



**CPD Dialogue on
Advancing Bangladesh-India Economic Cooperation
: Modalities and Challenges
Thursday, March 4, 2010, CIRDAP, Dhaka**

**Regional Connectivity for Trading in
Transport Services**

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Presentation Outline

- **Introductory remarks**
- **Opportunities for Bangladesh to trade in transport services**
- **Learning from experiences of other countries**
- **How to go about regional connectivity?**
- **Implications of recent joint communique signed by Bangladesh and India**
- **Concluding remarks**



Introductory Remarks

- **Transport cost, a significant determinant of competitiveness.**
- **Due lack of regional connectivity in South Asia and poor trade facilitation at border crossing, logistic costs are 13-14% of the value compared to 8% in USA.**
- **Transport connectivities between South Asian countries continue to remain fragmented, despite existence of basic infrastructures**
- **Indian wagons come upto the border, and BR Locos pull them inside**
- **No inter-country truck movement. Goods are transshipped at the border**



Introductory Remarks

- Before 1947, trade of NE-India used to move through the territory of what is now BD. Upto 1965, rail and IWT transit was allowed.
- A 20 feet container takes at least 30-45 days to move from New Delhi to Dhaka and costs around US\$ 2500/= but by rail it could reach in 4-5 days and would cost around US\$ 850/= only. (See Map)
- Tea shipment from Assam to Europe travels 1400 km through “chicken neck” because no agreement exists to use Chittagong port.
- Southern border of Tripura State 75 km from Chittagong Port, but Indian goods travel 1645 km to Kolkata port.

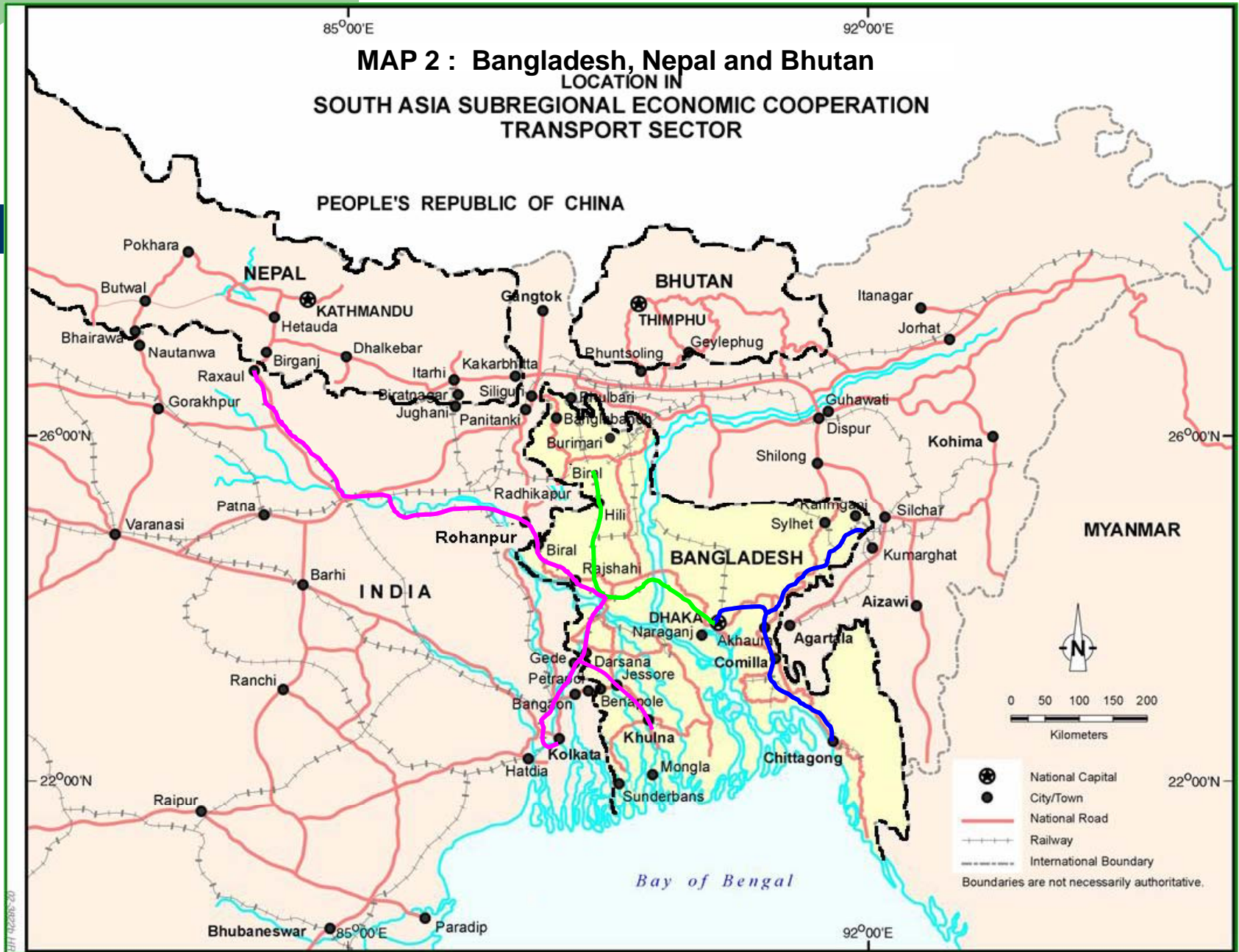


Lack of Connectivities: The Consequences

The Trans-Asian Railway in SA



Lack of Connectivities: The Consequences



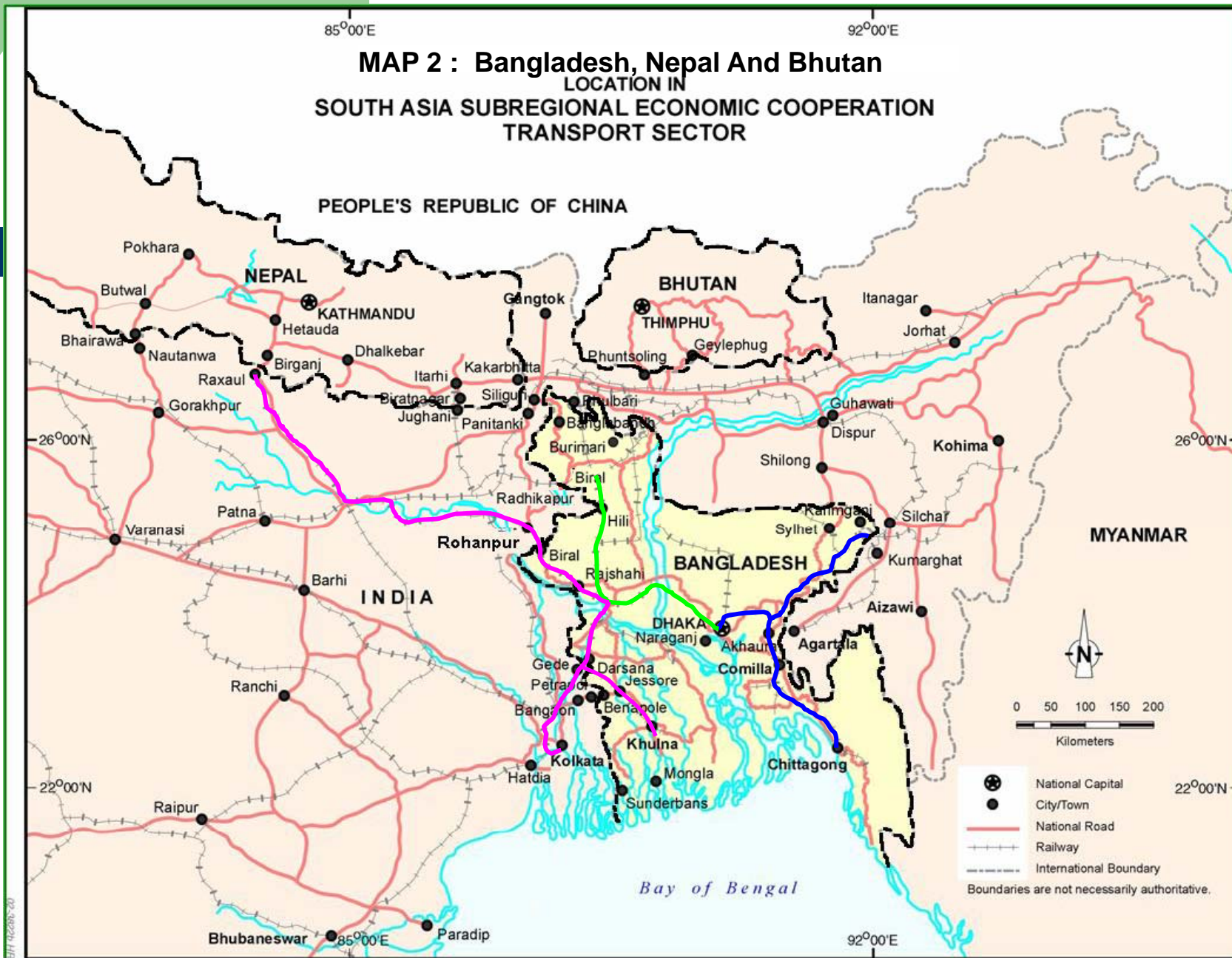


Opportunities for Bangladesh

- Bangladesh has a unique geographical location, with 3-land locked countries/territories (Nepal, Bhutan, NE-India) at the hinterland. (See Map)
- If transport connectivity is provided to these countries, BD could benefit by trading in “Transport Services”.
- Currently BD has trade deficit with India, trading in “transport services” could reduce this deficit
- It is crucial to realize that these transport services have no market outside the sub-region, similarly, the sub-regional countries also need to recognize that no country other than BD can provide these transport services.



MAP 2 : Bangladesh, Nepal And Bhutan
 LOCATION IN
 SOUTH ASIA SUBREGIONAL ECONOMIC COOPERATION
 TRANSPORT SECTOR





Opportunities for Bangladesh

- Bangladesh is fortunate to have Mongla port with spare capacity, and potential for developing a deep-sea port, but its development needs sub-regional patronage.
- Political leaders and policy makers need to recognize various opportunities and constraints that BD has, and seek regional patronage with proper connectivities provided to them by road, rail and IWT, to make Bangladesh a “transport hub” for the sub-region.
- India has been asking for quite sometime, access of NE-India to Chittaong port. Similarly, Nepal and Bhutan have been asking for access to Mongla port.
- “Transit”, therefore, no longer an issue only between India and BD, as Nepal and Bhutan, both want transit through India and Bangladesh.



Learning from Experiences of other Countries

Clarification of some terms

- “Transit” in NE-Indian context means Indian goods passing through BD using Indian owned fleet.
- “Transshipment” in NE-Indian context means movement of Indian goods across BD using BD’s owned fleet.
- “Corridor” means a strip of territory that runs through that of another country, and secures access to some desired place.
- All transit/transshipment traffic should be subjected to inspection, scanning and supervision by BD authorities.
- “Security” concerns linked to transit/transshipment need to be spelled out clearly. So far both BD and India did not face any security problem along the IWT transit route and Nepal-BD transit route.



Learning from Experiences of other Countries

- Rotterdam Port providing sea access to several landlocked European countries, and earning huge amounts. (see map)
- Bandar Abbas and Chabahar ports in I.R.I. providing sea-access to countries of Central Asia (see 2 maps)
- Bangladesh and India both have already allowed transit to each other for bilateral traffic.
- Bangladesh could, therefore, resolve connectivity issue sub-regionally, by providing connectivity to all the 3-landlocked countries/territory at a time.

Rotterdam – Hub Port for Europe





Bandar Abbas Port Providing Access To Central Asian Countries Through TAR



Chabandar Port Providing Access To Central Asian Countries Through AH





How to go about Regional Connectivity?

Selection of appropriate mode

- Due structural limitation of BD roads, railway should be preferred mode for regional traffic
- Due to gauge differences, transshipment of goods/containers need to take place at Dhaka ICD, later at Dhirasram. Another transshipment at Mahisasan will be needed.
- BR needs to strengthen its tracks, extend loop lengths, modernize and expand facilities improve operational efficiency, establish transshipment facilities and acquire rolling stock to serve regional traffic.
- IWT needs to be modernized to carry containers and more ICTs need to be established. Ashuganj could be designated as a new port of call for goods/containers. To maintain navigability, dredging of core network essential.

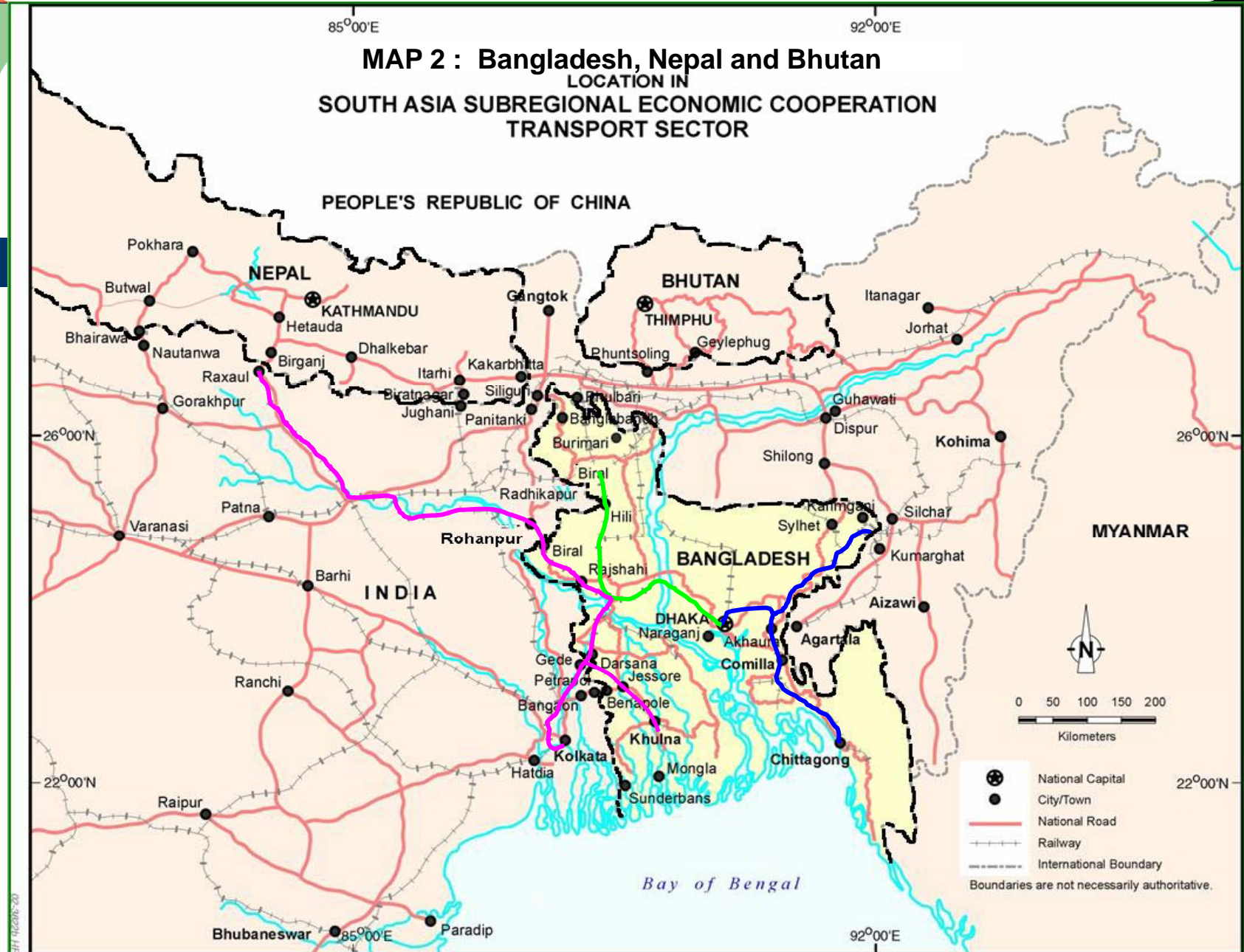


Implication of Recent Joint Communique

Allowing use of Mongla Port by Nepal, Bhutan and India

- Mongla has 80% spare capacity
- Present investment being sunk, only marginal investment would be needed to handle new traffic, including transshipment facility at Khulna.
- BD will be able to trade in transport services, and earn port charges, rail charges, road transport charges, and transit fee.
- Currently, Nepal and Bhutan using Kolkata port, which is facing congestion and siltation problems.
- Nepal and India should be encouraged to use Railway to reach Mongla port. Bhutan has no railway.
- Heavy Indian trucks should be discouraged to enter into BD roads due to structural weakness of BD highways.

Lack of Connectivities: The Consequences

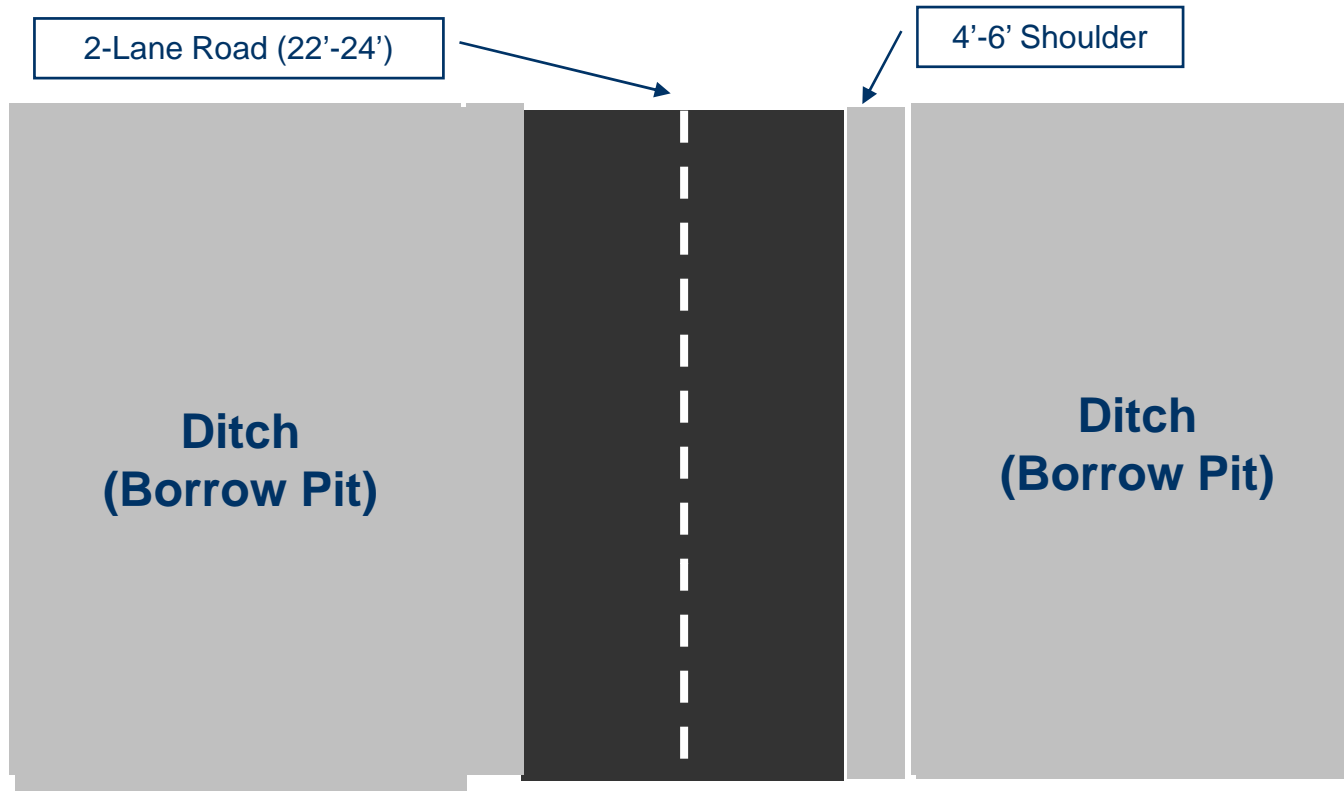




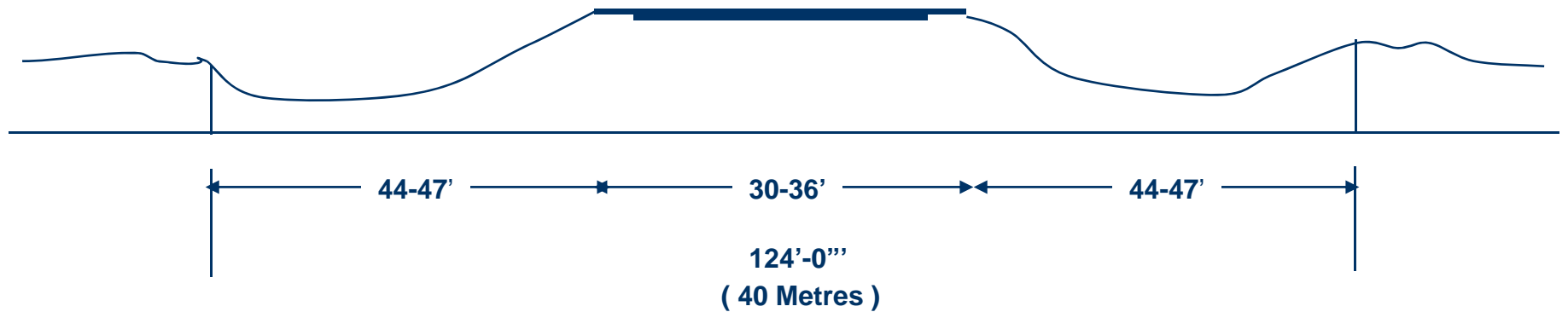
Implication of Recent Joint Communique

Possible arrangements to overcome problems of structural weaknesses

- To facilitate movement of Indian high value and perishable goods by road to and from the port and across BD, until expressways are built along major east-west and north-south directions on higher specifications (see diagrams), following possibilities could be considered.
 - (a) Inter-district BD truckers could provide logistic support to carry goods using multi-axle vehicles and/or truck-trailers to carry containers.
 - (b) above operation could start immediately, once political decisions are taken by both governments, in favour of such movement. Efficient trans-shipment facilities will be needed on both sides (on east side and on the west side) of Bangladesh.

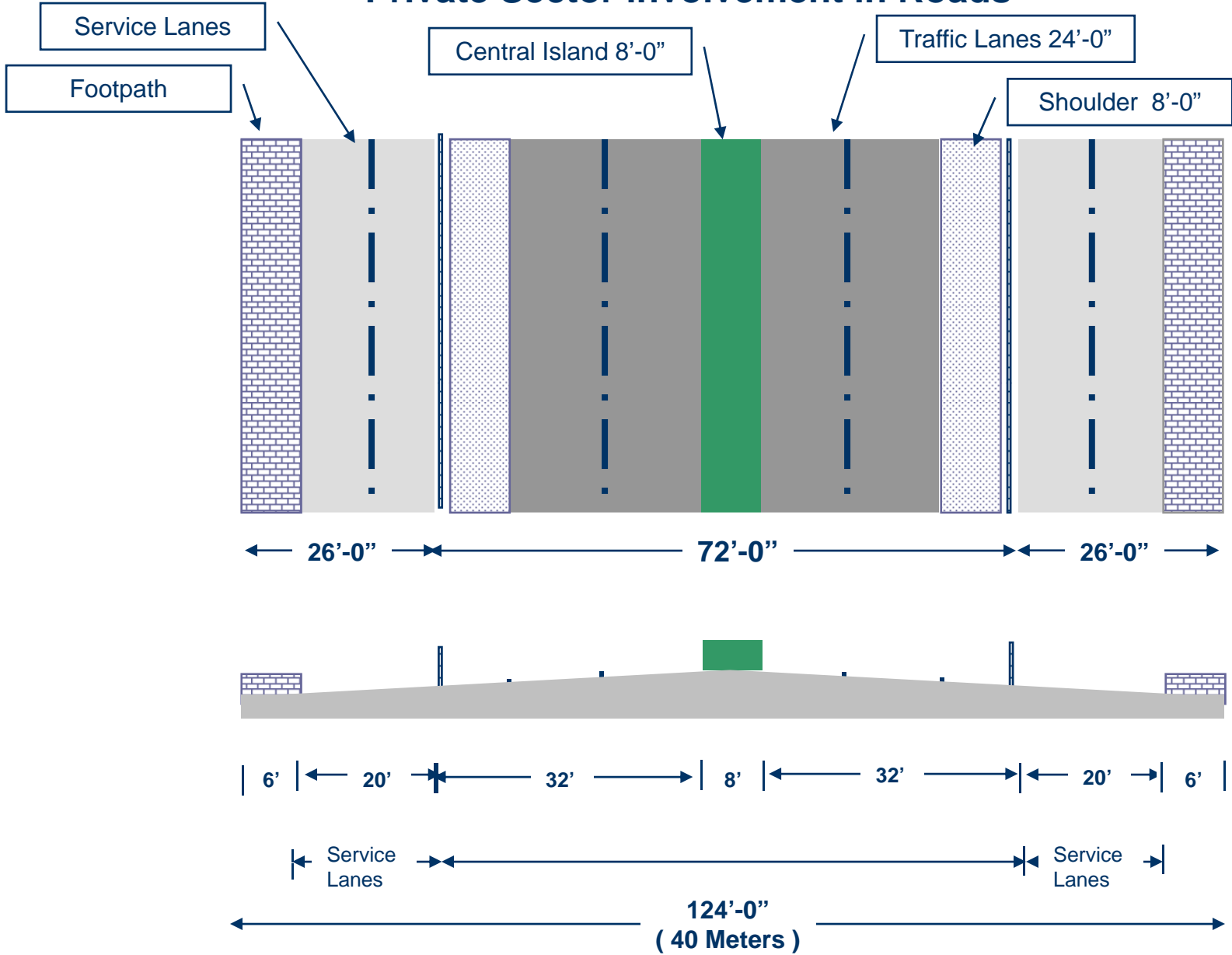


Typical National Highway Layout



Cross-Section of a Typical National Highway

Private Sector involvement in Roads



Tolled Expressway 2-Lane dual



How to go about providing connectivities/transit ?

Another alternative arrangement could be:

- (a)** Establishment of a joint venture trucking company, with a fleet of medium sized multi-axle covered trucks, and/or truck-trailers having a special colour (for easy identification and security) to carry transit traffic, with ownership of the company mostly in Bangladesh hand but with shareholders in India, Nepal and Bhutan.
- (b)** Vehicles of the above joint company will need registration in both Bangladesh and India to facilitate carrying traffic from origin to destination, without transshipment. The company need patronage of all concerned governments.
- (c)** Transit traffic should be subjected to inspection, scanning (if required), weighing and sealing by Bangladesh authorities at boarder crossing, to avoid smuggling.



Implications of Recent Joint Communique

Allowing the use of Chittagong Port by NE-Indian States

- Chittagong port has 40% spare capacity at present level of management efficiency
- Only marginal investment would be needed to handle new traffic
- BD will be able to trade in transport services and earn port charges, rail charges, road charges, and transit fee.
- Currently NE-India using Kolkata port which is facing heavy congestion as well as siltation problem.
- Railway should be preferred mode to carry goods/containers to and from Chittagong port, but doubling of track needed to expand capacity.
- Due to structural weakness of BD roads, until expressways are built, Indian trucks should be discouraged. BD road transporters or a joint venture company could provide logistic support.



Focussing on a few Strategic Routes





Implications of joint Communique

Movement of containers between Bangladesh and India

- Presently containers between India and Bangladesh are required to move by ship only, via Bombay, Singapore, Chittagong, costing US\$2500/- for a 20' container. By rail it would cost around US\$850/- and take only 4-5 days.
- Allowing containers to move by rail & IWT would bring considerable benefit to Bangladesh economy, and consumers will be direct beneficiary.
- By rail, containers can come up to Dhaka ICD by BG.
- IWT container terminal already under construction at Pangaon, to be operational by June 2010, having capacity of handling 116,000 TEUs annually. More inland water transport container terminals needed.
- IWT Barges are also under construction in Private Sector to carry these containers and more such self-propelled barges needed.



Lack of Connectivities: The Consequences

The Trans-Asian Railway in SA





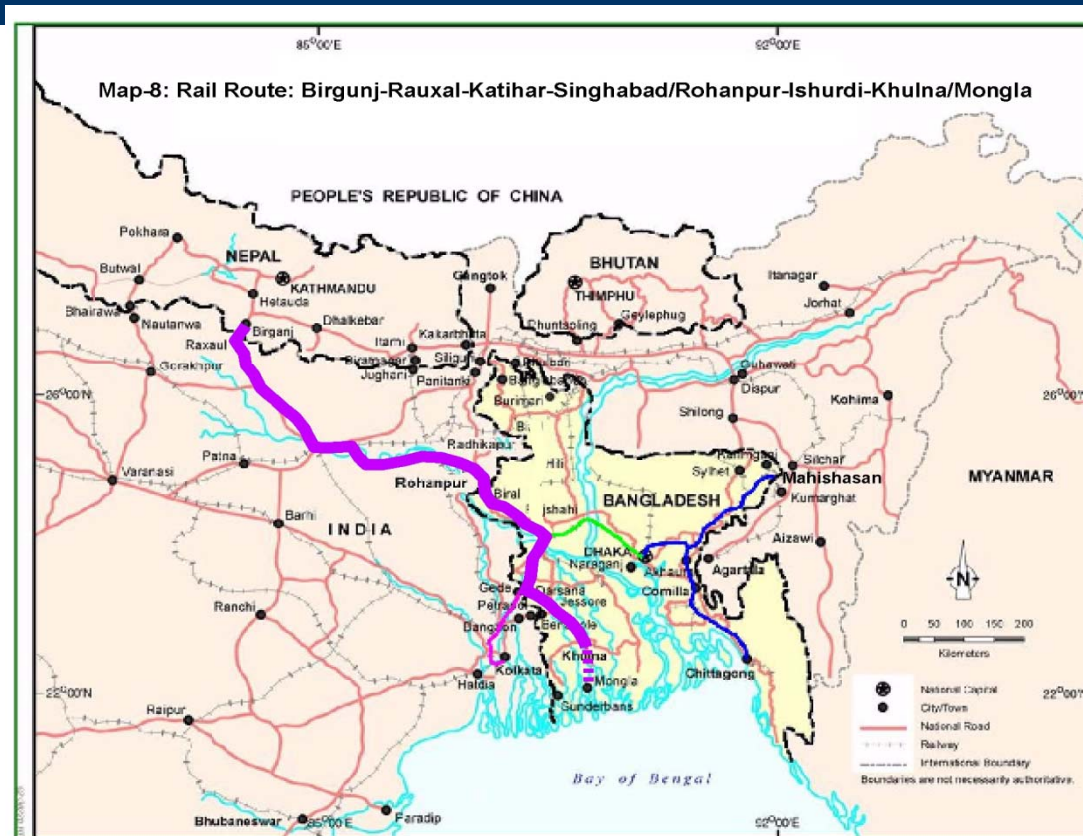
Implications of joint Communique

Allowing Birgunj-Rauxal-Kathihar Rohanpur-Khulna, rail link for transit cargo

- Currently, India allows only BD-Nepal bilateral trade to transit through India and use Banglabandha land port, involving a distance of more than 1300 km.
- Allowing above rail link for bilateral trade between BD and Nepal, as well as for export/import trade of Nepal would be beneficial to Nepal and BD as travel distance would be less than 1000 km.
- This would greatly help Mongla port to remain competitive with Kolkata port to handle Nepalese export-import traffic.
- Transshipment facility for containers/cargo at Khulna will be needed for onward movement by truck (38 km) to Mongla port.



Focussing on a few Strategic Routes





Implications of joint Communique

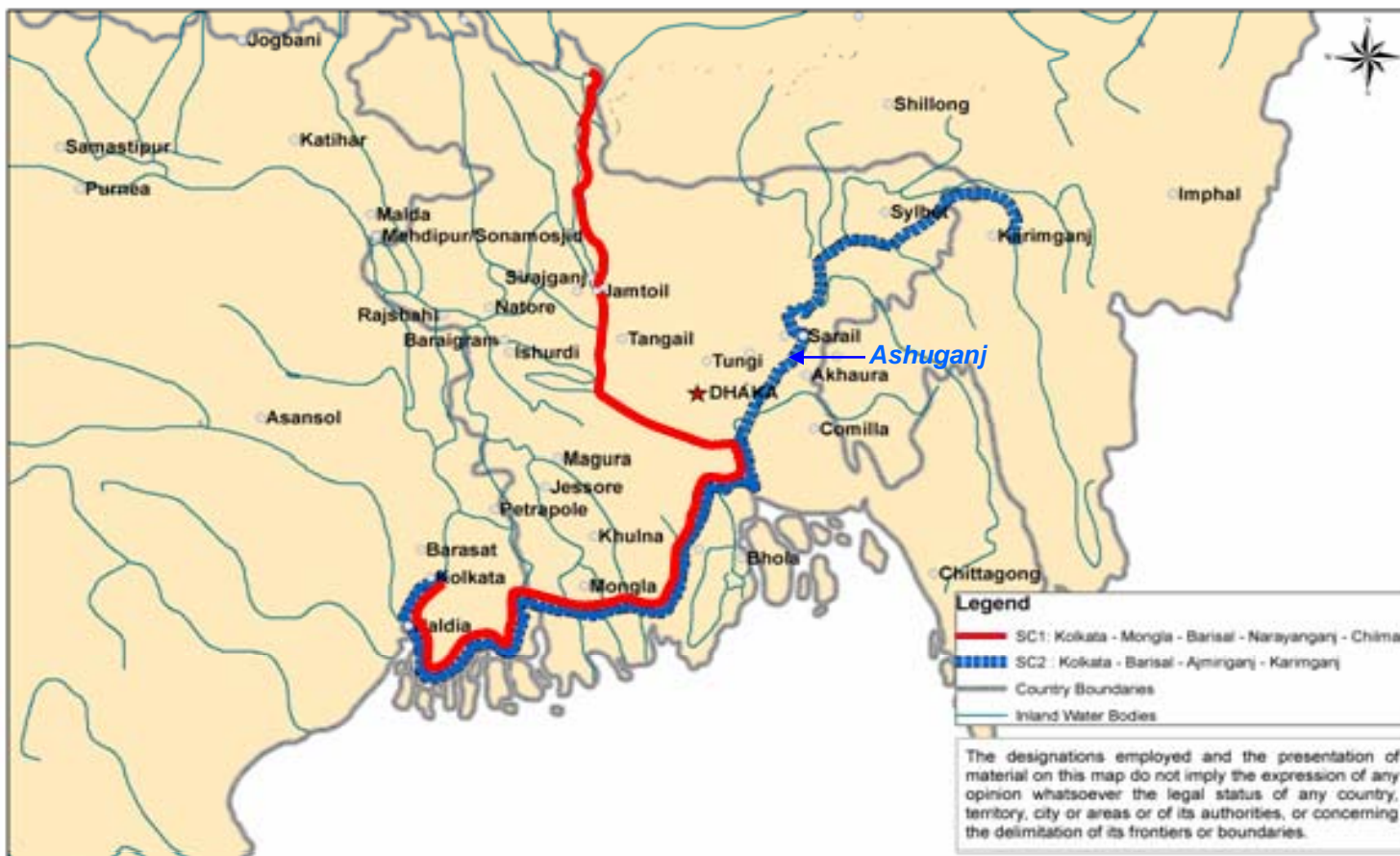
Designating Ashuganj/Shilghat as new ports of call

- Shilghat, 100 km upstream of Pandu, and near Guwahati is used for bilateral trade of High Speed Diesel (HSD) that BD purchases every year from Numaligarh Refinery at 15% less cost. Such designation will legalize the issue.
- Ashuganj will help India to get a shorter IWT-cum-road transit route to Agartala. (See Map)
- BD can earn considerable foreign exchange through IWT charges, port charges, road transport charges and transit fees, which should be negotiated.
- India will invest in Ashuganj port development to handle (one-time use) Over Dimensional Cargo (ODC) for Power Plant in Tripura, and strengthen road link upto Agartala to carry ODS.



Focussing on a few Strategic Routes

Map-5: IWT Routes: Kolkata-Raimongal-Mongla-Narayanganj-(a) Aricha-Pandu, and (b) Bhairab Bazar-Karimganj



Ashuganj as a new port of call and transshipment point





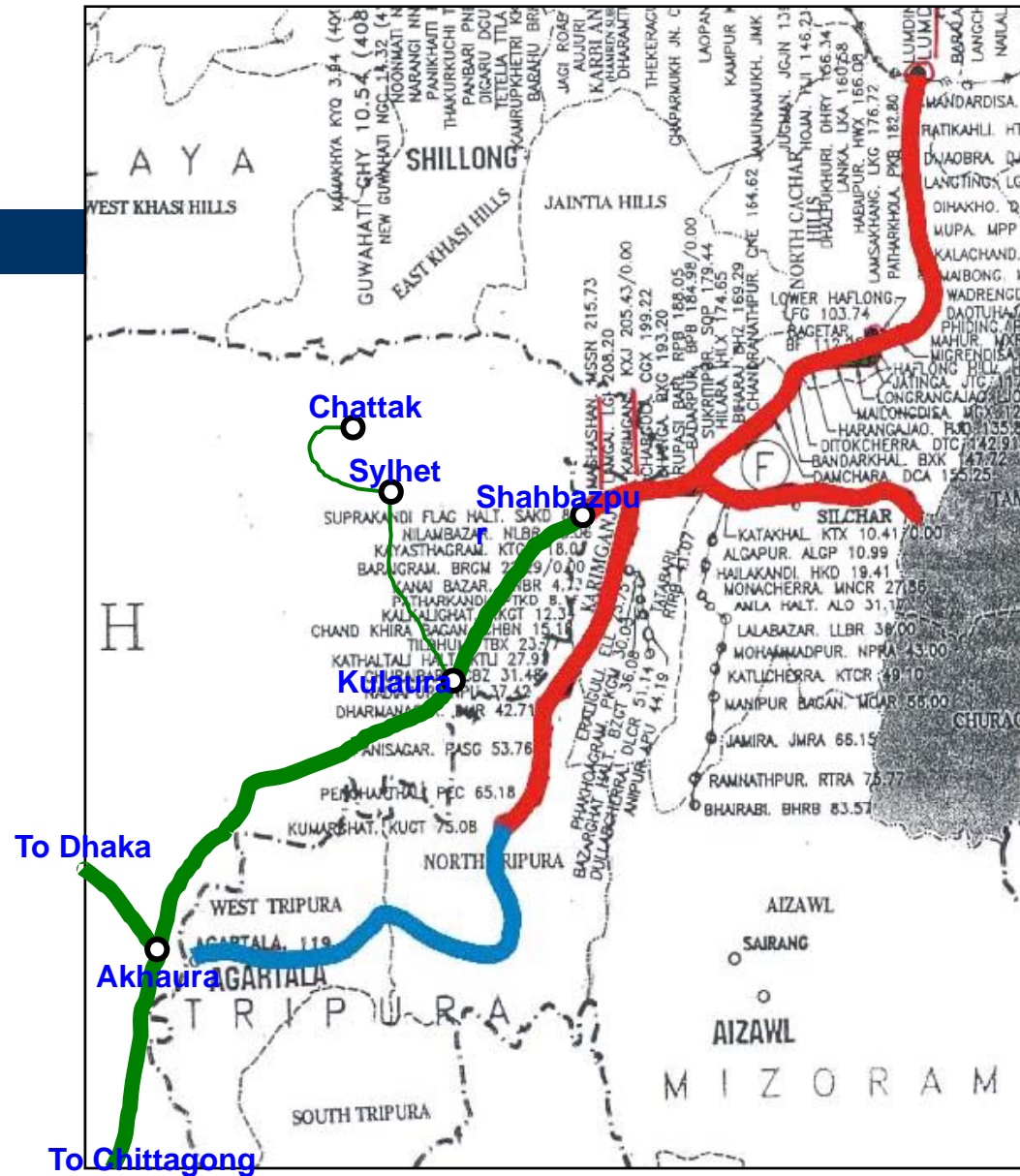
Implications of joint Communique

Construction of Akhaura-Agartala rail link

- This would call for construction of around 14 km rail link between Akhaura (BR) and Agartala (Indian Railway), based on joint survey of BR and IR to decide alignment.
- Once completed, Agartala will have direct rail link to Chittagong port.
- India has already developed MG rail link between Karimganj and Agartala.
- In future, Akhaura-Agartala-Karimganj rail link will become a direct competitor to the existing BD railway Akhaura-Kulaura-Mahishasan rail link. This will have adverse financial implication on BR's earning in future, unless negotiations are made to charge some transit fees to compensate for the loss.



Map 8: Rail Link Between NE-India & Bangladesh





Concluding remarks

- **Cost of non-cooperation being very high, BD and its neighbours, India, Nepal & Bhutan, could gain considerably, if connectivity is provided by BD sub-regionally. Although no authentic estimate of benefits is available yet, a study has been launched by CPD/SACEPS/ADB to find costs and benefits for each country involved.**
- **Both Chittagong and Mongla ports, as well as BR need to strengthen their facilities and improve efficiencies. Private sector investment to be encouraged in port development as well as Expressway development along major routes, using existing ROW.**
- **BD should carefully work out detailed arrangements for use of port, railway, IWT and road transport facilities by hinterland countries and negotiate accordingly, to maximize its benefit, maintaining win-win for all.**



Concluding remarks

- Prospects of regional patronage for deep-sea port in Bangladesh will increase many fold, if connectivity to neighbouring countries are provided.
- Trade facilitation measures at border crossing are also needed for seamless movement.
- Visa issuance need to be simplified as well, by all countries.
- Bureaucrats and other officials both in BD and India should work hard to implement sincerely the provisions of joint communique. While BD is trying to open up its transport facilities, India should also show progress in resolving other issues of direct interest to BD such as water sharing, land boundary, maritime boundary, energy cooperation, etc.



***Thank You for
Your Kind Attention***