

# Enhancing Trade and Regional Economic Integration between India and Bangladesh - Phase I

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## Chapter 1

# Introduction

### 1.1 Background and context

Though trade between India and Bangladesh forms only a small part of their total trade, enhancing bilateral trade is of high importance to both countries. For India, increase in trade with Bangladesh would help to address many concerns of economic isolation of its backward north eastern states and generate new market opportunities for small-scale producers from the impoverished hinterlands of eastern states. For Bangladesh, wider areas of cooperation, investment and allied development opportunities will be thrown open with greater trade openness with India. Moreover, both India and Bangladesh has long-standing commitments toward regional economic cooperation in South Asia, of which their bilateral trade is a significant part.

Since the signing of the South Asian Free Trade Agreement, some significant progress has been made on tariff liberalization. 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 to Bangladesh (chiefly raw cotton, cereals, vehicles other than railway, machinery boilers etc cereals) was more than US\$ 2.5 billion in 2012, India's imports from Bangladesh was close to US\$ 0.3 billion for products like apparel, textile fibres and fruit & nuts;<sup>1</sup> readymade garments being the major item in Bangladesh's export basket on account of duty-free market access granted by India on many textile items. However, these figures are far below the true bilateral trade potential and reaching the actual potential would help Bangladesh to reduce its huge negative trade balance with India even as India's exports to Bangladesh grow fast than the current rate.

It is well known now that numerous non-tariff barriers have hiked up trade costs to unacceptable proportions, rendering trade in many high potential products infeasible. The main constraint to trade competitiveness and growth for sectors from both countries is poor transport and business-to business connectivity. Another weakness in trade between both countries is lack of diversification of their respective trade baskets. Bangladesh's exports to India are dominated by labour-intensive manufacturing and its imports from India are dominated by primary commodities. The shares of manufactured goods (predominantly textiles) in the country's overall export were about 92 and 91 percent in 2001 and 2011 respectively. Though there have been some changes in the relative shares of various items exported from the Indian side and a few new items have found their place in India's export basket in recent years, a large number of potential products, especially produce of small-scale manufacturing and agrarian surplus from the eastern parts of India, are still to get their due share in bilateral trade.

These two issues, viz. poor trade infrastructure, support services etc. along the India-Bangladesh border and lack of product diversification are in a way connected with each other. As indicated above, a significant part of bilateral trade potential lies in diversification of existing trade to include high value-added manufactured goods from the small-scale sectors such as electrical and electronic equipment, machine tools etc. and primary produce from the agrarian and mining regions along the border. The most cost effective ways these products can be traded is through land route, wherein many different land border crossings can be used as entry points. And for this to happen, betterment of land customs stations and supporting infrastructure as well as trade services, including valuation, inspection, payments, trucking, where housing etc. must be significantly improved.

There are about sixteen land ports operating along the India-Bangladesh border, the main ones being in the western stretch between the Indian state of West Bengal and Bangladesh. The ports require a

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<sup>1</sup>In the year 2012, exports from India to Bangladesh valued US\$4.94 billion and imports were around US\$ 0.56 billion. Source ITC Trade Map (2013)

number of infrastructural improvements such as more sheds and storage facilities for perishables, cranes and forklifts, approach and link roads for cargo traffic, automation of cargo clearance and so on. In addition, the central and state governments need to coordinate and work within their respective jurisdiction to improve the overall regulatory environment and customs services that facilitate trade through land routes.

Given this context, the proposed project will examine the key issues which affect bilateral trade through land routes along the border between the state of West Bengal and Bangladesh and explore trade opportunities that can be realised by addressing such issues. Policy research will be undertaken to identify existing constraints and appropriate regulatory interventions that are needed.

## **1.2 Objectives and Methodology**

The overall goal of the study is to frame policy proposals for improving India-Bangladesh trade through land route which will in turn generate welfare outcomes such as new market opportunities for small-scale manufacturing and agrarian sectors, especially for border states. Thus the study aims at:

- Identification of transportation bottlenecks, deficiencies in administration of cargo movement, and other impediments related to trade services in land customs stations between the border between West Bengal and Bangladesh through primary research.
- Identification of issues related to existing trade regulations, gaps in administrative and financial capacity of central, state and local governments and other stakeholders including business organizations, trade unions and local associations of trade support service providers etc.
- Assessment of capacity and efficiency of existing trade resources (infrastructure, local trade bodies and entities, human resources at land border stations) and explore possibilities of leveraging them for betterment of cross-border trade.

The study covers a literature review and field research. Through a review of the existing literature on India-Bangladesh trade, the study maps bilateral trade issues that have been identified by earlier studies. Reports of India-Bangladesh trade consultations undertaken by CUTS in the past was also be used for the purpose of the review. Field work was carried out at five land customs stations (LCSs) in the western regions of the border between India and Bangladesh. This includes the Petrapole-Benapole land customs station, which accounts for about 70 percent of trade between India and Bangladesh through land route. Besides this, Mahedipur, Ghojadanga, HiliChangrabandhaand FulbariLCSs were covered in the field study. Two border haats were also studied through field survey as potential models that can be replicated at more locations along the border, benefiting local stakeholders.

Field work for mapping trade impediments included interviews with a diverse set of stakeholders representing local trade associations, central, state and local government establishments responsible for administration and regulation, customs officials, cargo handlers, trade logistics companies, trade service professionals and other key informants.

## **1.3 Chapter Plan**

This study report contains the results of the literature review and primary survey analysis. The report states the identified issues and corresponding policy remedies, besides the results of a diagnostic/exploratory analysis using secondary data. The report explores areas of improvements which shall result in better distributive gains from trade, especially small-scale and agrarian sectors from the border areas. Chapter 2 contains evidences gathered from secondary data analysis and literature review. Results of field research are presented in Chapter 3. Chapter 4 concludes with a summary and policy recommendations.

## Chapter 2

# India-Bangladesh Trade: Problems and Prospects

### 2.1 Patterns of Trade Flow between India and Bangladesh

Bilateral economic relation between India and Bangladesh has grown since the latter got independence in 1971, albeit at a slow pace. Ups and downs in the political relations between the two countries have had a strong bearing on development of their economic ties. In recent years, both countries have registered good growth rates and have made significant progress in social development. Bilateral trade has also grown, as a result of open economic policy outlook of both countries. Among SAARC countries, Bangladesh is the largest trading partner of India, with total bilateral trade crossing US\$ 5.5 billion in the year 2012<sup>2</sup>. The two-way trade flow between them was US\$ 1.08 billion in year 2002. This puts the annual average growth in trade at about 4.7 percent.

*Although bilateral trade is dominated by Indian exports to Bangladesh, the former is the only Asian country to emerge as one of the top ten export destination market for Bangladesh in year 2012. Top six destination markets for Bangladesh exports were USA, Germany, UK, France, Italy and India, with USA sharing 25.7 percent of market, Germany sharing 15.2 percent, UK sharing 10 percent and India sharing 4 percent market, in the year 2012. Market share of India's imports from Bangladesh in the year 2003 was 0.6 percent which increased to 1.9 percent in year 2005 and to 4 percent in 2012 (ITC Trade Maps database). This growth in market share by India shows that Bangladesh's total exports are likely to increase in future in India and is expected to be around 12.4 percent in the year 2015<sup>3</sup>.*

Table 2.1 shows top 5 export products from both India and Bangladesh, portraying an increase in trade between 2010 and 2012.

<b>Product code (HS 07)</b>	<b>Product label</b>	<b>Bangladesh's exports to India (in US\$ 1000)</b>		
		<b>Value in 2010</b>	<b>Value in 2011</b>	<b>Value in 2012</b>
'53	Textile fibers, paper yarn, woven fabric	76,432	137,701	123,341
'63	Other textile articles, sets, worn clothing etc.	51,599	65,582	79,147
'08	Edible fruit, nuts, peel of citrus fruit, melons	20,142	42,731	59,275
'62	Articles of apparel, accessories, not knit or crochet	11,315	26,506	42,801
'03	Fish, crustaceans, mollusks, aquatic invertebrates etc.	38,668	87,565	36,395
<b>Product code (HS 07)</b>	<b>Product label</b>	<b>India's exports to Bangladesh (in US\$ 1000)</b>		
		<b>Value in 2010</b>	<b>Value in 2011</b>	<b>Value in 2012</b>
'52	Cotton	936,373	958,402	1,389,222

<sup>2</sup> Author's Calculations based on ITC Trade Map Data

<sup>3</sup> Author's calculations based on ITC Trade Map Data

'10	Cereals	157,126	257,889	451,975
'87	Vehicles other than railway, tramway	249,885	262,200	412,692
'84	Machinery, reactors, boilers, etc.	91,216	169,813	272,534
'17	Sugars and sugar confectionery	356	184,827	263,809

*Source: ITC Trade Map Database (September 2013)*

### 2.1.1 Trade Complementarity

The trade profiles of Bangladesh and India are different from each other. While Bangladesh's overall export is dominated by labor-intensive manufacturing, its export to India is dominated by primary commodities.<sup>4</sup> The shares of manufactured goods in country's overall export were about 92 and 91 percent in 2001 and 2011 respectively. Their shares in total exports to India were 51 and 45 percent in the same years respectively. Primary commodities dominate Bangladesh's total import from India as well. However, the composition of bilateral trade between these two countries (both export and import) has been changing over time, with inclusion new items and extinction of some of the existing items, and change in the relative share of the different items.

Though it had experienced high annual volatility, the overall trade between Bangladesh and India has increased over time, especially Bangladesh's import from India. Total export from Bangladesh to India has increased from US\$ 5.4 million in 1991 to US\$ 512.5 million in 2011. The share of Bangladesh's export to India in country's overall export decreased from 0.33 percent in 1991 to 0.31 in 2001, and then increased to 1.88 percent in 2011 (Table 2.2). On the other hand, India's export to Bangladesh increased from about US\$ 200 million in 1991 to 4.56 billion in 2011. The share of India's export to Bangladesh in country's total export decreased from 2.42 percent in 2001 to 1.13 percent in 2011, implying a relatively faster growth of India's overall export to the rest of the world.

Year	BD's export to India (million \$)	BD's export to India as % of BD's total export	BD's export to India as % of India's total import	BD's import from India (million \$)	BD's import from India as % of BD's total import	BD's import from India as % of total export of India
1991	5.49	0.33	0.03	199.85	6.37	1.12
2001	16.51	0.31	0.03	889.59	11.06	2.03
2011	512.51	1.88	0.11	4560.00	12.06	1.51

However, the potential of bilateral trade between two countries, as can be deduced from trade complementarity index (TCI) between them, is high. TCI assesses the how well the structure of one country's export structure matches the import structure of the other country.<sup>5</sup> Table 2.3 shows trade complementarity index of India. As the values have been consistently above the usual critical value of 40, evidently India has been maintaining clear export complementarity with Bangladesh. Emergence

<sup>4</sup>This is contrary to Bangladesh's general export pattern. Both market and product concentrations of export are high for Bangladesh, with about fourth-fifths of country's total export earnings being contributed by ready-made garments sector.

<sup>5</sup>Increase in the value of TCI reflects higher trade complementary, and hence trade potential, between two countries. The critical value of TCI is 40, meaning any value less than this level means lack of trade complementarity.

of India as one of the largest source of Bangladesh's import is thus well-founded. However, growth in trade of certain product categories - with high export capacity on India's part and correspondingly high import demand on Bangladeshi side - has not been as high as expected. As we shall see later, high trade costs have affected the realization of the true bilateral trade potential reflected by indicators such as TCI.

Year	TCI
2005	50.79
2006	51.96
2007	51.36
2008	48.02
2009	47.41
2010	48.13
2011	48.08
2012	49.84

*Source: Calculated using ITC Trade Map Database (September 2013)*

Comparative advantage of traditionally and newly traded products of India in Bangladesh's market is also found to be very high. This can be seen from the contrast of the Revealed Symmetric Comparative Advantage (RSCA) indices for top exports of Indian in markets for them in Bangladesh and rest of the world (RoW). The RSCA measures relative competitive performance of India's exports in Bangladesh and RoW. We use this index to assess the export competitiveness of two economies relative to each other and also relative to the world. Table 2.4 presents the RSCA indices of top 15 export products from India to Bangladesh, in the year 2012 to assess trade competitiveness of India with Bangladesh relative to the World.<sup>6</sup>

It can be observed that India has comparative advantage in all the 15 export products, relative to Bangladesh. As in table 2.4, for product codes 87, 84, 85, 39 and 40, India has negative comparative advantage with RoW, which means that India doesn't have comparative advantage on these products in RoW markets. As RSCA of these products is positive with Bangladesh and higher than RoW in most of the other categories, India is well positioned to meet the import requirements of Bangladesh in such categories.

Product Code	Product Label	India's RSCA Relative To	
		Bangladesh	World
'52	Cotton	0.90	0.78
'10	Cereals	0.99	0.64
'87	Vehicles other than railway, tramway	0.88	-0.26

<sup>6</sup>In the first step, we calculated RCA, i.e. revealed comparative index using ITC database (formula is given in the endnotes). but as RCA index is asymmetric, i.e. unbounded for those sectors with a revealed comparative advantage and has a zero lower bound for those sectors with a comparative disadvantage, we converted RCA into symmetric form and calculated RSCA. Index is made symmetric using this  $(RCA-1)/(RCA+1)$ . RSCA ranges from -1 to +1, where a value greater than zero reveals countries comparative advantage in the export of goods and vice versa.

'84	Machinery, nuclear reactors, boilers, etc.	0.92	-0.50
'17	Sugars and sugar confectionery	0.99	0.45
'23	Residues, wastes of food industry, animal fodder	0.86	0.39
'55	Manmade staple fibres	0.73	0.52
'29	Organic chemicals	1.00	0.28
'72	Iron and steel	0.91	0.06
'85	Electrical, electronic equipment	0.91	-0.53
'39	Plastics and articles thereof	0.69	-0.29
'73	Articles of iron or steel	0.99	0.22
'27	Mineral fuels, oils, distillation products, etc.	0.95	0.01
'32	Tanning, dyeing extracts, tannins, derives, pigments, etc.	1.00	0.24
'40	Rubber and articles thereof	0.90	-0.10
<i>Source: Calculated using ITC Trade Map Database (September 2013)</i>			

However, bilateral trade intensity index for these products tells a different story. Bilateral trade intensity is determined by comparing bilateral export between Bangladesh and India to the export of each country to the rest of the world. It is calculated as the ratio of a trading partner's share to a country's total exports in a commodity and the share in world exports of trading partner for the same commodity. Bilateral export is deemed 'intense' if they trade with each other relatively more than they do with the rest of the world and thus the value for BTI index turns out to be greater than 1. Table 2.5 shows India's export intensity with Bangladesh in the top 15 export products. It can be seen that India does not have 'intense' trade relationship for any commodity with Bangladesh. In fact, India's export intensity with Bangladesh is decreasing over time for most of these commodities, implying its integration with the rest of the world at a faster rate than its integration with Bangladesh.

Product Code	Product Label	India's Export Intensity	
		2005	2011
'52	Cotton	0.010	0.021
'10	Cereals	0.203	0.014
'87	Vehicles other than railway, tramway	0.014	0.002
'84	Machinery, nuclear reactors, boilers, etc.	0.090	0.007
'17	Sugars and sugar confectionery	0.319	0.180
'23	Residues, wastes of food industry, animal fodder	0.911	0.089
'55	Manmade staple fibres	0.730	0.521
'29	Organic chemicals	0.001	0.001
'72	Iron and steel	0.027	0.081
'85	Electrical, electronic equipment	0.084	0.003
'39	Plastics and articles thereof	0.045	0.315
'73	Articles of iron or steel	0.002	0.000
'27	Mineral fuels, oils, distillation products, etc.	0.011	0.002
'32	Tanning, dyeing extracts, tannins, derives, pigments, etc.	0.001	0.016
'40	Rubber and articles thereof	0.018	0.004
<i>Source: Calculated using ITC Trade Map Database (September 2013)</i>			

While high trade complementarity and revealed comparative advantages in many product categories show the possibilities of growth in bilateral trade, which has not translated into rise in volume of trade flows between India and Bangladesh up to the levels that may be predicted from the indications of trade potential. The fact that both countries have managed to expand trade with outside world rather than with each other, even in products that are well suited for bilateral trade, only shows, the existence of trade barriers hike trade costs beyond reasonable levels and renders in such products infeasible. Following sections through more light into the nature of such barriers as observed from previous studies.

### **2.1.2 Trade Potential**

Many items of high bilateral trade potential are still kept under the sensitive lists of Bangladesh and India, one of the reasons often identified for low levels of trade. At the time when preferential tariff reductions were initiated under SAFTA in 2006, both the countries kept 15 to 25 percent of the total product lines out of bounds for tariff cuts, under their respective sensitive lists. Since then only a marginal reduction in restricted product lines has been achieved till recent times. According to a study done by CUTS (Chatterjee and George, 2012), there are 9 product lines which can be removed from Bangladesh's sensitive list, bringing about US\$ 143.47 million worth of savings on imports, if it imports these products from India instead of higher priced imports from rest of the world (calculations based on trade data for the year 2009-10). Major items which will reduce import bills of Bangladesh are mineral fuels, oils distillation products, electrical equipment and pharmaceutical products. There were about 41 product lines that were there in India's sensitive list till recently. It was estimated that Indian consumers could have saved up to US\$ 12.82 million (calculations based on trade data for the year 2009-10), if India imported these products from Bangladesh. Recently both countries have made fresh commitments to prune their respective sensitive lists. India's list for LDCs, as applicable to Bangladesh, now consists of only 25 product lines

Also, when we consider products which are not in the sensitive lists and on which preferential tariff rates are applied, and filter them applying certain criteria, we find that there are many products which are being imported by Bangladesh from other countries at a higher cost than the export price of India for those products. If Bangladesh started importing some of those products from India, Bangladeshi consumers can save up to US\$ 207 million (for selected few agro-based and SME manufactured goods). Table 2.6 shows the calculations done on some selected products.

Bangladesh's import value for the product "Nutmeg, mace and cardamoms", HS code 0908 is very large (value of US\$ 16,273 thousand) and its imports from India are very low (US\$ 20 thousand), whereas, India is a net exporter for this product, with export capacity of US\$ 103,840 thousand. At the same time, price at which Bangladesh imports this product from rest of the world is very high at US\$ 6,470 per ton and India exports the same product at US\$ 952 per ton. If Bangladesh starts importing this product from India, it can save US\$ 13.8 million on its import bills. Table 2.6, gives a selected list of main products with similar market advantages.

<b>Product Code</b>	<b>Product Name</b>	<b>Bangladesh Importing value from ROW (US\$ thousand)</b>	<b>India exporting value to Bangladesh (US\$ thousand)</b>	<b>Bangladesh importing quantity from ROW (Tons)</b>	<b>Bangladesh importing price from ROW (US\$/Ton)</b>	<b>India's exporting Price to Bangladesh (US\$/Ton)</b>	<b>Bangladesh's Savings if it do trade with India (US\$ thousand)</b>
0901	Coffee	140	4	17	8,235.29	2,000.00	106
0908	Nutmeg, mace and cardamoms	16,273	20	2,515	6,470.38	952.38	13,878
1001	Wheat and meslin	615,771	3,84,434	2,089,845	294.65	290.97	7,688
1006	Rice	18,373	11,669	26,991	680.71	491.22	5,114
1702	Sugars, nes, inclc hem pure lactose etc; artif honey; caramel	15,718	1,604	17,780	884.03	667.50	3,850
5201	Cotton, not carded or combed	9,47,836	5,42,878	4,86,419	1,949	1,899	24,299
5205	Cotton yarn (not sewing thread) 85% or more cotton, not retail	7,97,789	4,97,372	2,03,247	3,925	3,667	52,523
3901	Polymers of ethylene, in primary forms	1,34,139	5,284	71,603	1,873	541	95,374
3907	Polyacetal, polyether, epoxide resin, polycarbonate, etc., in primary form	2,00,605	31,097	1,35,355	1,482	1,456	3,539
8544	Insulated wire/cable	65,306	7,982	11,440	5,709	5,613	1,091

*Source: Calculated from ITC Trade Map (Bangladesh Savings from Agro Based and SME manufacturing products).*

Through this exercise, the CUTS study could identify a total of 60 product categories (at HS07 6-digit level of aggregation) in which India-Bangladesh trade could displace their costly and inefficient current imports from other partner countries. The potential increase in trade volume in this fashion is found to be about US\$ 1.2 billion, which is above 20 per cent of the total current volume of bilateral trade. In fact, imports at lesser costs from each other would have positive effects on both economies at multiple levels. Savings on import bills itself stands at 30 per cent of the current import expenditure on the selected 60 product lines, translating to about US\$ 180 million worth of savings per annum. Moreover, reduction in import prices is likely to spur more demand and thus inspire more bilateral trade that what was predicted by the study.

## 2.2 Mode of Bilateral Trade and Trade Costs: A Literature Review

The trade facilitation issues in the South Asian region has been well documented in the literature, including a series of studies commissioned by CUTS under various projects.<sup>7</sup> CUTS has explored the case of trade facilitation needs of South Asia in isolation, most notably, CUTS (2004) research report on trade facilitation under the International Working Group on Doha Agenda (IWOGDA PROJECT). Considering that this region is a free trade area since 2006, the improvements in trade volumes have been abysmal. De *et al* (2012) and CUTS (2013) are some works that are notable in this regard. These studies point out that, even though the region has gone through significant tariff reduction, the region suffers from the prevalence of high non-tariff barriers.

As far as literature specific to India-Bangladesh trade is concerned, there is no disagreement on the need to open up trade and improve trade infrastructure to facilitate trade. Most papers suggest that there are immense opportunities in improving infrastructure especially in the transport segment (Chakraborty 2010, Bhattacharjee 2012, Acharya and Marwaha 2012). CUTS (2013) deals in depth with trade facilitation issues in South Asia, it emphasises that the reason for this neglect is because of excessive focus of South Asia on expansion of exports to destinations outside the region. Other studies like De *et al* (2012), De and Bhattacharyay (2007) and Chakraborty (2010) show high untapped potential for a bilateral trade agreement between India and Bangladesh over the existing regional agreement, arguing for trade openness coupled with improved infrastructure.

Trade between India and Bangladesh is mostly carried through land routes as it is the most convenient and cheapest mode. There are big rivers like the Ganges and Brahmaputra that flow across these two countries. These rivers are used for transportation by border states in limited ways, while the rest use the more conventional sea route to reach the sea port of Chittagong. Air and sea routes were opened immediately after independence by Bangladesh. Air cargo between the two countries is limited but is still used as a medium of transport. As far as sea route is concerned it is not used to its potential.

More than 80% of the trade is carried out through land due to the geographical proximity that the countries share, within this over 70% of trade is carried out between them through two LCSs (Land Customs Stations) of Petrapole- Benapole and Ranaghat - Gede. De and Bhattacharyay (2007) point out that, although both countries have 1km of road for every 1 sq. km, the quality of road is poor. India has stable broad gauge railway system, whereas that of Bangladesh is miserably poor and only 33% of it is broad gauge.

Although both countries have ports nearby, they are not used as much as the land route. The year-wise movement of containers between Kolkata, Haldia, and Chittagong ports is low. Because of the absence of direct calls between the ports of India and Bangladesh, containers shipped to Bangladesh from the West Indian ports are normally transhipped at Colombo and/or Singapore thereby imposing additional costs to the users and hampering intra-regional trade growth. Sharing the Jawaharlal Nehru Port could be a way of encouraging private-public partnership for developing an efficient port network in Bangladesh.

De and Bhattacharyay (2007) has shown how development of transport infrastructure connecting Bangladesh would help not only India and Bangladesh but also will have positive effects on Nepal's and Bhutan's trade. This according to them would lead to a cyclical growth effect on the north eastern region of India. If Bangladesh allows use of Chittagong port by India, Bhutan and Nepal, it would also enhance integration of this region. According to ASPEN (2012) report issues like water sharing,

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<sup>7</sup> Some of the main studies in this direction are (Arnold (2004), Aggarwal(2005),Sobhan (2005) World Bank (2006), Gilbert and Banik (2006), De *et al* (2011 and 2012).

transit access, security and border management have major effects on the relationship between the countries and these have indirect effect on trade.<sup>8</sup>

### 2.2.1 Bilateral Trade Costs

In previous studies, the prevalence of Non-Tariff Barriers (NTB's) between these two countries which affect trade activities has been noted (De 2011, Chatterjee and George 2012, Sengupta 2007). Generally NTB's like border delays due to capacity constraints, customs clearance and corruption affect trade between the two countries and add towards the overall trade costs. In 2010, value of unexplored market was more than 48 per cent of total value of India-Bangladesh trade and potential savings, which is the flip side of cost due to NTBs, was more than 7 per cent of total value of India-Bangladesh trade (Chatterjee and George, 2012). Some papers also point out to the fact that drug trafficking and other national security concerns prevent smooth movement of goods.

According to Das and Pohit(2010), a single shipment on an average is delayed by around four days. These delays can arise due to a host of factors such as, complex customs procedures, which are changing, capacity constraints given limited facilities and/or corruption at the border. Transaction costs often rises due to several reasons such as variety of rules and regulations, ineffective implementation processes, infrastructural obstacles in transportation systems, poor communication systems, lack of information transparency, and rent seeking behaviour of officials. In excess of the transaction costs incurred by the exporters, additional speed money (unlawful payments) are often required to be paid by the transporters. Transaction cost in terms of delays and speed money incurred by the Indian exporters is estimated to be about 10 percentage of the shipment value.

As far as the facilities at the LCSs are concerned, according to De and Bhattacharyay (2007), not a single LCS between India and Bangladesh offers services that are of international standards. Moreover, complex and out-dated system of documentation for imports, lack of efficient and effective custom administration, absence of harmonization of technical standards for infrastructure and lack of proper transit system between both the countries are additional NTBs which are responsible for India-Bangladesh land border trade delays.

In addition, the movement of traffic beyond Benapole LCS is very slow and time taking. Some technical and infrastructural problems at Benapole LCS have been noted. These are non-payment of irrevocable L/Cs by various banks for all exports, lack of good communication system at LCSs and the fact that testing centres are far from LCSs. Moreover, cold storages for perishable goods are not properly organised and maintained and goods handling facility at this LCS is very poor (Rahman et al, 2010).

CUTS (2013) explored the benefit that would accrue if NTB reforms are undertaken. Trade cost has been observed to be much higher for South Asian countries when engaging with trading partners within the region. Indications of this anomalous fact were available from poor performance of South Asian countries in notable global rankings of countries based on various aspects of their trade governance, infrastructure and systems. But this could not be quantitatively verified till recent times for want of data. The Trade Cost Database (2012) initiated by the World Bank and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) provides bilateral trade cost data from amongst a pool of countries from all across the globe.<sup>9</sup> It provides quantitative data on bilateral average non-tariff trade costs, measured by the difference between domestic market value of

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<sup>8</sup>For more exploratory analysis on this topic see Bhuyan (2006), Chaturvedi (2007) and Chakma (2012).

<sup>9</sup>The World Bank and UNESCAP Comprehensive Trade Cost Database released in December 2012 covers bilateral comprehensive trade costs from 2005 to 2010 of over 178 countries.

a consignment in the exporter's territory and the market value of the same in the importer's territory after landing, when two countries trade with each other.

While considering South Asian cases, it could be observed that average bilateral non-tariff trade costs of 5 major countries were considerably higher with regional partners compared to that with partner countries outside the region, despite the advantage of geographical proximity and shorter transportation routes. This reflects high prevalence of procedural NTBs which hike up landing prices to unacceptable proportions. On the flip side, these figures indicate the potential amount of savings on landing prices if adequate NTB reforms are undertaken.

Table 2.7 shows minimum aggregate potential savings for Bangladesh and India, if both countries undertake reforms to make their trading systems (procedures and transport) better, matching international standards. In that scenario, savings accruing to Bangladesh comes around to 24.36 percent of its current import bills, translating to about US\$ 829.72 million worth of savings. The corresponding figures for India are found to be 24.36 per cent and US\$ 141.10 million. As savings in the analysis represents reduction in trade costs due to NTBs, a combined figure cost reduction of US\$ 970 million on total bilateral trade volume will accrue, if adequate trade facilitation reforms are undertaken. Presence of barriers causing trade costs to rise to unacceptable proportions explain why bilateral trade still remain below potential.

<b>Table 2.7</b>						
<b>Summary of Results on Potential Savings from NTB Reforms for Bangladesh and India</b>						
<b>(Trade Volumes for 2010-2011)</b>						
<b>Bangladesh</b>						
Partner Country	Rate of Non-Tariff Trade Cost	Import Value in Bangladesh (US\$ million)	Domestic Value in Partner Country (US\$ million)	Revised Import Value in Bangladesh using Ideal Non-Tariff Rate (US\$ million)	Potential Savings from NTB Reforms (US\$ million)	Potential Saving as % of Import Value
India	82.28	3,405.52	1,868.28	2575.79	829.72	24.36
<b>India</b>						
Partner Country	Rate of Non-Tariff Trade Cost	Import Value in India(US\$ million)	Domestic Value in Partner Country (US\$ million)	Revised Import Value in India using Ideal Non-Tariff Rate (US\$ million)	Potential Savings from NTB Reforms (US\$ million)	Potential Saving as % of Import Value
Bangladesh	82.28	579.13	317.71	438.03	141.10	24.36
Source: Reforming Non-Tariff Barriers: Case for a Participatory Approach in South Asia, CUTS (2013)						

### **2.2.2 Trade through Land Route**

As mentioned earlier, large amount of trade between India and Bangladesh is carried out by road. There are officially 35 Land Custom Stations (LCS's) through which trade between India and Bangladesh is carried out. Petrapole (in West Bengal, India) and Benapole (in Bangladesh) are the busiest land custom stations between India and Bangladesh. About 70 to 80 percentage of India's total export to Bangladesh is made via three land border routes; Petrapole, Hilli and Changrabanda. Also Mahedipur in Malda district and Ranaghat in Nadia district are important LCSs.

All LCSs are reported to have infrastructural problems that hinder smooth flow of traffic between the two countries. Narrow and poorly maintained roads coupled with administrative bottlenecks causes delays while transporting. The most important of the Customs posts with comprehensive Customs clearance powers is at Benapole, which borders Petrapole on the Indian side and is on main roads linking Kolkata with Jessore and Dhaka. It handles around 80 percent of India's exports to Bangladesh and close to 100 percent of Bangladesh's exports according to the Ministry of Commerce and Industry of India. According to an earlier paper by Pohit and Taneja (2000) Petrapole/Benapole was handling about 60 percentage of India's export to Bangladesh and Petrapole accounted for about 2/3rd of the total official trade between India and Bangladesh.

The existing literature gives us fair idea of what are the problems at the border and land customs stations. Some of the general infrastructural problems that have been identified are poor quality of approach roads and poor standards of trade services at the LCSs (Gilbert and Banik 2006, Dutta 2010, Hossain and Rahman 2011). The roads leading to the LCSs pass through very congested towns. Traders have reported problems such as inadequate water and sanitation facilities, security risks, lack of government warehouses, frequent worker strikes, common gate for imports, exports and passengers, poor power connectivity and frequent power cuts and untrained operators for electronic data interchange (Hossain 2009, Rahman 2005). A common problem that is identified in the literature is that of speed money (unlawful payments) which is present throughout the border crossings. This issue partly arises due to the out-dated systems of documentation, customs clearance and other forms of red tape.

### **2.3 Impact of Bilateral Trade on Local Economies, Border Haat Models and Informal Trade Nexus**

Cross-border trade generates employment for households and have become, overtime, the only source of meaningful livelihood in the border areas. In remote areas, where employment is scarce and salaries low, cross-border trade generates income for a whole household and is more profitable than other economic activities. Typically, cross border trade and commerce with neighbouring countries increases interdependency and economic integration in terms of exchanging of goods and services, sharing resources, labour and expertise as well as fostering investment flows. Bilateral trade between two neighbouring countries not only aids trader's sustenance, but also strengthens local production by fostering service provisions like storage facilities, transportation and ancillary services in local bazaars.

Bilateral trade between India and Bangladesh affects the economies that survive around the border areas. The impact of this trade on the local economy has its own rewards and damages. Due to healthy business atmosphere around the border area there has been an improvement in the economic situation of local people. This has benefitted an array of groups performing different roles through backward and forward linkages to trade related economic activities. Truck drivers, auto drivers, local proprietors-hotel owners, departmental storeowners, groceries and fruit vendors, et al., are some of the groups who earn their livelihood from this cross border trade. As a result of growing trade and commerce, the border area of India has seen a sudden burgeoning of taxi drivers who offer their services in border localities. Restaurants and stores in these areas that are closer to Land Custom

Stations (LCSs) are also mushrooming. Such new business establishments in these areas generate more employment opportunities to the localities with a wage rate that is substantially higher than what these people used to earn earlier.

The importance of border trade is immense for the North Eastern Region (NER) of India, for it brings direct tangible benefits to the region. NER exports raw materials like coal, limestone, stone chips, and bamboo to Bangladesh and imports finished products like cement, plastic goods, readymade garments, process food and drinks. Minerals from Meghalaya are exported to Bangladesh through the LCSs of Assam and Meghalaya. Trade flows through Tripura-Bangladesh sector is dominated by imports from Bangladesh (Research and Information System for Developing Countries , 2011). Overall, the impact of trade on the NER region has been beneficial for the progression and overall growth of these local economies.

Many border haats (localised cross-border market places) are setup along the border areas of India and Bangladesh in the eastern and northern sides of the border and it has created better economic environment for the local people. Generally men are more involved in the activities of border haats in the NER of India. Only certain commodities, as listed by the Custom department, can be traded in these border haats. Only few commodities are allowed to be traded in the Border Haats at Baliamari-Kalaichar and Lauwaghar-Balat and this includes vegetables, food items, fruits, spices; minor forest produce e.g. bamboo, bamboo grass, and broom stick but excluding timber; products of cottage industries like Gamcha, Lungi etc; small agriculture household implements e.g., dao, plough, axe, spade, chisel etc; garments, melamine products, processed food items, fruit juice, toiletries, cosmetics, plastic products, aluminium products, cookeries (Acharya & Marwaha, 2012). The vendors selling their products in Border haats are local residents who live within five (5) km radius from the location of Border Haat. As per the report by the Commerce and Industry Ministry of Indian, an estimated \$20 million worth trade can take place annually between India and Bangladesh through the 'Border Haats'. To boost this good practice, India and Bangladesh have decided to set up many haats along the international border in the North East to facilitate the sale of locally produced items among people living in inaccessible areas of both the countries. Eight more border haats are likely to be established along India-Bangladesh border in the NER. The Bangladesh government has already agreed to India's proposal to set up four border haats along the border with Tripura<sup>10</sup>.

There are certain regulations laid by India and Bangladesh for the transit of goods through the ports along the borders. Some of these regulations have a detrimental impact on the growth and diversification activities that are taking place around the local economies. India and Bangladesh have imposed certain restrictions on the movements of Bangladesh citizens inside Indian cities (vice-versa) for the purpose of business/investment. A plethora of legal formalities by the respective governments have squeezed out the profit potential of the local market in these countries. Bangladesh citizens are restricted to travel to certain northeast states like Mizoram and Nagaland. They also face problems in renting apartments for accommodations and are subject to police reporting on a weekly basis. Visa procedures adopted by the Indian authority for Bangladesh travellers are also not encouraging for good business interactions between the two countries (Islam, 2011).

Another restriction forbids the movement of motor vehicles of both the countries from crossing the 'no man's land' thus creating unnecessary hassles in the transshipment of goods across the border. This is not only time-consuming but it also adds to the price of the goods. The costs pertaining to loading/unloading and warehousing are no less substantial and ultimately add to the product cost. The positive side of this restriction is that it makes the latter half of goods dispatch process a labour-intensive task thus generating employment prospects for the local people in the respective countries. Usually men perform the task of loading and unloading at the ports. This is the case in all the 39 ports from where trade takes place between India and Bangladesh.

The quality of product exported from India to Bangladesh is being hampered due to specific restrictions on the technical standards of products. All outgoing products from Indian market to

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<sup>10</sup>See 'Northeast states' trade with Bangladesh set to rise', dna, November 19<sup>th</sup>, 2012.

Bangladesh are required to go for a quality test in centres located in Calcutta or Guwahati and the entire process often takes at least 15-25 days to get the quality report (Islam, 2011). Due to such time lags, the agricultural produce of local farmers fetches a sour price, which ultimately affects their economic condition.

Similar consumption pattern along with interdependence of needs between the two sides of the political boundaries has given rise to informal channels of trade in goods and services. *Bootleg smuggling* and *technical smuggling* are the two facets of informal trade that are taking place between India and Bangladesh. Trade of goods in small quantities carried out by large number of people through illegal means is known as *bootleg smuggling*. *Technical smuggling* involves trade of goods in large quantities, generally through truckloads, through formal custom channels, yet it involves illicit activities like under-invoicing, obfuscation and bribery to the officials (Chakraborty, 2009).

A large part of trade between India and Bangladesh takes place through the informal arrangements. Some localities sell the material that gets embezzled during loading and unloading process near LCSs. They contribute a lot in *bootleg smuggling*. They even cross the borders for making more profitable deals of the illegally procured goods. Certain groups of localities residing near the ports of India have no other means of income than involving themselves in the illegal business of goods trafficking. Many localities do form a part of this process and their incomes depend on such activities besides earnings from the formal process of loading and unloading and other meagre economic activities that thrive around the port premises of India. Such groups also look for opportunities to earn extra income from *technical smuggling*.

There are some notable cases of informal trade between India and Bangladesh. It has been observed that the smuggled sugar to Bangladesh comes from India over the land borders and total quantities of smuggled sugar are estimated to be in between US\$ 100 million to US\$ 250 million in the years 2000 to 2004 (Garry Pursell, 2007). Per capita consumption of sugar at Bangladesh is estimated to be 7.5 kg.

Another case of serious smuggling is cattle smuggling which a billion-dollar illegal industry in which both the countries are involved. On Indian side cows are smuggled through Assam and West Bengal and are brought from states like Rajasthan, Punjab, Haryana, etc., which indicates huge involvement and networks. This illegal profit making trade involves around 1.5 million cattle worth US\$ 500 million, being smuggled every year across India and Bangladesh.

## Chapter 3

### Bilateral Trade Facilitation Issues: A Survey

#### 3.1 Introduction

A survey was conducted under this project in 6 important LCSs along the border; the LCSs that were included in the study are Ghojadanga, Changrabandha, Hili, Mahandipur, Fulbari and Petrapole. Besides these LCSs, the study included two border haats; Kamalasar in Tripura and Balat in Meghalaya along the eastern border of Bangladesh. The scope of the survey included identification of NTBs affecting bilateral trade, especially related to overland trade, including issues related to regulations and infrastructure and trade services, issues of informal trade, prospects of border haats and impacts on local economies. Several issues that previous literature had mentioned were validated during the survey and certain specific new issues were identified.

This chapter deals with each of the above mentioned issues in detail, starting with regulations which although has seen improvements in recent times has a long way to go to be considered trade friendly. The next section deals with infrastructure at the LCSs; almost all the LCSs lack modern infrastructure and none of them matched international standards. The third section deals with trade services, the inefficient delivery of which often causes time delays and consequently increasing costs. This chapter also presents two case studies that look into the problems and prospects of the border haat models.

#### 3.2 Regulations

Trade regulations are ideally intended to make the process of trading simpler and hassle free but too many of them, without justification or proper implementation guidelines and mechanisms, can be confusing and difficult to comply with. India and Bangladesh have laid down a compendium of regulations for formal trade but some of them are obstructing the smooth flow of trade between these countries. Adherence to regulations has been a persistent issue in bilateral trade.

Pre-shipment inspection is one of the major issues concerning the India-Bangladesh trade. India and Bangladesh have setup monitoring agencies in their respective sides to ensure compliance of the traded goods with due regulations and standards. However, the entire inspection process could have been more time and cost efficient. Indian exporters are of the opinion that inspections should be done

#### Main Concerns and Needs Identified from Survey

- Better approach roads and separate ways for export and import trucks needed
- Better parking and warehousing facilities
- Weigh bridges at all LCS
- Plant Quarantine facilities or harmonization of SPS regulations between the two countries
- Better transport facilitation and more e-enabled documentation and checking systems to reduce delays
- Banks with all facilities near the LCS
- Full time Custom officials and better infrastructure for offices/quarters

\* For a LCS Specific list of issues please refer Annexure I

on the Bangladesh side so that they can save on the time required for the dispatch of export goods. This will also reduce duplication of efforts and make the dispatch process slicker from India.

Regulations relating to Sanitary & Phytosanitary (SPS) measures are also 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 LCS, the two sides miss out on a lot of potential trade on such items.

Numerous monitoring agencies have been setup by Bangladesh to carefully scrutinise the imported goods from India and it is mandatory to comply with the regulations customized for this purpose. Bangladesh's monitoring agencies carefully check every Indian vehicle and every export item coming into Bangladesh from India. Even though this practice is judicious from Bangladesh's point of view, inefficiency in its conduct through a series of monitoring agencies adds to the time involved, leading to rising transaction costs. The overarching response from traders regarding clearance related regulations at LCSs was that most of the regulatory requirements have been made without taking into account practical feasibility and efficiency of operations as faced by traders in reality. Improvements in inspection procedures through a consultative process, in the light of ground realities should be undertaken. Cooperation amongst responsible agencies from both sides is also needed to avoid duplication of procedures. An inclusive approach, with the participation of all relevant stakeholders, towards reforms in procedures should be one of the first steps in trade facilitation measures.

### **3.3 Infrastructure**

Quantity and quality of trade depends heavily upon the quality of infrastructure. The low quality of infrastructure in different LCSs in India has downgraded the quality of trade between India and Bangladesh. Paucity of appropriate infrastructure is one of the major complications hindering India-Bangladesh trade. Warehouse facilities; parking facility; cold storage facilities; availability of stationary items, goods scanners, weighbridges, etc. are some of the infrastructural issues hovering over the LCSs of Petrapole, Mahadipur, GhojadangaHili, Bongaon, ChangrabandhaandFulbari.

Parking and warehousing are amongst the basic necessities that are found lacking in quality and quantity at the surveyed LCSs. At Petrapole parking facility from Central Warehousing Corporation (CWC) at the border check post is inadequate. Petrapole's CWC parking facility can only accommodate 800 trucks in the export zone and 150 trucks in the import zone at a time. This causes problems since when import trucks come in from Bangladesh, the entire area earmarked for import vehicles are taken up by 30-40 trucks that are unloading their wares and the rest of the trucks then go on to the parking space meant for export vehicles.

Issues such as inadequacy of space for inbound carriages regularly cause conflicts between carriage operators and delays in the goods dispatch process. Due to non-availability of proper parking facilities, there is often traffic jam on the border-crossings and approach roads. Adding to the worries is occurrences of theft of goods from loaded trucks in the parking area that are found lacking inadequate security measures. Moreover, CWC parking facility at Petrapole does not have a functional warehouse in the parking area. Though Petrapole LCS has better parking facilities as compared to some of the other LCS, it being the largest land custom station in Asia, the facilities are hardly adequate. Moreover, Bongaon municipality operates a separate parking facility where trucks coming from outside have to park mandatorily, causing inconveniences to traders. The new ICP facility coming up at Petrapole is expected to address many of the problems, however work on that

has been delayed due to lack of coordination and exchanges between different government departments and agencies. For example, the construction at the new ICP site was halted for some time since there were claims and protests by local environmentalists that a part of the land is demarcated as wetland and land-filling of that area is prohibited. Speedy resolution of such conflicts and issues with better coordination and convergence amongst the relevant departments and agencies is required for timely completion of the new facility. .

There is no CWC parking facility at Ghojadanga LCS. All operative parking spaces are privately owned, different in sizes and dispersed throughout the local area. One prominent practice in Ghojadanga is the bizarre parking culture of the transport vehicles. Trucks of the same consignment instead of getting parked at one location get parked at different locations, usually because of the fact that the entire consignment does not arrive together and by the time all trucks arrive the parking space where the first lot is parked is already filled-up. This not only creates issues with inspection leading to lower tonnage reporting of the consignment than actual, but also gives a scope for embezzlement to happen inside parking areas, goods trafficking, under-invoicing etc. This in turn acts as a deterrent in revenue collection, resulting in lower revenues than the actual potential.

Mahadipur, Changrabandha and Hili are found to be facing the same issues related to parking facility. The situation of parking is in fact worse in these LCSs. There is no proper facility for parking for inbound trucks and the existing parking slots are devoid of basic amenities like washrooms, rest rooms, etc. All parking areas are privately owned and poorly maintained. The available parking facility in Hili is owned by the Hili Zilla Parishad and is in a dilapidated state. Same concerns of theft are also surfacing in this LCS. Theft occurs on a regular basis in the parking place. There is no security mechanism to curb this issue even after constant reminders by the victims to the concerned

departments. Fulbari is arguably the best in terms of the parking facility when compared to the other LCS, though scopes for improvement are still there.



A truck parked at the parking facility at Hili

Inadequate roadway is another very prevalent issue across the LCSs. One of the major issues prevalent in Petrapole is the poorly maintained two-lane road [connecting Barasat (West Bengal) with Jessore

(Bangladesh)] from where the trading of goods takes place. This is the arterial road through which India-Bangladesh export-import consignments are transported to and from. This road hardly fulfils the standards of an international trade link road. The picture is very similar for the other LCS and at times even worse. The road condition in Fulbari and Changrabandha though slightly better than some others, they are not full-fledged two-lane roadways. The road connecting Changrabandha to Jalpaiguri was last renovated (two years ago) with the help of aid received from Asian Development Bank and no further renovations have been done so far even though the condition has worsened over the years. Ghojadanga, Hili and Mahadipur are probably worst off in terms of road infrastructure.



The approach road to the Ghojadanga Check Post is rather narrow wherein only one truck can pass at a time. Thus when import trucks are coming in or export trucks are coming back from Bangladesh after unloading their wares, trucks from the India side of the border cannot pass, leading to delays and higher transaction costs.

A common phenomenon for all these places is the narrow approach road to check post. In many cases they are so narrow that only one vehicle can pass through at a time. This means exports trucks cannot go across to the other side of the border when import trucks are coming in or export trucks are coming back after unloading their wares on the Bangladesh side. This results in a lot of delay and higher transaction costs.

Absence of plant and animal quarantine offices and testing centres is one of the major issues for all LCS. The only LCS that has an office for the Plant Quarantine on the Indian side is Petrapole. However, there are no testing facilities available at the LCS. Testing for items has to be done at Kolkata and the import trucks are stranded at the border until the results for such tests arrive. This causes a lot of delay, hassles and at times leads to quality control issues for the consignments. The other LCS do not even have that and hence a lot of trade that could have happened in agricultural commodities, livestock, aquatic and marine products, especially the much in demand Hilsa fish, etc. never materialise leading to economic losses for both the nations.

Petrapole has only one weighbridge, causing substantial delay in dispatch process and an overall congestion in the trading process. The only other LCS having a weighbridge is Fulbari. None of the other LCS has government owned weighbridges and have to depend on privately owned weighbridges. This results in hassles in the inspection process, leaves scope for erroneous tonnage, malpractices and ultimately results in loss of revenue for the government. The office infrastructure in Changrabandha is inadequate, making it difficult for the customs officials and other officials to perform their duties smoothly. To worsen the situation, there is no space for the clearing and forwarding agents to operate in the office that are functioning from Changrabandha. Furthermore, there is no warehouse and proper fencing in the border and therefore a lot of illegal trade takes place at this LCS. Ghojadanga, Mahadipur and Hili are also not really good in terms of office infrastructure.

The buildings in many cases are in a dilapidated condition. Lacking sufficient light and security on the streets leading to the border, theft is a regular phenomenon on the border roads.

Petrapole is also facing major internet connectivity problems. The EDI (Electronic Data Interchange) system operates ineffectively and there are Internet issues due to the BSNL link failure very often (between February to July 2013, there were total 23 days of link failure). The link failure adversely affects trading activities. Moreover, there is lack of trained personnel and terminals which further slows down the documentation processes.

In terms of port infrastructure, Bangladesh LCSs are reported to be better than India, particularly Benapole. The reported reason being huge dependency of Bangladesh on Indian imports through Petrapole. Bangladesh has segregated parking facilities for different kinds of items, huge warehouses and adequate parking facilities. However, Benapole is the reportedly the only LCS on the Bangladesh side that has adequate infrastructure to handle the volume of trade between India and Bangladesh. This is the primary reason why most of the trade (around 80%) happens through this port.

### **3.4 Trade Services**

Adequate trade services are crucial for reducing the transaction costs. Almost all the LCSs along the India-Bangladesh border have inadequate provisioning of essential trade services. As mentioned earlier, Petrapole / Benapole is the only full-fledged LCS among the existing 38 LCSs, the others lack in infrastructure as well as allied services. Even at Petrapole/Benapole, services such as banking, money exchange, etc., need improvement. Even though approximately 400 trucks pass through the LCS, it does not have a fuel station or a service station in the vicinity, making truck drivers vulnerable to mechanical breakdowns.

Service provided by warehousing facilities is another issue that is essential for trade through these border regions. Due to the delay in procedures the warehouses serve as a place to store the goods for the time being. Almost none of the LCS has product specific warehousing facilities. Certain items need specialised warehousing arrangements and can only be traded through ports which have them. For example, Feldspar can only be traded through the Ghojadanga since it is the only place that has facilities to offload feldspar, that too privately owned. Since Ghojadanga is the only LCS specialized in feldspar trade, any problem at the warehouse would mean the feldspar export from India will have to come to a standstill until the issue is resolved. Since feldspar is a major export item that comes within the top 20 exports from India to Bangladesh, substantial trade losses would result from such problems.

An important allied service that is essential for trade is banking, without which it would be next to impossible to carry out cross border trade. In almost all the LCS bank branches in the vicinity (in case it does exist) do not have adequate facilities for cross border trade. In most cases traders have to go to banks in the nearest district headquarters (e.g. Malda Town for Mahadipur and Hili) or subdivision headquarters (e.g. Basirhat for Ghojadanga) adding to the time and hassle. Frequent incidence of banks not honouring letter of credit, delayed receipt of payments from the importer etc have hampered trade relations and brought in a sense of mistrust among the agents. An issue that has been a major cause of concern is the prevalence of fake letter of credit, which has added to the mistrust within the traders. Claims of Non-receipt of goods and payments are linked. Both these problems can be resolved if the customs officials keep a record of passing trucks. If this data is available, one can confirm whether

such a truck carrying particular goods has passed through the border post, reducing the confusion that trading agents have to go through otherwise.

However, the issue of non-receipt of payment has been tackled to an extent by the intervention of The World Bank through certain initiative that have modernised the banking system in Bangladesh. This has enabled the rest of the world to carry out transactions with Bangladesh in an easier manner. As far India is concerned this has been a boon for the exporters, who earlier had to wait longer to get paid. Another issue, that is still unresolved while trading with Bangladesh, is that the bank holidays differ in both the countries causing money transactions to get delayed. Bangladesh observes half a day holiday on Thursday, full day on Friday and Saturday, and Sunday is a working day. Whereas in India banks have half a day holiday on Saturday and full day holiday on Sunday. This indirectly means business is stalled for three and a half days a week. So an exporter who submits a bill on Wednesday usually has to wait till next Monday before any process on his bills is started.

In terms of transport, one of the major issues is that in many of the LCS, trucks coming from all across the country are required to offload their goods on the Indian side of the border. Thereafter local transporters re-load the wares onto their trucks and carry it across the check post. This practice came into being for various reasons at various places. While in Ghojadanga it was due to the fact a particular bridge leading to the check post was not sturdy enough to handle big vehicles, in Petrapole it was reported to be because truckers coming from all different parts of India are wary of harassment that they face in the hands of the labour unions on the Bangladesh side because of language issues. In some of the other LCS like Mahadipur and Hili, there are no such issues though. It is however important to mention here that such practices has considerable bearing on the local economy. For instance Bongaon has some odd 200 transporters who thrive on this practice and locals confirmed that the economy of Bongaon thrives on the transport trade. In Ghojadanga, when the bridge in question was repaired and made good enough for bigger vehicles, locals stalled trade for a period of 42 days since no local transport meant no livelihood for them. The interim solution that was reached in Ghojadanga is a rather questionable understanding between the belligerent labour and transporters unions and transporters wherein a “toll” is collected by the locals. Thus the transport issue in some of the LCS is rather complex and also seem to be quite politicised. It is however important to devise a way out through participatory dialogues involving representatives from both the countries and all relevant stakeholder groups since factors such as these are leading to delays, additional costs and harassment, ultimately affecting the quantity and quality of trade between the two countries..

As far as services that are allied to transport are concerned, loading and unloading labourers play a very important role. In the Petrapole area alone 5 labour unions exists and around 10000 labourers operate in loading and unloading. The labour unions that exist in these regions have exploited the transporters and have engaged in rent seeking. Freight forwarding agents complain about the unjustified wages that they demand. Frequent strikes occur due to this and this impedes trade. The exporters from Bangladesh and India have come together to form an association called Bharat Bangladesh Export Import Maintenance Committee to overcome such bottlenecks as mentioned above. However, formal governmental interventions are necessary to avoid labour issues.

### **3.5 Other Issues**

Irregularity in the administration regimes in all the LCS in India as well as Bangladesh has affected trade activities. All the LCSs in India have different working hours, causing inconvenience to traders. The official working hours at Petrapole for exportclearance is between 6:00 AM to 6:00 PM. Hardly any trading activities take place during the early morning hours as the custom officials come around 9

AM. The business hour is between 10 AM to 5 PM at Mahadipur whereas the export timings in Hiliis between 8 AM to 5.30 PM. Even customs offices in Bangladesh start working late from 11 AM, thus hampering trade between both the countries.

The Assistant Commissioner (AC) operates for only two days in a week from Ghojadanga. Traders face a lot of inconvenience due to the non-availability of the Assistant Commissioner for most of the days in a week. As a result, the traders and their agents (for any official work) have to wait for those two particular days for all documentation and paper work. The documentation process delays the dispatch process and adds to the costs incurred by the traders. Similar is the case of Mahadipur LCS where the AC attends the office once a week. Regular availability of the officials will be a lot of help towards cutting down on the unnecessary delay in the transit of goods.

The Export Associations of all the LCSs play a very important role towards deciding the number of vehicles that can cross the border at particular point of time. Even though a fixed number of vehicles are supposed to cross the border, it has been noted that only a certain fraction of loaded vehicles are given the green signal to cross the border. The unlucky vehicles are left at the mercy of the Export Association officials who often demand payments from the drivers for issuing passes. The laws relating to release of detained vehicles are cumbersome and often the redressal mechanism takes up lot of time because of the irregular working routine of the concerned officials. Moreover, office of the officer in charge of grievance redressal is usually at the district headquarters and for complaint redressal the exporters have to travel the respective headquarters.



Disparities in service delivery between LCSs have shaped preferences of traders in usage of LCSs. Generally the exporters prefer other ports over Petrapole for the trade in perishable items. In many cases, exporters prefer LCSs other than Petrapole and Mahadipur because crossing over is

arguably easier. The C&F agents association confirmed that one of the reasons that many exporters prefer Ghojadanga over Petrapole (roughly 3-4 hours' journey apart), is that the processes are less stringent and almost all trucks that come to the border can cross over on the same day. Hili is also a preferred port for the trade of perishables for the same reason. In the case of Mahadipur, trucks carrying both perishable and non-perishable goods wait for clearance for an average of 10/12 days.

As per the local traders/C&F agents of Changrabandha, this port stand to lose the export potential in the coming days because with the new ICPat Fulbari, more and more consignments will be traded through that port because of the better facilities. Export of all items through Fhulbari started officially from 04 August 2013 after Bangladesh lifted the restriction to import all items through Fulbari LCS alongside stone boulders. The traders/C&F agents not only fear the loss of trade but they think it will

completely ruin their livelihood, as most of them are completely dependent on this cross border trade. A new full-fledged LCS in Dhubri district of Assam that started operating from 2nd September 2013, further threatens business at Changrabandha.

Issue related to the informal trade of cattle from India to Bangladesh is also getting heated up. A lot of informal trade of cattle happens through the riverine route. Bangladesh is highly dependent on the cattle that come from India for its exports of processed meat to Middle Eastern countries. To benefit out of cattle trade, India needs to formalise the trade and take necessary actions to curb informal trade. While informal trade in other items like sugar, rice, alcohol, timber, etc. do happen, they are nowhere as significant as the illegal cattle trade. Annually cattle trade is approximated to be around the worth of US\$ 500 million. Indian government should take some actions in order to formalise it but as cow occupies a special and holy position in Hinduism, it is difficult and risky for the government to legalise cow trade, besides knowing the purpose of trade. Killing a cow in India is treated as crime and slaughtering of cow is legally allowed only in two states: West Bengal and Kerala<sup>11</sup>. Therefore legalising cattle trade is very difficult, especially in an era of regional coalition.

Also, there is a ban on exporting cattle from India to any other country, therefore under this situation, legalising this trade is an acute problem for the policy makers and any step to retain or to control cattle smuggling could be interpreted as going against Bangladesh and might further reduce and decimate the current relations and atmosphere.

### **3.6 Local Economy vis-a-vis Border Trade:**

It was found that the local economy in all the localities around LCS is almost entirely dependent on the trade and allied activities. While in Bongaon, it is the transport business that got a boost due to trade, Ghojadanga saw a steep rise in the number of C& F agents, local entrepreneurs offering parking facilities and allied services. Additionally both these places small time livelihood options like food stalls, hotels, small time business establishments for photocopying, photo studios, cosmetics, utensils, etc. has grown at a steady pace. Trade also generated employment for the local youth who work with C& F agents and exporters, operate auto services for people commuting to and from the border, labourers who work with transporters for loading-unloading work, etc. It is an undeniable truth that with increase in border trade the local economy has been impacted positively and has immense potential with further enhancement of trade through the LCS. There is however a flip side to this. Since the local economy is heavily dependent on border trade and vehicles and people commuting through the border, there are instances of intentional creation of delays by certain groups. This is because of the fact that the longer the vehicles take to cross over to the other side, the higher are the returns to certain stakeholders. Delays thus created help the local business to thrive to a certain extent. (Please refer Annexure II for anecdotes on how trade affects the local socio-economic fabric)

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<sup>11</sup> India-Bangladesh Border Management: The Challenge of Cattle Smuggling, JoyeetaBhattacharjee, ORF



The Petrapole Check Post approach road wears a deserted look on a day that trade was suspended due to a “*Bandh*” on the Bangladesh side. On a working day, this is teeming with people, vehicles, vendors, agents, etc. This is quite a symbolic indicator of how much the local economy is dependent on the trade happening through the LCS

### 3.7 Case Studies on Border Haats

#### Balat Border Haat: East Khasi Hills, Meghalaya-Sunamgunj, Bangladesh

##### Fact Table:

Where:	East Khasi Hills District Meghalaya, India and Sunamgunj District, Bangladesh
When	Every Tuesday
Dimensions and Location	75 meter x 75 meter. On the “zero-line” : the area allocated falls on either side of the India-Bangladesh border, half from the Indian territory and the other half from Bangladesh
Infrastructure:	50 sheds constructed for vendors inside the cordoned off area to display and sell the their wares
Currency	Both INR and Taka is accepted
Number of Vendors	Total 50 – 25 from India and 25 from Bangladesh. The areas for vendors from two countries are separately demarcated
Maximum value of purchase in a single day	Local currency equivalent of \$100
Management	Border Haat Management Committee comprising of representative of Border Security Force, Police, Customs, Village/Union Level Local Government Representative, Additional District Magistrate/SDM of the district having jurisdiction over the concerned Haat. Both India and Bangladesh will have this Committee
Security Arrangements	Vendors from both side of the border are issued Identity Cards. The list of vendors is revised from time to time as felt necessary by the respective Haat Management Committees. Record of entry and exit are maintained for both Vendors and Vendees so as to ensure that all people get back to their respective countries after the working hours of the Haat. Real-time communication is maintained between the designated members of the Haat Management Committees on both sides to ensure that the Haat area does not get overcrowded. Typically 150 people are allowed from both sides at a time.
Participants	Vendors and Vendees residing in villages/unions within a 5 km radius from the Haat
Average Value of Transactions per day	Total Transactions amounts to anything between INR 3-4 Lakhs for a single day
Products/Items	Items allowed to be traded follow a list decided jointly by the government of both the countries, which is amenable to change with mutual consent. Usually traded items include vegetables, fruits, beetlenut, bay leaves, spices, cottage industry items like <i>gamchha</i> , <i>lungi</i> , garments, mats, plastic and melamine products, processed food items, juices, agricultural or household tools like spade, axe, plough, <i>dao</i> , etc.

### The Balat Story:

“The business from the border haat is much higher than a usual day at our local markets” said AtiurRahman, one of the 25 vendors from Bangladesh who participate in the Balat Border Haat that lies on the zero-line, with the East Khasi Hills district of Meghalaya on one side and Sunamgunj district of Bangladesh on the other. Atiur comes to the haat with his *Abba*(father) with his Melamine products on each Tuesday, the only day in a week that the haat operates. He said that the average



AtiurRahman, a Bangladeshi vendor of Balat border haat

value of business from the haat is anything between INR 3000-4000 for a single day, much higher than the usual business of around 2000 Taka from markets in his country. Rizwan was sitting at one periphery of the haat area with his *Shukno-lawngka* (red chilies) and *Jeera*(cumin). He said that he hails from Narayantala, a Bangladeshi village just 1 km away from the haat and comes to the border haat each week with his wife in search of some money. When asked what he does on other days, he gave us a smile and appeared to be slightly ashamed to own up that he doesn't do much on other days since there



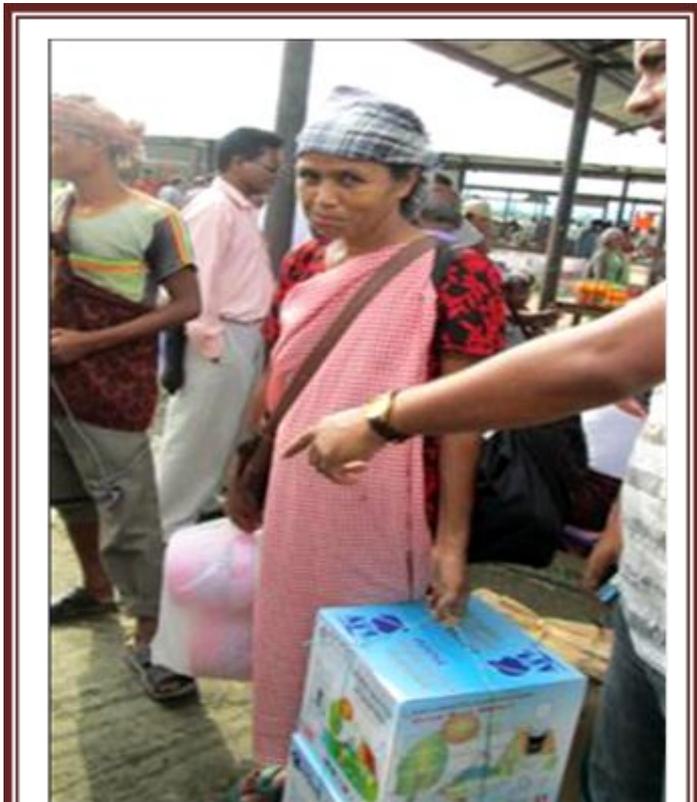
Rizwan selling his ware, his wife and son accompanying him

are not much of opportunities, though he does work in the fields during the paddy sowing and harvesting seasons. He confirmed that the haat is a new life line for people like him and that he hopes that it operates for more days in a week. A very similar opinion was expressed by an elderly man sitting right beside Rizwan with his ware of powdered spices. In fact the vendors seemed unanimous on this issue of extending the days of operation of the haat.



The border haat seemed to be full of products more from Bangladesh than India, probably because of the reason that Meghalaya doesn't have much of manufacturing activities and the only items that vendors from the Indian side were trading in were seasonal fruits, bay leaves, spices, cosmetic items, mats and the likes.

Bangladeshi vendors had a range of items like plastic items, melamine items, spices, vegetables, wooden items, water filters, household tools, small time confectionary items, fruit juices (Praan), etc. This was also due to the reason that the demand for such products from people on the Indian side is high because the only other place that they can source it from is Shillong, which is journey of 4 hours only one way and the prices are also reportedly much higher. We soon found proof of this theory when we interacted with two women from the village of LaalPaani in Meghalaya. They had bought three water filters from a Bangladeshi vendor. We asked why do you buy it from here, they said that the only other place they can buy such stuff Shillong which needs a long journey and more than double the price for the item. We were told that the filter that they bought reportedly for INR 450 each would cost anything between INR750-800 in Shillong, not accounting for the time and cost of traveling to and fro. In fact they were almost incredulous that someone would ask such a question at all, isn't it obvious enough, was what their body language spelled. When we asked them why they were buying three instead of two, they confirmed that it is for their "neighbours". It may be mentioned here that the government order for Border Haat stipulates that the vendees can only purchase goods in a quantum that is "reasonable for bona-



The "Water-Filter" Lady from LaalPaani, we could not follow her accent when she told us her name

for personal/family consumption". We were however explained later that it makes good business for them in their village. Apparently many people buy products within the admissible limits to later trade at their localities. As HarkaBahadurChhetri, a local opinion leader from Dangar village pointed out, the border areas of Balat used to be quite well-to-do during the early 70s when people from both side freely traded and bartered products and wares. He particularly mentioned the trade in fish and spices through the waterways that used to be really good. Once the border closed down, they were left with little option but to migrate or relocate elsewhere in search of livelihood since agriculture is not very feasible on the hilly Meghalaya side. He shared that such people still had their ancestral homes in the villages but not many of their family members remained in the villages. This was partially confirmed by a lady we met later in Shillong.



A scene from outside the Border Haat Perimeter: The Haat benefits local transporters and small time food sellers, particularly women with an income opportunity

She said that she had grown up seeing her parents do business with Bangladesh traders, particularly in fish, poultry and spice items, which stopped after the two nations restricted all exchanges along the border. She added that it was a pity that a practice that has been going on since historical times was suddenly halted like this.



We all had “Roshogolla” and “Mishti-Doi” (Sweet Youghurt) from this Bangladeshi food vendor. He makes around INR 1000 per day

In fact, literature confirms that these Haats are known as “*Mughal-Era Haats*”, indicating that they have been around since the Mughals reigned the sub-continent. Chhetri added that he, like many others in Dangar and other border villages like LaalPaani, Dhillagaon and Pekpara, are pinning their hopes on initiatives like this Border Haat to help open new economic avenues and livelihood options for the local people.

The local chieftain of the East Khasi Hills District, K.N Syiem shared that the Border Haat has been a really welcome development for the people living in the border area villages. Since it started operating on 1 May, 2012, it has steadily grown and as a member of the BoderHaat Management Committee he was finding it difficult to deal with the number of applications that he was getting from his people for becoming vendors at the haat. He confirmed having received as many as 800 applications for consideration against a mere 25 that is allowed from the Indian side. He further shared that the committee has decided that people will be allowed on a rotation basis to become vendors so as to accommodate more requests and facilitate more people/families take advantage of this new economic avenue. Moreover, he said that the Haat not only generates income for the vendors but also for 20-25 odd labourers on either side of the border who help load and unload vehicles that bring wares to the haat. They earn anything between INR 200 to INR 400 in a day. It also generates income for local transporters and good vehicle owners and also for local people who earn by selling food and other small time consumables at the Haat site. As the “Raja” (King) of the constituency he felt that the Haat needs to be expanded both in terms of the area as well as the number of days it operates. He also opined that more of such haats need to be opened along the border to help people living in the remote border villages of both the countries.



The Sumrariver meanders through the Bangladesh plains- as seen from the Meghalaya Hills

BSF officials filled us in on the security arrangements that are there in the haats and said that the police and BSF both are members of the Haat management Committee and it has mostly been a smooth affair in the last one year of its operation. He shared that the haat not only attracts vendors and vendees, but also curious “tourists” who travel a lot of distance to see the Haat. He opined that this aspect could be taken advantage of by selling handicraft items there. In fact our team did meet two Bangladeshi youths Aman and Raju from Sylhet, Bangladesh who had come to take a tour of the Haat since they had come visiting a relative in Sunamgunj, roughly 10 kms from the Haat site.

Some of the common answers that we received when we asked people’s opinion on how to better this Haat were widening of the Haat area, increasing the days of operation and revising the list of items to be traded to include fish, eggs and other poultry items. There is a high demand for such products on the Indian side and ample availability on the Bangladesh side. In fact traditionally these were the items that were traded most before the “line” was drawn. However, as BSF officials shared, there might be security issues to allowing such items. Additionally there might be issues with Plant Quarantine and SPS measures. Such policy issues still make some of the most feasible products stay out of the Haat. The custom officials in charge of the border haat also confirmed that these items are prospective items, but without them in the list, nothing much can be done.

Overall, the Border Haat experience was really positive and it seems to be generating a lot of immediate economic benefits to people living in the border areas without too much effort or investment on part of the governments on either side. The Meghalaya Government is already quite convinced and is all set to open some more of these Haats along its border with Bangladesh. A realization and example that should find wider acceptance and buy-in by the governments of both the countries. They say that “Life finds a way”. Maybe with the right policies in place, “trade” will follow a similar pathway and trade between India and Bangladesh will one day be as free flowing as the Sumrariver that drains from the hills of Meghalaya and meanders its way through Bangladesh. Till then, the people of Balat and scores of such other border settlements can only wait for better livelihoods and happier times.

### Kamalasagar, Tripura: Site for proposed Border Haat

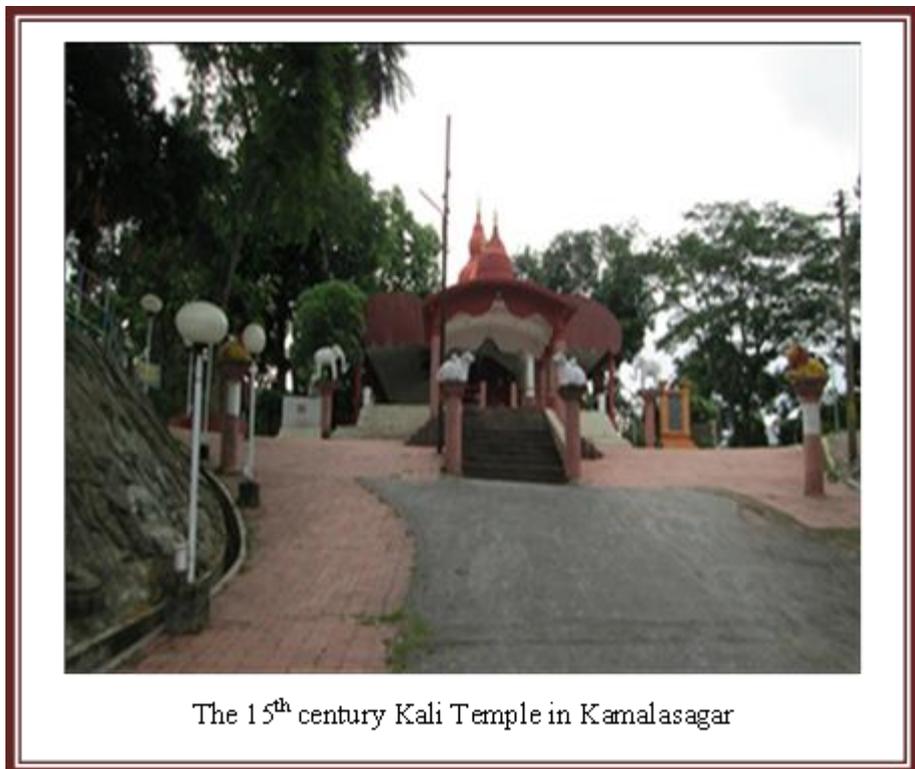
Kamalasagar is a quiet neighbourhood located right on the Bangladesh border in West Tripura, about 30 km from Agartala. It figures in the tourism map of Tripura by virtue of a 15<sup>th</sup> century Kali Temple constructed by the then king DhanyaManikya. The place however does not have any “touristy” airs to



it with only a handful of shops and food stalls around the temple. The local economy mostly revolves around the temple and the 800-1000 tourists that come visiting every day to offer pujas at the temple. The only time it sees more action is during the month of October when a Navaratri festival is held there. People there typically depend on the temple and small time rubber plantation for

livelihoods. The hilly terrain is not suited to agriculture.

As ShaifulAslam was telling us, he works part time at the car parking facility of the temple and his family owns a rubber plantation of about 300 trees. In the recent times rubber has become a profitable business with the price for rubber soaring high. Many in his neighbourhood have started rubber plantation in whatever small land that they own. He said that very



little agriculture happens there due to the hilly and undulating nature of the land. The terrain in Bangladesh, which is but 200 meters away from the temple site, is all plains and conducive to agriculture and fish culture. He gave the fact that inspite of abundantly available low priced food



Border Stone No. 2039, the proposed site for the Border Haat

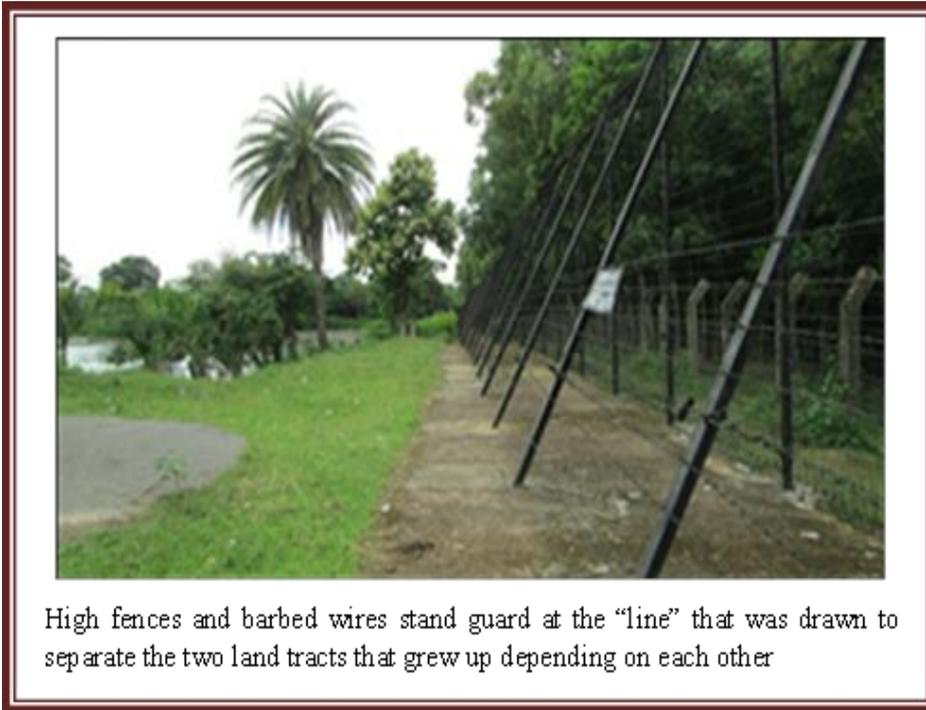
items in Bangladesh, they have to buy food articles at much higher prices at this side of the border. When asked whether he or people from his community are aware about the issues with increasing rubber plantations in Tripura, he nodded and said that there were some discussions at the gram panchayats about how rubber plants are “eating into the oxygen meant for humans and hence are bad for us”. He however stressed that without many other livelihood options; they do not have much of a choice. It may be mentioned here that are rising concerns for climate change and food security surrounding the growth of rubber plantations which are replacing forests in some cases.



The Bangladesh railway station Kasba is right across this pond that was dug by Dhanya Manikya's queen Kamala Dewi

When asked whether he had heard about the proposed Border Haat, he answered in the affirmative and added that people in his village “Nutan Pally” (New habitation) are very much looking forward to it. They are hoping that the haat will open up better livelihood options for the youth there.

Kamal Debnath, who is from the same locality as Shaiful said that the haat will help local people get access to agri-products and fish at much lower prices, not only for consumption, but also for small trade time. It could also open up greater economic opportunities for rubber planters, he added. He



further said that since the Bangladesh railroad is right across the border line with a rail station nearby (Kasba), opening of the haat may prove to be really worthwhile. He is hopeful that Kamalasar will gradually develop into a trade corridor starting with the border haat. As we listened to a train pulling away from the Kasba railway

station across the border in Bangladesh border, we wondered if the proposed Border Haat will really be harbinger of change for the people in Kamalasar. If the experience of Balat in Meghalaya is any indication, it may just be a possibility in the future.

## Chapter 4

### Conclusions and Recommendations

Potential for rise in bilateral trade relations between Bangladesh and India is huge as can be gauged from various indicators. But a large part of that potential still remains underexplored. Though the large trade deficit that Bangladesh maintains with India is pointed out by some to warn against possible Indian domination in the face of increased bilateral trade openness, with a closer look it can be easily seen that the trade imbalance in terms of volume is a mere reflection of the huge difference in the relative economic sizes of both countries. Irrespective of the size of opportunities in absolute terms, both countries can be found to have large amounts of gains in store from enhanced bilateral trade. Emergence of India as a top export destination for Bangladesh is one of the facts that support this claim.

#### High Competitive Edge for Indian Products:

In terms of trade complementarity, a number of products could be identified from the export baskets of both countries that have high import requirements in the other's market. From the perspective of India, revealed comparative advantage for its top most exports to Bangladesh shows promising competitive edge for Indian products compared to other competitors in Bangladesh's markets in the same product categories. However, India's export intensity in these products does not show appreciable signs of Indian exporters taking advantage of complementarity and competitiveness to the extent possible. High trade costs owing to myriad trade barriers, mainly disguised in the form of inefficient procedures, non-harmonized regulations and transport systems, explain why this is so.

#### Savings and Gains from Trade Openness:

In recently concluded studies by CUTS<sup>12</sup>, it could be found that both India and Bangladesh maintains significantly better trade standards, procedures and systems with partner countries outside the South Asian region than within. By reducing the incidence of barriers such as poor trade infrastructure and services through progressive reforms, both countries together stand to save a minimum of about 24.36 percent of their current aggregate bilateral trade costs. The amount that can be thus saved was found to be a little less than US\$ 1 billion per annum as per figures for 2011. This would make trade in a number of high potential products feasible and thus will boost bilateral trade by a huge margin. Further there are many high potential products (with matching export capacity and import demand in each other's markets) that remain non-traded because of such barriers. A quantitative enquiry to the possible increase in volume of trade in such products shows that bilateral

#### Potential for Bilateral Trade and Estimated Savings & Gains from Trade Openness

- Indian exporters not taking much advantage of the high competitive edge of Indian products in Bangladesh due to high inefficiencies and NTBs
- Reduction of trade barriers can help the two countries save almost 24.36% of the current aggregate bilateral trade costs. Estimates of the amount peg it at a little less than US\$ 1 billion per annum as per figures for 2011.
- With less barriers bilateral trade in about 60 highly potential commodities could rise by about US\$ 1.2 billion per annum (more than 20% of the current volume of bilateral trade).

<sup>12</sup>As referred in chapter 2. See Chatterjee and George (2012), and CUTS (2013)

trade in about 60 identified commodities with the highest potential could rise by about US\$ 1.2 billion per annum, which is more than 20 percent of the current volume of bilateral trade.

### **Need for improving Procedural Efficiencies at the LCS:**

The overwhelming evidence of existence of numerous operational inefficiencies or procedural NTB that raises the transaction costs for traders is validated by previous surveys. From a review of existing literature on this topic, it could be observed that not a single LCS between India and Bangladesh offers services that are of international standards. Complex and outdated system of documentation for imports, lack of efficient and effective custom administration, absence of harmonization of technical standards for infrastructure and lack of proper transit system between both the countries are some of the frequently reported NTBs.

In addition, the movement of traffic at most of the LCS is very slow and time taking. Besides, technical and infrastructural problems, non-payment of irrevocable L/Cs by various banks, lack of good communication system at LCSs and inadequate testing facilities, poor quality of essential trade services etc. add to the woes of trade community.

For enhancing the overall efficiency of LCSs that facilitate trade between India and Bangladesh and thereby reduce transaction costs associated with land trade, three broad areas of trade systems require policy attention viz., regulations, infrastructure and trade services. A series of policy steps are needed to improve trading conditions in each of these areas as necessitated by the existing shortcomings that are traced in the field survey. The most important policy priorities may be stated as follows:

- **Streamlining Regulations related to Documentation and Inspection** - - Policies related to documentation and inspection needs urgent attention in order to speed up the clearance process at LCSs. Specifically centralisation of documentation (single window), avoidance of multiple-inspection procedures can significantly reduce transaction costs. This requires cooperation between both countries on trade administration at LCSs and harmonisation of procedures
  - A high level joint study group should be constituted for framing an implementation plan for minimising documentation requirements, establishing single window clearance systems and combined inspection procedures, with a tenure of not more than 6 months.<sup>13</sup> Earlier ministerial level talks on improvement of trade procedures has not yielded desired results at times owing to the lack of mutual consultation, accountability and sharing of responsibilities. It is evident from the summary of Commerce Secretary level discussions held in March, 2012 and June, 2013, that infrastructure development at selected ports are distinctively undertaken without much mutual consultation on technical details and time frame.<sup>14,15</sup>

#### **Streamlining and speeding up documentation, inspection and infrastructure developments**

- Need to speed up procedures relating to documentation and inspection at the LCS.
- High Level Joint Study Group will help achieve higher mutual consultation, accountability and sharing of responsibilities on matters of procedural and infrastructure improvements

<sup>13</sup> At present these topics are only being considered at India-Bangladesh Commerce Secretary level discussions.

<sup>14</sup> Summary record of India-Bangladesh Commerce Secretary level discussions held at New Delhi on 28th\_29th March, 2012 <http://commerce.nic.in/trade/IndiaBangladeshTalk.pdf>

<sup>15</sup> Summary Record of India-Bangladesh Meeting of The Joint Working Group on Trade Held on 13 -14 June 2013 at New Delhi [http://commerce.nic.in/trade/Joint\\_Statement\\_India\\_Bangladesh\\_13\\_14\\_June\\_2013.pdf](http://commerce.nic.in/trade/Joint_Statement_India_Bangladesh_13_14_June_2013.pdf)

This becomes evident if one takes a closer look at the on-going efforts from the two governments. At present both India and Bangladesh are undertaking infrastructure development at a number of LCS and ICPs.

The problem with these procedures/actions taken by the two governments is that though both of them are establishing and introducing new ports along their respective borders, but many of the ports do not have fully functional ports on the other side of the border as their counterpart. This is because in many case the government of that area is not considering those ports as the important ones and is not developing/improving them. Examples of such LCSs are Sutarkandi, Demagiri, Dalu, Borosa, Srimantapur on the Indian side and Birol, Bilonia Ramgarh on the Bangladesh side. Therefore, in order to attain success for trade facilitation between the two countries, both the governments should work simultaneously on adjoining ports.

The advantage of a high level joint study group will be framing of joint action plan with responsibility sharing and specific time bound task lists. In addition, a multi-stakeholder joint study group will bring in more accountability and faster implementation of upgradation of LCSs into ICPs.

- A committee of customs officials from both countries should conduct stakeholder consultations on documentation and inspection related procedures at the earliest at all major LCSs
  
- **Need for Infrastructure Improvement**– This is one of the most pressing issues in India-Bangladesh trade and includes a wide range of issues. Most important components of infrastructural requirements are betterment of approach roads, parking space, warehousing facilities, weighing machines, quarantine and testing facilities and upgradation of office equipment and facilities. A part of the investments, those related to governmental offices, equipment and property have to be sourced from budgetary resources. Massive investments required for the rest have to be sourced from private investors. Infrastructural development of LCSs can be met in the short - medium term only by attracting private capital. Build, Operate and Transfer (BOT) model of procurement of public infrastructure, as has been successfully implemented in many other areas, has high potential for speedy delivery in this regard. The existing infrastructure barriers and possible recommendations are listed in a tabular form in the following page.

- Infrastructure Barriers Common to most LCS and possible Recommendations:**  
 Many of the LCS share common issues in terms of infrastructure. Some of the common barriers/issues and the possible recommendations are captured in the table below:

Barrier	Status at different LCS	Recommendation	Progress and Possible Time Frame
<b>Absence of Plant Quarantine (PQ) facilities</b>	<p>Ghojadanga, Hili, Mahdipur, Changrabandha do not have PQ facilities</p> <p>Petrapole has an office of the PQ Authority, but tests can only be done in Kolkata leading to delays</p>	<p>Putting in place PQ facilities at all of these LCS with testing facilities wherever possible.</p> <p><b>Alternative Recommendation:</b>            An alternative could be to harmonise SPS regulations across the border wherein both India and Bangladesh agree on standard certifications and mutually recognise certificate issued by testing authorities of either country. A SPS related agreement between the nations could be long term solution to this issue.</p>	<p>Progress possible in the <b>Middle/Long Term</b></p> <p>Petrapole will have better PQ facilities once the ICP starts functioning there. The expected date of completion of ICP at Petrapole is middle of 2014.</p> <p>However there has not been much developments with regards to harmonisation of standards between the two countries and that might be time taking. It may be mentioned here the second phase of the present study will aim at providing a push towards drafting of an agreement towards harmonisation of standards between the two countries</p>
<b>Narrow or single lane approach roads</b>	<p>This is an issue common to Ghojadanga, Hili, Mahdipur, Changrabandha and Petrapole.</p>	<p>While there are issues with availability of land for major widening of roads, at least having two lane approach roads closer to the check post (say 1-2 kilometres on both side of the check post) will help in bringing down the delay and consequent cost. This will certainly need a lot of multi-stakeholder consultations, dialogues and political buy-in due to the existing issues with land acquisition, but may be worth the effort.</p>	<p>Progress possible in the <b>Middle/Long Term</b></p>

		<p><b>Alternative Recommendations:</b></p> <p><b>Signing of the Motor Vehicle Agreement:</b> An alternative could be to finalise and signing the Motor Vehicle Agreement (MVA) by both the nations wherein vehicles can directly go to the final destination in both the countries and then carry back consignments when travelling back. This will help in reducing much of the time and cost involved in unloading and reloading of vehicles in the LCS areas and also help in streamlining the transportation bottlenecks at all the LCS.</p> <p><b>Better Utilisation of Existing Railway links</b></p> <p>Existing Indian railway links with Bangladesh at Petrapole-Benapole, Gede-Darshana and Singabad-Rohanpur in broad gauge, and Radhikapur-Birol and Karimgunj-Mahishashan (metre gauge) can also be utilised for enhancing trade volumes and bypass some of the issues with road transport. Upgradation and improvements of existing the tracks will also help.</p>	<p>There has been some progress in this aspect. A draft agreement on Cargo Vehicular Traffic has already been drafted by the Indian Government to this end. The draft is being considered/revised by the Bangladesh Government for improvements.</p> <p>The second phase of the study will also aim to provide thrust towards finalising and signing of the Motor vehicle (MVA) agreement.</p>
<p><b>Absence of/inadequate Weigh Bridges</b></p>	<p>Ghojadanga, Hili, Mahdipur and Changrabandha do not have a government owned weighbridge facilities.</p> <p>Petrapole has only one government owned weighbridge</p>	<p>Providing adequate number of weighbridges at all LCS is vital for both bringing down the time for crossing over and also better inspection and reporting of tonnage. All LCs should at least have 1 government owned weighbridges with Petrapole preferably having 3 to handle the high volume of trade that happens through the LCS.</p>	<p>Progress possible in the <b>Short/Middle Term</b></p> <p>Once the ICP becomes functional at Petrapole, many of the infrastructure-related issues are expected to be solved for Petrapole. However, the other ports will need attention. If appropriate dialogues</p>

			and resource allocation is undertaken from relevant authorities, this barrier can well be done away with in the short term.
<b>Absence of Central Warehousing Corporation (CWC) controlled parking and warehousing facilities or Inadequate facilities</b>	Ghojadanga, Hili, Mahdipur and Changrabandha do not have CWC parking and warehousing facilities. All parking spaces are privately owned.  Petrapole has CWC parking but it is inadequate in terms of the volume of trade.	Have CWC owned parking and warehousing facilities at all LCS.  Improve parking and warehousing facility at Petrapole to accommodate more vehicles with separate and adequate space for export and import vehicles/consignments. The completion of the ICP is expected to address this issue in Petrapole.	Progress possible in the <b>Middle/Long Term</b>  Infrastructure development initiatives being presently undertaken by the Government of India will help ease some of the problem.
<b>Issues with security at the parking spaces</b>	Theft is a concern at the LCS, more so at the privately owned parking facilities.	Having CWC parking facilities at all LCS and handing over security arrangements to centralised security agencies like the CISF.	Progress possible in the <b>Middle Term</b>
<b>Limited banking facilities</b>	Banks branches with facilities required for export-import trade is absent at Ghojadanga, Mahdipur, Hili and Changrabandha. Banking transactions need to be done with branches at the nearest district or sub-divisional headquarters.	Open bank branches with all required facilities including FOREX handling facilities at the LCS localities.	Progress possible in the <b>Middle Term</b>  There has not been much dialogues in this direction leaving out localised efforts at the LCS areas. If the relevant authorities take up this issue with Banking Institutions, the solution can also be achieved in the short term.
<b>Lack of e-enabled documentation and processing facilities</b>	Only Petrapole has an e-enabled system which is also facing issues with link failures.  Ghojadanga, Chengranbandha, Hili and Mahdipur do not have e-enabled systems	Introduce e-enabled documentation and processing system at the LCS with dedicated internet links.  Additionally it will be also important to improve IT infrastructure in terms of more terminals, printers, etc. along with deployment of enough trained manpower	Progress possible in the <b>Short/Middle Term</b>  The process for e-enabling has already started with Petrapole. However, infrastructure and manpower constraints need to be addressed.

- **Additional LCS Specific Recommendations:**

Some of the LCS specific recommendations that can be worthwhile to consider are listed below. Many of these issues can be addressed even in the short term.

- **Petrapole:**

- Speeding up the completion of the ICP at Petrapole through multi-level dialogues between all concerned parties and authorities,
- Enhancing the IT enabled infrastructure in terms of more terminals, printers, trained manpower at the Document handling facility being presently run by CMC
- Explore the possibility of having a bypass road connecting the Bongaon municipality operated parking facility to the new ICP arena for smoother vehicle movement all through the day
- E-enabled and professionally managed warehousing facilities with lower human interface on both side of the border minimising issues with language and harassment for truckers from different parts of the country.

- **Ghojadanga:**

- Undertake a series of multi-stakeholder dialogues with facilitation by the government involving local labourer associations, C&F agent associations, exporters, customs officials and other players to **prepare a roadmap towards effective transportation and vehicle management plan for the LCS.**
- Deputing full time custom Commissioner/Assistant Commissioner

- **Changrabandha, Hili and Mahdipur:**

- Provide better office spaces and living quarters for custom officials.
- Deputing full time custom Assistant Commissioner

Some of the macro level measures that are needed for putting the required infrastructure in place include:

- Upgradation of office facilities, automation/digitisation to be prioritised by the Central Board of Excise and Customs. A guideline to this effect to the respective Land Customs Stations Authority, assessment of financial requirements to be issued at the earliest.
- The Central Board of Excise and Customs and Land Port Authority of India should constitute a body with nominees from apex trade business associations, with the mandate of need assessments, design of modalities for inviting tenders from private investors, and to adopt BOT model and/or an appropriate variant (public-private partnership) for attracting private investments on infrastructure.

### **Recent Developments in terms of Infrastructure Improvement**

Both Indian Government has been working towards infrastructure development and a few of the issues mentioned above are expected to be addressed with upgradation of some of the Land Custom Stations to Integrated Check Posts. At present India is in the process of undertaking development of eight LCSs and 7 ICPs along India Bangladesh border, which include Petrapole, Hili, Changrabandha, Dawki, Sutarkandi, Agartala, and Demagiri. Additionally, the Department of Commerce, Government of India, is also planning to upgrade Mahadipur, Ghojadanga, Fulbari, Dalu, Borosora, Ghasuapara, Srimantapur and Sabroom. The estimated time to develop some of the important Land Custom Stations into Integrated Check Post are<sup>16</sup>:

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<sup>16</sup>Summary Record of India-Bangladesh Meeting of The Joint Working Group on Trade Held on 13 -14 June 2013 at New Delhi [http://commerce.nic.in/trade/Joint\\_Statement\\_India\\_Bangladesh\\_13\\_14\\_June\\_2013.pdf](http://commerce.nic.in/trade/Joint_Statement_India_Bangladesh_13_14_June_2013.pdf)

- The Akhauda LCS in Agartala, Tripura is almost completed and is expected to start functioning by November 2013;
- Petrapole ICP is likely to be completed by the middle of 2014;
- Land acquisition is under process at Dawki (Meghalaya) and the acquisition process is likely to be completed by April, 2014.

On the Bangladesh side, Bangladesh Government is in process of improving some of the ports including Benapole, Burimari, Bhomra, Tamabil and Gobraura. It is also working on further extending physical infrastructure of Sonamasjid, Hilli, Bangla Bandha, Birol, Bilonia and Ramgarh LCSs.

- **Improving and Regulating Trade Services:**

Essential services such as banking, loading, freight forwarding etc., need improvements, augmentation and also appropriate regulations. Services that are being run by the private sector need to be monitored and regulated by respective LCS authorities so as to check monopolisation and rent seeking. While restrictions on operations of service providers must be deregulated with objective of encouraging more market participation, specific rules so as to ensure uninterrupted access to such services are to be in place.

- Authorisation of LCS authorities by the Central Board of Excise and Customs to constitute appropriate local bodies with all stakeholder participation for issuing timely guidelines for making trade services accessible in terms of price and service quality, to all traders including small-scale operators. This will help in making the services better and more accessible by all stakeholders.
- Providers of essential trade services are to be registered with the local LCS authorities.
- Remove restrictions on timing of office hours etc. for essential services
- Complaint redressal to be facilitated at the local level by the respective local LCS authorities

- **Replication of Border Haats at New Locations:**

Replication of Border Haat models at more locations along the border would benefit small scale producers along the border districts. Presently operative Boder Haats at the Meghalaya-Bangladesh border aptly demonstrated that the Haats can generate the much needed economic and welfare benefits for people living in the border districts of both the countries. Also, important is to note that these Haats help in arresting informal trade, particularly small-time informal trade and bootleg smuggling. With formal and easy access to items across the border, the incentive and need for high risk informal trade goes down.

- **Need to Reduce the respective Sensitive List:**

There were about 41 product lines that were there in India's sensitive list till recently. India has recently pruned its list for LDCs (applicable to Bangladesh) and it now consists of only 25 product lines (see Annexure III). Bangladesh needs to similarly reduce its sensitive list under SAFTA. At present, there are 993 product lines in the sensitive list of Bangladesh of which 225 products assess high trade potential from India's perspective.<sup>17</sup> Removal of these 225 products will definitely increase trade and will also help both the economies to develop mutually. As on date only 25 items have been removed from the sensitive list under SAFTA, which is less than ten percent of the items identified as export interest by the Indian side.

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<sup>17</sup>Summary Record of India-Bangladesh Meeting of The Joint Working Group on Trade Held on 13 -14 June 2013 at New Delhi [http://commerce.nic.in/trade/Joint\\_Statement\\_India\\_Bangladesh\\_13\\_14\\_June\\_2013.pdf](http://commerce.nic.in/trade/Joint_Statement_India_Bangladesh_13_14_June_2013.pdf)

- **Regular Multi-Stakeholder Consultations for Informing Policies towards Long Term Growth of Bilateral Trade:**

While the above mentioned specific recommendations/measures are to be prioritised, another set of complementary policies are required for the long term growth of bilateral trade. These include bilateral agreements on harmonisation of standards, mutual recognition of product testing, cross-border presence of banks, entry of carriers into each other's territory etc. Multi-stakeholder consultations involving both relevant government departments as well as private sector stakeholders for framing draft agreements (for e.g. the Motor vehicle Agreement, or an agreement on harmonisation of SPS regulations across border) will help to speed up this process. These reforms are better planned and implemented with the involvement of relevant stakeholders, and therefore India should begin to conduct frequent stakeholder consultations with the participation of service providers, traders and authorities at all major border stations.

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## ANNEXURE I

### LCS Wise Snapshots and Issues:

The Land Custom Stations along the West Bengal- Bangladesh border share many common issues like inadequate road infrastructure, transportation problems, inadequate warehousing and plant quarantine facilities, labour issues, political interference, late working hours on both side of the border, etc. The present document tries to give a snapshot of the LCS and list a few of the specific issues for some of the major LCSs.

### Petrapole:

Snapshot of Land Custom Station	
Description	Status
Location	Patrapole (Bongaon in North 24 Parganas district of West Bengal) - Benaople (Jessore District of Bangladesh)
Items Traded	<ul style="list-style-type: none"> <li>Accounts for majority (almost 70-80%) of the trade between India and Bangladesh</li> <li>Mostly non-perishable goods are traded.</li> <li>Fabric is the most often traded item. Specific items include iron beams, raw cotton, cotton yarn, unprocessed clothes, etc.</li> <li>Tractors, truck &amp; bus chassis is also a common item</li> <li>Perishable items include fish from Andhra Pradesh, onions, rice, wheat, beetle leaf, milk powder, etc.</li> <li>Import items include jute, beetle nuts of Indonesian origin, rice bran, readymade garments (RMG), metal scarps including zinc, scarps of sea vessels, rubber, etc.</li> </ul>
Vehicles Crossing Over (daily)	300-350 trucks.
Average Wait Time for Vehicles	5- 6 days
Local Economic Impact	Bongaon is heavily dependent on border trade for its economy. Transport business, the mainstay of the economy is entirely dependent on this trade with 150-200 odd transporters that operate out of Bongaon. Local estimates put the total number of people dependant on trade for their livelihood at 10000, which includes C&F agents, transporters, labourers, support service staff, small time shops, etc.

## Issues at Petrapole:

- Frequent link failure of the EDI (Electronic Data Interchange) system is disrupting trade and causing a lot of dissatisfaction amongst all stakeholders. The local traders and C&F agents suggest manual processing as the way out while the system is down. While that is inadmissible, dedicated IT infrastructure may help solve this.
- The LCS needs more IT infrastructure in terms of more terminals, printers and enhanced manpower at the CMC (Computer Maintenance Corporation Pvt. Ltd., TATA enterprise) run facility to speed up the transaction time for processing papers.
- There is only one weigh bridge that handles both export and import vehicles. Use of another locally available private weigh bridge is only allowed when the official one malfunctions, which again is not very uncommon. Number of weigh bridges need to be increased.
- Inadequate parking space at the Central Warehousing Corporation (CWC) Facility. Import trucks take up a lot of the parking facility meant for the export trucks while unloading resulting in slow movement of trade. Dedicated and larger spaces for both export and import vehicles will help. Theft is also not very uncommon in the CWC facility. Better security arrangements needed, maybe through handing over security arrangements to the CISF.
- Transaction cost gets enhanced since trucks from different parts of the country cannot cross over at the border to Bangladesh directly. This is due to two reasons –1) local factors at play that want to make sure that 150-200 odd local transporters from Bongaon get enough scope for work and 2) Harassment by labour unions who do the unloading on the Bangladesh side, especially for truck drivers/helpers that are from other parts of India and non-conversant in Bengali
- Bongaon Municipality operates a parking facility that reportedly “controls” vehicle flow through the municipal area to the check post. Allegations of favouritism, unnecessary delays and additional parking fees were reported. Small traders are reportedly losing out more due to higher transaction caused by delays in such cases since they have limited negotiating/financial powers to influence such favouritism.
- The road from the municipality parking to the check post goes through the municipal area and hence the trucks are only allowed from 11 a.m. at night till early in the morning so as to avoid traffic congestion within the municipal area. If an alternative road is planned that can bypass the municipal area, higher volume of trade maybe possible. This is particularly relevant while planning for the ICP that is coming up in Petrapole.
- The recent security measure of issuing “Car Pass” for all vehicles is also slowing down trade. Quicker, IT enabled alternatives may be explored.
- Some of the Plant Quarantine Regulatory measures require testing of import consignments (e.g. beetle nut) for which testing facilities are only available in Kolkata. This delay the process since no import consignment can be allowed without requisite tests. Either testing facilities could be established at the port or common SPS regulations/certifications could be developed between India and Bangladesh to cut down on the delay and ensuing transaction costs.
- The construction of the ICP is getting delayed due to lack of coordination between the different agencies that are involved- BSF, Customs, Administrative functionaries, local environmental groups/CSOs, etc. The construction needs to be speeded up through better consultations and participatory planning and execution.
- There are apprehensions amongst players, especially local transporters regarding the ICP. This is because the ICP is expected to come up with state-of-the-art facilities and may

ultimately become a containerized port, wherein there will be little scope for local transporters and trucks with sealed containers coming in from all across the country to cross over to the Bangladesh side. This is expected to negatively affect the local economy in Bongaon that hinges heavily on the transport trade.

### Ghojadanga:

Snapshot of Land Custom Station	
Description	Status
Location	Ghojadanga (North 24 Parganas district of West Bengal)- Bhomra (Khulna District of Bangladesh)
Items Traded	<ul style="list-style-type: none"> <li>• More of perishable items including onions, ginger, rice, potato.</li> <li>• Non-perishable include stone and boulders</li> <li>• Import items include jute bags, cloth scrap, broom sticks, etc.</li> </ul>
Vehicles Crossing Over (daily)	200-250 trucks.
Average Wait Time for Vehicles	Most trucks cross over the same day as reaching the check post. However a 1-2 delay is at times caused due to inspection issues. The low wait time is also due to the fact that part consignments are allowed to cross over at the port by a special order.
Local Economic Impact	Ghojadanga has been developing off late with increasing trade through the port. In the last 10 years the number of C&F agents operating out of the port has increased from 5 to almost 30 at present. Roughly 100 families in the area earn their livelihood from trade related activities/services. Informal border trade around the locality has reportedly gone down after the LCS started operating.

### Issues at Ghojadanga:

- No CWC parking facility. All operative parking spaces are privately owned, different in sizes and dispersed. This results in trucks of the same consignment being parked at different locations and creates issues with inspection, which in turn results in scopes for irregular trade of items (lower than actual tonnage reporting and hence lower revenues for the government)
- Very high incidence of local extortion/interference along the road leading to the check post. Local residents, reportedly with political backing, charge random amounts to allow the trucks to pass through to the border. There reportedly are as many as 12-13 different groups that operate along a stretch of 7 km leading to the check post extorting money from the vehicles.

- Since the Assistant Commissioner only operates twice a week from the port, traders and their agents have to wait for those particular days to get their papers signed and at times process documents in advance in anticipation of the incoming cargo, which may get delayed in transit. There is an official order that allows the Ghojadanga port to export consignments in parts, as and when they arrive at the check post. However when such arrangements are to be made, papers have to re-signed accordingly and since the A.C is only present for two days, it causes delays.
- The only available weigh bridge is privately owned which leaves scope for erroneous tonnage of the vehicles.

### **Mahadipur:**

<b>Snapshot of Land Custom Station.</b>	
<b>Description</b>	<b>Status</b>
<b>Location</b>	Mahadipur (Malda district of West Bengal)- Sonamasjid (Chapai Nawabganj District of Bangladesh)
<b>Items Traded</b>	<ul style="list-style-type: none"> <li>• Fruits, vegetables, red chillies, ginger, wheat, maize, soya bean extract, onion, tomato, stone, fly ash, etc.</li> <li>• Import, though low, includes jute and readymade garments</li> </ul>
<b>Vehicles Crossing Over (daily)</b>	250-300 trucks
<b>Average Wait Time for Vehicles</b>	10 – 12 days
<b>Local Economic Impact</b>	The business through this border has increased over the past five years which has positively impacted the local economy. The local transport business thrives on the trade. There are roughly 400-450 trucks that operate in the route. There are quite a few privately owned parking facilities that depend entirely on the export vehicles. There are many small local traders who deal in fly ash and stone. The number of C & F Agents has increased from 3-4 to the present figure of 25 in the last five years. Roughly 165 families in the locality have found employment with the C&F agencies. Moreover many small time shops (food, grocery, vegetables, etc.) do good amount of business catering to the vehicles passing through.

### **Issues common to Mahadipur and Hili:**

- In most of the cases, financial transactions with Bangladesh traders are routed through an International Bank since most of the Indian Banks do not have a Bangladesh counterpart. For Mahadipur, most transactions are through Oriental Bank of Commerce in Malda Town that

necessitates an intermediary international bank which leads to an additional transaction cost of \$170 per consignment. This adds to the exporters' cost.

- The warehousing and unloading facilities on the Bangladesh side being provided by *Panama Port Link Pvt Ltd*, is inadequate which results in lower than optimum volume of trade. Respondents are of the opinion that the number of trucks crossing over could be much higher (reportedly as high as 600 from Mahadipur from the present 350) if facilities on the other side is to improve.
- Absence of Plant Quarantine facility translates into low import of agricultural and food items since such imports need these certifications, even though there is a good potential for trade of such items. At present such certification is done by private parties outside West Bengal, which proves to high cost in terms of money and time.
- The Assistant Commissioner only operates twice a week for both Mahadipur and Hili since he is charge of Malda, Nadia and Dakshin Dinajpur, which delays processes at times.

## Hili

Snapshot of Land Custom Station.	
Description	Status
Location	Hili (Dakshin Dinajpur district of West Bengal)- Hili Bangla (Dinajpur District of Bangladesh)
Items Traded	<ul style="list-style-type: none"> <li>• Main export items include wheat, rice, mustard oil cake, maize, tomato, apple, mango, onion, machinery parts, bicycle, etc.</li> <li>• Import is low and the main items are molasses, crude oil, and silk yarn.</li> </ul>
Vehicles Crossing Over (daily)	125-150 trucks
Average Wait Time for Vehicles	15 – 20 days
Local Economic Impact	There are around 200 transporters in Hili who carry goods from nearby areas like Lalgola and go directly to Bangladesh. There are around 6-7 C&F and 20-25 exporters Roughly 150 local youths are employed with exporters and C & F Agents.

## Issues at Hili:

- Informal trade of *Jeera* (Cumin) is high from Hili and surrounding areas. This can be formalized to a large extent if Plant Quarantine facilities are available at the LCS.
- The road leading to Bangladesh is a narrow stretch and can only function as a one-way road. The empty export trucks returns to India from 8 am to 11 am and hence no export takes place during the first three business hours every day. Improving the road infrastructure, at least in the check post vicinity will help address this issue to an extent.
- On the Bangladesh side of Hili, the warehousing/unloading facilities can only accommodate around 100 trucks per day, which also acts as a limitation.

## Changrabandha:

Snapshot of Land Custom Station.	
Description	Status
Location	Changrabandha (Cooch Behar district of West Bengal)- Burimari (Lalmohirhat District of Bangladesh)
Items Traded	<ul style="list-style-type: none"><li>• Main export items include are wheat, maize, stone boulder, etc.</li><li>• Import items include cotton waste, Pran juice, readymade garments mosquito net, battery, etc.</li></ul>
Vehicles Crossing Over (daily)	70-80 trucks, out of which 30-40 are trucks from Bhutan
Average Wait Time for Vehicles	5-7 days
Local Economic Impact	The border trade supports local transport business, which has a fleet of around 50 trucks. There are 500 labours engaged with the export business in Changrabandha. However there are apprehensions of negative economic impact due to full-fledged operation of the ICP at Fulbari which is expected to drive away traffic.

## Issues at Changrabandha:

- Limited banking facilities (mostly transactions happen through Siliguri bank branches), absence of warehouse, Plant Quarantine system, poor parking facilities, etc. affects trade..
- The Bangladesh customs office starts working late into the morning affecting trade volume.
- Any big volume trading means transacting with the office of the Deputy Commissioner, who is based in Siliguri.
- There is a speculation that as export of all goods have started through the FulbariLCS, this will affect the trade in Changrabandha.
- There is no government weighbridge in the LCS.
- Recently the Fulbari ICP has started functioning fully fledged and there are speculations that it will affect trade at Changrabandha. Additionally a new LCS to be started in Dhubri in Assam is also expected to affect volume of trade.

## ANNEXURE II

### Anecdotal Evidence about Local Economic Impact in the LCS Localities



Bhola Das, one of the many fruit vendors in the Petrapole check post area told us his story. He shared that he came to this side of the border during the Bangladesh Independence war in early 70s. He has been selling fruits since the last 30 odd years in the locality. There were hardly 10 fruit sellers in Petrapole even 8-10 years back when the number of vehicles passing through was lower. In the last decade he has seen Petrapole grow in front of his eyes, he claimed. He used to sell only Cucumbers and would make around INR 200-300 back in the early 2000s. Now he makes anything between INR 500-700 every day. He has introduced new fruits and masala mixes with increased demand. Now the 1 km stretch of Jessore Road leading to the check post has as many as 30 fruit sellers, he confirmed. His Guava Masala Mix is in high demand and is mouth-watering!



The parking rates at the Bongaon Municipality parking. Some of the exporters and C& F agents allege that this parking is unnecessary and allegedly there are complaints of irregularities in the process of releasing vehicles. The parking management on the other hand insist that this parking helps to keep the municipal area free of traffic overload by controlling the flow of vehicles to the check post, the road to which passes through the main municipal area. The parking also employs many local youth and has a positive impact on the local economy, they claimed.



Uttam (the one in green T-shirt, face not shown for non-disclosure of identity) a local youth who works with a C& F agent at Ghojadanga shared his story with us. He said that informal trade in sugar was rather high in and around Ghojadanga. His father was also involved in it. However with the Ghojadanga port gaining popularity informal trade has gone down. His father is no longer involved, he confirmed because it is “too risky”. Now that he earns anything between INR 2500-3000 a month, he has been able to supplement his family income. He said that around 100 local youth are employed with some or other services around trade and many of them have similar stories like him.

## ANNEXURE III



No. BI/202/21/11

विदेश मंत्रालय, नई दिल्ली  
MINISTRY OF EXTERNAL AFFAIRS  
NEW DELHI

November 25, 2011

The Ministry of External Affairs, Government of India, presents its compliments to the Secretariat of South Asian Association for Regional Cooperation, Kathmandu and has the honour to enclose a copy of the **Government of India's revised Sensitive List for Least Developed Countries (LDCs) under SAFTA**. This is in keeping with Government of India's commitment under SAFTA and the announcement made by the Prime Minister of India at the XVII SAARC Summit that in a major trade liberalization effort, the Government of India had issued a notification to reduce the Sensitive List for the Least Developed Countries under the South Asian Free Trade Area Agreement from 480 tariff lines to 25 tariff lines.

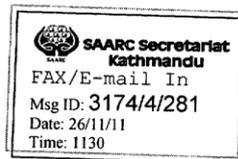
2. The Ministry of External Affairs has the honour to also forward a copy of the Notification no. 99/2011-Customs dated 9.1.2011 issued by the Ministry of Finance, Government of India. The List and the Notification may be circulated among the Member States.

3. The Ministry of External Affairs, Government of India, avails itself of this opportunity to renew to the Secretariat of South Asian Association for Regional Cooperation the assurances of its highest consideration.

**Secretariat of South Asian Association  
for Regional Cooperation  
Kathmandu**



Encls : two



## India's Sensitive List for Least Developed Countries (LDCs) under SAFTA - 25 Items

S.No.	HS Code	Description
1	220300	Beer made from malt
2	220410	Sparkling wine
3	220421	Other wine; Grape must with fermentation prevented or arrested by the addition of alcohol: In containers holding 2L or less
4	220429	Other(wine or freshgrapes)
5	220430	Other grape must
6	220510	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances: In containers holding 2L or less
7	220590	Other (Vermouth or other wine)
8	220600	Other fermented beverages (for example, cider, perry mead); mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.
9	220710	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher : Rectified spirit
10	220820	Spirits obtained by distilling grape wine or grape marc : In containers holding 2 L or less
11	220830	Whiskies: In containers holding 2 L or less
12	220840	Rum and other spirits obtained by distilling fermented sugarcane products: In containers holding 2 L or less
13	220850	Gin and Geneva :In containers holding 2 L or less
14	220860	Vodka
15	220870	Liqueurs and cordials
16	220890	Other (Liqueurs and cordials): In containers holding 2 L or less
17	240110	Unmanufactured tobacco not stemmed or stripped
18	240120	Tobacco partly or wholly stemmed or stripped
19	240130	Tobacco refuse
20	240210	Cigars, cheroots and cigarillos containing tobacco
21	240220	Cigarettes containing tobacco
22	240290	Other (cigarettes/cigarillos of tobacco substitutes)
23	240310	Smoking tobacco whether or not containing tobacco substitutes in any proportion
24	240391	"Homogenised" or "reconstituted" tobacco
25	240399	Other tobacco

*Anwarullah*  
23/11/2011

*Jay*

## Appendix



\*The blue triangles are the LCS while the green ones are the border haats