and recommendations developed by the international organisations (i.e. Codex, World Organisation for Animal Health (OIE) and International Plant Protection Convention (IPPC)). For example, the China-Switzerland FTA (Chapter 7: SPS measures) follows international standards and guidelines to harmonise SPS measures. However, some regional standards developed by SARSO could also be followed in this regard. Both the countries shall cooperate with each other in the area of standards, guidelines and recommendations to achieve higher level of harmonisation, which can also be attained through gradual progression.

2.7.4 Equivalence

The SPS Agreement between Bangladesh and India must include a principle on equivalence whereby the exporting country's SPS standards are an appropriate reference point which is compared to that of the importing country. Both Bangladesh and India should mutually decide the procedures and regulations applicable for determining equivalence. These agreed procedures and regulations are to be recorded in an Implementation Agreement. Equivalence may be recognised by both parties as measures taken by individuals, groups or part of a sector. India-Malaysia Comprehensive Economic Cooperation Agreement (CECA) has a provision whereby the two parties were to establish a system or arrangement for determination of equivalence (partial or full) of SPS measures, particularly in accordance with Article 4 of the WTO SPS Agreement, with guidance provided by international organisations. Where the standard of a particular partner is in full compliance with international standards, these ought to be accepted by the partner countries.

2.7.5 Mutual Recognition of Conformity Assessment

Mutual Recognition of Conformity Assessment is one of the key components of the proposed SPS Agreement. The two countries will need to have provisions in the SPS Agreement as regards Mutual Recognition of Conformity Assessment procedures. Both Bangladesh and India can put in place a system for review of testing, standards, certification and other relevant import and export approval systems. Each country will need to give due consideration to the other's request for inspection and testing and as regards approval procedures. Findings from non-compliance investigations should be shared with the importing country and both countries should come up with credible solutions as regards any point of contention. Korea-Chile FTA stipulates that both countries shall have the provisions as per the WTO SPS Agreement (Annex C) as regards control, inspection and approval procedures, including approval concerning use of additives or levels of tolerance for contaminants in food, beverages and feedstuffs. On the other hand, Thailand-Australia FTA (SPS measures) have the provision of Mutual Recognition of Conformity Assessment. The provision also mentions that trade should not be suspended based on non-compliance cases; rather the exporting party shall be contacted to ascertain how the problem originated in the first place. Bangladesh and India may like to constitute a joint committee to address Mutual Recognition of Conformity Assessment procedures as regards food and agricultural products.

2.7.6 SPS Committee

An SPS Committee will need to be established to oversee the implementation of the Agreement. The Committee would include representatives from both countries and their relevant organisations. The task of the Committee would be to review and modify arrangements to promote trade, establish working groups to tackle scientific and technical issues, and monitor and review plans for mechanisms to promote trade between Bangladesh and India. In the US-Australia FTA (Chapter 7: SPS Measures), the Committee is mandated to enhance mutual understanding of each party's SPS measures and the regulatory processes that relate to such measures.

2.7.7 Dispute Settlement

If a dispute arises in interpreting or implementing the SPS Agreement, the two parties should resolve the dispute through negotiations and consultations. Disputes that cannot be solved by consultation should be forwarded to the SPS Committee. The two parties must agree to make use of all reasonable options to address and resolve disputes including meetings between the relevant bodies and holding of consultations. For example, ASEAN-China MoU puts emphasis on consultations and negotiations to resolve disputes concerning application or implementation of the Agreement.

2.7.8 Transparency

Each country will need to notify the other county about adoption, changes and amendment of SPS measures that have significant effect on the trade between the two countries. Both Bangladesh and India should notify each other about the reasons for rejecting a commodity on grounds of SPS non-compliance, and provide scientific proof as per international regulations. Furthermore, the exporting country should notify the importing country about any possible risks which are associated with the exportable products. For example, the China-Chile FTA has a provision to notify each other regarding any new SPS measures through their respective SPS enquiry points.

2.7.9 Technical Cooperation and Exchange of Information

Both Bangladesh and India will need to have systems in place to strengthen exchange of information and cooperation in the areas of SPS measures including inspection and quarantine, quality and safety control of products, procedures and technical regulations. Both countries will need to broaden exchange of information and give favourable consideration to any formal request for consultation. It may be noted that, the Australia-Malaysia FTA (Chapter 5: SPS measures) has system in place for exchange of information in a timely manner relating to the SPS measures. The two countries will need to strengthen communication as regards sharing of experience and have provisions for exchange of expertise to address SPS issues that have trade implications.

International best practices concerning SPS Agreements also provide for a framework for addressing issues relating to revisions, affirmation,

amendments and modifications, risk assessment, implementation, confidentiality and operation of regulatory authorities.

It is being proposed in view of the above discussion that Bangladesh and India initiate work on the design of an SPS Agreement towards resolution of the longstanding concerns in SPS-related areas that have continued to undermine and weaken bilateral trade for far too long. The proposed SPS Agreement could cover, in light of aforesaid discussion, mutual recognition of conformity assessment, harmonisation, transparency, technical cooperation, exchange of information and appropriate provisions and institutional arrangements for dispute settlement. It is hoped that such an Agreement will be helpful in resolving this longstanding irritant informing bilateral relations.

2.8 Policy Recommendations and Conclusions

As the findings presented in the study amply testify, SPS measures pose significant challenges to the prospects of deepening trade relations between Bangladesh and India. It was pointed out that both the countries had the right to introduce and implement SPS measures to protect human, animal and plant life and health from risks arising from additives, contaminants, toxins or disease-causing organisms. Such measures were indeed WTO-compatible. However, as was pointed out in the preceding sections, SPS measures often tended to work as NTBs to trade and impeded bilateral trade. And they remain a nagging concern for traders and policymakers in both the countries. Extensive field surveys and key informant interviews conducted as part of the study have come up with presence of a large number of SPS measures which inform bilateral trade between Bangladesh and India. Most of these predominantly concern trade in agri-products. This particular component of Bangladesh-India bilateral trade being important for both the partner countries, it is of practical significance to address these on an urgent basis.

On the other hand, there was a broad recognition that many of the SPS measures are justified and tended to become barriers to trade primarily because initiatives and measures to address those and ensure compliance have been less than satisfactory.

The study has also identified several ongoing cooperation mechanisms to reduce the adverse impact of SPS concerns. There is an MoU between BSTI in Bangladesh and BIS in India which aims to strengthen standardisation, certification, measurement and testing activities and talks of facilitating sharing of expertise. The areas of

cooperation in the MoU also include provisions for technical information and training, dispute settlement and financing. However, the MoU has not been followed up with adequate initiatives. Cooperation for food testing and certification has also been mentioned in the MoU. However, there is no mechanism for cooperation towards mutual acceptance of results from the respective standard setting institutions. Furthermore, accreditation for Bangladeshi food items has not been implemented by NABL of India.

There is now an urgent need to address SPS-related concerns if Bangladesh is to take advantage of the DF-QF market access offered by India. This is of particular importance in view of realising the potentials of agri-export from Bangladesh which has a good prospect in the Indian market. SARSO could play an important role to enhance coordination and cooperation in setting up common standards and conformity assessment procedures within the region. This will be helpful in promoting trade between Bangladesh and India. The study has proposed that Bangladesh and India should seriously consider signing a Bilateral SPS Agreement to resolve the complex and complicated SPS-related concerns that act as NTBs. The Agreement will include modalities for Harmonisation, Mutual Recognition of Conformity Assessment, Equivalence and DSM. The study has detailed out the key components that a Bilateral SPS Agreement should have. This framework Agreement between Bangladesh and India could guide the development, adoption and enforcement of SPS measures. The framework will include harmonisation, mutual recognition of conformity assessment, equivalence, dispute settlement, transparency, and technical cooperation and exchange of information. Harmonisation of SPS measures as envisaged in the proposed Agreement should be based on the international standards, guidelines, and recommendations developed by relevant international organisations (i.e. Codex, OIE and IPPC). Procedures and regulations applicable for determining equivalence should be decided through consultations. The SPS Agreement will have Mutual Recognition of Conformity Assessment Procedures. There will be a provision for setting up a DSM to address disputes related to SPS measures and find acceptable resolutions. The Agreement will have transparency provisions regarding SPS measures introduced and pursued by the two countries. The recently concluded BCA between BSTI and BIS should aim towards mutual recognition of laboratory testing, certification and accreditation. However, the study puts emphasis on cooperation between BSTI and FSSAI to deal with food and agricultural trade. MRA could also be signed between the BAB of Bangladesh and the NABL of India.

As was noted in the study, an agreement has been reached to sign a bilateral agreement between BSTI and BIS. The communiqué issued following the visit of the Indian Prime Minister to Bangladesh (in June 2015) states: "The two Prime Ministers underscored the importance of harmonisation of standards and mutual recognition of agreements and certificates for enhancing bilateral trade. They welcomed the conclusion of the Bilateral Cooperation Agreement between the Bangladesh Standards and Testing Institute (BSTI) and the Bureau of Indian Standards (BIS). They also agreed to keep each other informed of new legislation, rules and regulations in safety and testing to facilitate easy compliance and upgradation of facilities" (Article 30 of the Joint Declaration, Ministry of External Affairs, Government of India, 2015).

The study has mentioned bilateral SPS Agreement as one of the possible options. Such an Agreement would have the power of enforcement since it will be between the two partner countries, and just not institutions. Such an Agreement will also include provisions for Mutual Recognition of Conformity Assessment Procedures. The proposed SPS Agreement could help bridge the gap between the national standards of the two different countries and reduce costs involved in bilateral trade between the two countries. The Agreement will also provide opportunities for further cooperation, technical assistance, collaboration, and information exchange on SPS matters consistent with commitments of the two countries to remove barriers to trade. To address the SPS issues, the Agreement will need to be designed in a manner that certification and laboratory tests and standards of Bangladesh are accepted at border points by India, and vice versa. Mutual recognition of standards and certification will be the key to addressing SPS issues. Consumers will also be benefitted as they will have the advantage of quality assurance as regards foods and other products. The SPS Agreement will also help the two countries to integrate into regional and global value chains through quality assurance. Such a bilateral SPS Agreement could serve as a role model for other countries in the SAARC region in removing the NTBs and help realise the full potentials of intra-regional trade. SPS Agreement, both bilateral and multilateral, will provide mechanism to ensure that SPS measures are applied only to the extent necessary to protect human, animal or plant life or health, and based on scientific principles, and are not maintained without sufficient evidence. The key point is to build up compliance capacities in SPS-related areas and to ensure that SPS measures do not act as NTBs inhibiting bilateral and intra-regional trade. Whilst it is good that a part of the Indian LoC of USD 1 billion has been directed towards

capacity building of BSTI, the amount is rather small. This support may be further replenished through additional funds which can be earmarked from the proposed second LoC of USD 2 billion promised by India. The study has further suggested that the idea of signing of MRA between BAB and NABL may be considered. The recently signed BCA between BSTI and BIS could be further strengthened, along the lines suggested in the present chapter.

The 22 Agreements, Protocols and MoUs that were signed recently between Bangladesh and India are expected to go a long way in deepening Bangladesh-India trade, transport, investment and people to people connectivities. Implementation of these will likely bring rich dividends, if carried out intelligently, under a win-win scenario. Resolving SPS-related issues must be seen as an integral component of these ongoing efforts towards strengthened economic cooperation between Bangladesh and India.

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Annexes

Annex 2.1: Major Export and Import Products Covered in the Field Survey

No.	Export Products	Import Products
1	Prepared foodstuffs	Fruits
2	Cosmetics	Cosmetics
3	RMG	Live fish
4	Jute and jute goods	Dry fish
5	Live fish	Foodgrains (rice, wheat)
6	Leather	Animal feed
7	Seeds	Food additives
8	Plastic items	Raw materials of pharmaceuticals
9	Flower	Spices
10	Edible oil	Veterinary raw materials

Source: Survey results (2014).

Annex 2.2: List of Food and Related Products under the Mandatory BIS Certification Scheme and their respective IS Numbers

Sl. No.	Product Name	IS No.
1	Follow-up formula – complementary foods	IS 15757
2	Processed cereal-based complementary foods	IS 11536
3	Milk powder	IS 1165
4	Condensed milk, partly skimmed and skimmed condensed milk	IS 1166
5	Sweetened ultra-high temperature treated condensed milk	IS 12176
6	Skimmed milk powder, standard grade	IS 13334 (Part 1)
7	Skimmed milk powder, extra grade	IS 13334 (Part 2)
8	Packaged natural mineral water	IS 13428
9	Infant milk substitutes	IS 14433
10	Partly skimmed milk powder	IS 14542

(Annex 2.2 contd.)

(Annex 2.2 contd.)

Sl. No.	Product Name	IS No.
11	Packaged drinking water (other than packaged natural mineral water)	IS 14543
12	Milk cereal-based weaning foods	IS 1656
13	Hexane, food grade	IS 3470
14	Plastic feeding bottles	IS 14625

Source: BIS (2014).

3

Trade Facilitation in South Asia through Transport Connectivity
Operationalising the Motor Vehicle Agreements

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3.1 Introduction

Evidence suggests that transport logistics are key in promoting trade and investment and developing value and supply chains particularly among neighbouring countries belonging to a region or a sub-region. Good connectivity reduces cost of doing business and raises competitive strengths of trading partners within regions and sub-regions, enabling them to operate on the basis of comparative advantages. In view of this, in many regions, countries with common borders have signed Cross-Border Road Transport Agreement (CBTAs) to facilitate the movement of vehicles across borders. This type of agreements are also seen to be critical in terms of strengthening regional cooperation and integration. However, despite the existence of basic infrastructure, albeit not to the extent required, surface transport network in South Asia continues to be highly fragmented. For reasons of lack of integration of the transport system and absence of seamless connectivity, logistics costs incurred in conducting intra-regional trade in South Asia tend to remain significantly high. This in turn undermines the competitive strength of traders interested to carry out export-import business with neighbouring countries in South Asia.

This also discourages intra-regional investment in spite of the fact that potential opportunities of cross-border investment are significant. Lack of seamless connectivity also undermines the possibilities of reaping the benefits of some of the positive initiatives that have been undertaken to deepen regional cooperation in South Asia. Some of these initiatives include: duty-free, quota-free (DF-QF) offer of India to all least developed countries (LDCs) of the South Asian Association for Regional Cooperation (SAARC); Bangladesh's offer to allow the use of Mongla and Chittagong Ports by India, Nepal and Bhutan; allowing Nepal and Bhutan to use Indian territory for trade with Bangladesh and third countries; proposed special economic zones (SEZs) for India in Mongla (Khulna) and Bheramara (Kushtia); and Coastal Shipping Agreement – to mention only a few. Also, establishment of seamless connectivity will allow drawing synergies from other transport linkages such as in the context of the Asian Highway (AH) (AH1, AH2, AH41 in case of Bangladesh) and the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor. These will also help reap the benefits of mega projects such as the construction of the Padma Bridge, proposed sea and deep seaports at Matarbari, Paira and Sonadia, and envisaged plans to develop water and railways connectivity.

In the absence of any bilateral road transport Agreement between Bangladesh and her neighbouring SAARC partners, goods are currently transhipped at the border points, from truck to truck, under the existing standard operating procedures (SOPs). As regards passenger transport between Bangladesh and India, Dhaka-Kolkata and Dhaka-Agartala cross-border passenger bus services have been in operation for some years now. No inter-country freight train moves across the border, although a passenger train runs between Dhaka and Kolkata. It is from this perspective that the sub-regional Motor Vehicle Framework Agreement signed in June 2015 by Transport Ministers of four SAARC member countries, i.e. Bangladesh, Bhutan, India and Nepal (BBIN), is of such critical importance for deepening not only transport, but also trade, investment and people to people connectivities within the BBIN sub-region of the SAARC region.

Lack of inter-country multimodal and seamless connectivity is one of the main reasons why intra-regional trade in South Asia has tended to hover around a lowly 5 per cent of South Asia's global trade; intra-regional investment has also been discouraged, to a large extent, for the same reason. A number of studies have established this causal relationship (SAARC Secretariat, 2006; Rahmatullah, 2012). In contrast, regional

Agreements such as the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) have been able to deepen economic cooperation and raise intra-regional trade by establishing closer transport connectivity within the region. The EU countries, particularly, have been able to set up a wide-range of transport networks for speedy movement of both goods and people within the region. The issue of connectivity has also featured in the World Trade Organization (WTO) where issues of cross-border movement of goods has been seen as an important driver of strengthened regional and global integration of developing economies.

At the political level, it has been recognised by the SAARC leaders that there is a need to significantly deepen transport connectivity if regional economic integration is to be given concrete shape. This was also reflected in the successive Joint Communiqués signed by leaders of Bangladesh and India. Maximisation of the potential benefits originating from the DF-QF offer by India to SAARC LDCs also hinges, to a large extent, on more effective communication and connectivity. A study of the Centre for Policy Dialouge (CPD) on Bangladesh's export possibilities in the Indian market indicates that a large part of the estimated USD 1.25 billion worth of trade potential remained unrealised because of lack of trade facilitation, particularly because of the high costs incurred on account of transport of goods to the Indian market (Rahman and Akhter, 2014). Same is the case for Bangladesh's trade with Bhutan and Nepal also. High transport costs undermine competitiveness of traders and the resultant foregone benefits to the economy are significantly high.

As is known, the Bangladesh-India Joint Declaration of June 2015 following Indian Prime Minister's visit to Bangladesh has put emphasis on transport connectivity as a driver of regional cooperation and economic integration. Twenty two Agreements, Protocols and Memorandums of Understanding (MoUs) were signed during this visit. It may be recalled here, in 2012, India had sent a revised draft to Bangladesh with the proposal to sign a bilateral Motor Vehicle Agreement (MVA) between the two countries to facilitate cross-border movement of both passenger and cargo vehicles. However, progress had been slow, in part because Bangladesh had some concerns regarding some of the provisions in the proposed draft text. In this backdrop, the aforesaid June 2015 Joint Communiqué mentions the following: "*To commence negotiations on a Multi-Modal Transport Agreement between the two countries and to constitute a Joint Task Force for this purpose*" (Article 36). Bangladesh-India bilateral trade Agreement was earlier amended to allow for cross-border road

transport movement between two points in India, through Bangladesh, in addition to the already existing water protocol. The Agreement was renewed keeping the provisions for use of water, roadways and railways for the purpose of commerce between the two countries and for passage of goods between "two places in one country" and "to third country" (Article VIII of the Protocol).

As may be recalled, prior to the Eighteenth Summit of the SAARC leaders in November 2014 in Kathmandu, the SAARC Secretariat took a move to sign a framework Agreement titled 'Motor Vehicle Agreement for the Regulation of Passenger and Cargo Vehicular Traffic amongst SAARC Member States' (SAARC MVA). Regrettably, the Agreement had to be deferred at the last moment.[1] Transport Ministers of the SAARC countries were given the responsibility to revise the draft suitably for subsequent signing and ratification by member countries. Parallely, initiative was taken to design a sub-regional MVA as part of the BBIN network. The recently signed BBIN MVA has put this idea into concrete shape.

3.1.1 Rationale of the Study

Experience of other Regional Trade Agreements (RTAs) (such as Greater Mekong Subregion (GMS), ASEAN, etc.) shows that MVAs could play a crucial role in achieving the aims and ambitions of the RTAs from the vantage point of broadening and deepening regional cooperation. Absence of seamless connectivity creates physical and non-physical barriers that impede trade creating disincentives for traders to undertake trade within the region because of the lengthy lead-time, wastage and demurrage. These result in overall cost escalation and undermine competitiveness. Consequently, the potentials of backward and forward linkages and regional value chains are affected, adversely impacting on global competitiveness of regional producers. This also has direct cost implications at the consumers' end.

As the preceding section has noted, two concrete initiatives have now been put in motion towards better connectivity within the SAARC region – the recently signed BBIN MVA at the sub-regional level, which has been signed on 15 June 2015, and the SAARC MVA which is likely to be signed in near-term future. If these developments are read in relation to the amended Bangladesh-India Trade Agreement, one can discern that

[1] As far as is known, one SAARC member expressed reservation as regards certain provisions in the draft Framework Agreement.

the idea of transport connectivity between western India and the north-eastern states of India, via Bangladesh, is implicitly present in these Agreements. For example, Article VIII of the Trade Agreement states: "*The two Governments agree to make mutually beneficial arrangements for the use of their waterways, roadways and railways for commerce between the two countries and for passage of goods between two places in one country and to third countries through the territory of the other under the terms mutually agreed upon. In such cases, fees and charges, if leviable as per international Agreements, conventions or practices, may be applied and transit guarantee regime may be established through mutual consultations.*"

In view of the aforesaid recent developments of high significance, issues related to operationalising the MVAs have now assumed heightened practical significance and importance. A model MVA appropriate for South Asia should include appropriate protocols along with detailed annexes to elaborate the protocols, and should be in line with international best practices. Global best practices show that, a comprehensive MVA should include the followings: Principles that would govern the Agreement; Ways of operationalising of the Agreement; Documentation and Procedures; Border crossing formalities; Registration of vehicles; Container customs regime; Taxes, fees and other charges; Institutional arrangements; Technical matters; Infringements; Application of laws and regulations; and Provisions for amendments to the Agreement, amongst others. The present study has made an attempt to examine the South Asian MVAs by taking congnisance of these concrete elements in the global best practices with a view to drawing the needed insights and lessons. The purpose of the present study, thus, is to examine the three aforesaid MVAs, analyse to what extent these compare with some of the best global MVAs, and discuss the concrete steps that will need to be undertaken to operationalise the MVAs.

3.1.2 Objectives of the Study

The overarching goal of the study is to promote the cause of deepening trade and investment connectivities by promoting transport connectivity through the MVAs, both at the bilateral level and at sub-regional and regional levels in the SAARC. The study aims to provide useful inputs for the negotiations be undertaken among the concerned parties in this regard. In doing so, the study intends to come up with some concrete recommendations and outline some of the needed measures towards

effective implementation of the MVAs. The specific objectives of the study are to:

- Conduct an analysis of existing international road transport Agreements;
- Review the proposed MVAs in South Asia in light of international best practices;
- Assess the current situation with regard to transport of goods and people in South Asia;
- Suggest modalities of effective implementation of MVAs to reap maximum possible benefits;
- Recommend policy actions in going forward in implementing the MVAs.

3.1.3 Methodology

The research work involved the followings:

- An in-depth examination of the various MVA proposals in the SAARC;
- Review of relevant secondary materials to identify global and regional best practices, Agreements and cross-border connectivity arrangements and formalities, with a view to assessing the merits of the proposed MVAs in the SAARC;
- Field visits to land border ports and consultation with experts and relevant stakeholders to examine the state of cross-border transport facilitation and how MVAs could be deployed to address the attendant concerns.

The above, in its turn, involved the following activities:

Comparative Analysis

The research was primarily based on comprehensive review of international road transport and transit Agreements. However, number of such road transport Agreements are not that many. A total of nine bilateral and multilateral Agreements were identified to provide inputs to this exercise. The reviewed documents were collected primarily from web-based sources. Bilateral Agreements that were consulted concerned mainly those in the EU. On the other hand, the reviewed multilateral

Agreements involved a wide-range of countries from different regions and continents including those in Africa, Central Asia and Asia Pacific.

Best practices in the context of these Agreements were identified and major components were reviewed to design an ideal MVA. An exercise was undertaken to compare the components of the ideal MVA with the MVAs in South Asia.

CPD study team was able to collect three versions of the draft SAARC framework MVAs (2007, 2013 and 2014), draft bilateral MVA (2012) with India and draft sub-regional MVA (2015) involving BBIN countries. These were closely examined for the purpose of the current study.

Measuring Openness of the Draft Agreements

Based on the methodology developed by The World Bank (Kunaka *et al.*, 2013), a quantitative exercise was attempted to measure the degree of openness of the proposed MVAs. The assessment provides an idea about the extent of trade liberalisation provided by the Agreement. A number of studies on road transport Agreements has used this measure to assess the extent to which the MVAs have the potential to liberalise and facilitate trade among the participating countries.

Port Visits

The CPD MVA study team paid a number of visits to Bangladesh-India border areas to acquire practical knowledge about trade processes and transport facilitation services available on the ground. To analyse the existing state of transport of goods across the border, field-level surveys were conducted with major stakeholders who are involved in the various stages of the cross-border transport activities. Study team from the CPD visited Benapole-Petrapole, Akhaura-Agartala, Tamabil-Dawki, Hili-Hili, Burimari-Changrabandha and Banglabandha-Phulbari border points and land customs stations (LCSs).

The team consulted multilevel stakeholders[2], customs and port officials and conducted focus group discussions (FGD) with local authorities and trade bodies. Visits to major land ports were conducted to identify field-

[2]Participants included port managers, customs officials, labour leaders, clearing and forwarding (C&F) agents, representatives from local labour associations, associations of C&F agents and also local exporters' and importers' associations.

level problems confronted by port authorities and customs officials. The field study provided an opportunity to identify the weaknesses which contributed to delays and led to cost escalation in undertaking cross-border business.

Consultation with Experts and Key Informants

The CPD study team consulted a number of key stakeholders involved in Bangladesh-India cross-border trade including exporters, importers, C&F agents, transport operators and the involved business community. Key informants shared their views, insights and concerns as regards factors which impede cross-border trade at different stages of doing business with India. The team organised FGDs involving transport operators and truck drivers to get insights on practical aspects of cross-border vehicular movement. The team also interviewed high officials of various business chambers, Bangladesh Land Port Authority (BLPA), government officials and policymakers to have a better understanding about economic, policy and political economy aspects of the MVAs. Several rounds of discussions were also held with the National Board of Revenue (NBR) officials to capture customs-related aspects of the MVAs. Semi-structured check lists were used to facilitate these consultations. There was a general Agreement among the key stakeholders that MVAs, if properly implemented, could play an important role in deepening regional economic integration in South Asia.

3.1.4 Outline of the Study

Following the introductory section, subsequent sections of the chapter are as below. Section 3.2 presents an overview of the current state of cross-border transport movement; Section 3.3 critically assesses various provisions in the BBIN MVA from the perspective of global best practices. Section 3.4 has attempted to identify, on the basis of information generated through field surveys and consultations, existing major barriers to cross-border vehicular movement and come up with operational modalities to implement and operationalise the MVAs. Section 3.5 articulates the major findings of the study and provides a number of policy recommendations.

3.2 Cross-Border Road Transport Movement: Potential Benefits and Current State

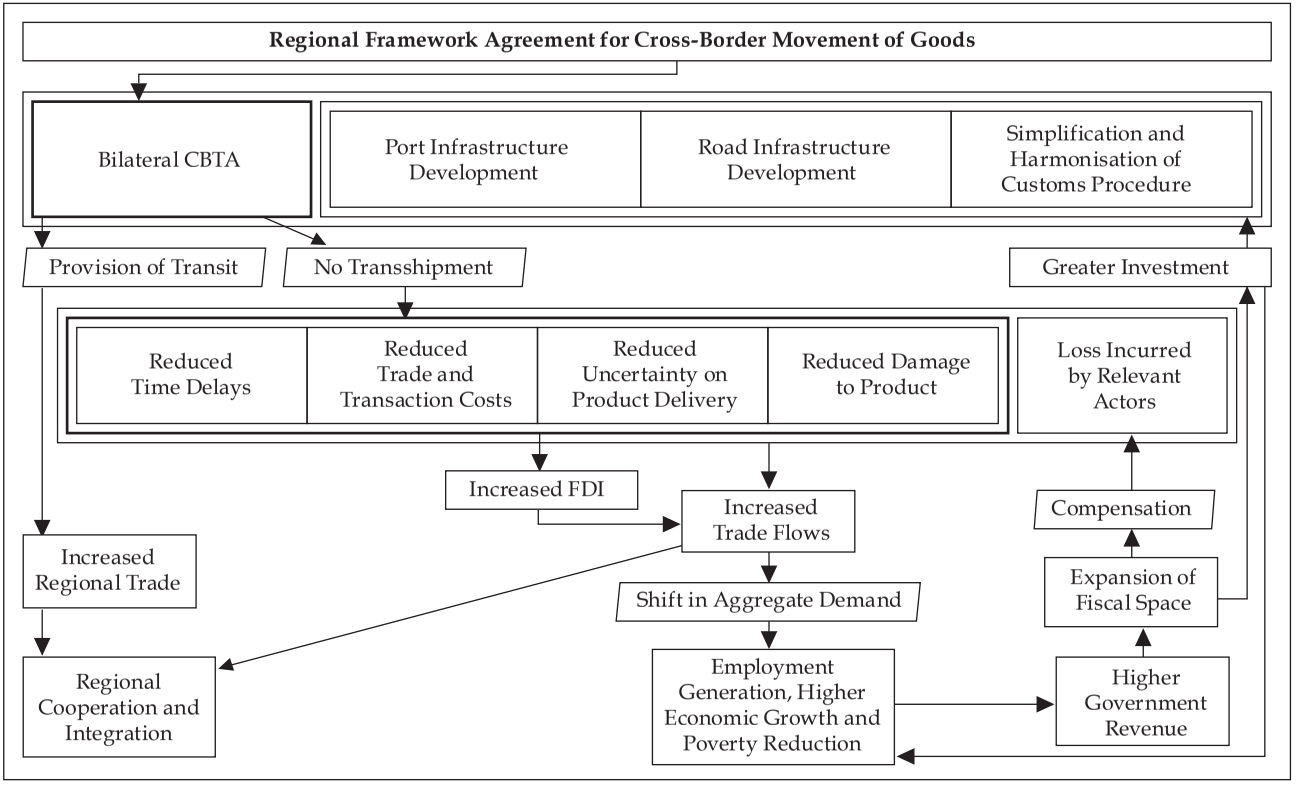
3.2.1 Theoretical Framework

Theoretical framework conceptualises the impacts that a regional Framework Agreement for vehicular movement or a bilateral cross-border road transport Agreement is likely to have on the domestic economies of participating countries and also on those in the region. Successful implementation of a CBTA/MVA involving bordering countries could translate transport corridors into economic corridors[3], enhance regional economic cooperation and stimulate trade integration within the region. However, such an Agreement must be accompanied by necessary investments in developing road infrastructure and land port modernisation, simplification and harmonisation of customs regime and large-scale trade facilitation. Doing away with transhipment could bring significant benefits for traders in the form of reduction in transport cost and time, reduced damage to cargo and timely delivery of product. Consequently, these help raise market competitiveness of the participating countries. Benefits originating from better transport connectivity and higher levels of regional trade integration are also likely to stimulate foreign direct investment (FDI). Additionally, the MVA opens the door for development of ancillary sectors in service areas including, particularly, transport services, by creating business opportunities for transport operators. Indeed, the real value addition emanating from such Agreements could be generated from services rather than through revenue generated from transit fees and service charges. Besides, MVAs also facilitate transport movement within various points of the participating countries, and thereby reduce cost and time of domestic trading.

Implementation of an MVA is expected to bring dynamic changes in the local economy. However, this could have adverse impact on some specific sectors involved with trade processes at the micro-level, in the

[3]The concept 'Economic Corridor' was first mooted in the GMS Development Plan (Wiemer 2009). Banomyong (2013) explained the differences between transport, logistics and economic corridors. A transport corridor only links regions physically. On top of providing physical links, a logistics corridor also harmonises the institutional frameworks between those connecting regions. However, an economic corridor attracts investments also for enhancing greater economic activities in the region. Hence, an effectively functional economic corridor requires physical links and logistics facilitation which need to be put in place upfront by all the participating countries.

Diagram 3.1: Theoretical Framework for a CBTA/MVA



Source: Authors' elaboration.

short-run. In the absence of transhipment, functions of storage and labour use in the port area would reduce significantly. As a result local transport operators may incur losses.

On the other hand, better transport connectivity was likely to have significant positive externalities and spillover effects both at the micro (local) level, and at the sectoral and economy-wide levels. Increased economic activities will expand fiscal space in the form of import duties and port-related service charges, and hence could generate additional revenue for the government. Wide-ranging economic activities and investment opportunities will likely spring up along the transport corridors; furthermore, employment opportunities will be created in the various related sectors.

An MVA would help to promote regional cooperation and development through the provision of transit which is critically important from the perspectives of particularly the landlocked countries (LLCs) in the sub-region such as Bhutan and Nepal, and also landlocked regions such as the North-East part of India. Facilitation of transit connectivity merits special mention in the context of the BBIN sub-region because of the significant benefits that could originate from this for all the member countries.

Governments will need to ensure that the needed infrastructure facilities were developed to reap the potential benefits of connectivity. Mobilisation of additional resources will be called for to address the challenges of financing the significant investment.

An illustration of the theoretical framework is presented in the Diagram 3.1.

3.2.2 Review of Literature

A major disadvantage of not having a connectivity Agreement is that vehicles have to go for transhipment of cargoes. Transhipment is a major barrier to speedy transport of tradables which undermines both the level and efficiency of international trade taking place through land ports (Islam, 2003; De and Bhattacharyya, 2007). Success of a cross-border MVA lies in the fact that it can contribute to significant reduction in time and cost through elimination of transhipment. A number of studies have outlined the benefits which could be attained through road transport Agreements. ADB (2008) concludes that the GMS-CBTA was an effective

instrument to realise the full potential of the RTA. Pilot implementation[4] of the CBTA in Lao Bao-Dansavanh (Laos-Vietnam border) border crossing in 2005 contributed to lower border crossing time by 50 per cent (from 1-2 hours to 0.5-1 hour). The aforesaid study has estimated that the implementation of the CBTA could reduce trade cost in the Bangkok–Kunming Corridor from USD 392/ton in 2006 to USD 210/ton by 2015, and travel time could be reduced to 30 hours from the 2006 levels of 51 hours.[5] Hansen and Annovazzi-Jakab (2008) show that reduction in trade cost and time delays could lead to higher volumes of trade by reducing product delivery uncertainty and creating further business opportunities and competitiveness for the exporters. Implementation of different bilateral Agreements in the GMS region in 2004-2007 led to significant benefits for the involved countries. Key border points such as Cambodia-Vietnam, Lao PDR-Vietnam and Lao PDR-Chira (PR) have benefitted significantly in the form of increased cross-border vehicular movement and greater economic activities. Reduction in transport cost and travelling time can also potentially impact positively on the growth of gross domestic product (GDP) (CIE, 2010; Stone and Strutt, 2009). CIE (2010), using Trade Facilitation Impact Calculator (TFIC)[6], found that reduction of average time to trade per day could induce up to 1.2 per cent higher GDP, while Stone and Strutt (2009) conclude that 45 per cent reduction in transport cost can contribute up to 0.1 per cent in terms of GDP. According to Thapar (2009), a significant amount of resources could be saved each year if seamless movement of cargo traffic can be ensured across Bangladesh-India borders. However, there will be more savings from reduction of transit delays and improvement of age-old analogue procedures. Logistics inefficiencies can lead to decline in trading credibility of the country in the regional and international markets (Islam, 2003).

However, a number of studies have shown that multilateral Agreements may work better over bilateral road transport arrangements (ADB, 2008; Cousin and Duval, 2014; Raballand *et al*., 2008). ADB (2008) suggests that bilateral Agreements provided limited benefits for encouraging trade among countries. A review of 19 Asian transit Agreements with focus on

[4]Pilot implementation of the GMS-CBTA project was also carried out in Mukdahan–Kaysone Phomvihane (Laos-Thailand border), and Hekou–Lao Cai (China-Vietnam border).

[5]A study by Centre for Logistics in Bangkok (Banomyong, 2008) finds that trade cost on the Bangkok–Kunming Corridor via the Lao PDR reduced by 34 per cent (from USD 563/ton to USD 392/ton) in 6 years during 2000-2006 period. At the same time, time spent to cross the corridor had reduced from 78 hours in 2000 to 51 hours in 2006.

[6]A tool developed by the United States Agency for International Development (USAID).

LLCs carried out by Cousin and Duval (2014) finds that transit facilitation could be better served through multilateral Agreements.

CBTAs also help capture foreign markets and may have positive impact on market liberalisation (Miankhel, 2011; Nick Poree Associates, 2010). Miankhel (2011) suggests that Pakistan has signed road transport Agreements with Iran, Turkey and with Uzbekistan, on bilateral basis, with a view to capture textile markets in Turkey. Nick Poree Associates (2010) has evaluated different road transport Agreements and finds Mexico-USA Agreement to be the most restrictive one, while the EU Agreements provided the highest degree of market liberalisation. Greater liberalisation created conducive environment for traders to gain more from greater connectivity through efficiency gains which in turn led to higher trade among the member countries.[7]

Two important elements of transport liberalisation that frequently come up in road transport Agreements relate to lifting of third country rule[8] and cabotage operation. In most Agreements, third country rule and cabotage operation is restricted to protect domestic transport operators from foreign competition. A perception survey covering Belgian transport operators suggested that local operators strongly opposed provision of access by third country and foreign road hauliers to domestic markets (Scheerlinck *et al*., 1998). Raballand *et al.* (2008) argue that high backload rates and operating costs could negate the positive effects of lifting vehicular restrictions in case of Zambia. Other restrictions in the road transport Agreements that could undermine interests of trade included the difference in road user charges across countries and axle-load controls to prevent road damages (Raballand *et al.,* 2008; Islam, 2003). In case of Zambia, high road user charges in Beira corridor of Mozambique discouraged Zambian transporters to operate through this particular route.[9] On the other hand, cartels restricting competition can also contribute to wide variations between transport costs and prices, because of which reduction in transport costs may not be necessarily translated into lower prices (Teravaninthorn and Raballand, 2009). The authors recommend a review of institutional changes and also bilateral Agreements to ensure that transport costs are actually reduced on the ground.

[7]However, World Bank study (Kunaka *et al.,* 2013) suggests market openness as reflected in road transport agreements may not necessarily be an important determinant of trade.

[8]Third country rule bans transport operators registered in third country to transport goods between the contracting parties of an Agreement.

[9]For Zambia, a trucking company entering Mozambique requires USD 50 per 100 km, whereas in other countries like Malawi and Zimbabwe it is USD 10 per 100 km.

Literature has also focused on the actual status of implementation and operationalisation of the various CBTAs. Sometimes, enforcement of bilateral Agreements were found to be lacking in terms of operation of the transport Agreements (Kunaka *et al.*, 2013). Nick Poree Associates (2010) has identified problems of operations, associated with raising efficiency of management of regulatory system, and has drawn attention to the lack of capacity of relevant institutions. Raballand *et al.* (2008) have found in case of Southern African Development Community (SADC) countries that the provisions articulated in the Agreement could not be fully implemented because the Agreement did not explicitly specify the responsibilities of the Joint Committee (such as membership and chairmanship of the Committee).

Rahman and Akhter (2014) has identified that in the South Asian context there are significant presence of non-trade barriers in the form of inadequate port infrastructure and underdeveloped link roads to border points. Unless adequate attention is given to address infrastructure-related bottlenecks, benefits of MVAs would be rather limited. Rahmatullah (2012) points out that within Bangladesh, roads suffer from structural weaknesses and these are mostly two-lane, which need to be upgraded to expressway standards. He identifies 16 important road sections associated with cross-border transportation, which would require an investment of Tk. 12 thousand crore for upgrading.[10] Another factor of concern for executing road transport Agreements was the harmonisation issue. Indeed, harmonisation exercise could introduce new tensions among member countries since these could involve significant changes in traditional national laws and regulations (Nick Poree Associates, 2010; *Raballand et al.*, 2008).

Rahmatullah (2009) observes that Bangladesh could gain significantly if seamless regional connectivity could be established with her close neighbours, i.e. Bhutan, India and Nepal through coordinated development of all modes of transportation. Bangladesh would enjoy several benefits, including earnings in the form of transport and port charges, border crossing charges and transit fees. The study notes that, static benefits of transit facilities will be through reduction of time and cost and productivity gains. Rahmatullah (2010) points out that poor state of transportation leads to higher trade cost in South Asia; this was equivalent to a significant percentage of GDP. For example, if connectivity through

[10]Additionally, for land port development the required investment was estimated to be Tk. 200 crore.

chicken neck (about 1,645 km)[11] is replaced by the most appropriate route through Bangladesh (about 400 km) it will induce a reduction of distance by about 75 per cent. Cost of rail cargo movement between North-East India and rest of the India could be reduced from USD 30/ton to about USD 10/ton (reduction of about two-thirds cost). Similarly, in the case of road cargo this would be reduced from USD 150/ton to about USD 50/ton. Thus, there was a unique opportunity for benefit sharing under a win-win scenario if seamless connectivity could be ensured between North-East India and rest of the India through Bangladesh. The BBIN MVA Joint Ministerial Statement mentioned that the transformation of transport corridors into economic corridors could potentially increase intra-regional trade within South Asia by almost 60 per cent, and with the rest of the world by over 30 per cent.

The upshot of the above discussion is that, while transport Agreement could be potentially highly rewarding, a number of parallel initiatives will need to be put in place if the full benefits are to be realised on the ground.

3.2.3 Current State of Cross-Border Trade and Transport

Transport Link and Trade Facilitation

By any reckoning, the SAARC region remains one of the least integrated regions in the world. Intra-regional formal trade remains below 5 per cent of global trade of SAARC countries. Being the largest economy in the region, India offers a huge market potential for her neighbouring countries which remains largely untapped. Hossain (2009) estimates that Bangladesh would be able to raise her South Asian export by three-fold if trade was facilitated through appropriate initiatives. A study by Rahman (2012) found that trade facilitation-related weaknesses in the areas of customs procedures, standards and certification and absence of the needed physical infrastructure at the border points are major barriers that work against the interests of Bangladesh's competitiveness in the Indian market.

Wilson *et al.* (2004) have assessed potential benefits of trade facilitation from a global perspective. The authors find that improvement in port efficiency led to highest export promotion effect (37 per cent) for Bangladesh among all South Asian countries. Trade facilitation measures including development of services sector infrastructure and

[11]Chicken neck connects western part of India with North-East India.

port development would also result in significant gains (68 per cent) for Bangladesh. Bangladesh, through signing of MVAs, could leverage such initiatives which would facilitate greater market access to the region. As a consequence, producers and exporters from Bangladesh could gain higher competitive edge in the regional market. Indeed, the very geographical location of Bangladesh endows the country with comparative advantage through possible emergence as a regional transport hub, by taking advantage of the MVAs.

Road transport constitutes more than 80 per cent of the overland movement of trade traffic in most regions (Kunaka *et al.*, 2013). This particular mode of transport dominates trade particularly between countries and regions which share land boundaries. A key reason for dominance of road transport providing short distance service is its relative efficiency over other modes of transport. The service can be provided door-to-door; is more flexible; and takes less time. On the other hand, in many instances, public investment for building road transport network is cheaper when compared to other competing modes. In Bangladesh, the share of domestic passenger transport demand provided by road transport increased from 54 per cent in 1975 to 88 per cent in 2005, while that of rail has declined from 30 per cent to 4 per cent, and inland water transport (IWT) from 16 per cent to 8 per cent. A similar change also happened in case of freight transport demand (World Bank (n.d.) cited in Smith (2009) and World Bank (2007). However, comparative advantage should dictate the selection of mode of transport and the issue of seamless connectivity should be accorded due importance in this context.

Routes for Intra-Regional Connectivity

In 2010, the Government of Bangladesh (GoB) set up a high-level Core Committee to look into transit issues covering Bangladesh, India, Nepal and Bhutan. Five sub-committees were set up to work on various aspects involved. Based on a review of the major routes identified for regional connectivity by the SAARC Regional Multimodal Transport Study (SRMTS), completed in 2006, 17 routes were identified for development, in phases. The Core Group study, however, indicated that all these routes cannot be operationalised immediately because several of those were suffering from acute infrastructural shortcomings (Rahmatuallah, 2013).

A number of possible routes, going through Bangladesh, were identified including SAARC Corridor, AH, BCIM Corridor. From different

Table 3.1: Identified Routes

Route No.	Route Map	Completely Overlapped Routes	Partially Overlapped Routes
Route 1	Kolkata-Petrapole/Benapole-Dhaka-Akhaura/Agartala	SAARC Corridor 1	AH1 (AH2)
Route 2	Agartala-Akhuara-Chittagong	SAARC Corridor 6	
Route 3	Silchar-Sutarkandi-Chittagong Port		SAARC Corridor 5 & 6
Route 4	Silchar-Sutarkandi-Paturia Ferry-Benapole/Petrapole-Kolkata	BCIM Corridor	SAARC Corridor 5, AHI (AH2)
Route 5	Samdrup Jongkhar-Guwahati-Shilong-Tamabil-Sylhet-Chittagong		SAARC Corridor 5 & 6, AH1 (AH2), AH41
Route 6	Kathmandu-Kakarvita/Phulbari-Banglabandha-Mongla/Chittagong	SAARC Corridor 4, AH2 & AH41	
Route 7	Thimphu-Phuentshilong-Jaigaon/Burimari-Mongla/Chittagong	SAARC Corridor 8, AH48, AH2 & AH41	

Source: Compiled from various sources.

regional integration and economic cooperation points of view, pursued at different points in time, these routes were identified in a discrete and disjointed manner. In view of the MVAs, these routes will now need to be prioritised. Major routes passing through Bangladesh and involving Bangladesh, Bhutan, India and Nepal are given in the Table 3.1.

Indeed, the Joint Statement of BBIN Ministers mentions 30 priority transport connectivity projects with an estimated total cost of USD 8 billion for rehabilitation and upgradation of the different sections of the trade and transport corridors in the four countries. It may be noted here that the per kilometre cost of upgrading roads to international standards in Bangladesh in view of the BBIN MVA is estimated to be USD 3.7 million.

Land Custom Stations Lack Adequate Transport Facilitation

According to BLPA, Bangladesh has 20 declared land ports at different border points. Except Teknaf Land Port (with Myanmar), all other ports are connected to different states of India. The largest land port in terms of volume of export is the Benapole Land Port situated in the Benapole-Petrapole border point. Nearly 70 per cent of overland trade between Bangladesh and India passes through this border point.

However, the only road connecting Benapole/Petrapole to Kolkata is merely 5.5 metre wide and remains highly congested. Vehicular movement across the border is rather restricted; all freight traffic needs to be transhipped at the border point resulting in congestion and delays, with significant cost implications. Some of the other important land ports include Burimari (connecting Bhutan through India), Akhaura (connecting Tripura), Sonamasjid (connecting West Bengal), Hili (connecting West Bengal) and Banglabandha (connecting Nepal through India). The land ports and LCSs situated at the border points are not adequately equipped for efficient movement of road traffic. Significant financial resources will be needed for necessary upgradation. Approach roads to the border areas and LCSs also needed to be significantly developed on both sides of the Bangladesh-India border.

Limited Legal Framework for Cross-Border Transport Movement

As existing provisions in the bilateral trade Agreement between Bangladesh and India, an SOP was signed between the two countries that allows cargo trucks to unload beyond the zero point and move up to 200 metres inside the other country. These provisions are currently in operation in Benapole, Banglabandha and Bibirbazar Land Ports on the Bangladesh side. A car pass system was introduced in January 2012 in Benapole border, which allowed drivers of vehicles to cross the border to unload goods. The car pass contains information on products, drivers and helpers/crew of the vehicle. This allowed Bangladesh trucks to enter Indian customs area to unload goods; Indian trucks are given the same facility, on a reciprocal basis. A similar car pass system is also in operation in Banglabandha and Bibirbazar Land Ports.

For passenger transport, an Agreement was signed in 1999 between the two countries for bus service between Kolkata and Dhaka through

Benapole-Haridaspur border. Another route for bus service was opened in 2003 for passengers travelling between Dhaka and Agartala. Direct passenger train service between Kolkata and Dhaka was introduced through an Inter-Governmental Agreement signed in April 2008. Detailed description of the passenger transport links between India and Bangladesh is given in Box 3.1.

Box 3.1: Passenger Transport Links between Bangladesh and India

Currently, a Dhaka-Kolkata bus service (protocol Agreement signed in 1999) and a Dhaka-Agartala bus service (protocol Agreement signed in 2001) are in operation to facilitate tourism and people to people connectivity between Bangladesh and India. Both the Agreements are valid for a period of two years from their date of signing with the validity to be extended one year at a time, with mutual consent. Both the transport services are operated by the public transport agencies of the respective countries. Apart from the bus services provided by Bangladesh Road Transport Authority (BRTA), Dhaka-based other private operators also operate their services on both the routes. The institutional set up specifies a Standing Committee from two public operators for review of provisions under the protocol from time to time.

Separate protocols in the two Agreements govern their operations with specifications relating to routes, timing, documentation, fare, insurance, regulations, security arrangements, etc. However, no vehicle tax is levied under the arrangement. The two Agreements impose similar condition of bonds which have to be executed by the vehicle owner to the customs authorities together with a bank guarantee that stipulates that vehicles will not be retained in the other country for more than 30 days.

During the visit of Indian Prime Minister to Bangladesh in June 2015, the two countries have agreed to commence two more passenger bus services along the Dhaka-Shilong-Guwahati and the Kolkata-Dhaka-Agartala routes. The recently ratified BBIN Framework MVA also incorporates entry of passenger transports and personal vehicles along with movement of cargo vehicles across the borders of the contracting countries. The BBIN MVA has also specified additional documents to the ones already stipulated in the current Agreements such as the Pollution Under Control (PUC) certificate, certification on accident record and loading condition issued by competent authorities. In contrast to the Agreements in operation, the ratified MVA also requires development of road information system to ensure better quality of road traffic. In all other respects, the Agreement's provisions are the same as in the BBIN MVA. However, it remains to be seen, whether the BBIN MVA replaces the current passenger transport Agreements or incorporates new routes keeping existing arrangements intact.

As part of a landmark initiative, in January 2010, India provided transit facility to Nepal and Bhutan to trade with Bangladesh. India allowed use of the Banglabandha/Phulbari corridor, only for bilateral trade between Bangladesh and Nepal, under an SOP.[12] Burimari/Changrabandha corridor was allowed for bilateral trade between Bangladesh and Bhutan.[13] Nepalese trucks are allowed to operate through designated transit corridors within India against permits for each trip, with a validity of three months. Bhutan is perhaps an exception: Bhutanese trucks can cross freely into India. India has now allowed Nepal and Bhutan to use transit facility through India, to trade with Bangladesh as also with other countries by using Bangladeshi ports.

Institutional Arrangements to Facilitate Cross-Border Trade and Transport

Bangladesh and India have institutional arrangements at different levels to facilitate regional trade. The Joint Working Group (JWG) on Trade convenes regularly to address issues as regards para-tariff and non-tariff barriers to trade. The JWG is led by the Joint Secretaries of the Ministry of Commerce on both sides. Commerce Secretaries of both sides also meet regularly in different platforms.

The Bangladesh-India Joint Consultative Commission (JCC) is co-chaired by the Minister of Foreign Affairs of Bangladesh and the Minister of External Affairs of India. The meeting has been taking place annually since 2012 to discuss bilateral relations between the two countries in areas such as trade, connectivity, power, water resources, security, border management, infrastructure, culture, environment and education.[14]

The Joint Group of Customs Officials (JGC) meeting takes place annually between the customs officials of Bangladesh and India. Issues

[12] An Addendum to the MoU between Bangladesh and India to facilitate overland transit traffic between Bangladesh and Nepal was signed by the two countries to facilitate rail transit through the Radhikapur-Birol line using Indian territory after the Bangladesh segment has been converted into broad gauge.

[13] An SOP for monitoring of Bhutanese vehicles for movement between Indian LCS and Bangladesh LCS was also signed in July 2011.

[14] A number of important issues were discussed in the last meeting held in September 2014, among which particularly mentionable are: opening of immigration post at Phulbari-Banglbandha, upgradation of the LCS and Integrated Check Post (ICP) in a coordinated way, expansion of border *haats*, improving connectivity and the proposed Dhaka-Shilong bus service, power grid inter-connection between Bheramara-Baharampur, etc.

related to removal of non-tariff barriers (NTBs), Bangladesh Standards and Testing Institution (BSTI) certification, upgrading infrastructure, harmonisation of customs procedures to enhance connectivity at the LCSs of Bangladesh-India border are the major agendas of these meetings.

Border Guard Bangladesh (BGB) and Border Security Force (BSF) of India are entrusted with the responsibility of guarding the Bangladesh-India border. In 2011, a Coordinated Border Management Plan (CBMP) was signed between the respective Director Generals (DGs) of the two forces for better control over cross-border illegal activities and crimes as well as ensuring peace and harmony at the border areas. There exists a mechanism of collaboration between the institutions of the two countries such as discussion on border management at the time of meetings of Home Secretaries and at the DG-level meetings between BGB and BSF. Bilateral issues, including border killings, torturing and abduction of unarmed Bangladeshis by BSF, and smuggling of drugs and illegal goods were discussed in these meetings.

Among other important inter-governmental talks, the Joint Rivers Commission (JRC) between the two countries was constituted in 1972 for discussion on issues of water sharing, irrigation, flood and cyclone control. Inter-Governmental Railways meetings are held between the officials of the two countries where ways and means of improving rail connectivity and other related issues are discussed.

A number of platforms have been established to promote closer links among the business communities of the two countries; however, such links need to be further strengthened. These include partnership between the Confederation of Indian Industry (CII) and the Metropolitan Chamber of Commerce and Industry (MCCI) of Bangladesh; Federation of Indian Chambers of Commerce and Industry (FICCI) and Federation of Bangladesh Chambers of Commerce and Industry (FBCCI); Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Dhaka Chamber of Commerce and Industry (DCCI). There is also an India-Bangladesh Chamber of Commerce and Industry (IBCCI). Meetings and discussions are organised to deliberate on issues of mutual business interest. Under the MoU, signed between FBCCI and FICCI in 2006, task forces were set up with timebound plan of action concerning bilateral trade issues, investment, trade-related infrastructure, dispute settlement and removal of NTBs.

Bilateral and Regional Agreements to Deepen Economic Cooperation

Bangladesh has a longstanding trade relationship with India. A bilateral Trade Agreement between the two countries was first signed in 1972 with provisions to review from time to time. In June 2015, Bangladesh-India Joint Declaration approved the amended trade Agreement with the provision to trade with a third country. The new Agreement will enable Bangladesh to trade her products with Nepal and Bhutan using road, railways and waterways of India. On the other hand, India could also trade with Myanmar or link her north-eastern part to the mainland by using transport infrastructure of Bangladesh. In case of no objection from any of the countries, the Agreement is to be renewed automatically after five years. Earlier this was done every three years. Bangladesh signed an MoU with India in 2010 for establishing border *haats* (markets) across the geographical boundaries of the two countries. The objective was to promote trade in locally produced goods in a joint market place at border points. The initiative expects to enhance economic benefits and people to people connectivities in the frontier areas.[15]

Bangladesh also has a bilateral arrangement with India for air transport through the Air Service Agreement. For waterways transport and passage of goods, a Protocol on the Inland Water Transit and Trade (PIWTT) between Bangladesh and India was signed in 1972. The protocol covers four routes and five ports of call on both sides to facilitate movement of vessels engaged in inter-country trade.

The existing institutional collaborations at the inter-governmental as well as private sector levels can be brought to play to maximise the benefits which could be potentially accrued from the recently signed BBIN MVA.

National Rules and Regulations and Regional Agreements Call for High Degree of Harmonisation

The proposed MVA will allow motor vehicles of both countries to ply in each other's territory along specified routes. In this respect, the Agreement

[15]Two border *haat* locations were considered initially on a pilot basis. The first border *haat* was opened at Baliamari (Kurigram, Bangladesh)-Kalichabari (West Garo Hills, India) in 2011, while the second one became functional since 2012 at Dolura (Sunamganj, Bangladesh)-Balat (East Khasi Hills, India). A third border *haat* was recently (in 2015) opened at Chhagalnaia (Feni, Bangladesh)-Srinagar (Tripura, India) border.

specifies the formation of Road Traffic Control and Law Enforcement Plan. This will require a high degree of coordination from the relevant authorities of the two countries.

Currently the road traffic of Bangladesh is regulated by the Motor Vehicle Ordinance, 1983. The Ordinance is being replaced by the newly proposed Road Transport and Traffic Act (RTTA), 2012, which was approved by the Bangladesh Cabinet in 2014. Some new features of the upcoming Act are the following: (i) important and updated legal provisions have been addressed in the new Act to control traffic on the highway and ensure smooth flow of traffic; (ii) for road safety, road safety regulating institutions, namely Road Safety Councils and Committees, have been given broader legal coverage with additional enforcement power; (iii) specific provisions have been introduced to obligate drivers in case of road accidents and undertake investigation to identify the cause of accident; this has been made a necessary requirement now; (iv) the Motor Vehicle Tax Act, 1932 has been fine-tuned in light of current developments.

In the bilateral MVA, it has been proposed that there will be a harmonised law enforcement plan. Towards this, the penal provisions existing in the Motor Vehicle Ordinance, 1983 and proposed in the RTTA, will need to be harmonised with relevant provisions in existence in India.

3.2.4 Ongoing Initiatives for Cross-Border Road Transport Integration in SAARC Region

Till date, three initiatives are in place to address the issue of deepening connectivity involving countries in the SAARC. The first was related to the formulation of a SAARC MVA. This was initially proposed by India, and then channelled through the SAARC Secretariat. Later, India proposed a bilateral MVA with Bangladesh to improve connectivity between the two countries. The third initiative concerned a sub-regional MVA to facilitate cross-border road transport in the sub-region embracing four countries – Bangladesh, Bhutan, India and Nepal. Of the three, as was seen, the BBIN MVA was the most matured one.

The provisions followed in the draft SAARC framework MVA and BBIN framework MVAs entail that contracting parties will negotiate bilaterally or on tripartite basis as would be called for concerning the various protocol and SOPs. These would state, among others, fees and charges, routes of operations, entry and exit points, technical requirements of vehicles, etc.

SAARC MVA

In the 14th SAARC Summit in 2007, the member states directed the Inter-Governmental Group on Transport (IGGT) to develop a regional MVA to facilitate cross-border movement of goods in the SAARC region. Following the directives, in the first meeting of the SAARC transport Ministers, member states examined the preliminary technical inputs by the Asian Development Bank (ADB) and the draft of the MVA prepared by India. It was decided that the SAARC Secretariat would prepare the final draft of the Agreement. The SAARC Transport Ministers in their second meeting in 2009 approved the recommendations of the IGGT to establish an Expert Group Meeting for negotiation and finalisation of the draft Agreement. In the third Expert Group Meeting in Rajasthan in September 2014, the draft text of the Agreement was finalised and later endorsed at the fifth meeting of the IGGT. A comparison of the three SAARC MVA drafts is presented in Annex Table 3.1. The Agreement was to be signed at the 18th SAARC Summit in November 2014. However, Pakistan informed the meeting that she was yet to conclude the internal process of approval. It was decided that the SAARC MVA would be finalised within the next six months.

An inter-Ministerial meeting in February 2015 asked for the opinion of the concerned Ministries and Departments including Roads and Highways Department (RHD), Foreign Ministry, Commerce Ministry, NBR, banks and financial institutions. Based on this, a number of amendments were proposed. Important amendments included incorporation of a financial guarantee document for security of transit goods, determination of transit charges according to administrative expenses incurred, and inclusion in the text of other responsibilities of the customs sub-group. The amendments were to be placed at the next meeting of the SAARC Transport Ministers.

Bangladesh-India Bilateral MVA

The bilateral MVA between Bangladesh and India was first discussed between the Prime Ministers of both countries during the Indian Prime Minister's visit to Bangladesh in 2011. In January 2012, India sent the draft of a model MVA to Bangladesh. The bilateral MVA was discussed at various forums including at the Secretary-level meeting of Commerce Secretaries, meetings of JWG on Trade, JGC and JCC. Bangladesh had

informed the Indian side that the Agreement was still under examination. Later on India shared a revised draft of the bilateral MVA with Bangladesh. At the 9th Meeting of the JWG on Trade at which the issue was discussed, it was informed by Bangladesh that the issue was going through inter-Ministerial consultation process because of reference to transit-related issues in the draft MVA. India suggested that Bangladesh prepares its own draft through this consultation which then could be discussed at bilateral level. Subseqnet developments in this regard remain unclear. However, a possible reason for this could be that the focus has now shifted to the BBIN MVA. As was pointed out earlier, the BBIN MVA will need to be operationailsed through bilateral and tripartite negotiations. There is a possibility that the two MVAs would be integrated at some future point in time.

BBIN MVA

It may be recalled that a Regional Technical Assistance (RETA) programme supported by the ADB worked as a consulting platform for economic cooperation at the sub-region level (Islam, 2003). Early on, South Asia Subregional Economic Cooperation (SASEC), initiated in 2001, financed a number of projects with support from the ADB, particularly to promote regional connectivity and bolster both intra-regional and inter-regional trade of the four member countries. In 2014, Maldives and Sri Lanka also joined the initiative. When the SAARC MVA could not be signed at the 18th SAARC Summit in Kathmandu, a parallel initiative was undertaken to formulate a sub-regional framework agreement with participation of four countries: Bangladesh, Bhutan, India and Nepal. The BBIN MVA, which was geared to link the four countries was discussed at a meeting of the Transport Secretaries of the four countries held in February 2015. One of the distinctive features of the Agreement is that membership has been kept open. Presumably, this was done with a view to keep open the possibility of Myanmar and China joining the Agreement at some later stage (an idea that was mooted by Bangladesh). A draft terms of reference (ToR) for Joint Land Transport Facilitation Committee (JLTFC) and National Land Transport Facilitation Committee (NLTFC) were prepared at the meeting. At the next meeting of the nodal officers in April 2015, the signing venue (Thimphu, Bhutan) was finalised, and the member states were asked to complete internal procedures before 15 June 2015. The draft BBIN MVA is a framework Agreement and individual countries

will be required to design bilateral/tripartite protocols in light of this. Bangladesh will be required to sign three bilateral/tripartite protocols:

- Protocol for transport movement between Bangladesh and India
- Protocol for transport movement between Bangladesh, Bhutan and India
- Protocol for transport movement between Bangladesh, India and Nepal

The text of the draft BBIN MVA was finalised at the consultation meeting of the Transport Ministers on 14 June 2015; and the final draft was signed on 15 June 2015 in the presence of the Transport Ministers of the participating countries. A six-month work plan was drawn with activities to be covered and milestones to be reached over the next six months (July-December, 2015).

A timeline of key milestones in the context of the three MVAs is presented in Annex Table 3.2.

3.3 Assessment of the Draft MVAs

3.3.1 Components of an Ideal MVA: International Best Practices

This part of the chapter looks at cross-country experiences in designing MVAs and attempts to tease out the elements of what should be a model MVA.

Ideal Components of an MVA

CBTA is one of the key tools to administer and regulate the movement of road traffic across borders and ports. Whilst a regional framework Agreement sets out the ground rules for the MVA, mutually agreed bilateral or tripartite Agreements are the preliminary steps towards operationalisation of such initiative. In most instances, bilateral CBTAs address particular issues that are then incorporated into multilateral Agreements. Bilateral Agreements also holds good in absence of multilateral region-wise system. However, a bilateral Agreement has to be in conformity with existing national rules and regulations for its effective and smooth implementation.

The study has undertaken an assessment of the three MVAs (i.e. draft SAARC framework Agreement, draft bilateral Bangladesh-India Agreement and the BBIN MVA) based on the versions available. This was done from a comparative perspective of a number of important Agreements in operation in different parts of the world. These are listed in Table 3.2. The team has reviewed a total of nine Agreements – four of these are bilateral and five multilateral – to assess the aforesaid three MVAs in the SAARC region from a cross-country perspective. It may be noted here that, many of the Agreements reviewed are the best practiced ones in their respective regions.

Table 3.2: List of Agreements Reviewed

Bilateral Agreements	
1. Agreement on Road Transport between the Government of the Republic of Belarus and the Government of the Kingdom of Belgium 2. International Road Transport Agreement between the Government of the Republic of Latvia and the Government of the Republic of Turkey 3. International Road Transport Agreement between the Government of the Republic of Turkey and the Government of the Republic of Iran 4. Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Macedonian Government on International Road Transport	
Multilateral Agreements	**Contracting Parties**
1. Northern Corridor Transit and Transport Agreement	Kenya, Uganda, Rwanda, Burundi and Congo
2. ASEAN Framework Agreement on the Facilitation of Inter-state Transport	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
3. Tripartite Agreement on Road Transport – East African Community (EAC)	Tanzania, Kenya and Uganda
4. Greater Mekong Sub-region Cross-Border Transport Agreement (GMS-CBTA)	Lao PDR, Thailand and Viet Nam; later Cambodia, China and Myanmar
5. ECO Transit Transport Framework Agreement	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan

Source: Authors' compilation.

The study has classified the components under eight broad areas which constitute some of the key components (Chart 3.1). The purpose of the exercise was to arrive at a model MVA which should inform a model MVA text.

Chart 3.1: Components of an Ideal Cross-Border Road Transport Agreement (CBTA)

Definitions and objectives	• Defintion of key terms • Objective of the Agreement
Scope and principles of operations	• Scope and coverage of the Agreement • Principles of governance
Enabling criteria for road transport movement	• Types of vehicles permitted • Criteria for licencing of transport operators for cross-border transport operations • Registration of vehicles • Identification of routes/corridors • Permit and quota requirements • Documentation and procedures
Technical specifications	• Vehicle weight and dimensions specification • Roads, bridges designs and construction standards and specifications
Customs regime	• Transit and inland customs clearance regime • Commodity classification system • Customs duties and charges
Revenue requirements	• Taxes, fees, tolls and other charges (including road user charges) • Exemptions
Facilitation measures	• Facilitation measures for border clearance • Facilitation measures for transport operators • Facilitation of frontier cross formalities
Other issues	• Applicable laws and regulations • Border security management • Institutional and implementational arrangements • Dispute settlement • Modification, amendments and review mechanism • Validity of the Agreement

Source: Authors' elaboration.

The following section presents a brief review of the key provisions in each of the areas of the MVA identified earlier.

a. *Definitions and Objectives*

An MVA should define the important terms used in the Agreement in a concise and transparent manner. The 'Definitions' section should be prepared in a manner that facilitates a clear understanding of the provisions defined in the Agreement. Majority of the reviewed Agreements feature a complete set of definitions listed at the very beginning of the Agreement. Indeed, it is important that the objectives of the Agreement is presented explicitly at the very beginning. There is a wide diversity in the objectives of different Agreements, but an important focus of all such Agreements is to facilitate transport and transit of goods across borders and create better opportunities for trade by reducing unnecessary delays. For example, Agreements such as the EAC Tripartite's major objective is to reduce tax evasions, while the ASEAN Framework Agreement on the Facilitation of Inter-state Transport (AFAFIST) focused on supporting implementation of the ASEAN Free Trade Area (FTA).

b. *Scope of Coverage and Principles of Governance*

Ideally, an MVA should specify the geographical scope of coverage of the Agreement; it should also mention about the type of operations that would be covered by the Agreement. Geographical limitation is considered to be a barrier to trade which could constrain potential access to certain regions of the contracting parties. Geographical scope of the Agreement must be informed by the importance of potential land routes from the perspective of facilitating trade and commerce. In addition, a liberal Agreement should specify a clause to gradually open up new transport routes. The Bilateral Agreement between Lao PDR and Vietnam in 2012 opened three new routes for trucks and buses to reach destinations inside each other's territory to promote both trade and tourism in the GMS area (ADB and AusAID, 2013). Certain operations such as 'admission of third country traffic' may be incorporated within the scope of a bilateral MVA, to facilitate trade and transport not only between contracting parties, but also with other neighbouring countries. Macedonia FYR-UK (2005) and Belarus-Belgium (1995) bilateral Agreements have kept this provision. With adequate security provisions, cabotage operations

are also allowed in some Agreements (EU multilateral arrangement[16]) within the scope of an MVA. On the other hand, a standard Agreement explicitly states the principles that will govern operations. Principles of consistency, simplicity, efficiency, non-discrimination, fair competition, transparency and mutual cooperation create the foundation for guiding the implementation of the Agreement. The AFAFIST (2009) and Northern Corridor Transit and Transport Agreement (2007) are good examples of this. However, the four bilateral Agreements under review did not clearly feature the principles of operations.

c. *Enabling Criteria for Road Transport Movement*

An ideal Agreement has a number of enabling criteria such as identification of routes, types of permitted vehicles, registration of vehicles, licencing of transport operators, other permits, documents and quota requirements. The practice is to articulate the criteria in general terms in the main Agreement, whilst detailed specifications are issued in supplementary annexes and protocols. Many Agreements keep provisions relating to plying of cargo vehicles, passenger vehicles, and also personal vehicles in the host territory. The idea is to stimulate both trade and tourism. In most cases, the Agreements accept movement of foreign haulers through some of designated (identified as having trade enhancing potential) routes to reach importer's warehouse. Transit cargoes are generally permitted in covered cargoes, and are allowed to stop at some designated frontier posts. As regards transport operator's licence, the GMS-CBTA experience shows that it is some competent authority in the 'home country' which is authorised to issue the licence. Issuance criteria include, in many instances, financial soundness and no criminal record of the operator, safe operations management capacity and fair competition. Similarly, in many cases, national registration of vehicles is a criteria that allowed travel through the host territory without hassles. Additionally, vehicles should have the registration certificate, and registration plates on the front and rear. A sign unique to the country of registration should also be deployed. This is important to distinctly identify vehicles undertaking cross-border operations and ease border crossing through simplified procedures. Finally, some Agreements followed limited access (quantitative

[16]This provision is provided in EC's new Regulation No. 1072/2009 which replaced the old Regulation No. 881/92 and 3118/93.

restriction) of vehicles over a specified period of time. Sometimes, priority consignments (i.e. perishable goods, pharmaceutical supplies or medical patients) may receive special exemptions.

d. *Technical Specifications*

Technical issues such as vehicle weight and its dimension, in line with the standards and specified designs of designated roads and bridges in the host country, need to be spelt out clearly in the Agreement. For example, a major part of Bangladesh's roads have a capacity of not more than 8.2 tonnes in single axle load, while the same is 10 tonnes in case of her other neighbouring countries such as Bhutan, India and Nepal. The Northern Corridor Transit and Transport Agreement specified that the maximum axle load limits for multiple axles would be within 53 tonnes. On the other hand, GMS-CBTA articulates the highway standard and pavement types according to the vehicle loads. Such specifications are important to regulate and manage road traffic movement in a manner compatible with the road conditions and infrastructure of the participating countries.

e. *Customs Regime*

Customs procedures and customs duty/tax payment are an integral part of cross-border operations for vehicular movement. A good Agreement contains detailed structure of customs formalities starting from the entry at the zero point to the point of customs release. The Agreement identifies the port of entry, articulates cross-border formalities and specifies the documents that will be needed for border crossing and also for other clearance procedures (including tax/fees/duty structure[17] and payment mechanism). All these should help smooth customs transition. For transit traffic, customs formalities are separately stated.

Ideally, an MVA incorporates articles as regards simplification and harmonisation of the customs control procedure that also include commodity classification system. This is particularly important from the perspective of charging duties on imported goods, to reduce

[17]Many road transport Agreements, both bilateral and multilateral, feature exemptions from import duties in case of temporary admissions for maintenance and recovery of vehicles, for fuel stored in tanks, spare parts of vehicles and accessories, etc. This is done to keep the corridor competitive and attractive for traders.

unnecessary procedural delays and guard against possible illegal practices of tariff evasion.

f. *Revenue Requirements*

An ideal MVA should charge reasonable and proportionate amounts of taxes, charges and fees, and also provide necessary exemptions[18] on road freight transports. The general practice is that only the same charges applicable for the domestic vehicles are imposed on the foreign road transport of goods. These may include taxes incorporated in the price of vehicles, road charges, highway tolls and user fees for designated bridges, ferries and tunnels. However, practices vary across Agreements. There are provisions for charging unsubsidised rates for fuel purchased in the host country so that the benefits enjoyed by domestic companies at the cost of national exchequer are not enjoyed by vehicles of operators from other contracting parties. Additional charges on account of building new roads, costs of road maintenance, noise and air pollution, etc. are also imposed as part of some Agreements.

g. *Facilitation Measures*

Typically, an MVA may feature a priority order of clearance of goods and passengers in cases of emergency. Such clearance may take the form of clearing sick passengers first, then perishable foodstuffs, followed by livestocks, and then other merchandise (GMS-CBTA). In case of emergencies, the border clearance documents may be exchanged in advance between the customs officials of the contracting parties. In case of hazardous goods or chemical products, the ideal MVA should also specify clear instructions for handling and quarantining. If certain ports do not have quarantine facilities, the MVA may specify priority clearance of such consignments to avoid contaminating other passing cargoes.

For transport operators, standard provisions should be in place to allow establishing branch offices in the host country to ensure smooth operation and to allow opening of bank accounts for emergency remittance of funds. Interestingly, the Agreement between Macedonia and UK and Northern Ireland does not feature such facilitation measures for transport operators, although no permit authorisation is specifically required for operation.

[18]Exemptions may include taxes on ownership, registration, permit fees and other operations.

For simple, easy and efficient border crossing formalities, an Agreement can provide necessary pointers and directions to facilitate smooth border crossing formalities. The suggested measures may be completed in phases depending on capacity of partner countries and resources available. The MVA should specify gradual implementation of such frontier formality measures. These may include: (i) Single-stop Inspection, (ii) Single Window customs procedure, (iii) Full Automation of customs procedure, (iv) Cooperation, Coordination and Harmonisation of documents and procedures across borders.

To execute the Single Window system, an MVA may propose for coordination and cooperation between the contracting parties. Coordination is desirable in case of integrating the customs process and also for matching the hours of operations of the adjacent frontier border guard authorities. The GMS-CBTA includes provision for coordination of working hours; in absence of this, vehicles may be held up for long hours waiting for the border authorities of the partner countries to begin working in tandem. It may be recalled in this connection that this is a real problem in respect of working at Bangladesh-India border with Friday and Saturday being holidays on the Bangladesh side, and Saturday and Sunday being holidays on the Indian side.

h. *Other Issues*

Vehicles and their operators moving across borders must abide by applicable laws and regulations which are mentioned in the Agreement. First, an MVA should state the rules and regulations that the immigrants, transport operators and vehicles (drivers) must follow while crossing the territory of the host country. Additionally, it must be specified that any laws outside the scope of the Agreement will be governed by rules and regulations mutually agreed by the contracting parties. Second, there should be penalties associated with infringement of laws. Also, competent authorities of the two parties must cooperate as regards investigations concerning violations. They must also cooperate to prevent further occurrences of similar violations in future. Such provisions are included to transmit a sense of warning to the transport operators who pass through the territories of the host countries. Third, a clause on extension of validity of permit for overstay due to *force majeure* conditions may also be included. This flexibility is particularly relevant for transport

operators. In some MVAs security issues are also given due attention. Lastly, provisions ought to be there to discourage movement of prohibited goods and guard against illegal trade. These should clearly forbid goods that are prohibited by the laws of the host country. This is particularly important to discourage illegal trade in drugs and prevent customs duty evasion. All international vehicular Agreements contain such provisions.

In addition, some of the other issues that a good MVA should include are: (i) issues as regards security management during border crossing and during stay of the vehicle in the host territory; (ii) institutional arrangements for coordination and implementation of the Agreement[19]; (iii) dispute settlement clause to settle any issue caused by differences in interpretation of the clauses stated in the Agreement; (iv) modification, amendment and review mechanism pertaining to the Agreement; and (v) timeframe of the validity of the Agreement.

A comparative analysis of the proposed bilateral MVA between Bangladesh-India, SAARC MVA and the recently signed BBIN MVA, in a comparative framework in view of the ideal components identified above, has been presented in Annex Table 3.3.

3.3.2 Overview of the Draft MVAs

An evaluation of the bilateral Bangladesh-India MVA draft is useful in terms of identifying the strengths and weaknesses of the MVA provisions. The draft bilateral MVA (January 2012) sent by the Indian Government to the GoB follows a hierarchical structure with individual chapters and articles broken further into different clauses. The draft has 17 articles under five chapters. There is provision for protocols in the Agreement; these are to be prepared through mutual consent of the two negotiating countries. The draft MVA also articulates road development system, incident management system, third party liability and insurance, customs formalities and transport documentation.

Although the Ministry of the Road Transport and Highways has been identified as the relevant competent authority of India, the Bangladeshi

[19]The AFAFIST (2009) introduces The National Transit Transport Coordinating Board (NTTCB) as an agency responsible for the coordination and implementation of the agreement. It was entrusted with the responsibility of overseeing the coordination and implementation following guidelines from other coordination bodies and ASEAN Ministerial bodies. The NTTCB was also required to come up with periodic progress reports. The ASEAN Secretariat was designated to provide assistance to the Board and also prepare evaluation reports for the Board.

counterpart was not been identified in the draft MVA. The relevant authority in Bangladesh should perhaps be the Ministry of Road Transport and Bridges. More bilateral consultations are needed to give final shape to the draft. The draft appears to be in its initial stage of development and lacks details on technical requirements, routes of operation and fees and charges which are to be there in the subsequent protocols. Given the fact that road conditions in the two countries are widely varying, it is felt that the draft did not address the technical requirements concerning the vehicles adequately. However, the draft does feature an institutional arrangement for effective implementation of the Agreement with a JWG to be put in place. Also, environmental impact of road transport has been given consideration which is important to promote the cause of environmental sustainability. Development of road traffic information system has also been incorporated in the draft which is important from the perspective of maintaining a secure transport system.

In line with the bilateral draft, the SAARC MVA has 17 different articles with individual titles and a preamble at the beginning. However, the articles were not structured according to chapters as in the bilateral Agreement. Despite several revisions of the SAARC MVA draft, many weaknesses still remain. In contrast to the bilateral MVA, the draft did not mention about provisions for road quality development system or environmental control. Permit forms relating to different types of transport and three annexures focusing on designated routes, competent authorities and a form for helper's document card have been added at the end of the Agreement. As in the bilateral Agreement, technical requirements on the basis of varying road conditions was not adequately addressed in this Agreement. Moreover, there is no provisions as regards protocols. Indeed, issues such as designated routes for selected transit traffic will need to be featured under a separate protocol. On a positive note, no quota system for road traffic has been featured in the SAARC MVA, and third country transport has been allowed. It may be noted here that, the BBIN MVA largely corresponds to the SAARC MVA, but in addition it has provision for new membership.

The major weakness in all the MVA drafts is that not enough attention has been paid to designation of frontier posts and installation of facilities at border crossings. Permit requirements also appear to be rather complicated. A comparison between the reviewed MVAs is provided in Table 3.3.

Table 3.3: Draft Agreements at a Glance

Issue	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA
Permit requirement	All vehicles	All vehicles	All vehicles
Quota restriction	Quota restricted	Unrestricted	Unrestricted
Cabotage operation	Prohibited	Prohibited	Prohibited
Special traffic exemption	No special consideration	No special consideration	No special consideration
Third country traffic	Prohibited	Allowed	Allowed
Routes of operation	Prescribed routes	Prescribed route	Prescribed route
Vehicle registration	Registration in home country	Registration in home country	Registration in home country
Driver licensing	National/ international driving permit	National/ international driving permit	National/ international driving permit
Passenger identification	Internationally recognised travel document	Internationally recognised travel document	Internationally recognised travel document
Visa for crew members	No clause	Multiple entry valid for at least one year	Multiple entry valid for at least one year
Prohibited goods	Restricted/ prohibited list of host country	Restricted/ prohibited list of host country	Restricted/ prohibited list of host country
Fees and charges	Independently decided by destination country	Independently decided by destination country	Independently decided by destination country
Facilitation measures for transport operators	Permission for opening branch offices and bank accounts in the other country	Permission for opening branch offices and bank accounts in any of the countries	Permission for opening branch offices and bank accounts in any of the countries

(Table 3.3 contd.)

(Table 3.3 contd.)

Issue	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA
Insurance requirement	Insurance required for passenger, crew, cargo and vehicle	Insurance required for vehicle only	Insurance required for vehicle only
Right of inspection	Authority designated by government of each state	Authorised officials	Authorised officials
Environmental impact	Considered	Not considered	Not considered
Institutional arrangement	Joint Working Group	No Joint Committees	Joint Land Transport Facilitation Committee
Inclusion of new members into the contract	Not allowed	Not allowed	Other countries will be allowed to join (perhaps China, Myanmar and others)

Source: Authors' elaboration.

Note: Shaded rows indicate issues that were either at all not addressed in the MVAs or addressed in different ways.

3.3.3 Bangladesh-India Bilateral MVA: An Assessment about Openness

Degree of market openness of countries as provided in the bilateral Agreements may be assessed based on the scope and coverage of the operations permitted in the Agreement and the rights of operation that are granted to the participating countries. Market openness in trade is especially important, because although the contracting parties may enjoy a high degree of tariff concessions from trade Agreements, trade may be undermined by restrictions imposed by provisions in CBTAs in the form of NTBs. Such restrictions add to trade costs and may even erode the competitiveness gained from tariff concessions.

Openness score pertaining to bilateral MVAs is a measure of the liberty traders enjoy in terms of ability to economise on trade costs in relation to transportation, opportunity to diversify product market and expand operations. The score also takes into consideration specific

facilitation measures available to the operators involved in the trading process. In this backdrop, this section attempts to undertake an assessment of the various provisions in the three MVAs under consideration: the recently signed BBIN MVA, the SAARC MVA (under consideration) and the proposed bilateral Bangladesh-India MVA. This exercise is expected to assess the potential of the Agreements to generate further trade. A detailed methodology developed by the World Bank (Kunaka *et al*., 2013), which has been widely used, was deployed in evaluating the MVAs. This is presented in Annex 3.1. The methodology stipulates that for every restrictive measures articulated in the Agreement, penalty points are to be deducted from the score (100 being the maximum). The scores of the three MVAs, with their ranking in reference to 77 bilateral Agreements and eight multilateral Agreements studied by World Bank, is presented below.

Evaluation of the BBIN MVA reveals a relatively high degree of openness compared to the other Agreements. The BBIN MVA was penalised on grounds of cabotage restrictions, special authorisation in the form of permit requirement along with absence of any stipulated timeframe for permit approval, route restriction, partial tax exemptions, lack of facilitation measures for goods and vehicle transport and transparency issues. Notwithstanding the restrictions on openness, there are particular features in the Agreement which do provide an opportunity for facilitated trade operations. Features such as no restrictions on any type of transport, transit facilitation measures for transport operators and institutional arrangement in the form of a JLTFC were some of the strengths of this Agreement. In reference to the 77 bilateral Agreements, the BBIN is ranked 15th (Table 3.4). Indeed, this conforms to BBIN's high degree of market openness which alludes to a good opportunity to make use of the Agreement. In the context of the eight multilateral Agreements

Table 3.4: Openness Scores of Reviewed MVAs

MVA	Openness Score	Ranking	
		Among Bilateral Agreements	Among Multilateral Agreements
Bilateral MVA	42-51	29-43	
SAARC MVA	61	18	2
BBIN MVA	64	15	2

Source: Authors' calculation based on Kunaka *et al*. (2013).

in the World Bank database, only the GMS-CBTA received a higher score of 75. With no institutional arrangements or any Joint Committees to oversee implementation, SAARC MVA's score was rather low. Furthermore, the BBIN MVA scored high in terms of market opportunities compared to the other MVAs also because of its provision to allow new members into the grouping (although this had no bearing on the openness score).

The proposed bilateral MVA received a score in the range of 42-51, lower compared to BBIN MVA. This lower score may be attributed, in part, to the quota system incorporated in the bilateral MVA. Owing to the ambiguity in this regard, separate partial scores were also computed. Article 3.e and 9.1 of the bilateral MVA stipulates limitations on vehicles plying; however, the quota system was not explicitly mentioned. In case of transit traffic and quota exemption, separate partial scores were reported where maximum score was given when there was no quota limitation, while minimum score was given in case of quota restrictions. A caveat is called for here though. The quota system is a restriction to openness. However, in view of the road conditions in Bangladesh it may become necessary to allow transport movement with this restrictive provision, at least for a certain time period. It is reckoned that the quota system to be followed will be more clearly spelt out when the Agreement is given final shape.

In relation to the bilateral Agreements considered in the World Bank study, based on the minimum score of 42, the Bangladesh-India bilateral MVA would be ranked 43rd (44th percentile), whereas the maximum score of 51 would put the Agreement at 29th position (64th percentile). This range of score, however, puts the bilateral MVA behind the average Asia-Asia bilateral Agreement score of 58.[20] Compared to the other regions, the bilateral MVA scored considerably higher than the average score of Africa-Africa bilateral Agreements (29). However, the minimum score was lower than the average scores of both Asia-Europe (50) and Europe-Europe bilateral Agreements (51).[21]

3.3.4 Addressing the Weaknesses of the BBIN MVA

A dissection of the recently signed BBIN MVA helps to identify initiatives and measures that could help enhance the degree of openness. Areas that have not been adequately addressed and components that restrict

[20]The Asia-Asia bilateral Agreement score was based on the average score of nine such Agreements in the World Bank study.

[21]The World Bank study considered seven Africa-Africa bilateral Agreements, 29 Asia-Europe bilateral Agreements, and 18 Europe-Europe bilateral Agreements.

Chart 3.2: A Dissection of the BBIN MVA

Open	Needs to be Detailed Out	Restrictive
• Open for new membership • All types of vehicles permitted • Third country traffic allowed • Mutual recognition of vehicle registration • Facilities for transport operators • Insituitonal arrangemnent • Review system in place	• Standard operating procedures • Vehicle weight, axle load and dimension • Road design and construction standard • Prescribed routes • Commodity classification system • Rates of tax and fees • Transit: needs clarity • Dispute settlement clause	• Cabotage restriction • Permit requirement • Harmonisation and simplification of documentation and procedure • Measures to ease frontier crossings such as Single Window system, electronic data interchange (EDI) • No provision for priority clearence or green channel

Source: Authors' elaboration.

openness have also been identified, and these could also be helpful in this regard (Chart 3.2). Following are some areas where further attention will be called for to bring in more clarity in the provisions of the Agreement and to make the MVA more user-friendly:

- There is some ambiguity as regards the issue of transit. It is not explicitly mentioned whether vehicles could ply between North-East India and the rest of India through Bangladesh.
- The Agreement does not spell out any plan for convergence of transport structure in the context of varying road conditions across the BBIN countries. No remedies in the form of road-wise axle load limit has been mentioned in the Agreement. A protocol should be dedicated to address this concern.
- There is no reference to the development of a joint special utility vehicle (SUV) for transportation of goods in containerised vehicles. This is important to prevent damage to goods since most of the consignments are transported in open trucks in this region.
- There is a need to limit the adverse environmental impact of intensive vehicular movement. This is important from the perspective of sustainable development of the emerging post-MVA road transport

system. In contrast to the Bangladesh-India MVA, these concerns have not been incorporated in the BBIN MVA.

- The Agreement does not address issues of development of road infrastructure through cooperation among the BBIN members.
- The dispute settlement clause does not mention any third party arbitrator to resolve disputes in case no solution can be reached by the parties in conflict.
- Rates of taxes, fees, surcharges and the SOPs at the borders will need to feature in a separate protocol, and should be set in line with capital costs, recurring costs and the administrative expenses that are to be incurred on account of operationalising the BBIN MVA. A possible guideline here could be the principle of *benefit sharing* (in view of the significant benefits to be accrued to the operators, there is a scope to share the incremental benefits according to an agreed formula that can then be reflected in the various charges).

Indeed, some of these concerns may be subsequently addressed in the course of operationalising the BBIN MVA.

- Cabotage restriction is a restrictive component which may be gradually lifted through consultation among the contracting parties.[22]
- Review mechanism should gradually sort out the Permit requirement. In its existing form, it is rather complex and needs to be addressed adequately to facilitate vehicular movement.
- Installation of frontier posts at the borders and associated facilities were not incorporated in the Agreement. This may be covered by a separate protocol.
- Priority-based clearance in case of emergencies such as carrying of patients and movement of hazardous chemicals and perishable foodstuffs should be addressed in the protocols. Express way facilities or *green channels* for priority consignment may be considered in this connection.
- The JLTFC which is responsible for effective implementation of the MVA should seriously address the issues of reducing the burden of documentation and procedural complexities. Attention

[22]Representatives of the Freight Forwarders' Association have pointed out that such restrictions may increase the costs of transportation for the transport operators. Indeed, this concern may compel them to stick to the practice of transhipment which will undermine the objective of the BBIN MVA.

should be geared to harmonisation of the involved procedures and documentation.

3.4 Operational Modalities for Implementing Cross-Border Road Transport Movement

3.4.1 Barriers to Cross-Border Transport Operation

The content of this sub-section reflects information and experience gleaned from the field surveys carried out at different ports of Bangladesh for the purpose of the current study. The study has tried to identify the physical and non-physical barriers that restrict seamless movement of cross-border traffic in South Asia. This exercise is pertinent from the point of view that the proposed MVAs will need to address, tackle and resolve the attendant barriers and problems that inhibit cross-border movement of goods and people. Field experience revealed various transport-related barriers to deepening intra-regional cross-border trade:

Absence of an MVA

Field visit consultations revealed that, absence of a regional MVA was perceived to be a major impediment to facilitating hassle-free cross-border movement of road transport. However, it also emerged that the involved stakeholders at the field level had only a limited knowledge as regards the MVAs and recent developments in this regard.

Port-centric Barriers (Hard, Infrastructure Issues)

Development of required infrastructure at the border areas and at the land ports were found to be a critical element for smooth cross-border vehicular movement. Among the port-specific micro-level physical problems that restrict the use of full capacity of a land port, some of the problems identified in the course of field visits are: lack of adequate space in the port area; problems of land acquisition; inadequate warehouse/ shed facilities; narrow approach roads; underdeveloped internal roads; lack of weighbridge scale and other physical facilities; absence of adequate residential/working facilities for officials; lack of banking facilities within reasonable range; uninterrupted availability of telecommunication network; lack of alternate power source for automated customs processes;

absence of laboratories/quarantine facilities. A detailed list of port-specific weaknesses is provided in Annex Table 3.5.

Port-centric Barriers (Soft, Regulatory Issues)

A number of non-infrastructure related barriers, particularly relating to regulations, processes and procedures were also identified in the course of the survey. The barriers (soft) to cross-border trade and transport processes that were identified included: delay in customs procedure; documentation of cargo; documentation of trucks; legal restrictions/ barriers to trade at specific border points; delays on the part of importers to claim products resulted in congestion and efficiency loss. Lack of cooperation of customs officials from the Indian side was also mentioned. It needs to be mentioned here that, in many land ports in Bangladesh, LCSs were established within the same administrative area but with independent functionality. Lack of coordination among the concerned authorities often led to significant delays in cross-border trade processes.

Customs Procedures

Bangladesh Customs is now using Automated System for Customs Data (ASYCUDA) World software for customs automation. In recognition of the fact that non-physical barriers are a major challenge to growth in intra-regional trade and transport, major land ports, seaports and inland container depots (ICDs) were put under the coverage of automated operations. Currently, land ports in Bangladesh are also going through phases of customs automation. Two major land ports, viz. Benapole and Hili, have come under the coverage of automation; Banglabandha Port is expected to join the network soon. In other land ports that were visited customs procedures were found to be kept in manual form and cumbersome in nature. These led to considerable time delays at the border check points. In some border points efficiency of the concerned customs officials were also questioned by the service recipients.

3.4.2 Implementing the MVA

In the preceding section, an attempt has been made to identify the key implementation-related barriers that inhibit the realisation of full potentials of the underlying sub-regional road transport Agreement,

the BBIN MVA. The upshot of the discussion above is that, if the major hurdles are adequately addressed, the envisaged objectives of the Agreement could be appropriately addressed and intra-regional trade and connectivity could be significantly improved. The purpose of initiatives such as the MVA should be to reduce hassle, allowing speedy movement of vehicles and facilitating trade and tourism. This section outlines the implementation framework needed to operationalise the newly signed BBIN MVA.

Preparation for Operationalisation

It has been noted earlier that, a six-month work plan has been agreed upon by the four member countries, with timebound goalposts. The protocols and the SOPs will need to be designed in a manner that facilitates the implementation of the BBIN MVA. For preparing the needed protocols and SOPs, the implementing agencies may consult with international best practices such as the GMS-CBTA.

Formulation of protocols in the areas of identification of potential corridors and routes, specification of the technical requirements of vehicles, setting up of the structure of taxes and fees, documentation and procedures, development of frontier cross formalities and customs clearance regime will call for particular attention. An Expert Group Meeting may be conducted with participation of different stakeholder groups. The Expert Group Meeting could help identify suitable corridors, and measures to facilitate vehicular movement and movement of people along those corridors. They would also identify ways and means to maximise the potential benefits of the MVA. In the context of establishing technical specificationas, consideration needs to be given to the state of varying road conditions in the sub-region. Specifications should be articulated in a route-specific manner based on road capacities. Whilst designing the taxes and fee structure, factors that will need to be considered should include cost recovery, efficiency in collection of the charges, sharing of potential benefits, revenue concerns and the opportunity cost of alternative modes of transport. A detailed plan of action as regards formulation of the needed protocols is provided in the Section 3.5.

Following the drafting of protocols, opinions of different Ministries may be sought for vetting purposes. This will require establishment of a coordination mechanism with inclusion of key stakeholders involved.

When the country positions are finalised, negotiations among partners can begin for a comprehensive and coordinated sub-regional stance.

Institutional Strengthening

Along with measures to facilitate implementation of the MVA on the ground, initiatives will need to be taken to strengthen both adequate institutional and human resources to help operationalise the MVA in an adequate way. Imparting of technical knowledge to the staff at border points will be critically important. Given the timeframe of only six months, a dedicated team should be set up to execute the drafting of the protocols and to complete the preparatory works. The NLTFC, composed of representative of individual Ministries and Departments in each of the member countries is responsible for drafting of the protocols. Strengthening of the NLTFC will call for inclusion of appropriate representatives from the involved Ministries, close cooperation among the Ministries, effective allocation of human, technical and financial resources and improved capacity of relevant agencies. Technical assistance may be sought from international organisations, such as the ADB, in the drafting process.

Issues of Financing and Financial Institutions

Indeed, a major implementation-related challenge concerns mobilisation of adequate financial resources to underwrite the costs for the needed upgradation of roads to four-six lane high-quality expressways, and also for improvement of facilities at land ports. One may recall that Rahmatullah (2012) have identified 17 road sections within Bangladesh which required immediate rehabilitation that called for an investment requirement of about Tk. 12,000 crore (USD 1.5 billion). An additional Tk. 200 crore (USD 25.2 million) was also estimated for land port development.

The study team also assessed the cost of upgradation of important road sections within the Bangladesh territory along three of the possible routes that may be incorporated in the BBIN MVA. The assessment was based on the reference value of Tk. 25-30 crore (about USD 3.7 million) of investment requirement for upgradation of one kilometre of roads to international standard. The summary is presented in Table 3.5.

The investment required to upgrade Bangladesh road section for two of the important routes connecting Kathmandu to Chittagong/Mongla

Table 3.5: Investment Required to Upgrade Important Road Sections within Bangladesh

Routes and Road Sections	Estimated Investment (Billion USD)
Banglabandha to Chittagong Port	1.6
Banglabandha to Mongla Port (excluding common road sections)	1.1
Burimari to Mongla or Chittagong Port (excluding common road sections)	0.5
Benapole to Dhaka	0.8

Source: Authors' estimation.

and Thimphu to Chittagong is estimated to be USD 3.27 billion. An additional USD 0.8 billion is estimated for upgradation of the Benapole to Dhaka section of the Benapole to Agartala route. It may be noted here that, in the context of the BBIN MVA, seven important road projects have been identified that may be prioritised for operationalising the MVA.[23]

A suitable financing strategy must be developed by the GoB and governments of other member countries. Among many other options, the GoB may earmark certain priority projects to private sector/international agencies/entities on a public-private partnership (PPP) basis. There will be a need to prioritise and fast track the most important projects and look out for assistance from international funding agencies, in addition to resources generated from the domestic economy. A joint BBIN infrastructure fund may also be established. A part of the proposed USD 2 billion Indian line of credit (LoC) can also be deployed toward this. Fees and tax structure must be integrated with the investment plan so that the cost can be recouped over the years of operation of the relevant services. The government should also design a comprehensive fees collection strategy to prevent revenue leakages and also enhance the efficiency of fees/charges collection. Digitisation and automation at all stages should be the catchwords.

[23]These road projects include the four-laning of Dhaka-Chittagong highway; four-laning of Joydebpur-Elenga-Hatikamrul-Banglabandha/Burimari road; the Padma Multipurpose Bridge Project and four-laning of connecting roads; four-laning of Jessore-Benapole road; Kantchpur (2nd Phase); construction of Meghna and Gomoti Bridge; four-laning of Dhaka-Sylhet-Tamabil-Jaflong and four-laning of Baraiyarhat-Ramgarh road.

Financial institutions of the region including banks and insurance companies can play a proactive role in coordinating efforts to mobilise the needed financial resources. These actions are necessary both from the perspective of long-term investment, and also to conduct day-to-day smooth operation regarding transport movement.

Addressing Security Concerns

Incident management system and road traffic information system embedded in the Bangladesh-India bilateral MVA may be replicated while operationalising the BBIN MVA. Measures such as installation of tracking equipments in vehicles are already included in the Agreement. Road traffic information system will facilitate easy detection of vehicles and drivers in case of violation of law, while the incident management system will facilitate rapid actions in case of emergencies or accidents and pave way for smooth traffic by mitigating the consequences of accident. Also, security check posts need to be established along the sections of the road that are included in the BBIN MVA route. In this case, adequate BGB, Ansar Guards and police mobilisation will be required.

To ensure the security of transit goods, financial guarantee document may be incorporated as a pre-requisite. Financial guarantee document will be deposited at the point of entry of a transit country, and will only be released to the trucks at the exit point of the same country after unloading the goods in the destination territory.

Amendments of Legal Framework

Existing policies in the participating countries will need to be seriously evaluated and necessary reviews and amendments made to national policies for these to be integrated with the BBIN MVA regulations. In this context, existing road transport legislation will need to be reviewed (Motor Vehicle Ordinance, 1983 for Bangladesh) and updated through necessary amendments. Some of concerned areas in this context are vehicle registration requirements, axle load limits and vehicle dimensions, driver licensing requirements and road traffic regulations. Protocols and conventions on cross-border road traffic movement will need to be developed. Agencies such as the Ministry of Road Transport and Bridges, Ministry of Shipping and the Customs Wing of the NBR will have to work closely with a view to design the necessary protocols and

conventions. International conventions for cross-border traffic movement will need to be ratified by the participating countries. Harmonisation issues in case of road traffic law enforcement and also customs regime will need to be addressed.

Joint Collaboration

Various institutional arrangements will need to be put in place to facilitate implementation of the BBIN MVA. Joint institutions that will need to be developed to facilitate Bangladesh-India trade has been highlighted in Section 3.2. A collaboration mechanism will have to be developed among the four countries to address the issue of simplification and harmonisation of rules and regulations and to promote investment in infrastructure development. The BBIN MVA directed the proposed JLFTC to harmonise the different standards of operation existing in the four countries. Harmonisation of traffic legislation may not always enhance the efficiency of cross-border movements, particularly if the harmonisation induces conflict among members due to differences in national legislations (Nick Poree Associates, 2010). Movement of motor vehicles are generally regulated by respective national laws and regulations, and harmonisation of these will need to be done very carefully. Harmonisation will mean identifying common elements or withdrawing some components and replacing those with new ones. Some members could feel that harmonisation of documentation and procedures and transport law enforcement would mean erosion of the power of their own national laws and regulations. Thus, attendant concerns will need to be dealt with due sensitivity.

Harmonisation is difficult to achieve particularly because the contracting parties have to come to common terms with respect to the issue of enforcement of transport law. This is reflected in the lack of harmonisation of rules, legislation and procedures evident in many of the international bilateral and multilateral Agreements; this continues to remain a concern in many of the existing CBTAs. In this respect, the EU serves as the best example of harmonisation of legislation. According to UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific) guidelines, the process of harmonisation can be done by way of three possible routes: legal transplantation, legal harmonisation and legal unification. The EU countries have gone for all the three processes. In case of transport, harmonisation refers to setting common standards

for technical requirements for vehicles, driver and crew formalities, etc. Legal unification has also been adopted by the ASEAN in the ASEAN Framework Agreement of Multimodal Transport (2005). Harmonisation thus obligates the contracting parties to go for joint collaboration to settle disputes and conflicts arising on different grounds. It is important to note that, for effective implementation of initiatives and Agreements such as the BBIN MVA, political commitment at the highest level is an essential pre-requisite. Once this is guaranteed, other things generally tend to fall in place. The EU is the best example of this.

Cross-Border Management and Use of ICT

To manage cross-border movement in a coherent and comprehensive manner, development of adequate infrastructure and use of information and communication technology (ICT) must be put at the forefront of the implementation design. In many regional arrangements, use of Single Window system and EDI at border crossing points is a common practice. ASEAN countries have developed regional Single Window along with respective national Single Windows. In a Single Window system all documentation and cross-border formalities are carried out at a dedicated one-stop point which helps avoid duplication and reduces clearance time significantly.

Challenges of Single Window should also be kept in mind and be adequately addressed. Some of the concerns relate to the following:

- A single point of access could also mean a single point of failure
- Security and ownership of trade data
- Duplication of technical modules, features and functionalities between a centralised Single Window and the various national Single Windows
- Designated authorities to operate the centralised Single Window within the sub-region
- Cost sharing between national Single Window and centralised Single Window
- Maintenance of impartiality

In some of the CBTAs conflicts have arisen because of diverse approach and attitude towards the above on the part of respective authorities of the participating countries.

Enabling Implementation Environment

An ongoing mechanism should be in place to monitor the implementation of the BBIN MVA. This would involve two types of monitoring: process monitoring and outcome monitoring. Process monitoring would ensure smooth functioning of the MVA, whilst outcome monitoring will assess, as to whether the results are commensurate with expectations.

3.4.3 Changing Dynamics of the 'Actors' Involved in Cross-Border Movement

Evidently, the MVA will rope in new actors in the SAARC intra-regional trade process. The reduction of time delay and trade costs will depend on the efficacy of delivery of the services of the relevant actors involved in the vehicular movement processes. Importance of the Road Transport and Highways Division (RTHD) of the Ministry of Road Transport and Bridges, the signatory of the BBIN MVA, will rise significantly. The representatives of the RTHD in the JLTFC will have to coordinate with their counterparts of the other BBIN countries to establish the routes that will come under the coverage. The RTHD and the BRTA will be actively involved in setting the road charges, highway tolls and other charges that are applicable for vehicular movement on Bangladesh's territory. Considering the diversity in road infrastructure between participating countries, technical specification and road traffic rules will need to be harmonised through coordination by the BRTA. For transport law enforcement, security agencies such as the BGB, Ansar, Bangladesh Police, etc. will need to be adequately prepared. Check posts for inspection of vehicles coming from other countries will have to be set up along the routes authorised for movement. This will require deployment of considerable forces by these agencies. In this respect, the government will have to establish a designated authority for inspection and approval of the vehicles. The government will also need to take up the responsibility to develop the infrastructure of roads and ports so as to ensure smooth flow of traffic. In this case, the RHD, under the RTHD will play a key role. It will be the responsibility of the government to ensure that transport operators, customs officers and security agencies are adequately prepared to implement the various provisions of the MVA. It will also be important that all the relevant actors and agencies involved in the implementation of the MVA take their own initiatives to do the needful in this context. This will in turn require significant strengthening of institutional and human resource capacities of all involved agencies.

While the MVA will increase importance of some government agencies, there may be a declining importance of some of the traditional actors at the LCSs. If unimpeded traffic movement is implemented through the MVA, some of the functions at the LCSs will likely decline – warehouse, storage and truck terminal facilities will become largely redundant. Workers, loading-unloading operators may be adversely affected since cargo handling at the port will also become unnecessary. Transport operators may face difficulty to adjust to the emerging changes. Without cabotage provision and import consignments on the return journey, transport operators will need to adjust the rent of transporting trade consignments (upwards) to maintain profitability. All these may give rise to opposition, conflicts and disputes. These must be handled intelligently and with understanding. Alternative measures should be put in place to mitigate adverse implications. However, experience shows that, many new employment opportunities tend to emerge once MVAs are put into motion, particularly in construction and transport services areas. Negative affects are likely to be short-term though. Nonetheless, there will be a need to deal with possible difficulties of affected groups with sensitivity and care.

3.5 Conclusion and Recommendations

As the preceding sections have shown, there are three MVAs on the table at present where Bangladesh is a party. The BBIN MVA has been concluded in June 2015.[24] The SAARC MVA is expected to be concluded in near-term future. The draft of the Bangladesh-India MVA has been there for quite some time and following the decision to set up a Joint Task Force on Connectivity, this may be brought back to the table once again. All the three MVAs will need to be seen and dealt within a coordinated and comprehensive manner. Indeed, by all counts, the time for 'Connectivity' appears to have arrived in South Asia. With the signing of the BBIN MVA, issues of deepening transport connectivity in the BBIN

[24]It is to be noted that, the first meeting after signing of the BBIN MVA has been held on 8-9 September 2015, in Dhaka. Protocol for passenger vehicle movement was to be finalised by 23 September 2015. Home Secretaries were to meet in the first week of October 2015 in Dhaka to ease visa formalities. ADB was to provide technical-financial support to set up electronic tracking system. BBIN Car Rally was to be held in the second week of November 2015. To test cargo vehicular movement, pilot trips were to be organised in the initial period, to be followed by finalisation of the protocols.

sub-region have assumed both currency and urgency, and has gained heightened importance. There is also an increasing need for the MVA to be implemented in a way that ensures maximisation of potential benefits. As has been elaborated in the earlier sections, several developments are in the offing which will need to be coordinated with the MVAs. Investments in both infrastructure development and also developments in the areas of trade facilitation and border crossing will need to be synchronised with MVA-related initiatives. Plans for developing railways and waterways and in the context of investments in connection with the Asian Highway and Trans-Asian Railway will need to be coordinated with MVA-related investments to ensure the envisaged seamless multimodal connectivity. Indeed, the routes of operationalisation of the MVAs should be considered as economic corridors that operate in a seamless manner. Development of river and sea ports and building of bridges will thus need to be coordinated with the operationalisation of the MVAs.

The task at hand at present is to operationalise the MVA with concrete steps including preparation of the protocols and SOPs, setting up the needed institutions, building human resources, undertaking the needed investment (Table 3.6). A no less important task is to ensure harmonisation of standards and procedures across borders and countries. The proposed NLTFC will be expected to take the lead in implementing the road map that the Ministers have agreed for the first six months (July-December, 2015).

It is hoped that MVA will have both direct and indirect economy-wide positive impact and externalities. The present study has pointed out that transport connectivity is at the centre of all four types of connectivities – trade, investment, transport and people to people connectivity. Various studies have undertaken quantitative exercises that show that significant gains could originate from the MVAs in the form of reduced lead-time, producers' benefits and consumers' welfare, cost reduction and competitiveness enhancement.

The benefits of BBIN MVA are high also because it entails three types of movements: cargo vehicle; passenger carrying transport; and personal vehicles. However, these potential benefits will be actualised only if the needed tasks are addressed with due urgency and due diligence. The present study has made an attempt to anticipate these tasks taking cue from the aforesaid road map and the best practices. The experience of the GMS-CBTA was particularly relevant in this context. In view of the above, the study has articulated a number of tasks that are to be executed at the Bangladesh end.

Table 3.6: Proposed Plan of Actions for Implementing the BBIN Motor Vehicle Agreement

Actionable Agenda	Plan of Action	Initiative	Implementing Agency	Associated Factors
Operationalisation of BBIN MVA				
Formulate protocols for designation of corridors, routes and entry and exit points	• Consult the international best practices including the GMS-CBTA • Identify regional potential corridors which can subsequently be converted into economic corridors • Arrange Expert Group Meetings with business people, transport operators, representatives from freight forwarders associations and other stakeholders to arrive at best possible options for SOPs, protocols, fees and other issues	National	NLTFC and Ministry of Road Transport and Bridges	• Consult representatives from RHD to assess viability of the routes for international freight operations • Keep provisions for gradual opening of additional routes and border crossing points in consultation with other member countries
Formulate protocols for technical specification of vehicles	• Conduct an evaluation of the maximum axle-load limits permissible through designated roads • Based on the width of the roads, specify dimensions of vehicles • Technical specification should be route-based and strict restrictions must be imposed for road sections which are below Class II levels	National	NLTFC and Ministry of Road Transport and Bridges	• Incorporate environmental impact assessment in the evaluation study • To promote environmental sustainability also identify emission standards for different vehicles

(Table 3.6 contd.)

(Table 3.6 contd.)

Actionable Agenda	Plan of Action	Initiative	Implementing Agency	Associated Factors
Formulate protocols for taxes, fees and surcharges	• Consider various elements including cost recovery (both fixed and operational), port use fees, environmental pollution surcharges, congestion surcharge, etc. while setting rates • Formulate guidelines for fixing fees • Outline the relevant rules, regulations, fees and charges with regard to entry of vehicles, crew members and goods • Collection of charges should be done efficiently and should not lead to congestion and delays. Appropriate mechanisms and one-stop service should be put in place to facilitate customs clearance and fee collection process	National	NLTFC with NBR, BLPA, Customs and Tariff Commission	• Other charges that are not explicitly stated in the Agreement include road maintenance fees, charges for excessive weights, use of other facilities which may need to be incorporated • In fixing fees, charges and surcharges, benefit sharing may be considered as a suitable option. However, opportunity cost for vehicle operators and competitive pricing should inform the decision in this regard
Formulate protocols for documentation	• Include financial guarantee document in the section on documents required to address the issue of safety and security of transit goods • Include a plan for gradual reduction in the number of documents required	Sub-Regional	Customs authorities/ customs sub-group	• Transform operation to a more automated one with facilities for online submission of documents • Necessary hardware installation must be completed to meet this end

(Table 3.6 contd.)

(Table 3.6 contd.)

Actionable Agenda	Plan of Action	Initiative	Implementing Agency	Associated Factors
Formulate protocols for development of frontier cross formalities	• Identify current irritants in the context of border crossing formalities • Coordinate with the BBIN countries to synchronise border operation hours, holiday schedules and inspection regime • Incorporate gradual development of Single Window system, EDI and single-stop customs inspection • Formulate priority clearance regime or green channels with order of priority explicitly stated	Sub-Regional	JLTFC to be supported by sub-groups of customs, land port authorities and border guards agencies	• Part of this relates to harmonisation, simplification of documents and procedures • Harmonisation can take the form of aligning documents with international standards and practices (UN Layout Key)
Formulate protocol for customs clearance regime	• Develop formalities at the port for customs officials so that port operations can take place on time • Specification of the commodity classification system • Formulate guidelines on customs formalities, customs clearance documents, sealing and endorsements, and also tracking system of cargo • Gradual automation of the customs procedure to the ASYCUDA World should be incorporated • Harmonisation of the customs procedure is required to support the MVA so as to eliminate duplication and time delays	National/ Sub-Regional	NBR, Customs sub-group of the JLTFC	• Detailing of the formalities is required in this section. Related issues that need to be focused are the *force majeure* conditions, cargo which would be allowed to enjoy exemption from physical inspection, incidents management, e.g. change of route, change of vehicles, accidents and also failure to complete transport operations within the specified time limits

(Table 3.6 contd.)

(Table 3.6 contd.)

Actionable Agenda	Plan of Action	Initiative	Implementing Agency	Associated Factors
Formalisation of protocols at the national level	• After the protocols have been outlined, these may be sent to different Ministries for vetting • A mechanism should be set up to coordinate inter-Ministerial inputs • Any opinions/reviews may be appropriately incorporated through mutual consultations • Place the protocols in the cabinet for approval	National	NLTFC and Ministry of Road Transport and Bridges, Ministry of Finance, Ministry of Commerce, Ministry of Law, Ministry of Foreign Affairs, Ministry of Shipping	• Protocols should be aligned with global best practices taking into cognisance existing regulations (which may need to be revised as needed) • Business communities and key stakeholders should be included in the consultation process
Finalisation of the protocols	• International organisation such as ADB could provide technical assistance for evaluation of the contents of the draft protocols • The JLTFC to organise a "BBIN MVA Secretariat" in one of the four member countries through consultation • This may act as the platform and venue for negotiations of the contents of the protocols • A series of sessions may be needed with meetings held in rotation in the four member countries	Sub-Regional	ADB and JLTFC	• Once the negotiations are over, the draft protocols for adoption can be placed at the Ministerial level meeting of BBIN Transport Ministers

(Table 3.6 contd.)

(Table 3.6 contd.)

Actionable Agenda	Plan of Action	Initiative	Implementing Agency	Associated Factors
Monitor implementation	• Develop a monitoring mechanism for the implementation of the BBIN MVA • Set up a Task Force • Prepare annual report on implementation progress separately, to be undertaken by countries on both sides of the border, and compare notes to resolve attendant problems and difficulties	Sub-Regional	Separate Task Force with representatives from both parties	• Arrange formal meeting of the JLTFC immediately after the progress report has been prepared to make necessary modifications in the Agreements • Separate reports will lead to a healthy sense of competition among the implementing agencies
Infrastructure Development				
Develop national roads and regional road network	• Identify priority routes for immediate development from among the designated routes outlined in the protocols • Analayse the state of the roads in different sub-sections of the routes and estimate the required investment costs for upgradation to four-lanes, and later to expressways • The road and bridge construction may also be outlined by way of a separate protocol, so as to design common standards for roads in the BBIN sub-region	National/ Sub-Regional	Development partners and central government	• Land acquisition could emerge as a problem. A compensation mechanism will need to be developed to mitigate the risks • Resultant reduction in trade cost should make investment more cost-effective

(Table 3.6 contd.)

(Table 3.6 contd.)

Actionable Agenda	Plan of Action	Initiative	Implementing Agency	Associated Factors
Develop infrastructure of land ports	• Identify priority land ports as entry/exit points of cargo transport as outlined in the protocol • Assess the likely lacunae as regards the needed facilities at these ports • Special facilities will have to be built for handling priority consignments	National	Development partners and Ministry of Shipping	• Related issues pertaining to labour unrest, non-cooperation between BGB and port operators, etc. These may need to be addressed through consultation
Financing	• A comprehensive financing strategy needs to be developed • Alternatives include implementation of PPPs for development of roads and ports on build-operate-transfer (BOT) basis, or funding through central government's budget which was to be recouped through fees and charges and thanks to economy-wide impacts	National/ Sub-Regional	Central governments of BBIN countries/ private agencies	• Attribution is critical in this respect as to who will pay. This will need to be determined through discussion • Investment requirements must be backed by transparent cost assessment study/feasibility study
Facilities for Transport Operators				
Address the issue of loss that may be incurred by operators by having to undertake empty return journey	• Establishment of a Joint Venture Trucking Company should be considered with shareholders from all participating countries • Gradual lifting of the cabotage restriction • Incorporate regimes for containerisation of vehicles and specify standards of the container vehicles	Sub-Regional	Open Truck and Covered Van Associations of both countries	• Freight sharing will allow the benefits of the MVA to be evenly distributed among the transport operators of the two countries

(Table 3.6 contd.)

(Table 3.6 contd.)

Actionable Agenda	Plan of Action	Initiative	Implementing Agency	Associated Factors
		Dispute Settlement		
Dispute settlement	• The contracting parties should designate a third party arbitrator to settle any possible conflicts that cannot be resolved by the contracting parties	Sub-Regional	BBIN Transport Ministers	• The SAARC MVA had stipulated putting in place the SAARC Arbitration Council to address this
		Transparency Issues		
Dissemination of all relevant documents in the public domain	• All relevant documents including BBIN MVA, protocols, permit-forms, fees and surcharge structure should be available freely on dedicated websites	National/ Sub-Regional	Governments of BBIN countries	• The design of implementation modalities to ensure win-win outcomes is not inadequate; access to information and decisions of JLTFC should be ensured
		Collaboration		
Joint collaboration	• Formulate a programme of action with a stipulated timeline related to successful implementation of the provisions of the Agreement (a six-month work plan has already been outlined) • It is important to have a monitoring committee to oversee the implementation of this programme of action	Sub-Regional	JLTFC, third party monitoring committee	• The programme of action will be effective to ensure smooth operations

Source: Prepared by authors.

The first task concerns preparation and adoption of the protocols and SOPs. International best practices may be consulted for this purpose. Priority attention will need to be given to identification of key routes, specification of technical requirements and axle specification of vehicles, harmonisation and standardisation of documentation and Agreement on coordination of border crossing formalities and customs clearance formalities, permissions and permits. Whilst in case of the Bangladesh, Bhutan and Nepal market access in India was duty-free, in other cases border crossing by vehicles, for the purpose of trade, will call for collection of customs duties. Thus, customs clearance facilities will also be critical in terms of ensuring smooth crossing of borders. Inter-Ministerial coordination within the country and reaching consensus on key aspects of protocols and SOPs across countries are the major challenges in this context.

The second task relates to mobilisation of the needed financial resources. This is particularly crucial since operationalising the MVA will entail significant investment in developing the needed road infrastructure (e.g. the BBIN Ministerial meeting has come up with the estimates of an investment requirement of USD 8 billion for development of the identified 30 priority projects within the BBIN areas, of which seven are in Bangladesh). Financing of the border crossing infrastructure at the LCSs including building of Single Windows, putting in place EDI facilities and speedy customs clearance (including green channel and priority lanes of emergency vehicular movement and movement of vehicles with perishable goods) will also require significant resources. Both traditional financing institutions (World Bank, ADB) as well as new ones (Asian Infrastructure Investment Bank (AIIB), BRICS Development Bank[25]) are expected to contribute to this. Financial institutions including insurance companies of the participating countries will play an important role in this respect. Issue of long-term infrastructure bonds and promotion of PPPs could also play a positive role in mobilising the needed funds.

The third important task will entail strengthening of the relevant institutions with well-endowed human resources. MVAs are new to Bangladesh. Institutions will need to develop the required capacities to deal with attendant issues in the areas of development, coordination, harmonisation and standardisation of the protocols and SOPs, dispute settlement, fixation of fees, service charges and surcharges among others.

[25]Now known as the New Development Bank (NDB).

The fourth task, of critical importance, relates to fixation of fees, surcharges and user-charges. These will need to be fixed in a manner that ensures cost-recovery. Here, benefit sharing could be a key strategic approach for Bangladesh. Compensatory mechanisms to take care of subsidised fuel prices for refuelling of vehicles from other countries has been mentioned in the BBIN MVA. It will be important to come to at an agreed modality for fixing the fuel prices in this regard. The rates will also need to be competitive and take cognisance of the opportunity cost. Reciprocity in allowing flexibilities will also need to be taken cognisance of, as also support provided by partner countries to develop the infrastructure.

The fifth task will entail coordination among Ministries, alignment with connectivity strategies and allocations envisaged in the Five Year Plans and the Annual Development Programme (ADP) of Bangladesh. Formulation of a 'Comprehensive Regional Connectivity and Investment Plan' will also be called for. Such a plan will have to be coordinated with development of all transport/connectivity-related investment including development of road, waterways, railways, ports and border infrastructure.[26] Such an integrated approach will reduce costs, raise investment efficiency and enhance potential benefits. Development of containerised vehicular movement will also need to be aligned with investments to implement the MVA.

The sixth task relates to ensuring security of persons, vehicles and cargo during in-country movement and border crossing. Incident management system and road information system may be introduced to ensure security through installation of tracking equipment and vehicle and driver detection system, as also for safeguarding against violation of law and addressing and mitigating consequences of accidents and vehicular malfunctioning. Containerised vehicular movement, under seal, will need to be promoted and security check posts with adequate human resources will need to be deployed at border crossing points.

The seventh task, to be undertaken particularly by the private sector in Bangladesh, will entail development of business models whereby

[26]The meeting in Dhaka held on 8-9 September, 2015 has prioritised six routes for the purpose of BBIN MVA: (i) Kolkata-Benapole-Jessore-Dhaka-Chittagong; (ii) Chittagong-Dhaka-Hatikamrul-Bogra-Rangpur-Burimari-Shiliguri; (iii) Chittagong-Dhaka-Hatikamrul-Bogra-Rangpur-Burimari-Changrabandha-Jaigaon-Fuentling-Thimphu; (iv) Dhaka-Rangpur-Banglabandha-Phulbari-Panitank-Kakurvita-Kathmandu; (v) Kolkata-Dhaka Sarail-Sylhet-Tamabil-Dawki-Shilong-Gowhati-Samdrup Jongkhar; (vi) Khulna-Jessore-Benapole-Kolkata.

Bangladeshi operators can maximise the potential benefits accruing from the commercial and business activities which will be encouraged and stimulated consequent to operationalisation of the BBIN MVA.

It will be important for the BBIN MVA members to carefully assess the issue of inclusion of new members which has been provisioned in the Agreement. An appropriate Dispute Settlement Mechanism (DSM) will also need to be set up, with a clear and transparent ToR and mandate.

Thus, Bangladesh, as also the other participating countries, will need to undertake a number of tasks, on an urgent basis, if the expected benefits originating from the BBIN MVA are to be reaped by producers, exporters, consumers and citizens of the countries of the sub-region. The study has made an attempt to articulate how the BBIN MVA can be best operationalised, based on extensive literature review, global best practices and field-level information and knowledge. Real benefits to be reaped from BBIN MVA will critically hinge on how smartly and intelligently relevant stakeholders in Bangladesh are able to address the aforesaid emergent tasks.

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Annexes

Annex Table 3.1: Amendments/Changes in the Three SAARC Multilateral Framework Agreement Drafts

Amendments	February 2007 MVA Draft	May 2013 MVA Draft	October 2014 MVA Draft
Definitions	PUC certificate defined	PUC certificate not defined	PUC certificate not defined
	Authorised operator not referred in definition of regular passenger and regular cargo transportation	Authorised operator referred in definition of regular passenger and regular cargo transportation	Authorised operator referred in definition of regular passenger and regular cargo transportation
	LCSs not defined	LCSs not defined	LCSs defined
Type of vehicles permitted	All types of vehicles	Passenger vehicles not mentioned	All types of vehicles
Permit forms	No separate permit form for non-regular passenger transportation and personal vehicles	No separate permit form for non-regular passenger transportation and personal vehicles	Form C stipulated for personal vehicles and Form D for non-regular passenger transportation
	Signature of applicant not included in any form	Signature of applicant not included in any form	Signature of applicant included in the forms
	Maximum axle load limit stipulated in the permit form for regular cargo transport	Maximum axle load limit stipulated in the permit form for regular cargo transport	Maximum axle load limit not mentioned in the permit form for regular cargo transport
Time for exchange of authorised operators' list	Annually	Annually (or earlier on demand)	31st January of every year with specification of new entrants/ exits

(Annex Table 3.1 contd.)

(Annex Table 3.1 contd.)

Amendments	February 2007 MVA Draft	May 2013 MVA Draft	October 2014 MVA Draft
Installation of tracking system	Not specified	Not specified	Within two years from the agreement signing date
Vehicle documents requirement	Waybill and list of personal documents/ articles of the crew not specified	Waybill specified, but not personal articles/goods	Both waybill and list of personal articles/goods specified
Communication language	Communication language not mentioned	At least one member of crew is required to know English/language of transit or destination state	At least one member of crew is required to know English/language of transit or destination state
Passport requirement	Passport of jumbo size	Passport of jumbo size	Passport or any relevant documents
Volume of traffic	No restrictions	No restrictions	Decision based on bilateral arrangements
Fees and charges for refueling	Not mentioned	Not mentioned	Unsubsidised price on reciprocal arrangement
Timeframe for temporary admission of vehicles	Regular passenger/cargo: 7 days; Private passenger: 5-30 days; Non-regular passenger: 30 days	Regular passenger/cargo: 15 days; Private passenger: 5-30 days; Non-regular passenger: 30 days	No timeframe
Maximum period for overstay	Regular passenger/cargo: 45 days from date of expiry Non-regular passenger: 60 days from date of expiry	Regular passenger/cargo: 45 days from date of expiry Non-regular passenger: 60 days from date of expiry	No maximum time period mentioned

(Annex Table 3.1 contd.)

(Annex Table 3.1 contd.)

Amendments	February 2007 MVA Draft	May 2013 MVA Draft	October 2014 MVA Draft
Movement of goods	Restricted or prohibited list of host country	Restricted or prohibited list of host country	Restricted or prohibited goods of host country and any negative/ sensitive list agreed
Rights from other international commitments	Not mentioned	Not mentioned	Not affected by the agreement
Dispute settlement clause	Not incorporated	Not incorporated	Unresolved conflicts should be referred to SAARC Attribution Council
Withdrawal clause	Not specified	Not specified	Withdrawal allowed with prior notice
Review mechanism	Not timeframe	No timeframe	Review after three years from the date of entry into force
Diction	'Shall' used for stating obligations	'Shall' used for stating obligations	'Will' used for stating obligations

Source: Authors' elaboration based on Draft Agreements.

Annex Table 3.2: Milestones in Regional MVA Initiatives

Timeline	Decisions/Outcomes
April 2007, 14th SAARC Summit, New Delhi	• SAARC leaders initiated the process towards an integrated multimodal transport system in the SAARC region • IGGT was directed to develop regional MVAs based on SAARC SRMTS study conducted by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) in 2006
August 2007, IGGT Meeting	• Expert Group was constituted for negotiations as regards the MVAs
August 2007, 1st SAARC Transport Ministries Meeting, New Delhi	• Draft prepared by India was examined; technical inputs given; views of SAARC members sought • The SAARC Secretariat was given the responsibility to prepare a SAARC MVA final draft
August 2008, 15th SAARC Summit, Colombo	• Issues concerning Regional Transit and Transport Agreement was discussed
July 2009, 2nd SAARC Transport Ministries Meeting, Colombo	• Recommendations of the IGGT to set up the Expert Group approved
February 2010, 1st Expert Group Meeting, Kathmandu	• First reading of the MVA draft proposed by India
April 2010, 16th SAARC Summit, Thimphu	• 2011-2020 was endorsed as 'Decade of Inter-regional Connectivity in the SAARC' • Draft of SAARC MVA was finalised
November 2010, 3rd SAARC Transport Ministers Meeting, Thimphu	• The SAARC SRMTS and the implementation of sub-regional and regional projects were discussed
January 2011	• India drafted a model bilateral MVA and shared it with Bangladesh
August 2011, 2nd Expert Group Meeting, Kathmandu	• Regional Agreement on Railway was discussed
September 2011, Indian Prime Minister's visit to Bangladesh, Dhaka	• Agreed to work on a bilateral MVA for seamless movement of cargo trucks and passenger vehicles across countries

(Annex Table 3.2 contd.)

(Annex Table 3.2 contd.)

Timeline	Decisions/Outcomes
November 2011, 17th SAARC Summit, Addu Atoll, Maldives	• Decision taken to the effect that the Expert Group meeting on MVA was to be convened prior to the next Council of Ministers meeting
January 2012	• India submitted a draft bilateral MVA between Bangladesh and India to GoB for consideration
March 2012, Bangladesh-India Commerce Secretary level Meeting, New Delhi	• Bangladesh informed that the bilateral MVA draft shared by India was under scrutiny • Both sides agreed that expedited conclusion of the MVA would bring benefits to both the countries and would allow realisation of opportunities of higher trade between the two countries
May 2012, First Meeting of India-Bangladesh JCC, New Delhi	• Agreement on expedited conclusion of the MVA
February 2013, Second Meeting of India-Bangladesh JCC, Dhaka	• Bangladesh informed the Indian side that her opinion on the MVA will be conveyed at the earliest
May 2013	• India handed over a revised draft of the bilateral MVA for comments by Bangladesh
May 2013, 2nd Expert Group Meeting, Rajasthan	• Positive response received from all participating countries about the BBIN MVA; negotiations took place on the draft Agreement • Decision taken that the draft of the MVA would be sent to the member countries and also placed before Transport Ministers
June 2013, 8th Bangladesh-India JWG on Trade, New Delhi	• Information was exchanged as regards status of the revised draft of the bilateral MVA
October 2013, 9th India-Bangladesh JGC Meeting, Dhaka	• Issues as regards extension of the car pass system for the 16 other LCSs was discussed

(Annex Table 3.2 contd.)

(Annex Table 3.2 contd.)

Timeline	Decisions/Outcomes
March 2014, 9th Bangladesh-India JWG on Trade, Dhaka	• Bangladesh informed that the revised draft of bilateral MVA was under inter-Ministerial consultation including the clause on transit • India welcomed initiative by Bangladesh to prepare her own draft and discuss this bilaterally
September 2014, 3rd Expert Group Meeting, Rajasthan	• Draft text of the Agreement was finalised
September 2014, 5th Meeting of IGGT, New Delhi	• Draft finalised by the Expert Group was endorsed by the IGGT
November 2014, 18th SAARC Summit, Kathmandu	• Pakistan and Sri Lanka informed that further work needed to be done to complete internal approval process
February 2015, Inter-Ministerial Meeting in Dhaka	• Some amendments to the SAARC MVA was proposed from Bangladesh, including incorporation of financial guarantee documents
February 2015, Transport Secretaries Meeting, Kolkata	• Text of the draft MVA finalised • Membership of the MVA kept open as per recommendation of Bangladesh to allow other neighbouring countries to join the Agreement. This would allow Myanmar and China to enter the Agreement on condition of agreement on the part of all participating countries • A draft ToR was also prepared for the NLTFC and JLTFC to monitor the implementation of the Agreement and prepare the protocols
April 2015, Nodal Officers Meeting, Chennai	• Bhutan was to arrange the BBIN Transport Ministers Meeting on 15 June 2015 • The BBIN MVA was to be signed by the Transport Ministers • The BBIN member countries were asked to complete their internal processes and countries agreed to set up NLTFC in individual countries

(Annex Table 3.2 contd.)

(Annex Table 3.2 contd.)

Timeline	Decisions/Outcomes
June 2015, BBIN Transport Ministers Meeting, Thimphu	• BBIN MVA signed and a six-month work plan outlined
BBIN Work Plan (July-December 2015)	
July 2015	Preparation of bilateral and tripartite protocols
August 2015	Formalisation of MVA with protocols in Annexure 1 and 2
September 2015	Negotiations on protocols held on 8-9 September 2015, in Dhaka. Discussions took place as regards the protocol on passenger vehicles (regular/irregular and personal) and cargo vehicles (route, preliminary discussion on fees, etc.) and the proposed Car Rally
October 2015	Trial Runs and BBIN Friendship Motor Rally
December 2015	Installation of the needed pre-requisites, e.g. information technology (IT) systems, infrastructure, vehicle tracking system, etc.

Source: Authors' compilation.

Annex Table 3.3: Analysis of the Bilateral, SAARC and BBIN MVAs in light of the Components of an Ideal MVA

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
a. Definitions and objectives				
Comprehensive 'Definition' list	**Chapter - 1, Article - 2: Definitions** "Transit" definition is missing	**Article - I: Definitions** Definitions of "Law", "Competent authority", "Personal vehicle" and "Protocol" are missing To define local taxes, 'Panchayats' is used instead of 'local government institutions'	**Article - I: Definitions** Definitions of "Competent authority", "Personal vehicle" and "Protocol" are missing To define local taxes, 'Panchayats' is used instead of 'local government institutions'	**GMS-CBTA** **Part - 1, Article - 3:** A comprehensive list of definitions were featured including definitions of transit, annex, protocol, competent authority, etc.
Objectives	No clause	No clause	No clause	**AFAFIST** **Article - 1:** Stated objectives include facilitation of inter-state transport, integration of economies, simplification and harmonisation of transport, trade and customs regime and development of an efficient, effective,

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
				harmonised and integrated transport system
b. Scope and principles of operations				
Scope and coverage of the agreement	**Chapter - 1 Article - 1: Scope** Third country traffic and cabotage is prohibited	No separate article on scope; Only cabotage is prohibited	No separate article on scope; Only cabotage is prohibited	**Agreement between UK and Northern Ireland and Macedonia Article - 2:** No limitations except cabotage prohibition
Principles of operations	No explicitly stated principles	No explicitly stated principles	No explicitly stated principles	**AFAFIST Article - 2:** Stated principles include Most Favoured Nations (MFN) treatment, consistency, simplicity, transparency, efficiency, appeals and mutual assistance
c. Enabling criteria for road transport movement				
Type of vehicles permitted	**Chapter - 2, Article - 3: General Conditions of Road transport**	**Article - II: Vehicles** All types of vehicles permitted	**Article - II: Vehicles** All types of vehicles permitted	**GMS-CBTA Article - 2:** All types of cross-border

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
	All types of traffic permitted			transport including private, public transport, on the basis of own account or hire or reward for both goods and people
Criteria for licensing of transport operators for cross-border operations	Not stated. Only in the definition section, it was suggested that the operator will need to be authorised and endorsed by competent authority of either countries	Not stated. Only in the definition section, it was suggested that the operator will need to be authorised and endorsed by competent authority of SAARC member states	Not stated. Only in the definition section, it was suggested that the operator will need to be authorised and endorsed by competent authority of the contracting party	**GMS-CBTA Annex 9:** The basic eligibility criteria is to register with the home country with additional conditions of considerable ownership of enterprise by national citizens, reliability, professional competence and financial solvency
Registration of vehicles	Vehicles registered in home country can ply in the territory of other country through authorised transport operators	Vehicles registered in home country can ply in the territory of other member states through authorised transport operators	Vehicles registered in home country can ply in the territory of other member states through authorised transport operators	**GMS-CBTA Annex 2:** Additionally distinguishing sign, identification marks and registration plate are specified

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
No permit requirement	**Chapter - 3, Article - 9: Vehicle, Passenger and Cargo Traffic Regulation** Permit is mandatory for all types of vehicles and different forms of permit for different vehicles	**Article – III: Permit** Permit is mandatory for all types of vehicles and different forms of permit for different vehicles	**Article – III: Permit** Permit is mandatory for all types of vehicles and different forms of permit for different vehicles	**Agreement between UK and Northern Ireland and Macedonia Article - 4** No permit is required
No quota requirement	**Chapter - 3, Sub-article - 9.1:** Provisions of quota system are not clearly spelt out	No quota system specified	No quota system specified	**Agreement between UK and Northern Ireland and Macedonia Article - 4:** No quota as regards the number of pliable vehicles specified
Documentation and procedures	**Chapter - 2, Sub-article - 5.3:** Harmonisation of products is specified, but no direction on simplification	No clause on harmonisation or simplification	No clause on harmonisation or simplification	**NCTA Protocol 4:** Paper sizes of application forms and other documentations are aligned with international standards and UN prescribed layouts

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
		d. Technical specifications		
Vehicle weight and dimension specification	**Chapter - 2, Sub-article - 3 (c):** Stated to be incorporated in Protocol	No clause for vehicle weight and dimensions	No clause for vehicle weight and dimensions	**NCTA Protocol 6, Article 16 and 17:** Axle load limit stipulated for different types of axle set and maximum laden weight of a vehicle. Maximum breadth, height and length of vehicles are also specified
Roads, bridges, design and construction standards and specifications	No clause	No clause	No clause	**GMS-CBTA Annex 11:** Highway standards are specified with classifications based on lanes (Primary, Class I, Class II and Class III). Lanes are sub-divided with terrain classification and design speed, width of roads, minimum horizontal curve, type of

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
				pavement, etc. Installation of certain road side equipment including antiglare devices, emergency stopping strips, service facilities and rest areas are also recommended
		e. Customs regime		
Transit and inland customs clearance regime	**Chapter - 3, Article - 10: Customs and Immigration** Duties and responsibilities of customs regime are partially specified	No separate section dedicated to describe the customs regime; **Article - VII (7)** has only specified to establish a sub-group on customs procedure to complete formalities of vehicles during entry/exit. Other function of the customs sub-group such as formulating guidelines as regards fees and charges for entry of vehicles, crew members	No separate section dedicated to describe the customs regime; **Article - VII (7)** has only specified to establish a sub-group on customs procedure to complete formalities of vehicles during entry/exit. Other function of the customs sub-group such as formulating guidelines as regards fees and charges for entry of vehicles, crew members	**GMS-CBTA Annex 6:** Customs formalities, transit and customs documents, sealing, evidence of transport operations are well-documented under this regime. Discharge of documents and time limits on the validity of documents are also provided under this section

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
		were not incorporated in the draft	were not incorporated in the draft	
Commodity classification system	No clause	No clause	No clause	**GMS-CBTA Annex 15:** Harmonized Commodity Description and Coding System (HS) set out with no restriction on use of more than 6 digits
Customs duties and charges	**Chapter - 3, Sub-articles - 10.2, 10.4 and 10.5:** Adequate exemptions are provided for temporary admission, personal effects of crew member and spare parts and accessories, and fuel stored in supply tank	**Article - VII: Fees and Charges (2) and (5):** Adequate exemptions are provided for temporary admission of vehicle, spare parts and accessories, fuel stored in supply tank. Provisions for non-subsidised rates on fuel prices for refueling were also stated	**Article - VII: Fees and Charges (2) and (5):** Adequate exemptions are provided for temporary admission of vehicle, spare parts and accessories, fuel stored in supply tank. Provisions for non-subsidised rates on fuel prices for refueling were also stated	All agreements provide adequate exemptions from customs duties and charges

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
		f. Revenue requirements		
Taxes, fees, tolls and other charges	**Chapter - 3, Sub-article - 9.14:** Taxes and charges will be applied on a reciprocal basis rates will be determined through agreement	**Sub-article - VII (3):** Rates will be decided through mutual agreement Commercial charges applicable for domestic vehicles will be imposed	**Sub-article - VII (3):** Rates will be decided through mutual agreement Commercial charges applicable for domestic vehicles will be imposed	**Agreement between UK and Northern Ireland and Macedonia Article-6:** Taxes and charges are included with the prices of fuel or tolls imposed. Exemptions are provided for temporary entry of spare parts, fuel (contained in supply tanks) and also for road usage, possession of vehicles and transport operations in the host country
Exemptions	**Chapter - 3, Sub-article - 9.14:** Local taxes or octroi are exempted; However, permit fees may be imposed	**Article - VII (3) and (4):** No additional charges to be issued such as octroi or local taxes; however, transit fee, permit fee may be imposed	**Article - VII (3) and (4):** No additional charges to be applied such as octroi or local taxes; however, transit fee, permit fee may be imposed	
		g. Facilitation measures		
Facilitation measures for border clearance	No clause on clearance of priority consignments or handling of hazardous goods or chemical products	No clause on clearance of priority consignments or handling of hazardous goods or chemical products	No clause on clearance of priority consignments or handling of hazardous goods or chemical products	**GMS-CBTA Annex 1 and 3:** For carriage of dangerous goods, the classification of dangerous goods

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
				specified along with specific standards are applicable. For perishable goods and live animals, standards are set by introducing fitness, markings on transport, comfort, hygiene and safety, etc. related issues. Applicable standards such as temperature, hygiene, ventilation, segregation, etc. are also specified in case of transport of perishable foodstuffs
Facilitation measures for transport operators	**Chapter - 3, Article - 8: Authorised Operators** Provisions are there for opening branch offices and bank accounts in the other country's territory **Chapter - 4, Article - 12: Accident/Disable Vehicle Management**	**Article - XII: Business Facilitation** Provisions are there for opening branch offices and bank accounts in other member states. Additional facilities are also provided for breakdown of vehicles	**Article – XII: Business Facilitation** Provisions are there for opening branch offices and bank accounts in other member states. Additional facilities are also provided for breakdown of vehicles	**SAARC MVA/Bilateral Bangladesh-India MVA**

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
	Facilities are provided for breakdown of vehicles			
Facilities for frontier cross formalities	No clause	No clause	No clause	**GMS-CBTA Annex 4:** Development of Single Window system, single-stop customs inspection, priority basis clearance, reduction of exhaustive physical inspection are practiced
		h. Binding issues		
Applicable laws and regulations	**Chapter - 3 Article - 6: Applicable laws** Relevant laws of the other country are to be followed by the plying vehicle. Cooperation is sought to prevent infringement and to restrict the movement of prohibited goods. Extension of stay may be granted in case of *force majeure* condition	**Article - XIV: Applicability of local laws** Relevant laws of the other country are to be followed by the plying vehicle. Cooperation is sought to prevent infringement and to restrict the movement of prohibited goods. Extension of stay may be granted in case of *force*	**Article - XIV: Applicability of local laws** Laws in the other country are to be followed by the plying vehicle. Cooperation is sought to prevent infringement and to restrict the movement of prohibited goods. Extension of stay may be granted in case of *force*	All international agreements contain such provisions

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
		majeure condition. No sub-clause is there to ensure that the agreement will not influence of other bilateral arrangements	*majeure* condition. Additionally, a sub-clause is there to the effect that the agreement will not influence other bilateral arrangements	
Security management	**Chapter - 5 Article - 14: Development of road information system and Article 15 : Incident Management System** Standard procedures are provisioned	**Article - X:** Rights of inspection are specified. **Article - III (13):** Installation of tracking system on motor vehicles is also mentioned	**Article - X:** Rights of inspection are specified **Article - III (13):** Installation of tracking system on motor vehicles is also mentioned	**Bangladesh-India MVA** The agreement has articulated the best practices in separate articles in this respect
Institutional arrangement	**Chapter -2, Article - 5:** Establishment of a JWG consisting of representatives from concerned departments and agencies from both parties specified	No clause	No clause. However, it is mentioned that Protocols will be designed to establish JLTFC and NLTFC for effective implementation	**AFAFIST Article 27:** Transit Transport Coordinating Board is specified for being responsible for overall coordination and implementation of the Agreement, producing

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
				periodic reports on implementation progress. ASEAN Secretariat was specified to assist the Board in its operations and was also to monitor the process independently
Implementation arrangement	**Chapter - 6, Article – 16: Implementation of the Agreement** The responsibilities of JWG was specified for proper implementation	No clause	No clause in the draft agreement	**AFAFIST Article 30:** Implementation of the agreement has been allowed initially on a plurilateral, multilateral or sub-regional basis for members who were ready while others may join later
Dispute settlement	**Chapter - 6, Article - 16.2:** Settlement of disputes through mutual consultation	**Article - XV (1): Dispute Settlement** Unresolved disputes will be referred to SAARC Arbitration Council	**Article - XV(1): Dispute Settlement** No third party arbitrator has been mentioned	Almost all the Agreements have provisions for dispute settlement

(Annex Table 3.3 contd.)

(Annex Table 3.3 contd.)

Ideal Component	Bangladesh-India Bilateral MVA	SAARC Framework MVA	BBIN Framework MVA	International Best Practices
Modification, amendment and review mechanism	**Chapter - 6, Article - 17.3: Commencement, review and validity of Agreement** Review mechanism is mentioned	**Article - XVI (2):** Review mechanism is kept after 3 years from the date of entry into force	**Article - XVI (2) :** Review mechanism is kept after 3 years from the date of entry into force	All agreement has this provision
Validity of the agreement	**Chapter - 6, Article - 17.2:** The agreement is valid for 5 years unless terminated	No timeframe	No timeframe	**ECO Tripartite Agreement on Road Transport** The agreement has a validity for 10 years

Source: Authors' elaboration.

Annex 3.1: Openness Scoring of the MVAs: The Methodology

The methodology was adopted from a World Bank study on bilateral CBTA titled "Quantitative Analysis of Road Transport Agreement" (Kunaka *et al*., 2013). The empirical analysis was based on a sample of 77 bilateral agreements covering 58 countries from different continents and regions (of which 15 of the 58 countries are LLCs). Among the agreements analysed, Belarus-Belgium had the highest openness score of 83, whereas Tanzania-Zambia fared the lowest (20). Although there was diversity in the agreements, the selection was not balanced. The study evaluated the agreements on 11 core features and assigned differential weighting to derive partial scores in individual features, based on ideal components. The partial scores were then added up to form the overall openness score. The analysis of the agreements reflected significant diversity in provisions, with no international template having been followed. Interestingly, the regression between openness and bilateral trade flows revealed that countries with larger volumes of trade appeared to have less open agreements, which can be explained by other tariff and non-tariff barriers restricting trade for more open agreements. The agreement signed by a particular country with different partners also had wide variations in score. For Kazakhstan, with Pakistan, the score was 35, while the openness score was as high as 79 with Tajikistan and Kyrgyz Republic. South America was the region that featured the most open agreements compared to other regions with an average score of 67. Following the same methodology, The World Bank also computed the openness score for eight multilateral agreements.

As per the analysis of the agreements by World Bank, it was suggested that openness does not necessarily mean better trade flows. World Bank explained that less than 25 per cent of the global trade takes place between neighbouring countries, where the road transport could be a big factor. Indeed, the implementation status of concluded bilateral agreements is difficult to assess. Nevertheless, the exercise on openness score can provide initial evaluation of the provisions given in the agreements in the backdrop of an ideal model.

The following Annex Table 3.4 reports the openness score of the three MVAs. Considering the ambiguity in certain areas of the draft bilateral MVA, both the maximum and minimum scores are reported.

Annex Table 3.4: Comparative Openness Scores of Draft MVAs

Core Feature	Bangladesh-India Bilateral MVA		SAARC Framework MVA	BBIN Framework MVA
	Min. Score	Max. Score		
Limitations of scope (max. 5)	2	2	2	2
Transport permit requirement, permit management (max. 15)	11	11	14	14
Traffic exempted from permits (max. 10)	4	4	4	4
Traffic exempted from quotas (max. 8)	3	5	8	8
Cabotage traffic limitations (max. 5)	3	3	3	3
Transit quota limitations (max. 15)	8	15	15	15
Triangular/third country traffic limitations (max. 9)	2	2	9	9
Prescribed routes and border crossing points (max. 8)	2	2	2	2
Taxation-related measures (max. 8)	4	4	4	4
Facilitation measure (max. 10)	0	0	0	0
Transparency (max. 7)	3	3	0	3
Grand Score (100)	**42**	**51**	**61**	**64**

Source: Authors' calculation, based on Kunaka *et al.* (2013).

Annex Table 3.5: Major Issues for Some Selected Land Ports

Banglabandha Land Port
• Insufficient port area often creates congestion during peak seasons. The port cannot utilise its land area in full capacity as access road to a local village, Jhauapara has passed over the port's land. The port arena also lacks complete boundary. The open passageway poses security concerns for halting trucks or goods kept in warehouses. Customs documents/records are also kept in Panchagarh office due to this security issue. The port authority recently placed their demand for acquisition of additional 10 acres of lands. • Only one weighbridge is operational which creates congestion during peak times. The port operator is in the process of constructing another weighbridge. • Although warehouses are sufficient to handle the volume of trade through this port, they are not suitable for storing items like maize, and consequently has to be held in trucks. • Initiation of the customs operations are delayed because there are no residential facilities for the custom officials at the port. Customs officials reside in Panchagarh, about 60 km from the port. • No banking facilities nearby means that C&F agents pay charges at Sonali Bank branch in Tetulia which is also some distance away from the port. • Telecommunication networks are considerably poor. Only Citycell network (a Bangladeshi mobile operator) is available at the port. • Inadequate lighting and absence of alternate power arrangement means port activities come to a stop in the dark. The standby generator is only connected to the weighbridge for which sometimes customs procedure need to be carried out with candles. • There are also no established laboratory facilities for testing requirements. • Due to the backwardness of the region, no restaurant/hotel facilities have developed near the port. Even, the customs officials have to travel some distance to have their daily lunch. • Customs entry and procedure are done manually as connection to the ASYCUDA World Server could not be established. • Legal barriers at the port prohibit imports of machines, machine parts, motorcycle and cotton except silk. Additionally, immigration is not permitted through this port. • Customs process is delayed due to non-cooperation from the Indian side. The Indian side does not start trading activity until 10 am. Differences in holidays also act as a barrier as the Phulbari Port (India) is closed on Sundays. • The people engaged in port activity are inadequate in number and lack necessary skills.

(Annex Table 3.5 contd.)

(Annex Table 3.5 contd.)

• Labour tenders at the port cannot be dispatched due to pressure from local villagers. Imports of apple through this port was a significant source of revenue which stopped due to the pressure from the local people. The labour association frequently interrupts customs activity.
Benapole Land Port
• The approach roads to the no man's land are narrow. Trucks have to return through the same road after unloading in no man's land which creates congestion and additional delays. • Traffic congestion occurs mainly due to inadequate unloading space at the Indian side that results in delays in clearance of goods. Sometimes, congestion is created intentionally by the goods carrying truck drivers/port labours. Exporters incur as high as Tk. 2,000 demurrage per day if goods are not unloaded. • Inadequate and unskilled manpower is a barrier for both sides. Workers often create delays in the unloading process which could be sped up by use of forklifts or other machines. The customs officials on both sides are also not adequately aware of the customs rules and regulations. • Unsynchronised operating hours at the port also delays initiation of the clearance process. Bangladesh side gets ready to start activity by 9 am, but the Indian side starts operation at around 11 am to 12 pm. The problem is compounded by the difference in weekly holidays. • Often time delays result from difficulties in obtaining the car pass to get access in the other side. • No air conditioned warehouse facilities are available at the Benapole Land Port to store pharmaceutical products although the port has more than 40 warehouses for proper storage of goods. On the other side, at the Petrapole side, lack of warehouse facilities for perishable goods add losses to Bangladeshi exporters. • Sometimes truck detention/halting cost incurs because of the delays caused in obtaining the SAFTA (South Asian Free Trade Area) certificate from the Export Promotion Bureau (EPB) office in Dhaka. The EPB often takes 2-3 days to deliver the certificate after assessment of *bill of entry* and other documents. • Difficulties also arise in obtaining Phytosanitary Certificate for export of fruit juices/drinks from the Department of Agricultural Extension (DAE) of the Ministry of Agriculture, GoB. As reported, sometimes it takes 2-3 days. • Disruptions are created due to frequent and abrupt failures of network at the Indian LCS in Petrapole. Power failure at Petrapole puts the total process to a halt.
Burimari Land Port
• Small-scale problems of land acquisition may arise in terms of convincing the landowners as there are lands of personal ownership, railways, demesne, etc.

(Annex Table 3.5 contd.)

(Annex Table 3.5 contd.)

• At the Bangladesh side, there are no customs warehouses and so any BGB-croaked consignments have to be stored in Patgram (10 km away from Burimari Land Port). • Although there are adequate number of warehouses, on the Indian side in Changrabandha there are not enough port facilities. Also for passenger movement, there are no facilities at the other side. • The road connecting Burimari and Lalmonirhat (90 km) is narrow with large number of turns which slows down vehicles movement. The road is in urgent need of straightening and widening to four-lanes. • There are no residential facilities for the Customs Revenue Officer, it is only provided for the Assistant Commissioner. • At the zero point, the customs office for collection of travel tax is a tin shed facility which is inadequate. • Power failure sometimes results in delays (about 2-3 hours) in customs procedure because customs entry into the software cannot be made. • Eighteen product lines are not permitted to be transported through this port, and are instead transported through Benapole with a round trip of 300 km which increases the price of these products in the domestic market. • Sighting environmental concerns, export of brick was banned through this port.
Hili Land Port
• The port suffers from acute space shortage and only 6 acres out of the 10 acre land can be utilised for operations. The rest is occupied by port infrastructure. The port operator is in the process of acquiring another 11.86 acre of land. • The 700 m approach road from the zero point to the port is very narrow with barely enough space for two vehicles to pass through. • Trucks enter and exit through the same lane which in peak times create congestion. • No separate lanes/facilities are provided for priority clearance of perishable goods. • During load shedding, the customs formalities are delayed because the generators are not powerful enough to run the computers connected to the ASYCUDA World Server. • The sewerage system inside the port is not well developed. • Congestion is often created because of the delays made by the importers to claim consignments. This practice is mainly done to attract buyers who look for fresh consignments loaded in trucks rather than in warehouses. • There are no laboratory facilities at the Indian side which restricts exports of certain foodstuffs from Bangladesh. • Sometimes, import trucks from India are held at the Indian border until 12 pm every day for prioritised clearance of exit trucks.

(Annex Table 3.5 contd.)

(Annex Table 3.5 contd.)

• The BGB at the border checks every consignment and then puts a seal on the Manifest Card which contributes to about 3-5 minutes delay for every truck. It may be recalled that this gave rise to agitation among the labour, customs and truck operators association which led to a complete shutdown of the port for nine days in May 2014. • The customs procedure is not fully automated because the computers running the ASYCUDA software at the port are not connected with the Sonali Bank for duty payment process which contributes to delays.
Tamabil Land Port
• The Jaintapur-Tamabil-Jaflong road is in poor condition. The roads should be repaired for the interest of trade and tourism. • Narrow approach road and insufficient space for unloading of goods sometimes create congestion at this border point. Different kinds and shape of stones are imported through this port which makes it necessary for provision of plenty of space and strong infrastructural facilities. • Congestion is also created due to the preference of the Indian side to clear Indian trucks first. Every day, after the Indian trucks are cleared the Bangladeshi export trucks are allowed to enter. In such cases, exporters lose about Tk. 1,200 as demurrage charge per day. • There are no sheds for loading/unloading at the port. • The office building for the local customs officials is not sufficient. There is scope for extension but it must be within 150 yards of the border line as it is not permitted beyond. • C&F agents do not have any separate commercial/building space to work and they are confined to only a small space inside the customs office. • Telecommunication network is poor which is a significant hindrance for traders. • There are no weight machines at the customs point for weighing loaded trucks and no scanners even. The customs officials in most cases rely on their Indian counterparts for measurements. • There are also no hotel/restaurant facilities for passengers travelling through this port. These facilities are located 5-6 km from the border line. • Customs procedures is still not automated.

Source: CPD field visit (2014).

TOWARDS
REGIONAL INTEGRATION
IN SOUTH ASIA
Promoting Trade Facilitation and Connectivity

The present compendium focuses on some of the most pressing issues that are critically important to advancing the cause of South Asian economic integration. Whilst in recent years SAARC policymakers have taken important decisions to enhance market access, promote trade facilitation and deepen transport linkages in the region, formidable challenges continue to undermine the possibilities of realising the full potentials of such initiatives. In this backdrop, the chapters in the volume, which are based on research carried out at the CPD, have come up with a number of concrete proposals to address some of these major challenges. These proposals are drawn on evidence and knowledge generated through analysis of data, field-level investigations, wide-ranging consultations and perception surveys. The volume articulates the elements of a framework SPS Agreement to deal with non-tariff barriers to trade with India, identifies border measures and infrastructure that need to be put in place to reduce trade transaction costs, and spells out how the recently signed sub-regional Motor Vehicle Agreement (MVA) could be implemented by drawing on insights and experiences of global best practices.

It is hoped that experts and policymakers will find the volume useful as will the broader audience who has an interest in issues concerning broadening and deepening of economic cooperation in South Asia at bilateral, sub-regional and regional levels.

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