

Backgrounder

Stakeholders' Conference

Assessment of Bangladesh-India Trade Potentiality

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

Date: Friday, 15 November, 2013 – Saturday, 16 November, 2013

Venue: Hotel Fortune Select Loudon, Kolkata, West Bengal, India

The Stakeholders' Conference will mark the official launch of the second phase of the Study on Assessment of Bangladesh- India Trade Potentiality. The event will bring together a number of high-level stakeholders from Bangladesh and India, representing government departments and regulatory bodies, business associations, civil society organisations, etc. to deliberate on forward looking roadmaps towards trade facilitation between the two countries.

Background of the project

India shares cultural, linguistic and historic links with Bangladesh but economic ties between the two countries is far below potential. Recent studies by CUTS International show that both India and Bangladesh together stand to save a huge amount of their current aggregate bilateral trade costs through better trade facilitation. There are many high potential products which, if traded, may contribute to a quantum rise in trade volumes, estimated at almost US\$ 1.2 billion annually, which is more than 20 per cent of the current volume of bilateral trade. Gross inefficiency in the existing system of cross-border trade also manifests in the form of huge volume of informal trade.

CUTS has been actively working on Regional Trade issues and recently undertook a study that involved extensive field research covering important land customs stations along the India-Bangladesh border. Some of the issues at the LCS as identified from the study were:

- Need for better approach roads and separate ways for export and import trucks needed
- Absence of good parking and warehousing facilities
- Absence of weigh bridges at all LCS
- Need for Plant Quarantine (PQ) facilities or harmonization of SPS regulations between the two countries
- Need for better transport facilitation and more e-enabled documentation and checking systems to reduce delays
- Need for banks with all facilities near the LCS
- Need to depute full time Custom officials and better infrastructure for offices/quarters

Through its long term work on trade issues, CUTS has generated deeper insights into issues associated with trade-related infrastructure and related trade facilitation measures. With regards to India-Bangladesh trade, two of the most crucial hurdles are:

- Absence of bilateral regional transport transit arrangements; and
- Inappropriate application of trade-related standards due to lack of institutional development and associated problems of governance of such standards, etc.

Gradual trade reforms to address these issues are crucial for 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.

Therefore, in the light of exploratory studies carried out by CUTS International and other like-minded organisations in the recent past, the present project titled *Assessment of Bangladesh-India Trade Potentiality: Need for Cross-Border Transport Facilitation & Mutual Recognition of Standards* aims to assess bilateral trade potentiality and measure benefits which would arise from the signing of a cross-border transport (motor vehicle) facilitation agreement and an agreement on mutual recognition of standards, particularly sanitary and phyto-sanitary measures.

Goal & Activities of the project

The Goal of the project is to do policy research on the current situation of bilateral trade and assess its potentiality for generating welfare outcomes, particularly for small-scale manufacturing and agrarian sector and to advocate with the relevant stakeholders and government officials about the need for an agreement on cross-border transport facilitation and mutual recognition of standards, particularly SPS measures. The project will undertake:

- Policy research including collection and analyses of primary and secondary data to understand the current status of negotiations on cross-border transport facilitation agreement and mutual recognition of standards, particularly SPS measures, and their implications on bilateral trade potentiality and impact on the local economy
- Ground research on the benefits of replicating Border Haats along the India-Bangladesh border
- Meetings with the relevant government officials from both India and Bangladesh to present research findings and advocate for the signing of a cross-border transport facilitation agreement and an agreement on mutual recognition of standards, particularly SPS measures

Expected Outcomes

The project will enhance necessary understanding and awareness of a broad range of trade-related stakeholders about the importance and possible implementation concerns of a cross-border transport facilitation agreement and an agreement on mutual recognition of standards, particularly SPS measures. The expected outcomes from the project can be listed as follows:

- Better understanding by policy makers on issues and concerns with respect to a cross-border transport facilitation agreement
- Better understanding and consensus on the elements and components that need to be further incorporated into the agreement document for better acceptance by all stakeholders.
- Triggering the process of drafting of an agreement on mutual recognition of standards, particularly SPS measures and expediting the signing of the MVA agreement between India and Bangladesh
- Better understanding on the benefits of Border Haats and higher consensus on replicating of such Haats along other locations along the India-Bangladesh border
- Removal of barriers to trade and enhanced trade volumes between the two nations in the long run