

Bangladesh-India relations: Progress made and the challenges ahead

A day long dialogue on "Bangladesh-India Relations: Progress made and the Challenges ahead" was jointly organized by The Daily Star and IPAG on September 17, 2016 in Dhaka. Ministers, diplomats government officials, civil society representatives, academicians, and journalists from both Bangladesh and India participated in the programme. Here we publish a summary of the discussions.

Mahfuz Anam, Editor and Publisher, The Daily Star

Long time ago I wrote an article for my newspaper stating that for India, there are only two neighbours – China and Pakistan. The rest of us are mere geographic entities, to be praised, cajoled, reprimanded, and even punished as the situation would call for. Given the present situation Bangladesh appears to have graduated to the level of a neighbour in the Indian scheme of things. What is important perhaps is that there has been a significant shift of the political will on both sides. How much of that political will we have been able to translate in terms of concrete efforts to improve Bangladesh-India ties is something we hope to examine here.

The recent visits by prime ministers of both countries have added to the structure of bilateral relations and I believe that a win-win Bangladesh-India relation is a must for both these countries. However geographically small we are compared to huge India, I think India is realising more and more that Bangladesh is a vital, important and crucial partner in the growth of the region.

The primary concern of India regarding Bangladesh is security in the east. The other major concern is terrorism. While terrorism is also a major concern for Bangladesh, our other concerns include water sharing and imbalanced trade between these two countries. It is our view that of all these problems, the security issue has been addressed significantly by our side. Bangladesh has particularly tried its best to respond to the concerns of our neighbour. However, it is something we have to continuously work on.

The problem which I believe will be most challenging is water sharing. The reason for it is that the demand on both sides is on the rise and there is a limited supply of it. And it is the water sharing issues – Teesta on one side, and other rivers as well – that will, I think, test our friendship. What I'd like to underscore here is that raising tough issues on both sides is not a sign of lack of friendship or goodwill. In fact, the stronger the friendship, the more should be the frankness of our dialogue.

Dr Adarsh Swaika, Deputy High Commissioner of India to Bangladesh

Today India and Bangladesh are partners of progress and development, and our destinies are, in a sense, becoming increasingly intertwined. This is also a manifestation of India's 'Neighbours First' policy that stems from the realisation that for India's continued growth and development, the entire region needs to prosper.

The visit of our honourable Prime Minister to Bangladesh last year could easily be counted among one of his very successful visits abroad. As many as 77 decisions were listed in the joint declaration – Notun Projonmo-Nayi Disha – which laid down the road map of future cooperation, and 22 bilateral agreements were signed in areas as diverse as blue economy, energy, connectivity, security cooperation, economy and trade, infrastructure and transportation, people to people contact, etc.

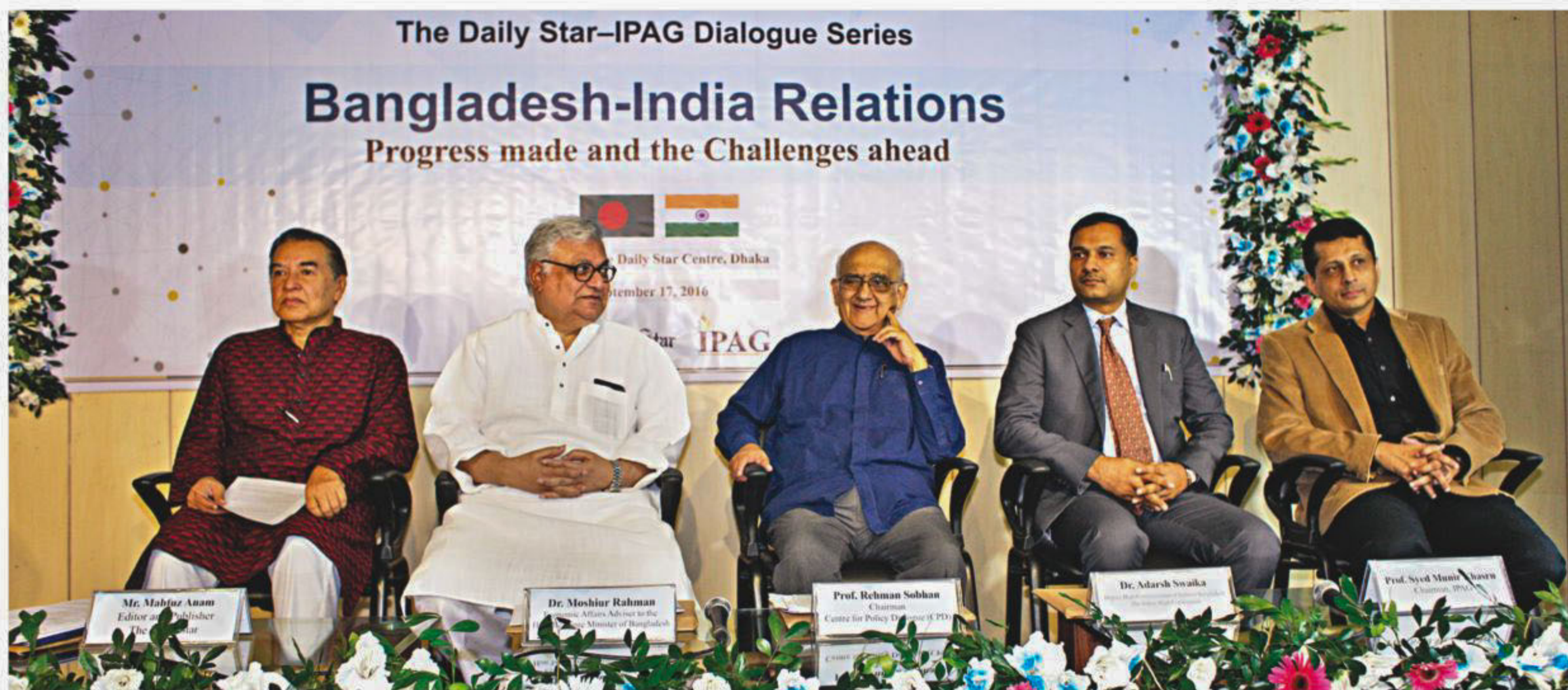
In many ways, the year 2015 was a watershed year in our bilateral relations, where not only did we solve the issue of Land Boundary Agreement but also the maritime boundary issue.

In the area of trade and investment, I agree that there has been imbalance but you will recall that India has provided Bangladesh full access to its market of 1.3 billion people, while extending duty free facilities on its export items. As a result, Bangladesh's exports to India have increased in the recent years, around 30 percent more in the last financial year, whereas the Indian exports have decreased in the last two years.

Our bilateral cooperation is based on a win-win formula for both countries, based on a mutuality of interests. We believe that peace and security in the region, which is essential for economic growth and development, is our shared responsibility. Settling maritime and land boundary issues will facilitate effective border management.

Professor Rehman Sobhan, Chairman, Centre for Policy Dialogue

Indo-Bangladesh dialogue, as much



Panelists of the inaugural session, from left to right, Mahfuz Anam, Moshir Rahman, Rehman Sobhan, Adarsh Swaika, Syed Munir Khasru.

"Indo-Bangladesh dialogue, as much as Indo-Bangladesh relations, must be a multi-party, multi-stakeholder affair. Because at the end of the day, a consensual vision of this particular tie has to be created for a relationship with such a principal neighbour."

PROFESSOR REHMAN SOBHAN

as Indo-Bangladesh relations, must be a multi-party, multi-stakeholder affair. Because at the end of the day, a consensual vision of this particular tie has to be created for a relationship with such a principal neighbour. This means that one must always remember that the opposition of today may become the government of tomorrow. Therefore, it is always necessary to ensure that when the opposition is not in office, they are brought in whatever discussion is going on with the incumbent government. Beyond this, we have to bring in members of different cross-sections of stakeholders and civil society.

The political context in which these dialogues are held is also very important. If governments are not actively interacting with each other, the productivity is reduced. In contrast to Indo-Pakistan dialogues, we always premise our dialogue process on the belief that whatever problem existed and were carried over from one regime to another between India and Bangladesh, including the water sharing problem, were inherently soluble problems.

The issue of trade cooperation is exceedingly important. During his tenure as prime minister, Dr Manmohan Singh offered duty-free access to begin with, which was a first step. But that was never sufficient, as there was a long list of 'sensitive' items where many important items were kept off the shelves. However, after his visit to Dhaka, he reduced the 'sensitive' list to 25 items which were of a more non-economic nature – a great breakthrough for us. Now the question is, what use has Bangladesh been able to make of this significant gain? Currently, Bangladesh accounts only 0.2 percent of Indian imports. Countries like Sri Lanka, Malaysia, Indonesia, even Myanmar have larger exports to India than Bangladesh. None of these countries have free trade agreements with India. The question of Bangladesh needing to access that level of trade is very critical. From the

Bangladesh side, we have to be a good deal more enterprising in identifying the export and business opportunities as we have duty-free access to our immediate neighbour.

In contrast, China is today a much bigger trading partner to Bangladesh than India. However, our trade deficit with China is USD 13.6 billion when compared to the deficit with India of USD 5.6 billion. Value chains have been created in trade between China and its neighbours. Bangladesh, India and other regional neighbours have failed to create similar value chains and this has become one of the major constraints to stimulating exports from Bangladesh to India.

Today, money is being invested to promote regional connectivity but the process is moving very slowly. Connectivity, at least on the part of Indo-Bangladesh, is now going through Ashuganj. Most of the carriage – the river transport and the transport from Ashuganj to North East – is being carried by Bangladeshi carriers. One of the main goals of promoting transit was that they should become an opportunity for the transport sector of Bangladesh, and they should become the principal carriers of whatever goods come from India or go across Bangladesh to other parts of India. But to do so, investment is needed. Unfortunately,

countries which can meet the local needs of power for the people there.

If two countries cooperate, the relatively smaller country can benefit more, because it has access to a larger market. However, we do not have any kind of special trade relations with India, which could give us much better access to the Indian market.

If the cost of transportation across Bangladesh is higher than transportation cost through Siliguri chicken neck corridor, India would prefer to move their goods through the chicken neck. We had an arrangement with India to allow food grains movement for a while, but the charges were so high that for about one and half year, nothing moved because it was cheaper to use the chicken neck corridor. When the charges were brought down, movement started.

One of the major problems of transit is that the responsibility is divided among three or four departments but we (India and Bangladesh) do not have an effective mechanism of coordination. Traders thus have to face a lot of hassle.

Bangladesh is entitled to the global GSP that India has extended to others. So there is no distinctive feature in our trade relationship. If the trade agreement between

whether the subsidy should be determined at a certain level. It is a wrong approach to determining a policy.

Items sold in border haats are limited. Thus, we push these traders to impoverishment. My suggestion is that India should consider revising the eligible list of products sold at border haats; anything that India can import should be available at this market. This would encourage a more open trade regime.

Prof Syed Munir Khasru, Chairman, IPAG Bangladesh needs to improve investment facilitation by providing a more investment friendly climate. Land has continuously been a major issue. While Reliance has proposed a 3000MW power plant, there is only land to generate 750MW of electricity in Bangladesh.

Technical synchronisation is a challenge in energy cooperation. In 2014, due to a breakdown of generation transmission in India, our whole country was forced to suffer a black-out. We need to look into it more carefully, as this has security implications as well. Moreover, we haven't been able to reach an acceptable tariff in importing gas from India.

In terms of connectivity, the Coastal Shipping Agreement has been signed between the two countries



Panelists of the Session I, from left to right, Mahfuz Anam, Rajeev Mitter, Mustafizur Rahman, Pankaj Tandon, Arif Dowla, Nitya Nanda and M Tamim.

the Ashuganj Port is still somewhat in the primitive stage. Similarly, the road connection between Ashuganj and the Tripura border is still in an unfit condition to carry the intense traffic.

Dr Moshir Rahman, Economic Affairs Adviser to the Prime Minister The Joint Communiqué, the Framework Agreement, and Naya Disha constitute the basic legal instrument for bilateral cooperation between India and Bangladesh. I would point to the Framework Agreement for Cooperation because it is very flexible and at the same time, carries the promise for being very comprehensive. Hopefully, other countries within the region, especially Nepal and Bhutan, can also be invited to join the framework. In the case of Nepal and Bhutan, whenever we talk about power sector projects, we ought to look at how region based projects can be set up in these two

Bangladesh and India is not renewed after five years, I don't see any substance in the trade agreement that we have.

Energy and power are very important sectors of cooperation. There is an argument that asks if we should be dependent on Indian supply for power. I believe that this is a useless argument. We are short of primary resources. If we want to import gas or fossil fuel from another country, you need to build up a transport pipeline. This is not viable unless there is high demand. If Bangladesh joins India in building a pipeline from Myanmar or elsewhere, both will benefit from the project.

The Rampal coal power plant initiative is stuck on the question of interest rate. If the tariff can absorb the cost, then the interest rate is not a major problem. Instead of looking at whether the energy price has been rightly fixed, we are looking at

alongside the renewal of the Protocol for Inland Water Transit Trade. The multi-modal transport agreement is currently in the feasibility stage.

There is a need to simplify the customs immigration process as well as easier access to Chittagong-Mongla ports.

Challenges regarding transit and transshipment include failure to complete projects and infrastructure development. We need to also focus on the quality of roads being built alongside peripheral security concerns.

Border security has always been a contentious issue between the two countries. The Land Boundary Agreement was a first major breakthrough in this regard, but let us also remember that it took more than four decades to sign this agreement. The good news is that PMs of both the countries have pledged to tackle human trafficking on both ends,

while promising to boost border relations. There have been initiatives to standardise operating procedures, thereby allowing Bangladesh border guards permission to use Indian roads. A sensitive concern for Bangladesh is to bring border deaths to zero.

What is noteworthy is that from the highest level of political leadership and bureaucracy, there has been more cooperation and coordination even at the grassroots level. However, challenges remain. We need to translate this political cooperation into practical action.

SESSION I
Economic Aspects : Trade, Investment, Connectivity and Energy

MODERATOR:
Mahfuz Anam

Rajeev Mitter, former Indian High Commissioner to Bangladesh Opening various trade facilities measures was a good initiative in improving trade relations between the two countries. BBIN Motor Vehicles Agreement is a very far reaching agreement where Bangladeshi trucks are going all the way to Delhi without any apparent hindrance. This will add a lot to business confidence. Even the agreement on coastal treaty opens up a lot of cost saving prospects.

We must have a sustainable growing stake in each other's economic development. Our future task is to analyse why this is not happening. Indian garment manufacturers were apprehensive that the Indian apparel market would be flooded out by Bangladeshi garments, but that also has not happened yet. Bangladesh has a vibrant market in the US and EU, but they have not really focused on the Indian market.

Non-tariff barriers are a hindrance to bilateral trade. It could be good for both countries to have an expert level taskforce to identify the barriers and solutions.

Professor Mustafizur Rahman, Executive Director, Centre for Policy Dialogue

Ninety percent of the trade between India and Bangladesh is done through land customs and according to our investigation, land customs is somewhat different from the sea ports. Officers who are posted at Land Customs are not that efficient while their infrastructure seem to be from the 19th century. After the trade facilitation agreement, some of the border facilities have improved. To make the BBIN motor vehicles agreement work, we need to have a single window that we see in ASEAN countries. It's a hassle-free system where standardisation and harmonisation of the standard operating protocol are actively practiced.

We need to have an electronic data exchange between the customs of the two countries. We need to have a comprehensive SPS (Sanitary and Phytosanitary) agreement, along with other mutual recognition agreements with India apart from strengthening the BSTI so that we can comply with the laboratory testing and other requirements from the Indian side. Many of these non-tariff barriers are connected with standard and certification requirements.

There should have been a comprehensive transit connectivity agreement with all the fees and charges under one single umbrella.

Bangladeshi infrastructure is not ready for our own transport load. We need dedicated lanes. There is a need for transparency as we need to improve the infrastructure which is needed to make it operational.

We think the progress has been made through the BBIN agreement and eventually it will become SAARC agreement. So the infrastructure is there. The good thing is that India has given us USD1 billion of line of credit and another USD 2 billion is on the way. We also have to keep in mind that it is not only an India Bangladesh agreement, Bangladesh should also have some interest in sending our trucks to Nepal and Bhutan. The charges as well as the agreement have to be comprehensive.