

Assessment of India-Bangladesh Trade Potentiality

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

1. Background and Context

1.1 The signing of the Agreement on South Asian Free Trade Area helped to make some significant progress on tariff liberalisation between India and Bangladesh. However, numerous non-tariff barriers (NTBs) still prevail, threatening to undermine the reforms undertaken so far. Recent studies by CUTS International have helped to generate deeper insights into issues associated with trade-related infrastructure and related trade facilitation measures. Two most important ones are:

- Absence of a bilateral/sub-regional agreement on transport facilitation; and
- Inappropriate application of trade-related standards due to lack of institutional development and associated problems of governance of such standards

1.2 In light of the above, a CUTS study aimed to assess bilateral trade potentiality in the context of possible benefits and concerns which may arise from the signing of a sub-regional transport facilitation (motor vehicle) agreement and an agreement on mutual recognition of trade-related standards.

2. Methodology

2.1 The methodology comprised of a thorough literature review and extensive field research to gather stakeholder perceptions and primary data, which have been used to do econometric analysis. A total of 11 Land Custom Stations was visited. The CUTS team interviewed approximately 120 stakeholders including customs officials, Border Security Force officials, exporters, transporters, clearing and forwarding agents, labourers, local associations, people's representatives, local traders and service providers' associations. The study team also visited two Border Haats in the Meghalaya-Bangladesh border to understand their impact on local economic development and its multiplier effects.

3. Major Findings

A. Cross-Border Transport Facilitation (Motor Vehicle) Agreement

- Cost of traveling additional distance (trucks going into Bangladesh territory and possibly returning empty), not a major deterrent, especially when trucks are coming from distant states of Andhra Pradesh, Maharashtra, and Gujarat to Land Custom Stations in Eastern India.
- Security (of goods and transport staff), a major concern and also practical issues regarding routes and language.
- Concerns for quality control along the route, especially on the other side of the border (with a perceived sense of no-control on part of the Indian trader or agent) and hence possible payment issues
- Political influence deterring transport facilitation both at local (rent seeking) and macro level

B. Mutual Recognition of Standards

- Absence of adequate plant quarantine officials/centres at the border points and time taken in testing samples
- Need for expediting the operations of the South Asian Regional Standards Organisation (SARSO) and its acceptance by all stakeholders
- Concerns about sub-standard products entering into domestic markets if standards are relaxed and also possible flouting of the Rules of Origin
- The long on-going discussion between the Bureau of Indian Standards and Bangladesh Standards and Testing Institute needs to be concluded and resolved as soon as possible

C. Results from Econometric Analysis

- Between distance and rent seeking activities, the latter is more deterrent for trade and better governance of border procedures will have a more beneficial impact on trade
- In India transportation sector is competitive and pass-through effect of rent-seeking is generally absorbed by the transporters
- Reducing rent-seeking activities will make transport sector more competitive
- Cost of infrastructure provision will far out-weigh the resultant reduction in trade cost

4. Recommendations

- Need for comprehensive insurance facilities covering the entire region to facilitate movement of cargo across borders for effective implementation of a motor vehicle agreement
- Need to have well defined clauses for routes, security in the proposed MVA agreement
- More number of Integrated Check Posts needs to be put in place with enabling procedures
- Along with transport facilitation, transit protocols need to be in place
- Build capacities of land port officials to better understand cross-border trade requirements and nuances (may be a special cadre in future)
- Higher coordination between state and central agencies towards streamlining and seamless implementation of regulation and policies and also, allowing the local bureaucrats to use their administrative power in a better way to resolve localised issues like rent-seeking
- Harmonisation of transport, trade and travel related regulations and it needs to go beyond regulations covering goods and should include services
- Establish an easy, flexible and uniform visa regime for the region and promote soft connectivity like medical and pilgrimage tourism
- Promotion of Border Haats and Special Economic Zones will help in boosting border area development and also people-to-people connectivity