

Presentation on Operationalization of Regional Connectivity between Bangladesh, India, Nepal and Bhutan

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Presentation Outline

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- **Potential Traffic Diversion Scenario**
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Introductory Remarks

- **Surface transport network in South Asia still continue to remain fragmented, despite existence of basic infrastructure & facilities.**
- **At present, goods are transshipped at the border between trucks. No inter-country freight train except a passenger train between Dhaka-Kolkata. Rail wagons are pulled by Indian Locos up to the border and Bangladesh Locos pull these to destinations inside.**
- **NE-India, virtually a landlocked territory; and traffic from NE-India is required to travel 1400-1650 km to reach Kolkata Port. If transit is allowed, distances would be around 450-700 km.**
- **Before 1947 trade from NE-India used to pass through, territories of what is now Bangladesh**

Introductory Remarks

- Rail and IWT transit across the then East Pakistan continued till 1965 and then suspended.
- Only IWT transit restored in 1972 after liberation of Bangladesh but not railway.
- Consequences of poor connectivity are huge for BD as well. A 20' container takes at least 30 days to move between New Delhi and Dhaka, and costs around US\$2500, but by rail it could reach in 4-5 days, and cost around US\$850.
- Due to lack of transport integration, logistic costs in South Asia are very high and range between 13-14% of the commodity value, compared to 8% in USA.
- Intra-regional trade in SAARC around 5% only, compared to 26% in ASEAN, 58% in EU, and 62% in NAFTA. Improved connectivity could enhance intra-regional trade.

Objectives of the Research

- **Long Term Objective is to open up mindsets of political leaders /policy makers and civil society members, regarding actions needed for operationalization of regional connectivity.**
- **India-Bangladesh Joint Communique of January 2010 set the tone for actions.**
- **But progress in the implementation of the decisions made is very slow.**
- **Present research study therefore, focuses on actions in terms of identification of priority routes and facilitation measures needed for connectivity and suggest a strategic framework.**

Earlier Initiatives Towards Regional Connectivity

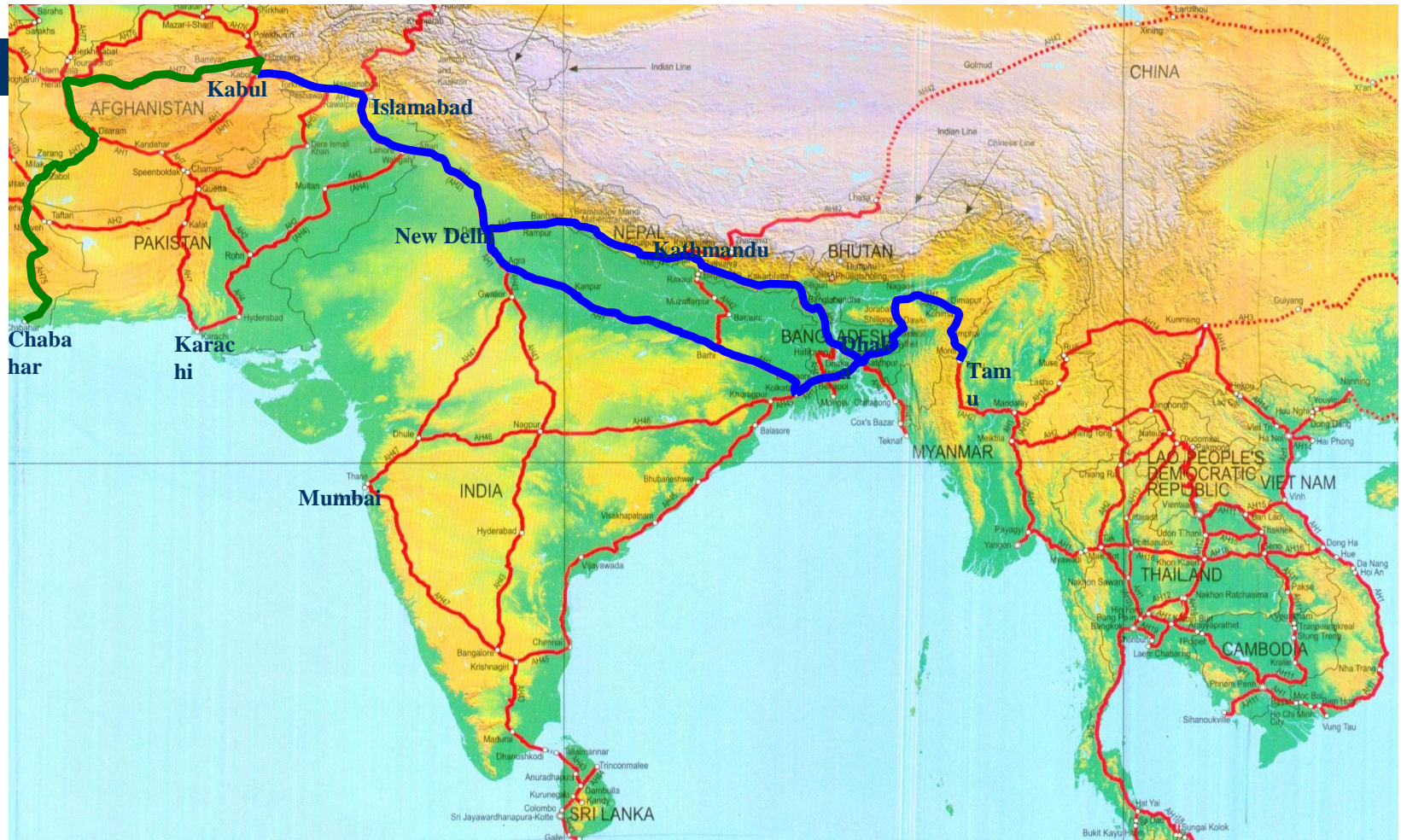
ESCAP Initiatives

- UN-ESCAP took pioneering efforts for AH (1959) and TAR (1960).
- Network Agreements of AH and TAR were signed by 28 countries out of 32, but operationalization of network could not take place in the absence of agreements on movement of vehicles and trains.
- Initiatives also needed to complete TAR missing links (see Map).

SAARC Initiatives

- As part of SRMTS, 10-road corridors, 5-Rail, 2-IWT corridors, 10-Maritime and 16 Aviation Gateways, for regional transport connectivity identified.
- But implementation of SRMTS recommendations is slow due to lack of political commitments.

Map 1: Asian Highway Route Map



Map 2: Trans-Asian Railway



Recent Initiatives: India-Bangladesh Joint Communique

Joint Communique- Agreement included:

- Use of Mongla and Chittagong sea ports by India, Bhutan and Nepal.
- Use of Rohanpur-Kathihar-Rauxal-Birgunj BG rail link for Nepal's third country trade movement through Mongla Port and for Bangladesh's bilateral trade movement.
- Construction of Akhaura-Agartala rail link.
- Designating and developing Ashuganj as a new port of call and transshipment port, with onward road connectivity to Tripura.
- Allowing bilateral container traffic between India and Bangladesh to be carried by both rail and IWT.

Potential Traffic Diversion Scenario

- Due to geographical proximity, and convenience of existing transport connectivity, two of the recent studies assumed that around 35% of traffic from Assam, 50% from Meghalaya could be diverted through Bangladesh (see Map-3)
- On same logic, there is potential for 100% diversion of inter-state and international traffic from Monipur, Mizoram, Nagaland and Tripura, through Bangladesh to Kolkata region, and to BD ports.
- Due to cost savings, 50% Nepalese and 100% of Bhutanese international traffic could also get diverted to Mongla Port.
- Studies further revealed that estimated total transit traffic could be around 18 million tons, of which about 16 million could be interstate and 2 million international traffic through BD ports.

Map 3: Transport Connections of Bangladesh to NE-Indian States



Possible Routes for Connectivity

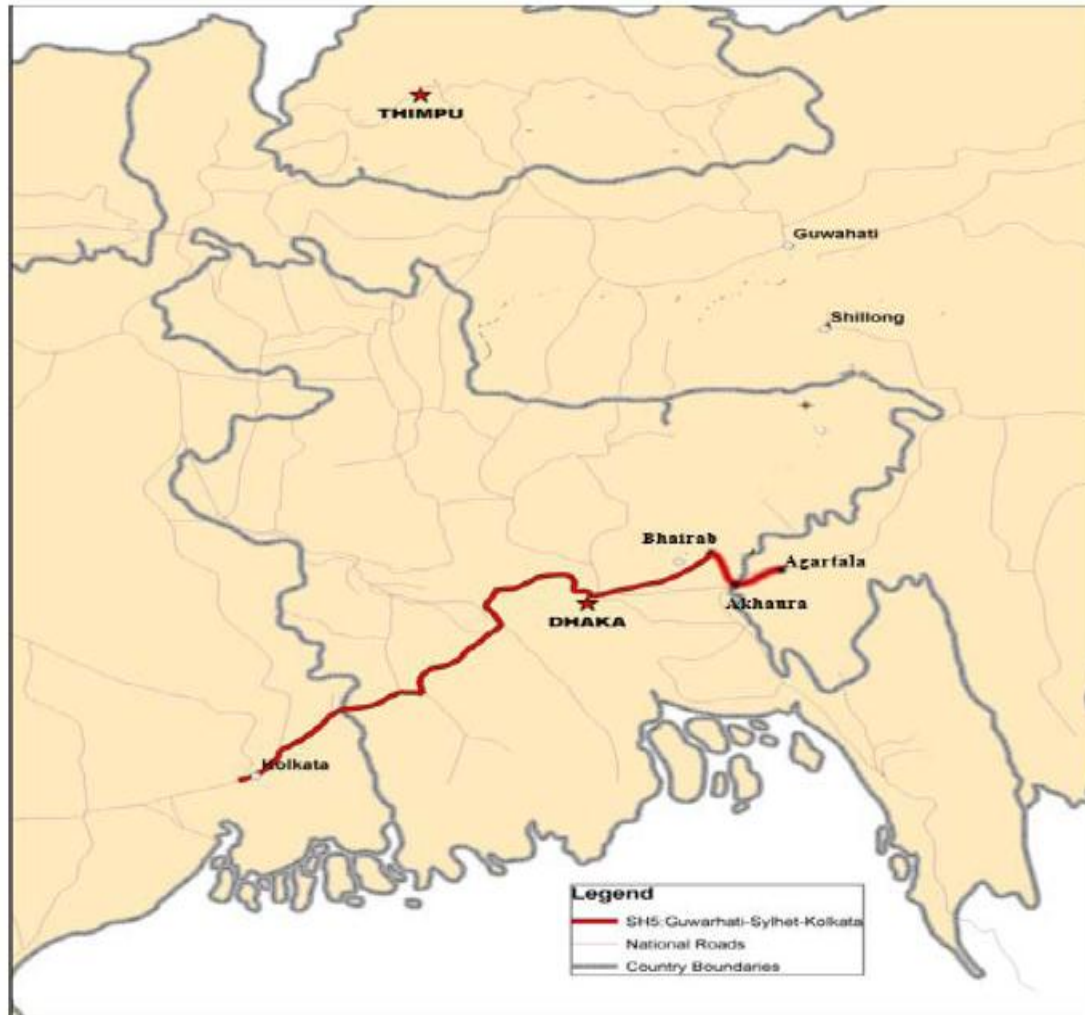
- Sub-committee -1 of High-level Core Committee of Government of Bangladesh (GOB) for transit issues, initially identified 17 routes for regional connectivity based on analysis of major routes identified by SRMTS of 2006.
- Out of 17 routes, breakdown was :Road routes -7, rail routes-7 and IWT routes-3.
- CPD- SACEPS study of 2011, selected 13- routes out of 17 as priority routes for quick development and operationalization.

Note: For details please see Table-1 and route maps.

Table 1: Details of the 13 Routes Analyzed

I No.	<u>A. Road routes – 7 Nos.</u>
1	Road route -1: Agartala-Akhaura LCS-Paturia Ferry- Benapole/Petrapole-Kolkata
2	Road route -2: Agartala-Akhaura-Chittagong Port
3	Road route -3: Silchar-Sutarkandi-Chittagong Port
4	Road route -4: Silchar-Sutarkandi-Paturia Ferry- Benapole/Petrapole-Kolkata
5	Road route -5: Guwahati-Dawki/Tamabil-Chittagong Port
6	Road route-6: Kathmandu-Kakarvita-Phulbari/Banglabandha-Mongla Port
7	Road route-7: Thimphu-Phuentsholing/Jaigan-Burimari-Mongla Port
I No.	<u>B. Rail routes – 5 Nos</u>
8	Rail route -1: Silchar-Mahisassan/Shahbazpur-Dhaka ICD - Darsana-Kolkata
9	Rail route -2: Silchar-Mahisassan/Shabazpur-Chittagong Port
10	Rail route -3: Agartala-Akhaura LCS—Dhaka ICD(Dhirasram)-Darsana/Gede-Kolkata
11	Rail route -4: Agartala-Akhaura-Chittagong Port
12	Rail route-5: Birgunj-Katihar-Rohanpur- Khulna-(by road) Mongla Port
	<u>C. IWT route-1 No.</u>
13	IWT route: Kolkata-Raimongal-Mongla-Narayanganj-Ashuganj-by road to Agartala

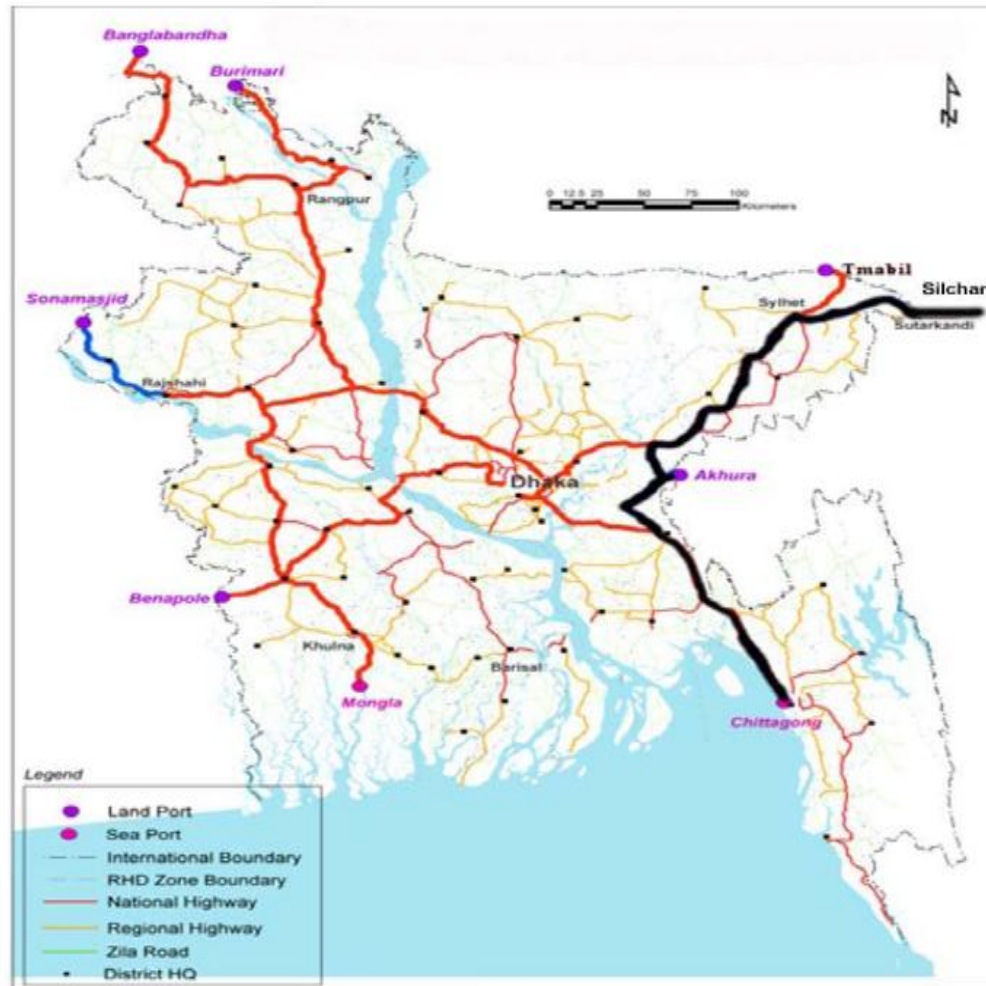
Map of Road Route 1: Kolkata-Petrapole/ Dhaka-Akhaura/Akhaura



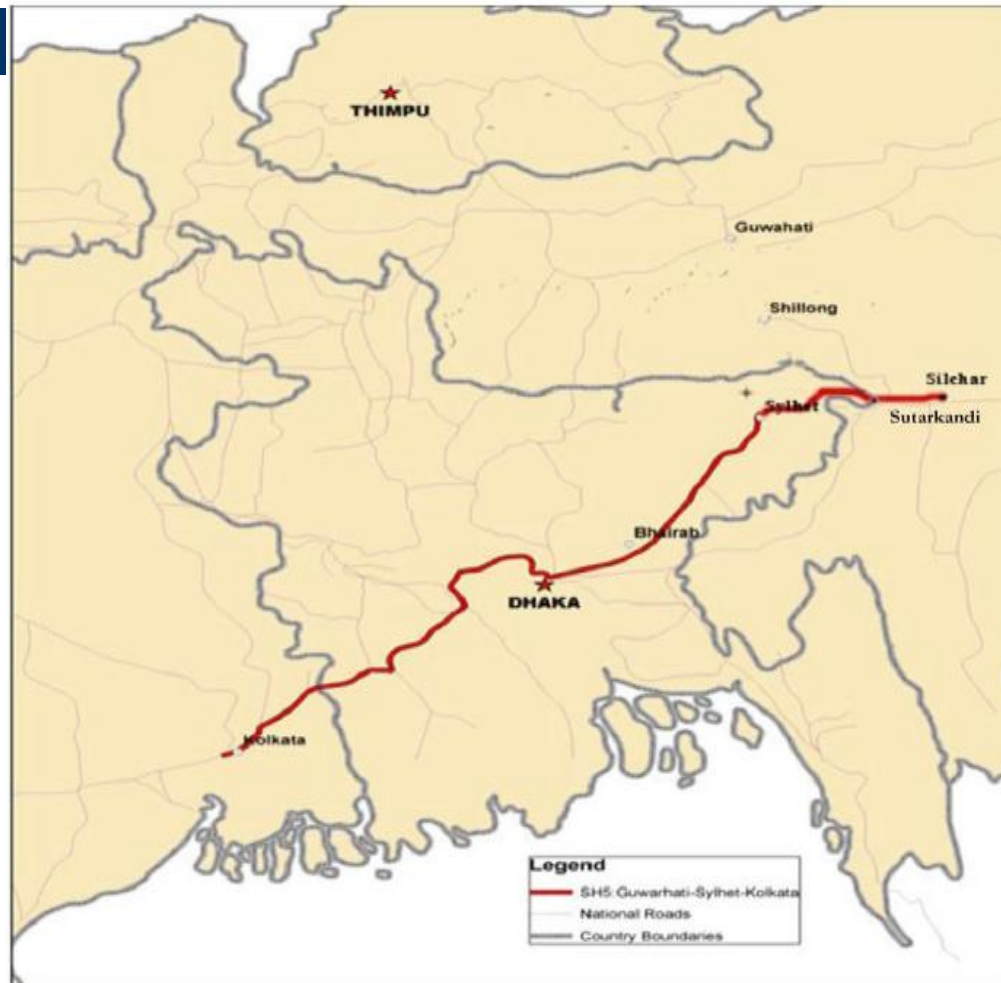
Map of Road Route 2: Agartala-Akhaura-Chittagong



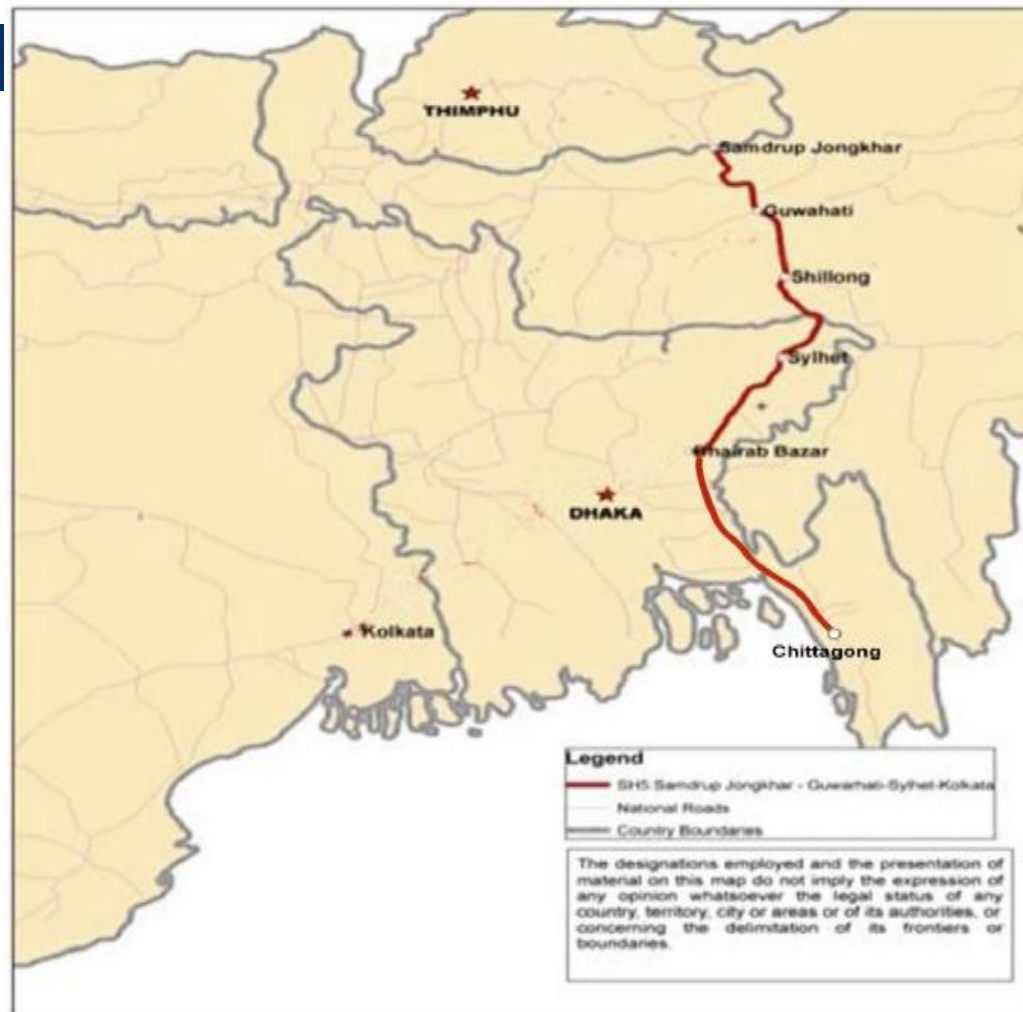
Map of Road Route 3: Silchar-Sutarkandi-Chittagong Port



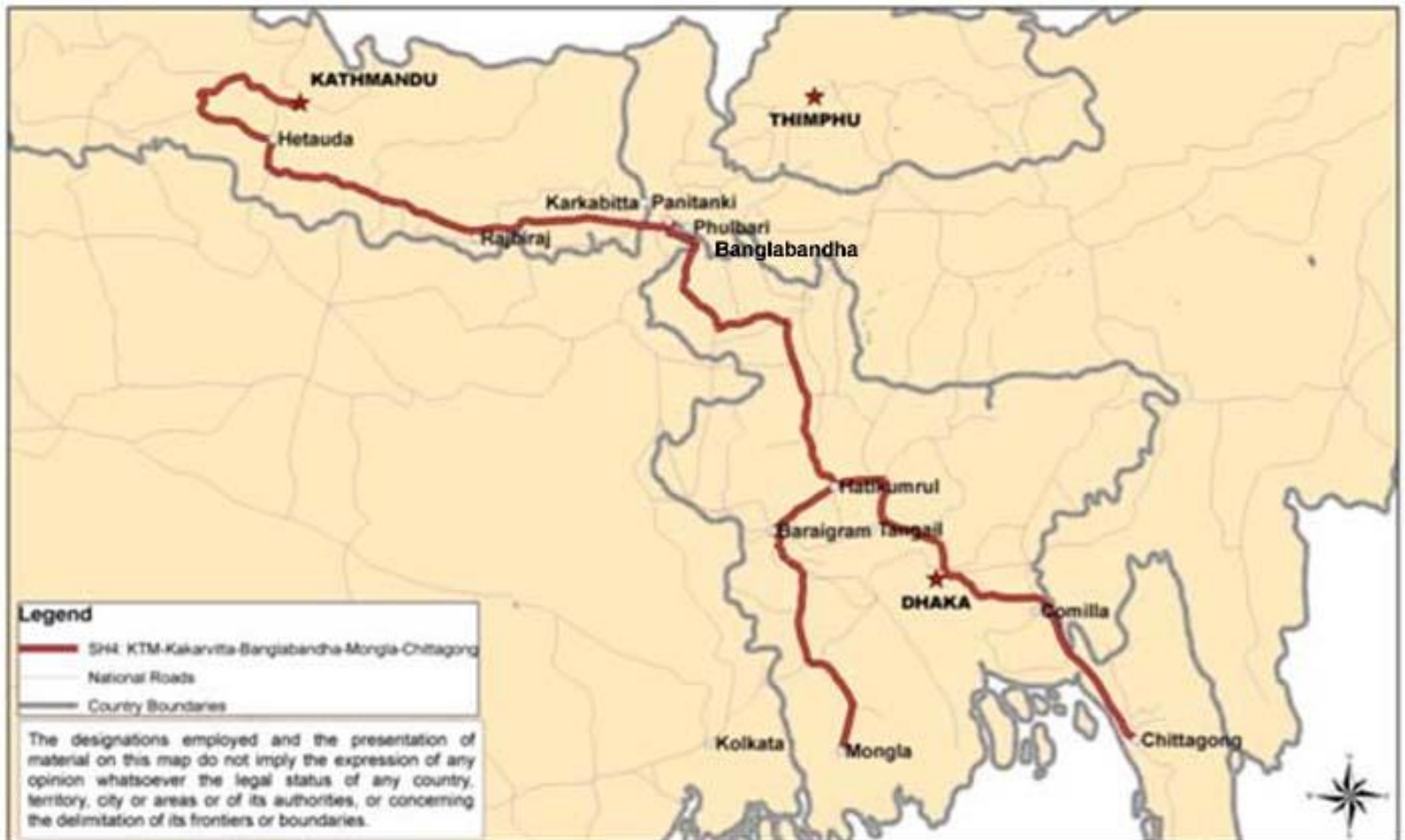
Map of Road Route 4: Silchar-Sutarkandi-Dhaka-Benapole/Petrapole-Kolkata



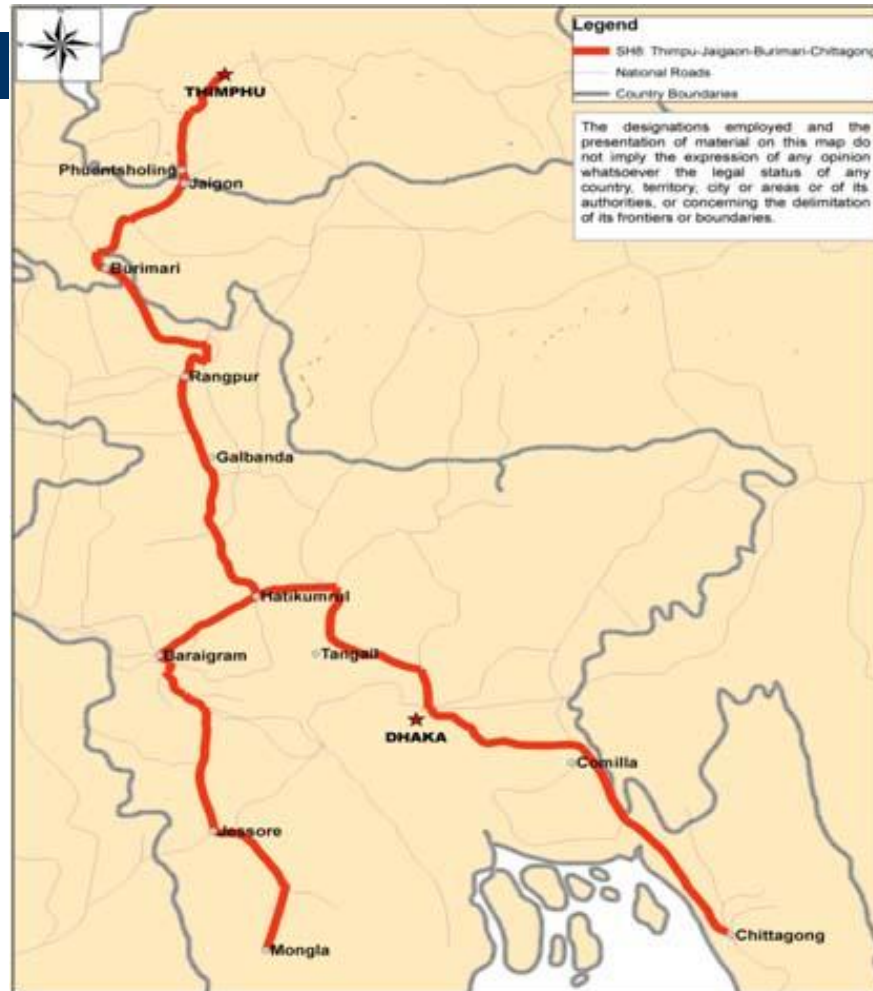
Map of Road Route 5: Samdrup Jongkhar (Bhutan)-Shillong-Sylhet-Chittagong



Map of Road Route 6: Kathmandu-Kakarvita/Banglabandha-Mongla/Chittagong



Map of Road Route 7: Thimpu-Phuentsholing/ Jaigaon- Burimari-Mongla/Chittagong



Map of Rail Route 1: Silchar-Mahisasan/ Bangabandhu Bridge-Darsana/Gede-Kolkata



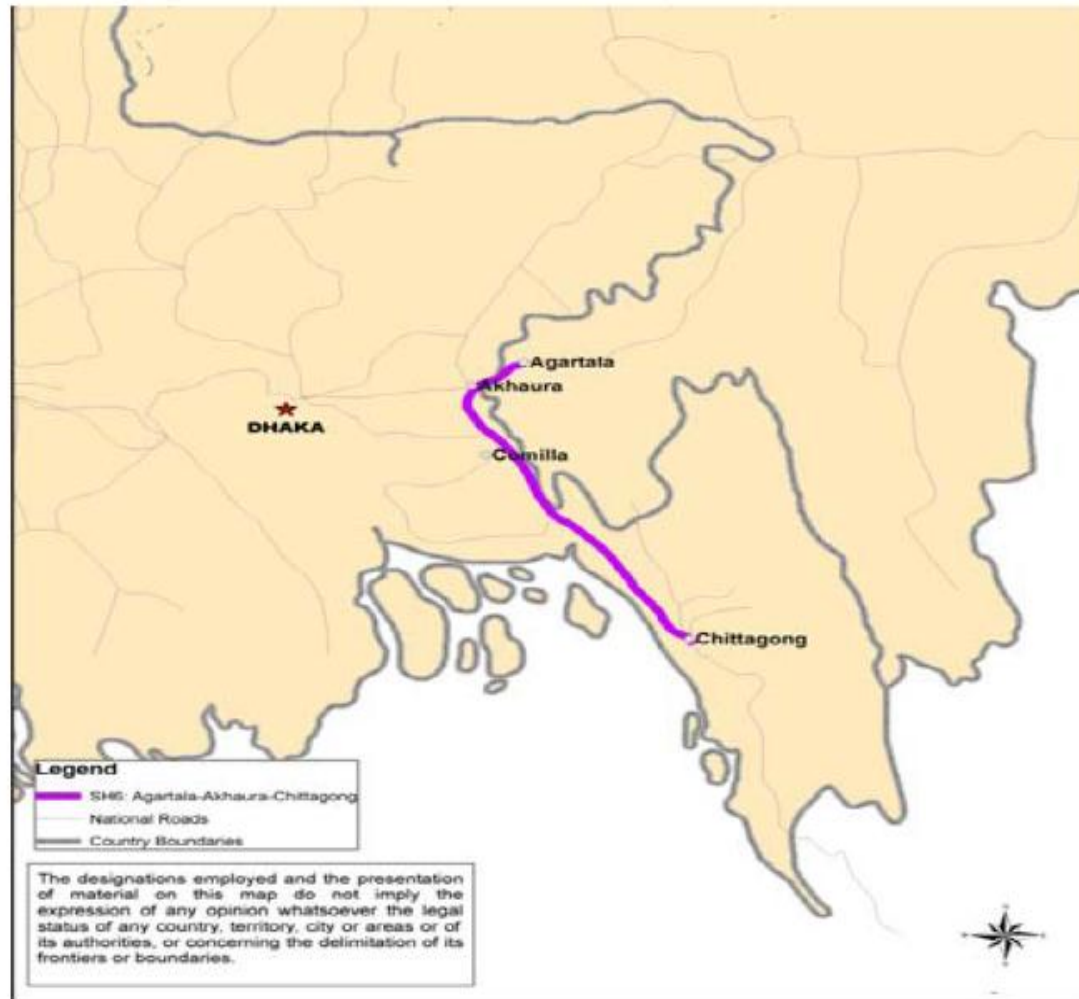
Map of Rail Route 2: Silchar-Mahisasan/Shabazpur-Chittagong Port



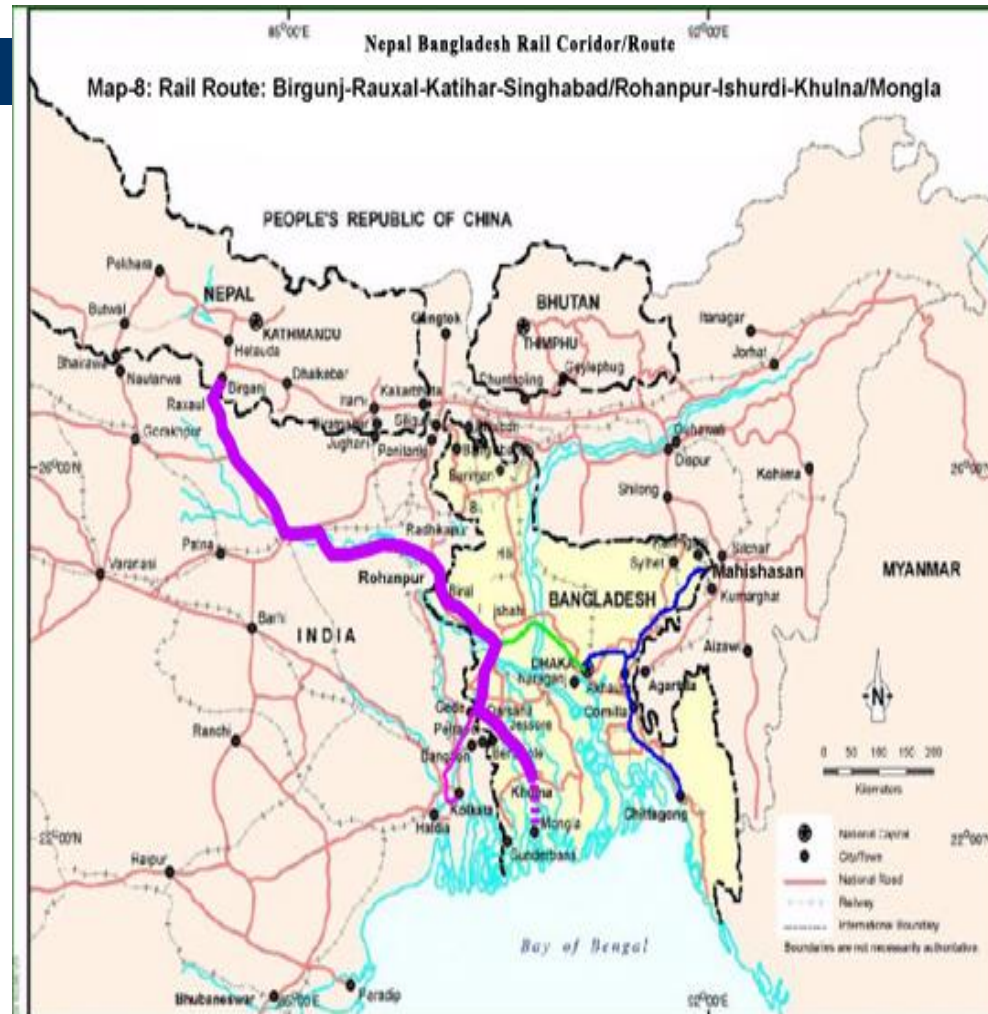
Map of Rail Route 3: Agartala-Dhaka-Bangabandhu Bridge-Darsana/Gede-Kolkata



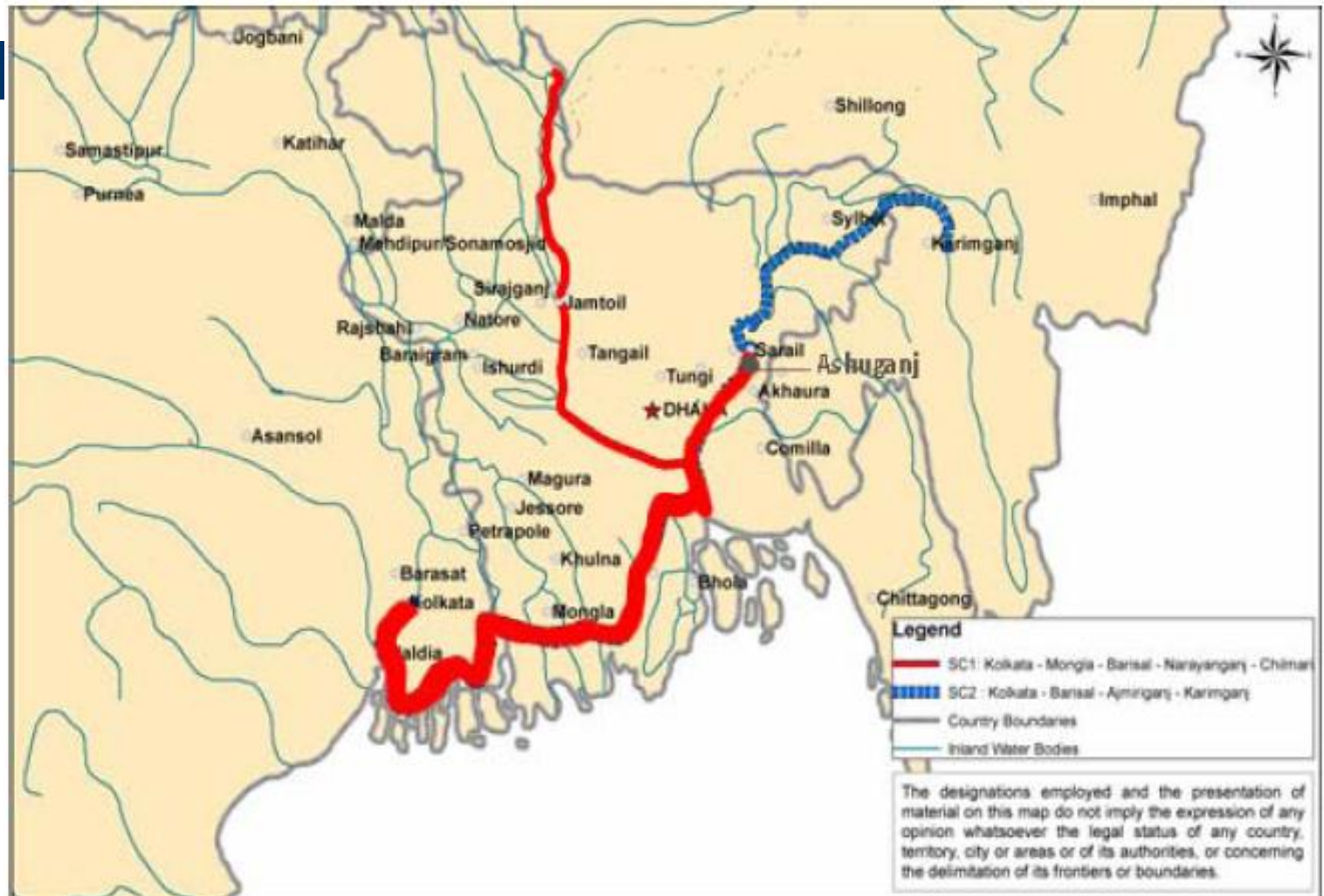
Map of Rail Route 4: Agartala-Akhaura-Chittagong Port



Map of Rail Route 5: Birgunj-Katihar-Rohanpur-Mongla Port



Map of IWT Route 1: Kolkata-Mongla-Ashuganj-Akhaura (by road) as a Multimodal Route



Extent of Benefits from Regional Connectivity

- Main benefit would be cost saving in moving goods along shorter routes through Bangladesh vs. existing longer routes through chicken-neck.
- Costing by CPD-SACEPS study was done for moving each ton of cargo along different routes as well as through the nodes (border points, transshipment points, sea ports, ferry points, etc.)
- Detail costing along identified shorter routes vs existing longer routes revealed that savings could range between 12 % to 80% depending on routes used (see Table-2 below).

Table-2: Comparison of Transport Costs- Proposed vs. Existing Routes

Name of the Corridor	Transport Costs (US\$/Ton)		Costs Saving	
	Proposed Corridor	Existing Route	(US\$/Ton)	%
Road Corridor 1: Sutarkandi – Benapole	25.80	38.52	12.72	33%
Road Corridor 2: Akhaura – Benapole	21.94	42.00	20.06	48%
Road Corridor 3: Tamabil – Chittagong	28.87	32.91	4.04	12%
Road Corridor 4: Sutarkandi – Chittagong	21.67	46.57	24.90	53%
Road Corridor 5: Akhaura – Chittagong	14.88	50.05	35.17	70%
Road Corridor 6: Banglabandha – Mongla	86.72	121.45	34.73	29%
Road Corridor 7: Burimari - Mongla	24.54	27.79	3.25	12%
Rail Corridor 1: Shahbazpur - Darshana	20.73	47.87	27.14	57%
Rail Corridor 2: Shahbazpur - Chittagong	18.48	56.13	37.65	67%
Rail Corridor 3: Akhaura - Darshana	16.41	54.00	37.59	70%
Rail Corridor 4: Akhaura - Chittagong	12.52	52.05	49.53	80%
Rail Corridor 5: Rohanpur - Mongla	29.62	27.76	-1.86	---
IWT Corridor : Raimangol - Ashuganj	25.21	50.08	24.87	50%
Total 13 routes covering 3-modes				

Challenges in Operationalization of Connectivity

- Both infrastructure and facilitation measures are essential for operationalization of connectivity.
- Chapter-9 of present Research study provided a list of priority infrastructures which require up-gradation.
- Resources required for priority infrastructure improvement in Bangladesh alone comes to US \$ 6.33 billion.
- Besides Indian LOC of \$ 1.0 billion, another US \$ 5.33 billion is required, of which only a fraction is in the pipe line.
- Mobilization of such huge resources over a short period of 5-7 years, is a big challenge.

A Strategic Framework for Operationalization

- **Various elements for operationalization of connectivity may be put together broadly under 3 groups, namely:**
 - a. Priority routes identified and fully developed;**
 - b. Transit Transport Framework Agreement fully developed and adopted together with protocols;**
 - c. An institutional set-up at the regional level in place for transit operation.**

A Strategic Framework for Operationalization

- Regarding development of priority routes- comprehensive improvement will take around 3-5 years, for which huge resources need to be mobilized.
- Regarding development of transit framework agreement, most involved countries (India and Bangladesh) need to request, perhaps Asian Development Bank (ADB) for technical assistance for drafting the agreement.
- Representative of member countries should be involved in drafting the agreement, and the protocols to increase ownership.
- Regarding institutional set-up, ADB could again be requested to organize a “Regional Transit Secretariat” in the most involved transit country, Bangladesh, to provide a venue for discussion on draft agreement, its adoption and its operation.

A Strategic Framework for Operationalization

- During drafting of transit agreement, it should become clear where protocols are to be developed.
- ADB could again be requested for technical assistance for drafting the protocols, involving in the process, experts from contracting parties.
- Once draft protocols are ready, “Regional Transit Secretariat” could convene discussion meetings for negotiations and subsequent adoption by ministerial level meeting.

A Strategic Framework for Operationalization

Regarding transit charges and fees,

- Article V of GATT 1994 provides for freedom of transit of goods, vessels and vehicles across territory of another WTO member.
- Under WTO provisions, transit country can charge for the use of the infrastructure, and transport services, in the form of tolls and transport fares, which are known as “transit charges”.
- Article V, however, refers to only through transit i.e. Transit in GATT context normally involves at least three states/countries.
- In case of Indian transit traffic, only two countries are involved, as traffic is originating in India and also terminating in India, after transiting through Bangladesh.
- As such, it is a “special type of transit facility” that Bangladesh has agreed to provide to India, on a bilateral basis.

A Strategic Framework for Operationalization

Regarding transit charges and fees (contd....):

- Another issue is that NE-India, although not a landlocked territory, still its trade wants to transit through Bangladesh. But why? It is because there would be considerable transport costs savings(refer to Table-2).
- Who should then get this benefit of savings? Should it be only Indian traders? Should Bangladesh not get a share as well? This issue needs to be sorted out bilaterally, and amount to be shared may be termed as “transit fees”.
- In addition to cost savings there would be considerable time savings too, which Indian traders will get. This issue has not been covered by this study.

Concluding Remarks

- Transit traffic from NE-India, Nepal and Bhutan would find it attractive to transit through Bangladesh, and use its ports, as the savings for each ton of diverted traffic could range between 12% to 80% depending on the route being used.
- Potential transit and international traffic could be around 18.00 million tons of which inter-state would be around 16.00 million tons and international (including Nepal & Bhutan), around 2.00 million tons.
- Railway and IWT shall have to carry most of the transit traffic. Initially Bangladesh road transport system can perhaps carry around 10% of the diverted traffic.
- Bangladesh will need around 3-5 years to put its transport system in full gear to carry entire transit traffic, say from 6th year.

Concluding Remarks

- Bangladesh shall have to invest more than US\$ 6.0 billion to improve its transport system to create enough capacity to carry transit traffic, besides taking care of its own growth.
- For carrying high value transit traffic, instead of providing transshipment service from border to border, which may not be cost-effective, Bangladesh road transporters could float a joint venture trucking company (JVTC). For details, please see the research paper.
- Finally, in view of large potential savings by India, ranging between 12% to 80% per ton of cargo movement, negotiation should be held with India to share part of the savings as “transit fees”, besides payment of “transit charges” for use of infrastructure and transport services.



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