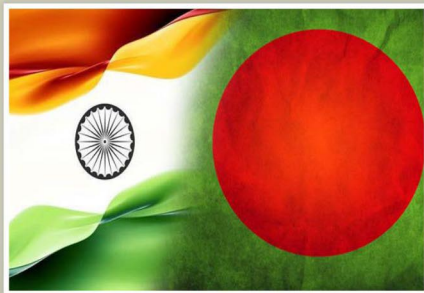


Assessment of Bangladesh-India Trade Potentiality

*Need for Cross-Border Transport
Facilitation & Mutual Recognition
of Standards*



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Finally, any error that may have remained in the study is our responsibility. Our interventions to enhance the current and future discourse on India's development objectives especially in the domain of international trade with a focus on South Asian countries will continue in the future.

Abbreviations

| | |
|---------|---|
| ACCSQ: | ASEAN Consultative Committee for Standards and Quality |
| ACP: | African, Caribbean and Pacific |
| ACTD: | ASEAN Technical Dossiers |
| ACTR: | ASEAN Common Technical Requirement |
| ADB: | Asian Development Bank |
| AfT: | Aid for Trade |
| AMN: | Mercosur Association for Standardisation |
| APLAC: | Asia Pacific Laboratory Accreditation Co-operation |
| APO: | Asian Productivity Organisation |
| APTTA: | Afghanistan-Pakistan Transit Trade Agreement |
| ARTNeT: | Asia-Pacific Research and Training Network on Trade |
| ASEAN: | Association of South-East Asian Nations |
| BBIN: | Bangladesh, Bhutan, India and Nepal |
| BIS: | Bureau of Indian Standards |
| BRTA: | Bangladesh Road Transport Authority |
| CBI: | Cross Border Initiative |
| CEMAC: | Central African Economic and Monetary Union |
| CILSS: | Committee on Drought Control in the Sahel |
| CIS: | Commonwealth of Independent States |
| CIWTCL: | Central Inland Water Corporation Limited |
| CMG: | Common Market Group |
| COMESA: | Common Market for Eastern and Southern Africa |
| CPD: | Centre for Policy Dialogue |
| CSSS: | Community of Sahel-Saharan States |
| EAC: | East African Cooperation |
| EAS: | European Advisory Services |
| ECCAS: | Economic Community of Central African States |
| ECO: | Economic Cooperation Organisation |
| EPAs: | Economic Partnership Agreements |
| EPB: | Export Promotion Bureau |
| ESCAP: | Economic and Social Commission for Asia and the Pacific |
| FICCI: | Federation of Indian Chamber of Commerce and Industry |
| FSC: | Free Sale Certificate |
| FSSAI: | Food Safety and Standards Authority of India |
| FTA: | Free Trade Area |
| GATT: | General Agreement on Tariffs and Trade |
| GMS: | Greater Mekong Sub-region |
| GSP: | Generalised Scheme of Preferences |
| HS: | Harmonised System |
| ICPs: | Integrated Check Posts |
| ICRIER: | Indian Council for Research on International Economic Relations |
| ICTSD: | International Centre for Trade and Sustainable Development |
| IDSa: | Institute for Defence Studies and Analyses |
| IGAD: | Inter-Governmental Authority for Development |

| | |
|----------|--|
| ILAC: | International Laboratory Accreditation Co-operation |
| IOC: | Indian Ocean Commission |
| IPCS: | Institute of Peace and Conflict Studies |
| IPPC: | International Plant Protection Convention |
| IRU: | International Road Transport Union |
| ISO: | International Organization for Standardisation |
| ITEC: | Indian Technical & Economic Cooperation Programme |
| IWAI: | Inland Waterways Authority of India |
| JRC: | Joint Rivers Commission |
| LCS: | Land Custom Station |
| LDCs: | Least-Developed Countries |
| MLA: | Multilateral Arrangement |
| MRAs: | Mutual Recognition Arrangements |
| MTR: | Mercosur Technical Regulations |
| MVA: | Motor Vehicles Agreement |
| NABL: | National Accreditation Board for Testing and Calibration Laboratories |
| NAFTA: | North American Free Trade Agreement |
| NABCB: | National Accreditation Board for Certification Bodies |
| NCAER: | National Council of Applied Economic Research |
| NTBs: | Non Tariff Barriers |
| NTMs: | Non Tariff Measures |
| NTPC: | National Thermal Power Corporation, |
| OIE: | World Organization for Animal Health |
| OSBP: | One-Stop Border Post |
| PSUs: | Primary Sampling Units |
| PTMs: | Para Tariff Measures |
| QCI: | Quality Council of India |
| RASFF: | Rapid Alert System for Food and Feed |
| RCEP: | Regional Comprehensive Economic Partnership |
| RIS: | Research and Information System for Developing Countries |
| RTAs: | Regional Trade Agreements |
| SAARC: | South Asian Association for Regional Cooperation |
| SACEPS: | South Asia Centre for Policy Studies |
| SACU: | Southern African Customs Union |
| SADC: | Southern African Development Community |
| SAFTA: | South Asian Free Trade Area |
| SAPTA: | SAARC Preferential Trading Arrangement |
| SARSO: | South Asia Regional Standards Organisation |
| SPS: | Sanitary and Phyto-sanitary |
| SRMTS: | SAARC Regional Multimodal Transport Study |
| SSA: | Sub Saharan Africa |
| TBTs: | Technical Barriers to Trade |
| TGA: | Therapeutic Goods Administration |
| TIPI-BM: | Turkey–Iran–Pakistan–India–Bangladesh–Myanmar |
| TPP: | Trans Pacific Partnership |
| TTIP: | Trans-Atlantic Trade and Investment Partnership |
| UNECE: | United Nations Economic Commission for Europe |
| UNESCAP: | United Nations Economic and Social Commission for Asia and the Pacific |
| VAT: | Value Added Tax |
| WAEMU: | West African Economic and Monetary Union |
| WTO: | World Trade Organisation |

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Foreword

Notwithstanding many challenges, the destiny of all South Asian countries, big or small, lies in greater regional cooperation. No country can prosper in a poor neighborhood; no country can be secure in an insecure neighborhood. That South Asian countries are least integrated of all other regions in the continent is well known: intra-regional trade accounts for slightly over five per cent of total trade of the region, compared to say, East Asia which trades almost 55 per cent of its total global trade within itself.

In recent years, however, the pace of regional cooperation in South Asia has improved. From only a South Asian Preferential Trading Arrangement (SAPTA) agreed in 1993, the region moved to a South Asian Free Trade Area (SAFTA) in 2006. There is now greater political will to cooperate and indeed at the 18th SAARC Summit in 2014, regional leaders even dared to articulate an aspiration to form a South Asian Economic Union, the overall objective of which is to ensure its transformation into a peaceful, stable, and prosperous region.

While such moves and commitments at the highest political levels are undoubtedly encouraging, it is important to recognise that greater regional cooperation and integration will happen one step at a time. And, among others, enhancing trade between neighbours is an important measure.

Given their long common border, close economic complementarities, historic, ethnic and cultural ties, India Bangladesh offer an exciting proposition. The potential of their mutually beneficial and reinforcing relationships is significantly enhanced considering that Bangladesh is India's main gateway into Myanmar and then onto the rest of South East Asia.

Though India Bangladesh two-way trade has grown consistently, at over six per cent annually, over the last decade, it still accounts for a miniscule portion (less than 0.5 per cent) of the total trade of the two countries. And, the potential for enhanced trade is huge given the sizes of the markets and the complementarity of the basket of goods (agricultural, fisheries, textiles, machinery, services for example) and services the countries could trade in.

There is considerable convergence at the political and the policymakers' level in both countries to see such potential being realised. This is very important, welcome and a necessary (though not sufficient) condition for greater trade and cooperation between the two countries.

This study by CUTS International, a reputed non-governmental think-tank, is a very timely contribution with the basic message "that while the spirit is willing, the flesh is weak". It cogently argues that non-tariff barriers (NTBs) are the principal constraints to increased trade and systematically lays out how they may be addressed. By some estimates, such NTBs account for over 85 per cent of the hurdles to increased formal trade between the two countries.

In painstaking details, CUTS identified these constraints. Inadequate physical infrastructure (poor roads and land connectivity), long delays at the border due to capacity constraints, cumbersome customs clearance procedures, corruption, lack of trade facilitation measures, absence of regional transit arrangements, inappropriate application of standards are among the most pressing ones. Included in these are non-physical barriers (factors such as like restrictive visa requirements, difficult border-crossing formalities and procedures for goods, vehicles and drivers, restrictions on entry of motor vehicles, etc. which exacerbate the situation greatly.

Relieving all or some of these constraints would greatly enhance trade formal trade between the countries and by the same token reduce the incentives for informal trade which is currently (and not unsurprisingly) not insignificant.

But, the authors go beyond just identifying a long litany of constraints. While that by itself is very useful, they go a very important step ahead. They take a very pragmatic view and suggest that of this long list, two need immediate attention. These have to do with enhanced transportation facilitation and harmonisation of standards.

Streamlined motor vehicle entry and exit through signing a Motor Vehicle Agreement ,for example, would greatly facilitate cross border movement of goods, people and services.

Harmonisation, clarification and indeed simplification of sanitary and phyto-sanitary (SPS) standards would be another big help, particularly for Bangladesh's exports to India.

I commend this study to a wide readership: policy makers, academics and practitioners. The authors have been able to take a macro view to encapsulate the broader and larger issues affecting India Bangladesh trade and then seamlessly dive into the critical ground constraints giving credence to another adage: "the devil is indeed in the details".

Rajat M Nag

Fellow, National Council of Applied Economic Research and
Former Managing Director-General, Asian Development Bank

Preface

India and Bangladesh share cultural, historical and linguistic commonalities with each other, having been one country before 1947. However the economic ties in terms of their bilateral trade have been weak despite the mutually advantageous positions enjoyed by both of them. Therefore and given the present era of growing competition, it is important for them to make collective efforts towards promoting greater economic integration by adopting a broader trade connectivity framework.

Both India and Bangladesh have a joint responsibility of further liberalising their respective trade regimes by initiating a number of progressive reforms such as mutual recognition of standards and related certifications, quick disposal of standard related matters, transport facilitation, etc.

The attitude of the principal political actors must also undergo changes. Though there is a regulatory framework in place to address the concerns of different stakeholders from both sides of the border, the faulty implementation process and lack of political will has adversely impacted the economic well-being of both the countries.

It has been estimated that their bilateral trade potential could almost double by 2018 in the absence of different trade irritants. As pointed out in this study, initiatives like improving transport and transit infrastructure, mutual recognition of standards, etc. are capable of yielding substantial benefits to both economies.

Furthermore, it is indeed important for India to boost its bilateral trade with Bangladesh in order to address security issues in its landlocked North Eastern states. Several political and executive visits across the border in the recent past – signalling positive attitude towards improving bilateral relations – would definitely result in a fair amount of surge in bilateral trade.

However, that will depend on how successful the two countries are in addressing issues relating to trade-related transport bottlenecks and standards. This study focusses on them. First, in the absence of proper transport facilities, transshipment of consignments at the border points makes the process time consuming and a costly affair. Transit facilitation in terms of ensuring seamless movements of goods across the borders can be achieved by scrapping the transshipment part.

The recently signed Motor Vehicles Agreement among Bangladesh, Bhutan, India, and Nepal has been designed to be able to do away with obstructions hampering corridor efficiency in order to make economic exchange across the border smooth and hassle free.

Secondly, existing trade potential can be better realised by harmonising their standards regimes. Mutual recognition of standards is important to ensure that the consumer benefits from trade are given utmost priority. The newly formed South Asian Regional Standard Organisation is responsible for harmonising standard and conformity assessment procedures across South Asia.

This study has assessed what needs to be done for addressing transport-related infrastructural bottlenecks and for harmonising standard-related measures for the betterment of cross border trade. It points out the importance of bringing the public and private actors together and leveraging their capacities and efficiency to strengthen bilateral trade and economic cooperation.

The findings of this study have thrown light on the key challenges of bilateral trade between India and Bangladesh. It will be widely disseminated and its recommendations will be taken to various levels so that they are suitably incorporated within the policy and administrative framework to address the existing bottlenecks hindering the enhancement of bilateral trade.

I thank my colleagues who have worked on this study, for their good work and dedication towards this cause.

Pradeep S Mehta
Secretary General
CUTS International

Executive Summary

Introduction

India shares its largest international border of around 4096 km with its neighbour Bangladesh. These two nations are tied together by strong historical, cultural and linguistic connections. However, even though Bangladesh is the largest trading partner of India within the SAARC countries, economic cooperation and integration between the countries has hardly reached the estimated potential. It is needless to say that enhancing this relationship will be beneficial for both the countries. The continuous financial support and technical assistance offered by India indicates a cordial relationship between these neighbours. With the growing political will and agreement towards strengthening of economic, cultural and historical ties between the two nations, a significant upswing in trade relations is expected to follow suit.

According to a CUTS study, it is estimated that with liberalised tariff and non-tariff measures in India-Bangladesh bilateral trade, both countries can save up to US\$1mn. Since 2005, the rate of growth experienced in bilateral trade between India and Bangladesh has been six per cent. While the large volume of informal trade happening along the porous India-Bangladesh border, bypassing the customs stations, is a major concern of both the governments, it is also widely agreed that existing hurdles to formal trade often create incentives for informal trade.

According to a study report by the Asian Development Bank, non-tariff barriers (NTBs) account for an overwhelming 86 per cent of all such hurdles related to formal trade between two countries in question. Figuring out the existing hurdles, issues and addressing them subsequently will help in promoting legal bilateral trade between India and Bangladesh.

For India, trade and connectivity with Bangladesh is particularly crucial, among other things, to ensure socio-economic development of the landlocked North Eastern states of India. Similarly for Bangladesh, better economic cooperation and integration with India is crucial for access to the huge market that India is and also to other parts of South Asia and Central Asia through India. Hence, for both the countries in question, increase in connectivity and trade would lead to substantial increase in welfare outcomes.

In terms of enhancing connectivity, India and Bangladesh have been negotiating on the draft of a bilateral motor vehicles agreement for a rather longish period. A proposed SAARC regional motor vehicles agreement was drafted and expected to be signed during the 17th SAARC Summit held in Kathmandu, Nepal, in November 2014. Unfortunately unanimous agreement could not be reached among the SAARC member countries and the agreement was not signed. However, in the more recent times, given the changed political scenario in many countries of the Indo-Pacific region of South and Southeast Asia, a higher buy-in and push for greater trade and investment connectivity in the region is palpable.

This is particularly palpable in the eastern sub-region of South Asia, involving Bangladesh, Bhutan, India and Nepal (BBIN). There are very high chances that the four countries will ink a motor vehicle agreement amongst themselves to provide a push to sub-regional connectivity and integration. Such developments have opened up the possibilities that were thought to be distant dreams in the recent past, given the slow movement of negotiations on regional integration in South Asia.

It is, therefore, important to engage with possible issues that may pose hurdles to connectivity and economic integration in the region and particularly between India and Bangladesh, given that greater connectivity between these two countries has the potential to substantially enhance economic gains for the whole sub-region.

Barriers to Bilateral Trade between India and Bangladesh

Statistics shows that most of the ongoing trade (approx. 70 per cent) between India and Bangladesh is happening through land route due to natural advantage and lower costs that it involves. However, infrastructure and regulatory bottlenecks pose many a hurdle to bilateral trade between the countries. Further to this, non-harmonised standards in the region, poor services at the Land Customs Stations (LCS), inadequate banking facilities and restrictions on opening new branches across border, difference in working hours etc. also hinder trade competitiveness and economic growth of both nations.

A lengthy process of laboratory testing with multiple authorities in some cases, producing pre-shipment certificates and other documents to prove compliance with the given norms, customs clearance document, transshipment at the border point etc. result in unnecessary delay and cost escalations, ultimately reducing trade volumes.

From amongst the number of factors impeding legal trade across the border, CUTS has identified two major factors namely, lack of transport facilitation and dissimilar standards. The present study looks at these two factors to understand the pertinent issues, possible solutions and also attempts to assess expected socio-economic gain that could accrue to the countries by addressing these concerns.

Transport Bottleneck

Owing to inefficient practices regarding cross border movement and transit, the bilateral trade between India and Bangladesh becomes a costly affair. The pattern of cargo movement across the border increases the time consumed and cost incurred in the process. The absence of effective transportation corridors and transit arrangements between two countries translates into transshipment of all consignments at the border limiting the scope for an uninterrupted and hence lower cost transportation mechanism. It is observed that in absence of enabling measures, infrastructure and procedures, the average time consumed by cross-border trade process varies from 5-7 days to 15-20 days across different land custom stations between India and Bangladesh

Issues related to Non-harmonised Standards

Non harmonised standards are widely accepted as one of the major impediments to global trade. This is particularly pronounced in case of plant, animal, plant-based and animal-based products. Agricultural and primary products constitute the major part of the diverse range of items traded between India and Bangladesh. All such commodities need to be tested and certified by the concerned authorities to safeguard the safety and wellbeing of human, plant and animal life of the respective country. However, such measures often come in conflict with the mandate of trade facilitation between these two countries.

It was noted during the study that there are already existing agreements and MoUs between Bureau of Indian Standards (BIS) and its counterpart in Bangladesh, Bangladesh Standards and Testing Institution (BSTI). However, the volatile nature of policy regime and increasing concern over consumer safety require a more concrete framework on standard related measures. Stringent laws at either side of the border further complicate things; e.g. inability of an importer to produce a Pre-shipment Inspection (PSI) Certificate issued by the country of origin, requires fresh lab testing by the notified agencies in India. Lack of clarity and transparency about Sanitary and Phyto-sanitary (SPS) measures

implemented by central authorities in India and Bangladesh affects the bilateral trade scenario. The formation of South Asian Regional Standards Organization (SARSO), with mandate of developing regional standards and promote mutual agreements on conformity assessment procedures, has been a very positive development in this regard. However, SARSO is still a little known entity across the region and a lot needs to be done before the benefit of having a regional standard organisation can be felt at the ground level. Also, any conflict between regulations designed by national authorities and regional entities can lead to substantial confusion at the working level and also create policy deadlocks.

It is, therefore, necessary to push regional standards and authorities on one hand and also mould national regulations and authorities so that there is coordination and synergy between the two leading to trade facilitation without jeopardising national safety.

Way Forward

With the Eastern South Asia gaining political and economic importance in the recent times, regional cooperation has become even more crucial. It however requires active participation from each stakeholder group, positive political will and enabling trade facilitation measures by the governments concerned.

Overall, while there is traction and positive political will for cooperation on both transport-transit facilitation and standards, immediate results can be expected on transport-transit facilitation in terms of at least putting in place a framework which could be followed by protocols and implementation strategies that are to be developed and fine-tuned through further negotiations and dialogues. Cooperation on standards might take more time given the present capacity of national institutions, private players and related government agencies. Also standards being technical in nature, ratification of regional standards or Mutual Recognition Arrangements (MRAs) between countries in the region will be time-consuming. Nonetheless, there seems to be a definite positive political will towards both at present.

Of late, India and Bangladesh have come closer in terms of political will and that has had impact on the entire sub-region comprising of Bangladesh, Bhutan India and Nepal (BBIN). India's Look East Policy which has been in existence since the Nineties has recently gathered a lot of steam with the thrust on "Act East".

The BBIN countries are expected to sign a Motor Vehicle Agreement in 2015 in order to achieve seamless movement of passengers, cargo and personal vehicles between the countries. It is indeed capable of becoming a key policy instrument resulting into increased regional trade. The proposed agreement will have a separate provision for other SAARC member nations to join the charter afterwards. However, the policymakers need to be cognizant of possible hurdles and concerns of such a policy. This is because of the fact that for such agreements to be fruitful, it will be imperative to bring clarity on many issues, some of which are as below:

- Unanimously agreed upon transit protocols documents and charges, as also routes and locations (for parking, unloading-loading, etc in all the countries)
- Clarity and consensus on the kinds of vehicles (size, etc.) that will be allowed to ply across the countries, since vehicular regulations and also carrying capacity of roads vary across countries.
- Clarity regarding alignment and interactions of domestic policies and regulations with regional policies and regulations and how clashes are to be dealt with.
- Putting appropriate infrastructure in place (container loading-unloading facilities, scanners at ports, etc.) and also the source for funding of such infrastructure development.
- Addressing concerns to insurance of goods and property in transit including creation/capacity of relevant agencies, networks, etc. and also issues with non-harmonised national regulations on these subjects/sectors.
- Ensuring availability (land acquisition issues) and earmarking locations of appropriate infrastructure (warehouses) and basic amenities (parking, restrooms, etc.) on the selected routes and highways.

- Capacity of agencies and officials to follow, interpret and implement regional regulations/policies and also their interactions with domestic regulations/policies.

On the issue of standards and their non-harmonised status across borders, it may be pertinent to gradually aspire towards conforming to standards set by existing regional agreements. In the backdrop of emerging regional treaties and trade blocs (such as TPP, TIPP and RCEP), such a move is expected to solve many other problems including trade diversion and loss of market. Looking at it from a more bilateral point of view, mutual recognition of testing certificates, accreditation of laboratories by internationally accepted agencies, and related capacity building will be beneficial. It will also be equally important to promote SARSO among various stakeholders such as private players, government officials and the consumers.

As a long term strategy, it is important for the national standards/regulations to increasingly align with the international/regional standards. Alongside it will be crucial to ensure that national agencies and players are exposed to relevant good practices and are capacitated enough so as to make that quantum leap. SARSO can help by developing regional standards that are aligned to international standards and also by pushing for MRAs between the countries involved, including India and Bangladesh. SARSO can take a leaf out of the experience of the ASEAN Consultative Committee for Standards and Quality (ACCSQ) which has also been very active in making mutual recognition of standard a reality between the ASEAN member states through several MRAs.

It is, therefore, important to improve and align regional and domestic regulations and standards to international levels, strengthen the ambit and scope of institutions and stakeholders involved in order to enable them to participate and also learn from experiences of rest of the world while designing and implementing a roadmap towards harmonisation and mutual recognition of standards in Eastern South Asia sub-region, of which India and Bangladesh are two very important members.

Recommendations

There exists a lot of positive will towards a higher economic integration in the region across different stakeholder categories. It is important to harness the same through appropriate policy and practice changes. With very recent developments along the eastern sides in terms of land swap deal with Bangladesh, the political will seems to be gearing up for a conducive environment to pitch for higher cooperation and integration.

With this backdrop, the present study has listed a few relevant policy recommendations towards better connectivity and economic integration between India and Bangladesh in particular and also overall for the sub-region of Eastern South Asia.

- Successful implementation of SAARC Multimodal Transport Agreement with member countries ensuring that the implementation framework of regional agreements are more practical and pragmatic
- Push for such sub-regional cooperation, particularly in Eastern South Asia/BBIN to pave the path for regional cooperation.
- Finalising transit protocols, documents and charges through dialogues and deliberations involving all relevant member nations (emphasis on BBIN).
- Alignment of domestic/national policies with regional policies and regulations and empowering and capacitating appropriate authorities towards implementation.
- Need to have well defined clauses for comprehensive insurance covering entire region, routes, security, etc. for any motor vehicle agreement in the region.
- Acceding to International Conventions on transport and transit facilitation to move towards easier, streamlined and harmonised cross border transport regulations and procedures and also improve the security and reliability of trade transactions in the region.

- More Integrated Check Posts (ICPs) at border crossing with both countries using a common facility at the border trade points leading to reduction of time and cost of trade. Pre-arrival processing and harmonisation of trade related procedures and documentation requirements across countries.
- Promotion of containerisation through development of more number of Inland Container Depots (ICDs) and installing scanners at the port/customs station
- Higher Border agency cooperation through institutional arrangements and platforms for interaction and coordination at the working level and conducting trade facilitation meeting at ports on a regular basis.
- Higher coordination between central and state agencies towards streamlining and synergising of international agreements and domestic policies for smooth implementation.
- Putting in place a dedicated cadre for border trade functions and capacity building of existing border officials and staff.
- Consolidating/mapping all regulatory requirements to evaluate and understand unnecessary replications and implementation bottlenecks and hence reforms..
- Harmonisation of Standards and Mutual Recognition Arrangements (MRAs) on Conformity Assessment Procedures between countries across the region. It may help to start with agreement between national accreditation and certification institutions, which can pave the path for more comprehensive governmental agreements. It will be helpful to learn from other examples, like Africa and South East Asia.
- Expediting the implementation of regional standards being developed by South Asia Regional Standards Organisation (SARSO) and also enhance the ambit of such regional standards to cover more product categories.
- Build capacities of national institutions in respective countries and build synergies between their operations through higher exchange and collaborations.
- Proactive participation in platforms like CODEX¹ and strengthen regional standards to reflect needs and aspirations of the South.
- Harmonisation of transport, trade and travel-related regulations will be crucial. Also, harmonisation needs to go beyond regulations covering goods and also include services
- Promotion of border *haats* and Special Economic Zones to boost border area development and also people-to-people connect.
- Establish an easy, flexible and uniform visa regime for the region and promote soft connectivity like people to people, think tank to think tank, etc.
- Explore the idea of including Tourism as the fourth “T” in the much touted Trade-Transport-Transit facilitation loop

1. The CODEX Alimentarius or “Food Code” was established by FAO and the World Health Organization in 1963 to develop harmonised international food standards, which protect consumer health and promote fair practices in food trade. It is a collection of internationally recognised standards, codes of practice, guidelines, and other recommendations relating to foods, food production, and food safety. Its name is derived from the CODEX Alimentarius Austriacus.

1

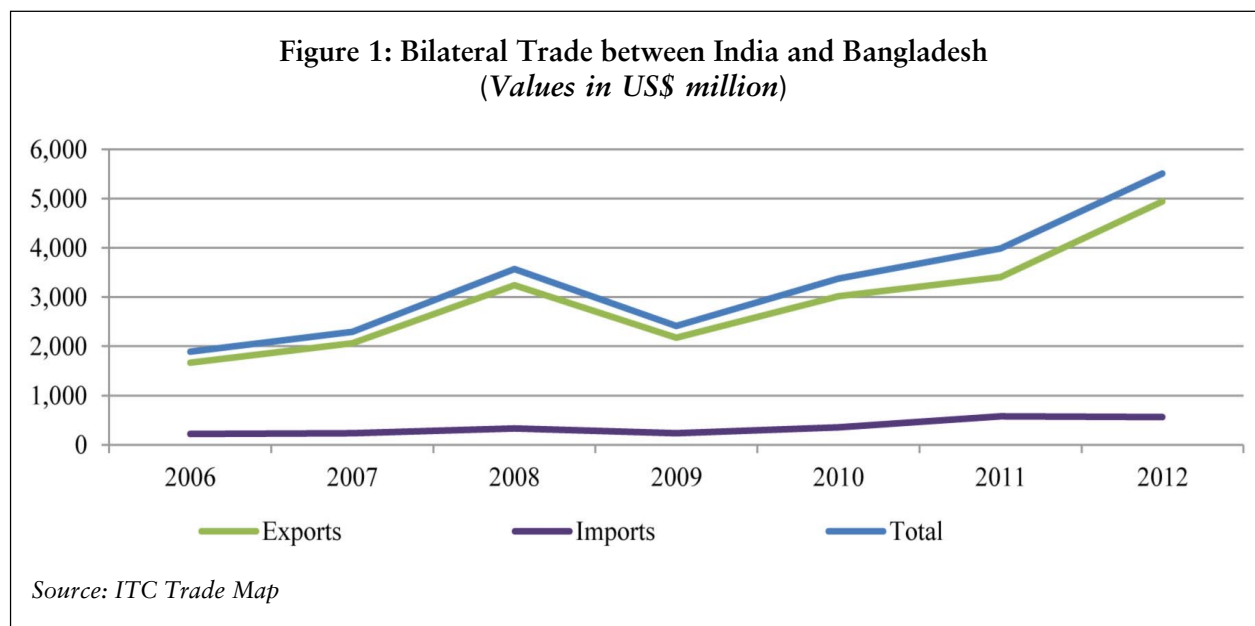
Introduction

India shares cultural, linguistic and historic links with Bangladesh but economic ties between the two countries is far below potential. Among India's neighbours, Bangladesh occupies a special position, because geographically India surrounds Bangladesh from three sides and has a 4,096- km land border with it, the longest India has with any of its neighbours. Enhancing trade ties between the two countries is important for economic growth and development of both countries.

Bangladesh is an important trading partner for India. Since the signing of the South Asian Free Trade Agreement, some significant progress has been made on tariff liberalisation. Since 2005, bilateral trade has grown at an average annual rate of about 6 per cent as India and Bangladesh extended lower preferential tariff rates to each other.

While India's exports basket to Bangladesh chiefly contains raw cotton, cereals, vehicles other than railway, machinery boilers etc., India's imports from Bangladesh comprise of products like apparel, textile fibre and fruit & nuts. The two-way trade in FY 2012-13 was US\$5.5bn, with India's exports to Bangladesh accounting for US\$4.94bn and imports US\$0.694bn¹. The trade between the two countries over last seven years shows the following trend.

Bangladesh is an important trading partner for India. Since the signing of the South Asian Free Trade Agreement, some significant progress has been made on tariff liberalisation



1. <http://commerce.nic.in/eidb/iecnt.asp>

The trend shows that the growth in exports of India is 45 per cent and total trade has increased by 38 per cent. CUTS study (2013) shows that there is huge potential to trade between India and Bangladesh. According to the study, with liberalised tariff and non-tariff measures in India-Bangladesh trade, the two countries can save up to US\$1mn.

Instances of Support between India and Bangladesh

India's Economic Assistance to Bangladesh

For the economic assistance, India has extended a line of credit of US\$1bn to Bangladesh for a range of projects, including railway infrastructure, supply of locomotives and passenger coaches, procurement of buses, and dredging projects in 2010. The Line of Credit Agreement was signed in Dhaka between Exim Bank of India and Government of Bangladesh.

Trade between India and Bangladesh takes place through land, water and air routes. Most of it happens via land as it is most viable and cheap

India has stood by Bangladesh with aid worth over Taka 250 crore (over US\$37mn) to help it cope with natural disasters and floods in 2007-08 including supply of 1,000 million tonnes of skimmed milk powder and 40,000 million tonnes of rice. India had handed over 2,649 core shelters in the affected villages in Bagerhat district in southern Bangladesh.

Technical Cooperation and Training Schemes

In 2012, National Thermal Power Corporation, NTPC and Bangladesh Power Development Board, BPDB signed an agreement to set up a joint venture for the establishment of a 1,320-MW coal-based power plant in Bagerhat district, Khulna at an estimated cost of US\$1.5bn. It is expected to be commissioned by 2016. Scholarships and training like IOR-ARC scholarships and fellowship schemes are being offered to Bangladesh nationals. India offers 185 slots under Indian Technical & Economic Cooperation Programme (ITEC) and 35 slots under Technical Cooperation Scheme of Colombo Plan every year to Bangladesh.

Muktijoddha Scholarship Scheme was extended by the Government of India to higher secondary-level students (200 scholarships) and graduate-level students (500 scholarships). From 2012 onwards, another 90 slots are being offered through ITEC under the schemes specially designed for Bangladesh civil servants. In order to promote people-to-people exchanges, 410 scholarships are being granted by Indian Council of Cultural Relations ICCR every year to students from Bangladesh for pursuing general courses in arts, sciences, engineering and also specialised courses for culture, drama, music, fine arts and sports, etc.

According to the CUTS study on India-Bangladesh Trade, some of the major bottlenecks in trade between the two countries are infrastructure, high cost and dissimilar standards

Sharing of River Water

India and Bangladesh share 54 common rivers. The Ganga Waters Treaty was signed in December 1996 for water sharing of river Ganga during lean season (from 1 January to 31 May) every year. This was discussed at the Joint Rivers Commission (JRC) meeting held in New Delhi in 2010. In 2012, both the countries exchanged data at Dalia in Bangladesh and Gazaldoba in India. Currently both the countries are engaged in negotiating the Teesta River Water Treaty.

Purpose of the Study

Trade between India and Bangladesh takes place through land, water and air routes. Most of it happens via land as it is most viable and cheap. There are 38 official Land Custom Stations (LCSs)

through which trade between India and Bangladesh is carried out, Petrapole-Benapole being the busiest. According to the CUTS study on India-Bangladesh Trade, some of the major bottlenecks in trade between the two countries are infrastructure, high cost and dissimilar standards.

Main constraints on trade competitiveness and growth are poor transportation system, erratic business-to-business connectivity, lack of diversification of goods, different tastes and preferences, etc. Other than these obstacles, there are non-tariff barriers (NTBs) like delays at the border due to capacity constraints, customs clearance, corruption, inadequate infrastructure, lack of trade facilitation measures, absence of regional transit arrangements, inappropriate application of standards, poor institutions and governance, etc., which affect trade between these two countries. There are some other issues which can be classified as non-physical barriers which hamper trade, like restrictive visa requirements, difficult border-crossing formalities and procedures (for goods, vehicles and drivers), restrictions on entry of motor vehicles, etc.

Bangladesh faces a number of SPS and TBT related trade barriers in promoting its export to India, which accounts to about 86 percent of the barriers in formal trade between the two countries

Trade baskets of both the countries mostly contain agricultural and primary products, which require testing and verification for safety and protection of human beings, plants and animals. Such products are mandated to maintain some level of standards to safeguard consumer interest and have often resulted in creating hindrances to bilateral trade between India and Bangladesh.

Various Sanitary and Phyto-Sanitary (SPS) measures which act as NTBs are laboratory testing, chemical level testing, plant quarantine requirements, pre-shipment certification, compliance with measures preventing food adulteration, biosecurity, hygiene and sanitary permits, etc., which should be simplified. Bangladesh faces a number of SPS and TBT related trade barriers in promoting its export to India, which accounts to about 86 percent of the barriers in formal trade between the two countries, according to Asian Development Bank study (ADB and UNCTAD, 2008).

Thus, after examining all these problems it was concluded that transport facilitation (Motor Vehicles Entry/Transit) and issues related to dissimilar standards are acting as the two major hurdles affecting bilateral trade between India and Bangladesh, and there is a strong need to assess possible economic and socio-economic benefits that could accrue from signing of a Motor Vehicles Agreement (MVA) and an agreement on SPS measures between the countries, so as to alleviate these problems.

This report has tried to cover as much possible literature from the past related to the problems and concerns of transit facilitation and standards recognition

Need of Literature Review

A comprehensive literature review is being done to understand in detail issues related to bilateral road transportation and the standard-related issues. This report has tried to cover as much possible literature from the past related to the problems and concerns of transit facilitation and standards recognition. This paper also includes learnings from other regional or bilateral agreements. How were these agreements signed? What are the best practices that they follow in order to achieve their objective? Apart from this, CUTS has studied the draft Motor Vehicles Agreement, which both the countries are currently negotiating. This gives a good understanding of the issue and the ways and means to rectify them.

2

Need for Cross-Border Transport Facilitation

India and Bangladesh, two important economies of South Asia, and have been growing rapidly. Bangladesh being a small country with large population is largely dependent on goods and services from other countries. India, possesses greater possibilities of trade with Bangladesh. Current bilateral trade between both the countries is US\$5.5bn (2012-13) of which Bangladesh majorly exports apparel, textile fibre and fruits & nuts. India's major exports are raw cotton, cereals, vehicles and machinery boilers.

Though India and Bangladesh are closely associated with each other, trade volume between the two countries forms only a small part of their total trade. It is well known that various NTBs have increased the cost of trade between both countries, affecting the feasibility of trade in many high potential products. Trade is held back by restrictive domestic policies, lack of intra-regional cooperation and inefficient procedures for documentation and clearance. Out of these issues, the major constraints leading to lesser bilateral trade and competitiveness are the problem of logistics, trade practices, lack of cross-border transport agreement and infrastructure.

The key challenge faced by South Asian countries is high cost of trading, which can be overcome if the countries adopt and follow treaties, and agreements that they sign, or rules and regulations assigned by SAFTA. For example, transaction costs at the India-Bangladesh border are estimated to be very high mainly due to infrastructure bottlenecks at both the border as well as within the countries.

Though India and Bangladesh have considered trade and transport facilitation measures aiming to reduce current physical and non-physical barriers to transportation and transit, costs of intra-regional movement of goods between the two countries are increasingly becoming critical. Many studies in the past have observed the effect of transport costs on trade flows. Limão and Venables (2001) found a link between the *quality of infrastructure and transport costs* and concluded that infrastructure investments are important for export-led economic growth.

Other studies argued that differences in logistics performance are driven only in part by poor quality of physical infrastructure such as road, rail, waterways, port services, etc. The inadequacies are often caused by (non-tariff) policy and institutional constraints, such as red tape, inadequate enforcement of contracts, poor

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definition and enforcement of rules of engagement, asymmetry in standards, delays in customs, ports and border crossings, pilferage (stealing goods in small quantities) in transit, corruption, and highly restrictive protocols on movement of cargo.

Das and Pohit (2005) show the statistics in hours, as waste of time while trading between India and Bangladesh. The average time loss for exports from India at Petrapole is 99 hours (or four days) while at other borders it is 21 hours. The maximum loss occurs in parking, customs clearances, and crossing the border, which is 78 hours for each shipment. *Unloading at Benapole takes an additional nine hours which results in auxiliary time loss of about 10 per cent of shipment value.* Further to this, Pohit and Taneja (2003) specified that informal trade take place due to these high transaction

An agreement allowing free movement of vehicles across the border is very important from the point of view of trade and connectivity between India and Bangladesh

costs. Inadequate infrastructure and high transportation costs due to poor transportation system like port congestion, excessive documentation and slow movement of goods across the countries, are the main reasons for informal trade.

The prospects of cooperation between Bangladesh and India seem brighter than ever, particularly since the governments of both countries have recently shown political interest in this regard. The prime ministers of the two countries met in 2010 and 2011 and agreed to cooperate in: (i) broadening access to each other's

markets, (ii) improving physical connectivity, including sub-regional transit, and (iii) electricity trade.

India and Bangladesh do not have a provision for motor vehicles to move across the border for transporting goods from one country to another. Trucks in these countries can only venture till an agreed distance inside the territory on either side to unload their goods. The goods are then transferred to trucks belonging to the other country for transportation to their ultimate destination. This is expensive and time-consuming, hampering trade.

An agreement allowing free movement of vehicles across the border is very important from the point of view of trade and connectivity between India and Bangladesh. They share a 2,429-km land border through which road and rail connectivity can take place and can play an important role in the trade scenario. Approximately 80 percent of trade between the two countries happen through land route². If cross-border vehicles movement is facilitated through a bilateral/regional MVA, it

Term 'transit' is used in the agreement between India and Bangladesh, its nature is more on the lines of corridor facilities. Transit is granted, about 1,500 trucks of 15 tonnes each will ply at the transit route

would lead to substantial reduction in cost and time taken to complete the transaction, enhancing trade and competitiveness of firms.

Regions like ASEAN, NAFTA, and Greater Mekong Sub-region (GMS) have adopted this measure/treaty so that goods can be brought from one country (point of origin) to another country (point of destination) directly, without the hassles of loading and unloading of goods. Other South Asian countries should also implement such provisions to facilitate trade.

Arrangements for Movement of Goods

There are three forms of geographic cooperation in the movement of goods: transit, transshipment and corridor. Each form has its own importance. Transit means the interstate transportation of goods and passengers over a particular land or water route in accordance to specific agreement and regulations. While the term 'transit' is used in the agreement between India and Bangladesh, its nature is more on the lines of corridor facilities. Whether it is transit, transshipment or corridor (explain transshipment and corridor) whatever facilities are to be granted, the main requirement is to know whether Bangladesh's road and rail infrastructure are prepared for this. According to various media reports, if transit is granted, about 1,500 trucks of 15 tonnes each will ply at the

2. www.academia.edu/12482834/India-Bangladesh_Trade_Relation_View_from_West-bangal

transit route. Additionally, 750 Bangladeshi trucks will also use this route, which are presently using the possible transit routes. That means a total of 2,250 trucks will use the route every day, triple the present load.

Main Priorities for Having a Motor Vehicles Agreement in Developing Countries

- **Infrastructure Development:** Insufficient infrastructure is one of the major problems towards establishing efficient transit transport systems in developing countries. For addressing infrastructural needs and alleviating the deterioration of infrastructure, government and private sector should be made responsible as this will involve considerable amount of investment. This will, therefore, require the setting-up of public-private partnerships, which in turn requires the introduction of new policies and institutional reform. The support of international financial institutions and development assistance agencies remains essential. The requirement for success in this task is to focus on regional and sub-regional cooperation and on providing a sound regulatory and institutional structure.
- **International Trade and Trade Facilitation:** A large number of developing countries are sometimes not engaged sufficiently in international trade. For them issues such as cumbersome border-crossing, customs procedures and documentation requirements are vital and require to be addressed, in order to reduce the transaction costs. Joining together through international treaties, conventions and regional, sub-regional and bilateral agreements are the main tools with which international trade's rules and procedures can be rationalised, simplified and standardised.

For addressing infrastructural needs and alleviating the deterioration of infrastructure, government and private sector should be made responsible as this will involve considerable amount of investment

International Support Measures: Due to infrastructural bottlenecks and discrepancy in regulations, establishment and maintenance of an efficient transit transport system becomes so difficult that countries like India and Bangladesh cannot overcome them without discussing them. Both development partners and private partners should participate and play an important role in supporting transit transport development programmes.

Bilateral, regional and sub-regional cooperation is the most important factor in establishing efficient transit transport systems and must be promoted on the basis of the mutual interests of both the countries.

Thus, efficient transit requires the following

- Closer and more effective cooperation and collaboration between the two countries;
- A critical role to be played by regional economic integration
- Agreements to be implemented effectively
- Policy reforms to stress institutions, procedures and regulations
- Reduction of excessive paperwork and red tape

Recent strides in infrastructure and trade facilitation initiatives in developing countries must be accompanied by meaningful road transport services reform in order to reduce costs

Road Freight Transport: About Trade Openness

Road freight transport is so critical, that in most regions it accounts for more than 80 percent of trade traffic. Nearly all trade traffic is carried by road at some point along the supply chain, making it of critical importance to trade competitiveness. However, trade corridors with limited competition in road transport services face higher costs than corridors with more competition. This problem is caused by numerous regulatory and procedural constraints. Therefore, recent strides in infrastructure and trade facilitation initiatives in developing countries must be accompanied by meaningful road

transport services reform in order to reduce costs. And in the absence of full liberalisation of market access, bilateral road transport agreements currently exist as the primary instrument to pursue such reform.

According to the World Bank study, major problems in such agreements is that they are largely inconsistent, unstandardised, vague, marginally enforced, and non-transparent. For the most part, their texts are unknown to their intended users, their objectives and limitations are often undefined, and their level of implementation is extremely difficult to assess.

Bilateral agreements still play a major regulatory role in international trade. However, for these agreements to improve their effectiveness, they must be made more transparent

However, some bilateral road transport agreements are concluded solely for political reasons, as a starting point to develop or improve the relations between two countries. In these instances, the economic and procedural provisions of the agreement seem to exist almost as an addition. Even when agreements do appear to have concluded with genuine economic intentions, the consequences can be counterproductive. Many bilateral road transport agreements restrict the number of vehicles allowed to

provide services between two countries, and the management of such quantitative restrictions brings with it institutions, procedures, documentation, conditions, and penalties for which the road transport industry ultimately bears the costs.

Bilateral agreements still play a major regulatory role in international trade. However, for these agreements to improve their effectiveness, they must be made more transparent, while keeping in mind the joint interest of facilitating border-crossing road transport operations. Transparency can be achieved by publishing the texts of the bilateral road transport agreements, as well as transferring responsibility of the knowledge platform to the private sector.

Other Regional and Bilateral Cross-Border Transport Agreements

A number of regional cooperation organisations, including the Association of Southeast Asian Nations (ASEAN), the Andean Community and the Southern African Development Community (SADC), have transit or transport agreements and have included transit transport elements in agreements among their member countries. Such regional agreements are particularly beneficial for countries like India and Bangladesh as they provide a wider structure of harmonised procedures through which countries can gain access to transit facilities. The Greater Mekong Sub-regional Cross-Border Transport Agreement is one good example of accessing international instruments, as it includes many elements of international instruments in the field of transport and transit facilitation.

Countries have now started realising that adoption of such bilateral transportation agreements is efficient and resource intensive

Other regional agreements cover all issues relating to transport and transit facilitation in its framework. This is a useful practice, as authorities and carriers thereby have a consolidated legal framework instead of having to manage various agreements covering specific issues. In addition to the regional cooperation agreements, there are multilateral transport and transit facilitation agreements between individual countries forming groups, such as the trilateral transit traffic agreement being negotiated between

China, Mongolia and the Russian Federation or the four-way agreement being considered by China, Kazakhstan, Kyrgyzstan and Pakistan.

In the field of transport and transit between two countries, where an arrangement is required for transport operator of one country to carry out bilateral transport operations or transit transport operations through another country, an agreement on cross-border transport facilitation is required. Such agreements often include rules on transport-related issues concerning the goods, vehicles, drivers etc. Some of the bilateral agreements which deal with this issue of transportation and include customs transit procedures are between Afghanistan-Pakistan and Belarus-Belgium.

Bilateral transport and transit agreements generally make references to international legal instruments or international custom procedure, making compliance with the provisions of a condition for the use of the permit exchange. In the past, countries were not much interested in signing such bilateral agreements or to liberalise bilateral transport. However, countries have now started realising that adoption of such bilateral transportation agreements is efficient and resource intensive. They are becoming more interested in liberalising such bilateral, multilateral or regional agreements.

Other than regional and bilateral agreements, there is another transit arrangement known as corridor agreements. There is no uniform definition of transport corridor as it can be unimodal, multimodal or intermodal. A corridor can be between two or more countries, where partner countries have agreed to apply facilitated transit procedures and where there will be support services available.

One such upcoming corridor could be the sub-regional corridor Turkey-Iran-Pakistan-India-Bangladesh-Myanmar (TIPI-BM), which would link Asian highway routes in Turkey, the Islamic Republic of Iran, Pakistan, India, Bangladesh, and Myanmar. Such corridors arrangements are very dependent on well-functioning of public-private partnerships to which all corridor stakeholders contribute.

Corridor can be between two or more countries, where partner countries have agreed to apply facilitated transit procedures and where there will be support services available. One such upcoming corridor could be the sub-regional corridor Turkey-Iran-Pakistan-India-Bangladesh-Myanmar

Select Examples of Transport-Transit Arrangements and their Best Practices

There have been different types of transit transport arrangements across the world, which have been proven to be successful in overcoming the difficulties of transit across the countries.

Types of Permits Used in Different Regions for Transport Transit Facilitation

- Permits with quota or without quota;
- Bilateral permits or multilateral permits;
- Permits valid for all routes or one specific route;
- Permits valid for multiple entries or single entry;
- Same or different permits for passenger and goods transport; and
- Permits issued for a single vehicle or exchangeable among vehicles in a carrier's fleet.

Association of South-East Asian Nations (ASEAN)

The ASEAN Framework Agreement on the Facilitation of Goods in Transit, 1998 laid down the framework for transport facilitation in the region. It said that the contracting parties under the agreement undertake to harmonise road transport permit requirements in order to facilitate trade transport. Currently, ASEAN member undertake cross-border transit transport in accordance with their respective bilateral transport agreements. These countries have liberalised border provinces, liberalised transport permits used as licence system for cross-border or transit transport and transport permits with quota system.

According with ASEAN Customs Vision 2020, the members of ASEAN have decided to create a single market by 2015. By the same time, they also plan to establish a fully harmonised customs' environment. The main objective of ASEAN customs integration is the implementation of a customs transit system to provide the most efficient environment possible for the movement of goods across national borders.

According with ASEAN Customs Vision 2020, the members of ASEAN have decided to create a single market by 2015

Greater Mekong Sub-region (GMS)

The GMS Cross-border Transport Agreement, was been negotiated for protocols and was adopted in 1999. It is about road transport permit which can be used by different vehicles owned by the same permit-holding operator. These permits are valid for multiple-entry within one year of issuance and allow vehicles to stay for a period of up to 60 days in a foreign country for each entry with possibility of extension. There is no quota for scheduled passengers but there is quota for goods and non-scheduled passenger transport:500 permits for each participating country. These permits are issued by the National Issuing Authority to transport operators registered in its country.

Transport arrangements need prior appointments between competent authorities and aim to provide information regarding names of carriers, transport routes, timetables, fares and bus stops

Commonwealth of Independent States (CIS)

An agreement on cooperation of CIS members in international road transport of goods was framed in 2003 with an objective of abolishing the permit system for road transport. Currently road transport of goods within CIS is mainly governed by bilateral agreements concluded among member states. The member countries Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation, usually apply their bilateral agreements, according to which permits are not required for bilateral transit transport. These transport arrangements need prior appointments between

competent authorities and aim to provide information regarding names of carriers, transport routes, timetables, fares and bus stops.

Other Regional Agreements

There are many similar arrangements made across the world for better transport facilitation. Examples like Economic Cooperation Organisation (ECO) which was signed in 1998, Shanghai Cooperation Organization (SCO), and North and Northeast Asia agreement follow similar practice of using permits for goods transportation through bilateral arrangements.

Lack of Cross-Border Transport Arrangements

Both external and intra-regional trade in South Asia depends critically on the time and cost of goods movement and, in particular, the efficiency of the cross-border transit of cargo. There are transport inefficiencies at the crossing point. This situation is worsened because of trade and transportation practices.

It is important to have a regional strategy to ensure effective and efficient transportation corridors (Subramanian and Arnold, 2001). High road freight transportation costs result from the transshipment of all consignments at the border and the restriction on through transportation. All Bangladeshi export traffic is transhipped into warehouses 500 metres inside the Indian border. A similar requirement exists for India's exports to Bangladesh at Benapole Port.

It is important to have a regional strategy to ensure effective and efficient transportation corridors

At LCSs, trucks coming from one country are required to transfer goods into a different vehicles of the import country. Due to this practice, sometimes trucks have to wait and park their vehicles at the storage house or godowns, which are controlled by customs. It is to be noted that at Petrapole-Benapole border, time taken to unload goods from a vehicle is invariably more than the time taken for getting the physical clearance at the land port.

At Petrapole, on an average, 250–300 trucks per day carry Indian exports to Bangladesh, comprising rice, fertiliser, raw materials for chemical and apparel industries, and manufactured

goods including tyres and iron and steel articles. However, only 40–50 trucks handle exports from Bangladesh to India, carrying jute products, betelnut and hilsa fish. The total length of the Kolkata-Dhaka corridor through Petrapole/Benapole and Jessor is 350 km. Petrapole is about 95 km from Kolkata, which is the final transshipment area for commodities from across the country being carried to Bangladesh. Even on poor roads, the distance can be covered by a truck in about 10 hours if there are no barriers or any other hindrance. The distance can be covered in less time, but the fact is, the average time taken to complete the transaction varies from 5-7 days to 15-20 days. There are bottlenecks all along the corridor due to high congestion and encroachments on the road.

A railroad linking Dhaka to Kolkata, which is capable of carrying containerised freight, also passes through Benapole and Petrapole. Border processing for trains is faster than for trucks. Increased containerised traffic through rail connectivity will generate greater competition between the two transportation modes and hence will make dependency on road transport less, which will further obviate the need to give bribes. This will help in raising the efficiency of both modes of transportation.

According to an assessment done by a US agency, the MVA will lead to an efficient private-sector trucking industry, and will be able to compete with existing train services and connectivity. This competitiveness between road and rail connectivity will be based on the transaction costs involved in the movement of containerised cargo through rail or truck journey.

According to an assessment done by a United States agency, the Motor Vehicles Agreement will lead to an efficient private-sector trucking industry, and will be able to compete with existing train services and connectivity

The MVA has the potential to become a key policy instrument enabling a higher volume of cross-border trade between Bangladesh and India. This would improve corridor efficiency and will provide incentives and opportunities for transportation industry to invest bigger. It would also lead to greater containerization of the corridor. Along with the adoption of scanning, risk management and documentary automation by customs, this could greatly increase corridor efficiency.

Draft Agreement between India and Bangladesh for the Regulation of Motor Vehicles Traffic

The integrated transport infrastructure which South Asia inherited from the British got fractured initially by the partition of India and subsequently by political fallout. It has to be rebuilt within the context of greater political and economic harmony in South Asia. Various studies were conducted to find ways to harmonise the situation. Based on SAARC Regional Multimodal Transport Study (SRMTS) findings, a few strategic routes were identified which could be pursued to provide transportation connectivity among the countries of South Asia, specifically to the north-east sub-region of South Asia.

All these efforts resulted in an initiative developed under the SAARC Secretariat. A MVA for the regulation of passenger and cargo vehicular traffic amongst SAARC member states has been drafted. This agreement covers all the eight SAARC countries. Vehicles carrying passengers or cargo to/from Maldives and Sri Lanka shall partly use sea routes through ferry or may use any other means of transport to cover sea journeys. According to the draft agreement, these vehicles should mandatorily carry the permit issued by the customs authority when plying in the territory of other member countries. Along with a valid permit, registration certificate, certificate of fitness, insurance policy, pollution control certificate, driver's driving licence, pre-verified passports, passenger list, internationally proven travel documents as a proof of the identity of the passenger, away bill providing brief description of the cargo and destination(s), will also be required.

Also a bilateral agreement on motor vehicles movement is under consideration between India and Bangladesh. According to the drafted agreement, both the governments will have to agree to a

Bilateral agreement on motor vehicle movement is under consideration between India and Bangladesh

specific list of terms of reference for the vehicular traffic between the two countries. If this agreement is signed, then the vehicles or transportation operators of either country will require route permits for plying through the territory of one another. These permits shall be valid for one year at a time.

This draft agreement says that vehicles entering the territory of other country shall carry the following documents during the entire period of stay in the other country. These documents shall be available for inspection by the respective competent authority. Documents referred here are:

- A valid registration certificate;
- A valid certificate of fitness;
- A valid insurance policy;
- A valid route permit.

Route: The route for such traffic will be from Dhaka-Benapole-Haridaspur-Kolkata via Aricha-Daulatdia and Kolkata-Haridaspur-Benapole-Dhaka via Daulatdia-Aricha. These vehicles shall use national highways or state highways only.

Owners of such vehicles will have to submit a bank guarantee to the customs authority at the border, to confirm that such transport vehicles shall not be retained in the other country for more than a period of 30 days.

This agreement will come in force when governments from both the countries sign it, accepting all the terms and conditions written under the agreement with the motive of trade facilitation and easy movement of goods.

3

Need for a Bilateral Agreement on Standards

In South Asia, bilateral trade between India and Bangladesh is of great significance. India offers large markets for Bangladesh exports and India's geographical proximity, abundant natural resources and differentiated production structure offer larger prospects to export for Bangladesh.

In 1995, at the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) along with the establishment of World Trade Organisation (WTO), an agreement on the SPS Measures was negotiated. Under SPS agreement, policies related to food safety (bacterial contaminants, pesticides, inspection and labelling) as well as animal and plant health (phyto-sanitation) with respect to imported pests and diseases were modified. Sanitary and phyto-sanitary measures set out the basic rules for food safety and animal and plant health standards. SPS agreement encouraged member countries to use international standards, guidelines and recommendations where they exist.

However, member countries may use measures which result in higher standards, they can also set higher standards, based on appropriate assessment. The agreement also permits the member countries to use different standards and different methods of inspecting products.

India and Bangladesh have also set some protective measures to safeguard their consumers

The SPS measures can take many forms, such as requiring products to come from a disease-free area, inspection of products, specific treatment or processing of products, setting of allowable maximum levels of pesticide residues or use of only certain permitted additives in food. Every country maintains different measures to ensure food safety for its consumers, and to prevent the spread of pests or diseases among animals and plants. Unlike all countries, India and Bangladesh have also set some protective measures to safeguard their consumers. These measures are applied on domestically produced food products, local animals and plants (sea food), agricultural and horticultural products.

Key Features of SPS Agreement

Sanitary (human and animal health) and phyto-sanitary (plant health) measures apply to domestically produced food or local animal and plant diseases, as well as to products imported from other countries. According to WTO the key features of SPS agreement are:

Protection or Protectionism?

It is difficult to say whether it is a protection or protectionist because SPS measures, by their very nature, may result in restrictions on trade. It is a fact that all governments accept that some

restrictions on trade are necessary to protect human, animal and plant health but sometimes are used to protect domestic industries from economic competition. The basic aim of the SPS Agreement is to maintain the sovereign right of any government to provide the level of health protection it considers appropriate, but to ensure that these sovereign rights are not misused for protectionist purposes and do not result in unnecessary barriers to international trade.

Justification of Measures

This feature articulates that SPS measures should be applied for no other purpose than that of ensuring food safety and animal and plant health.

The basic aim of the SPS Agreement is to maintain the sovereign right of any government to provide the level of health protection it considers appropriate

International Standards

The SPS Agreement encourages governments of member countries to create national SPS measures consistent with international standards, guidelines and recommendations which states 'harmonisation of standards'. Basically, it means that if the national requirement results in a greater restriction of trade, a country may be asked to provide scientific justification instead of relevant international standard which would not result in the level of health protection the country considered appropriate.

Adapting to Conditions

The agreement states that SPS measures should be adaptive in nature that means they may sometimes vary. It depends on the country of origin of the food, plant or animal product concerned due to differences in climate, existing pests or diseases, or food safety conditions. It is not always appropriate to impose the same SPS requirements on food, animal or plant products coming from different countries. Governments should also identify disease-free areas which may not correspond to political boundaries, and suitably adapt their requirements to products from these areas.

Alternative Measures

Governments should also be open for adopting alternative measures which are technically and economically feasible and provide the same level of food safety or animal and plant health.

Risk Assessment

The SPS Agreement increases the transparency of SPS measures as it encourages the broader use of systematic risk assessment procedures among all WTO member governments and for all relevant products.

Systematic communication of information and exchange of experiences always provides better basis for national standards

Transparency

For increasing transparency, governments of member countries are required to notify other countries of any new or changed SPS requirements which affect trade between them, and to set up enquiry points for providing information on new and existing measures. Systematic communication of information and exchange of experiences always provides better basis for national standards. This increases transparency and protects the interests of consumers and trading partners, from hidden protectionism through unnecessary technical requirements.

International Standards

A key feature of the SPS Agreement is that international standards help to harmonise technical specifications of products and services, making industry more efficient and breaking down barriers to international trade. In other words, adoption of international standards is basically a way of overcoming technical barriers in international trade caused by differences among technical regulations and standards developed independently and distinctly by all countries of the world. Technical barriers arise when different groups or countries come together for trade. Apart from SPS measures, there can be technical barriers to trade like labelling, marking, packaging, restrictions to avoid contamination or other measures protecting the environment, standards on technical specification and quality requirements and pre-shipment clearance and other custom related formalities. Establishing international standards is one way of preventing or overcoming these kinds of barriers to international trade.

Technical barriers arise when different groups or countries come together for trade

International Organization for Standardisation (ISO), founded in 1947, is the world's largest developer of voluntary international standards. It is a network of national standards bodies. These national standards bodies make up the ISO membership and they represent ISO in their respective countries. Therefore, it can be said that an international standard prepared by national standard bodies is a standard adopted by ISO and made available to the public.

International standards help to harmonise technical provisions of products and services, making industry more efficient and break down barriers to international trade. Conformity to international standards helps to assure consumers that products are safe, efficient and good for the environment.

About Sanitary and Phyto-sanitary Measures

Sanitary and phyto-sanitary measures refers to measures affecting areas such as restriction for substances, restrictions for non-eligible countries, hygienic requirements, or other measures for preventing dissemination of diseases, and others. This also includes all conformity assessment measures related to food safety, such as certification, testing and inspection and quarantine.

According to APO Report (2002), the Sanitary and Phyto-sanitary measures are one of the new elements in the WTO system and create a part of the set of multilateral agreements which WTO members are required to comply with. The SPS Agreement has its root in the Technical Barriers to Trade (TBT) Agreement established by the Tokyo Round as a plurilateral agreement. The SPS Agreement can also be considered as complementing Article XX (b) of the GATT 1947, which allows contracting parties to apply measures “necessary to protect human, animal or plant life or health”.

Conformity to international standards helps to assure consumers that products are safe, efficient and good for the environment

The SPS Agreement covers food safety, animal life and health as well as plant life and health, in accordance with its scope and objectives found in the Preamble and Article 1. The Article 2 sets out basic rights and obligations of WTO members with regard to SPS measures: these measures should be applied only to the extent necessary; measures should be based on scientific principles and not maintained without sufficient scientific evidence; and no arbitrary or unjustified discrimination is allowed, etc. Article 3 of the SPS Agreement encourages WTO members to harmonise their national measures with international standards, guidelines and recommendations.

The SPS Agreement seeks to attain a proper balance between two goals. One is to enhance trade and the other is to protect health and life. From the viewpoint of the exporting country, especially developing country members, SPS Agreement may appear to allow importing countries high level of protection and restrict trade. But at the same time SPS Agreement offers mechanisms and measures to check importing countries from taking disguised protection measures. From another viewpoint,

protection of human, animal and plant health and life is essential for developing countries to improve the quality of domestic products and contribute to human health. Enhanced level of animal and plant health will provide opportunity to export to new markets.

Current Status of SPS Measures between India and Bangladesh

Generally, developing countries experience problems in meeting the SPS requirements of developed countries, which seriously impedes their ability to export agricultural and food products. On the contrary, India and Bangladesh are both developing countries and also close trading partners. In the case of these two countries, SPS measures act as a non-tariff barrier affecting trade in agricultural and food products. In spite of signing a number of agreements and implementing many policies for liberalisation, bilateral trade remains low between the two countries. Besides, complementary bilateral treaties such as Agreement on Agriculture, Agreements on Safeguard Measures, etc. between the two countries are non-existent.

De & Bhattacharya (2007) observed that India and Bangladesh, being WTO members, have to fulfil certain obligations posed by the WTO. As per the WTO Agreement on the Application of SPS Measures, members are obliged to provide at least 60 days' notice to other members, through the WTO, for comments before adopting SPS measures. SPS measures are a formality in trade among developed and between developed and developing (and LDC) countries. However, such measures are yet to take shape in trade among developing and least developed countries. The case of trade between India and Bangladesh is no exception. Implementation of various provisions of agreements, particularly those related to trade standards, under the WTO is still at an emerging stage in India and Bangladesh and SPS measures is one such area.

Table 1 shows the number of notifications that India and Bangladesh made. Even though India reported 35 cases to the WTO, no single case has been found where India invoked the WTO route on SPS measures for its exports/imports from Bangladesh; nor has Bangladesh asked its exporters to conform to SPS measures while exporting to India.

Regulations relating to SPS measures are one of the major hurdles. Both India and Bangladesh have their own regulations regarding SPS and Plant & Animal Quarantine. These regulations are a mandate for any cross-border trade in agricultural, live and livestock items. They are however not really harmonised and since testing facilities and quarantine offices are not available in most of the LCSs, the two sides miss out on a lot of potential trade on such items.

Standards applied to trade in agricultural goods and food-related products to safeguard consumer interest have often resulted in creating hindrances to bilateral trade between India and Bangladesh. Various technical measures which may at times act as NTBs (TBTs) are laboratory testing, chemical level testing, plant quarantine requirements, pre-shipment certification, compliance with measures preventing food adulteration, biosecurity, hygiene and sanitary permit, etc. which could have been made simpler for traders than the existing rules and methods. Rahman (2013) captured some notifications and responses with regards to non-tariff and para-tariff measures between India and Bangladesh as given in Tables 2 and 3.

Table 1: Number of SPS Notifications Made to the WTO

| Country | Number of Notifications* | As a Percentage of Total Notifications made to the WTO |
|---|--------------------------|--|
| Bangladesh | 0.00 | 0.00 |
| India | 35.00 | 0.84 |
| * Including addenda, corrigenda, and revisions from 1995 until December 2005. Actual numbers may differ marginally. Source: (De & Bhattacharya 2007) | | |

| Table 2: Exporting Country – India | |
|---|--|
| Type of NTB | Response from Bangladesh |
| Ban on import (poultry related products) | To protect human and animal/health. In view of recent partial spread of avian influenza, Bangladesh needs to continue such measures. |
| Same name registration of drug in a developed country (drugs) | Registration and free sale certificate (FSC) duly signed in original by the health authority of the country of origin and at least one FSC from a developed country. |
| 15% VAT (all goods) | 15% VAT is also imposed on domestic products. Therefore, imposition of VAT should not be treated as para-tariff. |
| Non-issue of Khamarbari Certificate (potatoes) | Potatoes are not importable by any means from any country where three serious pests, namely black wart, golden nematode and potato beetle are prevalent, unless they are accompanied by phyto-sanitary certificate from the country of origin. |
| Allowed through land route only (yarn) | This measure is not applicable for a specific country. The provision has been relaxed for yarn imported under back –to-back LC through land customs. |
| GSP certificates (fabric) | At present, the EU is considering the revision of Rules of Origin of GSP. Therefore, the EU GSP scheme should be considered at large. |
| Non-acceptance of cargo by road/rail/rover routes (all goods) | Currently, necessary equipment and physical infrastructure are not available to handle containerised cargo. Thus, containerised cargo via land, river and rail routes are not permitted. |
| L/C requirement (all products) | Bangladesh Bank feels that this instruction is necessary to ensure entry of imported materials/goods into the country against paid money and this has not been applied as a non-tariff barrier. |
| Radioactivity test (directly consumable stuff) | All imports of food items require radioactivity test report. However, radioactivity test requirement has been relaxed for SAARC countries. |
| PSI certificate | Any exporter from any part of North East India can get the service of the PSI office in Shillong within 24 hours. Moreover, it must be noted that most of the products exported to Bangladesh from North East India are non-PSI items. |
| Non-payment of irrevocable L/Cs by various banks in (all exports) | The issue is being addressed by a joint group on banking sector. |
| Reluctance to open new trade routes and certain notified Land Customs Stations. | Teghamukh and Ramgarh are situated in remote areas where travel and communication are very difficult. Besides, there are 4/5 LCSs close to these places, which can cover the trade with Mizoram. |

Table 3: Exporting Country – Bangladesh

| Type of NTB | Response from India |
|---|--|
| Licence from Bureau of Indian Standards needed for cement, gelatin, condensed milk, electrical appliances, mineral water, steel products, leather products, x-ray equipment, dry cell battery, thermometers, helmets and gas cylinders. | The following steps have been taken: 1) number of items for which certification is needed has been reduced from 109 to 68, 2) marking fees for BIS license has been reduced for SAARC countries and 3) processing charge for SAARC countries has been abolished. |
| Requirement of laboratory testing (all products) | 100% checks are done on only 14 high risk food items. |
| Requirement of chemical testing (leather and melamine) | The following steps have been taken; 1) mandatory licence is required only for safety boots and shoes for minors, 2) These can be obtained from BIS, and 3) every consignment is not required to be checked by BIS. |
| Detailed product information (all pre-packaged goods) | These are statutory requirement under the Consumer Protection Act. |
| Bio-security and sanitary permit (primary agricultural products) | Requirement has been set as per Articles 2 of the Agreement on measures under WTO. |
| Compliance of Food Adulteration Act regarding shelf life of goods (Processed food products) | Compliance of shelf life is mandatory for all processed food item but determination is not arbitrary. It is based on PFA Rules 1955. |
| Special labelling of country of origin (jute bags/sacks) | The rationale is that the country of origin on product is to be mentioned because if there is any irregularity in the quality of the imported item, the source could be tracked. |
| Certificate of non-halogenated hydrocarbon (jute products) | Domestic producers face the same stipulation. |
| Pre-shipment certificate about presence of no hazardous dyes (textile and textile products) | The provisions are also in effect for domestic industries. |
| Registration of the drug with the Central Drug Standard Control Organization (pharmaceutical products) | No import licence is required for import of pharmaceuticals. All import of bulk drugs are set as per the Exim policy 2004-09. |
| Requirement of import licence (mostly consumer goods) | Requirement of import licences are under exception clauses of Article XX and Article XXI of GATT. |

Imports of animal products into India require sanitary import permits issued by the Department of Animal Husbandry, Dairy and Fisheries. Permits must be obtained prior to shipping from the country of origin. Imports of plants and plant materials are regulated under the Destructive Insects and Pests Act 1914, the Plant Quarantine (PQ) (Regulation of Import into India) Order 2003, and international conventions. All plant and plant material consignments must be accompanied by a phyto-sanitary certificate issued by the national plant protection organisation of the exporting country and an import permit issued by the officer in charge of the plant quarantine station. Indian guidelines on standards do not consider certificates on standardisation from the country of origin, therefore samples of the goods are to be tested in Indian laboratories.

In view of SAFTA, SPS measures are likely to gain importance in South Asia. SAFTA members have already taken some initiatives

Also standard and safety-related requirements in agricultural and food-related products are extremely important; there are instances when these standards and related requirements have been put in place by countries with the implicit objective of protecting their respective domestic industry. In view of SAFTA, SPS measures are likely to gain importance in South Asia. SAFTA members have already taken some initiatives. For example, Geneva-based SGS India (a multinational company), a global player in commercial verification and monitoring services in international trade, has taken over pre-shipment inspection jobs for all Indian exports to Bangladesh.

According to the Joint Statement (2011) India removed all 46 textile lines affecting Bangladesh from its negative list in SAFTA's provisions for least-developed countries (LDCs), thereby zero-rating the duty on those items. With further tariff concessions and removal of items from India's negative list just before the 2011 SAARC Summit, Bangladesh to India exports are now close to free trade, except for about 25 items (mostly tobacco and liquor). De *et al* (2012) says that while tariff concessions have been offered under SAPTA and SAFTA, there would be greater benefit in addressing non-tariff and para-tariff barriers in both countries.

Issues Related to Standards

There are many issues related to standards which hinder trade between India and Bangladesh. Non-tariff barriers are the most important issue which undermine the trade potential of both countries. SPS, TBTs and related measures have been found to account for 86.3 percent of all barriers across South Asia (ADB and UNCTAD, 2008).

Besides, other hurdles such as stringent visa regimes, inadequate physical connectivity, restrictions in opening bank branches, lack of testing facilities at the border, non-honouring of irrevocable letters of credit, etc., have been faced by exporters and importers in both countries.

The NTBs facing exports from Bangladesh mostly have to do with standards, testing and certification procedures in food processing, textiles and other such areas

Trade Insight, SAWTEE, (2012) study argues that it is NTBs rather than other border tariffs, which affect and change trade in goods, services and factors of production. The NTBs facing exports from Bangladesh mostly have to do with standards, testing and certification procedures in food processing, textiles and other such areas.

An overwhelming majority of the non-tariff barriers faced by India and Bangladesh is related to SPS and TBTs. In the SAARC region, NTBs (including TBTs) account for about 86 percent of all such constraints (ADB, 2008). Bangladesh also experiences a number of SPS and TBT related trade barriers in promoting its export to India. As Bangladesh's exports to India is dominated by primary and agricultural products but lack of clarity and transparency about SPS standards of India affects Bangladeshi exports to its market (Basher, 2013).

The NTBs hampering exports from Bangladesh generally related to standards, testing and certification procedures in food processing, textiles and other such areas. Other major NTBs faced

by Bangladeshi exporters comprise licensing, classification of goods, customs valuation and countervailing duties. Besides, lack of trade facilitation is also acting as a non-tariff barrier.

SPS concerns are of high importance from the perspective of promoting and facilitating trade in agriculture sector and from the point of food security in both India and Bangladesh. In the case of Bangladeshi agriculture exports to India, there are SPS and bio-security requirements for getting import permit. Imports of almost all livestock, agriculture and food products require some kind of SPS certificate and import permit under the general supervision of the Indian Ministry of Agriculture.

in the case of export of jute products, India requires certificates from the Bangladeshi exporters regarding content of non-homogenate hydrocarbon

Secondly, while exporting processed foods to India, Bangladeshi exporters have to comply with the Indian Food Adulteration (Prevention) Act 1954, which requires shelf life to be not less than 60 per cent of the original shelf life at the time of import. Bangladeshi exporters at times complained that determination of shelf life is often done randomly and also there is a lack of transparency.

Raihan (2011) examined that Bangladeshi exporters require submitting a pre-shipment inspection (PSI) certificate from a textiles testing laboratory accredited to the National Accreditation

Agency of the country of origin (Bangladesh) in the case of export of textiles and textiles products to India. If exporters are unable to provide a certificate then it requires testing from the notified agencies in India for each and every consignment. In some cases, even certificates by EU-accredited labs on this account have been rejected by Indian customs and such consignments are subjected to repeat tests in India. In addition, Textile (Consumer Protection) Regulation of 1988 imposes some strict marking requirements for yarns, fibres and fabrics imported into India.

Similarly, in the case of export of jute products, India requires certificates from the Bangladeshi exporters regarding content of non-homogenate hydrocarbon (jute batching oil), which should not exceed 3 percent by weight. In the case of jute bags/sacks, the Indian authority asks for special labelling requirements so that each jute bag/sack carries machine-stitched marking of country of origin (Bangladesh).

In the case of pharmaceutical products exported to India, there are strict requirements of drug registration with the Central Drug Standard Control Organisation, which involves tough and highly time-consuming procedures. Foreign manufactures must register and subject their premises to inspection along the lines of rules prepared by the Bureau of Indian Standards.

Bangladesh faces problems in ensuring the quality of products and services to consumers not only in the domestic market but also in international markets

Exports of chemical fertiliser and lead acid batteries to India require environment-related certificates. For leather, leather goods and melamine products, the Indian authority asks for chemical testing, which is often extremely time-consuming. For poultry, dairy products and meat (frozen, chilled or fresh), there is a requirement of import permit from the Department of Animal Husbandry and Dairy of India.

Nevertheless, the protectionist intent behind the application of such NTBs is that there is room for much improvement in the quality of products supplied by Bangladesh. In general, Bangladesh faces problems in ensuring the quality of products and services to consumers not only in the domestic market but also in international markets. There is a lack of effective national quality policy and adequate support systems providing assistance to all enterprises to understand the principles of quality and to develop quality consciousness in business behaviour.

The national Standards and Testing Institution of Bangladesh lacks adequate infrastructure and technical facilities, and there are also problems related to administration and implementation. Because of a lack of reliability of national policy and enforcement mechanism, there is a need for industry-specific initiatives to set up their own standards as per international requirements, and own testing and compliance procedures.

Raihan (2011) further says that there are many cases of non-acceptance of SAFTA certificate issued by the Export Promotion Bureau (EPB) of Bangladesh by the Indian authority at Akhaura/Agartala border customs for the exports of handpump, tube-well filters, cast iron pipes, cast iron bends & T's, water heaters, plastic pipes of various diameters, power paddy thrasher, power tiller, hand spray, engine filter-oil, fuel and air.

Similarly, past studies show that Bangladesh also bans imports from India for some products. According to Trade Insights, SAWTEE (2012) Bangladesh is continuously banning imports of poultry products from India despite India having regained avian influenza free status. Also, Bangladesh has put a ban on the import of yarn through the land route ostensibly for checking smuggling, but also for protecting local spinning mills. This was in effect from March 09, 2002.

Bangladesh offers 15 percent subsidy to the exporters of knitted clothing who use locally spun yarn, thereby making yarn of foreign origin uncompetitive. Likewise, sugar, fish and milk powder are also banned for import from all land ports. Indian exporters of potato find the Bangladeshi market closed as importers are required to obtain *Khamarbari* certificates from concerned plant protection authorities in Bangladesh who are non-obliging in this respect.

The 8th meeting of the India-Bangladesh joint working group on trade was held in New Delhi on June 13-14, 2013. According to the summary record of this meeting, Bangladesh reiterated its request for accepting the certificates issued by BSTI and allowing exports of the items certified by BSTI labs already accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL) for such items. India informed that guidelines for import of food items into India are prescribed and regulated by Food Safety and Standards Authority of India (FSSAI). But it has been found that some Government of India mandated test parameters have not been covered by NABL accreditation. A copy of the list was handed over to the Bangladesh side for their information. Indian side further informed that FSSAI is expected to harmonise Indian standards with the international standards within one year. Bangladesh stated that the quality certification issued by Bangladesh Road Transport Authority (BRTA) for the exports of motor bikes to India is not being accepted by the Indian authorities.

Under the Bangladesh Import Control Order (2009–12), some 25 products under four-digit Harmonised System (HS) code fall under the Control List. This list contains a number of banned items such as three-wheeler vehicles with two-stroke engine (e.g., tempo, auto rickshaw, etc.), and glass syringes. While Bangladesh has reduced its restricted list appreciably, this has been replaced by a text that lays down a host of conditions that need to be fulfilled before imports could be cleared by the customs.

Raihan (2011) argued that NTBs in India and in other countries of South Asian region are holding back the export potential of Bangladesh to these countries. To do away with the trade-impeding effects of these measures, there should be mutual recognition agreements among respective organisations of Bangladesh and its trading partners in South Asia, particularly with India. There is also a need for harmonisation of TBT and SPS measures.

It can be further argued that the accreditation bodies or agencies of India may set up accreditation centres in Dhaka in collaboration with designated national agency of Bangladesh to facilitate mutual cooperation with necessary capacity building under technical and financial assistance. Non-acceptability of conformity assessment certificates of any particular product, if and when they arise, should be resolved by mutual cooperation programmes without restricting its trade. It is also important to note that non-tariff measures (NTMs) and para-tariff measures (PTMs) not notified in WTO should be prohibited. A code of good practice should be followed before introduction of any new NTMs.

FSSAI is expected to harmonise Indian standards with the international standards within one year

To do away with the trade-impeding effects of these measures, there should be mutual recognition agreements among respective organisations of Bangladesh and its trading partners in South Asia, particularly with India

There is recent empirical evidence that standards harmonisation tends to increase the export variety of a partner country and this may well apply to Bangladesh's exports to India (Rahman *et al*, 2010). Bangladesh and India agreed that the respective standards bodies, BIS and BSTI, will finalise the agreement on bilateral cooperation to enable mutual recognition for each other's standards for specified products. An arrangement for recognition in India of certificates issued by Bangladeshi testing laboratories for export products will help exports. There have been misunderstandings regarding acceptance of test certificates issued by BSTI labs accredited by NABL (India).

The upcoming South Asian Regional Standards Organisation in Dhaka is a very welcome step will help in addressing many of the issues faced by traders in both countries

Testing laboratories could be part of customs stations, at least to cater to testing requirements of more commonly traded products. Mutual recognition of testing laboratories and test reports from accredited laboratories by customs authorities will be very useful. In this respect, the upcoming South Asian Regional Standards Organisation (SARSO) in Dhaka is a very welcome step (De *et al*, 2012). It is hoped that SARSO will help in addressing many of the issues faced by traders in both countries owing to lack of border infrastructure, inadequate cross-border banking facilities and lack of mutual recognition of standards and accreditation of testing laboratories.

Additionally, it is felt that Bangladesh needs to keep in mind the SPS measures in both developed and developing country markets. It should request support to meet SPS requirements, but should also demand recognition of alternative cost-effective ways to ensure food safety. It should request financing of necessary changes which are based on requirements above international food safety obligations.

Bangladesh also needs to build its capacity to monitor the development and implications of SPS measures and other NTBs in association with other countries to ensure that rules are developed with the full participation of the concerned countries and do not impose excessive costs for unlikely risks. Under the WTO's Aid for Trade initiative, Bangladesh may seek aid to develop the necessary infrastructures and build the necessary capacities.

There is a strong need to harmonise safety and technical standards, mutual recognition to test certificates and accreditation of testing laboratories near the ports. India and Bangladesh should choose to adopt international standards or regionally accepted standards, which in turn will create equal opportunities for all importers.

Regional Agreements on Harmonisation of Standards in Other Regions of World

Bangladesh also needs to build its capacity to monitor the development and implications of SPS measures and other NTBs in association with other countries to ensure that rules are developed with the full participation of the concerned countries and do not impose excessive costs for unlikely risks.

Regional Trade Agreements (RTAs) have become a distinctive feature of the international trading landscape. Their number has increased significantly in recent years, as WTO Member countries continue to negotiate new agreements. RTAs present opportunities for controlling technical barriers to trade (TBTs). Existing provisions for eliminating TBT-related barriers or harmonising legitimate technical regulations are formulated mostly in broad and non-prescriptive terms. Regional standardising bodies like the African Regional Standardising Organisation and the NAFTA have taken important steps to reduce disparities in the existing standards to better refine their products-offering for the important export markets.

Developing countries, when they wish to follow global standards, may suffer owing to the requirement to adhere to multiple standard-specifications, especially in cases where equivalence agreements have not been concluded between the different

schemes. These schemes may function as trade barriers in certain cases where there is an absence of scientific justification for the scientific requirements which have been maintained in many concerns under the SPS agreements, and the growing costs of third-party certification.

Henson and Olale (2010) says that EU has evolved a Rapid Alert System for Food and Feed (RASFF) intended to provide a platform for the exchange of information taken to protect human health in the EU internal market, and imports coming in from third countries. The information is used in the following manner: (i) Recall of products in order to protect human health; (ii) Border rejections of product consignments which may pose a risk to human health; and (iii) Agreements with suppliers of products, which lay down conditions on use of products which may pose a serious risk to human health. Similarly, in the US, the Operational and Administrative System for Import Support operates in a similar manner.

In a rapidly changing global economic environment, the ASEAN region needs greater cooperation among member states and greater integration to remain competitive and to become an economic force. ASEAN has adopted a Trade Facilitation Framework to address issues such as the removal of NTBs, the simplification of and harmonisation of customs, standards and conformance, and SPS measures. All this is being done in an attempt to smooth the journey towards becoming a fully economically integrated region. ASEAN Consultative Committee for Standards and Quality (ACCSQ) established in 1992 is a main body looking into standards and conformance assessment in ASEAN. Within ASEAN, efforts towards harmonisation of standards and conformance assessment measures, the development of Mutual Recognition Agreements (MRAs) and the harmonisation of technical regulations are on-going in several areas (Peetman, 2013).

ASEAN region needs greater cooperation among member states and greater integration to remain competitive and to become an economic force

ASEAN also has some horizontal working groups for standards and conformity assessment procedures like Working Group on Standards and Mutual Recognition Agreements, Working Group on Accreditation and Conformity Assessment, Pharmaceutical Product Working Group etc. Collectively these groups have made significant progress in harmonising standards in their respective sectors.

Another sector which receives much attention is pharmaceuticals. One product recall or import ban can result in a domino-effect recall in multiple jurisdictions. Following the issuance of the import ban against drugs of the Ranbaxy plant in Mohali, India on account of a failure to comply with standards pertaining to Good Manufacturing Practices, Australia and other countries (like the Medicines and Healthcare Products Regulatory Agency in the UK) were also feared to take similar steps owing to information-sharing agreements with the USFDA. Australia's Therapeutic Goods Administration (TGA) has concluded a Mutual Recognition Agreement (or equivalent) with certain countries (*The Hindu Business Line*, September 22, 2013).

Australia's Therapeutic Goods Administration has concluded a Mutual Recognition Agreement with certain countries

Meyer *et al* (2010) picked many examples of RTAs in sub Saharan Africa (SSA) region. SSA is now trapped in complicated web of many regional integration agreements. Mostly countries in SSA region have multiple memberships of various RTAs. Following are four major RTAs in SSA having different stages of progressing into a customs union: West African Economic and Monetary Union (WAEMU), Southern African Customs Union (SACU), Central African Economic and Monetary Union (CEMAC) and the East African Community (EAC). Collectively, these RTAs comprise more than 24 countries.

Apart from these, four more existing significant regional groupings are: Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Common Market of Eastern and Southern African States (COMESA) and the Southern African Development Community (SADC). They include 53 countries in total which are involved in different stages of a Free Trade Area (FTA).

Other RTAs in the region include Arab Maghreb Union (AMU), Inter-Governmental Authority for Development (IGAD), Community of Sahel-Saharan States (CSSS), Cross Border Initiative (CBI), Permanent Interstate Committee on Drought Control in the Sahel (CILSS) and the Indian Ocean Commission (IOC). However, these initiatives are cooperation agreements and have little economic impact.

Africa has some 30 regional trade arrangements, many of which are part of broader initiatives of intra-regional cooperation. Though Africa's regional economic communities are making progress in certain areas, the integration process still faces numerous challenges. Addressing barriers to trade caused by TBTs is one of them. The significance of non-trade barriers such as TBTs is quite visible in today's trade landscape.

Africa has some 30 regional trade arrangements, many of which are part of broader initiatives of intra-regional cooperation

The effects of technical regulations and other TBTs for businesses are regularly identified throughout entire international value chains. Standards may provide a stimulus for development and innovation but these and other TBT measures may accidentally or explicitly also discriminate against imports and restrict or distort trade flows. TBTs imply compliance costs, especially for companies

operating in different markets.

Most of the RTAs in SSA region encourage parties to harmonise their technical regulations, standards and conformity assessment procedures. With regard to voluntary standards, COMESA Treaty calls for member states to coordinate their views with regard to the selection, recognition, adaptation and application of African regional and international standards in so far as the needs of the Common Market are concerned, and to continuously endeavour to improve the standardisation of goods and services within the Common Market.

SACU calls on members to strive to harmonise product standards and technical regulations in accordance with international standards such as prescribed by the WTO Agreement on TBT while taking into account the results of the Uruguay Round of multilateral trade negotiations and recognising the obligations of Member States arising from existing regional and bilateral trade agreements. Similarly, some past studies examined that WAEMU Agreement encourages its members to harmonise their technical regulations, standards and conformity assessment in Article 76 e. It specifically calls for "the realisation of harmonisation and mutual recognition of technical standards and procedures for approval and certification."

The effects of technical regulations and other TBTs for businesses are regularly identified throughout entire international value chains

The ECOWAS Agreement addresses this issue in Article 3.2b, j and Article 26.3i. Article 3.2b states: "the Community shall ensure the harmonisation and co-ordination of policies for the protection of the environment." According to Article 3.2j the Community shall ensure harmonisation of standards and measures, whereas Article 26.3i stipulates that "Member States shall promote technical co-operation and the exchange of experience in the field of industrial technology and implement technical training programmes among Member States."

The CEMAC Agreements contains two articles dealing with the harmonisation of technical regulations, standards and conformity assessments. Article 13 calls for "the harmonisation and mutual recognition of technical standards and procedures for approval and certification." Article 17 stipulates "...harmonisation and mutual recognition of technical and health standards as well as of the approval and certification procedures." The SA-EU TDCA trade agreement calls on the partner states to undertake to promote the use of regional standards by undertaking to evolve and apply a common policy for maintaining the level of the standardisation, quality assurance, metrology and testing currently applicable and that differences between parties should be reduced (Article 47) (Meyer *et al*, 2010).

Keane *et al* (2010) examined that SADC Trade Protocol was intended to eliminate trade barriers within the region. The harmonisation of quality standards within the SADC region could create opportunities to provide support to lesser developed members and their associated supply side challenges. There is a regional accreditation body which is working to put in place a pool of internationally acceptable accredited laboratories and certification bodies. But these efforts need to be strengthened and specific product regulations which may constitute NTBs (private as well as public regulations) need to be monitored closely. The importance of coordinating and harmonising product standards and rules with other overlapping RECs, such as COMESA and the EAC as part of the tripartite process is recognised. But the importance of working closely with private sector actors as well as public should not be underestimated and a more strategic approach could be adopted.

The importance of coordinating and harmonising product standards and rules with other overlapping RECs, such as COMESA and the EAC as part of the tripartite process is recognised

In some cases, the fear of losing existing unilateral non-reciprocal trade preferences provides the rationale for launching RTA negotiations, as in the case of the Economic Partnership Agreements (EPAs) negotiations between the European Union and its former colonies in the group of African, Caribbean and Pacific (ACP) countries (Prévost, 2010). He further concluded that much can be done through the EPAs to considerably reduce the trade-restrictive effects of how the EU frames and applies technical barriers to trade or SPS regulations, and determines the compliance with them. In this way, the EPAs could be useful tools to address the deficiencies of the WTO agreements, facilitating the implementation of provisions that are of particular interest to ACP countries (such as transparency, equivalence and regionalisation) through detailed procedural guidelines and institutional arrangements.

Delich and Lengyel (2011) observed that since the creation of Mercosur in 1991, South America has drastically changed its economic, political and social profile and policies. After the successful liberalisation process among members, Mercosur found it extremely difficult to deepen its economic integration process. In effect, in the Mercosur beginnings, the harmonisation strategy included the elaboration of a “Mercosur Code”. The idea was to harmonise all operative SPS norms in each and every Mercosur member. However, this strategy was revised because of the technical complications to carry it forward. So it was replaced by another strategy: countries only would harmonise those regulations that are strictly necessary to facilitate intra trade. The need to harmonise may arise then from the volume of trade at stake or due to other difficulties.

According to Redrado (2011), during the period of 1991 to 1994, the aim of four member states of MERCOSUR was abolition of technical barriers to trade within the Customs Union and boosting the harmonisation of standards and technical documents. It was also to create working subgroup on “technical standards”, under the Common Market Group, which, pursuant to the OuroPreto Protocol and through Common Market Group (CMG) Resolution 20/95, became the Working Subgroup on “Technical Regulations and Conformity Assessment”, integrating the following commissions: foods; conformity assessment; electrical products safety; toys; metrology; automotive industry and compressed natural gas.

The objectives of member countries of Mercosur are harmonisation of their technical rules and the negotiation of mutual recognition agreements

In this context, Mercosur works on two grounds one is on mandatory ground through harmonisation of Mercosur Technical Regulations (MTR) in the areas of food products, toys, electrical products, automotive industry, metrology, etc. and other is on voluntary ground through Mercosur Association for Standardisation (AMN), which is a recognised regional standardisation body. The objectives of member countries of Mercosur are harmonisation of their technical rules and the negotiation of mutual recognition agreements, taking into consideration those national and regional standards which take international standards as reference documents.

Another target is a gradually active contribution in the international standardisation fora, particularly in ISO, in accordance with Article 2.6 of the Agreement on Technical Barriers to Trade, which encourages the participation of member countries in the international bodies with standardisation activities. Stoler (2009) quoted some good examples in his study on TBT and SPS Requirements in Regional Trading Agreements. He says that in the EU-Morocco Agreement, the action programme aimed at eliminating trade barriers associated with standards and conformity assessment accommodates the parties to the RTA to take appropriate steps to promote the use by Morocco of EU technical rules and EU standards for industrial and agricultural products and certification procedures. A system of accreditation of conformity assessment procedures based on international and EU standards is also predicted for Moroccan adoption.

Similarly, EU-Chile agreement focussed on use of technical regulations and conformity assessment procedures based on international standards unless the standards are judged to be ineffective or inappropriate to fulfil legitimate objectives. Chile and EU also accepts to work towards compatibility and/or equivalence of their respective technical regulations, standards and conformity assessment procedures. A special committee established under the RTA on technical regulations, standards

If India and Bangladesh would choose to adopt international standards or regionally accepted standards, then it will surely create equal opportunities for all importers

and conformity assessment and which is also responsible for consultation and prompt resolution of disputes with each other.

In Singapore-Australia FTA there is a chapter on Technical Regulations and Sanitary and Phyto-sanitary measures based on an earlier bilateral Mutual Recognition Agreement on Conformity Assessment. This chapter comprises “best efforts” obligations on harmonisation of essential requirements such as acceptance of the equivalence of each other’s mandatory requirements and cooperation on SPS questions that might arise in the bilateral

relationship. The core purposive policy in this RTA is found in its provisions relating to the negotiation of “sectoral annexes” that are in effect the implementing arrangements for the chapter.

Conclusion

From the review of literature and the above discussions it may be argued that signing of Motor Vehicles Agreement and SPS agreement between India and Bangladesh has the potential to become a key policy instrument facilitating a higher volume of cross-border trade between the countries. The Motor Vehicles Agreement would improve corridor efficiency and will provide inducements and opportunities for transportation industry to invest bigger. It would also lead to greater containerisation of the corridor. Along with the adoption of scanning, risk management and documentary automation by customs, this could greatly increase corridor efficiency. Similarly, SPS agreement would harmonise safety and technical standards, mutual recognition to test and accreditation of testing laboratories near the ports.

If India and Bangladesh would choose to adopt international standards or regionally accepted standards, then it will surely create equal opportunities for all importers. These two agreements together can prove to be great enablers in terms of enhancing trade and economic cooperation between India and Bangladesh by addressing many of the existing NTBs and TBTs that now affect trade between the two countries.

4

Stakeholders' Perception: Ground Realities

The field research was done at 11 LCS and two Border *Haats*. The team interviewed a total of around 150 stakeholders including customs officials, BSF officials, exporters, transporters, C&F agents, labourers, local associations, people's representatives, local traders and service providers' associations. The LCSs visited under the study are as follows:

- Petrapole-Benapole
- Mahadipur-Sonamasjid
- Hili-Hili
- Phulbari-Banglabandha
- Sutarkhandi-Sheola
- Karimganj Steamer Ghat-Zakiganj
- Agartala-Akhaura
- Srimantapur-Bibir Bazar
- Dalu-Nakugaon
- Ghasuapara- Karoitoli
- Demagiri-Rangamati

Infrastructure: Issues and Suggestions

Both India and Bangladesh have been undertaking development of infrastructure targeted at trade facilitation. However, a lot more needs to be done, as revealed by the CUTS stakeholder perception study in the 11 LCSs.

In terms of facilities like security, weighment, warehouse & parking, etc. at the LCSs, stakeholders opinions were mostly confined between 1 and 3 in a range of 1 to 5, with 1 being least satisfied and 5 being most satisfied. The worst rankings were for weighment, currency exchange and access to e-commerce. While for most other issues the stakeholders opined that facilities have improved over time, for these three the majority opined that things have not really improved in the last couple of years.

The study focused on how such infrastructure issues will impact transport facilitation via a Motor Vehicle Agreement

It was also found in certain places that weigh bridges are either absent or not being used due to the same being not available across the border. Customs officials are reportedly using the volume of vehicles and a visual estimation to arrive at the weight of the cargo in some places, since the same practice is prevalent across the border and an exact weighment at one side of the border will not help.

The study also focused on how such infrastructure issues will impact transport facilitation via a MVA and the stakeholders opined that without appropriate and similar facilities on both sides of

the borders, such an agreement will lead to little enhancement in trade volumes, since procedural delays due to such infrastructure issues will continue to delay consignments and hence jack up costs.

Respondents' perceptions on existing infrastructure and facilities at the LCSs and whether the same has improved in the past few years have been demonstrated in the figures in the following pages. These figures capture the perceptions of a total of 110 respondents, out of which 70 were exporters and 40 importers.

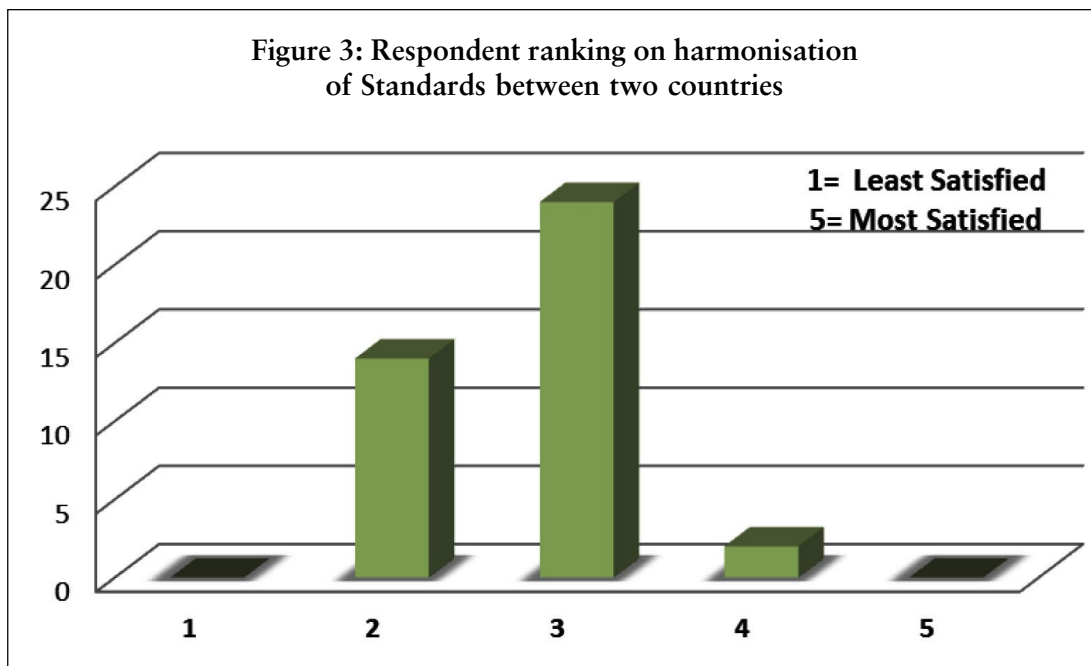
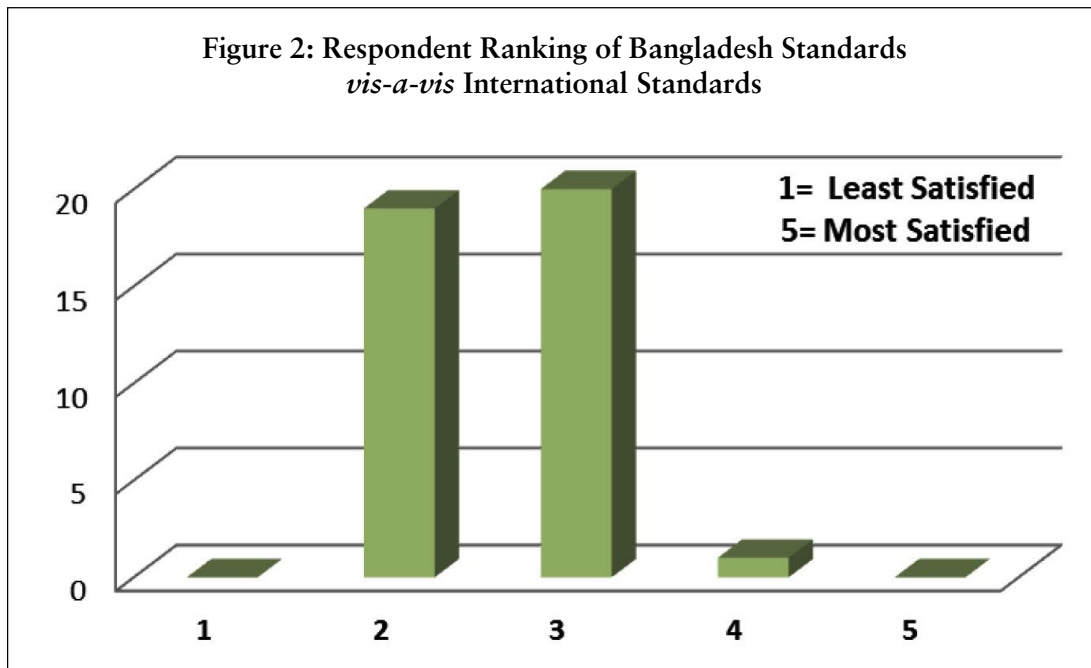


Figure 4: Respondent Ranking of Testing Lab/PQ facility

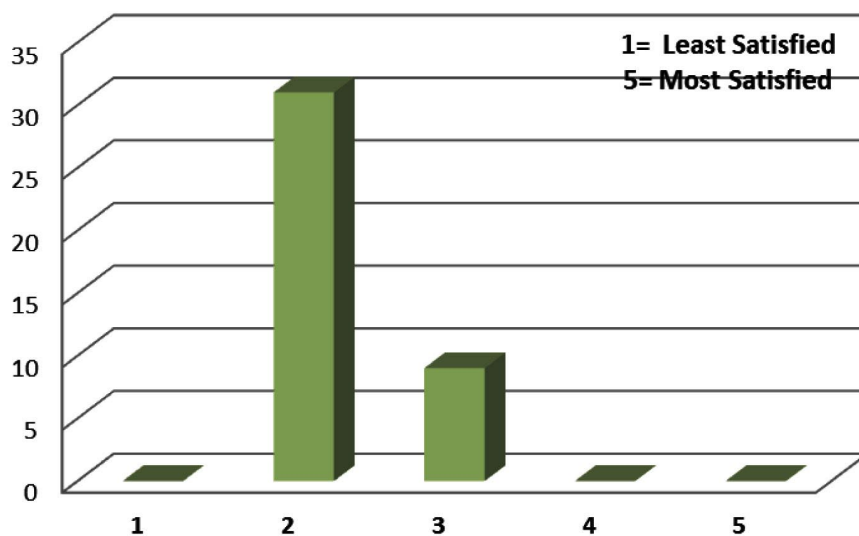


Figure 5: Respondent Ranking of Packing Requirement

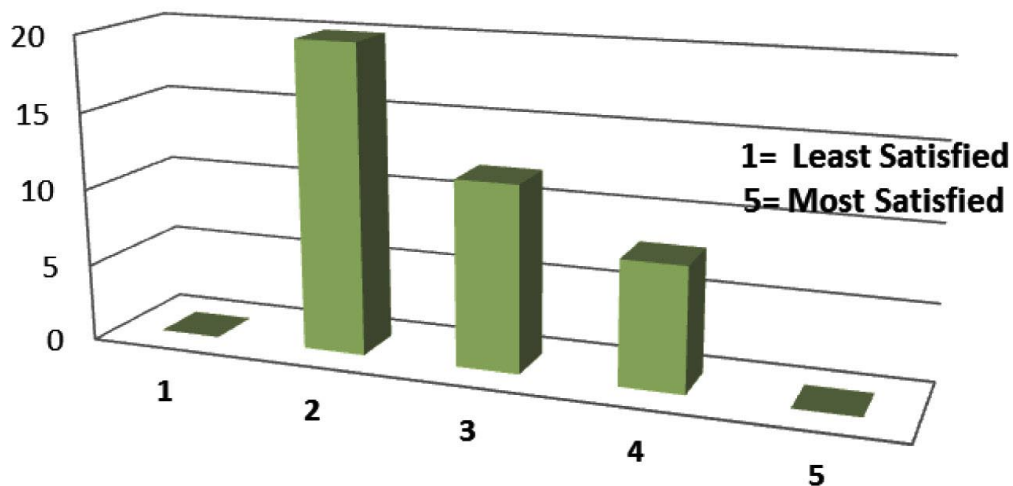
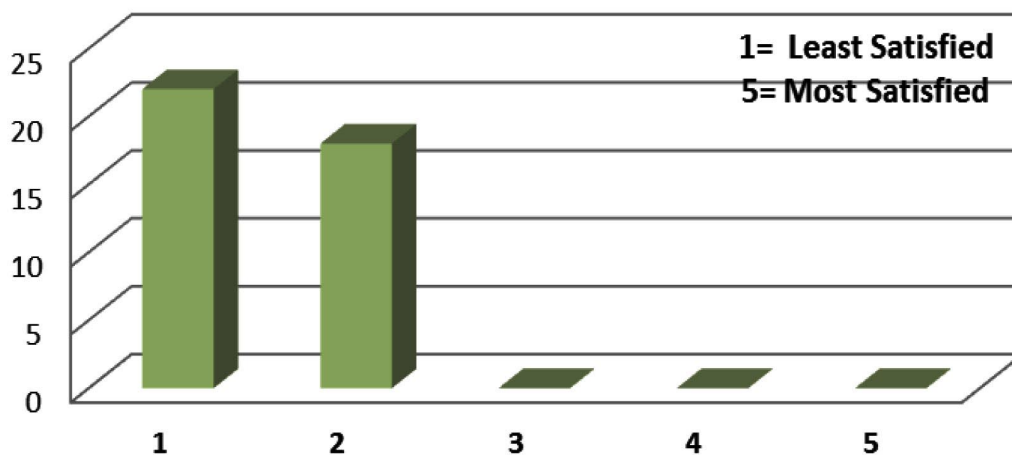
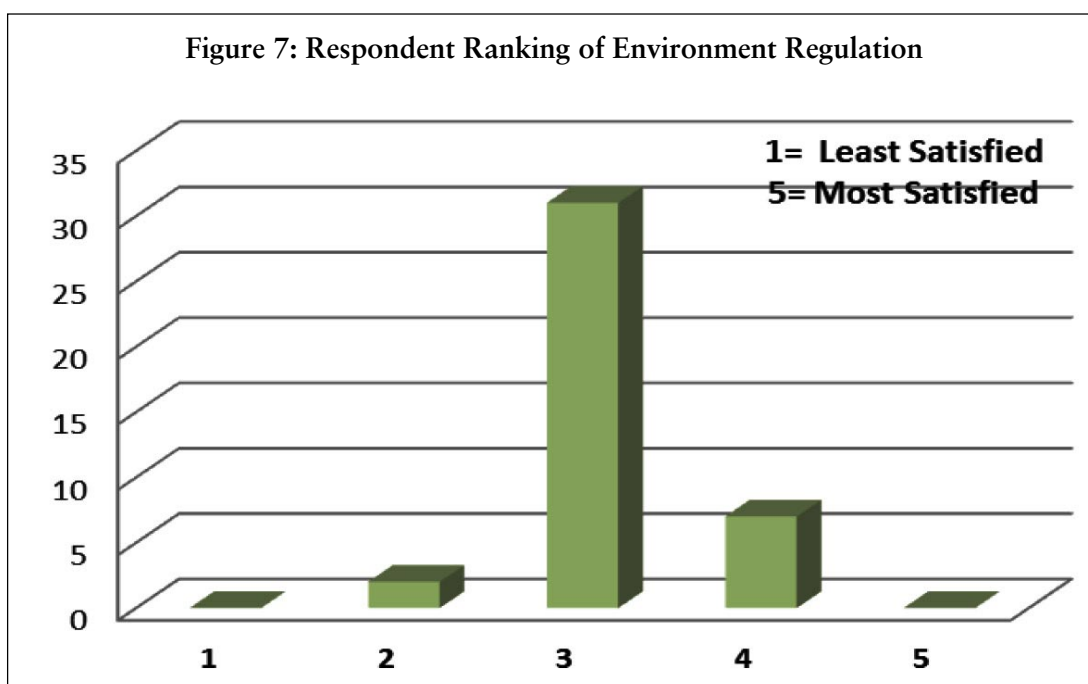


Figure 6: Respondent Ranking of Labelling Requirement





Motor Vehicles Agreement: Stakeholders' Perceptions, Concerns and Suggestions

Most respondents are not aware about any transport facilitation agreement between the two countries. Many of them said that it seems unlikely that the countries will have such an arrangement given the level of mistrust that still rules the roost. They also shared some of the practical concerns of such an arrangement. Almost all of them opined that if such an agreement could indeed be put in place, it will prove to be really beneficial in the long run. However, they are of the opinion that unless certain concerns are addressed first, the agreement will remain only on paper like many other policies.

Overall, the possibility of a MVA generated a lot of interest and reactions during the field research and the overall response was positive with some issues and concerns being flagged.

The concerns that most stakeholders flagged as important have been discussed in more details below.

Higher cost from travelling additional distance if a MVA is in effect and possible issues with cost feasibility.

- Since Indian trucks going into Bangladesh territory may have to return empty due to absence of appropriate return cargo, it may become expensive and hence non-feasible cost wise. This was pointed out by many. However, they also opined that in the long run it may stop being so much of an issues since with regular trade, opportunities may emerge for return cargo. Also when trucks are coming from distant states of Andhra Pradesh, Maharashtra, and Gujarat to LCSs in eastern India, truckers/transporters usually take into account the possibility of empty/sub-optimal loading of trucks coming back from border points and quote the charges accordingly. However, for effective trade facilitation, arrangements need to be made so that the risk of empty returns of vehicles is avoided, leading to lower costs and higher trade.

Security is a major concern and also practical issues regarding routes and language. Consequently, payment for cargo entering Bangladesh becomes an issue.

- A substantial number of stakeholders (exporters, transporters and C& F agents) opined that security is a big issue. This seemed to be mostly emanating from a sense of mistrust on the Bangladeshi counterpart by the Indian operators/stakeholders. They said that though thefts occur at LCS areas, the quantum is still manageable and since it is within Indian territory, the stakeholders feel that it is more under their control and they know who to approach if it goes beyond a certain quantum. However if trucks are to directly go into Bangladesh and unload their cargo there, they will have little control on the process and are apprehensive that with no contacts on foreign soil, it will be difficult for them to manage their consignments. This might lead to hassles for them in terms of right quantum and quality of cargo reaching their buyer.
- In terms of quality (directly related to payment) of the cargo, exporters and transporters said that there is a random check of items when unloading-loading happens at the border by the exporter/agents and by the importers/agents when re-loading. Some of the exporters opined that without this happening the importer may claim that the quality was not up to the mark or the quantity/numbers do not match order quantity and hence lead to payment hassles. This is avoided when unloading-loading happens at the border points with both their agents participating. Also they are sceptical since they feel that once the cargo is in the other country, they have less control over its security, whereabouts, etc. They will also not be in a position to counter claims by buyers regarding issues with the cargo since it will basically be more controlled by the counterpart or buyer in their own country (Bangladesh). This will further lead to payment issues with possible claims by buyers that they will not release the agreed upon payments since the quality or quantum of the cargo is not as per the contract.
- Security of their staff and vehicles is also one of the concerns as they opined. Reportedly, extortion happens on the Bangladesh side, especially Benapole, when truck drivers from India go there to unload their cargo. The language barrier is used to extort higher amounts of money by the Bangladeshi labourers. Operators are afraid that if Indian trucks go into Bangladesh territory, there will be problems with routes and with language and cultural barriers, it is better to unload at Bongaon/Petrapole and let the locals do the rest.
- Indian stakeholders are not sure what kind of roads and regulations exist in Bangladesh. Also, in case of accidents or breakdowns, what will be procedure? Will their vehicles be detained? They are afraid that the vehicles might be detained beyond admissible time causing them cost and hassle, including security for their staff (drivers, helpers, etc.)

Containerisation may help but required infrastructure and capacity is non-existent.

- Containerisation may help dealing in with some of these issues like quality checks, theft, checking delays, etc. However, the LCSs need to be overhauled in terms of infrastructure to enable containerisation. Also transport of cargo of certain perishable products (e.g. onions) may pose a difficulty since there are no container services that offer containers with vents/windows required for such products. Refrigerated containers are not necessary and will be too expensive for such products. Additionally, scanners are not there in any of the land ports between India and Bangladesh, which makes containerisation a difficult option. Another issue with containerisation is that small traders don't have the paying power for container services. Since there are no efficient international aggregators who

could book container facilities for multiple small players, there might be political opposition to a move towards containerisation.

- Capacity of border officials and staff is another issue that needs attention, they opined. Often times, procedures are not uniform across border points and there is lack of understanding and clarity regarding the clauses of policies and government orders. Officials often have multiple charges, resulting in delay and inefficiency. It is important to have dedicated cadre for trade and build their capacities on relevant policies and orders. Also, there are issues with local governments not being keyed in on trade policies and orders, leading to localised processes and orders leading to further delays.

Procedural delays need to be dealt with before transport facilitation can take place.

- Respondents opined that delay due to documentation and checking is a huge issue. This is valid not only for international cargo movement, but also inter-state cargo movement. CUTS found that there are 17 different laws that regulate the movement of trucks across states within India itself, which aptly points to the state of affairs and possible complications that may arise out of the different agencies at each stage/state checking or monitoring cargo movement. It is important that such procedures are streamlined and minimised to really take advantage of benefits that may arise out of signing a MVA. They suggested that an exhaustive mapping of regulations, procedures and processes for both domestic and international cargo movement needs to be done to understand where there is duplication and hence push for change.

Lack of effective relationship building, platforms/spaces for interaction and existing visa regime leading to mistrust and low trade.

- Respondents opined that one of the biggest stumbling blocks in terms of trade facilitation is the mistrust and lack of people-to-people contact between the two countries. They said that it is difficult to undertake exchange meetings at the border points since there are no official spaces or platforms for such meetings. Some of the sectoral/trader associations have taken initiatives to conduct periodic meetings with their counterparts across the borders with wonderful results. In such circumstances, the officials have been supportive. But since there are no official platforms, it becomes difficult to undertake such dialogues in many of the places, due to security reasons. Additionally, the visa regime is also rather restrictive and time taking, especially for people across the border in Bangladesh, leading to further complications and bad blood. If seamless movement of cargo vehicles across borders is to be done, it is extremely important to enhance the people-to-people connect by putting in place spaces/platforms for interactions and an easier visa process, thereby building trust, a crucial element for doing business.

Political influence deterring transport facilitation.

- Political influence, both at macro and micro level, is damaging. At the micro level, this is particularly relevant for rent-seeking activities at different points leading to the border checkpoints, where vehicles are stopped and asked for money for letting them pass through. For example, in a 7-km stretch leading to Ghojadanga LCS, there are as many as seven unauthorised collection points where locals ask for money to let trucks pass. In many instances, such rent-seeking activities are protected in ways by localised nexus in the border regions.

Also, since in many cases local economy is heavily dependent on border trade for livelihood (local truckers ferrying cargo from border points into the Bangladesh LCS unloading points, small-time business opportunities from waiting vehicles and people, other

support services like labour, documentation, etc.) there is opposition to mechanisms that will let vehicles go through to the final destination in the other country without unloading or waiting at the border points. This interplay between local political economy and international/regional interest is an extremely pertinent issue in terms of facilitating smooth cross-border movement of cargo.

- At the macro level, geopolitics influences transport and transit facilitation. With thwarted and still unresolved bilateral negotiations between Bangladesh and India on various issues (for e.g. Teesta water sharing), transport facilitation through MVA and transit through Bangladesh for India is a heavily politicised and sensitive issue for Bangladesh. Then again there are issues with immigrants from Bangladesh, which is an equally sensitive issue for India.

Regional or Bilateral MVA

- Stakeholders mostly opined that a regional MVA will be ideal to facilitate trade. This is because many of them, especially stakeholders in North Bengal and North Eastern part of India, are keen to develop better business with other countries like Nepal and Bhutan in addition to Bangladesh. They observed that even though access to Bhutan and Nepal is much easier and vehicles can already ply into these nations, there are limitations to number of days or hours they can stay there, resulting in issues with return cargo and also corruption and informal trade. CUTS also interacted with some respondents from across the borders in Nepal and Bhutan who said that even though Indian trucks can stay longer periods of time in their country, there are issues with vehicles from their country leading to sub-optimal loading and also resentment among players. This ultimately leads to more extortion along the routes where India/foreign vehicles ply. They pointed out that it is extremely important to look at local administration on both sides of the border to be able to arrest such informal toll/bribe collections so as to encourage higher activity in these routes. Indian stakeholders are however slightly sceptical about bringing on board countries in western South Asia. This was however based on their perceptions (media, etc.) and not necessarily on their experience of doing business with these countries.

Standards Related Agreement: Stakeholders' Perceptions, Concerns and Suggestions

- Most respondents at the LCSs were more convinced about the standards-related agreement than the MVA. Exporters, importers, transporters were mostly convinced that such an agreement will make things much smoother and faster. Importers were particularly interested to know that such a dialogue is happening and there are possibilities of mutual recognition and/or harmonisation of standards because they face a lot of issues with testing in terms of their imports and at times some items cannot be imported at all due to such issues. There weren't many concerns that were highlighted from the Indian respondents though some of the respondents, particularly customs officials and exporters, opined that if harmonisation meant relaxing of standards, products with sub-optimal quality could enter the domestic market.

Absence of adequate plant quarantine officials/centres at the border points and long-time taken in testing samples

- This is especially relevant for perishable items like food. Bangladesh imports a lot of processed food to India, especially to east and north-east markets. The delay in getting the test done from Kolkata/Guwahati jacks up the costs. In many cases, these items are to be transported in refrigerated vans which make waiting cost even higher. Importers revealed that even when they pay for refrigerated vans, transport staff manning the vehicles does

not use the refrigeration units to save on diesel, leading to quality issue for perishable items. Worse still, such barriers may at times lead to no-trade in such items because of the prohibitive costs due to delay and quality control issues. The field survey revealed that waiting time for vehicles is as long as 10-12 days in some cases.

Concern about sub-standard products entering domestic markets

- Some of the exporters and customs officials are of the opinion that if harmonisation of standards meant relaxing standard-related regulations; it might lead to sub-standard products entering the domestic market. Indian officials also shared that there are issues with Rules of Origin since at times third country products are traded as the produce of the neighbouring country without appropriate value addition. One example, as reported by some officials, is betel nut, which is traded without sufficient value addition to take advantage of SAFTA provisions.

Observations from Bangladesh

CUTS also met select respondents from Dhaka to understand the state of things and the progress made on this issue. The respondents in Dhaka, Bangladesh shared the following developments and their opinion on the state of things.

Transit protocols need to be in place before transport facilitation can be achieved

- Respondents from Bangladesh stressed on the importance of agreeing on transit protocols before any transport facilitation can happen. They said that while a MVA can be a tool, the transit protocols will actually provide the push for materialising such agreements. They shared that there are concerns in Bangladesh regarding road conditions, financing infrastructure needed for transport/transit facilitation and the relevant charges that need to be in place before transit starts happening. Transit to India is a political issue in Bangladesh and unless it is clear enough about how Bangladesh is gaining through such an arrangement, it will be difficult to generate political will. They opined that careful dialogue and deliberations need to be done to put the transit protocols in place before the countries can go ahead with transport and transit facilitation.

Regional MVA will find higher traction in Bangladesh

- Bangladesh is keen about facilitating trade with not only India but also Bhutan and Nepal through India. The interest is also reflected by the counterpart nations, they added. Hence a comprehensive agreement that covers all the countries of interest will find a higher buy-in with both political and commercial entities in Bangladesh.

The long ongoing discussion between the Bureau of Indian Standards and Bangladesh Standards and Testing Institute needs to be concluded and resolved as soon as possible

- BSTI and BIS had mostly agreed about recognition of test certificates issued by BSTI for 18 products after BSTI was accredited by NABL for tests relating to those 18 products. This includes cement and many processed food items. In the meanwhile, the new Food Safety and Standards Act, 2006, was adopted in India and a new authority was formed to regulate and monitor food safety and standards named Food Safety and Standards Authority of India (FSSAI).

BIS is no longer the regulatory authority for food items. This has resulted in some complication for the proposed agreement between BIS and BSTI on the 18 specific products. This is because under FSSAI some new procedures/tests were suggested for product

categories that many of these 18 products belong to. Under new standards and tests regime, some new tests have been included for them and for those new tests BSTI does not have NABL accreditation. This has thwarted the long ongoing discussion. A joint dialogue involving BIS, FSSAI and BSTI will be greatly help to this end. There has been some communication between BIS and BSTI towards a solution on this. Reportedly, the Indian Embassy in Dhaka had also approached BSTI sometime in early 2014 and agreed that a meeting needs to be organised involving all concerned ministries, departments and institutes from both sides of the border. The meeting has not taken place so far.

The need for expediting the operations of South Asian Regional Standards Organisation (SARSO)

- Standards and regulations are hardly harmonised in South Asia leading to TBTs. Recently a welcome development in this direction is the establishment of the South Asian Regional Standards Organisation (SARSO). The Agreement on the Establishment of South Asian Regional Standards Organisation (SARSO) entered into force with effect from 25 August 2011 after ratification by all member States of SAARC. Following this SARSO started its operations with effect from April 3, 2014.
- SARSO also has nine Sectoral Technical Committees catering to nine different sectors for which regional standards are being developed. So far, 29 products have been identified by SARSO for harmonisation of standards to start with. SAARC Agreement on Multilateral Arrangement on Recognition of Conformity Assessment; and SAARC Agreement on Implementation of the Regional Standards, have been finalised and later signed during the Seventeenth SAARC Summit held in Maldives on 10-11 November 2011. Both these agreements will come into effect after ratification by all member nations. So far, five member nations have ratified these. Under the agreement on recognition of conformity assessment, it has been proposed that test certificates issued by all laboratories that are accredited by internationally accepted accreditation agencies will be accepted by member nations. Such recognition after appropriate accreditation needs to be expedited along with enhancing the ambit of SARSO's work. It is important to look at standards from a more regional point of view that takes into account the needs and aspirations of South Asia as a region.

Existing visa regime is an issue

- Respondents said that visa is a big issue in terms of trade facilitation. Getting Indian visa is reportedly extremely difficult and time-consuming, even with the present online system that has been introduced. This leads to a lot of hassles and consequently escalating mistrust between people across the borders. This holds true not only for people travelling for business purposes, but those who wish to travel for health and tourism purposes as well. It is imperative to facilitate an easier visa process, thereby leading to better people-to-people connect.

There have already been some ongoing dialogues and developments on mutual recognition of certificates and testing and appropriate advocacy can help to derive some early results, even if not comprehensive. Transport facilitation through a MVA will require a regional/sub-regional rather than bilateral approach with emphasis on working out the transit protocols. Additionally easing visa processes will prove to be crucial towards a higher people-to-people connect thereby building trust and relationship, ultimately promoting regional integration.

5

Empirical Model to Understand Possible Impact of Motor Vehicle Agreement on Trade

CUTS employed an empirical model to understand the possible impact of a MVA on India-Bangladesh trade. This chapter gives the observations from the empirical model.

The Model

There are various elements of trade cost, defined as any cost in addition to marginal cost of production. What we propose here is to capture how various elements of trade costs, especially soft and hard infrastructures, may affect price of any product. And, price in turn affects demand and supply of any product. The idea is to prioritise (through the coefficients that we estimate) as to which one of the elements of trade costs is hurting exports the most. For instance, if the estimated coefficient on delay is greater than that of bribe, we say policymakers should address the governance issue first over poor condition of physical infrastructure, such as bad road conditions, causing the delay in exports. This is a micro-theoretic approach rather than the macro-theoretic approach. We look at the factors that affect the ability to supply any product. We estimate the following two equations simultaneously.

$$T_{it} = T_{0i} + T_{0i} T_{it} + T_{2i} T_{it} + T_{it} \text{-----} \quad (1)$$

$$T_{it} = T_{si} + T_{si} T_{it} + T_{si} T_{it} + T_{si} T_{it} + T_{4i} T_{it} + T_{it} \text{-----} \quad (2)$$

In equation (1) we have export supply function for product X, which is a function of marginal cost (MC) of production of good X, (Transport) is the cost charged by movers and packers/transport companies in moving the exportable items from point of origin to the border. Intuitively, supply for product X is likely to increase with higher marginal cost and likely to decrease with higher transportation cost. In equation (2) we estimate the transportation cost or the cost charged by movers and packers/transport companies. Cost of transportation is conditional upon delay (more delay is likely to increase transport cost), distance from the point of origin (production) to the border area (more distance implies more transportation cost), diesel cost (transport cost is a likely to increase diesel price), and bribes (typically paid by lorry drivers in moving the goods). In effect, we can calculate how transportation cost (the cost charged by the transport companies), changes for one unit change in each one of these policy variables.

There are various elements of trade cost, The idea is to prioritise as to which one of the elements of trade costs is hurting exports the most

Since equation (2) is related to equation (1), we can therefore also comment on how changes in transportation cost affect ability to supply our exports. In extreme case, if transport cost increases beyond limit then cost of exports will rise, which will affect demand for our exports.

To avoid the problem of endogeneity arising from reverse causality between price and quantity of goods exported we estimate both equation (1) and (2) simultaneously. The reverse causality phenomenon in this context opens up the scope for building a structural equation model to analyse such relationships where both quantity of exports and price of exports are considered to be endogenous. To the best of our knowledge, structural equation modelling to examine export performance has not been tried in the Indian context.

Given equations (1) and (2), the next step is to identify and estimate the structural parameters a 's and b 's. In case of recursive triangular model all the parameters are identified (Gujarati, 2004). In our case, we have considered a simple simultaneous model where variables affecting transport price (that is, cost charged by the movers and packers), such as bribes, distance and delays are not controlled

Structural equation modelling to examine export performance has not been tried in the Indian context

for but these omitted variables can very well influence the endogenous variables namely, quantity of export demanded and transportation cost. As a result we conjecture that the errors are correlated across equations (1) and (2) (Maddala and Lahiri, 2009). In other words we assume that the variance-covariance matrix of errors (Σ) is not diagonal. Since the errors terms are correlated, equations (1) and (2) cannot be estimated using equation-by-

equation ordinary least square (OLS). In this context OLS estimators are inconsistent. To arrive at efficient and consistent estimates we use two SLS methodology.

Data Collection and Sample Design

To get information related to the variables stated in equation (1) and (2), we first identified major exports from any region. When we did the sampling of exporters from India's north-eastern region – Assam and Meghalaya – the two major export items to Bangladesh are coal and ginger. These two items cover more than 95 per cent of India's exports to Bangladesh from these three north eastern states. We covered Land Custom Stations (LCSs) located in Sutarkhandi (Assam), Ghasuapara (West Garo Hills), and Dalu (West Garo Hills). We interviewed 46 exporters from these regions. Sampling is done using a two-stage stratified sampling. In the first stage, selection of primary sampling units (PSUs) is done. PSUs cover exporters from each region with probability proportional to overall exports by region.

In the second stage, we randomly picked exporters from each LCS with number of exporters picked from each LCS being proportional to the overall exports density (value wise). These exporters provided us information about quantity of exports, and the transporters they are using for export. Some of the exporters are themselves transporters. Transporters together with clearing and forwarding agents provided us information on delay and distance (from the place of produce to the LCS). Information on bribes is collected from truck drivers. This primary survey was done between January and May 2014. Accordingly, we consider the diesel price (one of the variables in our model) during January-May 2014.

Analysis and Results

Preliminary Observation

To chart out relationships among the variables, we first compute the variance-covariance matrix. We did a pair-wise t test to ascertain which one of these relationships is statistically significant. Table 4 gives the results.

| Table 4: Variance-Covariance Analysis | | | | | | |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|----------------|
| Covariance (t-Statistic) | BRIBE | DELAY | DIESEL | DISTANCE | MC | XT |
| BRIBE | 8.250933 —— | | | | | |
| DELAY | 14.89778 (28.18224) | 28.35556 —— | | | | |
| DIESEL | 0.808267 (5.19865) | 1.537778 (5.42698) | 0.205156 —— | | | |
| DISTANCE | 283.8218 (47.0879) | 523.7074 (38.5453) | 29.31437 (5.59010) | 9952.451 —— | | |
| MC | 1.121200 (5.79068) | 1.943333 (5.16654) | 0.024978 (0.61592) | 37.93985 (5.53359) | 0.347733 —— | |
| XT | -0.731556 (-0.44374) | -1.996296 (-0.65494) | -0.733037 (-3.11460) | -35.26469 (-0.61721) | 1.031704 (3.43301) | 14.22914 —— |

We find that the greater the distance from point of origin to the LCS, the greater is the amount of delay, more he bribes that need to be paid, and higher is the cost of transport. Variance-Covariance analysis suggests relationships between distance with delay, bribes and diesel cost are all statistically significant at 1 per cent level. Large *t*-statistics value (as reported in the parenthesis) signifies the aforementioned stated relationship. We also find evidence of positive relationship between production cost (read, MC) with bribes, delay and distance. Higher marginal production cost implies more is the value of goods that are transported, which on a pro-rata basis implies greater amount of bribes, more delay, and more cumulative distance covered. In fact, for any given commodity we find higher volume (XT) translating to higher production cost (MC) – something that is true for any supply function. The relationship between XT and MC is statistically significant and positive. We however do not find statistically significant relationship between quantity variable with bribes, delay and distance. This is because quantities of different products usually signify different values, and there may not be a direct correspondence between quantity and value (larger volume may not necessarily translate to higher value).

Greater the distance from point of origin to the LCS, the greater is the amount of delay, more he bribes that need to be paid, and higher is the cost of transport

Final Observation

Regression analysis on the basis of the model outlined above brings out some important observations.

Table 5: Regression Results

| | | | | |
|---|-------------|--------------------|-------------|--------|
| PANEL A (Equation 1) Dependent Variable: XT Method: Two-Stage Least Squares Instrument specification: DELAY DISTANCE DIESEL BRIBE Constant added to instrument list | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 9.066874 | 2.291431 | 3.956861 | 0.0003 |
| MC | 6.518963 | 1.460249 | 4.464283 | 0.0001 |
| TRANSPORT | -7.425167 | 1.784558 | -4.160789 | 0.0002 |
| R-squared | 0.523270 | Mean dependent var | 15.75556 | |
| Adjusted R-squared | 0.500569 | S.D. dependent var | 3.814777 | |
| S.E. of regression | 2.695921 | Sum squared resid | 305.2555 | |
| F-statistic | 10.42897 | Durbin-Watson stat | 1.788391 | |
| Prob(F-statistic) | 0.000210 | Second-Stage SSR | 488.7158 | |
| J-statistic | 1.351686 | Instrument rank | 5 | |
| Prob(J-statistic) | 0.508727 | | | |
| PANEL B (Equation 2) Dependent Variable: Transport | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 2.841590 | 6.667422 | 0.426190 | 0.6723 |
| DELAY | -0.046067 | 0.043130 | -1.068079 | 0.2919 |
| DISTANCE | 0.010842 | 0.003911 | 2.772545 | 0.0084 |
| DIESEL | -0.035771 | 0.113491 | -0.315191 | 0.7543 |
| BRIBE | 0.279864 | 0.099276 | -2.819362 | 0.0530 |
| R-squared | 0.709521 | Mean dependent var | 1.288222 | |
| Adjusted R-squared | 0.680473 | S.D. dependent var | 0.454254 | |
| S.E. of regression | 0.256775 | Sum squared resid | 2.637338 | |
| F-statistic | 24.42584 | Durbin-Watson stat | 1.172900 | |
| Prob(F-statistic) | 0.000000 | Second-Stage SSR | 2.637338 | |
| J-statistic | 0.000000 | Instrument rank | 5 | |

First, we find evidence of higher transport cost negatively affecting exports. Higher transport cost implies exporters may find it profitable to sell in the domestic market rather than exporting. We find evidence of higher marginal cost of production to be positively related to exports. It means higher the marginal price, higher will be the supply of exports. When we looked at the macro data, we found India's coal exports to Bangladesh increased in spite of higher coal price between 2007 and 2010. This is not to say that India will not gain by lowering per unit coal price. India's exports of coal is going to be more in demand in case we are able to increase our productivity, and reduce the coal price further.

Second, we find among the policy variables distance and bribes affecting the transport price. Higher is the bribe and distance travelled, higher will be price charged by the transporters. From the policy perspective, reducing distance such as building alternative routes/bridges and a better governance that will reduce bribe-taking activities will help to reduce transport cost, and hence exports. Between distance and bribes, coefficient on bribe is larger implying the impact of better governance has a more beneficial impact on exports.

In India transportation sector is competitive. So the pass-through effect of bribes is generally absorbed by the transporters and not passed on to the exporters

In India transportation sector is competitive. So the pass-through effect of bribes is generally absorbed by the transporters and not passed on to the exporters. If bribe-taking activities can be reduced, there will more people who will be willing to participate in the transport sector – making it more competitive. A more competitive transport sector will have a positive impact on our exports.

6 Border *Haats*

Border *Haats* have been a recent phenomenon in the India-Bangladesh trade scenario and had come into existence mostly to boost local border area development and economic benefits. The first border *haat* came up in 2012 in Kalaichar in West Garo Hills along the international border with Bangladesh in the Indian state of Meghalaya. Since then two more border *haats* have started functioning, one in Meghalaya and the other in Tripura more recently. These border *haats* are essentially local markets where people from both the countries come together once a week to trade in items as per an agreed upon list.

It is pertinent to mention here that many of these *haats* or local markets have a historical background and are termed Mughal-era *haats*, indicating that trade activities have been happening along these routes/locations since ancient times. CUTS studied two functioning borer *haats* in Meghalaya to better understand the local income generation and economic impacts.

CUTS studied two functioning borer haats in Meghalaya to better understand the local income generation and economic impacts

Overall Socio-Economic Impact

It was evident from the CUTS field visit that the *haats* are functioning really well in terms of providing a boost to the local economy in the locations that they are operating. The *haats* are increasingly becoming economic avenues for people living around the *haat* areas and also for people farflung from the locations via trade opportunities and access to items at lower costs. Otherwise quiet border centres like Kalaichar and Balat in India become spots for intense economic activities on the *haat* days, with close to a thousand people accessing the *haats* for various purposes, ranging from selling and buying their wares to visits for plain tourism. This has led to not only income generation for the vendors, who are rationed at 25 from each side of the border, but also for support functionaries like transporters, labourers, food vendors and the likes. The *haats* are also generating a lot of goodwill in terms of people-to-people connect.

The CUTS team met people from both sides of the border who said that they are happy to be able to just visit the *haat* as a token of reliving the easy access of the past years. When political boundaries put a stop to such access, it was not only commerce that was affected, but relationships as well, relationships that have been thriving over many decades.

Without the access, these locations developed routes for informal trade following the usual rule of core competence, with the hill districts of India providing many needed naturally available products to the plains of Bangladesh and the plains supplying products like fish, poultry, meat, finished goods, etc. With the operationalising of the border *haats* such

The haats are increasingly becoming economic avenues for people living around the haat areas and also for people farflung from the locations via trade opportunities and access to items at lower costs

informal trade has also been arrested to a large extent. This was confirmed by the border security agencies on both sides saying that the *haats* has helped them in terms of additional effort that was needed to control informal trade activities and also the hassle that follows settlement of such incidents across borders. They also added that since the *haat* operations are administered jointly by security agencies from both sides of the borders it paves the way for greater exchange and goodwill between these agencies from the two countries. The security agencies also said that the hills being insurgency prone is some areas, such local income generation opportunities additionally have the potential to engage the youth in productive economic activities, helping in security concerns in the areas.

Local Income Generation and Spill-over Impact

The *haat* has a total of 50 vendors selling their wares, 25 from each of the countries. The last official estimates from Balat border *haat* indicated that the average business volume for a day is around ₹7,00,000. In earlier visit by CUTS team around 10 months back, the same was around ₹3,00,000-4,00,000, aptly indicating the rate of growth of economic activities. In addition to official figures, local estimates indicate that the actual economic impact by way of spillover impact is much

The border haats have a lot of prospects in terms of enhancing local economic development, arresting informal trade and promoting better people-to-people connections in the locality

higher. Considering that each of the vendors are allowed 2-3 helpers to run their shops on the *haat* day and each of these helpers also utilise such opportunities to further their income, the number of people gaining from the *haat* operations and the size of the economic impact is expected to be much higher. On an average, for each of the helpers, the *haat* results in daily income of at least ₹1,000 by way of small-time trade that they do of articles/items bought at the *haats*, in addition to their daily wages from helping out the vendor. A quick perception analysis of local economic benefits is demonstrated in the figures below:

Prospects and Concerns

The border *haats* have a lot of prospects in terms of enhancing local economic development, arresting informal trade and promoting better people-to-people connections in the locality. Taking into consideration the positive feedback from the community, vendors, security agencies and other stakeholders, the *haats* can very well function as a fulcrum for promoting border area development in these remote locations. The trends of growth in economic activity also indicate the potential multiplier effects that can be achieved by enhancing the scope and activity of the *haats*. This is

One of the concerns that prove to be a hurdle are the limited list of articles/items that are allowed to be traded through these haats

particularly true regarding increasing the number of days of the *haat* from once a week to at least twice a week.

One of the concerns that prove to be a hurdle are the limited list of articles/items that are allowed to be traded through these *haats*. As per respondents, there is quite a high demand for some items across the borders like fish, poultry and seeds from Bangladesh.

These items are not allowed to be traded through the *haat* and hence, in all probability get traded via the informal route. The seeds are an interesting case. The hill districts are usually not so exposed to modern agricultural technologies, inputs, etc.

However, with the increasing influence of migrants and cross-border practices, new seeds, techniques and inputs are increasingly becoming popular on the Indian side of the border. Since formal channels for trade are not available, informal trade is thriving on these items. Similar is the case of timber wood from the Indian hill districts. While all these items have issues in terms of SPS and other such measures, the authorities need to seriously look at options since the informal trade is being encouraged via such regulations, exposing the population to possibly higher concerns and threats.

Another concern in the *haats* is the problem with currency exchange. Though there have been efforts to open bank branches/extension counters near the *haat* locations with officers dealing in currency exchange, the real situation is that the vendors and traders are face difficulties, resulting in stocking up of each other's currencies, which can only be exchanged in the next *haat* day.

Even though border *haats* have mostly generated positive vibes and there are further proposals of setting up many more such *haats* (with six being already sanctioned along Meghalaya's borders with Bangladesh and one more coming up in Tripura), these concerns need to be seriously considered to make way for long-term solutions and all-round border area development through the *haats*.

Brief Snippets of Positive Impact of the Border *Haats*



Chiton Dutta: Local Vendor from Balat, Meghalaya – Cosmetics Products Seller Balat Border haat, East Khasi Hills, Meghalaya

Chiton is a small scale local businessman of cosmetics product. He has a small shop in Balat Market, East Khasi Hills, Meghalaya and has been allotted a stall in a border *haat* in Balat, Meghalaya. The Haat is operational only once a week. According to Chiton, selling products in a border *haat* is more profitable than at his permanent shop in Balat Market. His business per day at the border *haat* is around ₹10-12,000; on the other hand, in Balat market he is able to sell products worth around ₹4.5,000 a day. He mentions that there is a huge demand for his products in the border *haat* but the *haat* is operating only once a week. It will be really helpful if it could operate at least twice a week, he added.



Shakti Dhar: Local Vendor from Danga Village, Meghalaya – Spices Products Seller Balat Border haat, East Khasi Hills, Meghalaya

Shakti is also a small businessman and he sells spices in border *haat* once a week. On other days, he sells his products in three different local haats (weekly market in a different village). He has been lucky enough to have got an allotment (allotments are decided by lottery) twice at the border *haat* since 2012, when they first came into existence. He mentions that trading here is more profitable than selling the products in other local haats as there is huge demand for Indian spices from Bangladeshi vendees, especially *jeera* (cumin seed); also, selling price is also high in border *haat* than local market/ *haat*. He also shared that because of his ability to market his products in the border *haat*, his income has increased. He said that he easily earns an extra ₹1,000 on a day that the *haat* operates, as compared to other days.



(Local labourers from nearby villages who find extra work in Kalaichar border *haat*. Work is available on more days and income has increased after the border *haat* came into existence, they shared.)



Thelawala (local goods carrier) – There are around 60 *thelawalas* available to carry goods in the Kalaichar border *haat*; demand for them is increasing day by day. Before the border *haat*, there were a total of 12 *thelawalas* in the village who used to mainly operate in the village market. After the border *haat* started functioning, there has been appreciable increase in their income.

Brief Case Studies

Case Study of Dhubri, Assam

Dhubri, the gateway of western Assam, has historically been a meeting place of different racial and cultural groups in the region. The present Dhubri District has inter-state borders with the Indian states of West Bengal AND Meghalaya and AN international border with Bangladesh. It extends for an area of 2,838 sq km including forests, riverine and hilly tracts. Dhubri Steamer Ghat forms an important part of the inland waterways network that exists between India and Bangladesh.

Historically, there has been evidence of a lot of international trade through the ports in Assam state along the banks of the river Brahmaputra.



National Waterway-2

The Brahmaputra

Sadiya - Dhubri(Bangladesh Border) - 891 km



Trade dwindled from the times of the India-Pakistan war in 1965 and is presently only a shadow of what it used to be earlier. Informal trade (in agricultural commodities, among other items) has also grown since the riverine route provides for an easy trade route and yet is out of bounds for many reasons.

The Brahmaputra has a lot of potential of boosting connectivity and trade through its myriad tributaries. Dhubri is well connected with other part of Assam (Mainly Upper Assam – till Tezpur), Arunachal Pradesh and Meghalaya (West Garo Hills). At present, small passenger boats are

plying, connecting people living on the islands of Brahmaputra river with the mainland and also river ports in the states of Assam and Meghalaya.

However, transport becomes unpredictable depending on the time of the year as shared by locals. This is especially true during the monsoons due to heavy water flow in the Brahmaputra river. Operating boats, particularly smaller passenger ferry boats, during this time is risky. Similarly,

The fact that formal trade between India and Bangladesh is largely untapped has given ample ground for informal trade to flourish

between December and March, big vessels are unable to move along certain stretches of the river due to low water levels. While small-scale in-country trade does take place through the waterways, its potential to boost international trade and transit trade is largely untapped.

The fact that formal trade between India and Bangladesh is largely untapped has given ample ground for informal trade to flourish. Though total estimates for such trade are not available, customs seizures at various ports are proof enough that such trade

exists. The figure below gives an idea of custom seizures for the last three years (up to October 2014). It shows that other than cattle (the main item for informal trade), items like agricultural products, vehicles, pharmaceutical products, electronic goods, garments, etc. are also traded informally.

Recent developments

Given the possible prospects and also the understanding as per the bilateral trade agreement between India and Bangladesh, there have been some positive developments in terms of allocation of resources for building of infrastructure at Dhubri in Assam. The port being developed is called Free India Ghat and its distance to the nearest river port in Bangladesh (Shishumara) through the riverine route is only 32 km. It is being developed by the Inland Waterways Authority of India (IWAI) with support from Ministry of Shipping, Government of India and is expected to be completed sometime in mid-2016. This port will be connected with NH-31, which is around 15 km away. Other important ports on the Indian side are Pandu, Silghat, Neamati and Karimganj, out of which the port at Pandu has also been developed by IWAI.

Issues

To effectively utilise the historical river network in the region, infrastructure development along the route, ensuring proper connectivity and river navigability is crucial.

Issues with Fairways and Infrastructure

In terms of river navigability, dredging and other such interventions are necessary so that fairways with required targeted depth and width are available all along the routes

In terms of river navigability, dredging and other such interventions are necessary so that fairways with required targeted depth and width are available all along the routes. Terminals with appropriate cargo handling equipments are necessary at ports like Jogighopa, Tezpur, Silghat, Neamati, Bogibil, Dibrugarh and Sadiya. RO-RO (Roll-on/Roll-off) terminals are proposed to be provided at Dhubri which is expected to help transporting vehicular cargo. Though day navigation aids are available all along the Bangladesh border to Sadiya (891 km), night navigation is only available till Silghat (440 km). Modern technologies like Differential Global

Positioning System (DGPS) need to be used more intensively along the route. Jogighopa and Dibrugarh have DGPS stations. Additionally, Dhubri and Silghat are also expected to have such stations. It is also important to develop better road and rail links to the river ports along the network.

Issues with Inland Waterways Protocol, Availability of Vessels and Assured Cargo

One of the main issues that face inland waterways trade is availability of vessels for transport. To this end, much has to be done by, the Central Inland Water Corporation Limited (CIWTC Ltd). Inland Waterways Authority of India does have two vessels operating in NW2, but they are mostly for demonstrative purposes. The IWT Directorate of Assam is mostly not functioning. Private operators are sceptical about investing due to two main reasons. Firstly, the Inland Waterways protocol between India and Bangladesh is renewed for only short time periods (1-2 years). Unless longer timeframe of at least 10 years is considered and uncertainties surrounding India-Bangladesh Trade & Transit protocols is done away with, it will be difficult to attract private investment. The second reason, which in a way follows from the first, is that due to uncertainties of the routes, assured cargo is also not available all through the year. Also not many vessel repairing facilities are available along the route.

Conclusion

Given the recent developments and the backdrop, some of the important measures that can be undertaken to improve trade through inland waterways are as follows:

- Renewal of India-Bangladesh Inland Waterways Transit and Trade Protocol for longer periods like 10 years
- Strengthening of national institutions and state-level institutions like Inland Water Transport Authority in all the north-eastern states
- Ensuring proper infrastructure development and technology-aided initiatives along the river routes
- Modernisation of ports so as to efficiently handle cargo movements and also develop rail and road linkages to the ports.
- Promoting private investment in the inland waterways trade through schemes for vessel builders and operators
- Putting in place vessel repair facilities at appropriate locations

Case Study of Tlabung/Demagiri, Mizoram

Mizoram shares long and porous international borders with Myanmar and Bangladesh. There are two notified LCSs at Zokhawthar and Tlabung. Zokhawthar, which shares international borders with Myanmar, is in Champhai district located in the eastern part of Mizoram at a distance of nearly 217 km from state capital Aizwal. The other LCS at Tlabung in Lunglei district is along India's border with Bangladesh and is nearly 250 km away from Aizwal. Tlabung is a small town (locally known as Demagiri) located on the bank of the Karnapuli river.

Unless longer timeframe of at least 10 years is considered and uncertainties surrounding India-Bangladesh Trade & Transit protocols is done away with, it will be difficult to attract private investment

Cross-border trade scenario: Even though notified land port exists, at present no formal trade is happening through Tlabung/Demagiri. The LCS at Tlabung is non-functional. Road connectivity from Aizwal to Tlabung or for that matter any other part of Mizoram is rather poor. Due to bad road conditions, bigger vehicles/trucks find it difficult to negotiate and only small trucks ply, mainly carrying items for daily use for local people in Tlabung and surrounding areas. The other source is informal trade from Bangladesh across the Karnapuli river.

The Karnapuli river is a lifeline for people living on both sides. The river originates from the Lushai hills in Mizoram and flows to Bangladesh. For Tlabung, it is a vital resource since most livelihood and trade activities happen through or surrounding it. Fishing and agriculture are the main livelihood for all local peoples. Chakma, the main community of this region with a population of 80,000,

survives on agriculture and fishery. Historically, they have been living on both sides of the river and many of them are now living in Thegamukh, the Bangladesh part of the area. The trade within and between the Chakma community living on both sides of the river constitutes a major part of the informal trade in the vicinity of the LCS area.

The community on both sides of the international divide continues to sustain its requirements through conducting mutually beneficial trade, albeit informally. Items traded include spices, bamboo, bamboo products, readymade garments, plastic products and utensils. Although the Border Security Force keeps an eye on the trade happening over the porous border and occasionally seizes the commodities traded informally, such seizures are hardly substantial when compared to the total volume of informal trade. The informal trade continues unabated partly due to lack of enabling infrastructure and partly because there are practical difficulties to stopping such trade. The goods that are so traded mostly cater to local needs. Unofficial estimates put the number of local people engaged in such trade at 200.

There is a bazar called *Choto Harina* at Tlabung where Bangladeshi goods like melamine utensils, cloth, blanket, oil, cement, etc. are sold. It is operational three days a week. Since Bangladeshi products are cheaper than Indian goods, there is an obvious demand for the former in the region.

The Government of Mizoram has taken an initiative to improve road infrastructure from Aizwal to Tlabung. Work is expected to be completed sometime in 2016. In the absence of connectivity and other enabling conditions, the Trade Centre constructed to facilitate international trade at the Tlabung Land Custom Station (LCS) is presently lying unused.

There is, however, considerable potential for boosting exports from Mizoram in agriculture, horticulture and floriculture products and also in forest-based produce like bamboo and teak. There is also a considerable demand for quarry stones and stone chips from Mizoram in Bangladesh which can effectively be harnessed to deliver economic dividends for the region. Given the right mix of infrastructural development and stakeholder consultation, trade scenario through Tlabung can improve substantially and the presently happening trade can shift towards formal channels in a major way.



8

Policy Implications and Concerns

Transport and Transit Facilitation

Transport and transit facilitation between India and Bangladesh continues to be one of the most debated and important issues. The progress of negotiations have been rather slow, given political sensitivity surrounding the issue. The bilateral MVA has been at the drafting stage for a longish period. While a SAARC regional MVA was drafted and expected to be signed during the 17th SAARC summit concluded recently in November 2014, unanimity could not be reached among the SAARC member nations and the agreement was not signed. Bangladesh's concerns chiefly revolve around the transit protocols, the investment needs for upgrading its infrastructure and the political preparedness of the country.

Transit through Bangladesh is an issue not only vital for India, but also the land-locked countries of Nepal and Bhutan. Nepal and Bhutan have been lobbying for quite some time to enable sea port access for their countries through Bangladesh and Bangladesh has also been pushing for access to Nepal and Bhutan via India for access to a larger market in these countries. After the 17th SAARC summit, the four countries of Nepal, Bhutan, India and Bangladesh have been looking at a sub-regional route for higher cooperation on transport and transit facilitation. It is likely that an agreement amongst these four countries may take off in some time.

However, for such agreements to be fruitful, it will be imperative to bring clarity on many issues, including how those issues influence domestic policies in each country and how those can be dealt with. Some of the issues where further clarity and work is needed are as below:

- Earmarking specific routes and locations (for parking, unloading-loading, etc.) in each country
- Kinds of vehicles (size, etc.) that will be allowed to ply across the countries. There have been concerns that Bangladesh roads are not ready to carry vehicles beyond a certain size/weight.
- Transit documents that will be required and also their harmonisation across countries
- Charges that will be applicable and the points where such charges could be collected.
- Putting in place strategic container loading-unloading points (with facilities for customs procedures/ICDs),
- Insurance of goods and property in transit (agencies, regional networks, differences in regulations and hence harmonisation)
- Security concerns (driver, helper, passengers) while in transit.
- Availability and locations of appropriate infrastructure (warehouses) and basic amenities (parking, restrooms, etc.) on the highways.

Bangladesh's concerns chiefly revolve around the transit protocols, the investment needs for upgrading its infrastructure and the political preparedness of the country

After the 17th SAARC summit, the four countries of Nepal, Bhutan, India and Bangladesh have been looking at a sub-regional route for higher cooperation on transport and transit facilitation

Transit Protocols and their Interactions with Domestic Policies and Local Governance Structures

Once the transit protocols are agreed upon and put in place, it will be important to understand how they interact with domestic policies and governance structures so that there are no clashes. Given that the existing draft of the MVA specifies that vehicles from other countries will be allowed to ply along specified routes only, major planning exercises will be required to earmark the exact routes, locations, etc. Enabling domestic policies will also be needed and they will need to be attuned to the transit arrangements. For example, Bangladesh doesn't have a parking policy and vehicles are usually parked along the sides of roads. This will create scope for rent-seekers to extort international cargo carriers if such policies are not diligently put in place and relevant authorities are not mandated to build capacity of their staff to that end. Similarly, trucks passing through state borders in India at times complain of fees/tolls being charged by state agencies. It has also been noted that such unofficial toll collection/extortion is more prevalent for vehicles from other countries (Nepal-India).

It is crucial that there is better coherence between national and state/provincial/district agencies in all the countries so that there is clarity regarding their roles, minimising collection points, harmonisation of practices and charges across countries. Additionally, all relevant stakeholders like truckers, helpers, etc. need to be well aware about such provisions well in advance.

Enabling International Conventions

Many of these issues can be tackled if the countries are to accede to some of the international conventions on land transport facilitation. Acceding to such conventions will help to harmonise regulations pertaining to roads, traffic, safety, vehicles, insurance of goods and property, etc. Given below are seven of the most important conventions.

| Convention on Road Traffic (Vienna, 8 November 1968) |
|---|
| <ul style="list-style-type: none">• Purpose of the Convention is to facilitate international road traffic and to increase road safety through the adoption of uniform traffic rules.• Major obligations of Contracting Parties are:<ul style="list-style-type: none">• To take appropriate measures to ensure that the rules of the road conform in substance to the provisions of the Convention.• To take appropriate measures to ensure that the rules concerning the technical requirements to be satisfied by motor vehicles and trailers conform to the Convention• To admit to the territories in international traffic motor vehicles, trailers, etc, which fulfils the conditions laid down in the Convention and whose drivers fulfil the conditions laid down in the Convention.• To communicate to any other Contracting Party which requests the information necessary to determine the identity of the person in whose name a motor vehicle or a trailer is registered if the vehicle has been involved in an accident.• To ensure that any measures which Contracting Party have taken or may take either unilaterally or under bilateral or multilateral agreements to facilitate international road traffic conform to the object of the Convention. <p>Status: Signatories: 36, Parties: 73</p> |

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| <p style="text-align: center;">Convention on Road Signs and Signals (Vienna, 8 November 1968)</p> |
| <ul style="list-style-type: none"> • Purposes of the Convention are to facilitate international road traffic and to increase road safety by keeping uniformity of road signs, signals and symbols and of road markings • Major obligations of Contracting Parties are: <ul style="list-style-type: none"> • To accept the system of road signs, signals and symbols and road markings described in the Convention and to undertake to adopt it as soon as possible. • To undertake to replace or supplement, not later than four years from the date of entry, any sign, symbol, etc., which is used with a different meaning from that assigned to in the Convention • To undertake to replace, within fifteen years from the date of entry, any sign, symbol, etc., which does not conform to the system prescribed in the Convention. • To limit number of types of sign and marking they adopt to what is strictly necessary, although the Contracting Parties are not required to adopt all the types of sign and marking prescribed in the Convention. <p>Status: Signatories: 35, Parties: 63</p> |
| <p style="text-align: center;">Customs Convention on the International Transport of Goods Under Cover of TIR Carnets (TIR Convention) (Geneva, 14 November 1975)</p> |
| <ul style="list-style-type: none"> • Purpose of the Convention is to facilitate the international carriage of goods by road vehicles by simplifying and harmonising administrative formalities in the field of international transport, in particular at frontiers. • Major obligations of Contracting Parties include: <ul style="list-style-type: none"> • To allow goods carried under the TIR procedure to be transported without the payment or deposit of import or export duties and taxes at Customs office en route. • To cause to be published the list of the Customs offices of departure, Customs offices en route and Customs offices of destination approved by it for accomplishing TIR operations. • To consult other Contracting Parties to agree upon corresponding frontier and upon their opening hours. • To communicate to other Contracting Parties, on request, information necessary for implementing the provisions of the Convention, and particularly information relating to the approval of road vehicles or containers and to the technical characteristics of their design. <p>Status: Signatories: 16, Parties: 68</p> |

**Customs Convention on the Temporary Importation of Commercial Road Vehicles
(Geneva, 18 May 1956)**

- Purpose of the Convention is to apply provisions similar to that of the Customs Convention on the Temporary Importation of Private Road Vehicles (New York, 4 June 1954), so far as possible, to the temporary importation of commercial road vehicles and, in particular, to provide for the use, for those vehicles, of the Customs documents prescribed for private road vehicles in order to facilitate international movement of goods.
- Major obligations of Contracting Parties include:
 - To grant temporary admission without payment of import duties and import taxes and free of import prohibitions and restrictions, subject to re-exportation and to the other conditions laid in the Convention, to vehicles imported and used in international road traffic for commercial use.
 - To allow the driver and other member of the crew of vehicles to import temporarily a reasonable quantity of personal effects.
 - To admit the fuel in the ordinary supply tanks of vehicles without payment of import duties and import taxes and free of import prohibitions and restrictions.
 - To admit component parts for the repair of particular vehicle already temporarily imported without payment of import duties and import taxes and free of import prohibitions and restrictions.
 - To endeavour not to introduce Customs procedures which might have the effect of impeding the development of international commercial road traffic
 - To endeavour to place Customs offices and posts close together and to keep them open during the same hours in order to expedite Customs procedures contiguous.

Status: Signatories: 12 .Parties: 42

**Customs Convention on Containers
(Geneva, 2 December 1972)**

- Purpose of the Convention is to develop and facilitate international carriage by container.
- Major obligations of Contracting Parties include:
 - To grant temporary admission to containers fulfilling the requirements laid down in the Convention, whether loaded with goods or not, which shall be re-exported within three months (with possible extension) from the date of importation.
 - To grant temporary admission to accessories and equipment of temporary admitted containers.
 - To communicate to one another, on request, the information necessary for implementing the provisions of the Convention, and more particularly information relating to the approval of containers and to the technical characteristics of their design.

Status: Signatories: 15. Parties : 39

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| <p style="text-align: center;">International Convention on the Harmonization of Frontier Controls of Goods (Geneva, 21 October 1982)</p> <ul style="list-style-type: none"> • Purpose of the Convention is to facilitate the international movement of goods by reducing the requirements for completing formalities as well as the number and duration of controls, in particular by national and international co-ordination of control procedures and of their methods of application. • Major obligations of Contracting Parties include: <ul style="list-style-type: none"> • To undertake, to the extent possible, to organise in a harmonised manner the intervention of the Customs services and the other control services. • To ensure that the control services operate satisfactorily by providing a sufficient number of qualified personnel, equipment and facilities suitable for inspection, and official instructions to officers. • To co-operate with other Contracting Parties and to seek necessary co-operation from the competent international bodies. • To take appropriate measures whenever a common inland frontier is crossed to facilitate the passage of the goods. To provide, whenever possible, simple and speedy treatment for goods in transit, especially for those travelling under cover of an international Customs transit procedure, taking into account the situation of the land-locked countries. <p>Status: Signatories: 13. Parties: 57.</p> |
| <p style="text-align: center;">Convention on the Contract for the International Carriage of Goods by Road (CMR) (Geneva, 19 May 1956)</p> <ul style="list-style-type: none"> • Purpose of the Convention is to standardise the conditions governing the contract for the international carriage of goods by road, particularly with respect to the documents used for such carriage and to the carrier's liability. • Major obligation of the Contracting Parties is to ensure that the Convention is applied to every contract for the carriage of goods by road in vehicles for reward, when the place of taking over of the goods and the place designated for delivery, as specified in the contract, are situated in two different countries, of which at least one is a Contracting Party. <p>Status: Signatories : 9. Parties : 55</p> |
| <p><i>Source: UNESCAP and status as on April 13, 2015 as per United Nations Treaty Collection</i></p> |

Out of these seven conventions, India has signed only two, the Convention on Road Traffic and the Convention on Road Signs and Signals and Bangladesh has signed only the Convention on Road Traffic.

Containerisation and Issues therein

With transit, containerisation is expected to follow suit in due time. Also, the existing draft of the MVA defines the kind of cargo vehicles that countries would allow to ply in their territories. It mentions that cargo vehicles including trucks, trailers, etc. that could carry containerised cargo, will

be allowed by the member countries to ply in each other's territory. Such a definition seems to limit cargo to only containerised cargo. While this is desirable for future considerations, at present the quantum of containerised cargo is not substantial when we consider trade through land route. Containerisation will require investment in infrastructure and capacity of the port officials. It will require more ICDs, better checking facilities (vehicle scanners) at ports, e-enabled data exchange between countries across the borders, enhanced capacity of customs, etc.

The present study revealed that while exporters and custom house agents are aware that containerisation will solve many issues with delay, cost and theft, it is still a far cry due to many reasons — for one, container providers have not been too keen to deal with Bangladesh since reportedly the time required for containers to come back is rather long and at times, they have been lost or untraceable. There are issues regarding access of such container services by small traders since renting of containers might be prohibitively expensive for them.

At the same time, there aren't many third party logistics services available who could act as aggregators and book cargo from multiple small traders. The guarantee of goods and property is a big concern for traders and acceding to international conventions like the TIR Convention, 1975 could take care of much of the concerns surrounding guarantee.

International Conventions to tackle the concerns with guarantee: The case of TIR Carnets

The TIR Convention is a multilateral treaty that was concluded at Geneva on 14 November 1975 to simplify and harmonise the administrative formalities of international road transport. The Convention was adopted under the auspices of the United Nations Economic Commission for Europe (UNECE).

A feature of the TIR Convention is that the international transit operation is covered by a single transit document, the TIR Carnet. The TIR Convention establishes an international guarantee chain among Contracting Parties, which allows simple access to the required guarantee.

The system used by the TIR transit regime is an example of how an international guarantee chain operates. An association representing the interests of the transport sector in a particular country and authorized by the Customs of that country, guarantees payment within that country of any duties and taxes which may become due in the event of any irregularity occurring in the course of a TIR transport operation. This national guaranteeing association guarantees payment of the duties and taxes of national and foreign carriers of TIR Carnets which have been issued by that national guaranteeing association itself or by an association in another country.

The TIR guarantee chain is administered by the International Road Transport Union (IRU) in Geneva (Switzerland), a non-governmental organisation representing the interests of road transport operators world-wide. The guarantee chain is backed up by several large international insurance companies.

A similar convention is the Istanbul/ATA Convention, which has a procedure similar to TIR Convention, but is limited to certain types of goods

Source: Transit Handbook, World Customs Organisation (WCO), 2014

| Comprehensive Guarantee under TIR: European Union |
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| <p><i>The European Union which is a signee of the TIR Convention has introduced a comprehensive guarantee, which covers a certain number of transit operations, in order to try and balance the financial risks and burdens of the transit operators.</i></p> <p><i>Guarantees are fixed to cover the maximum amount of duties and other charges that are at stake in a period of at least one week, based on past transactions and anticipated trends in the trader's operations. The term used for this maximum amount is the 'reference amount'. The trader may not exceed this liability for the movements he undertakes, unless he arranges for supplementary guarantee cover.</i></p> <p><i>The actual level of comprehensive guarantee can be fixed by customs at 100, 50 or 30 % of the 'reference amount' or they can allow a complete waiver of the need to have any guarantee at all. The actual level of reduction depends on the risks involved, the track record of the trader concerned and so forth.</i></p> <p><i>The comprehensive guarantee system is based on the risks involved in the actual transport by the individual trader carrying out the transit operation (who is called the principal); the higher the risks involved, the stricter the guarantee requirements.</i></p> <p><i>Source: Transit brochure 'New customs transit systems for Europe' (European Commission, 2001), Transit Handbook, WCO, 2014</i></p> |
| State Insurance Company: Ghana |
| <p><i>In Ghana, the State Insurance Company has granted a transit guarantee since 2006 and the formula for calculating the guarantee fee was changed from 0.5 percent of the value of the cargo to 0.5 percent of the taxes and duties at risk. The State Insurance Company is now connected to the customs management system and has real-time access to the data needed to verify and release transit guarantees. Most transit bonds are now promptly released, and customs staff are being trained to enter all information at border crossings</i></p> <p><i>Source: Ghana leads West Africa in transit reform, no. 10. Trade logistics. World Bank. (Wulf, Luc De 2010), Transit Handbook, WCO, 2014</i></p> |

Additionally there are concerns regarding local economic impacts of containerisation and hence political buy-in for the same. For example, Bongaon, which is the closes town on the Indian side of the Petrapole-Benapole border point, mostly thrives on an economy that is driven by trade through this corridor. There are roughly 200 local transporters, more than 2,000 labourers, more than 100 drivers/helpers, some thousand people working with customhouse agents, local food vendors, motor repair shops and myriad such small time entities who completely depend on the cargo and vehicles passing through Bongaon for their livelihood. Now if containerisation happens, a large chunk of these people including transporters, drivers, helpers, labourers, etc. will be rendered jobless since there may not be any need for unloading-loading, local transport/vehicles and the subsidiary services. This is expected to lead to political issues at the local level and such issues have been known to adversely affect trade in the past.

Hence, widespread consultations need to be done to address the concern of how to integrate local economies and agents into the process who stand to lose out in the immediate term. Additionally, much work is required on how to containerise the major part of the cargo, the facilities required (lack of ICDs) along the routes, etc.

Availability of Proper Infrastructure at Ports

It will be important to equip all ports, particularly along certain routes of interest in terms of transit cargo. Some of the important ports that are used for transit cargo, a point of particular interest for Bhutan, Nepal and Bangladesh, like Banglabandha in Bangladesh (opposite Phulbari) and Panitanki/Naxalbari in India (opposite Kakkarbhita in Nepal) lack infrastructure like parking space, quarantine office/testing facilities, proper customs quarters/offices, basic amenities, proper roads, etc. None of them have vehicle scanners which will be required if containerised cargo is to move through them. While both Indian and Bangladesh governments are upgrading the land custom stations in a phased manner, if the MVA is indeed signed, such development of infrastructure needs to be expedited with focus on ports and corridors most relevant for transit cargo.

The Asian Development Bank (ADB) has identified 10 corridors for South Asia to promote connectivity. In terms of transit, the important corridors are Saarc Corridor 1 (Lahore to Agartala), Corridor 2 (Kathmandu to Kolkata/Haldia, serving as Nepal's gateway to sea port), Corridor 3 (Thimpu to Kolkata/Haldia serving as Bhutan's gateway to sea port). Additionally corridors 3 (Kathmandu to Mongla/Chittagong) and 8 (Thimpu to Mongla/Chittagong) could become crucial in the days to come, particularly with the signing of a transit arrangement between India, Bangladesh, Nepal and Bhutan that is reportedly in the final stages. With the transit arrangement in place, Saarc corridors 3 and 8 will open up alternative and in cases, easier and quicker access to ports for the landlocked countries of Bhutan and Nepal.

However, efficiency for all the identified corridors will not be the same. The factors discussed above like infrastructure, local political issues, procedural delays, etc. will influence efficiency of the corridor. A recent analysis by De and Kumar, 2014, argues that Saarc Corridor 1 (Lahore to Agartala) is by far the most efficient one with good possibilities for Saarc Corridor 2 (Kathmandu to Kolkata/Haldia) to become reasonably efficient provided factors like number of documents, cost and transport time, transportation standard and number of border crossings could be brought down.

While planning for regional transport and transit facilitation, it is equally important to consider investment requirements and hence optimise the available resources via innovative solutions like single-point border infrastructure that could be used by both countries. This will help reduce investing in similar infrastructure on both sides of the border, leading to cutting of costs and streamlining of procedures with reduced time costs. There have been instances of such trade facilitation measures in other parts of the world with positive results.

One-Stop Border Post, Chirundu Border Post between Zambia and Zimbabwe

Chirundu Border Post is situated on the banks of the Zambezi River bordering Zambia and Zimbabwe about 140 km south-east of Lusaka, the capital of Zambia. Following the Common Market for Eastern and Southern Africa (COMESA) Council of Ministers meeting of 2005 in Kigali, Rwanda, the One-Stop Border Post (OSBP) concept was adopted as a trade facilitation instrument with the aim of decongesting the borders in the region. Chirunda Border Post was selected as the site for piloting this idea. The OSBP concept aimed at reducing clearance time, especially of commercial cargo and increases traffic turnaround time by having the people, trucks and vehicles stop on one side of the border where all formalities of the two countries are performed by the officers from the two respective countries or by officers of one country with authority to

perform the functions of the other country. In order to implement the OSBP concept, between 2007 and 2009, the Governments of Zambia and Zimbabwe entered into a bilateral agreement to facilitate such an arrangement. Additionally, the legal framework enacted by the countries provided for:

- Extension of the application of national laws relating to border controls of each party in the other State, thereby enabling border control officers of each party to perform statutory functions outside their national territory;
- Allow for the hosting of border control officers in each other's territory with authority to execute border controls functions using their own national laws;
- Share each other's existing border controls infrastructure and facilities, thereby enabling border controls officers of each party to perform statutory border controls functions outside their territory; and
- Simplify border controls documents and procedures to allow for expeditious processing of border controls

The OSBP was implemented over a period of three years and brought forth a number of benefits, both to the trade and two nations involved. Some of the benefits were:

- Reduction in fraudulent activities in documentation and hence higher revenues
- Quick clearances of goods
- Effective and efficient passenger traffic clearance
- Higher competitiveness among the regional industry due to reduced trade costs

A baseline study was conducted in 2008 to measure the benefits of the OSBP after implementation. The study revealed that an average of 321 vehicles were processed through the border per day with a daily average of 268 commercial trucks, 45 private vehicles, eight passenger coaches and a significant number of pedestrians. Prior to the establishment of the OSBP, it used to take up to five days for a commercial truck to be cleared at the border while passenger coaches took about two hours. The major cause of lengthy transit times were the long procedures involved in passing through two sets of identical controls on each side of the border.

The streamlining and harmonisation of border procedures at Chirundu has resulted in the significant reduction of processing times. The clearance times for buses has been reduced by half while private vehicles now take 20-30 minutes compared to the previous one hour. Commercial trucks which arrive at the border overnight and in the morning are now cleared within the following or same day respectively, with those cleared under the fast lane facility taking at most five hours at the border. This essentially meant that cargo clearance into Zambia, which used to be three days on an average, was down to one day after the OSBP started functioning. An estimation assuming a fixed truck cost of US\$250-500 per day, this represents a saving of US\$500-1,000 (Background Paper for High level Side Event at the 1st TICAD V Ministerial Meeting, Japan International Cooperation Agency, 2014, Transit Handbook, WCO, 2014)

This has been achieved through joint inspections, harmonisation of procedures, introduction of commercial cargo gate pass, increased use of the pre-clearance trade facilitation initiative and establishment of fast lanes for fuel tankers, hazardous substances carrying vehicles, empty trucks and those vehicles not liable for scanning.

Source: TFIG Project, United Nations Economic Commission for Europe (UNECE)

Issues with Capacity Gaps and Need for Capacity Building: Information Asymmetry

After the transit protocols are decided and regulations are harmonised (ideally), a large-scale capacity building of relevant stakeholders, including exporters, transporters, and the like will be extremely essential towards effective implementation. At present, there are substantial gaps in understanding and operationalising procedures and regulations. In many instances, understanding on regulations and procedures vary across border points with lack of clarity on the implementation aspects, leading to different interpretations of policies and regulations across the borders and also between different border points within the same country. This is creating substantial information asymmetry and further compounding the problems of delays at the borders. The capacity of private players including traders, customs house agents, etc. is also a case of concern.

Even access to regulations and procedures is an issue for many (particularly small players/traders) stakeholders. It will be important to do thorough and wide consultations to understand the gaps and accordingly undertake capacity building exercises. It will also help to undertake a thorough mapping of all relevant policies, rules and regulations as applicable to specific ports to create a repository and make that available to all stakeholders through a single web portal.

Recent Developments in Transport and Transit Facilitation

Proposed BBIN MVA: Bangladesh, Bhutan, India and Nepal (BBIN) signed a framework MVA on 15 June 2015 which is expected to make seamless movement of passenger, cargo and personal vehicles between the countries a reality. The four-nation agreement will have provisions for the other SAARC nations to join the framework later on. However, even though the framework has been agreed upon and signed, detailed protocols leading to actual transport facilitation is yet to be worked out and much work need to be done there.

India to grant transit to Bangladesh: India has in principal agreed to provide transit to Bangladesh for its trade with Nepal and Bhutan. This arrangement is being finalised by modifying the India and Bangladesh Bilateral Trade Agreement which came up for renewal after its tenure ended on 31 March 2015. The proposed amendment in the bilateral agreement has proposed transit facilities via all three routes, land, rail and inland waterways. The amended agreement is also reported to have included clauses for transit fees and charges and is expected to be signed soon

Concerns Regarding Certain Clauses in the Draft of the Regional MVA

The agreement clauses and arrangements of the proposed sub-regional agreement are likely to be along the same lines as the SAARC agreement. In light of that, this section looks at the policy and practice implications of some of the arrangements/clauses of the draft SAARC agreement and argues why they may need to be re-worked

Article II Clause 1 a:

Vehicles

1. The Member States hereby agree to allow following vehicles of each country to ply in territory of the other country, subject to the terms of the agreement:
 - a. Cargo vehicles (including trucks, trailers etc. the could carry containerised cargo) for inter-country cargo including third country cargo.

As per this draft, cargo vehicles are defined in a way which seems to limit it to only containerised cargo. While this is desirable for future considerations, at present the quantum of containerised cargo is not substantial when we consider trade through land route. Containerisation will require investment in infrastructure and capacity of the port officials. It will require more ICDs, better checking facilities (vehicle scanners) at ports, e-enabled data exchange between countries across the borders, enhanced capacity of customs, etc.

The CUTS study revealed that while exporters and custom house agents are aware that containerisation will solve many issues with delay, cost and theft, it is still a far cry due to many reasons. For one, container providers have not been too keen to deal with Bangladesh since reportedly the time required for containers to come back is rather long and at times, they have been lost or untraceable.

Article IV, Documents Required, Clause 2 (v)

A vehicle entering and plying into the territories of one country under this agreement shall do so only through immigration check point/land customs stations and routes as authorized by the concerned Member States by mutual agreement. Any deviation from the route will be treated as violation of the permit condition and of the relevant customs laws of the concerned Member States. Sector and the details of route, route maps, location of permitted rest or recreation places, tolls and check posts opened to the regular passenger or cargo transportation among the Member States as defined in the Protocol is at Annexure-I. Any addition or changes to the sectors and routes shall be decided by the concerned Member States by mutual consent.

This will need major planning exercises to earmark the exact routes, locations, etc. For example, Bangladesh doesn't have a parking policy and vehicles are usually parked along the sides of the roads. This will create scope for rent seekers to extort international cargo carriers if such policies are not diligently put in place and relevant authorities are not mandated to build capacity of their staff to that end. As the CUTS study observed that extortion is quite high along the cargo movement routes, a clause such as this will create opportunities for rent seekers. Additionally all relevant stakeholders like truckers, helpers, etc. need to be well aware about such provisions well in advance.

Article IV, Documents Required, Clause 3 and Article X, Right to Inspect and Search, Clause 1:

All the documents referred to in sub-article(2) above shall be in possession of the person driving the vehicle at the time of entering to other country as well as during the entire period of stay in that country and shall always be available for inspection by any competent authority authorised to inspect the vehicle.

Article X, Right to Inspect and Search

- (1) Any designated officer of the Member States such as the officers of the Department of Customs, Land Port, Police and other security agencies and the Transport Authorities shall have the right inside their territory to inspect and search the vehicle operating under this Agreement, its luggage, passengers and goods.

It is important to limit the number of authorities who can check the vehicles, otherwise the problem with multiple checking and rent-seeking through such checking will continue. If one looks at the experience with the Dhaka-Kolkata passenger train, this will be apparent. The passengers are checked thrice- at Kolkata station, at Gede-Darshana border and at Dhaka. While the checking points are legitimate, the passengers are reportedly checked more than what is required with six different checks at Kolkata station (security, baggage, customs, etc.), then a check with customs and immigration at the border taking almost 2-3 hours and then again at Dhaka. Such practices could be streamlined to enhance the experience and ease of travel. Similar practices may crop up if the above clause does not specify the authorities and points for checking.

Article IV, Documents Required, Clause 7

At least one member of the crew of the vehicle must be able to communicate in English or in a language understood in transit or in destination Member State.

This might be difficult given the average education level of the crew and some specific capacity building/training may be required for transporters and their staff. As revealed under IBTA II one of the major issues that exporters and transporters complain of is the harassment of their driver/helpers since they do not know the local language. The clause is well meant and relevant, but there are implementation challenges

Article VI, Restrictions, Clause 3, 4, 5

- (3) No major repair work shall be carried out in the other country except in the event of an accident.

It is important to define “major” otherwise there will be rent seeking using such vague clauses. Again “urgent” need to be defined for the same reason cited above.

- (4) Vehicle of either country calling for an urgent repair while on the route shall be allowed to have repair done at designated workshop(s) in the other country. In case of accidents, all consequential repairs may also be permitted in the country where the accident has occurred.
- (5) In case of an accident, the legal proceedings, if any, against the driver of the vehicle shall be disposed of expeditiously under the relevant laws of the country where the accident has occurred.

This clause, though seem pertinent, could be an issue of major contention. There needs to be thorough dialogues between transporters and operators so that there is clarity on what the different rules are and ideally a uniform law should be followed for disposal of such incidents. IBTA II revealed that concerns with “what happens if there is an accident” is one of the major concerns for operators and they might be unwilling to operate vehicles if the laws seem too cumbersome or varied to understand.

Recent Developments in Transport and Transit Facilitation

Proposed BBIN MVA: Bangladesh, Bhutan, India and Nepal (BBIN) are expected to sign a motor vehicle agreement sometime in 2015 which will make seamless movement of passenger, cargo and personal vehicles between the countries a reality. The agreement draft was reportedly finalised at a meeting of the Transport Secretaries of the four nations in Kolkata in early February 2015. The proposed four-nation agreement will have provisions for the other SAARC nations to join the framework later on.

India to grant Transit to Bangladesh: India has in principal agreed to provide transit to Bangladesh for its trade with Nepal and Bhutan. This arrangement is being finalised by modifying the India and Bangladesh Bilateral Trade Agreement which came up for renewal after its tenure ended on 31 March 2015. The proposed amendment in the bilateral agreement has proposed transit facilities via all three routes, land, rail and inland waterways. The amended agreement is also reported to have included clauses for transit fees and charges and is expected to be signed soon

Standards: Harmonisation and Mutual Recognition

Even with a MVA and transit protocols in place, delays and high trade cost will continue due to non-harmonised standards in the region. The South Asian Regional Standards Organisation (SARSO) needs to gear up. There have been agreements and MoUs between Indian and Bangladeshi standards organisation, but changing regulations and safety concerns have affected such negotiations. With the advent of SARSO, there is much hope to consolidate and bring such agencies in the respective nations to agree on standards in the region. However, not much awareness exists about SARSO. This was apparent during several consultations that CUTS has undertaken among private players, officials and such other relevant stakeholders.

Also, with the looming reality of various mega regional agreements like the Trans Pacific Partnership (TPP), Trans-Atlantic Trade and Investment Partnership (TTIP) and Regional Comprehensive Economic Partnership (RCEP), standards are going to be a major issue deciding the trend of global trade. Developing and least developed countries may face many a hurdle unless they buckle up to conform to the high level of standards of these mega RTAs. To counter the negative impact of possible trade diversion and loss of markets, countries like India and Bangladesh have to reform their standard regimes to align with international standards with ample amount of capacity building, institutional strengthening and consolidating of bilateral and intra-regional trade via harmonisation or mutual recognition of conformity assessment procedures. Unless this happens, their share in global trade is expected to be negatively affected with passing time.

Aligning National Standards with International Standards and Strengthening Institutions

India has already been active on this front, with its national standards increasingly being aligned with international ones. One example that is particularly relevant to Bangladesh-India trade is India's Food Safety Act, 2006 and the corresponding Food Safety and Standards Rules and Regulations, 2011. All food safety aspects (including trade/import) for Indian markets are now regulated by the FSSAI as per the provisions of the 2006 act. Bangladesh has already established the Bangladesh Food Safety Authority that will look at all food safety related aspects. It is in the process of finalising the Safe Food Act, 2013, which is expected to be along the lines of the Food, Drug and Cosmetic Act of the US. The Indian regulations mandates testing for any item that is marketed in India for protection of human, animal and plant life in the country. Under the FSSAI regulations, it is mandated that all items for consumption are inspected for proper labelling and adherence to safety standards.

Clause 2.1.1 in Food Safety and Standards (Laboratory and Sample Analysis) Regulations, 2011, clearly says that “*The sample of any imported article will be sent by the Authorized Officer for analysis. The Food Analyst of any of the following notified laboratories or any other laboratories notified by the Food Authority from time to time having jurisdiction over the area in which the sample was taken.*” Also relevant is the Food Safety and Standards (Packaging and labelling) Regulations, 2011 which deals with labelling and packaging requirements for sale of food in India. The Bangladesh Safe Food Act, 2013 is expected to be have similar clauses in place. Unless the country regulations and laws see eye to eye, technical barriers are expected to discourage trade. Thus it is important that such country regulations are aligned with international standards which will ultimately help them be more congruent and similar to each other as well, thus leading to an easier process towards mutual recognition or harmonisation processes.

Mutual Recognition Arrangements (MRAs) on Conformity Assessment

Considering global developments on standards, low intra-region trade within South Asia and the fact that some of the South Asian countries like Nepal and Bhutan are even less prepared than India, Bangladesh or Sri Lanka with their institutions and capacity, standards might create a major hurdle to even intra-region trade. Hence, it is extremely crucial that standards related institutions are strengthened and multi-lateral negotiations towards harmonisation and/or mutual recognition of conformity assessment are given their due importance.

The SAARC Agreement on Multilateral Arrangement on Recognition of Conformity Assessment which is expected to facilitate member nations to accept results of conformity assessment with a view to eliminate technical barriers to trade within SAARC, is presently being ratified by members and once ratified, it is expected to help in tackling TBTs (technical barriers to trade) within the region. SARSO is expected play an important part in this aspect as well. However, given the slow progress of negotiations within SAARC, sub-regional arrangements may help to pave the path for regional arrangements on conformity assessment in the long run. Discussed below is the ASEAN experience on mutual recognition and harmonisation of standards, which SAARC can certainly learn from.

Experience on Mutual Recognition of Standards in ASEAN

In ASEAN, the main body looking into standards and conformance is the ASEAN Consultative Committee for Standards and Quality (ACCSQ). Established in 1992, the ACCSQ is mandated to deal with TBTs and to assist ASEAN member states in reaching their goal of an ASEAN Free Trade Area and subsequently, a single market.

The ASEAN has horizontal working groups for standards and conformity assessment procedures, among others with a view to removing NTBs. Collectively these groups have made significant progress in harmonising standards in their respective sectors. This includes electrical appliances (58 harmonised standards); electrical safety (71 harmonised standards); electromagnetic components (10 harmonised standards); rubber-based products (3 harmonised standards) and pharmaceuticals where the ASEAN Technical Dossiers (ACTD) and ASEAN Common Technical Requirement (ACTR) have been completed. The harmonisation of standards in other sectors, which are of priority for regional economic integration are progressing. These include agro-based products, cosmetics, fisheries, pharmaceuticals, rubber-based products, wood-based products, automotive, construction, medical devices, traditional medicine and health supplement sectors.

The ASEAN Framework Agreement on Mutual Recognition Agreements was signed in 1998 (ASEAN Secretariat (n.d.)b) and since then three sectoral MRAs have been concluded in the

areas of electrical and electronic, telecommunications and cosmetics. These agreements help avoid a duplication of approvals. Working on the harmonising of standards, however, began in 1997 when 11 priority sectors were identified for harmonisation based on the added value to regional economic integration. These were agro-based products, cosmetics, fisheries, pharmaceuticals, rubber-based products, wood-based products, automotives, construction, medical devices, traditional medicine and health supplements. Later, logistics was added as the 12th priority integration sector. Through these MRAs, products that are tested and certified before export can enter the importing country directly without having to undergo similar conformity assessment procedures in the country that is importing the goods.

ASEAN has also implemented several Mutual Recognition Arrangements (MRAs) to meet its regional economic integration goals. The ACCSQ works to harmonise national standards and to implement MRAs on conformity assessment to achieve its goal of “One Standard, One Test, Accepted Everywhere”. Thus far, all 10 member states have managed the harmonisation of standards for 20 priority products and 81 standards for safety and EMC. At present, the committee is working towards identifying new areas for harmonisation.

Source: Standards Harmonisation in ASEAN: Progress, Challenges and Moving Beyond 2015, Simon Pettman, European Advisory Services (EAS), Asia Office, Singapore, November 2013

Capacity Building and Awareness Needed on Regional Standards and Authorities

It will be important to create awareness and buy-in for SARSO among all relevant stakeholders. Equally important is to look at policy directives from the countries in terms of acceptability of SARSO certifications across the region. While on paper SARSO certifications will hold true for the region, it might prove to be a very different scenario while implementing the same at the border points. There is already quite a bit of confusion and grievance in terms of the new food safety regulations under the new authority Food Safety and Standards Authority of India (FSSAI). That may become further complicated for practitioners once a new/additional authority (SARSO) is included in the equation. Unless there are specific government policies/directives in place and widespread capacity building of officials and staff on such provisions, implementation will be a challenge.

Need to Enhance the Ambit and Scope of SARSO

SARSO has been working on developing regional standards. At present, 29 products have been identified that are of interest in the context of regional trade. Significant work on harmonisation of standards in the identified products has been completed and Draft SAARC Standards have been formulated by the respective Sectoral Technical Committees of SARSO. However, given the high trade complementarities between India and Bangladesh and also among other countries in the SAARC region, there is need to substantially enhance the scope and ambit of SARSO. This needs to be done via increasing the number of products lines for which SARSO is developing regional standards and also by pushing for Mutual Recognition Arrangements (MRA) between countries on specific product categories of regional interest using the SARSO platform.

Need for Internationally Recognised Accreditation Agencies and Participation at International Standards Setting Platforms

There is need for accreditation bodies in both/all countries that are internationally recognised. For example the Bangladesh Accreditation Board is yet to become full members of agencies such as the International Laboratory Accreditation Co-operation (ILAC) though it has recently become a full member of the Asia Pacific Laboratory Accreditation Co-operation (APLAC). India already has the National Accreditation Board for Testing and Calibration Laboratories (NABL) which has full

membership of these bodies. India also has the National Accreditation Board for Certification Bodies (NABCB) which is a constituent of Quality Council of India (QCI). NABCB is a member of the Pacific Accreditation Cooperation (Association of Accreditation Bodies in the Asia-Pacific Region) and International Accreditation Forum (Association of Accreditation Bodies worldwide). NABCB is also a signatory to the IAF MLA (Multi-lateral Arrangement) for Mutual Recognition. Once such internationally recognised bodies are operational in all relevant countries in the region, it will be easier to put in place testing laboratories and hence certifications that are internationally and hence also regionally accepted.

It is also important that South Asian countries are actively participating in the standards setting processes at international platforms such as CODEX, IPPC (International Plant Protection Convention) and OIE (World Organization for Animal Health) so that the needs and aspirations peculiar to South Asia and the neighbourhood are reflected and represented in international standards and regulations formulation processes. It is important to look at regional standards without necessarily following the assumption that the south is always a producer and the north the consumer. With increasing South-South trade such notions are changing and regional standards in South Asia could be more south oriented for trading within the south

9

Conclusion and Recommendations

There exists a lot of positive will towards a higher economic integration in the region across different stakeholder categories. It is important to harness the same through appropriate policy and practice changes. While there are concerns, the potential is real and quite high. In the backdrop of the recently concluded SAARC Summit, it is also becoming increasingly evident that Eastern South Asia is the region to look at in the present political context.

While things may take some more time to move in western South Asia, the eastern part seems ripe for interventions. The present governments on both sides of the borders seem keen on pursuing enhanced cooperation and integration and with the right policies, results can materialise in the near future. The hurdles seem mostly in terms of effective political negotiations, financing and streamlining domestic and foreign policies.

With very recent developments along the eastern sides in terms of land swap deal with Bangladesh, the political will seems to be gearing up for a conducive environment to pitch for higher cooperation and integration. While there is traction and positive political will for cooperation on both transport-transit facilitation and standards, immediate results can be expected on transport-transit facilitation in terms of at least putting in place a framework which could be followed by protocols and implementation strategies that are to be developed and fine-tuned through further negotiations and dialogues.

Cooperation on standards might take more time given the present capacity of national institutions, private players and related government agencies. Also standards being technical in nature, ratification of regional standards or MRAs between countries in the region will be time-consuming. Nonetheless, there seems to be a definite positive political will towards both at present.

In that backdrop, the present study has listed a few relevant policy recommendations towards harnessing the positivity and materialising some of the long pending negotiations, with emphasis on Eastern South Asia.

Key Recommendations

- Successful implementation of Saarc Multimodal Transport Agreement needs to be prioritised as it could play crucial role towards trade, transport and transit facilitation in South Asia. Governments of all countries in the region need to find a way to make the implementation framework of regional agreements more practical and pragmatic
- Sub-regional integration may help pave the path for larger regional integration and the countries need to push for such sub-regional cooperation to start with. In the present political context, it may be more pertinent to focus on eastern South Asia to push for early results.

- Along with transport facilitation, transit protocols need to be in place. Bangladesh is keen on a regional agreement with agreed upon transit protocols. It is important to develop road infrastructure and also transit protocols through consultation, joint deliberation and visits involving all country representatives. There needs to be a multi-modal approach for transport connectivity and railways should be given importance. This will help in transit and trade between Nepal, Bhutan, India and Bangladesh. Hence, such dialogues and deliberations should essentially involve all four countries.
- Need to have well defined clauses for comprehensive insurance covering entire region, routes, security, etc. for any MVA in the region. This will ensure that traders across borders have higher reliability on the system and are effectively covered for loss due to theft, quality issues, etc.
- Acceding to International Conventions on transport and transit facilitation will majorly help the countries to move towards easier, streamlined and harmonised cross border transport regulations and procedures and also improve the security and reliability of trade transactions in the region.
- More Integrated Check Posts (ICPs) need to be put in place. Countries also need to explore the idea of having single or common ICPs at the border trade points that can be utilised by both countries. This will help minimising costs by not replicating building of high cost facilities by both the countries. Similarly, certain procedures can be done on only one side of the border instead of repeating on both sides, for e.g. weighing of the cargo. To this end, procedures and documentation requirements on both sides of the border need to be harmonised as far as practicable. Also, advance documentation through pre-arrival processing needs to be promoted to speed up processes.
- Promotion of containerisation through development of more number of ICDs and installing scanners at the port/customs station and also ensuring that movement of containers is smooth with no unnecessary delays in returning the containers
- Border agency cooperation needs to be encouraged by putting in place institutional arrangements and platforms for interaction and coordination at the working level to discuss and sort out micro issues and also conducting trade facilitation meeting with all relevant stakeholders at ports on a regular basis. This will help majorly in minimising the information asymmetry across borders and within borders across agencies.
- Higher coordination between Central and state agencies towards streamlining and synergising of international agreements and domestic policies for smooth implementation. Allowing the local bureaucrats to use their administrative power in a better way to resolve localised issues, such as unauthorised toll collections, extortion, etc.
- Putting in place a dedicated cadre for border trade functions and capacity building of existing border officials and staff to better understand cross-border trade requirements and nuances. This will help in smooth flow of cargo and people across borders. In many instances, understanding on regulations and procedures vary across border points with lack of clarity on the implementation aspects.
- Consolidating/mapping all regulatory requirements to evaluate and understand unnecessary replications and implementation bottlenecks and hence reforms. Tools, such as those developed

by the World Customs Organisation, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), etc. could be utilised to do a mapping exercise. Following the mapping exercise, it will also help a repository is created for all relevant policies, rules and regulations as applicable to specific ports and that is made available to all stakeholders through a single web portal.

- Harmonisation of Standards and Mutual Recognition Arrangements (MRAs) on Conformity Assessment Procedures between countries across the region will help a lot in enhancing regional integration. It may help to start with agreement between national accreditation and certification institutions, which can pave the path for more comprehensive governmental agreements. It will be helpful to learn from other examples, like Africa and South East Asia.
- Expediting the implementation of regional standards being developed by South Asia Regional Standards Organisation (SARSO) and also enhance the ambit of such regional standards to cover more product categories. It will also be important to build capacities of national institutions responsible towards testing, accreditation and implementation of safety norms in their respective countries and build synergies between their operations through higher exchange and collaborations. Of particular interest will be those institutions related to food and agricultural products since such products form a major part of the trade happening between the countries. Ultimately domestic/regional standards need to align with international standards via development of such standards and strengthening of national institutions.
- It is felt that developing countries need to have greater influence on development of standards through more proactive participation in platforms like CODEX. Also, it is important to look at regional standards without necessarily following the assumption that the south is always a producer and the north the consumer. With increasing South-South trade, such notions are changing and regional standards in South Asia could be more South oriented for trading within the South.
- Harmonisation of transport, trade and travel-related regulations will be crucial. Also, harmonisation needs to go beyond regulations covering goods and also include services
- Promotion of border *haats* and Special Economic Zones will help in boosting border area development and also people-to-people connect. Replicating of border *haats* along new locations will greatly help towards better local economic development, people-to-people connect and arresting informal trade. The presently functioning border *haats* have been quite successful and have led to appreciable local economic benefits. They have also lead to arresting of informal trade along the stretches and cultivating better relationships between people and border security forces on both sides of the border. However there still needs to be improvement to the arrangements at these *haats* given that the list of tradable products is pretty narrow and does not take into account some of the items that are high on demand across the borders, leading to continued impetus for informal trade in such items. Enhancing the scope of *haats* will additionally need infrastructure and logistics arrangement.
- Trade corridors needs to be developed in a manner that they become corridors for people to people connect along with being corridors for trade and cargo movement. To this end, it is important to establish an easy, flexible and uniform visa regime for the region and promote soft connectivity like people to people, think tank to think tank, etc.

- Tourism has a lot of potential towards giving a push to regional integration, but it is mostly neglected. A related factor is fashion which has direct links to tourism. Tourism can be the fourth “T” in the much touted Trade-Transport-Transit facilitation loop
- Sub-regional integration may help pave the path for larger regional integration and the countries need to push for such sub-regional cooperation to start with (as was already done for the Bangladesh-Bhutan-India-Nepal MVA). In the present political context it may be more pertinent to focus on Eastern South Asia to push for early results.

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About the Study

In October 2013, CUTS International undertook a study entitled 'Assessment of Bangladesh-India Trade Potentiality Need for Cross-Border Transport Facilitation & Mutual Recognition of Standards' aiming to assess benefits arising by signing of two bilateral agreements namely; Motor Vehicles Agreement (MVA) and an agreement on Sanitary and Phyto Sanitary (SPS) measures. The two issues are non-physical in nature and are of high importance from the perspective of bilateral trade.

Also from the previous study entitled 'Assessment of Bangladesh-India Trade Potentiality' it was found that border *haats* at the border area play an important role in impacting the local economy and trade of that region. Therefore, this study also looked at the possibility of replicating border *haats* along the eastern regions of the border between India and Bangladesh.

Therefore, in the light of exploratory studies carried out by CUTS International and other like-minded organisations in the recent past, this study aims to assess bilateral trade potentiality and measure benefits which would arise from the signing of a cross-border transport (motor vehicles) facilitation agreement and an agreement on mutual recognition of standards, particularly SPS measures.

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About CUTS

With its headquarter in Jaipur, India; Regional Centres, in Lusaka, Nairobi, Accra and Hanoi; and an International Centre in Geneva, CUTS International has three verticals: Trade, Regulations and Governance. Through policy- and action-research, advocacy, networking and capacity building, it has established its relevance and impact in several policy-making areas and among the larger development community.