

## **TRANSIT AND TRANSHIPMENT: IMPLICATIONS FOR BANGLADESH**

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*Bangladesh lies astride the Indian mainland and its North Eastern Region (NER) comprising seven relatively small Indian states. Prior to the partition of India in 1947, the trade and commerce of the NER with the rest of India and the outside world used to pass through the territories of what is now Bangladesh. Rail and river transit across the erstwhile East Pakistan continued till 1965 when, as a consequence of the Indo-Pak war, all transit traffic were suspended. Although river transit was restored in 1972, no progress has been made on the issue of road and rail transit/transshipment. From the Indian point of view, transit or transshipment across Bangladesh is important because it will greatly boost the economy of the NER. While Bangladesh could greatly benefit from transit fees and potentially huge Indian investment in the transportation network, there are doubts in various corners in Bangladesh regarding the security implications of such a deal. The writer studied the issue in-depth, identified the pros and the cons and came up with recommendations that could benefit both countries and pave the way for future cooperation between the two friendly neighbours.*

### **INTRODUCTION**

Transit and transshipment issues have raised a lot of controversy inside Bangladesh in recent years. In Indo-Bangladesh trade talks, 'Transit' refers to the passage across Bangladesh territory of Indian goods to and from the North-Eastern States of India using Indian-owned surface transportation, while 'Transshipment' refers to the same movement using Bangladesh-owned means of transport. In this paper, 'Transshipment' means either transit or transshipment as agreed by the states. The issue is a matter of geographic and economic necessity for India, while for Bangladesh it has security, political and economic dimensions. Bangladesh lies astride the Indian mainland and the North Eastern Region (NER) comprising the states of Assam, Mizoram, Nagaland, Manipur, Arunachal, Meghalaya and Tripura, collectively known as the Seven Sisters. A long and narrow link around the northern tip of Bangladesh, the so-called 'chickens neck' or 'Siliguri corridor' connects these states to mainland India. Prior to the partition of India in 1947, most of the trade and movement of goods to and from this region took place through the area that is now Bangladesh. Chittagong Port had served the needs of the NER. River, road and especially railway communications laid out during the British colonial period amply reflects this reality.<sup>1</sup> The NER has age-old socio-economic ties with Bangladesh. Its outlets to the sea were either through Chittagong port or via the rivers of Bangladesh to the port of Kolkata. Before partition in 1947, the NER was the largest tea-producing region in

1. Gurudas Das, et. al, *Border Trade - North-East India and Neighbouring Countries*, Akansha Publishing House, New Delhi, 2000, pp. 7-10.

India and shipped its output through Chittagong. Mizoram's main outlet to the outside world was down the Karnaphuly River to Chittagong port. Tripura was linked through the rail, road and river communications of Bangladesh. East Bengal was traditionally the natural market for the agricultural produce of the NER and was a source of supply of capital and services.<sup>2</sup> The rail and river links between India and the NER survived the partition of 1947. The river routes from Kolkata to the NER via the then East Pakistan earned profits for both Indian and Pakistani river transport companies. In 1963 for example, 1.74 million tons of goods were despatched to Assam via the rivers of East Pakistan. The rail traffic across East Pakistan was a good source of revenue for the railway. The rail and river traffic were disrupted following Indo- Pak war in 1965 when Pakistan withdrew transit rights to India.<sup>3</sup> River traffic was resumed in 1972 following the signing of a protocol between the two countries. Some waterways are still being used for the movement of goods but the volume has reduced considerably; in 1985-95, it averaged only about 64,000 tons per year and now stands at about 10,000 tons yearly. Most river traffic has been lost to roads and railways.

The issue of transit/transshipment needs to be examined against the infrastructure capacity in Bangladesh including roads, railways, waterways, and sea and river ports. An examination of transportation infrastructure will focus on available excess capacity and the modes that could be used most beneficially. This will also help to pinpoint specific areas where improvement and development will be required. Although this is primarily an economic issue, there are security concerns such as increased smuggling of Indian goods and increase of Bangladesh's vulnerability to the insurgencies in North-eastern India.

This paper will examine the transportation infrastructure of Bangladesh to determine the possibilities of transshipment. The issue is a part of transportation cooperation between countries of the region. Cooperation in transportation cannot be considered in isolation; it has to be evaluated in the context of regional or sub-regional cooperation. This approach has the ramification of wider cooperation, widening the scope of regional interaction and increasing the number of stakeholders. A multi-lateral arrangement inherently contains greater safeguards for smaller and weaker countries, thereby partially allaying fears of domination by the more powerful country. Political and strategic considerations are equally important and need to be carefully considered.

2. Rehman Sobhan, *Transforming Eastern South Asia*, CPD, UPL, Dhaka, 1999, p. 108

3. Ibid. p.110

## THE NEED

### Indian Predicament

The NER shares about 1500 km of borders with Bangladesh; only 1% of its border is with the rest of India via the Siliguri corridor. These states occupy 8% of India's geographical area and contain 4% of the total population.<sup>4</sup> The economy of the NER states is stagnant and its share of national GDP has declined in the last 25 years.<sup>5</sup> The regional economies are simple, heavily deficit, and dependent on the rest of the country for basic needs. All seven states are Special Category States; the Central government almost entirely funds their development plans with 90% grant and 10% loan.<sup>6</sup> There is no agricultural surplus<sup>7</sup> and limited capital formation and entrepreneurial skills in the NER.<sup>8</sup> However, the region is endowed with bio-diversity, hydro-potential, oil and gas, coal, limestone and forest wealth. It is ideally suited for a whole range of plantation crops, spices, fruits, vegetables, flowers and herbs much of which could be processed and exported.

Presently the cost of transportation alone prevents goods produced in NER from competing in the rest of India. The cost of transporting a 15-ton truckload from Agartala to Kolkata is Indian Rs. 50,000 to 60,000 (the distance is 1800 km). If this truck were to pass through Bangladesh, the cost would be dramatically reduced (distance is about 450 km), thereby reducing the cost of every ton of goods by Indian Rs. 2000. If transshipment were done by trains, same goods would cost even less. Every year about 10.7 million tons of goods are transported into NER from the rest of India. Another about 2.3 million tons are despatched from NER to other regions. It could be reasonably assumed that the NER will be interested to transship at least one-third of their goods through Bangladesh i.e., about 4 million tons. This low figure is quoted because the western part of Assam may find it economical to use existing transport facilities due to transport subsidies provided by the government. This figure will rise rapidly as NER producers attain competitive advantage in marketing their products to the rest of India. Indian exporters, especially tea exporters from eastern Assam would prefer to export their products through Chittagong. Indian Railways has lost much of the tea traffic to road transportation because of its failure to reduce transit times and maintain time sensitive delivery schedules.<sup>9</sup> The NER is called the 'periphery of the periphery'. Various insurgencies have been going on in the seven states of the NER for much of the last fifty years.

4. Gulshan Sachdeva, *Economy of the North-East*, Konark Publishers Pvt Ltd, Delhi, 2000, p. 1

5. Ibid. pp. 22 & 25

6. Ibid. p. 7

7. Ibid. p. 13

8. Ibid. p. 9

9. [http://www.geocities.com/tinsukia\\_division/history.htm](http://www.geocities.com/tinsukia_division/history.htm)

Indian security forces employed to counter the insurgency do not understand the local language and are often heavy-handed with the local population. Economic underdevelopment is the main cause of insurgency. The prosperity of NER is inextricably linked with transport cooperation with Bangladesh.

### **Bangladesh's Requirement**

There is a massive imbalance of trade between India and Bangladesh in favour of the former in the order of 20:1.<sup>10</sup> In addition, there exists a similar imbalance in the 'unofficial trade' which passes through the porous borders. The value of this unofficial import to Bangladesh is estimated to equal the official one that now stands at about US \$ 1.2 billion. Thus the total import from India, official and unofficial, is over US \$ 2 billion annually, and Bangladesh probably exports less than US \$ 120 million to India through both channels. The trade imbalance can be partly redressed by allowing more duty-free access of Bangladesh goods to India. Although the Indian side has repeatedly promised increase of access, in practice little progress has been made. The Indian Government had even tried to link the provision of transshipment to the granting of duty-free access of 25 categories of Bangladesh export items to India.<sup>11</sup> Non-tariff barriers are used to block entry of Bangladesh goods into India when duty-free access is provided. On the other hand, the liberal import policy of Bangladesh has resulted in a flood of Indian goods. Bangladesh is on the receiving end of all the disputes with India. In the absence of advantage, Delhi pays attention to Bangladesh's concerns and problems only when a problem threatens to reach major proportions. Transshipment is the only advantage Bangladesh has to wrest concessions from India. This should be used, if possible, to obtain a total duty-free access of all Bangladeshi goods to the Indian market. Bangladesh can claim this right as an LDC under WTO provisions.<sup>12</sup> Given this facility, Bangladesh may be able to double its exports to India, although even then the difference will remain substantial. Transshipment could generate substantial revenues and this would further reduce the trade imbalance.

### **Political and Security Considerations**

Scholars have studied the use of economic inducements to influence the political and security policies of states. Inducements include commercial concessions, technology transfers, and other economic carrots extended by a country to obtain the desirable economic, political and foreign policy goals. The view, put forth by commercial liberals, is that open international markets and heightened trade inhibit interstate hostilities. Increasing contact and communication between individuals and governments and unfettered trade fosters cooperative political relations. Commercial liberals argue that commerce and conquest

10. The 'Daily Star' newspaper dated 09 April 2002, Dhaka, Bangladesh

11. Ibid.

12. Abdul Bayes, *Transshipment Should be Transparent*, article published in 'The Daily Star' newspaper on 7 August 1999.

substitute each other as a means of acquiring the resources needed to promote political security and economic growth. As trade expands, the incentive to achieve these goals through territorial expansion recedes. Conversely, heightened trade barriers stimulate economic conflicts of interest that can contribute to politico-military discord.<sup>13</sup> Montesquieu argued two centuries ago, "The natural effect of commerce is to lead to peace. Two nations that trade together become mutually dependent: if one has an interest in buying, the other has an interest in selling; and all unions are based on mutual needs."<sup>14</sup> Mansfield, Pevehouse and Bearce conducted a study on the effect of Preferential Trading Arrangements (PTA) on militarised inter-state disputes (MID). PTA's studied include free-trade areas, customs unions, common markets and other arrangements for economic cooperation. They argued that PTA membership tends to inhibit inter-state conflict.<sup>15</sup> They found that in the period 1950-85, interstate conflict was 80% more likely among non-PTA members than among PTA members. The study also investigated the scale of violence of each interstate dispute. It found that 11% of MIDs between non-PTA members led to war while only 2% of MIDs between PTA members resulted in war.<sup>16</sup> It is obvious that PTA members are much more likely to resolve disputes peacefully than non-PTA members. The conclusion, therefore, is that cooperation in transportation leading to greater economic activities between Bangladesh and India will inhibit conflict by forging intricate economic links. The incentives for regional and sub-regional transport cooperation and transshipment are therefore obvious.

## **TRANSPORT INFRASTRUCTURE IN BANGLADESH**

### **Railways**

At the time of the partition of India in 1947, erstwhile East Pakistan inherited the portion of Bengal and Assam Railway that fell within its borders. The track length of the railway then known as Pakistan Eastern Railway was about 2,604 km long.<sup>17</sup> This became Bangladesh Railway (BR) in 1971. BR is divided into East and West zones separated by the river Jamuna. East Zone has 1,279 km of Metre- Gauge (MG) track, and West Zone has 553 km of MG and 936 km of Broad-Gauge (BG) track.<sup>18</sup> The dual gauge system is complicated, time-consuming and inefficient. The two zones are connected by river ferries that take about 36-48 hours to ferry a goods train across the Jamuna. A railway line is fast nearing completion

13. Jacob Viner (ed), *Peace as an Economic Problem*, International Economics, Free Press, New York, 1951, p. 259

14. Quoted in Hirschman, *The Passions and Interests*, Princeton University Press, Princeton, 1977, p. 80

15. Mansfield, Edward. et al, *Preferential Trading Arrangements and Military Disputes*, Security Studies, Volume 9, Autumn 1999 - Winter 2000, pp. 92- 93

16. Ibid. p. 117

17. Bangladesh Railway, *Information Book 2000*, Dhaka, 2000, p.1

18. Ibid. p. 7

that would connect the two railway zones with a BG-MG dual track line across the Jamuna Multipurpose Bridge (JMB) eliminating the ferry crossing.<sup>19</sup>

BR is connected to the Indian railway system in the west at Benapole (Jessore), Darshana (Kushtia), Rohanpur (Chapai Nawabganj), Radhikapur (Dinajpur) and Chilahati (Nilphamari). In the east, it can be easily restored at Shahbajpur (Sylhet) and a link to Agartala can be laid down at Akhaura at reasonable expense. Railway based transshipment can soon be done through Kolkata-Darshana-Ishurdi- JMB-Bhairab Bazar - Akhaura - Kulaura - Shahbazpur - Karimganj (India) route. This main route can use a number of alternative link variations mentioned below. The Kolkata - Benapole - Jessore - Darshana route can be a variation. The Radhikapur - Parbatipur - Ishurdi route can also be used. The Rohanpur – Rajshahi -Ishurdi - Santahar route may be used for goods originating in Malda (India).

The traffic density over the proposed transshipment route is generally quite low (Table 1). The highest is between Akhaura-Bhairab Bazar, which is 39.21 trains per day of passenger and freight trains. This segment is only about 32 km in length and has double line compared to rest of the route which is single line. The rest of the route in the East Zone amounts to less than 24 trains per day. In the West Zone, along the proposed transshipment route, the average is less than 20 trains per day.<sup>20</sup> The amount of freight carried and the number of wagons and coaches, which ply per day, is paltry. In 1969-70, this railway system clocked 144-million wagon km in the MG section, whereas in 1999-00, this dropped to little over 61 million.<sup>21</sup> In 1969-70, BR carried 4.88 million tons of freight and

19. Ibid. p. 12. The link over Jamuna Bridge consists of 99 km of new dual gauge line.

20. Ibid. pp. 83-86

21. Ibid. p.66

this dropped to 2.89 million tons in 1999-00. The actual amount of freight moved has remained static in the last thirty years in the East Zone. In the West Zone, it has reduced dramatically during the same period. Container traffic between Dhaka and Chittagong has doubled in the 1995-00 period<sup>22</sup> whereas other freight traffic has reduced considerably as road based movement has proved more reliable and competitive.

Once the railway link over the JMB comes into operation, train travel time between Kolkata and Assam via JMB will reduce by about 36-48 hours. The traffic density between Tongi and Bhairab Bazar is 37.32, which is high by BR standards. In the short term, this segment will be able to absorb some additional traffic. In the medium term, however, Tongi-Bhairab Bazar route has to be upgraded to double line, even to accommodate traffic growth on the Dhaka-Chittagong route. Meanwhile, some transshipment traffic can be diverted through the Joydebpur - Mymensingh - Bhairab Bazar route, which has a traffic density of only 26 and can easily absorb fifty percent traffic growth. However, this diversion will increase travel times by about six hours.

The difference of railway gauges in the East and West Zone continues to be a serious bottleneck. Conversion of the entire network to BG will require a huge investment. BR is a losing concern; therefore, World Bank and other international financial institutions are not eager to invest in this sector. On the other hand, if Bangladesh desires to be part of the Trans-Asian Rail (TAR) network, it would entail the total conversion into BG. Paucity of land and population pressure will limit the amount of land available for highway development. Railways and IWT are much more environmentally friendly, cheaper and cost effective than road-based movement. Therefore, it is logical that Bangladesh should develop its railways and waterways for freight and passenger traffic. Better management of BR, including greater privatisation of services and outsourcing of maintenance, management and security has the potential to improve financial performance.

At present, it takes BR between 24-48 hours to shift freight from one gauge to the other using manual methods. If container traffic is used for transshipment and mechanical equipment is used for inter-gauge transfer this time can be reduced to six hours. Once the JMB rail link is commissioned, mechanical equipment can be installed at both Ishurdi and Joydebpur to enable inter-gauge transfer of containers. Private operators can be contracted to install and operate these services obviating the need for BR's own investment. Data given in Table 2 shows that in the present system it will take 6-8 days for a

freight train to travel from Kolkata to Karimgonj in Assam. This can be reduced Transit and Transshipment : Implications for Bangladesh by a third or even halved when the JMB rail link is commissioned and if containerised cargo is used with mechanical handling equipment at inter-gauge transfer points. Once the JMB railway link is commissioned, it may be possible to employ about ten freight trains for transshipment traffic every day raising the daily tonnage to about 8000 to 10,000 tons of containerised cargo. In the case of non-containerised cargo, the figure would be somewhat less. Thus, the annual capacity would be about 3.5 million tons without a substantial expansion of railway tracks and infrastructure.

### **Roads and Highway System**

Bangladesh has over 27,000 km of paved roads, of which there are 3,096 km are national highways and another 1,744 km are regional highways.<sup>23</sup> The rest are feeder roads not suitable for heavy or sustained traffic. The highway routes, which may be considered for transshipment, are given below:<sup>24</sup>

- a. Route 1: Benapole - Jessore - Mawa - Sylhet - Tamabil/Karimgonj or Brahmanbaria - Akhaura/Kasba.
- b. Route 2: Benapole - Jessore - Aricha - Sylhet - Tamabil/Karimgonj.
- c. Route 3: Benapole - Paksey - JMB - Sylhet - Tamabil/Karimgonj or JMB - Brahmanbaria - Akhaura/Kasba.
- d. Route 4: Rohanpur - Rajshahi - JMB - Sylhet - Tamabil/Karimgonj or JMB - Brahmanbaria - Akhaura/Kasba.
- e. Route 5: Hilli - Bogra - JMB - Sylhet - Tamabil/Karimgonj or JMB
- f. Route 6: Banglabandha- Bogra - JMB - Sylhet - Tamabil/Karimgonj or JMB - Brahmanbaria - Akhaura/Kasba.

Routes 1, 2 and 3 will be favoured as possible transshipment routes. Vehicles using these routes will have to negotiate the river ferry at Mawa, Aricha and Paksey respectively. The Mawa - Dhaka segment of Route 1 is a regional highway class road and traffic is already quite heavy i.e., over 5000 vehicles per day. Route 2 also has to negotiate the river ferry at Aricha and the quality of road between Faridpur and Rajbari is of regional highway class. Traffic density between Aricha - Dhaka - Narshingdi is very high. Route 3 has to use the river ferry over Padma at Paksey. The road from Paksey to Pabna is not suitable for heavy traffic. The Dhaka segment of the route already suffers from severe traffic congestion. Routes 4 and 5 are goods transported and moderate traffic until JMB. However, these routes are far from the major commercial centres in West Bengal. Route 6 is suitable for traffic emanating from Nepal and to a lesser extent, Bhutan. Possible road transshipment times are given in Table 3.

The river ferries at Mawa, Aricha and Paksey are major bottlenecks at present. The construction

23. Bangladesh Bureau of Statistics, *Statistical Pocketbook of Bangladesh 2000*, p.239

24. Government of Bangladesh, *RHD Road Network Database, Annual Report 2001*, April 2002

of the bridge at Paksey is progressing well, but all highway routes have to pass through the greater Dhaka area, which already suffers from very heavy traffic congestion, and the system is unable to cope with the projected growth in domestic traffic. A Dhaka bypass highway system and bridges at Mawa and Paksey will be needed before considering road-based transshipment.

With the opening of the bridge over Meghna at Bhairab and upgrading of the Dhaka - Sylhet highway, Routes 3, 4 and 5 may be possible transshipment routes. Road based freight movement has the advantage of flexibility, but the national highway system does not have the excess capacity to absorb additional regional/ international traffic. Creation of such capacity will require massive investment and given the paucity of land, effect on environment and projected growth of domestic traffic, may not be possible at all. Indian roads are built to higher axle load specification (10.2 tons) than those in Bangladesh (8.2 tons)<sup>25</sup> and therefore Indian trucks are designed to carry heavier loads than the load-bearing capacity of our roads. Therefore, sustained Indian truck traffic on Bangladesh highways is likely to cause damage in the order of 3.83 times than the normal wear and tear at standard axle-load.<sup>26</sup> Major and sustained investment in the roads and highways system by India will have to be negotiated while negotiating transshipment proposals.

### **Chittagong Port**

Chittagong Port is attractively sited as a port of entry for transshipment to NER using rail or road extension. Chittagong Port is presently considered very inefficient and one of the most expensive ports in the world. It takes an average of 7-10 days to clear a ship. The highest traffic density along the Chittagong –Akhaura route is presently 37 trains per day with the Akhaura - Shahbazpur segment having a density of 24. Therefore, the railway link may be able to take some additional traffic but this will always be subject to traffic growth on the Chittagong-Dhaka route. The Chittagong-Sylhet highway has extremely heavy traffic up to Comilla but thereafter the density is low. The Comilla-Sylhet highway needs up-grading from regional to national highway category. Therefore, in the present state of infrastructure, road transshipment from Chittagong to Assam has a very limited capacity.

### **Inland Water Transport (IWT)**

IWT has historically been the most important mode of transport for the country. In Bangladesh, 30% of all cargo and 15% of passenger traffic (1989)<sup>27</sup> are transported by inland waterways. Waterways are the cheapest mode of transportation for both cargo and passengers. IWT is not only used for intra-country movement but a significant amount of import-export traffic is also routed through it. According to the Inland Water Transport Authority (IWTA), the total length of

25. Syed Rezaul Hayat, *Transport System in Bangladesh*, Ministry of Communications, Government of Bangladesh, Dhaka, 2002, p. 15

26. Dr. M Rahmatullah, *Cooperation between Bangladesh and Indian Bordering States in Transport including Port Facilities*,

BISS, Dhaka, 2001, p. 21

27. Hayat, op cit. p. 3

navigable waterways is about 6000 km of which about 1700 km are navigable throughout the year, and the rest are available only during the rainy season (3-6 months).<sup>28</sup> Possible waterways for river transshipment round the year are:

- a. Chittagong - Chandpur - Baghabari/Nagarbari - Chilmari - to Assam.
- b. Chittagong - Chandpur - Bhairab Bazar/Ashuganj - by road to Assam /Tripura.
- c. Kolkata - Barisal - Chandpur -Bhairab Bazar/Ashuganj - by road to Assam /Tripura.
- d. Kolkata - Barisal - Baghabari/Nagarbari - Chilmari - to Assam.

### **Different Modes for Transshipment Traffic**

The advantages of using all the available modes of transportation for transshipment traffic are obvious. However, we have seen that in Bangladesh 53% of all goods are moved by roads.<sup>29</sup> The road system is already overburdened, is yet to be linked by bridges at Paksey and Mawa and, above all else, the entire road-based transshipment traffic will have to pass through the Dhaka area which cannot even accommodate existing traffic. Road transshipment can only be considered once the bridges at Paksey and Mawa are commissioned, the Dhaka By-pass is completed and the inter-linking highways are upgraded to at least dual carriageway. At present, BR carries only 17% of all freight transported in Bangladesh.<sup>30</sup> It has sufficient excess capacity and its facilities are underutilised. BR should be used to carry the bulk of the transshipment traffic. Indian rolling stock can be used or hauled by BR locomotives to overcome shortage of rolling stock. It is felt that BR can be made profitable merely by carrying transshipment traffic both directly from West Bengal to NER and through Chittagong port to NER and vice-versa. Chittagong port facilities can be used for transshipment traffic. It can also handle exports from and imports to the NER. However, the capacity of Chittagong port and its efficiency need to be radically improved. The concept of a private port must be implemented if Chittagong is to realise its ambition of becoming the hub-port of the sub-region. Studies have shown that even if all the current plans of port capacity expansion are implemented the expected growth of traffic is likely to outstrip supply by 2010. Hence, there is no reason to fear<sup>28</sup> that Chittagong port will lose business to the private port, especially if it totally fails to improve productivity.

28. Abdur Rob Khan and Shamsur Rahman, *Sub-Regional Transport Cooperation: A Bangladesh Perspective*, BIISS, Dhaka, 2000, p. 10

29. Hayat, op cit. p. 3

30. Hayat, op cit. p. 3

IWT has the potential to carry transshipment traffic. Night navigability has to be improved. The river ports of Bhairab Bazar/Ashuganj and Chandpur may be developed to berth ships and efficiently handle cargo between ship/barge to rail or road transport and vice versa. Cargo can be moved from Bhairab Bazar/Ashuganj or Chandpur to NER by rail or road transport. This mode of transshipment has tremendous potential and will also invigorate river ports and attract investment to IWT development.

Various estimates have been offered about the revenue Bangladesh may be able to earn from transshipment. Figures range between Tk 600-800 crore.<sup>31</sup> From the Bangladesh point of view, the railways, which have been operating at a loss, can be turned into a profit making commercial enterprise. Investment can then be attracted to improve the railway and IWT infrastructure, which is likely to have beneficial knock-on effects for the entire economy.

## **POLITICAL AND SECURITY CONSIDERATIONS**

### **Territorial Integrity and Sovereignty**

An article published in the Daily Star on 12 August 1999, made the point that use of Bangladesh territory for the transshipment of Indian goods is "tantamount to granting a corridor to India". Because, in the writer's view "Indian goods will have unhindered passage along a demarcated route, also used by Bangladeshi traffic and that Bangladesh government would have no right to touch or inspect the cargo enroute for illegal, contraband and undesirable goods."<sup>32</sup> The writer also went on to say that once the transshipment agreement is concluded Bangladesh will not be able to annul it. He asserted that "the very fact that India will be able to transport any and all the items or commodities of her choice places the people of Bangladesh in a highly dangerous and vulnerable position because, the items may and will include not only illegal and contraband goods but also arms, equipment and various types of supplies that could be used for direct or indirect military purposes."<sup>33</sup> He suggested that even if regulations are formulated to prohibit the shipment of military goods and supplies, Bangladesh will not be able to enforce this, because of lack of efficiency and corruption of customs officials. The same author also says that India enjoys 'highly beneficial' advantages from inland waterway transit through Bangladesh without reciprocal advantage to Bangladesh. In fact, at present only about

31. BFPS Quarterly, April-June 1999, p.8

32. M M Rezaul Karim, a former ambassador and member of BNP Advisory Committee wrote an article titled

*'Transshipment of Indian Goods through Bangladesh'*, published in 'The Daily Star' newspaper on

33. Ibid.

10,000 tons of transit cargo per year, pass through Bangladesh waterways and the Indian government pays Tk 2 crore annually for this facility.<sup>34</sup>

The Daily Star of 24 August 1999 published an opinion on the same issue stating that transit, transshipment and corridor have the same geopolitical implication in that it "dilutes the geographical barrier for India to its north-east". It said that international borders are "sacred, sanctimonious and sacrosanct" and these cannot be opened up for "experimentation on transshipment or tampered with for any other purpose". It said, "Sovereignty is the core value of national security for any country and sanctity and the impregnability of the border is its first and foremost symbol and is never negotiable". It also mentioned that the geographical location of the NER is the only influence Bangladesh enjoys with India and questioned 'what will happen when we will be bereft of the only leverage in our hand.'<sup>35</sup> Several other authors have written in the same vein in various papers. It is obvious that the question of national sovereignty and territorial integrity weighs heavily on the minds of opinion makers while considering transshipment. On the other hand, many of the concerns raised can be tackled by properly negotiated agreements, arrangements for supervision and achieving national consensus through open discussion. Passage of goods through transshipment can in no way be called 'corridor of movement.'<sup>36</sup> Transshipment based on railways, IWT and Chittagong port will automatically address many of the concerns voiced and also cause less antagonism in public minds due to relative 'invisibility' of transshipment. Modern tools for inspection can easily ensure that contraband items are not carried through transshipment.<sup>37</sup> Indian authorities have made it abundantly clear that all transshipment goods will be subject to inspection and supervision by Bangladesh authorities throughout its passage within Bangladesh territory.<sup>38</sup> Indeed, transshipment is vital for the development of the NER and the Indians know the cost and benefit of transit in equivocal terms.<sup>39</sup> They are not likely to do anything to jeopardise it by violating any agreement signed for the purpose. Bangladesh let the "25 Year Treaty of Friendship" with India expire without any attempts at renewal. There was no Indian effort either. Therefore, any transshipment agreement will be subject to revision by the contracting parties. Furthermore, transit through IWT has been going on since 1972 but it has diluted neither our borders nor our security. Transit using Bangladesh airspace is also in vogue.

34. Foreign Minister of Bangladesh, Mr. M Morshed Khan, quoted in 'The Daily Star' newspaper in a report titled, '*FM Tags Condition for Overland Facility to India*', dated 21 June 2002, p. 11

35. M Abdul Hafiz, *Transit: A Matter of National Security*, published in the 'The Daily Star' newspaper of 24 August 1999

36. Abdul Bayes, op cit.

37. M. Quamrul Islam, *Bilateral Transit: A Point of Conscience*, published in the 'Bangladesh Observer' newspaper dated 22 August 1999

38. This comment was made by Indian Economic and Commercial Minister Mr. R. R. Dass at Indian High

Commission in Dhaka during an interview with the author on 12 June 2002.

39. Islam, op cit.

Passage of military equipment through transshipment without or against the consent of Bangladesh is untenable. First, this is not necessary for India, unless the Siliguri corridor is severed by a Chinese invasion of India, a highly unlikely scenario at present. India has alleged many times, albeit unfairly, that Indian insurgent groups have taken refuge within Bangladesh, but has never threatened hot pursuit across the border or sought the right to strike at alleged insurgent camps. Therefore, apprehensions of increased security vulnerabilities due to transshipment are not supported by facts. It is also unreasonable to think that India will find it practical to exercise military control of a hostile population of 130 million people just to maintain a passage through Bangladesh. India also aspires to graduate from regional power to world power status, therefore, this ambition compels India to act responsibly in regional and international affairs. Moreover, a study shows that expectation of benefits from trade restrains states from initiating military conflicts.<sup>40</sup>

### **Reciprocity and Spirit of Cooperation**

Over the years friendly relations between India and Bangladesh has suffered because of several minor irritants. India initially had allowed Nepal the right of transit into Bangladesh territory, but then imposed so many conditions that road based transit has not taken place at all, in effect paralyzing implementation of the agreement. The issue of duty free access of Bangladeshi goods into India has been dealt with in a manner that prevents Bangladesh from taking any advantage of the 'concessions' offered. Bangladesh has two choices in the present circumstances: to do nothing or to tackle the issue of transshipment in a professional manner. In the first option, the trade gap will continue to spiral increasing the deficit. On the other hand, if Bangladesh can negotiate an advantageous transshipment agreement, there can be a tremendous gain, not only in transportation profits but also through increased trade. Bangladesh's advantage will be increased by giving transshipment to India rather than by withholding it. It will create stakeholders in India who are supportive of Bangladesh. Bangladesh has very few advantages. 'Its geo-strategic advantage is perhaps the single most precious natural wealth for Bangladesh left fully unattended so far.'<sup>41</sup> SAARC has become hostage to Indo-Pak rivalry. President Musharraf stated during his visit to Dhaka in July 2002 that, the future of SAARC depends on Indo-Pak relations.<sup>42</sup> The future of Bangladesh cannot and should not be dependent on such unending rivalry between other nations. If SAARC does not meet the economic interests of Bangladesh, we should divert our energies to regional cooperation responsive to our needs such as BIMSTEC, or sub-regional cooperation such as SAGQ. Sub-regional cooperation is in keeping with the SAARC charter. Bangladesh has to learn to stand on its feet, fend and fight for national interests. Bangladesh should do well to remember Lord Palmerstone's 18th Century dictum, 'In international relations we have neither permanent enemies nor perpetual friends, but only permanent interests'.

43. Shahnaz Karim, *Economic Benefits of Transit Facility*, published in 'Regional Economic Trends and South Asian Security', Iftekharuzzaman (ed), UPL, Dhaka, 1997, pp. 100-103

## **Reaction of Indian Insurgent Groups**

Some writers have suggested that transshipment of Indian goods might provoke or encourage insurgent activities inside the country. There are many Indian business houses and interests in Bangladesh. Not once have these been targeted by Indian insurgents in the past. Although an attack by Indian insurgents cannot be ruled out, the likelihood seems to be low. In any case, the suggestion that India will invade Bangladesh to protect transshipment traffic seems improbable and without precedent. Bangladesh's economic and political decisions can hardly be deflected on the basis of such far-fetched apprehensions.

## **Increasing Cooperation**

The costs for not initiating sub-regional transport and economic cooperation are high for all the countries in the region. Bangladesh, India, Nepal and Bhutan stand to gain substantially through sub-regional transshipment and transit. It is clearly a win-win situation for all. India with its overwhelming population, its large economy, military power and geographical size must take the lead in assuaging the concerns of its smaller neighbours. Attempts at regional hegemony have not, and will not, win India any friends in its neighbourhood. Considering its vital interest in developing the NER, India should give as many concessions to its neighbours as possible. Levelling unsubstantiated accusations regarding assistance to Indian insurgent groups by its neighbours only serves to perpetuate hostility and suspicion. India should take the lead in settling irritants and disputes. The settlement of the Ganges Water dispute and the peace treaty in the CHT has markedly improved India's image in Bangladesh. Countries in all parts of the world have disputes with neighbours but mutually beneficial cooperation is not given up as a result of this. Interdependence enhances security so long as all parties benefit from it.<sup>43</sup> The seeds for better cooperation are already evident. It is estimated that about 40,000 Bangladeshi students study in schools, colleges and universities in India. Thousands of Bangladeshis regularly travel to India for medical treatment, religious reasons, shopping and tourism every year. Increased people-to-people contacts should remove mistrust. Greater government and private sector interaction will build new highways for cooperation. Hype, hyperbole and jingoism should be replaced by rational thought and exchange of ideas. Bangladesh, on its part, has to assess the relative importance of its disputes with India. Neither the resolution of the Land Boundary Agreement nor that of South Talpatty is crucial to the economic prosperity and, the political and security concerns of Bangladesh.

44. K A S Murshid, et al. *Indo-Indo trade and transit through Bangladesh*, published in 'The Daily Star' newspaper of

29 January 2002, p. 4

45. Ibid.

However, redressing the trade imbalance and access of Bangladeshi products to the Indian market is of considerable importance for the economic prosperity of Bangladesh. Similarly, transshipment is important to Bangladesh as it would not only lead to economic gains, but would also provide a political advantage in its dealings with India. Once transshipment is provided, the states of NEER will develop a stake in maintaining good relations. Comparatively less important issues in India-Bangladesh relations should not be allowed to cloud assessment of substantial matters.

## ECONOMIC ASPECTS

### Effect on Smuggling

Fears have been voiced that transshipment will result in increased smuggling from India to Bangladesh. It has been stated earlier that over US \$ 1 billion worth of goods are smuggled from India into Bangladesh every year. There is evidence to suggest that law enforcement agencies on both sides of the border collude in smuggling.<sup>44</sup> Given the long and porous border with India, smuggling is a function of demand and supply. If the demand for Indian goods in Bangladesh increases it will be met both through official or unofficial channels, and in the current state of affairs, almost irrespective of government efforts to stem the flow. Cross border trade with India has shown that traders use fraudulent letters of credit, false declaration of goods and incorrect specifications of quantities and values, to abuse the system for smuggling. Recent surveys have indicated that extra 30% to 50% rice, over and above the officially declared import amounts were brought in through land ports.<sup>45</sup> Even if pre-shipment and post-shipment inspections are instituted road based transshipment can still be misused for smuggling. However, if transshipment traffic is carried in containers on railways it will be possible to significantly reduce the chances of smuggling during transshipment. In terms of ease of movement, shifting between different railway gauge systems and security of goods, containers provide appreciable advantages. In addition, the government should be able to employ paramilitary forces with transshipment trains to prevent pilferage and/or leakage enroute. Provision of extra security will curtail insurance costs and thus increase earnings of BR and the government. Whatever means of transshipment is used it will be essential to ensure effective independent inspection by different authorities both at entry and exit points to prevent abuse. In case road based transshipment is used, weighbridges have to be installed at all entry and exit points, and other elaborate pilferage/leakage prevention mechanisms have to be implemented. Although the bulk of Bangladeshi imports, as well as smuggling of goods from India, comes through the western border, the ratio of unofficial to official trade is more heavily skewed on the eastern border.

46. Gurudas Das (ed), op cit. p. 96

47. Sobhan, op cit, p. 93

48. Murshid, et al, op cit.

49. Murshid, et al, op cit.

In the eastern border, unofficial imports are said to be several times<sup>46</sup> more than official imports of about US \$ 22 million yearly.<sup>47</sup> Improvements in infrastructure, direct trade and duty free access with the NER should raise incentives for more trade through official channels and thus lead to more revenues for the government.

### **Financial Benefits**

Freight charges will be made by transportation companies i.e., by truckers in case of road based and BR in case of railway transshipment. Profits will be divided between owners and operators. It has been suggested that transport companies will be able to charge a profit of 10-20% over and above the cost of transportation.<sup>48</sup> Transport business will also benefit banking and insurance companies. In the case of road-based transit, repair shops, restaurants and rest areas, toll charges on roads and bridges will also reap additional revenue. However, it is not clear how the public exchequer will benefit from transshipment. Government will have to spend heavily on repair of roads and bridges, maintenance of railway tracks, rolling stock and locomotives, navigation system for IWT, maintenance of river ports, seaports and other facilities. The gains to India are savings on transportation subsidies, which they spend on NER, timesavings and savings on maintenance of infrastructure.<sup>49</sup> An estimate of all these savings should be calculated and Bangladesh should claim 50% of those savings. A flat rate charge can also be levied on each truck, container, or railway wagon carrying transshipment goods to be paid in US dollars at the border. Alternatively, Bangladesh can decide to levy taxes depending on the volume and type of goods transhipped. However, the latter system will require heavy administrative efforts and will be prone to abuse, so a flat rate charge will be easier to implement. It has been estimated that Bangladesh could earn between Tk 600-800 crore annually, through transport charges, duties, taxes, tolls and compensation payments. Bangladesh could also develop an export trade of US \$ 50-100 million with the NER. Provided transshipment could be arranged under sub-regional cooperation, exports to Nepal and Bhutan could also bring in a similar amount.<sup>50</sup> Transportation profits and duty revenue would also accrue from transshipment traffic to Nepal and Bhutan. India should be persuaded to invest in developing the railway, ports, and night navigation for IWT and road system in Bangladesh. According to Muchkund Dubey, a former Indian Foreign Secretary, India will be prepared to invest a sum of US \$ 200 million for the expansion of Chittagong port.<sup>51</sup> International financial institutions will also feel encouraged to participate in transportation infrastructure development.

50. Iftekaruzzaman, (ed), Regional Economic Trends and South Asian Security, UPL, Dhaka, 1997

51. BFPS Quarterly, July-September 1996, p.7

## CONCLUSION

Bangladesh and India are close geographical neighbours. While Bangladesh feels 'surrounded' by India, India also feels that her landlocked NER states are Bangladesh locked. Geography and common economic interests dictate that Bangladesh and India co-operate in the transportation sector. There is an economic case for transit/transshipment of Indian goods by road, rail and river across Bangladesh to and from NER. Road transport infrastructure in Bangladesh has limited capacity, indeed, in critical places like the Dhaka region, no excess capacity at all to accommodate transshipment traffic. Absence of bridges at Mawa and Paksey also severely limit the capacity for road-based transshipment. Road transshipment of Indian goods can be undertaken only after a massive and sustained investment by the user country i.e. India on upgrading and maintaining Bangladesh highways. The transshipment toll should be such that Bangladesh, after meeting the road maintenance expenses, is left with adequate funds for future expansion of communication network. IWT is also another viable means for transshipment. However, the system needs capacity building to attract transshipment traffic. Presently transit by IWT only connects Assam, which is more effectively connected by Indian railways in terms of transit times and reliability. However, if IWT transshipment takes place by ships carrying cargo to Bhairab Bazar/Ashuganj or Chandpur river ports and be transferred to rail or road transport to NER, it can complement and supplement transshipment by other means. Thus, transshipment can spur the development and prosperity of river ports that had lost business to roads and declined in importance over the years. BR is the most attractive and viable means for transshipment, especially once the East and West Railway Zones are connected via the JMB. The railway system, particularly the West Zone, is significantly underutilized and is operating at a huge annual loss. Transshipment provides the scope to make BR profitable and thus stem haemorrhage of public money. The railway system can, through transshipment, attract funding to improve its infrastructure, rolling stock and services. Gauge conversion to BG or dualgauge and building second pair of tracks on busy routes should be addressed immediately. Chittagong port is ideally placed to become the 'hub port' of the entire sub-region. In fact, Chittagong can attract additional traffic provided it improves its efficiency to international standards. Private port is a sine qua non for port capacity building and efficiency improvement for Chittagong. In fact, even with private port the projected growth of sub-regional traffic and domestic demand will outstrip capacity within a decade. Transshipment should be considered under the framework of a subregional agreement. It should include transit and transshipment rights for Nepal and Bhutan. This will enable Bangladesh to obtain maximum trade and transportation benefits. Preferably, a regional transportation agreement under the Kunming initiative should be a long-term objective of transport cooperation in this region. However, full exploitation of sub-regional transportation business will require considerable investment in order to expand the capacity of transport infrastructure. It is possible for Bangladesh to earn between Tk 600 to 800 crore annually through transshipment. However, much will depend in the manner various charges, duties and royalties are levied. Direct compensatory payments between the two governments will also have to be negotiated.

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