CPD

Working Paper 110

Trade and Transport Facilitation in Bangladesh

An Audit of the State of Play

Mustafizur Rahman
Khaleda Akhter
Naimul Gani Saif

CENTRE FOR POLICY DIALOGUE (CPD)
B A N G L A D E S H
a civil society think tank

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The present paper titled **Trade and Transport Facilitation in Bangladesh: An Audit of the State of Play** has been prepared by *Professor Mustafizur Rahman*, Executive Director, CPD <mustafiz@cpd.org.bd>; *Ms Khaleda Akhter*, Senior Research Associate, CPD <khaledarosy@gmail.com>; and *Mr Naimul Gani Saif*, Research Associate, CPD <naimul@cpd.org.bd>

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Abstract

This working paper embodies the results of trade and transport facilitation audit which was carried out in the Bangladesh context, as part of a South Asian regional study. The study documents the major developments taking place in the concerned areas as also the planned initiatives, and identifies some of the key emerging needs. The paper argues that, for Bangladesh to be competitive in the backdrop of the evolving regional and global trading scenario, there is no alternative to building a modern and efficient trade and transport facilitation system. Such a system will benefit all relevant stakeholders including consumers, producers and entrepreneurs, and also the entire economy. The paper draws attention to the need for mobilising the needed resources to address the formidable gaps in this regard.

Contents

List of Tables

List of Figures

List of Maps

List of Diagrams

Acronyms

ADB	Asian Development Bank
ADP	Annual Development Programme
APTA	Asia-Pacific Trade Agreement
ASYCUDA	Automated System for Customs Data
BCIM	Bangladesh-China-India-Myanmar (Forum for Regional Cooperation)
BDXDP	Bangladesh Export Diversification Project
BFTI	Bangladesh Foreign Trade Institute
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIWTA	Bangladesh Inland Water Transport Authority
BLPA	Bangladesh Land Port Authority
BRTA	Bangladesh Road Transport Authority
BSTI	Bangladesh Standards and Testing Institution
CCCI	Chittagong Chamber of Commerce & Industry
CCH	Chittagong Customs House
DCH	Dhaka Customs House
DF-QF	Duty-Free Quota-Free
D-8	Development Eight
EPB	Export Promotion Bureau
ETI	Enabling Trade Index
EU	European Union
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoB	Government of Bangladesh
GSP	Generalized System of Preferences
ICD	Inland Container Depot
IDCOL	Infrastructure Development Company Ltd.
IOR-ARC	Indian Ocean Rim Initiative – Association for Regional Cooperation
IWT	Inland Water Transport
JDCF	Japan Debt Cancellation Fund
LCS	Land Customs Station
LDC	Least Developed Country
LPI	Logistics Performance Index
LoC	Line of Credit
MFN	Most Favoured Nations
MRA	Mutual Recognition Agreement
NBR	National Board of Revenue
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure

OECD	Organisation for Economic Co-operation and Development
OIC	Organisation of Islamic Conference
OPEC	Organization of the Petroleum Exporting Countries
PPIDF	Public-Private Infrastructure Development Facility
PPP	Public-Private Partnership
PSI	Pre-Shipment Inspection
RJSC	Registrar of Joint Stock Companies and Firms
RMG	Readymade Garments
RTA	Regional Trade Agreement
SAARC	South Asian Association for Regional Cooperation
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
SPS	Sanitary and Phytosanitary
TBT	Technical Barrier to Trade
TEU	Twenty-Foot Equivalent Unit
TPS	Trade Preferential System
UNCTAD	United Nations Conference on Trade and Development
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. 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 Automated System for Customs Data (ASYCUDA)++, 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 to increase its 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 its South Asian export 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, in the recently concluded Bali Ministerial Conference of the World Trade Organization (WTO), Trade Facilitation (TF) has been a key issue of discussion. The Trade Facilitation Agreement negotiated in Bali at the Ninth Ministerial Conference of the WTO (MC-9) 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 2 undertakes a review of relevant literature. Section 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 4 presents state of trade logistics in Bangladesh in a comparative setting. Section 5 presents key trade routes and corridors of Bangladesh in its trade with South Asian countries. Section 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 7 presents concluding remarks.

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) identify a number of trade facilitating 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 over-complex procedures were major obstacles to trade. Cai and Geddes (2003) argue that Bangladesh could face major challenges if it 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 service sector infrastructure), Wilson *et al*. (2004) assess 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 service 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 failed to improve the performance of its transportation system when compared with its 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 its 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 time required and improve efficiency at the border points. In this context, the importance of sub-regional transit was highlighted – two corridors, Kakarvitta-Panitanki-Fulbari-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.

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[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 22-36; the numbers of copies of these documents are significantly high – often requiring between 44 to115 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.

[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.

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) identify 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 and reduction 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 Gravity model, De *et al*. (2012) find that accelerated enhancement of bilateral trade between India and Bangladesh was contingent upon 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 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 its close neighbours, India, Nepal and Bhutan, could gain significantly if seamless regional connectivities can be established through coordinated development of all modes of transportation in these countries. Developing the ideas 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 creation, 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.

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 low compared to its 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, at a time 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 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: 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]

As Table 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 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).

[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 3: Import of Bangladesh from South Asian Countries

(Million USD)

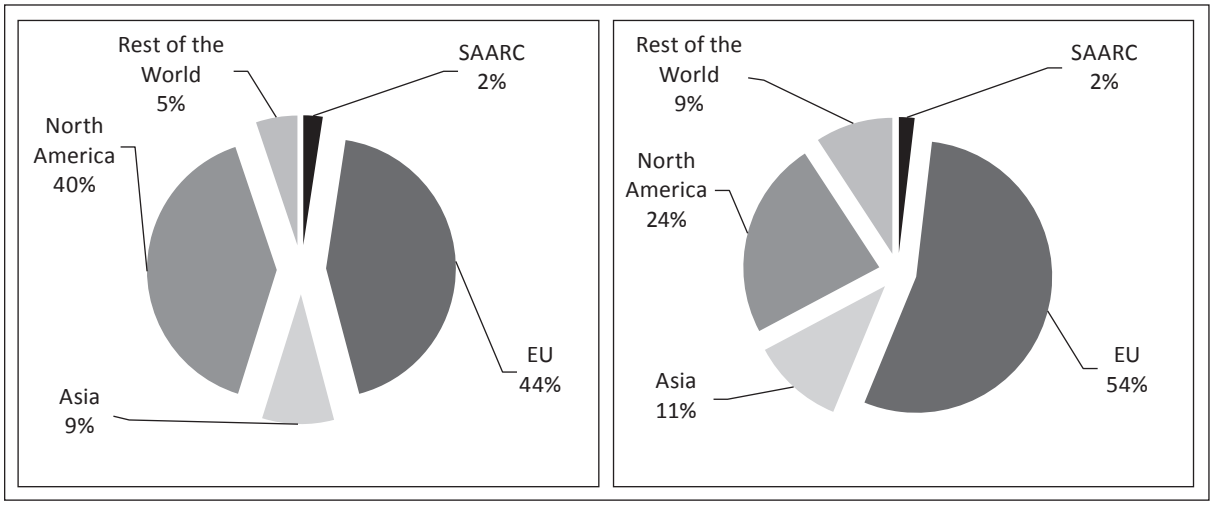
Country/Region	FY1998	FY2003	FY2008	FY2013	FY2014
Afghanistan	1 (0.01)	4 (0.04)	4 (0.02)	2 (0.01)	2 (0.00)
Bhutan	5 (0.07)	3 (0.03)	14 (0.06)	25 (0.07)	23 (0.06)
India	934 (12.42)	1355 (14.03)	3384 (15.65)	4774 (14.01)	6036 (15.35)
Maldives	1 (0.01)	1 (0.01)	0 (0.00)	1 (0.00)	0 (0.00)
Nepal	10 (0.14)	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 the parentheses are percentage share in total import.

Table 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 its total import from the other six SAARC members.

As it is, Bangladesh's exports are mainly concentrated in the European Union (EU) and North American regions which cover more than 70 per cent of the total export of Bangladesh in FY2013-14 (Figure 1). As is well known, Bangladesh's exports are concentrated in readymade garments (RMG) sector,

Figure 1: Share of Export to Different Regions during FY1997-98 and FY2013-14



Source: EPB (2014).

which account for fourth-fifths of its global export. As distinct from the composition of Bangladesh's export in the EU and the 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 its imports from the region mainly constitute yarn, cotton, fabrics, food items, live animals, vegetable, mineral products, textile and textile articles, and transport equipments. Table 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.

Table 4: Commodity Composition of Bangladesh's Exports to SAARC Countries

Commodity	Export Volume (Million USD)				Share in Export (%)			
	FY2003	FY2008	FY2013	FY2014	FY2003	FY2008	FY2013	FY2014
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).

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.

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 its 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

[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).

Table 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 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	Signed on 6 January 2004	To eliminate all the barriers to trade in South Asia and promote regional trade
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)[7]	8	Signed: April 2010 Implemented: 29 November 2012	Signed in 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.

of modalities of cooperation in the areas of trade, investment and connectivity. Table 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.[8] 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.

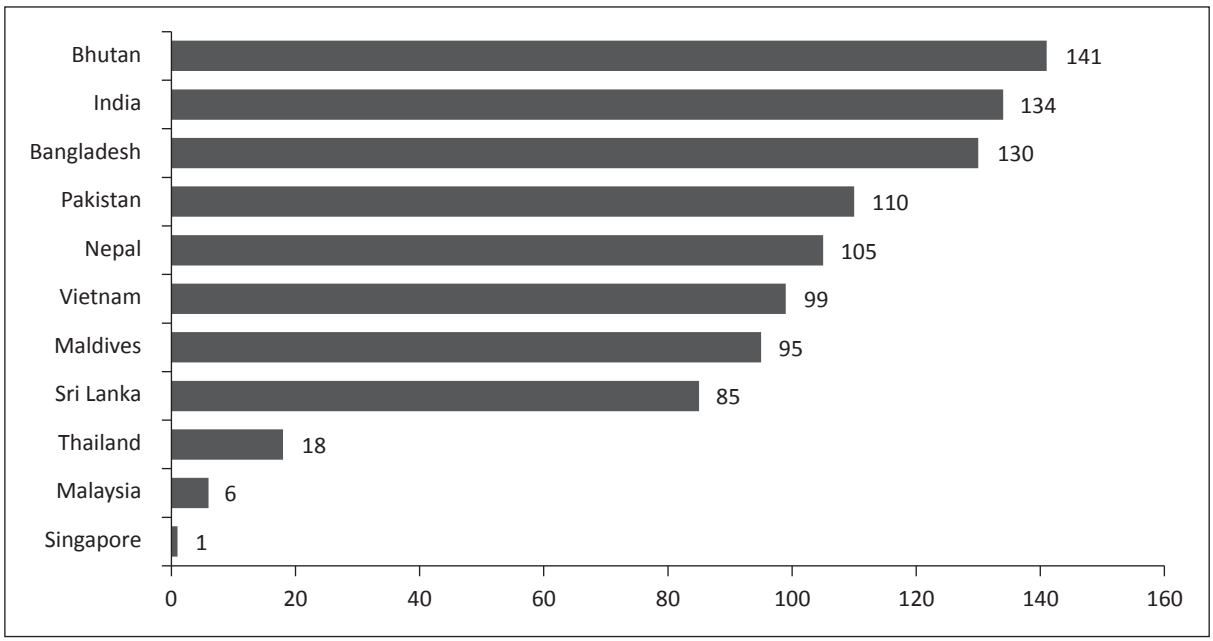
[7]SATIS was singed at the 16th SAARC Summit in Thimphu, Bhutan in 2010. SATIS follows provisions of WTO-GATS (General Agreement on Trade in Services). General obligations under the SATIS include Most Favoured Nations (MFN) treatment, transparency, domestic regulations, safeguard measures, subsidies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

[8]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 (RJSC); (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).

4. STATE OF TRADE LOGISTICS IN BANGLADESH

Despite the fact that trade competitiveness depends critically on 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 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.

Figure 2: Ease of Doing Business Rank of Bangladesh and Other Countries in 2014



Source: World Bank (2014a).

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 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 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 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

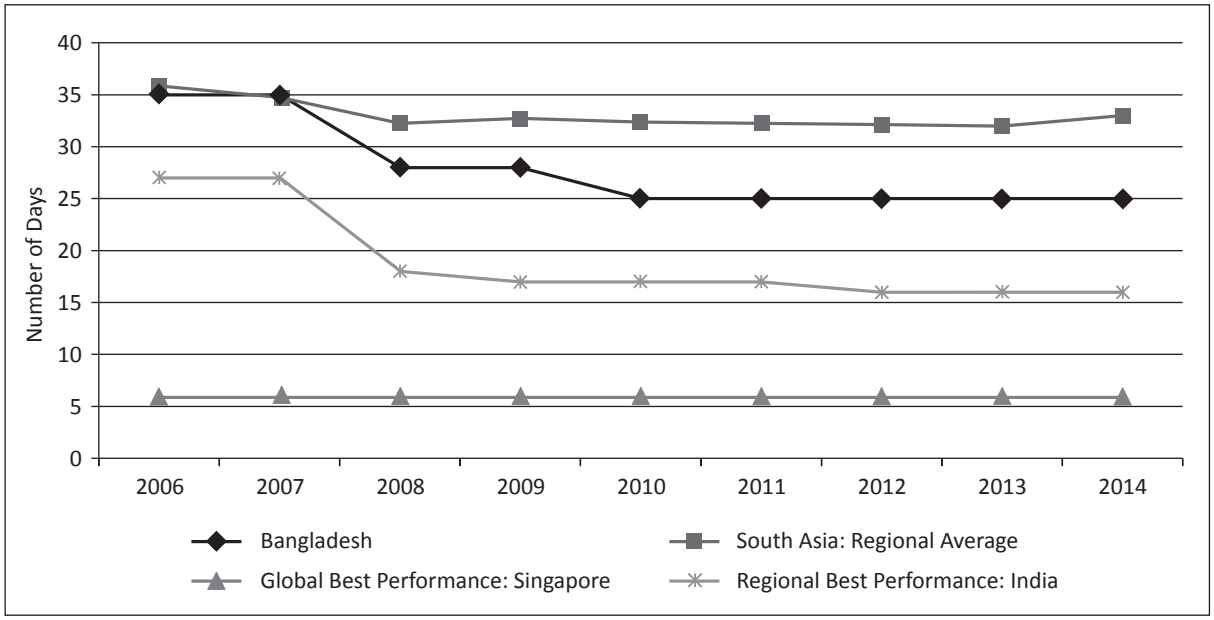
[9]"DTF-The Distance to Frontier (DTF) measures the distance of each economy from the "frontier", which represents the highest performance of all the economies included in Doing Business. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance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

Table 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 3: Time to Export for Bangladesh and Other Countries: 2006-2014

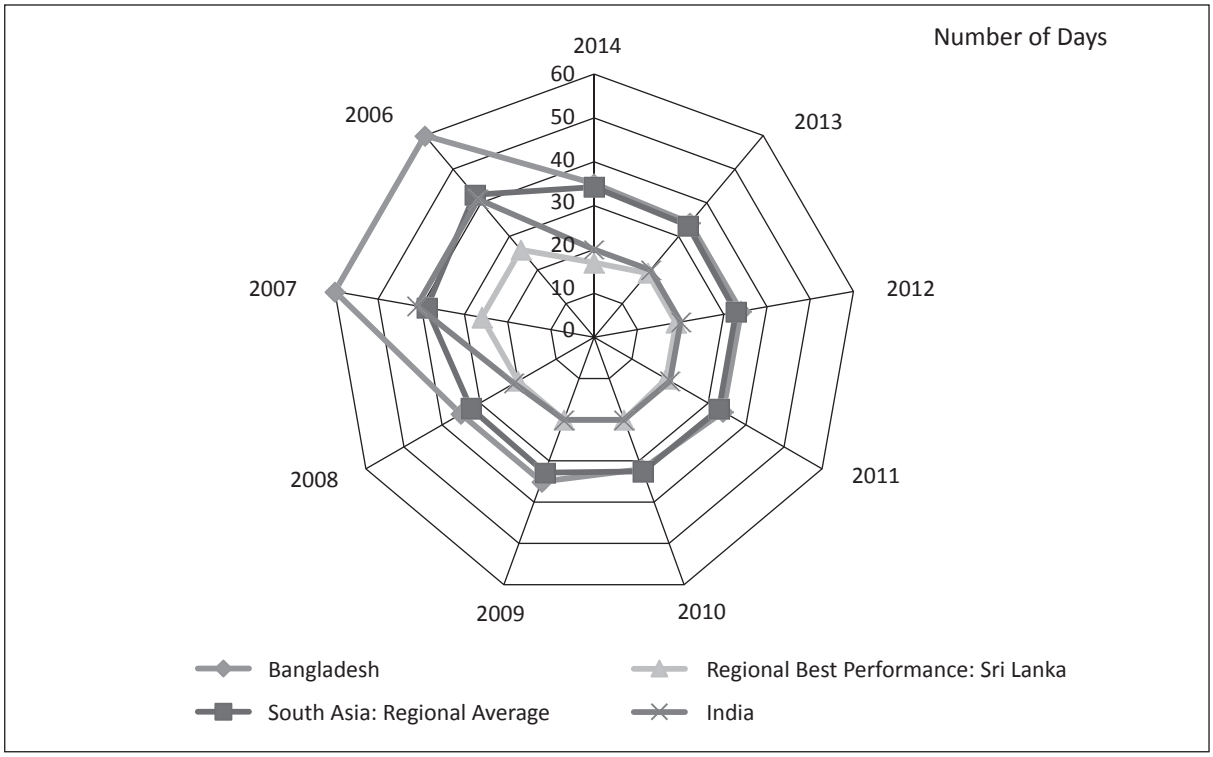


Source: World Bank (2014a).

and 2014. Though Bangladesh performs better than the regional average, it 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.

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 4). However, this is still below the regional best performance.

Figure 4: Time to Import for Bangladesh and Other Countries: 2006-2014



Source: World Bank (2014a).

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 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 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.

Table 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

(Table 7 contd.)

[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.

(Table 7 contd.)

Indicator	Bangladesh	India	Nepal	Vietnam	South Asia Region	Low-Income Countries	OECD Countries
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 inspection (%)	7	8	10	7	7	20	2

Source: World Bank (2014c).

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 8). Bangladesh performed better than other SAARC countries except 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).

Table 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).

[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 sub-index, border administration sub-index, transport and communications sub-index, and the business environment sub-index.

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

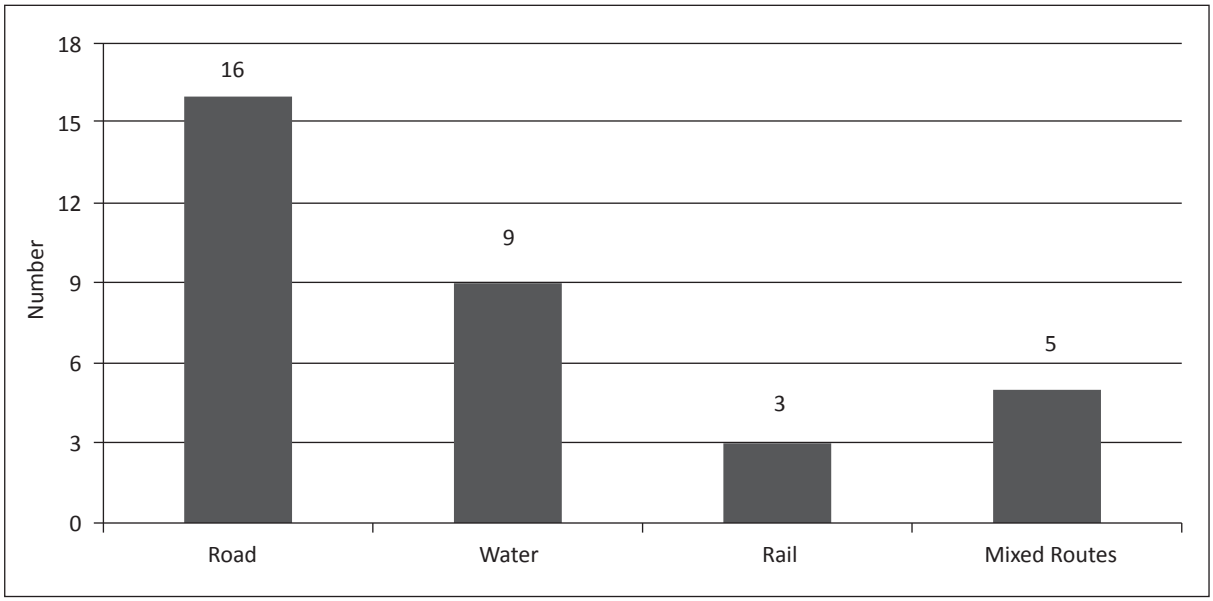
As various reports on rankings would bear out, over the recent past years Bangladesh has indeed been able to post improvements in terms of some of the important indicators. However, performances of many of its comparators and competitors have been better, while Vietnam advanced 19 steps in the ETI ranking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

5. MAIN TRADE ROUTES AND CORRIDORS OF BANGLADESH

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 takes 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 5).

Figure 5: Number of Active Land Customs Stations



Source: NBR (2013).

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 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 9 provides a detailed description of the customs stations which have higher significance for trade between Bangladesh and SAARC countries.

Table 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 Route (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: VAT: Value added tax.

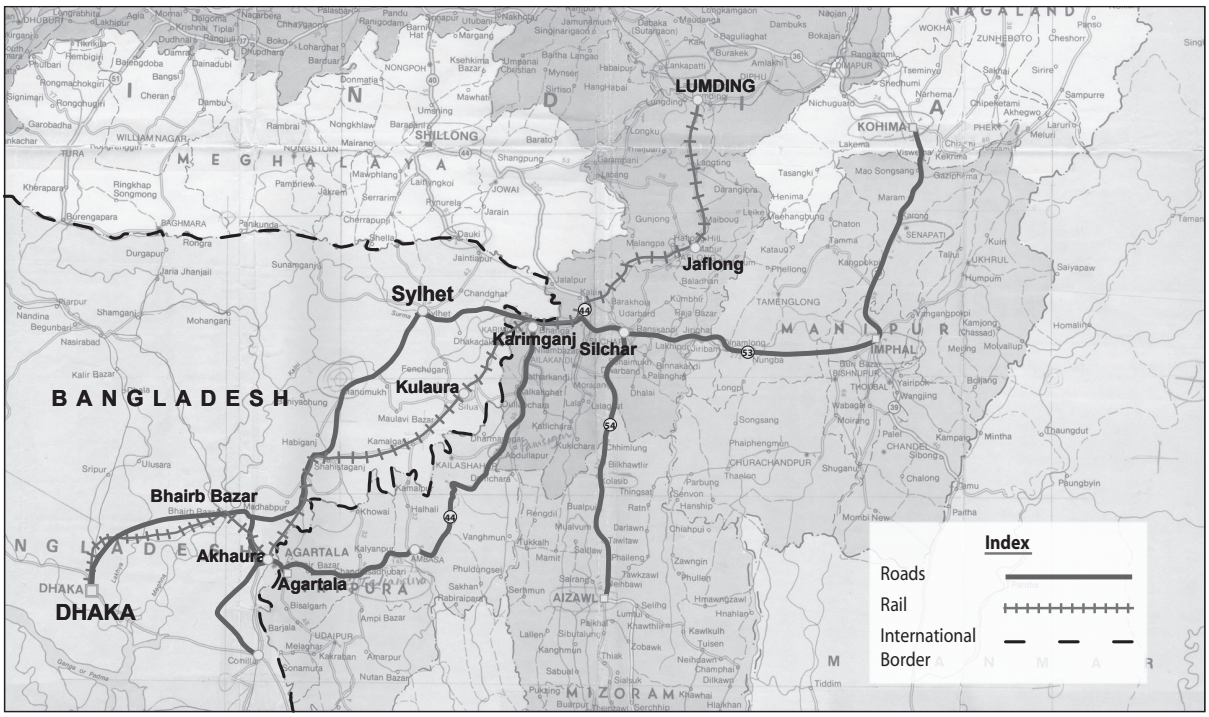
Bangladesh allows export of all items using these customs points but maintains specific lists for which imports are allowed through different land customs points.

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 core 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 the committee's 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 its 'Seven Sisters' states: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Map 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 its 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.

Map 1: Bangladesh and North-East Indian States



Source: Rahmatullah (2013).

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 to use seaports and airports in Bangladesh along with five additional LCSs as have been proposed under the protocol on transit. Bangladesh in its 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.

5.2 Seaports and Shipping

In most countries with access to sea, shipping plays an important role for promoting trading activities. Of the two seaports of the country, Chittagong and Mongla, the former is by far the most important one. The Chittagong Seaport handles over 90 per cent of the country's external trade. Table 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 river is also restricted by the city boundaries whereas land is available on the South bank, but is constrained by poor connectivity.

Table 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).

Mongla Port handled 2.5 million metric tonnes of cargo in 2012 and 0.7 million metric tonnes of cargo in 2013 (up to September). The port handled 235 ships in 2012 and 59 ships up to September, 2013. It is important to mention here that lack of specialised container-handling equipments, 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 PPP. According to the Ministry of Shipping, the new seaport will handle deep draft sea-going vessels (8 m to 10 m). The project will be implemented by 2020.

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 Fulbari-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

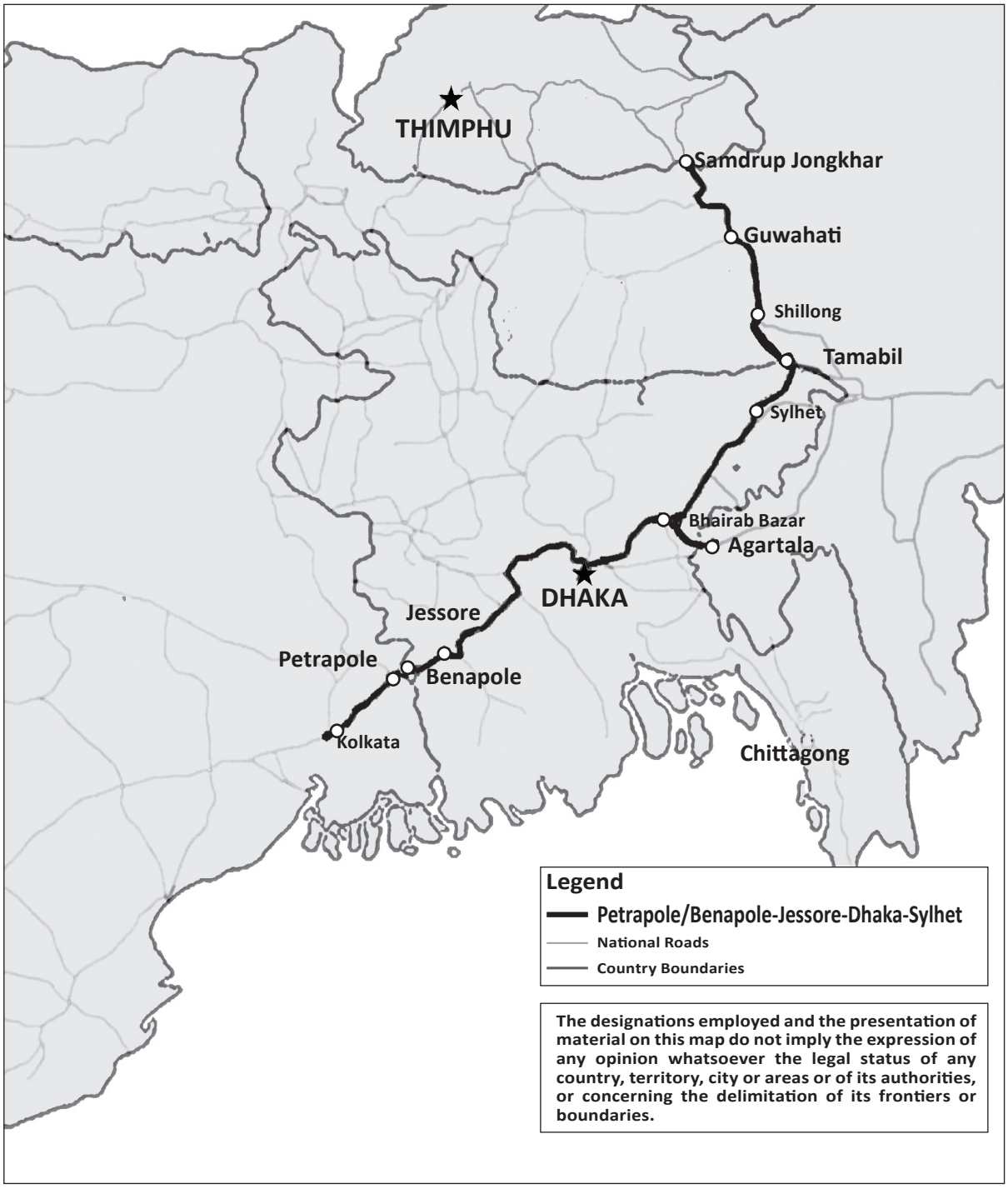
Fulbari-Banglabandha corridor connects Bangladesh with Nepal through India, and has the potential to provide access to Bangladesh to enter landlocked Nepal. According to the ADB (2012b), the total length of the corridor is 1,152 km (Kathmandu to Dhaka). The corridor uses the Prithbi Highway and the East-West 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 Fulbari-Banglabandha Port bordering India and Bangladesh. Table 11 shows the major road corridors between Bangladesh and South Asian countries.

Table 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); Fulbari (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).

Map 2: Petrapole-Benapole-Jessore-Dhaka (via Road Ferry)-Bhairab Bazar-Sylhet-Tamabil (with a Link to Agartala) Corridor



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 2). The Samdrup Jongkhar corridor also allows Bangladesh to establish connectivity with Bhutan.

Rahmatullah (2009) estimates that savings in travel distance would be about 60 per cent of the current distance 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. 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.

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.

Lahore-Delhi-Kolkata-Dhaka-Imphal (2,830 km) rail corridor 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.

5.5 Inland Water Transport (IWT) Corridors

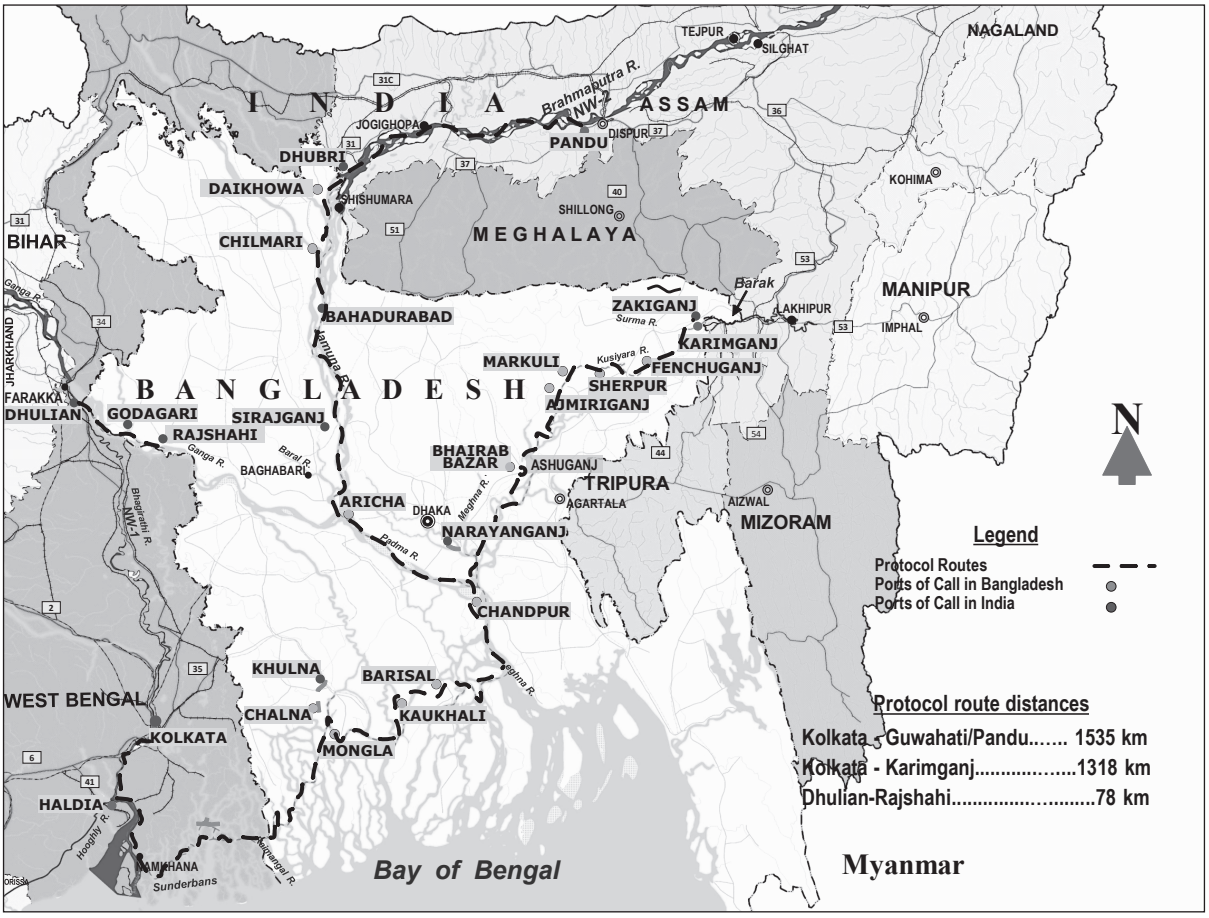
Water transport is considered to be the cheapest mode of transport in terms of costs/km for freight. A number of inland waterway corridors were identified in a number of studies. SAARC Secretariat (2006) identified four existing and potential IWT corridors:

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, was 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 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.

Map 3: Protocol on Inland Water Transit and Trade Routes between Bangaldesh and India



Source: BIWTA (2013).

Under the protocol, each country permits the vessels of the other country to utilise all available cranes and other handling facilities on the same terms and conditions as are applicable to local vessels.[13] Four of the priority routes under the protocol are listed below:

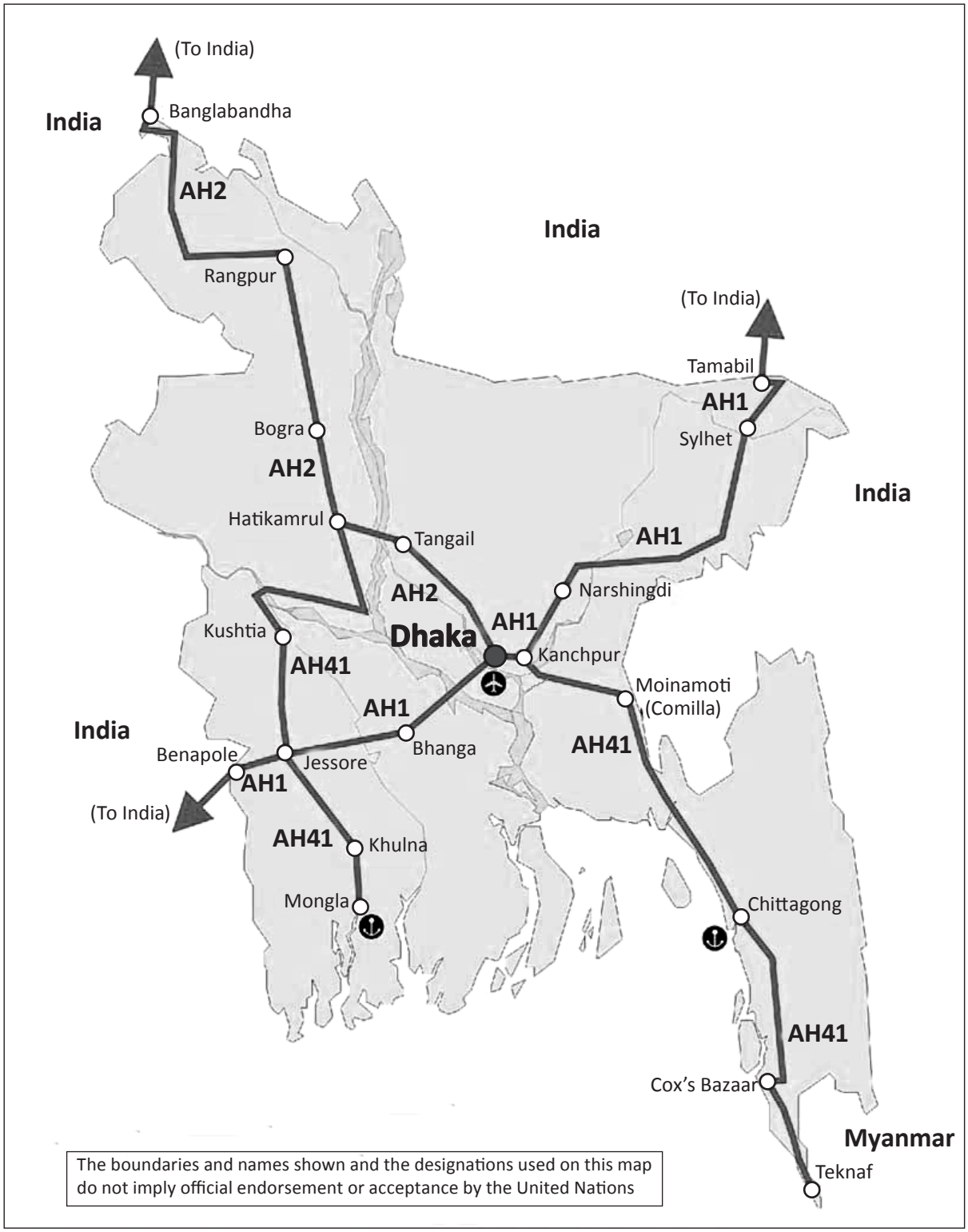
a) Kolkata-Chandpur-Pandu-Silghat-Kolkata
b) Kolkata-Chandpur-Karimganj-Kolkata
c) Silghat-Pandu-Ashuganj-Karimganj-Pandu-Silghat
d) Rajshahi-Dhulian-Rajshahi

[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.

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 through three routes, AH1, AH2 and AH41 (Map 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 4: Asian Highway Routes in Bangladesh



Source: ESCAP (2013).

6. ONGOING ACTIVITIES RELATING TO TRADE FACILITATION

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 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.

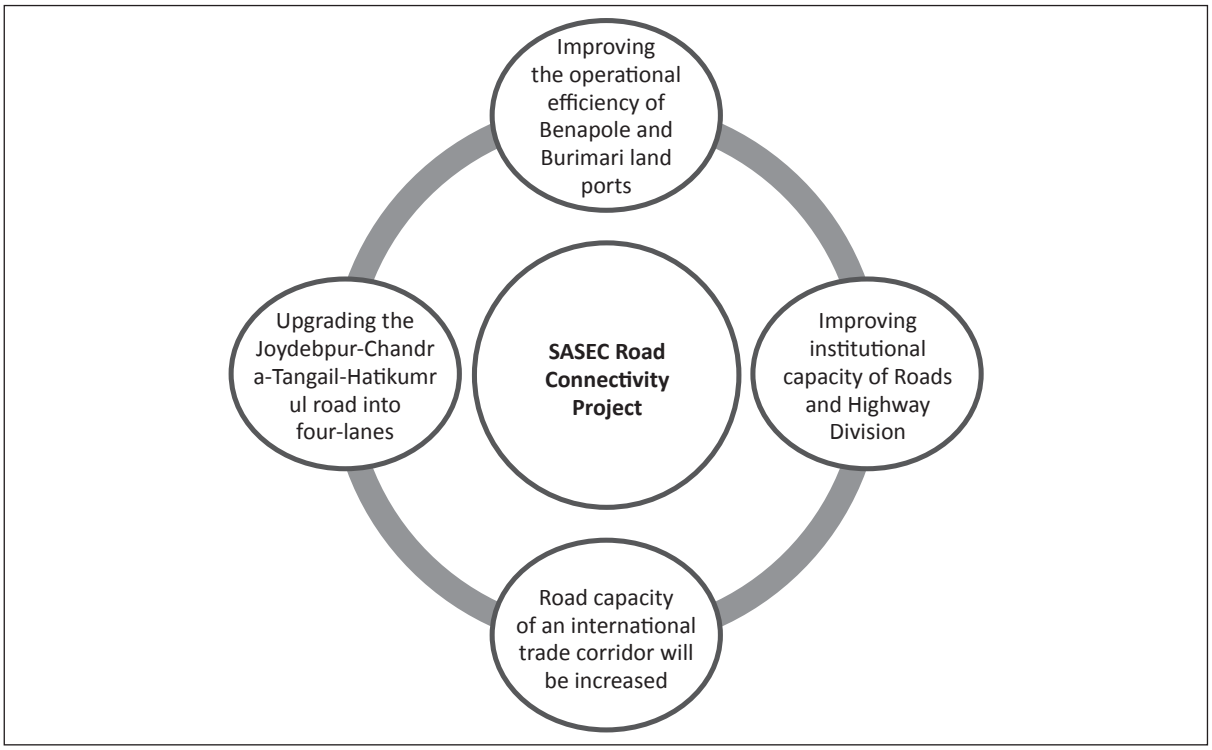
Table 12: Trade Facilitation Projects Undertaken by the Bangladesh Land Port Authority

Name of the Project	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 SASEC (South Asia Subregional Economic Cooperation) 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).

Diagram 1: Outcomes of the SASEC Road Connectivity Project



Source: ADB (2013).

[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.

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 13 shows recent works of land port development and road connectivity.

Table 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.

6.2 Railway Infrastructure

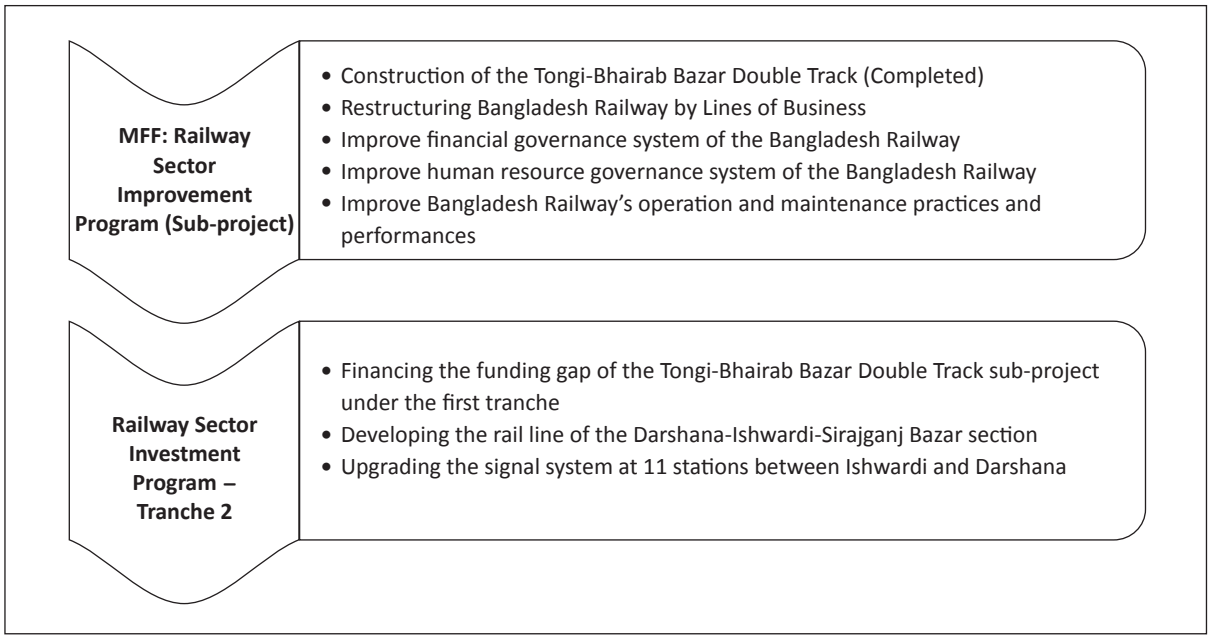
Under the SASEC project, ADB has financed Bangladesh/MFF-Railway Sector Investment Program for restructuring of Bangladesh Railway through development of lines of business, improvement of financial governance, and strengthening of human resources (Diagram 2). The total cost of the programme is USD 162.5 million (Table 14).[17] Of this, USD 100 million was allocated for an infrastructure

[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 which are typically households in the off-grid areas.

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

Diagram 2: Description of the SASEC Projects in the Railway Sector



Source: ADB (2013).

Table 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).

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 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.

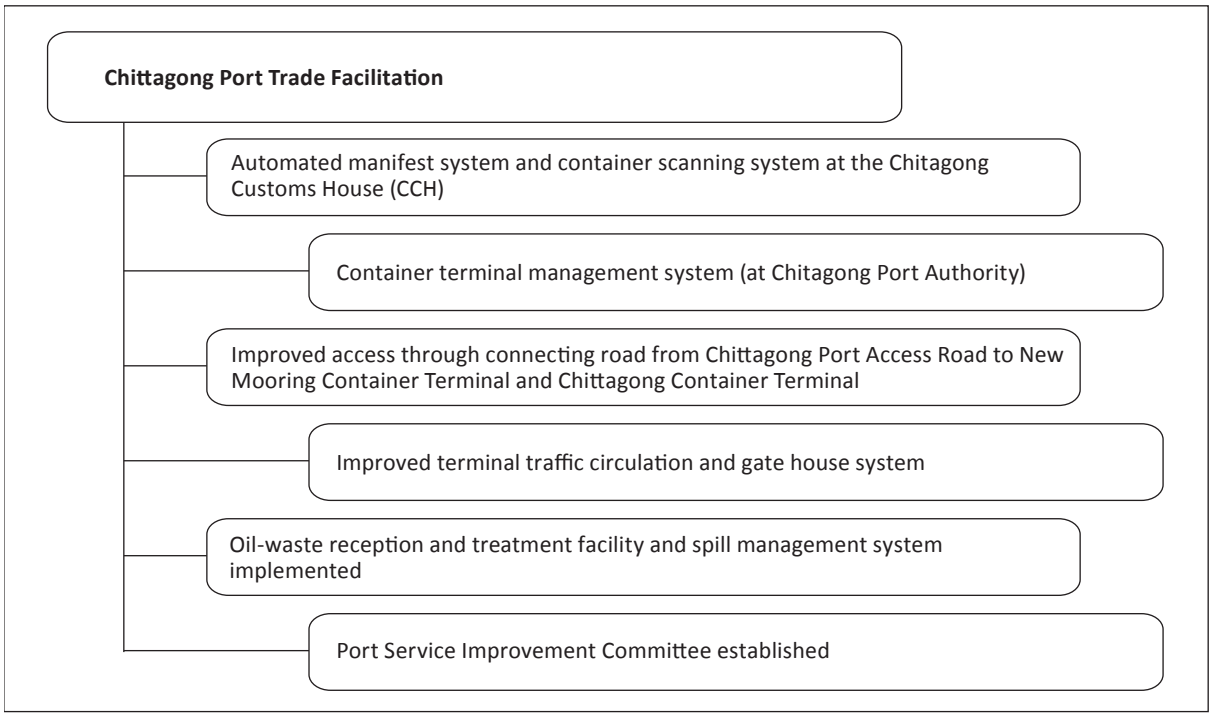
Renovation of the rail line from Kulaura to Shahbazpur will be undertaken with the help of the LoC. As is known, Shahbazpur is a bordering area with India. The abandoned 40 km long meter-gauge line between Kulaura and Shabazpur will be converted into a broad-gauge which will enable transportation of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

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 port security and to ensure high environmental standards. Diagram 3 shows the major outcomes of the Chittagong Trade Facilitation project. This project is

Diagram 3: Chittagong Port Trade Facilitation Project Outcomes



Source: ADB (2013).

[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.

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 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 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 15 shows major projects related to port development.

Table 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).

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.

[20]According to the 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.

[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.

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.

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 systems were first introduced in Dhaka and Chittagong customs.[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 16.

Table 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
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: Compilation by authors.[25]

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

[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.

[24]ASYCUDA is computerised customs management system developed by the 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.

[25]See Mozumder *et al*. (2012), Kumar and Mukherjee (2006) and Hossian *et al*. (2009).

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 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.[26] 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.

Table 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.

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, 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 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 equipment for testing and metrology laboratories, procurement of vehicles for market verification, inspection and for setting up mobile courts.

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

Table 18: Major Projects to Strengthen and Modernise the BSTI

Project Name	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 Equipment 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)

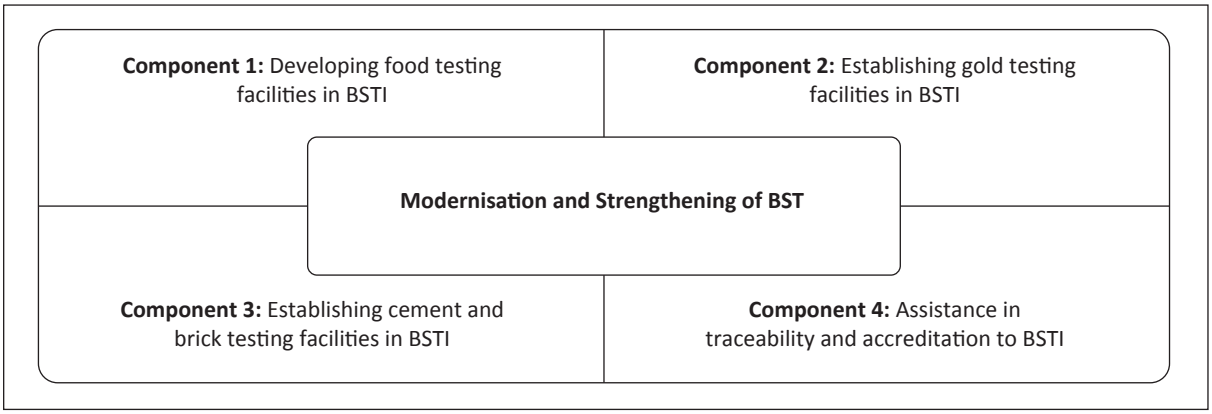
Source: BSTI (2013).

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.[27] 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 Development and Implementation of Energy Standards and Labeling (BRESL).[28] 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 4.

Diagram 4: Modernisation and Strengthening of BSTI



Source: BSTI (2013).

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] Total cost of the project is USD 3.34 million.

[28] 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

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 19 outlines the brief information about the pilot project for Single Window.

Table 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.

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.

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 20). The projects relate to conducting feasibility studies, undertaking detailed design, procurement assistance and safeguard implementation.

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.

Table 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 (RCI) transport projects in roads and railways and ensuring implementation of the projects

Source: ADB (2013).

6.9 Trade Policy Support Programme

Trade Policy Support Program, 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 21). This programme also supports EPB to automate the Generalized System of Preferences (GSP) system and seeks to establish an online information checking system.

Table 21: Trade Policy Support Programme

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

Source: Bangladesh Trade Policy Support Programme (2013).

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.

7. CONCLUDING REMARKS

The preceding sections 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 it already has in place, which it plans to undertake within the stipulated time, and those trade facilitation measures for which it will need technical and financial assistance from the WTO and other organisations. The information presented in this paper will help Bangladesh in addressing its regional and global obligations and identifying the activities for which it 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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