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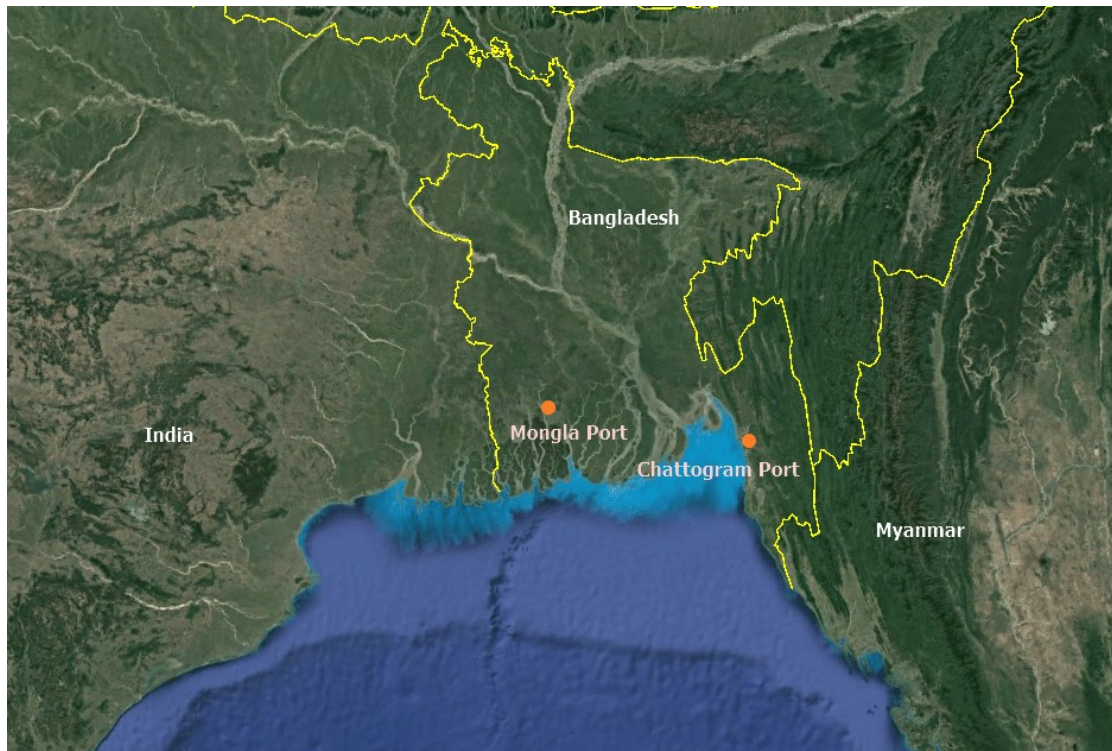
Transshipment Agreement with Bangladesh will enhance the Role of India's Northeast as a Growth Node

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It has been reported that the Bangladesh cabinet has approved an agreement with India to use the Chattogram (Chittagong) and Mongla ports to help transship goods to India's northeast region. Chattogram (Chittagong) handles about 90 percent of external trade of Bangladesh and is located at Bay of Bengal. Mongla is the second largest port of Bangladesh and at Bengal Delta.



Source: <https://www.opindia.com/2018/09/india-gets-access-to-two-bangladeshi-ports-will-boost-connectivity-with-north-eastern-region/> (<https://www.opindia.com/2018/09/india-gets-access-to-two-bangladeshi-ports-will-boost-connectivity-with-north-eastern-region/>)

Initially, four routes have been envisaged. Each is from the two Bangladesh ports noted above. First is to Agartala via Akhaura; second is to Dapuki via Tamabil; third is Sutarkand via Sheola; and the fourth is to Bibekbazar via Simantapur.

The work on rail link between Akhaura rail station in Bangladesh and Agartala station in India, a distance of 15 KM, has begun, and this link is expected to be operational in 2019.

There is provision to extend this agreement to Nepal and Bhutan, both land-locked states.

The agreement provides that for carrying of goods within Bangladesh, only vehicles and vessels of Bangladesh can be utilized. The fee structure for these transport services would be governed by international rules. Any applicable taxes and duties will also need to be paid to Bangladesh authorities.

The agreement envisages use of GPS (Global Positioning System) technology to track vehicles, and to guard against the unintended use of the agreement.

This agreement complements well the willingness of Kolkata Port Trust's (KPT) willingness to let Bangladesh shippers use its ports for trade to and from third country locales, and for coastal shipping. This has the potential to reduce the time and cut logistics costs for Bangladesh shippers. These will be real efficiency gains.

For fuller realization of the potential benefits to all stakeholders, policymakers should accord priority to investing in modernization of the three concerned ports, and improve connectivity of these ports with the envisaged trading routes. Congestion at Chattogram (Chittagong) is reported to be a major constraint, and needs to be addressed. Kolkata Port is also in need of further modernization and reforms.

Potential Benefits

This agreement could generate benefits for India and Bangladesh, and if it is extended to Nepal and Bhutan, to these countries as well. Encouraging smoother trading relationship among near-neighbors in southern Asia would be positive for growth and managing the external economy.

For India, this agreement is yet another initiative to enhance the connectivity, competitiveness, and market access, thereby facilitating the emergence of its northeastern region as an important growth node, and to help reduce economic and infrastructure imbalances among its regions.

India has been using the sea route as an alternative to the land route to ship trucks and other goods to Bangladesh. This agreement could open up the Bangladesh route for shipping products to and from the northeastern region of the country. This could save on logistics costs, and on time for competing trading transaction, and thereby help expand markets and economic opportunities. As a result, density of economic relations within different regions of India could be enhanced. It could also help mitigate economic and infrastructure imbalances in the country.

India has been trucks from the Chennai port in the south to send trucks to Bangladesh by using the Bay of Bengal as an alternative route to roads. This agreement could provide more options to ship products to and from the northeastern region via Bangladesh ports and roads.

For Bangladesh, this agreement and availability of Kolkata Port for international trade and for coastal shipping could reduce logistics costs; provide a revenue earning opportunity to their transport and other operators, as well taxes and fees to the government, thus positively impacting on the fiscal balance; and help manage the external deficit.

In 2017, Bangladesh registered a deficit in merchandise trade of USD 16.9 Billion, and in services trade of USD 6.7, of which nearly 90 percent was due to deficit in transport services. This enhancing revenue from transport sector, including ports, would assist in managing its external sector.

Challenges

The beneficial outcomes of transshipment and other agreements crucially depend on their effective implementation is consistent with the intent of the agreements. This will require behavioral change on the part of all stakeholders.

Complementary investments with in Bangladesh and within India, as well those involving two countries (the rail link between Agartala and Akhaura is a positive example) will need to be accorded priority.

A system of monitoring and timely and reliable data collection would be essential to assess the extent of outcome realization, and for effective management.

The policymakers have exhibited awareness of continuing to enhance density of bilateral relations. As an illustration, the Prime Ministers of India and Bangladesh launched two major infrastructure initiatives on September 18, 2018.

The first is the 130 KM oil pipeline, with capacity of one million metric tons, from Silguri in West Bengal State in India to Parbatipur in Bangladesh. The expected completion of the project is within 30 months. The oil will be supplied from Golaghat refinery in Assam. This will expand energy trade between the two countries.

The second initiative is the construction of two dual-gauge rail lines within Bangladesh.

Concluding Remarks

The transshipment agreement by itself would have modest impact. But density of economic engagements between countries is built on many such small steps, whose cumulative effects over time become significant. Moreover intangible benefits of such cumulative steps in building trust and confidence, and in cultivating habit and mind set of constructive mutually beneficial cooperation should not be underestimated.

India and Bangladesh has much to gain by focusing on enhancing their competitiveness, and generating diversified growth nodes. These are more sustainable contributors to increased household welfare.

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