BIMSTEC

# Study of
# Trade and Transport Facilitation
# India-Bangladesh


Asian Institute of Transport Development

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**Executive Summary**

1. India's exports to Bangladesh have grown nearly five-fold since 1991-92 with the last few years recording an accelerated growth rate. During the same period, imports from Bangladesh have increased ten-fold, but the volumes remain small as compared to imports from India.

2. The composition of exports to Bangladesh shows that the most important products are those required to meet Bangladesh's food deficit and its demand for finished products and intermediate raw materials. The composition of commodities imported from Bangladesh shows predominance of chemical compounds, fertilizers, vegetable textile fibres and fish. These commodities accounted for 82 percent of the total imports.

3. In addition to the formal trade, there is also considerable informal trade between the two countries. A large share of the informal exports from India comprises live animals (mainly cattle) and consumer goods. On the other hand, unofficial imports from Bangladesh to India comprise synthetic yarn, electronic goods and spices.

4. The bilateral trade between the two countries has almost doubled in the last five years, growing to nearly $2 billion in 2004 from less than $900 million in 2000. This suggests that, thanks to contiguity, the two countries are natural trading partners. This is not surprising considering that until 60 years ago the region was a single trading entity. Also, it is worth noting that the trend of trade suggests a natural interdependence. As such, easier trading regime and processes will enhance the trend in the future.

5. However, higher transport costs, complex documentation and complicated procedures would become a major constraint to rapid expansion of trade. The costs imposed by these barriers are well nigh high by international standards.

6. Bilateral trade between the two countries is conducted under the provisions of the Indo-Bangladesh Trade Agreement under which both the countries provide Most Favoured Nation (MFN) treatment to each other. Tariff concessions are accorded to each other under the provisions of South Asian Preferential Trading Arrangement (SAPTA).

7. The Agreement also states that the two governments agree to make mutually beneficial arrangements for the use of their waterways, roadways and railways for commerce between the two countries and for the passage of goods between two places in one country through the territory of the other.

8. There are separate working agreements relating to operation of railways at notified points between the two countries. There is also a Protocol on Inland Water Transport and Trade, which derives directly from the provisions of Article VIII of the Trade Agreement. The details include, a list of acceptable routes, permitted ports of call and provision for payment for the use of services (night navigation, conservancy and pilotage).

9. Bangladesh shares an extensive land border with India. Presently, the trade takes place through 25 interchange points. Of these, four are rail-based, eighteen road-linked, and three river crossing stations. The major road and all rail customs stations are located on the border between West Bengal (India) and Bangladesh, reflecting the dominant direction of the trade from India to Bangladesh.

10. The overland routes carry the maximum bilateral trade followed by maritime transport. Inland water transport through the rivers of Bangladesh does not presently carry significant volumes. The air transport carries negligible traffic, but is an important carrier for export of high value products like life-saving drugs and medicines.

11. The goods carried by road are transshipped across the borders. The goods carried by rail from India are taken further in the same wagon fleet and unloaded at convenient locations inside Bangladesh. In the case of inland water transport, however, vessels belonging to the two countries are permitted to ply over the designated waterway routes and upto the designated riverine terminals.

12. Multimodal transport infrastructure being non-existent at the interchange points, the trade is not able to derive the benefits of container technology. This is a serious handicap adversely affecting the quality of transport services and the transport costs. A beginning is proposed to be made in the case of inland water transport.

13. The bulk of overland trade passes through Petrapole and Gede land customs stations. While Petrapole deals with both road and rail traffic, Gede is only a rail-linked interchange point. On an average it takes 6.2 days for a truck to complete a journey of nearly 100 km from Kolkata to Benapole in Bangladesh. The maximum time is consumed in waiting at the Indian side of the border for crossing over into Bangladesh.

14. At any time, upto 1000-1200 trucks can be found waiting at Bongaon and Petrapole on Indian side of the border. The average waiting period is 4 to 5 days – detentions of even upto 10 days are not uncommon. The only exceptions are trucks carrying perishable commodities, which are accorded priority and are generally cleared the same day.

15. The present procedure inherently implies temporary storage of goods in warehouses or in open yards. The rate of evacuation from these storage points determines the rate of acceptance of the trucks from either side. The high level of dwell times of the cargo – upto 7 days - in the sheds at Benapole suggests that the warehouses are being used more for trading purposes.

16. The long-term efficient and economic solution to the problem lies in allowing the trucks to unload the shipments at more convenient locations across the borders. Equally necessary is the need to promote multimodal transport facilities. The storage space should be optimally managed as a part of the transport chain and not as stand-alone facility for the benefit of the terminal operators.

17. Presently, Bangladesh export cargo to India is off-loaded in transit sheds located in 'no-man's land'. However, trucks carrying fish and highly perishable commodities are allowed to unload the cargo in the central warehousing corporation yard. Since there are no warehousing facilities at the yard, the perishable commodities perish if not cleared expeditiously. This brings out the need for providing warehousing facilities on the Indian side.

18. The access to the border from India is in an abysmal condition. The road from Bangaon to the border is narrow and for all practical purposes, a single-lane road blocked by a beeline of trucks parked alongside. The road from Kolkata to Bangaon is congested passes through urban conurbations and has as many as five railway crossings enroute. Clearly, the present road access is unsuitable for cross-border trade.

19. It is suggested that the entire stretch of the highway between Kolkata-Barasat-Bangaon-Petrapole should be upgraded to four-lanes, bypassing Barasat, Bangaon and other urban conurbations enroute. The same applies to most of the roads serving other land customs stations. At several locations, earth shoulders give way in rainy season causing huge blockage of movements for hours together.

20. Land customs stations have limited working hours – from 06.00 to 18.00, on all days of the week. However, no trucks are processed on Fridays, as Bangladesh strictly observes this day as a holiday. There is every case for extending the working hours and also ensuring same official timings.

21. The loaded trucks during their journey from Kolkata to the border have to make huge informal payments at various stages to various agencies. These include local groups at Bangaon and Petrapole claiming the levies to be parking charges, contributions to unauthorised funds like Petrapole border people welfare fund, party fund, and speed payments to customs both in India and Bangladesh.

22. It is clear from the above that the main barriers to trade, especially the ones that needlessly increase the cost of trade are partly because of vested interests and partly due to indifference. None of the problems mentioned above requires a high cost solution. A measure of commitment accompanied by a resolve to make the process and procedures more efficient will go a long way in reducing the costs of trade.

23. A significant development with long-term benefits in the rail sector both in India and Bangladesh is the adoption of broad gauge standards on the core networks in the two countries. The provision of a road-cum-rail bridge over the river Jamuna in Bangladesh is another notable development. There are, however, load limitations which restrict the movement of Indian Railways freight wagons over the bridge.

24. The loading capacity on the bridge can, however, be increased by suitable re-engineering like replacement of concrete parapets by lighter material and reducing surfacing thickness and load regulation of road traffic. BR has approached ADB for carrying out a study with a view to overcoming the existing limitations. Meanwhile, container trains can be run which are well within the permissible loading range.

25. At present, Indian rakes crossing the border are broken into smaller units and hauled short distances to convenient destinations for unloading/transhipment. BR does not have adequate warehousing facilities to hold a full train load. Nearly 40 percent of cargoes are transhipped at Noapara (a river port about 96 km from Darsana) onto inland water transport barges and about 25 percent of the cargoes destined for the north of Bangladesh are transferred at Ullapara (50 km south of Bogra) into road vehicles. Only in about 25% of cases does the whole rake move to a single destination. Inadequate capacity at the transfer points causes detentions to the rolling stock in Bangladesh and frequently backs up into India. Detentions upto 7 days are not uncommon. Development adequate warehousing facilities would help in reducing the detentions.

26. The two railway systems, having drifted apart in the past are once again trying to become compatible with each other. The rail traffic from India is the mainstay of the Bangladesh railways, accounting for nearly 40 percent of its total freight traffic. These volumes can increase, even in the short run, if the container trains are permitted over the Jamuna bridge and the related container-handling infrastructure is developed on the eastern side of the bridge. In the long run, there is great potential for increasing the rail traffic if Bangladesh chooses to become a transport hub for the region.

27. Ageing flotilla, shallow drafts, non-availability of night navigation facilities on large stretches of waterways and unhelpful customs practices are features of the inland water transport operations between India and Bangladesh. It is estimated that availability

of proper night navigation facilities and stipulated drafts in the fairways will reduce the journey time from Kolkata to locations in Bangladesh from an average of 18 to 9 days. Helpful customs procedures would further help in this regard. For instance, if cargo is carried in bagged form, it would be possible to seal the hold and to conduct customs inspections at Kolkata/Haldia and Guwahati.

28. It is reported that on large stretches of the waterways in Bangladesh, the night navigation facilities are not available. Siltation of the fairways has also been reported requiring extensive dredging. Shortage of funds and dredging equipment has affected these periodic fairway maintenance operations. Periodic floods are known to have caused extensive damage to terminals at the waterfront. Furthermore, on a stretch of 20 km of Gabkan Canal in Sunderbhans only one-way traffic is permitted.

29. Container Corporation of India is planning to launch a container service between Kolkata/Haldia and Narayanganj in Bangladesh. The trials have been successfully carried out and commercial service is awaiting customs notifications. This service will not only reduce the cost but would also be competitive in terms of transit time. It has an added advantage that no transhipment is involved enroute and the goods reach the outskirts of Dhaka, closer to the industrial and consumption centres.

30. There are no direct sailings between the ports of India and Bangladesh. The exports by sea are generally routed through major hub ports – Colombo (Sri Lanka), Salala (Oman), Singapore. This involves circuitous routings and consequentially excessive transit time. A feeder service, linking Visakhapatnam, Kolkata and Chittagong ports, has recently been started. This service will reduce the transit time from these ports on the east coast of India to Chittagong.

31. The circuitous land-cum-sea routes, in the absence of direct sailings, are time-consuming and expensive. The commissioning of Bangabandhu Setu over river Jamuna provides an opportunity for overland transportation without multiple transhipments enroute. It has the potential of significantly reducing the transit time by one third and the transportation charges by nearly 50 percent.

32. Despite attempts at simplification, customs procedures are still elaborate and involve extensive documentation and duplication of efforts on either side of the border. There is every case for joint customs examination and single window clearance thereby joining the league of the enlightened countries who have got over their historical baggage.

33. It appears that while providing EDI facilities, Indo-Bangladesh overland trade has been bypassed. The facilities have been provided only at one location – Petrapole. But

even here, the system has not been operational for the last few months. Hence, all transactions are being carried out manually.

34. The existing EDI system also suffers from certain shortcomings, which add to the transaction costs. For example, though the filing of declarations has been made online, a hard copy of the declaration is generated by the system, albeit at a later stage, and signed for a variety of legal and other requirements, both for the importer and the customs. Other supporting documents are also submitted for verification. Thus, many of the shortcomings associated with documentation continue to exist under the present EDI system.

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## 1. Background

1.1 The eastern part of the Indian sub-continent is one of the best-defined subsystems in the world. Until 1947, it was a single geographic entity. Trade within this entity proceeded unhindered along traditional corridors developed over the years. The redrawing of the political boundaries in 1947 resulted in the historical routes not being used and even being closed at several points. In addition, a new inherently time-consuming and inconvenient dimension of border crossing emerged.

1.2 It is widely recognised that historical links provide natural synergies for enhancing trade between the countries of the region. India and Bangladesh are members of South Asian Association for Regional Cooperation (SAARC). In 1995, this regional grouping put in place SAARC Preferential Area Trading Agreement (SAPTA). This resulted in the lowering of the intra-regional tariffs on a large number of items. To carry this process forward, the South Asia Free Trade Agreement (SAFTA) will come into effect from July 1, 2006.

1.3 The four avowed objectives of SAFTA are:

(i) eliminating barriers to trade, and facilitating cross-border movement of goods between territories of the contracting states;

(ii) promoting conditions of fair competition in the free trade area, and ensuring equitable benefits to all contracting states, taking into account their respective level and pattern of economic development;

(iii) creating effective mechanism for the implementation and application of the Agreement, for its joint administration and for the resolution of disputes; and

(iv) establishing a framework for further regional cooperation to expand and enhance the mutual benefits of the Agreement.

1.4 There are provisions in the Agreement that accord special and differential treatment commensurate with their development needs to the four least developed countries in the region viz., Bangladesh, Bhutan, Maldives and Nepal. The trade liberalisation programme (Article 7) under the SAFTA is as follows:

(i) Tariff reduction by the non-least developed contracting states from existing tariff rates will be to 20 percent within a timeframe of 2 years, from the date of coming into force of the Agreement.

(ii) Tariff reduction by the least developed contracting states from existing tariff rates will be to 30 percent within the timeframe of 2 years from the date of coming into force of the Agreement.

(iii) The subsequent tariff reduction by non-least developed contracting states from 20 percent or below to 0-5 percent shall be done within a second timeframe of 5 years, beginning with the third year from the date of coming into force of the Agreement.

(iv) The subsequent tariff reduction by the least developed contracting states from 30 percent or below to 0-5 percent shall be done within a second timeframe of 8 years beginning with the third year from the date of coming into force of the Agreement.

1.5 These time-bound tariff reductions do not however prevent contracting states from immediately reducing their tariffs to 0-5 percent or from following an accelerated schedule of tariff reduction. Notwithstanding the provisions contained, the non-least developed contracting states shall reduce their tariff to 0-5 percent for the products of least developing contracting countries within a timeframe of three years from the date of coming into force of the Agreement.

**Box 1: SAFTA Implementation Plan**

**For non-LDCs (India, Pakistan, Sri Lanka)**

- In first two years (January 2006-January 2008) tariffs to be reduced to 20%
- India, Pak to reduce tariffs to 0%-5% in the next five years (by January 2013)
- Sri Lanka to reduce tariffs to 0%-5% in the next six years (by January 2014)
  - To reduce tariffs for LDCs to 0%-5% in three years (by January 2011)

**For LDCs (Bangladesh, Nepal, Bhutan, Maldives)**

- In first two years (January 2006-2008) tariffs to be reduced to 30%
- To reduce tariffs to 0%-5% in the next eight years (January 2008-January 2016)


Source: SAARC Secretariat, Kathmandu

1.6 SAFTA also provides for negotiating a sensitive list of products to which the trade liberalisation programme may not apply. Here also, there is a flexibility provided to least developed countries that can seek derogation in respect of products of their export interest. At the same time, the sensitive list is subject to periodical review. The member countries are also required to eliminate all quantitative restrictions, except those otherwise permitted under GATT, 1994, in respect of products included in the trade liberalisation programme.

1.7 Under Rules of Origin, for giving preferential access to the member countries under SAFTA, the goods have to undergo substantial manufacturing processes in the exporting countries. The substantial manufacturing processes are defined in terms of twin criteria of change of tariff heading at four-digit harmonised coding system and domestic value content of 40 percent for non-LDCs and 30 percent for LDCs. Apart from this general rule, product specific rules have also been provided for 191 tariff lines on technical grounds where both inputs and outputs are on the same four-digit HS level.

1.8 It is expected that operationalisation of SAFTA will open huge opportunities for trade within the region. This optimism is supported by the increase in trade between India and Sri Lanka after the bilateral free trade agreement came into force in the year 2000. Sri Lanka's exports to India recorded a nine-fold increase from SL Rs.4.3 billion in 2000 to SL Rs. 39.62 billion in 2004 and the imports from India recorded a three-fold increase from SL Rs.45.47 billion to 145.645 billion[*].

1.9 In the recent past, intra-SAARC trade has recorded high growth rates, notably higher than South Asia's trade with other countries outside the region. Its share increased from 2.42 percent in 1990 to 4.56 percent in 2003. This trend is expected to get an impetus from the implementation of SAFTA in the member countries of the grouping.

1.10 Presently, most of the trade of SAARC member countries is still oriented to regions outside South Asia. Annexures 1 & 2 show the principal exports and imports and the direction of trade flows. This situation is, however, undergoing a change with India becoming a major source of imports for countries like Bangladesh, Nepal and Sri Lanka. For instance, in the year 2004-05, India's share of imports by these countries was 14.6 percent, 56.3 percent and 15.1 percent, respectively.

1.11 The trade compatibility index which measures the degree of compatibility between each country's exported products and those products imported by other countries corroborates the changing share of the countries in the intra-regional trade. Table 3 shows the trade compatibility between the SAARC member countries (except Pakistan).

**Table 3: Trade Compatibility between SAARC Countries, 2004**

| | Bangladesh | Bhutan | India | Nepal | Sri Lanka |
|---|---|---|---|---|---|
| Bangladesh | | 0.04 | 0.03 | 0.06 | 0.04 |
| Bhutan | 0.04 | | 0.03 | 0.06 | 0.03 |
| India | 0.34 | 0.26 | | 0.35 | 0.36 |
| Nepal | 0.12 | 0.04 | 0.03 | | 0.04 |
| Sri Lanka | 0.08 | 0.09 | 0.10 | 0.13 | |

Source: United Nations COMTRADE system.

[*] Central Bank of Sri Lanka, Annual Report, 2004, Table 82.

1.12 In general, the index of compatibility is usually between 0.50 and 0.60 for trade between industrialised countries, and averages about 0.20 for trade between developing countries. The data in the table above shows that India has the highest indices of trade compatibility with its neighbouring countries.

1.13 Some of the countries included in the SAARC grouping are also members of Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC). This grouping is considering a free trade agreement among its member countries. In the last 10 years, the intra-regional trade of BIMSTEC has also shown a higher growth rate of 17 percent per annum as against an increase of 9 percent in the total trade of the member countries. These growth rates are a mirror image of the growth rates witnessed in the SAARC region as mentioned in the earlier paragraphs.

1.14 Table 4 gives the percentage distribution of exports of BIMSTEC countries as a share of their total exports for the year 2004. It shows that India is becoming a major source of imports for countries in the region. It also shows that for some countries the intra-regional trade is of considerable importance. For example, in the case of Myanmar and Nepal, the region absorbs around one-half of their total exports.

**Table 4: Distribution of Exports of BIMSTEC countries**

| Exports from: | Exports to: | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Bangladesh** | **Bhutan** | **India** | **Myanmar** | **Nepal** | **Sri Lanka** | **Thailand** | **BIMSTEC** | **Other** |
| Bangladesh | | 0.0% | 0.9% | 0.0% | 0.1% | 0.1% | 0.2% | 1.3% | 98.7% |
| Bhutan | 3.9% | | 32.9% | na | na | na | na | na | 67.1% |
| India | 2.2% | 0.1% | | 0.1% | 0.9% | 1.8% | 1.1% | 6.3% | 93.7% |
| Myanmar | 0.8% | na | 11.5% | | 0.0% | 0.1% | 38.9% | 51.2% | 48.8% |
| Nepal | 0.3% | na | 47.4% | 0.0% | | 0.0% | 0.3% | 48.0% | 52.0% |
| Sri Lanka | 0.2% | na | 6.8% | 0.0% | 0.0% | | 0.3% | 7.4% | 92.6% |
| Thailand | 0.4% | na | 0.9% | 0.6% | 0.0% | 0.2% | | 2.2% | 97.8% |
| BIMSTEC | 1.1% | 0.0% | 1.1% | 0.4% | 0.4% | 0.8% | 1.1% | 4.9% | 95.1% |

Source: IMF, Direction of Trade Statistics.

1.15 The lowering of tariffs under free trade agreements will eventually lead to enhanced trade. This is corroborated by the findings of a research study using the gravity type model developed by Srinavasan and Canonero in 1993 which estimated that removal of all tariffs would enhance intra-regional trade by a factor of 1.6 – i.e. an estimated 5 percent increase in trade for every 1 percent reduction in tariff. The gravity equation was derived in 2000 by Rajesh Mehta and Swapan K. Bhattacharya for nine commodity groups.

1.16 It is, however, certain that higher transport costs, complex documentation and complicated procedures would become a major constraint to rapid expansion of trade. The costs imposed by these barriers are well nigh high by international standards. An estimate of trade costs, as measured by the difference between FOB and CIF for a selected pair of countries, is given in Table 5.

**Table 5: Trade Costs**

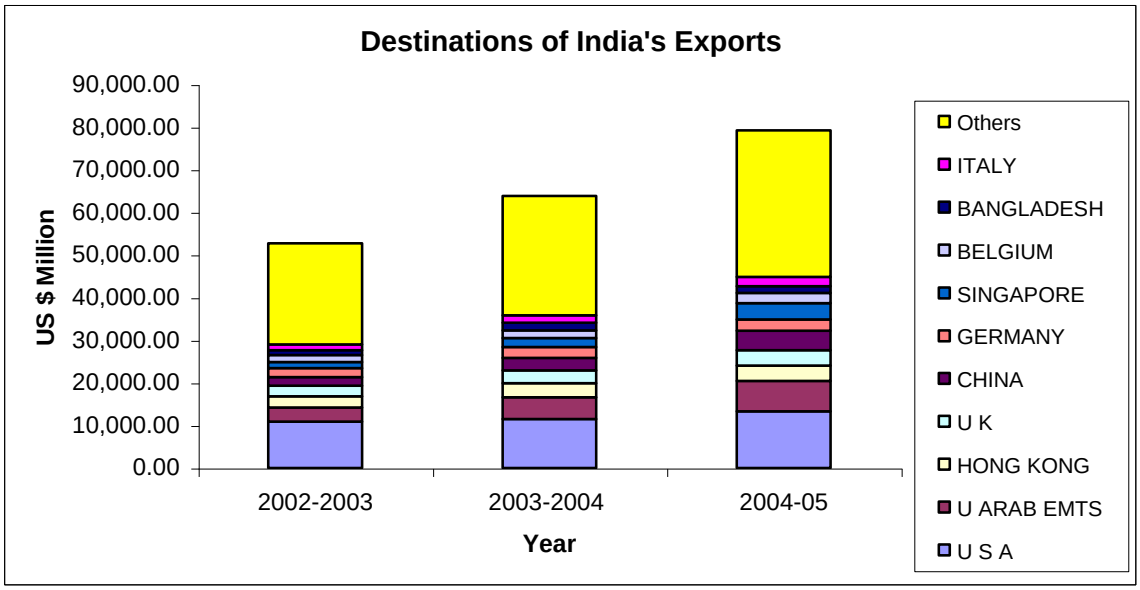
| Inter-country trade | Trade Costs (%)[1] | |
|---|---|---|
| | 1995 | 2002 |
| Trade between India and Bangladesh | 7.73 | 9.94 |
| Trade between India and Nepal | 9.85 | 9.63 |
| Trade between India and Sri Lanka | 22.41 | 10.09 |
| Trade between Bangladesh and Nepal | 7.14 | 10.11 |
| South Asia Total | 10.94 | 8.46 |

1. The trade costs have been worked out using formula $TC_{ijt} = (IM_{ijt} / EX_{jit}) - 1$, where $TC_{ijt}$ represents trade costs between country i and j for the period t, $IM_{ijt}$ stands for import (cif price) of country i from country j for the period t, $EX_{jit}$ denotes export (fob price) of country j to country i for the period t.

*Source*: De, Prabir. 2005. "Cooperation in Infrastructure Sector: A South Asian Perspective", *Contemporary South Asia*, Vol. 14, No. 2.

## 2. Pattern and Composition of Trade

2.1 Bangladesh has been among the top ten importers of Indian goods. In 2004-05, these goods accounted for 2.75 per cent of India's total exports.



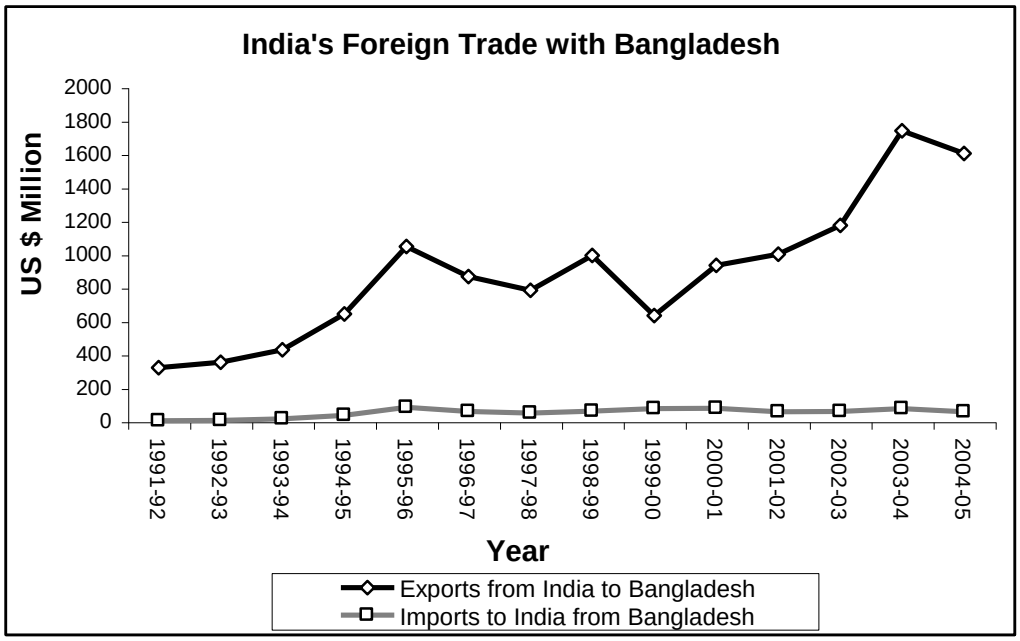

2.2 India's exports to Bangladesh have grown nearly five-fold since 1991-92 with the last few years recording an accelerated growth rate. During the same period, imports from Bangladesh have increased ten-fold, but growth rate in the last few years has been negative. In the bilateral trade, the imports from Bangladesh are insignificant in value terms. Table 6 shows the pattern of India's export-import trade with Bangladesh since 1991-92.

**Table 6: Indo-Bangladesh Trade**

*(US$ millions)*

| Year | Exports from India to Bangladesh | Index | Imports to India from Bangladesh | Index | India's Trade with Bangladesh | Index |
|---|---|---|---|---|---|---|
| 1991-92 | 324.0 | 100 | 5.7 | 100 | 329.7 | 100 |
| 1992-93 | 355.3 | 110 | 7.7 | 135 | 363.0 | 110 |
| 1993-94 | 430.2 | 133 | 17.9 | 314 | 448.1 | 136 |
| 1994-95 | 644.7 | 199 | 38.2 | 670 | 682.9 | 207 |
| 1995-96 | 1049.1 | 324 | 85.9 | 1507 | 1135.0 | 344 |
| 1996-97 | 869.0 | 268 | 62.2 | 1092 | 931.2 | 282 |
| 1997-98 | 786.5 | 243 | 50.8 | 891 | 837.3 | 254 |
| 1998-99 | 995.6 | 307 | 62.4 | 1095 | 1058.0 | 321 |
| 1999-00 | 636.3 | 196 | 78.2 | 1371 | 714.5 | 217 |
| 2000-01 | 935.0 | 289 | 80.5 | 1412 | 1015.5 | 308 |
| 2001-02 | 1002.2 | 309 | 59.1 | 1037 | 1061.3 | 322 |
| 2002-03 | 1176.0 | 363 | 62.1 | 1089 | 1238.1 | 376 |
| 2003-04 | 1740.8 | 537 | 77.6 | 1362 | 1818.4 | 552 |
| 2004-05 | 1606.6 | 496 | 59.3 | 1040 | 1665.9 | 505 |
| **Compound Annual Growth Rate (CAGR)** | | | | | | |
| 1991-92/2004-05 | 11.4 | | 16.8 | | 11.6 | |
| 1994-95/2004-05 | 7.5 | | 2.2 | | 7.2 | |
| 1999-00/2004-05 | 20.9 | | -4.0 | | 19.2 | |

*Source: Ministry of Commerce and Industry, Government of India.*




**3. Composition of Bilateral Trade**

3.1 The composition of exports to Bangladesh shows that the most important products are those required to meet Bangladesh's food deficit and its demand for finished and

intermediate raw materials. In 2004-05, the top 10 export commodity groups at 2-digit HS classification included cereals, cotton, cotton yarn and cotton fabrics, edible vegetables, mineral fuels and oils, articles of iron and steel, machinery and mechanical appliances, and transport equipment. These commodities accounted for nearly three-fourth of the total exports (Table 7). At 4-digit HS classification the top 10 export products comprised of wheat, rice, cotton yarn, onions, shallots, garlic, leeks, oil-cake and other solid residues, articles of iron and steel and petroleum products (Table 8).

**Table 7: India's Top 10 Export Commodities to Bangladesh at 2-digit HS Classification**

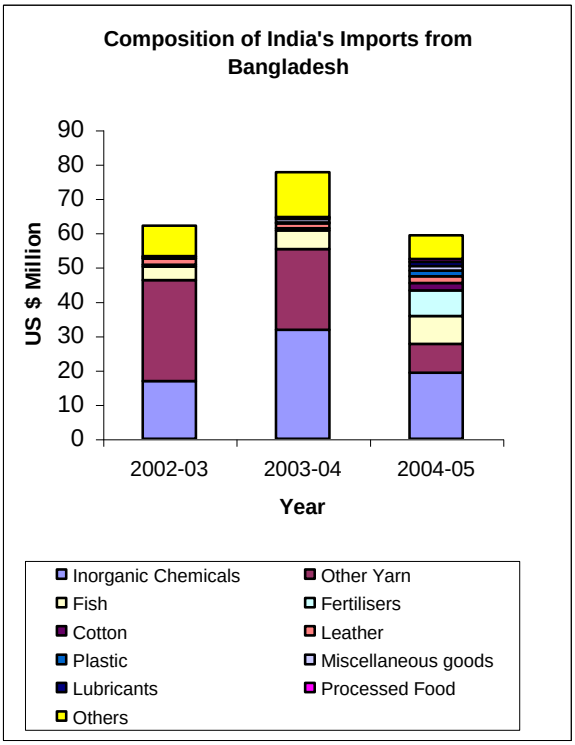
| HS Code | Commodity Group | US$ (million) | Share* (%) |
|---|---|---|---|
| 10 | Cereals | 408.98 | 25.46 |
| 52 | Cotton, cotton yarn, fabric, etc. | 206.79 | 12.87 |
| 07 | Edible vegetables and certain roots and tubers | 105.30 | 6.55 |
| 27 | Mineral fuels, mineral oils, etc. | 82.72 | 5.15 |
| 73 | Articles of iron and steel | 72.72 | 4.53 |
| 23 | Residues and waste from the food industries | 67.43 | 4.20 |
| 84 | Boilers, machinery and mechanical appliances; parts thereof | 64.84 | 4.04 |
| 87 | Transport equipment | 55.97 | 3.48 |
| 25 | Salt, sulphur, lime, cement, etc. | 50.13 | 3.12 |
| 72 | Iron and steel | 44.72 | 2.78 |

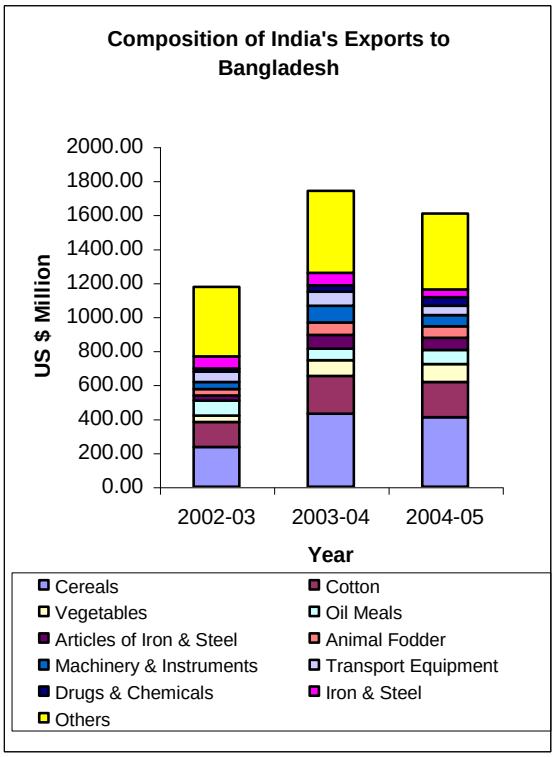
Note: * Share in total Indian exports to Bangladesh
*Source: Ministry of Commerce and Industry, Government of India*

**Table 8: India's Top 10 Export Products to Bangladesh at 4-digit HS Classification**

| HS Code | Product Name | US$ (million) | Share* (%) |
|---|---|---|---|
| 1001 | Wheat and maslin | 189.79 | 11.81 |
| 1006 | Rice | 185.76 | 11.56 |
| 5205 | Cotton yarn | 113.37 | 7.06 |
| 0703 | Onions, shallots, garlic, leeks and other alliaceous | 66.59 | 4.14 |
| 2304 | Oil-cake and other solid residues | 59.88 | 3.73 |
| 7326 | Other articles of iron and steel | 43.68 | 2.72 |
| 2701 | Coal; briquettes, ovoids and similar solid fuels | 43.08 | 2.68 |
| 5209 | Woven fabrics of cotton | 41.95 | 2.61 |
| 2710 | Petroleum oils and products | 39.04 | 2.43 |
| 0713 | Dried leguminous | 35.99 | 2.24 |

Note: * Share in total Indian exports to Bangladesh
*Source: Ministry of Commerce and Industry, Government of India*




3.2 The composition of the commodities imported from Bangladesh shows predominance of chemical compounds, fertilizers, vegetable textile fibres and fish. Table 9 lists the top 10 import commodity groups at 2-digit HS classification. These commodities accounted for 82 percent of the total imports. At 4-digit HS classification the top 10 products comprised of ammonia, chemical fertilisers, jute and jute yarn, fresh fish and animal hides (Table 10).

**Table 9: India's Top 10 Import Commodities from Bangladesh at 2-digit HS Classification**

| HS Code | Commodity | US$ (million) | Share* (%) |
|---|---|---|---|
| 28 | Inorganic chemicals; organic or inorganic compounds, etc. | 19.24 | 32.47 |
| 53 | Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn | 8.39 | 14.15 |
| 03 | Fish and crustaceans, molluscs, etc. | 8.09 | 13.64 |
| 31 | Fertilisers | 7.55 | 12.74 |
| 52 | Cotton | 2.06 | 3.48 |
| 41 | Raw hides, skins and leather | 2.05 | 3.45 |
| 39 | Plastic and articles thereof | 1.61 | 2.72 |
| 99 | Miscellaneous goods | 1.37 | 2.31 |
| 34 | Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, etc. | 1.16 | 1.96 |
| 20 | Preparations of vegetables, fruit, nuts or other parts of plants (processed food) | 0.89 | 1.50 |

Note: * Share in total Indian imports from Bangladesh
*Source: Ministry of Commerce and Industry, Government of India*

**Table 10: India's Top 10 Import Products from Bangladesh at 4-digit HS Classification**

| HS Code | Commodity | US$ (million) | Share* (%) |
|---|---|---|---|
| 2814 | Ammonia anhydrous or in aqueous solution | 19.23 | 32.47 |
| 3102 | Mineral or chemical fertilisers | 7.55 | 12.75 |
| 5303 | Jute & other textile base fabrics (excl flax, true hemp & ramie) raw/processed but not spun; tow & waste (including yarn waste & garneted stock) | 7.07 | 11.94 |
| 0302 | Fish fresh or chilled excluding fish fillets & other fish meat | 7.03 | 11.87 |
| 5202 | Cotton waste (including yarn waste & garneted stock) | 1.98 | 3.34 |
| 4104 | Tanned/crust hide & skin of bovine (including buffalo) or equine animal | 1.34 | 2.26 |
| 9993 | Special transactions & commodities not classified according to kind | 1.31 | 2.21 |
| 3926 | Other articles of plastics & articles of other materials | 1.25 | 2.11 |
| 3401 | Soap for generic surface active products & preparation used as soap, in bar, cake etc w/n with soap; paper, felt etc impregnated, coated/covered with soap/like | 1.16 | 1.96 |
| 5307 | Yarn of jute & other textile base fibres | 0.86 | 1.45 |

Note: * Share in total Indian imports from Bangladesh
*Source: Ministry of Commerce and Industry, Government of India*

3.3 In addition to the formal trade, there is also considerable informal trade between the two countries. In fact, some estimates show that the informal trade is approximately equal to the formal trade. The composition of informal trade is generally complementary to, but markedly different from, formal trade flows. A large share of the informal exports from India comprises live animals (mainly cattle) and consumer goods. On the other hand, unofficial imports from Bangladesh to India comprise synthetic yarn, electronic goods and spices.

3.4 Taken all together, bilateral trade has almost doubled in the last five years, growing to nearly $2 billion now from less than $900 million in 2000. This suggests that, thanks to contiguity, the two countries are natural trading partners. This is not surprising considering that until 60 years ago the region was a single trading entity. Also, it is worth noting that the trend of trade suggests a natural interdependence. Therefore, easier trading regime and processes will enhance the trend in the future.

## 4. Trading Framework

4.1 Bilateral trade between the two countries is conducted under the provisions of the Indo-Bangladesh Trade Agreement, which was first signed in March 1972. The current Agreement was signed in October 1980 and has been extended for successive periods of three years. Under the Agreement, both the countries provide Most Favoured Nation (MFN) treatment to each other. The Agreement, however, does not provide any bilateral

trade concessions. Such tariff concessions are accorded to each other under the provisions of South Asian Preferential Trading Arrangement (SAPTA) signed in April 1993 and effective since December 1995 and recently under the provisions of South Asia Free Trade Agreement (SAFTA).

4.2 The bilateral Trade Agreement requires that both countries "shall accord the commerce of the country of the other Government, treatment no less favourable than that accorded to the commerce of any third country" (Article VI). The Agreement also states that, "the two governments agree to make mutually beneficial arrangements for the use of their waterways, roadways and railways for commerce between the two countries and for the passage of goods between two places in one country through the territory of the other" (Article VIII).

4.3 Thus, the Agreement allows for entering into transit and transport agreements at a later date. The Agreement further requires that, "all payments and charges in connection with trade between the two countries shall continue to be effected in freely convertible currencies in accordance with the foreign exchange regulations in force in each country from time to time" (Article IV). Usefully, the Agreement refers frequently to the potential for taking other measures to improve economic relations, but, in general, leaves these for negotiations at some time in the future.

4.4 There are separate working agreements between the governments of India and Bangladesh represented by the Indian Railways and Bangladesh Railways, respectively, relating to operation of railways at notified points between the two countries. These agreements lay down working procedures, including technical, commercial and operational practices for interchange of goods and rolling stock. Interestingly, the working agreements do not refer to Article VIII of the trade agreement.

4.5 There is also a Protocol on Inland Water Transport and Trade (04/10/99) – with attached "Agreed Minutes of the Bilateral Meeting for the Renewal of the Protocol on Inland Water Transit and Trade between Bangladesh and India held in India from 26/10/99 to 28/10/99". This protocol derives directly from the provisions of Article VIII of the Trade Agreement. The details include, a list of acceptable routes, permitted ports of call and provision for payment for the use of services (night navigation, conservancy and pilotage).

**5. Interchange Points**

5.1 Bangladesh shares an extensive land border with India – West Bengal on the west; Assam and Meghalaya in the north; Assam, Tripura and Mizoram in the east. Table 11 shows the length of land and riverine borders shared between Bangladesh and the neighbouring Indian states.

**Table 11: Bangladesh and Neighbouring Indian States**

*(km)*

| Indian State | Land border | Riverine border | Total |
|---|---|---|---|
| West Bengal | 2096 | 120 | 2216 |
| Assam | 160 | 103 | 263 |
| Meghalaya | 443 | - | 443 |
| Tripura | 773 | 83 | 856 |
| Mizoram | 58 | 260 | 318 |
| Total | 3530 | 566 | 4096 |

5.2 The border between the two countries is mostly porous which lends to informal trade between the two countries. Historically, 83 land customs stations were notified for facilitating trade with Bangladesh. Some of these land customs stations were located at the convenient trade convergence locations while others were located at the interchange points along the borders. Over the years, most of the land customs stations in the interior have become dormant, so also some of the interchange points. Presently, only 25 interchange points are actively operational. Of these, 4 are rail-based, 18 are road-linked (including one with both rail and road connection) and 3 are riverine locations. Table 12 lists these interchange points state-wise, separately for road, rail and riverine modes of transport.

**Table 12: Active Land Customs Stations**

| State | Rail | Road | Riverine |
|---|---|---|---|
| West Bengal | Petrapole* *(Benapole)*, Gede* *(Darsana)*, Singabad *(Rohanpur)*, Radhikapur *(Birol)* | Petrapole *(Benapole)*, Changrabanda *(Burimari)*, Hilli *(Ghoraghat)*, Mahadipur *(Shibganj)*, Ghojadanga *(Satkhira)* | Namkhana *(Shekbaria)* |
| Assam | | Sutarkandi *(Sheola)* | Mankachar *(Chilmari)*, Karimganj Steamer and Ferry Ghat *(Zokigoj)* |
| Meghalaya | | Dawki *(Tamabil)*, Bholaganj *(Chatak)*, Shella Bazar *(Bastola)*, Gasuapara *(Haluaghat)*, Borsora *(Borsora)*, Mahendraganj *(Dhanua)*, Dalu *(Nakugaon)* Baghmara *(Bijoypur)* | |
| Tripura | | Agartala *(Akhaura)*, Srimanthapur *(Bibirbazar)*, Manughat *(Chatlapur)*, Ragnabazar *(Batuli)* | |

Note: (1) The names in italics refer to the interchange points in Bangladesh.
(2) Ranaghat serves as a land customs station for interchange of goods moved by rail through Petrapole-Benapole and Gede-Darsana routes.
(3) Khowaighat, Balat, Ryngku land customs stations in Meghalaya are presently non-functional.
(4) Golakganj in Assam is the land customs station only for the export of stone boulders, stone chips and coal.
(5) Demagir in Mizoram is presently non-functional.

5.3 Recently, an additional land customs station with a specified route has been notified. This relates to the 7 kilometer long elevated conveyor belt of M/s Lafarge Umiam Mining Private Limited originating from the Crusher site of the company, passing along a forty meter wide strip of land comprising villages of Phlangkaruh, Bamantilla and Umkhaba on the west and Pyrkan, Kalatek villages and river Umiam on the east to Mantrikhal village of Bangladesh.

5.4 The overland routes, both road and rail, carry the maximum bilateral trade followed by maritime transport. Inland water transport through the rivers of Bangladesh does not presently carry significant volumes. However, as we will see later, this position may undergo a change in the future. The air transport carries negligible traffic, but is an important carrier for export of high value products like life-saving drugs and medicines. In the absence of direct sailings, exports by sea are generally routed through hub ports – Colombo (Sri Lanka), Salala (Oman), Singapore.

## 6. Transport Interchange Matrix

6.1 Table 13 presents the broad transport interchange matrix encompassing different modes of transport – rail, road, waterways, etc. The matrix shows the agreed arrangements with regard to the access of road vehicles, railway rolling stock and vessels across the border. The details of the arrangements have been further discussed under the relevant sections.

**Table 13: Transport Interchange Matrix**

| Element | Rail | Road | Waterways | Ropeway/ Conveyor Belt |
|---|---|---|---|---|
| Transit through Bangladesh* | Presently not allowed. | Presently not allowed. | Allowed. There is a Protocol between the two countries on Inland Water Transport and Trade (04/10/99). This protocol derives directly from the provisions of Article VIII of the Trade Agreement. | N. A. |
| Access of vehicles/ vessels across the border | The goods trains from India are allowed upto the next station across the border. While, the locomotive is returned with or without a load, the wagons are left behind for commercial handling, for which the Bangladesh Railways pay detention charges to Indian Railways. | Different practices prevail: in case of Petrapol-Benapol interchange point, road vehicles are permitted upto the customs warehouses in Benapol which are situated one km away from the border.<br>At Dawki-Tamabil interchange point, the road vehicles carrying | Vessels belonging to the two countries are permitted to ply over the designated waterway routes and upto the designated riverine terminals. The transportation of the cargo is shared equally between the two countries. | There is a seven km long elevated conveyor belt of M/s Lafarge Umiam Mining Pvt. Ltd. originating from the Crusher site of the company, passing along a forty meter wide strip of land comprising villages of Phlangkaruh, Bamantilla and |

| | | | | |
|---|---|---|---|---|
| | | coal are permitted upto the coal dump situated in Bangladesh at a distance of three km from the border. | | Umkhaba on the west and Pyrkan, Kalatek villages and river Umiam on the east to Mantrikhal village of Bangladesh |
| Passport requirement for the crew | Yes | No | Yes | N. A. |
| Visa requirement for the crew | Multiple entry visas valid for a period of one year are granted to members of the railway staff to be on duty in connection with interchange of rail traffic. | At the Petrapole-Benapole interchange point, the truck crew are allowed upto the warehouses without any passport or official permit.<br>In case of Dawki-Tamabil interchange point, the Bangladesh customs authorities issue a temporary permit valid for specified hours impounding the driving licence of the truck driver. | Officers supervising or controlling the fleet of the operators in either country are required to carry passports endorsed with multiple entry visas. For personnel manning vessels, no visa is required. | N. A. |

Note 1:* Article VIII of the trade agreement lays down: "the two governments agree to make mutually beneficial arrangements for the use of their waterways, roadways and railways for commerce between the two countries for passage of goods between two places in one country through the territory of the above."

2: Lime stone and shale transportation over a 17 km long belt conveyor from a query in Meghalaya to Sunamgarh in Bangladesh.

6.2 In 2004-05, the broad estimate indicates that the road sector carried about 63 percent, maritime transport 19 percent, railways 13 percent, inland water transport one percent and others 4 percent of India's exports to Bangladesh. These modal shares are in terms of FOB value of exports. In terms of tonnage carried, the total transport output worked out to 5.16 million tonnes – road 2.79, rail 1.67, IWT 0.39, sea 0.28. Consequentially, the share of the export traffic carried by railways increased to 32 percent with corresponding reduction in other modes.

6.3 Table 14 lists major land customs stations (LCSs) which carried exports valued at US$ 1.45 billion exports accounting for a share of 85 percent of the total exports to Bangladesh in 2004-05.

**Table 14: India's Exports to Bangladesh through major LCSs**

*(US$ million)*

| Land customs stations (road-based) | Export | Land customs stations (rail-based) | Export |
|---|---|---|---|
| Petrapole | 808.80 | Ranaghat*/Gede | 194.15 |
| Changrabanda | 62.48 | Singabad | 43.54 |
| Hilli | 141.59 | Radhikapur | 10.94 |
| Mohedipur | 123.60 | | |
| Ghojadanga | 50.54 | | |

*Note: This includes goods moved by rail and interchanged at Petrapole.

6.4 All the above-mentioned land customs stations are located on the border between West Bengal (India) and Bangladesh reflecting the dominant flow of exports from India. It would be seen that the bulk of trade passes through Petrapole and Gede land customs stations. While Petrapole deals with both road and rail traffic, Gede is only a rail-linked interchange point. In 2004-05, these two customs stations accounted for nearly 47 percent of India's exports to Bangladesh.

6.5 In the same year, exports to Bangladesh from the north-eastern region comprising the states of Assam, Meghalaya and Tripura were mere US$ 45.33 million accounting for about 2 percent of the total exports. The bulk of the trade (US$ 39.27 million) passed through the land customs stations situated along the border between Meghalaya and Bangladesh. Table 15 shows the exports from India's north-eastern region to Bangladesh in the year 2004-05.

**Table 15: Exports from India's North-Eastern Region to Bangladesh**

*(US$ million)*

| State | Customs station | Exports |
|---|---|---|
| Assam | Karimganj Steamer and Ferry Station* | 0.83 |
| | Sutarkandi | 4.85 |
| | Mankachar | 0.04 |
| Meghalaya | Dwaki | 12.61 |
| | Borsora | 16.85 |
| | Shella Bazar | 2.40 |
| | Bholaganj | 1.57 |
| | Ghasuapara | 3.97 |
| | Dalu | 1.57 |
| | Mahendraganj | 0.30 |
| Tripura | Agartala | 0.22 |
| | Srimantapur | 0.09 |
| | Manughat | 0.005 |
| | Ragnabazar | 0.03 |
| Total | | 45.33 |

Source: Chief Commissioner, Central Excise and Customs, Shillong.
* This data is also included in the IWT figures.

6.6 Exports through Petrapole by road include a large number of manufactured items – pneumatic tyres, cotton woven articles and food products – onions, garlic, rice, etc. (Bangladesh has imposed a ban on the import of cotton yarn through the land customs stations). Imports from Bangladesh include fish, raw jute and betel nuts. Exports through Petrapole by rail are mostly bulk commodities comprising foodgrains and general goods. There is little return traffic from Bangladesh; mostly empty wagons are sent back to the Indian railways.

6.7 Petrapole is situated at a distance of 95 km (by road) from Kolkata and 4 km from Bangaon town, which is the last township before the international border. The road from Kolkata to Petrapole is a national highway, four-laned upto Barasat (23 km) and two-laned thereafter. Petrapole railway station is located at a distance of 83 km from Kolkata and 6 km from Bangaon junction. Bangaon-Petrapole is a single-line non-electrified broad gauge section connected with the rail network of Bangladesh railways.

6.8 The existing flow[*] of export traffic from India through Petrapole comprises about 250-280 truckloads and an average of 46 wagon-loads per day (about 200 trains per year). The import flow from Bangladesh is only 40-50 truckloads; with the remaining trucks and wagons returned as empty stock. The goods carried by road are transhipped across the border at Benapole. The goods carried by rail are taken further in the same wagon fleet to be unloaded at convenient locations inside Bangladesh. The Indian Railways' locomotives are returned either light or hauling a train.

## 7. Transaction Time and Costs

7.1 Considering the volumes of trade handled at Petrapole, this land customs station was selected as the best representative sample to study the logistics of bilateral trade. Further, Kolkata was chosen as the important staging post for dispatch of export shipments to Bangladesh through Petrapole. Table 16 shows the average time-taken at various stages by truckloads of shipments from Kolkata to Benapole.

**Table 16: Export Shipment from Kolkata**

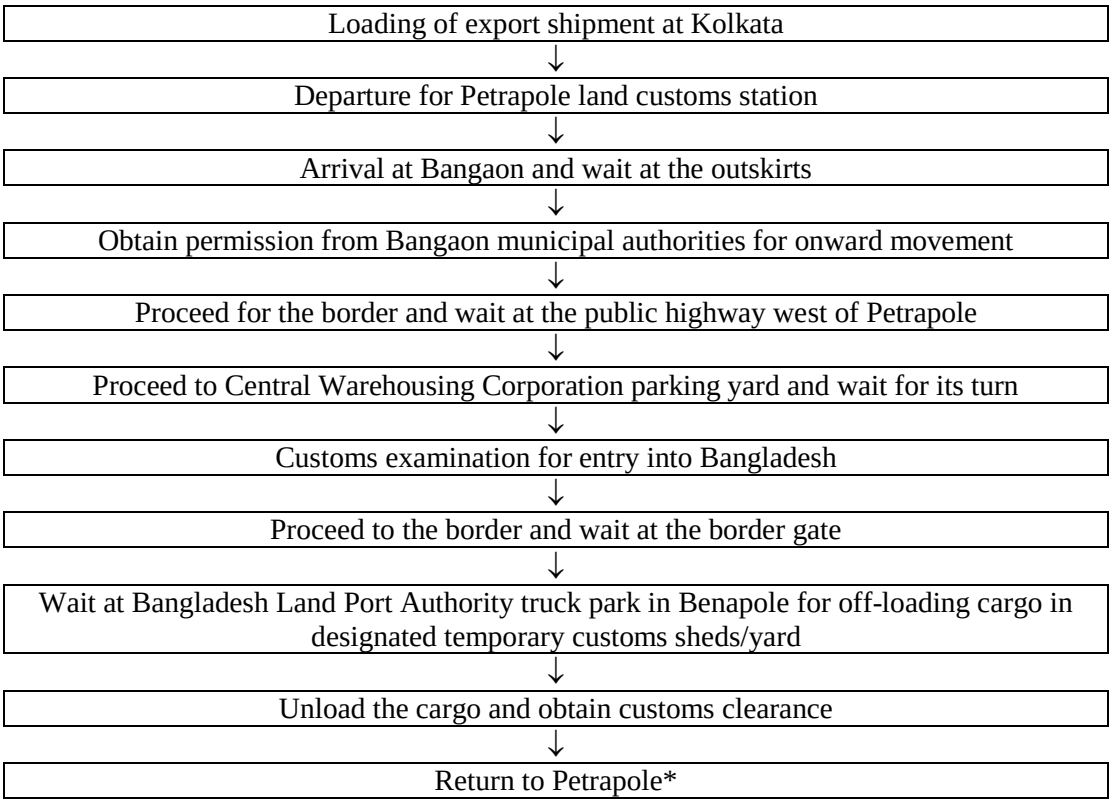
| Stages | Particulars | Time (Hours) |
|---|---|---|
| Stage 1 | Loading at Kolkata | 5.00 |
| Stage 2 | Transit time from Kolkata to Bangaon | 10.00 |
| Stage 3 | Waiting time at the outskirts of Bangaon and Petrapole | 52.00 |
| Stage 4 | Waiting time at Central Warehousing Corporation parking yard | 52.00 |
| Stage 5 | Waiting time at the border gate for entry into Bangladesh | 2.00 |
| Stage 6 | Unloading at Benapole | 22.00 |
| Stage 7 | Return to Petrapole | 5.10 |
| | Total | 148.10 |

*Source:* Field surveys
Note: The time taken would be slightly higher for trucks returning with imports into India.

[*] The existing flow of traffic from India through Petrapole is constrained by the prevailing systems and procedures, as we will see later.

7.2 The chart below is a sequential depiction of the relevant stages.

**Sequential Depiction**




*Note: The Indian trucks after unloading at Benapole are allowed to enter India only after 7 p.m. or are allowed to return to India before the start of exports from India (i.e. 10 am).

7.3 It would be seen that on an average it takes 6.2 days for a truck to unload the shipment at Benapole and return to Petrapole. The maximum time is consumed in waiting at the Indian side of the border for crossing over into Bangladesh. At any time, upto 1000-1200 trucks can be found waiting at Bangaon and Petrapole. The average waiting period is 4 to 5 days – detentions of even upto 10 days are not uncommon. The only exceptions are trucks carrying perishable commodities, which are accorded priority and are generally cleared the same day.

7.4 The trucks, on an average, have to wait for 2 days at the outskirts of Bangaon town before being allowed to move further by the city municipality. A token system has been introduced for this purpose. The token is issued by the municipality after obtaining clearance from the central warehousing corporation truck parking yard at Petrapole which has a holding capacity of 650-700 trucks. The trucks are allowed to move serially based on their entry coupons only after 11 p.m. in summer and after 10 p.m. in winter.

7.5 The waiting period at the holding yard generally exceeds two days. This period includes the time-taken in completing the customs formalities. The customs examination takes place in the yard itself and requires no more than an hour, but is only undertaken when the truck approaches the head of the queue. The truck thereafter waits for a short period (1-2 hours) at the border gate beyond the parking yard for entry into Bangladesh.

7.6 Once the truck has moved across the border into Bangladesh territory, it is directed to the Benapole land port truck parking yard, where it waits for its turn to move to a designated customs temporary storage warehouse/yard for unloading. These yards are located about one km inside Bangladesh territory. Perishable cargoes are, however, transferred direct from Indian trucks to Bangladeshi trucks in a specifically designated transit yard.

7.7 The warehousing facilities at Benapole presently consist of 26 sheds of different sizes and four yards. The total cargo storage capacity of the facility is 21,000 tonnes, although in actual practice at any one time, it is estimated that up to 40,000 tonnes are being stored. Average dwell times are in the order of 7-15 days. The main contributory factor is the tendency of the importers to use warehouses for holding the cargo for trading purposes. Equally important is the matching supply of the trucks to evacuate the cargo to different destinations.

7.8 There is also one transhipment yard and a 15 hectare truck terminal with a capacity of 1,000 trucks. Benapole truck parking yard has a capacity of 1000 trucks. It is divided into two sections: one with a capacity of 600 trucks for holding inbound Indian trucks before they discharge their loads at temporary customs storage warehouses; and one with a capacity of 400 trucks for holding Bangladeshi trucks waiting to pick up cargoes from the same warehouses.

7.9 In the last few years, the number of truckloads that have been processed in this manner has varied between 200 and 316 per day. Of these, only about 40-50 return with export cargo from Bangladesh. For example, in the year 2002-03, 94,695 trucks carrying 858,694 tonnes of cargo entered Bangladesh from India. This, assuming 300 working days per year, is the equivalent of an average of 315 trucks per day. However, in the subsequent year, the number declined to 216 trucks per day (data supplied by Bangladesh Land Port Authority).

7.10 Bangladesh export cargo to India is off-loaded in transit sheds located in 'no-man's land'. However, trucks carrying fish and highly perishable commodities are allowed to unload the cargo in the central warehousing corporation yard. Since there are no warehousing facilities at the yard, the perishable commodities perish if not cleared expeditiously. This brings out the need for providing warehousing facilities on the Indian side.

7.11 As explained above, the present procedure involves transhipment of goods on either side of the border. This implies temporary storage of goods in warehouses or in open yards. The rate of evacuation from these storage points determines the rate of acceptance of the trucks from either side. The high level of dwell times of the cargo in the sheds at Benapole suggests that the warehouses are being used more for trading purposes.

The private operators of land port have also got vested interests in selling the storage space for longer dwell times. As things stand, they do not suffer any penalty for the detentions to the trucks at the borders.

7.12 It appears that the land port at Benapole while attempting to solve the problem of lack of infrastructure has in the process created a significant impediment to trade. Increase in warehousing storage capacity can at best be a sub-optimal temporary solution. The long-term efficient and economic solution lies in allowing the trucks to unload the shipments at more convenient locations across the borders. Furthermore, a penalty clause needs to be introduced so that the private operators of the terminal manage the storage space as a part of the transport chain and not as stand-alone beneficiaries. This measure would call for increase in the storage charges so that the importers do not use the space for trading purposes.

7.13 Simultaneously, the related facilities like banking, communications, etc. need to be developed at Benapole. At present, in the absence of cheque clearing arrangements, the importers or their clearing agents have to go all the way to Jessore to deposit money with customs and then to return to Benapole to show that such moneys have indeed been lodged. There is also the requirement of submitting a 'clean report of findings', issued by a pre-shipment inspection company, along with customs documents. Added to this is the problem of obtaining accurate information regarding expected day of arrival.

7.14 The complex regulations affecting trade logistics have allowed intermediaries to charge for additional services needed to comply with the laid down procedures. This complexity not only allows various middlemen to benefit at the expense of the shippers and consignees but also creates strong interest groups who are adamantly opposed to improvements in efficiency. There are no container handling facilities at this land customs station, indeed at none of the land customs stations on Indo-Bangladesh border.

7.15 The access to the border from India is in an abysmal condition. The road from Bangaon to the border is narrow and for all practical purposes, a single-lane road blocked by a beeline of trucks parked alongside. At Bangaon, the trucks have to pass through residential and market areas which further adds to the congestion. There are as many as five railway crossings enroute. As the frequency of the trains between Kolkata (Sealdah) and Bangaon is very high, the gates at each level crossing are closed very often and each time for long period, thus creating traffic congestion.

7.16 Clearly, the present road access from Kolkata – Barasat-Bangaon-Petrapole – is unsuitable for cross-border trade. It is suggested that the entire stretch of the highway between Kolkata-Barasat-Bangaon-Petrapole should be upgraded to four-lanes, bypassing Barasat, Bangaon and other urban conurbations enroute. This would also require

strengthening of bridges. For instance, Naobhanga bridge, located 3 km short of Petrapole, is a narrow one and only one truck can pass at a time.

7.17 The border opening hours are from 06.00 to 18.00, on all days of the week. However, no trucks are processed on Fridays, as Bangladesh strictly observes this day as a holiday. This factor further hinders the average flow of trucks from India to Bangladesh, which is already constrained by the prevailing practice of transshipping the goods at the borders.

7.18 The typical cost of a single export shipment weighing 9 tonnes from Kolkata to Petrapole is shown in Table 17. Needless to mention that the rates mentioned are subject to fluctuating market conditions.

**Table 17: Transaction Costs**

| Particulars | Cost (Rs.) |
|---|---|
| Transportation costs[1] | 2800 |
| Associated costs[2] | 3500 |
| Clearing agents fees[3] | 540 |
| Unloading at Benapole | 600 |
| Facilitation/speed money | 1500 |
| Total | 8940 |

Notes: (1) Cost of transportation from Kolkata to Petrapole. (2) Parking at Benapole/Petrapole and CWC parking plots and costs in transit in terms of expenses for the crew. (3) Costs to cross the border and unload at Benapole.

7.19 It would be seen that an expenditure of Rs. 8,940 has to be incurred for a shipment to be transported from Kolkata to Benapole through Petrapole. This works out to almost Rs.11 per tonne km. Alarmingly, the non-transportation related costs alone account for 70 percent of the total costs. It is felt that the costs are far too high and can be brought down by half by streamlining the procedures.

**Informal Payments**

- Payment for obtaining token for onward movement of trucks from Bangaon to central warehouse corporation parking yard at Petrapole.
- Payment to local groups at Bangaon and Petrapole claiming it to be parking charges for the goods vehicles waiting to cross the border.
- Contributions sought to unauthorised funds like Petrapole border people welfare fund, party fund, etc.
- Bribes to customs for border crossing, unloading the goods at Benapole and for giving clearance for the trucks to return to India.

7.20 It is clear from the above that the main barriers to trade, especially the ones that needlessly increase the cost of trade within the region are partly because of vested interests and partly due to indifference. None of the problems mentioned above requires a high cost solution. A measure of commitment accompanied by a resolve to make the process and procedures more efficient will go a long way in reducing the costs of trade.

## 8. Road Linkages to the Border

8.1 The road network in India is being improved. The government has taken important steps towards capacity augmentation of the major national highways. These include four/six-laning of national highways connecting the country's four metropolises; and converting the two-lane highways to four-lane highways connecting north-south and east-west corridors. These works will reduce travel time as also vehicle operating costs. Besides national highways, the state highways are also being improved throughout the country. Table 18 gives a snapshot of the scheduled improvements on major transit routes to Petrapole/Benapole from the hinterland of India.

**Table 18: Transit Route to Petrapole/Benapole**

| | Route | Distance (km) | Type of Road | No. of Lanes |
|---|---|---|---|---|
| Delhi – Petrapole | Delhi – Kolkata | 1461 | NH2 | Four-lane (mostly four lane, balance in advance stage) |
| | Kolkata – Barasat | 23 | NH34 | Four-lane |
| | Barasat – Petrapole | 59 | NH35 | Two-lane |
| | Total | 1543 | | |
| Ludhiana – Petrapole | Ludhiana - Delhi | 305 | NH1 | Four lane |
| | Delhi – Kolkata | 1461 | NH2 | Four lane (mostly four-lane, balance in advance stage) |
| | Kolkata – Barasat | 23 | NH34 | Four-lane |
| | Barasat – Petrapole | 59 | NH35 | Two-lane |
| | Total | 1848 | | |
| Ahmedabad – Petrapole | Ahmedabad-Baroda | 94 | NE1 | Express way (four-lane) |
| | Baroda – Surat | 142 | NH8 | Four lane |
| | Surat - Dhule | 220 | NH | Two lane |
| | Dhule-Nagpur | 527 | NH6 | Two lane |
| | Nagpur-Khargpur | 1006 | NH6 | Two lane |
| | Kharagpur -Kolkata | 118 | NH6 | Four lane |
| | Kolkata – Barasat | 23 | NH34 | Four lane |
| | Barasat – Petrapole | 59 | NH35 | Two lane |
| | Total | 2189 | | |
| Mumbai – Petrapole | Mumbai - Dhule | 334 | NH3 | Four lane (work under progress) |
| | Dhule – Nagpur | 527 | NH6 | Two lane |
| | Nagpur – Kharagpur | 1006 | NH6 | Two lane |
| | Khargpur – Kolkata | 118 | NH6 | Four lane |
| | Kolkata – Barasat | 23 | NH34 | Four lane |
| | Barasat – Petrapole | 59 | NH35 | Two lane |
| | Total | 2067 | | |

8.2 Most of the roads serving the land customs stations on Indo-Bangladesh border are narrow and in poor condition. At several locations, earth shoulders give way in rainy season causing huge blockage of movements for hours together. Among these, the important roads are: (i) Changrabanda-Bhurimari; (ii) Buniadpur-Balurghat-Hilli; (iii) Sustani (on NH34)-Mahadipur; (iv) Radhikapur-Birol; (v) Singhabad-Rohanpur. Another important national highway (NH 40) from the Bangladesh border towards north-eastern region in India relates to Shillong-Dawki (Bangladesh). This road also needs to be upgraded to four-lane international standards.

## 9. Rail Linkages

9.1 At present, there are only four operative interchange points between India and Bangladesh railways (mentioned below). Significantly, all these points are located on the western side of Bangladesh. The northern side rail links (Haldibari-Chilahati; Gitalda-Moghulhat) were closed two decades ago. While, on the eastern side, Mahishasan-Shahbazpur metre gauge link was closed in 1997 due to extensive damage caused by floods.

| *Broad gauge* | *Metre gauge* |
|---|---|
| Petrapole-Benapole<br>Gede-Darsana<br>Singhabad-Rohanpur | Radhikapur-Birol* |

9.2 Indian Railways have adopted a unigauge policy and are systematically converting metre gauge routes into broad gauge. In pursuance of this policy, IR has recently converted the metre gauge link into broad gauge upto Radhikapur. This has meant temporary closure of the interchange point. Bangladesh railways' long term plans are based on a core network of broad gauge standards. BR is, therefore, in the process of either converting the metre gauge lines to broad gauge or providing dual gauge facilities on selected sections. As a part of this planned exercise, broad gauge link upto Birol, would be provided shortly, thereby reviving Radhikapur-Birol interchange point.

9.3 Another significant development in Bangladesh has been the provision of a road-cum-rail bridge over the river Jamuna. The rail tracks over the bridge are suitable for both metre and broad gauge operations. The metre gauge rails have been laid within broad gauge to meet the requirements of guard rails. There are, however, load limitations over the bridge: axle load of 18 tonnes and trailing load not exceeding 43.7 Kilo Newton/meter.

9.4 The load limitations mean that the Indian Railways' freight wagons having a carrying capacity of 55 tonnes cannot run over the bridge. However, these restrictions are well within the permissible range of ISO container loading. The loading capacity on the bridge can, however, be increased by suitable re-engineering like replacement of concrete parapets by lighter material and reducing surfacing thickness and load regulation of road traffic. BR has approached ADB for carrying out a study with a view to overcoming the existing limitations.

9.5 BR has provided a broad gauge link of 99 km from Jamtoil on the western side of the bridge to Joydevpur on the eastern side, which is located 35 km short of Dhaka. It proposes to extend the broad gauge line upto Dhaka in the near future. The broad gauge

* Note: The rail route upto Radhikapur in India has since been converted into broad gauge.

line has been laid by providing a third rail alongside the metre gauge track, thereby facilitating dual gauge operations.

9.6 The above-mentioned developments both in IR and BR are important for transport logistics of bilateral trade between India and Bangladesh. In the long run, these improvements would enable the goods trains from both the countries to cross the river Jamuna without any cargo transhipment enroute. This would reduce the cost and the transit time. At present, the goods are often transhipped to inland water transport for onward carriage to destinations on the eastern side of river Jamuna.

9.7 Bangladesh railways were at one time an integral part of the Indian railway system. However, over the years, the loading capacities of rolling stock, size of trains, and braking systems of the two railways have become different. For example, while the passing loops of BR can accommodate the equivalent of 55, 4-wheeler wagons, the passing loops of IR can accommodate much longer trains. The differences in ground infrastructure and technology platforms thus affect the rate of acceptance of goods trains from India.

9.8 At present, Indian rakes crossing the border are broken into smaller units and hauled short distances to convenient destinations for unloading/transhipment. Furthermore, BR does not have adequate warehousing facilities to hold a full train load. Nearly 40 percent of cargoes are transhipped at Noapara (a river port about 96 km from Darsana) onto inland water transport barges and about 25 percent of the cargo destined for the north of Bangladesh are transferred at Ullapara (50 km south of Bogra) into road vehicles. Only in about 25% of cases does the whole rake move to a single destination. Inadequate capacity at the transfer points causes detentions to the rolling stock in Bangladesh and frequently backs up into India. Detentions upto 7 days are not uncommon.

9.9 The goods trains from India destined for Petrapole or Gede undergo joint train examination by the staff of the two railways at Ranaghat railway station. The joint examination takes about two and a half hours, during which period the customs examination is also carried out. The customs working hours are, however, from 6.00 to 16.00 hours which means that the trains arriving beyond the stipulated timings have to wait at the stations for customs checks for much longer periods.

9.10 When a rake of export goods arrives at Ranaghat, IR authorities submit a ‘vehicle guidance’ chit to customs. This lists the wagon numbers, types of wagons, commodity carried and tonnage. Clearing agents submit the packing list, letter of credit and commercial invoice. Customs then check a sample of some 5-10 percent of the wagons, although they do not empty them. This is followed by the placing of lead seals on the

doors of all the wagons. At Gede, there is a final check by customs staff to ensure that the seals are intact, however, no such check is carried out at Petrapole (only papers are examined). It may, however, be noted that dwell times of 3-4 days of the export rakes in the marshalling yard at Ranaghat are not uncommon due to capacity constraints in the Bangladesh railway system.

9.11 The trains interchanged through Gede have to wait on an average for one and a half hours at Gede for acceptance by BR, during which period the customs staff check that the customs seals affixed at Ranaghat are intact. Interestingly, in case of trains interchanged through Petrapole, no such examination is carried out and the waiting period is consequently much less. Indian locomotives and crew haul the trains upto Darsana in Bangladesh. In case of Petrapole, the locomotives haul the train upto Benapole in Bangladesh. The average total time taken for onward delivery of a rake from Ranaghat to Darsana is estimated as five hours.

9.12 Table 19 shows the number of trains interchanged at the four interchange points for the last three years beginning 2002-03. It also shows details of the commodities transported by rail. Rakes consist normally of 50-58, eight-wheel wagons, each with a capacity of 55 tonnes – the equivalent of 70, four-wheel wagons each with a capacity of 23 tonnes.

**Table 19: Number of trains and wagons (in terms of 4-wheeler stock) made over to Bangladesh Railways**

| Year | Total | | | Commodities (No. of wagons) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of trains | No. of wagons | Tonnes | Food-grains | Stone & concrete sleepers | Soybean | Tobacco | Gypsum clinker, cinder | General goods |
| **Petrapole-Benapole** | | | | | | | | | |
| 2002-03 | 202 | 15170.0 | 337000 | 14887.5 | 7.5 | – | – | – | 275.0 |
| 2003-04 | 233 | 16205.0 | 360000 | 14367.5 | – | – | – | – | 1837.5 |
| 2004-05 | 189 | 12562.5 | 278000 | 9170.0 | – | – | – | – | 3392.5 |
| **Singhabad- Rohanpur** | | | | | | | | | |
| 2002-03 | 300 | 21685.0 | 451611.5 | 12675.0 | 8935.0 | – | 72.5 | – | 2.5 |
| 2003-04 | 242 | 17267.5 | 386486.0 | 10275.0 | 5842.5 | 327.5 | – | 430.5 | – |
| 2004-05 | 208 | 14620.0 | 316612.0 | 8626.5 | 2220.0 | | 400.0 | 2325.0 | – |
| **Gede-Darsana** | | | | | | | | | |
| 2002-03 | 668 | 55047.0 | 1221000 | 39965.0 | 925.0 | – | – | – | 14157.0 |
| 2003-04 | 572 | 46834.5 | 1038000 | 27062.5 | 725.0 | – | – | – | 19047.0 |
| 2004-05 | 509 | 40865.0 | 906000 | 24757.5 | 537.5 | – | – | – | 15570.0 |
| **Radhikapur-Birol** | | | | | | | | | |
| 2002-03 | 118 | 4424.0 | 63760 | 2012 | – | – | 2164 | – | 248 |
| 2003-04 | 149 | 6514.0 | 100690 | 3812 | – | – | 2114 | – | 588 |
| 2004-05 | 144 | 6672.0 | 105382 | 4482 | – | – | 2036 | – | 154 |

9.13 It would be seen that Gede-Darsana and Petrapole-Benapole account for maximum interchange by rail. There are no constraints on the Indian side regarding the number of rakes that can be delivered to Bangladesh. Indian Railways collect a wagon hire charge from BR for the use of its wagons while outside India. The charge is Rs.266 per four-wheeler (or 2.5 times this rate for BCX wagons) per day, which rises to a punitive rate of three times these values after 10 days.

9.14 The data furnished in the table also shows that the railways are carrying mostly low-value bulk commodities – foodgrains, general goods, stones, ballast, concrete sleepers, gypsum, tobacco, etc. Foodgrains constitute the maximum proportion of the total traffic. The self-sufficiency of foodgrains in Bangladesh determines the number of trains interchanged between the two railways. On return from Bangladesh, the commodities mostly include jute and fertilizers. Table 20 shows the composition of the commodities received by rail at Radhikapur; at other stations, only the empty stock is returned.

**Table 20: Composition of the commodities received by rail at Radhikapur**

| Year | Commodities (No. of wagons) | |
|---|---|---|
| | Jute | Urea |
| 2002-03 | 1394 | 0 |
| 2003-04 | 902 | 1432 |
| 2004-05 | 884 | 1591 |

9.15 Taken all together, the two railway systems, having drifted apart in the past are once again trying to become compatible with each other. The provision of a road-cum-rail bridge over the river Jamuna in Bangladesh is a significant development which would permit through traffic without transhipment enroute. The rail traffic from India is the mainstay of the Bangladesh railways, accounting for nearly 40 percent of its total freight traffic. These volumes can increase, even in the short run, if the container trains are permitted over the Jamuna bridge and the related container handling infrastructure is developed on the eastern side. Needless to mention that the volumes would further increase if Bangladesh chooses to become a transport hub for the region.

## 10. Inland Water Transport

10.1 India and Bangladesh have a bilateral 'Protocol on Inland Water Transit and Trade' for nearly two decades providing water transit between Kolkata and two points in Assam. This Protocol was renewed at every two years interval; lately the periodicity of these intervals has become short. Central Inland Water Transport Corporation (CIWTC) and Bangladesh Inland Water Transport Corporation (BIWTC) are the two executing agencies on behalf of India and Bangladesh, respectively.

10.2 The salient features of the Protocol include payment of an annual conservancy charge (US$ 0.44 million – Rs. 2 crore) by India for the maintenance of waterways in

Bangladesh used for its transit traffic. Vessels carrying transit cargo through one country are not to engage in inter-country trade. The inter-country trade and transit cargo is to be shared on an equal tonnage basis (i.e. 50:50) by the vessels of the two countries to and from ports of call/customs stations. The freight charges for inter-country trade cargo are to be fixed in US dollars. In case of transit cargo, the same is to be fixed in Indian rupees to be remitted to Bangladesh in US dollars.

10.3 Under the Protocol, each side has provided four ports for loading and unloading of commodities. India has provided Kolkata, Haldia, Karimganj and Pandu ports, while Bangladesh has provided Narayanganj, Khulna, Mongla and Shirajganj ports. Kolkata and Haldia ports are located on the river Hooghly. Pandu is located on the river Brahmaputra while Karimganj is located on the river Kushiara in Assam.

10.4 The following night halt points have been nominated for Indian vessels while in Bangladesh.

1. Chalna
2. Morelganj
3. Barisal
4. Chandpur
5. Mawa
6. Aricha
7. Sirajganj
8. Bahadurbad
9. Chilmari
10. Daikhawa
11. Baidderbazar
12. Bhairabbazar
13. Ajmiriganj
14. Sherpur
15. Fenchuganj

10.5 The Protocol (October 2001) provides inter-country and transit traffic along the following routes (Map 1).

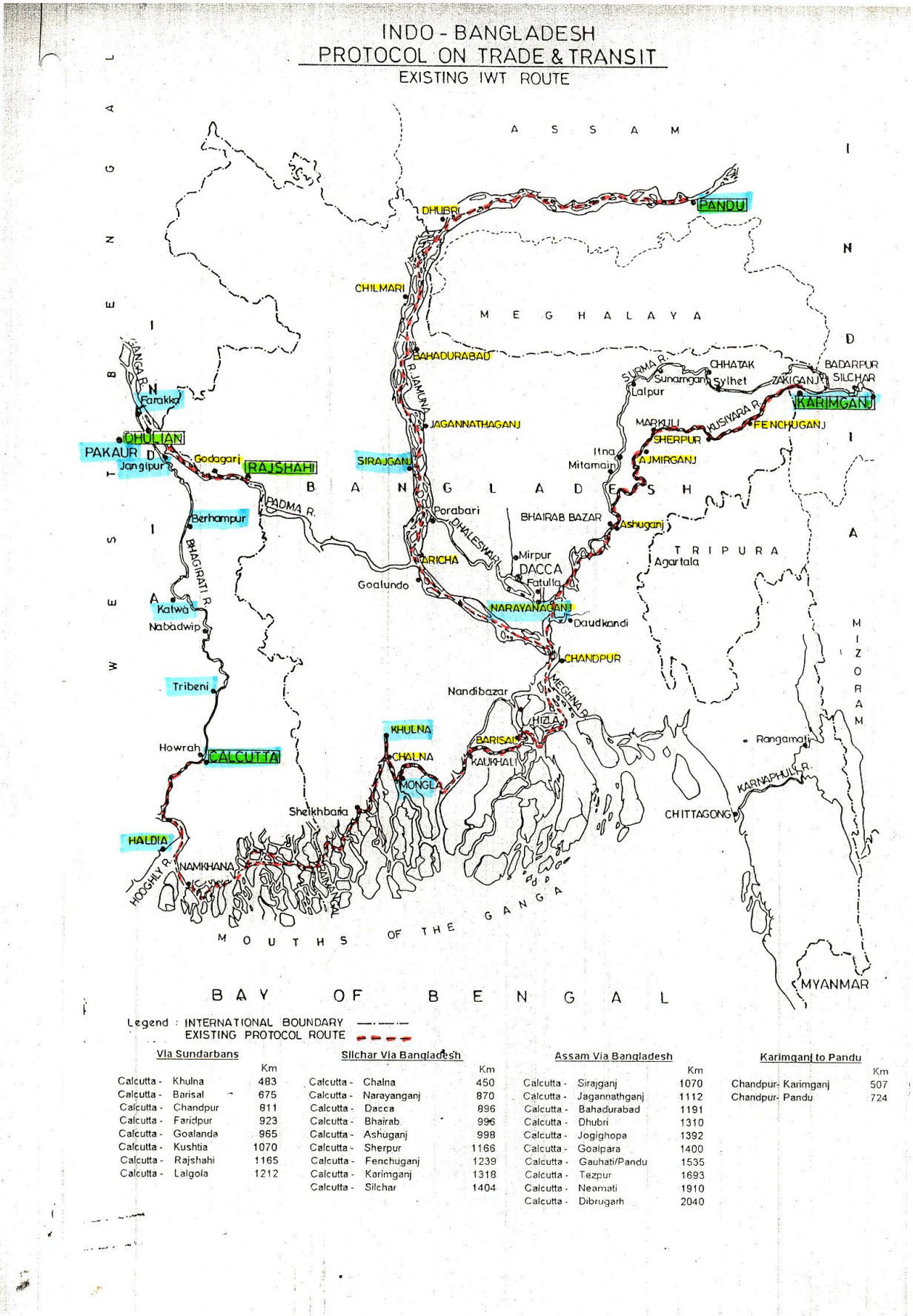
(i) *Kolkata/Haldia* – Namkhana (Indian customs point) - Raimangal (border) - Shekbaria (Bangladesh customs point) - Chalna - Kaukhali - Barisal – Chandpur - Mohanpur - Chilmari (Bangladesh exit customs point for Indian vessels) - Dhubri - *Pandu* (in Assam) and the return route;

(ii) *Kolkata/Haldia* – Namkhana (Indian customs point) - Raimangal (border) - Shekbaria (Bangladesh customs point) - Chalna - Kaukhali -Barisal - Chandpur - Narayanganj - Bhairabbazar - Azmerigunj - Markuri -Sherpur - Zakhigunj (Bangladesh exit customs point for Indian vessels) -*Karimganj* (in Assam) and the return route;

(iii) *Kolkata/Haldia* – Namkhana (Indian customs point)-Raimangal (border) - Shekbaria (Bangladesh customs point) - Chalna -Kaukhali-Barisal-Chandpur-*Narayanganj* and the return route;

(iv) *Kolkata/Haldia* – Namkhana (Indian customs point)-Raimangal (border)-Shekbaria (Bangladesh customs point)-Chalna-Khulna-*Mongla* and the return route;

***Map 1***




| Via Sundarbans | | Km |
|---|---|---|
| Calcutta - | Khulna | 483 |
| Calcutta - | Barisal | 675 |
| Calcutta - | Chandpur | 811 |
| Calcutta - | Faridpur | 923 |
| Calcutta - | Goalanda | 965 |
| Calcutta - | Kushtia | 1070 |
| Calcutta - | Rajshahi | 1165 |
| Calcutta - | Lalgola | 1212 |

| Silchar Via Bangladesh | | Km |
|---|---|---|
| Calcutta - | Chalna | 450 |
| Calcutta - | Narayanganj | 870 |
| Calcutta - | Dacca | 896 |
| Calcutta - | Bhairab | 996 |
| Calcutta - | Ashuganj | 998 |
| Calcutta - | Sherpur | 1166 |
| Calcutta - | Fenchuganj | 1239 |
| Calcutta - | Karimganj | 1318 |
| Calcutta - | Silchar | 1404 |

| Assam Via Bangladesh | | Km |
|---|---|---|
| Calcutta - | Sirajganj | 1070 |
| Calcutta - | Jagannathganj | 1112 |
| Calcutta - | Bahadurabad | 1191 |
| Calcutta - | Dhubri | 1310 |
| Calcutta - | Jogighopa | 1392 |
| Calcutta - | Goalpara | 1400 |
| Calcutta - | Gauhati/Pandu | 1535 |
| Calcutta - | Tezpur | 1693 |
| Calcutta - | Neamati | 1910 |
| Calcutta - | Dibrugarh | 2040 |

| Karimganj to Pandu | | Km |
|---|---|---|
| Chandpur- | Karimganj | 507 |
| Chandpur- | Pandu | 724 |

10.6 The overall length of the longest riverine corridor is: 1,998 km (310 km through India, from Kolkata to the border on the Raimongal River; 796.5 km through Bangladesh and 891 km onwards through India to Sadiya on the upper reaches of the Brahmaputra River). From Kolkata to Haldia by inland water transport services is 110 km. It is then a further 200 km to the Bangladesh border.

10.7 The channel from Kolkata and Haldia (along the Bagirathi and Hooghly rivers) to the entrance to Sunderbhans has been declared as National Inland Waterway. The channel beyond the entrance though passing through the Indian portion of Sunderbhans has not so far been declared a national waterway. Consequently, night navigation facilities have been provided only upto the entrance to Sunderbhans and are not available beyond. The channel markings have, however, been provided on the entire stretch.

10.8 Presently, a 65-km stretch from the Bangladesh border at Dhubri to Buraburi in Assam is equipped with night navigation facilities. It is understood that there are plans to extend these facilities upto Dibrugarh in Assam. Terminal improvements on the river Brahmaputra are also underway which include provision of a jetty at Guwahati for handling container traffic.

10.9 The Inland Waterways Authority of India (IWAI) is required to maintain a 2-metre deep navigation channel in the Indian waterway sections. However, depths of 1.8 metre or less are known to occur frequently between Dhubri and Guwahati in Assam. Beyond Guwahati channel depth of no more than 1.5 metre is available. The shallow drafts thus permit only partially loaded vessels to navigate beyond Guwahati.

10.10 It is reported that on large stretches of the waterways in Bangladesh, the night navigation facilities are not available. Siltation of the fairways has also been reported requiring extensive dredging. Shortage of funds and dredging equipment has affected these periodic fairway maintenance operations. Periodic floods are known to have caused extensive damage to terminals at the water front. Furthermore, on a stretch of 20 km of Gabkan Canal in Sunderbhans only one-way traffic is permitted.

10.11 At Kolkata and Haldia ports, no mechanical handling equipment has been provided for loading barges. The loading and unloading operations are carried out manually. Loading times are well within 24 hours. There are no exclusive jetties for handling IWT cargo either at Kolkata/Haldia or at Narayanganj in Bangladesh. There are also no container-handling facilities at any of the locations. The Indian flotilla comprises barges of varying capacities: 600 tonnes, 750 tonnes and 1,500 tonnes. Most of the barges are fairly old.

10.12 Over the years, the traffic volumes have declined though there has been some recovery during the last four years. In recent years, new commodities like fly-ash, slag, etc. have been added, replacing some of the traditional export commodities. In case of transit traffic, the volumes have substantially gone down to as low a figure as 7,600 tonnes. During the year 2004-05, 3,39,477 metric tonnes of export cargo was moved by this mode of transport. Table 21 shows the commodities carried and the land customs stations. It would be seen that the maximum traffic comprised fly ash – 0.3 million tonnes.

**Table 21: Export cargo moved by IWT**

| Land Customs Station | Fly Ash | Lime Stone/ Gypsum | Slag/ Manganese ore | Project Cargo | Wheat/ Rice | Ginger | Miscellaneous |
|---|---|---|---|---|---|---|---|
| Karimganj | | 1300.0 | | | | 2624.2 | 885.6 |
| K. P. Dock/ Namkhana | 302431 | 21816.0 (Gypsum) | 15711 (7000 M.O) | 22655 | 20555 | | 10499.0 |
| Total | 302431 | 23116.0 | 15711 | 22655 | 20555 | 2624.2 | 11384.6 |

10.14 Container Corporation of India is planning to launch a container service between Kolkata/Haldia and Narayanganj in Bangladesh. The trials have been successfully carried out and commercial service is awaiting customs notifications. This service will not only reduce the cost but would also be competitive in terms of transit time. It has an added advantage that no transhipment is involved enroute and the goods reach the outskirts of Dhaka, closer to the industrial and consumption centres.

10.15 The export of rice from India is presently allowed only via Mongla port. This stipulation results in unnecessary transhipment of the commodity at the port onto barges for onward journey to Noapara, a riverine port on the rive Jamuna. There is no reason that this traffic should not be carried directly from Haldia/Kolkata to Noapara port. The river upto Noapara is navigable throughout the year and unnecessary transhipment enroute only adds to the costs.

10.16 The upriver journey from Kolkata to Guwahati typically requires 15 to 18 days. Downriver journeys are, however, two days shorter. Indian customs formalities are conducted at Namkhana near the western entrance to the Sunderbhans and at Dhubri on the Brahmaputra just north of the Bangladesh border. Bangladesh customs formalities are conducted at Angtihara in the Sunderbhans and Chilmari on the river Jamuna close to the Indian border.

10.17 On the Indian side, customs officials have to be individually transported by the clearing agents to the above-mentioned customs posts and given some payment by them for timely service. On the Bangladesh side, speed money has to be paid to Bangladesh pilots for escorting barges at night, even in areas where night navigation facilities have

been provided. The state-owned CIWTC is not able to make such payments and as a result suffers on this account.

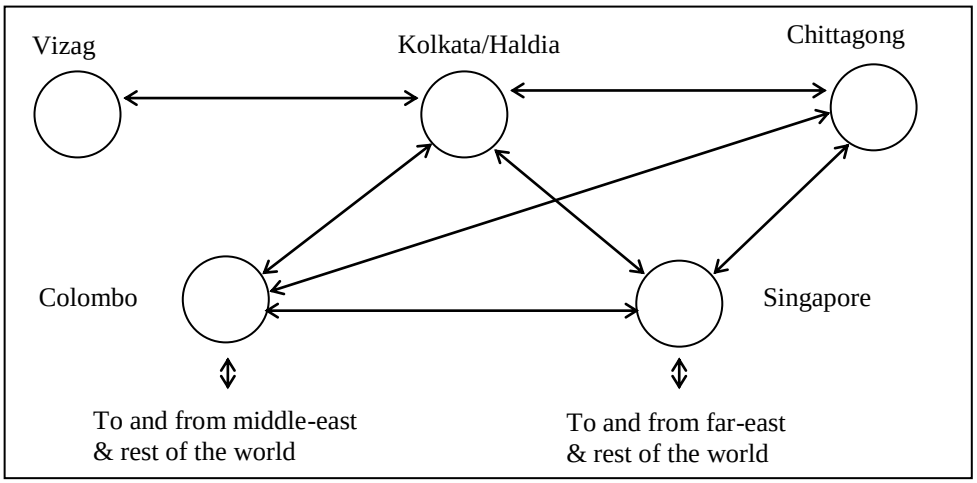
10.18 Ageing flotilla, shallow drafts, non-availability of night navigation facilities on large stretches of waterways and unhelpful customs practices are features of the inland water transport operations between India and Bangladesh. It is estimated that availability of proper night navigation facilities and stipulated drafts in the fairways will reduce the journey time from 18 to 9 days. Helpful customs procedures would further help in this regard. For instance, if cargo is carried in bagged form, it would be possible to seal the hold and to conduct customs inspections at Kolkata/Haldia and Guwahati.

10.19 The delay in renewing the Protocol creates uncertainty among the operators and the trade. This uncertainty can be removed by timely renewal of the Protocol for each successive period of five years. A new clause should be inserted, stating that extension of the Protocol for a further period of five years will be automatic unless objections to its renewal, if any, are lodged well within twelve months of its formal expiry date.

## 11. Maritime Transport

11.1 There are no direct sailings between the ports of India and Bangladesh. The exports by sea are generally routed through major hub ports – Colombo (Sri Lanka), Salala (Oman), Singapore. This involves circuitous routings and consequentially excessive transit time. A feeder service, linking Visakhapatnam, Kolkata and Chittagong ports, has recently been started. This service will reduce the transit time from these ports on the east coast of India to Chittagong.

**Liner Shipping Networks**




11.2 Table 22 shows typical transit time from the ports located on the west coast of India to Chittagong through different transhipment hubs. The transit time includes the sailing time on the various legs and detentions at the hubs.

**Table 22: Typical Transit Time**

| Sl No. | Sea route | Transit time (days) |
|---|---|---|
| (i) | Mumbai – Chittagong (via Singapore) | 36 |
| (ii) | Mumbai – Chittagong (via Colombo) | 25 |
| (iii) | Pipavav – Chittagong (via Salala – Colombo) | 28 |

11.3 Table 23 shows bilateral sea trade for the year 2003-04 along with port-wise break-up. The maximum trade takes place through the gateway ports of Jawaharlal Nehru, Kandla and Vizag. The ports on the west coast of India account for around two-third of the total sea-borne trade, the share of the east coast ports being only one-third.

**Table 23: Sea-borne Trade in 2003-04**

*(in '000 tons)*

| Port | | Export | Import | Total |
|---|---|---|---|---|
| ***West coast ports*** | Jawaharlal Nehru | 215 | 32 | 247 |
| | Mumbai | 60 | 7 | 67 |
| | Kandla | 170 | 8 | 178 |
| | Cochin | 8 | 0 | 8 |
| ***East coast ports*** | Kolkata | 43 | 18 | 61 |
| | Haldia | 29 | 11 | 40 |
| | Vizag | 48 | 12 | 60 |
| | Paradip | 23 | 4 | 27 |
| | Chennai | 27 | 10 | 37 |
| | Tuticorin | 20 | 5 | 25 |
| Total | | 643 | 107 | 750 |

*Source:* Ministry of Shipping, Government of India.

11.4 In addition to the above, Pipavav port on the west coast has recently started container traffic. This port is closest and well-connected to the industrial centres in the northern India and is served by larger container vessels. Table 24 shows indicative transit time for a 20 ft container booked from Ludhiana in northern India to Chittagong port in Bangladesh. The journey included a land portion from Ludhiana to Pipavav which was covered by rail. The sea routing included transhipment at Salala and Colombo hub ports.

**Table 24: Indicative Transit Time**

| Activity | Time (in days) |
|---|---|
| Time taken for movement of loaded container from the manufacturing unit to the inland container depot at Ludhiana | 1 |
| Dwell time at ICD Ludhiana | 2 |
| Journey time by rail from Ludhiana to Pipavav | 3 |
| Dwell time at Pipavav | 3 |
| Sailing time from Pipavav to Salala | 3 |
| Dwell time at Salala | 7 |
| Sailing time from Salala to Colombo | 7 |
| Dwell time at Colombo | 1 |
| Sailing time from Colombo to Chittagong | 7 |
| Total | 34 |

11.5 Table 25 shows the indicative transportation charges for the above-mentioned shipment of a 20 ft loaded container by different sea routings. The cost component includes the container hire charges, handling charges at the terminals, processing charges and rail and ocean freight charges.

**Table 25: Indicative Costs**

| Cost component | Via JNPT – Colombo | Via JNPT – Singapore | Via Pipavav-Salala-Colombo |
|---|---|---|---|
| Transportation charges from manufacturing unit to the inland container depot | Rs. 2,500 | Rs. 2,500 | Rs. 2,500 |
| Handling charges at ICD | Rs. 2,000 | Rs. 2,000 | Rs. 2,000 |
| Customs processing charges | Rs. 1,000 | Rs. 1,000 | Rs. 1,000 |
| Rail freight | Rs. 20,000 | Rs. 20,000 | Rs. 18,000 |
| Port handling charges | Rs. 4,500 | Rs. 4,500 | Rs. 4,500 |
| Container hire/positioning charges | Rs. 8,000 | Rs. 8,000 | Rs. 6,000 |
| Ocean freight | Rs. 52,800 | Rs. 61,600 | Rs. 61,600 |
| Total | Rs. 90,800 | Rs. 99,600 | Rs. 95,600 |

11.6 The circuitous land-cum-sea routes, in the absence of direct sailings, are time-consuming and expensive. The commissioning of Bangabandhu Setu over river Jamuna provides an opportunity for overland transportation without multiple transhipments enroute. It has the potential of significantly reducing the transit time as well as the transportation charges. Table 26 gives indicative cost of dispatching a container from Ludhiana to Dhaka by all-rail route.

**Table 26: Indicative cost by all-rail route**

| | |
|---|---|
| Cost of transferring cargo to ICD | Rs. 2,500 |
| ICD handling charges | Rs. 2,000 |
| Rail freight (upto Kolkata) | Rs. 22,700 |
| Customs clearance charges | Rs. 1,000 |
| Container hire charges | Rs. 8,000 |
| Rail freight from Kolkata to Dhaka | Rs 24,000 |
| **Total** | **Rs. 60,200** |

11.7 It would be seen from the above that the overland route is cheaper by about 35 percent. What is more significant is the saving in transit time. A journey of 34 days by land-cum-sea routes could be performed in 9 to 10 days. The savings both in time and costs clearly underscore the need for development of multimodal infrastructure in

Bangladesh for transportation of containers by rail over the Jamuna bridge (see also paras 9.4, 9.5 & 9.6).

11.8 Taken all together, near absence of direct sailings from the ports of India to Bangladesh adversely affect transit time as also the transportation costs. Considering the volumes of traffic, these sailings may not materialise in the near future. Fortunately, with the provision of a road-cum-rail bridge over the river Jamuna, a direct overland route has become available which is certainly a better alternative to the land-cum-sea routings. This overland route has the huge potential of substantially improving the trade logistics – reduction of 35 percent in costs and 70 percent in transit time. It would, therefore, be in the long-term interests of India to extend financial and technical support for the development of multimodal infrastructure in Bangladesh.

***Transit time by different modes***

11.9 Table 27 summarises the estimated transit time from typical export locations in India to a specified destination (Dhaka) in Bangladesh, by different modes of transport. The transit time on the Indian portion of the journey is based on the field data analysed in the earlier parts of this report. The transit time for haulage in Bangladesh is based on the past studies carried out by AITD for Indo-Bangladesh Chambers of Commerce.

**Table 27: Estimated Transit Time by different Modes of Transport**

| Mode of transport | Route | Transhipment points enroute and modes used | Typical transit time in India | Typical transit time in Bangladesh | Total transit time |
|---|---|---|---|---|---|
| Rail | Delhi-Naihati-Gede-Noapara-Dhaka | 2<br>Noapara, Narayanganj<br>(Rail, IWT, Road) | 8 days | 6.5 days | 14.5 days |
| IWT | Kolkata/Haldia-Namkhana-Narayanganj-Dhaka | 1<br>Narayanganj<br>(IWT, Road) | 4 days | 15 days | 19 days |
| Maritime | Pipavav-Chittagong (via Salala-Colombo) | 1<br>Chittagong<br>(Shipping, Rail/Road) | - | 5 days | 33 days |
| Road | Kolkata-Petrapole-Benapole-Noapara-Narayanganj-Dhaka | 3<br>Benapole, Noapara, Narayanganj<br>(Road, IWT, Road) | 6.2 days | 9 days | 15.2 days |

Note: The transit time for rail journey assumes a transport output of 300 km per day. It also includes a detention of 2-3 days at Ranaghat for acceptance by Bangladesh Railways.

11.10 The data presented above brings out that the advantage of geographical proximity of the two countries is getting eroded due to inefficient and complex transport logistics,

which involve multiple transhipments and inordinate detentions at trade interchange points. This necessarily translates into higher transport costs thereby impacting the consumer welfare.

**12. Exports by Air from Delhi**

12.1 India exports life-saving drugs and pharmaceuticals to Bangladesh. These products being costly are mostly sent by air. Every export and import by air involves essentially four agencies, namely, exporter/importer, customs, airlines and the terminal operator (primarily, the Airports Authority of India). For the export of drugs, a certificate from the Drugs Controller is also required.

12.2 The Airports Authority provides the services of loading and unloading of cargo on the landside, storage of cargo, processing of cargo including its movement within the cargo terminal. It also provides certain other services, such as unitization of export cargo and de-stuffing of unitized import cargo. It also provides, through concessionaires, certain essential facilities, such as screening of export cargo (X-ray machines are provided by AAI) photocopying, sale of stamps, catering, etc. The concessionaire of these services collects his charges depending upon the use.

12.3 The following two charts show the various major steps in the flow of export and import cargo. They indicate the sequential activities, a few of which can also be performed in parallel. Each activity requires its own discrete documentation and interface with various agencies and their officials. It has been reported that while the export flow has since been expedited, the same cannot be said for the imports. In their case, the dwell time is much higher, an average of 8 days. The maximum delay takes place in filing of bill of entry by the importer/agent. The customs examination and assessment also takes longer in the case of imports than in the case of exports.

12.4 The cargo complex at Delhi Airport is open from 10 AM to 8.00 PM. Customs offices and banks are open up to 8.00 PM. AAI offices are open round the clock for receiving and delivering the cargo to the airlines. In this context, it may be mentioned that practices in regard to handling export and import cargo vary from country to country. In most developed countries, cargo is handled by the airlines in the cargo terminal constructed by them on land leased from the Airport operator or the building leased from the Airport operator.

## Export Cargo Flow Chart

Enter into contract with the importer in foreign country

↓

Obtain Import/Export Code number from the Director General Foreign Trade

↓

Make cargo ready for export

↓

File Shipping Bill with Customs

↓

Select an airline to transport cargo

↓

Make bookings with the airline and collect Airway Bill and Carting Order

↓

Pay terminal charges to the Airports Authority

↓

Bring cargo to the cargo terminal and unload cargo through truck docking area

↓

Have cargo weighed, marks and numbers of packages checked

↓

Move cargo to bonded area except packages which are marked by Customs

↓

Have marked packages examined by Customs

↓

If everything is OK move the examined baggage with other baggage

↓

Pay duty or cess, if any

↓

Baggage is screened by x-ray

↓

Airline gives loading instructions

↓

Airports Authority gets the containers/pallets stuffed

↓

Containers and pallets are locked and stored and locations marked

↓

Airline approaches Airports Authority and takes release of cargo

↓

Cargo is moved by the airline representative near the aircraft parking

↓

Cargo is loaded by the airline representative in the aircraft

↓

Aircraft with cargo departs

**Import Cargo Flow Chart**

Aircraft carrying cargo arrives at the airport and is parked at the designated stand

↓

Airline obtains off-loading permission from Customs

↓

Customs allots a rotation number from its EDI

↓

Airline transports cargo to the cargo terminal with all the documents

↓

Individual containers and pallets are opened and tallied with cargo manifest

↓

Individual locations are assigned for storage of cargo

↓

Airline notifies the consignee

↓

Consignee approaches the airline and obtains delivery order

↓

Consignee files the Bill of Entry with Customs

↓

Customs checks the details and marks the number of packages to be examined

↓

Customs requests Airports Authority to forward packages to be examined

↓

Airports Authority produces the packages for Customs examination

↓

Customs duty is assessed by them

↓

Importer pays customs duty

↓

Customs gives ‘out of charge’, i.e. Customs clearance

↓

Importer approaches Airports Authority for applicable charges

↓

Airports Authority produces a challan

↓

Importer pays the charge and collects the Gate Pass

↓

Consignee is permitted to load his cargo in trucks and move out of the cargo area

***Number of signatures required***

12.5 Although apart from the exporter/importer there are primarily four main agencies at the airport, namely, the Airports Authority, the Customs, other Government regulatory agencies and the airlines, the number of signatures required from these agencies is indeed large. This requirement indicates the complexity involved in the processing of cargo. The total number of signatures required presently for exports is approximately 30 and for imports 35. These signatures signify that the exporter/importer has completed all the regulatory formalities and has in his possession all the required documents/information. The various steps and the signatures required, apart from the signatures of exporter/importer are presented in Tables 28 and 29.

**Table 28: Number of signatures required for exports at the airport**

| Sr. No. | Activity/location | Number of signatures required |
|---|---|---|
| 1 | Up to truck docking gate | 3 |
| 2 | Examination area, weighment, etc | 3 |
| 3 | Examination process | 5 |
| 4 | Bonded area, security, etc | 4 |
| 5 | Handing over documents to airlines | 2 |
| 6 | Loading steps | 3 |
| 7 | After loading steps, stacking of cargo, etc | 5 |
| 8 | Release permit | 3 |
| 9 | Final Manifest | 2 |
| 10 | Total | 30 |

**Table 29: Number of signatures required for imports at the airport**

| Sr. No. | Activity/location | Number of signatures required |
|---|---|---|
| 1 | Flight check-documents provided by airlines, customs | 3 |
| 2 | Handing over documents to AAI | 2 |
| 3 | Bringing the container, pallet, bulk cargo to terminal | 3 |
| 4 | De-stuffing and preparation of segregation report | 6 |
| 5 | Submission of documents for Customs examination | 4 |
| 6 | Issue of location number | 4 |
| 7 | Opening of packages for Customs examination | 2 |
| 8 | After examination ‘out of charge’ certificate | 3 |
| 9 | Preparation of challan, collection of AAI charges | 3 |
| 10 | Issue of Gate Pass, release of cargo, security check | 5 |
| 11 | Total | 35 |

***Cost of handling exports/imports to/from Bangladesh through Delhi Airport***

12.6 The cost of handling medicines, textiles and leather products is almost the same. Data has been collected formally and informally about the cost of exports. Table 30 sets out the cost data.

**Table 30: Cost of Handling Exports to Bangladesh through Delhi Airport**

| Sr. No | Item of cost* | Cost per tonne (Rs) |
|---|---|---|
| 1 | Cost of filling the prescribed forms | 500 |
| 2 | Cost of transportation from warehouse to airport (truck operator) | 600 |
| 3 | Parking charges for vehicles levied by AAI | 60 |
| 4 | Terminal charges levied by AAI | 700 |
| 5 | Airway Bill by airline | 50 |
| 6 | Freight charges levied by airline | 50,000 |
| 7 | Carting order by airline | 250 |
| 8 | Unpacking/repacking of package required by customs | 50 |
| 9 | Disbursing charge levied by airline | 1000 |
| 10 | X-ray charges collected by airline** | 750 |
| 11 | Misc. charges | 725 |
| | Total | 54,685 |

* Among different items of costs, the charges at serial numbers 1, 3, 5 and 7 are essentially consignment-based while for other items the charges are based on weight/volume of the cargo.

** Whereas the X-ray machines are provided by the Airports Authority of India, airlines operate the machine and recover the screening charge from the exporter. The Airports Authority levies user charges for the machines from the airlines.

***Dwell Time***

12.7 Table 31 shows the time taken by various activities related to export cargo.

**Table 31: Dwell Time for Export Cargo**

| Sl. No. | Activity | Responsibility | Time taken in hrs/mins. |
|---|---|---|---|
| 1 | Filling of Shipping Bill | Exporter/Agent | 4.00 |
| 2 | Terminal charges receipt | Custodian (AAI) | 1.20 |
| 3 | Admittance | Exporter/Agent | 4.00 |
| 4 | Examination | Customs | 4.00 |
| 5 | 'Let Export" | Customs | 1.00 |
| 6 | Shift to Bonded area | Custodian (AAI) | 6.00 |
| 7 | Upliftment | Airline | 9.00 |
| Average dwell time in hrs/minutes | | | 29.20 |
| Average dwell time in days | | | 1.22 |

## 13. Electronic Data Interchange

13.1 Customs checks and clearances are an intrinsic element of any cross-border movement of goods. In recent years, significant reforms have been carried out in the related procedures. These include simplified documentation, pre-shipment inspection and simplified tariff based on the Harmonized Code (8 digit). The customs department has also computerized the documentation and provided electronic data interchange (EDI) connectivity. Banks, airlines, shipping lines and customs house agents have also been linked with the network.

13.2 It is claimed that more than 90 percent of the transactions have been brought under the EDI facilities. It, however, appears that Indo-Bangladesh overland trade has unfortunately been bypassed. The facilities have been provided only at one location –

Petrapole. But even here, the system has not been operational for the last few months. Hence, all transactions are being carried out manually.

13.3 The existing EDI system also suffers from certain shortcomings which add to the transaction costs. For example, though the filing of declarations has been made online, a hard copy of the declaration is generated by the system, albeit at a later stage, and signed for a variety of legal and other requirements, both for the importer and the customs. Other supporting documents are also submitted for verification. Thus, many of the shortcomings associated with documentation continue to exist under the present EDI system.

13.4 Despite simplification, extensive documentation is still required, especially for imports, and these documents have to be submitted in hardcopy. A list of the principal documents that must be submitted at Petrapole LCS is shown in Table 32. It would be seen that an Indian exporter to Bangladesh has to obtain 330 signatures on 17 documents at several stages. While most of these are standard for international trade, there has been a tendency to add requirements that are purely local in nature.

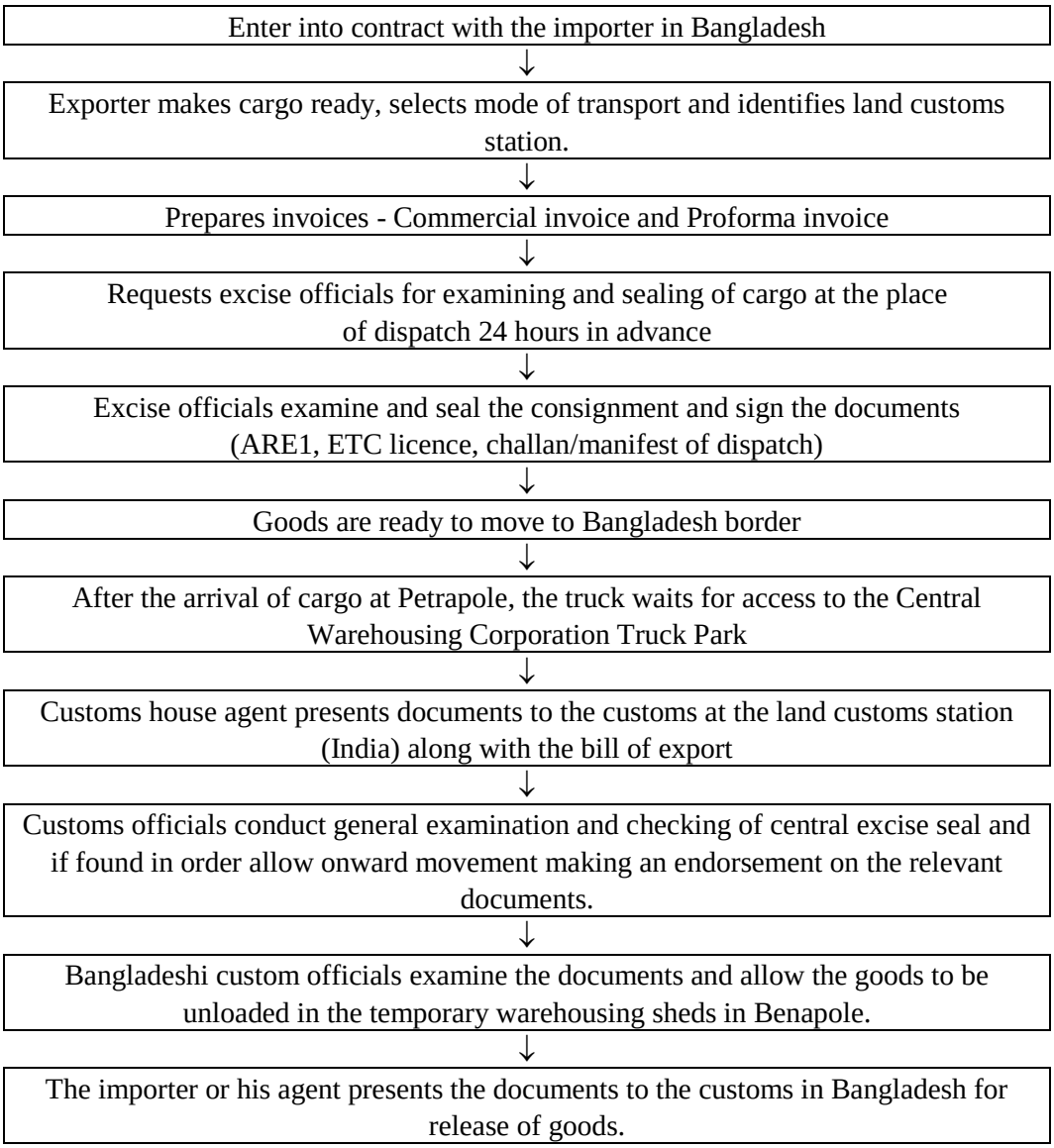
**Table 32: Documents Required for Clearance of Goods**

| | At Landport (Petrapole) | At Seaport (NSICT) | At Airport (Delhi) |
|---|---|---|---|
| 1 | Customs export declaration/ consignment note (5) | Shipping bill (6) | Shipping bill (6) |
| 2 | Bill of lading (5) | Packing list (6) | Export invoice (6) |
| 3 | Letter of credit (5) | Commercial invoice (6) | Packing list (6) |
| 4 | Packing list (4) | Export invoice (6) | Tax invoice cum delivery challan (6) |
| 5 | Exchange control declaration (GR) form (6) | Certificate of origin (4) | Exchange control declaration (GR) form (6) |
| 6 | AR4/AR4A form (8) | Exchange declaration (4) | Airway bill (8) |
| 7 | ETC licence (2) | Bill of lading (6) | Carting order from airways (4) |
| 8 | QC certificate (2) | Certificate of export realisation (4) | |
| 9 | Letter of intent (4) | ARE1 form (8) | |
| 10 | Certificate of origin (4) | Certificate of insurance (4) | |
| 11 | Certificate of insurance (4) | Contract form (4) | |
| 12 | DEPB original | Letter of credit (6) | |
| 13 | DEPB declaration (4) | Shipping advice (6) | |
| 14 | Export invoice (4) | FEMA declaration form (4) | |
| 15 | Certificate of export realisation (4) | | |
| 16 | Licence forwarding letter (DEPB – post export) (4) | | |
| 17 | Certificate of insurance (4) | | |
| | Total documents = 17<br>No of copies = 67<br>No of signatures = 330 | Total documents = 14<br>No of copies = 74<br>No of signatures = 296 | Total documents = 7<br>No of copies = 42<br>No of signatures = 168 |

Note: (1) Figures in parentheses indicate number of copies (2) The forms are explained in Annexure 3.

13.5 The chart below shows the salient stages of the export procedure to Bangladesh.

**Procedure for Exports to Bangladesh**




## 14. Export Credit

14.1 The easy availability of short-term export finance plays a crucial role in trade facilitation. This takes the form of working capital loans to exporters at the pre- and post-shipment stages. The credit limit sanctioned by banks to exporters is based on the exporter's creditworthiness and past performance. Export finance is granted in rupees as well as in foreign currency. Although timely export credit used to be a problem until a few years ago, it is no longer so for a large segment of trade.

14.2 The Reserve Bank of India (RBI) has initiated several measures in recent years to ensure a timely and hassle-free flow of credit to the export sector. These measures include liberalization of export credit interest rates, flexibility in pre-shipment credit,

special financial packages for large value exporters, export finance for agricultural exports, etc. Banks have also been granted freedom by the RBI to source funds from abroad without any limit exclusively for granting export credit in foreign currency. This has enabled banks to increase export credit in foreign currency substantially. For both types of pre-shipment financing, there is a ceiling on the interest rate chargeable to borrowers. Since the RBI fixes only the ceiling rate for export credit, banks are free to charge lower rates after taking into account the track record and the risk perception of the borrower/exporter. This has helped to create a competitive environment for availability of export credit.

14.3 An interaction with exporters at Kolkata, Ludhiana and Ahmedabad brought out a high level of satisfaction relating to export credit delivery system. The small and medium exporters, however, complained that the system favours large export houses while their cases suffer delays. Their main grievance is that the banks do not adhere to the timeframe prescribed by the RBI for dealing with applications for export credit. They also complain that the banks raise piecemeal queries, resulting in delays or rejection of loan applications. Another problem is that while large corporate exporters get the benefit of lower interest rates, small and medium exporters don't. Since it is very difficult for small and medium exporters to shop for lower rates amongst banks, they are unable to take advantage of the competition among banks. Thus, it is mainly the small and medium exporters who continue to face problems.

14.4 In May 2004, the RBI had announced the Gold Card Scheme, which puts exporters on the fast track for export credit sanction. Only some of the banks have made progress in issuing these cards and only large corporate exporters have been issued such cards. The position regarding issue of Gold Cards to eligible exporters as on 25 April 2005 was as under (Table 33):

**Table 33: Issue of Gold Cards to Exporters (as on 25 April 2005)**

| Name of Bank | No. of Cards Issued |
|---|---|
| State Bank of India | 1004 |
| Bank of India | 667 |
| Punjab National Bank | 396 |
| Canara Bank | 390 |
| Bank of Baroda | 187 |
| Indian Overseas Bank | 112 |
| Central Bank of India | 79 |
| Syndicate Bank | 65 |
| Vijaya Bank | 25 |
| ICICI Bank | 19 |

14.5 The reasons for this slow progress in the implementation of the scheme can be attributed to delay in assessing the credit risk, cumbersome procedures laid down by some banks and failure of the banks to implement the Scheme in the case of small and medium borrowers.

14.6 To remedy the situation, banks should change the attitude of officials to exporters' credit requirements, especially the small and medium exporters. They need to evolve control and reporting mechanisms to ensure that the applications for export credit especially from small and medium exporters are disposed of within the prescribed timeframe and queries are raised in one go. The banks must also find out alternatives to collateral security.

*Annexure 1*

## Broad Trade Indicators of South Asia

| Country | Exports (US$ bn) | Imports (US$ bn) | Trade % of GDP | Principal Exports | Principal Imports |
|---|---|---|---|---|---|
| India | 68.3 | 92.7 | 24.4 | Engineering goods ($12.2 bn)<br>Gems & jewellery ($10.5 bn)<br>Textiles ($6.5 bn)<br>Chemicals ($6.3 bn)<br>Finished Garments ($6.1 bn) | Petrol and products ($20.6 bn)<br>Capital goods ($9.8 bn)<br>Electronic goods ($7.5 bn)<br>Precious & semi-prec stones<br>($7.1 bn) Chemicals ($6.2 bn) |
| Pakistan | 15.2 | 18.4 | 42.3 | Finished Garments ($1.7 bn)<br>Cotton cloth ($1.1 bn)<br>Cotton yarn ($0.93 bn)<br>Rice ($0.448 bn)<br>Synthetic textiles<br>($0.441 bn) 2002 figures | Petrol & products ($2.81 bn)<br>Machinery ($1.58 bn)<br>Chemicals ($1.34 bn)<br>Trans. Equip ($0.498 bn)<br>Iron & steel ($0.401 bn)<br>2002 figures |
| Bangladesh | 7.72 | 10.5 | 32.0 | Garments ($3.6 bn)<br>Fish, prawns ($0.321 bn)<br>Jute goods ($0.220 bn)<br>Leather, hides ($212 bn)<br>Raw jute ($0.069 bn) | Capital goods ($2.74 bn)<br>Textiles ($1.90 bn)<br>Petrol & prod ($0.09 bn)<br>Cereal, dairy prod ($0.469 bn)<br>Iron & steel ($0.455 bn) |
| Sri Lanka | 5.39 | 7.16 | 63.4 | Textiles, garments<br>($2.6 bn) Tea ($0.705 bn)<br>Diamonds, jewellery<br>($0.216 bn)<br>Petroleum ($0.065 bn) | Textiles ($1.37 bn), Mach. &<br>trans, equip ($0.903 bn)<br>Mineral prod ($0.754 bn)<br>Chemicals ($0.170 bn) |
| Nepal | 0.642 | 1.60 | 38.3 | Garments ($0.156 bn)<br>Wool carpets ($0.697 bn)<br>Ghee/oil ($0.050 bn)<br>Pashmina ($0.314 bn)<br>Jute goods ($0.025 bn) | Petrol products ($0.247 bn)<br>Textiles ($0.739 bn)<br>Vehicles, spares ($0.709 bn)<br>Crude palm oil ($0.066 bn)<br>Other machinery parts ($0.058) |
| Bhutan | 0.136 | 0.256 | 57.2 | N/A | N/A |

*Annexure 2*

## Broad Trade Indicators of South Asia

| **Country** | **Main Export Destination** | **Main Import Source** |
|---|---|---|
| India | US (21.9%) - $15 bn;<br>China (6.8%); UK (5.6%);<br>Hong Kong (5.1%) | US (7.7%) - $7 bn;<br>Belgium (6.4%);<br>UK (5.8%); China (5.2%) |
| Pakistan | US (21.2%) - $3.2 bn;<br>UAE (8.4%);<br>UK (6.7%);<br>Germany (5.0%);<br>Hong Kong (4.8%) 2002 figures | China (14.2%); UAE (13.6%),<br>Saudi Arabia (12.6%);<br>Kuwait (7.7%);<br>US (6.6%) - $1.2<br>2002 figures |
| Bangladesh | US (27.6%) - $2.1 bn;<br>Germany (10.4%);<br>UK (9.8%);<br>France (5.7%);<br>Italy (3.8%) 2002 figures | India (14.6%) - $1.5 bn;<br>China (11.6%);<br>Singapore (11.5%);<br>Japan (7.6%);<br>Hong Kong (5.4%) 2002 figures |
| Sri Lanka | US (33.5%) - $1.8 bn;<br>UK (11.7%); Germany (4.5%);<br>Belgium & Luxembourg (3.8%) | India (15.1%) - $1.1 bn;<br>Singapore (8.0%); Hong Kong (6.7%);<br>Japan (6.4%) |
| Nepal | India (53.3%) - $0.34 bn;<br>US (25.1%) - $0.16 bn;<br>Germany (7.0%);<br>UK (2.1%);<br>Italy (1.1%);<br>Japan (0.9%);<br>France (0.9%) | India (56.3%) – 0.9 bn;<br>Singapore (6.9%);<br>China (3.6%);<br>Malaysia (3.1%);<br>Indonesia (3.0%);<br>South Korea (2.6%);<br>Thailand (2.3%) |
| Bhutan | India (95.7%) - $0.13 bn;<br>Bangladesh (3.6%) - $0.01 bn | India (88.5%) - $0.23 bn;<br>Japan (1.7%) |

*Source: Derive from the data of Government of India.*

***Annexure 3***

*Bill of export/Shipping bill:* The detailed statement by the exporter of the nature and value of goods exported from the customhouse. In the case of goods to be exported in a vessel or aircraft, a shipping bill, and if exported by land, a bill of export in the prescribed form are required to submit at the customhouse.

*Bill of Entry:* The detailed statement by the importer of the nature and value of goods entered at the customhouse.

*Commercial invoice:* An itemized list of goods shipped, usually included among an exporter's collection papers.

*Proforma Invoice:* An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value, and important specifications (weight, size, etc.).

*Nepal Invoice:* Invoice of goods liable to central excise duty in India transmitted under central excise seal to Nepal.

*Packing List:* Packing List is a detailed list of contents of the shipment. Details of part numbers, where applicable must be mentioned.

*Shipper's Letter of Instruction (SLI):*A letter duly signed and stamped by the shipper in a specified format, declaring the shipment and the attached document details, Authorized dealer code of the Bank and the Shipper's Bank account number is needed as it instructs the broker under which scheme the shipment should be cleared.

*Sellers' Declaration Form (SDF) or Guaranteed Remittance Form (GR) or Exchange Control Declaration (ECD):* It is the declaration to the Reserve Bank of India (RBI) which indicates the currency involved in a transaction and the terms of payment specified.

*N form:* It is a declaration of the Octroi waiver (Municipal Mumbai Tax). This is filed so that BMC won't charge the Octroi as the goods are meant to be exported and is not meant for consumption in the territory of Greater Mumbai.

*Bill of Lading:* Abbreviations: B/L or b/l. A carrier's (Uniform) contract and receipt for goods which it agrees to transport from one place to another and to deliver to a designated person or assigns for compensation and upon such conditions as are stated therein.

*Certificate of Origin:* A certified document as to the origin of goods.

*Packing List:* A document which itemizes in detail the contents of a particular package or shipment.

*Air waybill:* A bill of lading that covers both domestic and international flights transporting goods to a specified destination. This is a nonnegotiable instrument of air transport that serves as a receipt for the shipper, indicating that the carrier has accepted the goods listed and obligates itself to carry the consignment to the airport of destination according to specified conditions. Compare Inland bill of lading, Ocean bill of lading, and Through bill of lading.

*Export license:* A government document that permits the licensee to export designated goods to certain destinations.

*Letter of credit (L/C):* A document, issued by a bank per instructions by a buyer of goods, authorizing the seller to draw a specified sum of money under specified terms, usually the receipt by the bank of certain documents within a given time.

*VISA/Export Certificate:* A textile Visa/Export Certificate is an endorsement in the form of a stamp on an invoice or export control license which is executed by a foreign government. It is used to control the exportation of textiles and textile products to the United States/Europe and to prohibit the unauthorized entry of the merchandise into this country. A Visa/Export Certificate is the most effective way to prevent illegal transshipments and quota fraud. It also ensures that both the foreign government and the United States/Europe count merchandise and charge quotas in the same way so that overshipments, incorrect quota charges and embargoes can be avoided. If a visa;/Export has an incorrect category/Nimex Code, quantity or other incorrect or missing data, or a shipment arrives without a visa, the entry is rejected and the merchandise is not released until the importer reports the discrepancy to the foreign government and receives a new visa/Export License from the government. This will either be issued by TEXPROCIL/SRTEPC or by AEPC.

The exporter of any goods shall make entry thereof by presenting to the proper officer in the case of goods to be exported in a vessel or aircraft, a shipping bill, and in the case of goods to be exported by land, a bill of export in the prescribed form.

*AR4/AR4A:* Application form for removal of excisable goods for export by Air/Sea/Post/Land.

*ARE1 Form:* (Application for Removal of Excisable Goods) The ARE1 Form is required when the shipper is exporting excisable goods. The Excise Officials must countersign this form. This is filled to obtain a rebate from paying Excise Duty. The customer must provide a bond for the Excise value of the goods exported. After endorsement from

customs, the copy of the form is handed over to the customer to be handed over to the range superintendent, who will cancel the bond or credit his Bond Limit.

*Duty Entitlement Pass Book Scheme (DEPB):* For exporters not interesting in going through the licensing route, an optional facility is given under DEPB. The objective of DEPB is to neutralise the incidence of customs duty on the import content of the export product. You can claim credit (which will be a percentage of the FOB value of the exports) under DEPB.

As an exporter, you will be required to maintain a record of all exports in a Pass Book. This Passbook must be enclosed with the documents, so that the necessary endorsements can be made by the customs.

In case a shipper has just applied for the DEPB, he needs to enclose an acknowledged copy of the application.

*Duty Free Replenishment Certificate (DFRC):* Duty Free Replenishment Certificate is used to a merchant-exporter or manufacture-exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty & special additional duty for products covered under the Standard Input Output Norms (SIONs). These Certificates shall be subject to a minimum value addition of 33 percent.

The exporter shall be entitled to drawback benefits in respect of any of the duty paid materials whether imported or indigenous used in the export product.

*Duty Drawback:* In order to make the Indian Manufacturers internationally competitive, the Central Government has conceded that the exports should be relieved of home taxes or any import duty paid on them. These benefits are afforded in the form of duty drawback schemes. Here the customs authorities will scrutinize the amount of drawback and they will also make the necessary endorsement on the shipping bill.

*Duty Exemption Scheme:* The Duty Exemption Scheme consists of Advance License (DEEC: Duty exemption Entitlement Certificate). The exemption is applicable for the import of raw materials, intermediates, components, consumables, parts, accessories, mandatory spares and packaging material.

*Export under Bond Procedure:* Under the second procedure known as "Exports Under Bond" goods can be exported out of India except to Nepal or Bhutan without prior payment of duty subject to the execution of the Bond with security / security for a sum equivalent to the duty chargeable on the goods to be exported. This is done under Rule 13 of Central Excise Rules which deals with export of goods in Bond as well as utilisation of raw materials etc. without payment of duty for manufacture and export of excisable goods. The following procedure has been prescribed in this regard.

*Quality control (Q.C. or QC):* is the regulation of quality performance against set standards and acting on those whose performance is below par.

*Letter of Permission (LOP)/Letter of Intent (LOI)* issued to Special Economic Zone units by the Development Commissioner shall be valid for a period of 3 years only and would be construed as a licence for all purposes, including for procurement of raw material and consumables either directly or through state trading enterprises. Each LOP/LOI shall have separate ear-marked premises and shall specify the items of manufacture/service activity, annual capacity, projected annual export for the first five years in dollar terms, Net Foreign Exchange Earnings (NFE), limitations, if any, regarding sale of finished goods, by-products and rejects in the DTA and such other matter as may be necessary and also impose such conditions as may be required

*Commercial Invoice:* This is a document provided by the seller/exporter that describes the parties involved in the shipping transaction and the goods being transported. It is the primary document used by Customs. The Commercial Invoice should include a detailed breakdown of all items included in the shipment: including any generic or scientific name, grade and quantity, composition and/or construction, the country of manufacture, the price or cost, currency used, the Harmonized System number for each commodity and the terms of delivery. The invoice should always be signed and dated by the exporter certifying that the details provided are true and correct representations of the contents covered by the Commercial Invoice. This is the basic document which provide all the relevant information with regards to the terms of trade.

*Annexure 4*

| DATA OF EXPORT / IMPORT With BANGLADESH FOR THE YEAR 2004-2005 | | | |
|---|---|---|---|
| | | | **(Value in rupees)** |
| **DIVISION: SHILLONG (EXPORT)** | | | |
| **L.C.S: DAWKI (EXPORT)** | | | |
| 1 | Coal | 311329 MT. | 554052882.00 |
| 2 | Boulder Stone | 65 MT. | 14495.00 |
| 3 | Lime Stone | 163 MT. | 42012.00 |
| 4 | Oranges | 202860 NOS. | 810360.00 |
| 5 | Citrus Fruits | 8040 NOS. | 12060.00 |
| | TOTAL | | 554931809.00 |
| **L.C.S: BORSORA (EXPORT)** | | | |
| 1 | Coal | 411328 MT. | 733725864.00 |
| 2 | Lime Stone | 29891 MT. | 7687153.00 |
| | TOTAL | | 741413017.00 |
| **L.C.S: SHELLA BAZAR (EXPORT)** | | | |
| 1 | Lime Stone | 56753 MT. | 15684614.00 |
| 2 | Boulder Stone | 1000 MT | 136980.00 |
| | TOTAL | | 15821594.00 |
| **L.C.S: BHOLAGANJ (EXPORT)** | | | |
| 1 | Lime Stone | 230696 MT. | 68415564.00 |
| 2 | boulder stone | 2210 MT. | 501538.00 |
| | TOTAL | | 68917102.00 |
| **DIVISION: DHUBRI (EXPORT)** | | | |
| **L.C.S: MAHENDRAGANJ (EXPORT)** | | | |
| 1 | coal | 2858 MT. | 5366905.00 |
| 2 | crushed stone | 8033 MT. | 4977113.00 |
| 3 | boulder stone | 944 MT. | 419351.00 |
| 4 | ginger | 344.920 MT. | 2302034.00 |
| | TOTAL | | 13065403.00 |
| **L.C.S: GHASUAPARA (EXPORT)** | | | |
| 1 | Coal | 92852.4 MT. | 174671501.00 |
| | TOTAL | | 174671501.00 |
| **L.C.S: DALU (EXPORT)** | | | |
| 1 | Coal | 35529 MT. | 68173959.00 |
| 2 | Lime Stone | 700 MT. | 189910.00 |
| 3 | Boulder Stone | 200 MT. | 72720.00 |
| 4 | Ginger | 60 MT. | 404595.00 |
| 5 | Blast Stone | 532 MT. | 191974.00 |
| | TOTAL | | 69033158.00 |
| **L.C.S: MANKACHAR (EXPORT)** | | | |
| 1 | Coal | 731.5 MT. | 1421962.00 |
| 2 | Crushed Stone | 300 MT | 164340.00 |
| | TOTAL | | 1586302.00 |
| **L.C.S: AGARTALA (EXPORT)** | | | |
| 1 | Dry Fish | 184.5 MT. | 3267662.00 |
| 2 | Dust Variety Coal | 460.4 MT. | 819186.00 |
| 3 | Wall Clock | 1500 PCS. | 102676.00 |
| 4 | Dried Chilly | 62.55 MT. | 2016303.00 |

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|---|---|---|---|
| 5 | Fresh Ginger | 92.5 MT. | 827638.00 |
| 6 | Raw Hides Skin | 1725 PCS. | 192441.00 |
| 7 | Natural Rubber Latex | 15.96 MT | 596226.00 |
| 8 | Coir Mattress | 663.11 CFT. | 89978.00 |
| 9 | Playing Cards | 100 GROSS | 22750.00 |
| 10 | Turmeric | 12.5 MT. | 327930.00 |
| 11 | Onion | 3 MT | 30195.00 |
| 12 | Potato Seed | 225.3 MT. | 1322513.00 |
| 13 | Lime Stone | 10 MT. | 26700.00 |
| 14 | Orange | 2 MT. | 18180.00 |
| 15 | Other Fabrics of Painting & Shirting | 500 MTRS. | 23537.00 |
| | TOTAL | | 9683915.00 |
| **L.C.S: SRIMANTAPUR (EXPORT)** | | | |
| 1 | Ginger | 371.78 MT. | 3553873.00 |
| 2 | Sanitary Wares | 100 PCS | 13380.00 |
| 3 | Printed Matter | 10 MT | 181624.00 |
| 4 | Tezpata (Leaves of Cassia Lingnea) | 18.435 MT | 51209.00 |
| 5 | Switch Socket of Plastic | 767.08 kg | 82441.00 |
| 6 | Potato Seeds | 8 MT. | 47694.00 |
| | TOTAL | | 3930221.00 |
| **DIVISION: KARIMGANJ (EXPORT)** | | | |
| **L.C.S: KARIMGANJ STEAMER AND FERRY STATION** | | | |
| 1 | Ginger | 2624.189 MT. | 29195834.00 |
| 2 | Citrus Fruits | 2018870 NOS. | 2294093.00 |
| 3 | Lime Stone | 1300 MT | 344972.00 |
| 4 | Fresh Vegetable | 8.176 MT | 76582.00 |
| 5 | Orange | 3559950 NOS. | 3692194.00 |
| 6 | Rice (non-Basmati) | 77.692 MT. | 745222.00 |
| 7 | Betel Leaves | 2784 KGS. | 86555.00 |
| | TOTAL | | 36435452.00 |
| **L.C.S: SUTARKANDI (EXPORT)** | | | |
| 1 | Coal | 530374.2 MT. | 213372113.00 |
| 2 | Ceramic Wares | 320 Pcs | 48039.00 |
| | TOTAL | | 213420152.00 |
| **L.C.S: MANU (EXPORT)** | | | |
| 1 | Muli Bamboo | 50000 NOS. | 221125.00 |
| | TOTAL | | 221125.00 |
| **L.C.S: OLD RAGNA BAZAR (EXPORT)** | | | |
| 1 | Citrus Fruits | 205150 NOS. | 192808.00 |
| 2 | Fresh Ginger | 71.430 MT. | 772289.00 |
| 3 | Betel Leaves | 460 KGS. | 15845.00 |
| 4 | Orange | 126960 NOS. | 126950.00 |
| | TOTAL | | 1107892.00 |
| **DIVISION: SHILLONG (IMPORT)** | | | |
| **L.C.S: DAWKI (IMPORT)** | | | |
| 1 | Misc. items for trade fair | 0 | 87563.00 |
| | TOTAL | | 87563.00 |
| **DIVISION: DHUBRI (IMPORT)** | | | |
| **L.C.S: MAHENDRAGANJ (IMPORT)** | | | |
| 1 | Mosquito Net | 275000 MT. | 1249588.00 |

| | | | |
|---|---|---|---|
| 2 | Cotton Waste | 402 MT. | 1802650.00 |
| 3 | Hilsa Fish | 1000 KGS | 142480.00 |
| 4 | Litchi Drink | 8 MT | 95989.00 |
| | TOTAL | | 3290707.00 |
| **DIVISION : KARIMGANJ (IMPORT)** | | | |
| **L.C.S: SUTARKANDI (IMPORT)** | | | |
| 1 | Juice, Potato Crackers, Badam Bhujia, Chutney etc. | 3481.315 MT. | 27317201.00 |
| 2 | Hilsa Fish | 384.3 MT. | 27338440.00 |
| 3 | Soap and Telcom Powder | 95.215 MT. | 5949735.00 |
| 4 | Battery Plate | 9.2 MT | 181800.00 |
| 5 | Keya Soap | 25.776 MT | 1719602.00 |
| 6 | Bakery Product | 28.322 MT. | 809440.00 |
| 7 | Metal/Wooden Furniture | 14.544 MT. | 1202986.00 |
| 8 | Lascha Semai | 2.4 MT | 25896.00 |
| 9 | Beverage | 28.5 MT. | 452438.00 |
| 10 | Waste of Wool | 22 MT. | 243474.00 |
| 11 | Waste of Cotton | 43 MT. | 464050.00 |
| 12 | Mosquito Net | 158000 MTRS. | 727206.00 |
| 13 | Cement | 500 MT. | 1391255.00 |
| | TOTAL | | 67823523.00 |
| **L.C.S: KARIMGANJ STEAMER AND FERRY STATION (IMPORT)** | | | |
| 1 | Molasses | 45 MT. | 104282.00 |
| 2 | Cotton Waste | 22 MT. | 244753.00 |
| 3 | Deep Fried Crispy Snack | 1813.20 KGS. | 179356.00 |
| 4 | Mosquito Net | 51000 MTRS. | 234657.00 |
| | TOTAL | | 763048.00 |
| **L.C.S: OLD RAGNA BAZAR (IMPORT)** | | | |
| 1 | Mosquito Net | 13145 MTRS | 61985.00 |
| 2 | Polyester Fabric | 9792.5 MTRS | 54924.00 |
| 3 | Biscuit | 8206.60 KGS | 221606.00 |
| 4 | Woven Polyster Fabric | 7100 MTRS | 41269.00 |
| 5 | Juice | 69.768 MT | 474300.00 |
| 6 | Beauty Soap | 8480 KGS. | 440160.00 |
| | TOTAL | | 1294244.00 |
| **IMPORT FOR THE YEAR 2004-2005** | | | |
| **DIVISION: AGARTALA (IMPORT)** | | | |
| **L.C.S: SRIMANTAPUR (IMPORT)** | | | |
| 1 | Other non-knitted articles of synthetic fibre | 251076 MTRS. | 957984.00 |
| 2 | Fruit Juice based drinks: Litchi | 3450 CTRN. | 654233.00 |
| 3 | Inedible Molasses | 426 MT. | 1768643.00 |
| 4 | Lay Flat Tube | 248 MT. | 4620750.00 |
| 5 | Broken or Crushed Stone | 80 MT | 82306.00 |
| 6 | PVC Pipes and Tubes | 7.5 MT. | 154768.00 |
| 7 | Aerated Water | 1928 CTRN. | 715511.00 |
| 8 | Biscuits | 1.879 MT. | 85971.00 |
| 9 | Potato Crackers | 0.460 M.T | 47367.00 |
| 10 | Ceramic Tiles | 7292.295 MT. | 957099.00 |
| 11 | Other Waste of Wool | 14 MT. | 73596.00 |
| 12 | Rope of Jute | 5 MT | 39769.00 |

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|---|---|---|---|
| 13 | Mattress of Cellular Rubber | 1800 CFT | 206325.00 |
| 14 | Brick Crusher Machine | 4 NOS. | 211635.00 |
| 15 | Plastic Chair | 3000 PCS + 23 MT. | 1027851.00 |
| 16 | Potato Chips | 810 CTRN. | 162017.00 |
| 17 | Doors, Window Frames, Threshold Items | 575.5 MT. | 27242.00 |
| | TOTAL | | 11793067.00 |
| **L.C.S. : AGARTALA (IMPORT)** | | | |
| 1 | Broken / Crushed Stone | 9671.33 MT. | 10393102.00 |
| 2 | Hilsa Fish | 374.117 MT. | 26515810.00 |
| 3 | Dry Fish | 383.210 MT. | 9424192.00 |
| 4 | Tiles | 5012.68 SQMT. | 776875.00 |
| 5 | Brick Crusher Machine | 18 NOS. | 922877.00 |
| 6 | Rope of Jute | 46.07 MT. | 363512.00 |
| 7 | P.V.C. Pipes and Tubes | 2 MT | 40905.00 |
| 8 | Molasses | 87 MT. | 585390.00 |
| 9 | Filter Sets | 300 SETS | 30679.00 |
| 10 | Other Waste of Wool | 188.285 MT. | 1462564.00 |
| 11 | Lay Flat Tube | 305 MT. | 5617900.00 |
| 12 | House Hold Articles of Plastic | 34.7 MT. | 610752.00 |
| 13 | Small Fish Varieties | 420.25 MT. | 12738509.00 |
| 14 | Salted Hilsha | 5.54 MT. | 205171.00 |
| 15 | Mattress of Cellular Rubber | 4116 CFT. | 454162.00 |
| 16 | Litchi/Orange/Mango Drinks | 192700 CTRN. | 19223817.00 |
| 17 | Coriander | 3.2 MT. | 40348.00 |
| 18 | Cashew Nut | 7 MT | 113444.00 |
| 19 | Dry Cell Battery | 42000 PCS. | 362318.00 |
| 20 | Cement | 1600 MT. | 4182126.00 |
| 21 | Mustard Oil | 19.392 MT. | 387840.00 |
| 22 | Lime Stone | 10 MT. | 29920.00 |
| 23 | Candy | 925 CTRN. | 283250.00 |
| 24 | Biscuits | 7878 CTRN. | 683467.00 |
| 25 | Fruit Magic | 350 CTRN. | 66719.00 |
| 26 | Badam Bhaja | 820 CTRN. | 86472.00 |
| 27 | Babul Gum | 125 CTRN. | 57448.00 |
| 28 | Tamarind Chutny | 1675 CTRN. | 373632.00 |
| 29 | Potato Crackers | 7850 CTRN. | 2178040.00 |
| 30 | P.V.C. Plastic/sheets | 3 MT | 134850.00 |
| 31 | Furniture | 0 | 2455454.00 |
| 32 | Instant Powder Orange Drink | 100 CTRN | 20576.00 |
| 33 | Toilet Soap | 1933 CTRN. | 2303017.00 |
| 34 | Refined Soya Bean Oil | 158.75 MT. | 5024077.00 |
| 35 | Building Bricks | 2500 PCS | 2769.00 |
| 36 | Animal Feed | 303.45 MT. | 1002434.00 |
| 37 | Other Non-Knitted Articles of Synthetic Fibre | 120000 MTRS. | 738820.00 |
| 38 | Resins | 911 MT. | 100604.00 |
| 39 | Other Woven Fabric of Polyester Staple Fibre | 44000 MTRS. | 253851.00 |
| 40 | Battery Parts | 20000 PCS | 92200.00 |
| 42 | Aerated Water | 950 CTRN. | 429494.00 |
| | TOTAL | | 110769387.00 |