

ADB – ESCAP BPA Study

SASEC Trade and Transit Corridors

Major Recommendations

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Corridor 1: Kakarvitta – Panitanki – Phulbari - Banglabandha Corridor

This corridor links Nepal with Bangladesh. It starts at Kathmandu and uses the Prithvi Highway and East–West Highway to reach the border at Kakarvitta (Nepal)/Panitanki (India) and then it follows the NH 31 and SH 12A to reach Phulbari (India)/Banglabandha (Bangladesh). From Banglabandha, the corridor follows the N 507, N 6, N 704 up to Hatikumrul and then it follows two different routes – one to Mongla and another to Dhaka. From Dhaka the corridor further goes to Chittagong port. The total length of this corridor is 1152 km (Kathmanu to Dhaka). In Nepal, the road from Kathmandu to Kakarvitta is 600 km. In India, the road from Panitanki to Phulbari is 54 km. In Bangladesh, the road from Banglabandha to Dhaka is 498 km.

1. Constraints

- Nepalese trucks are not allowed to move beyond Banglabandha. Transshipment is required to move the cargo to destination exerting the burden of extra cost.
- No Nepali person except driver is allowed to enter into Bangladesh with cargo. There is no system of visa on arrival. Often cargoes are returned in absence of a person to negotiate.
- For export of all agriculture products to Bangladesh, in addition to quarantine certificates, a clean report of finding must be submitted to Banglabandha Customs, if the custom duty in that particular product is 5 percent or above. Two private Indian Companies, namely, SCGS and BeauVeritas, are authorized to issue such reports. Obtaining such report is time consuming and costly.
- Road condition in Indian section of this corridor is very bad.
- Toll tax is being collected Silguri-Jalpaiguri Development Authority (SJDA) and Indian Truck Transport Union (ITTU) as against the Transit Treaty between Nepal and India.
- As per procedure followed in India, import consignments valued at more than INR 100,000 need to be approved by the Assistant Commissioner (AC) before Customs clearance. Since no AC is posted regularly in Panitanki Customs, all import files are sent to AC of Naxalbari Division at Siliguri for approval, which takes a lot of time.
- There is no bank in Panitanki.
- There is no adequate parking space in Panitanki Customs.
- The road to Kakarvitta from Panitanki is very narrow and congested.
- All quarantine offices are not located in ICD Kakarvitta.
- Mechi Custom is not well equipped

2. Recommendations

Issue	Recommendation	Implementing Agency	Assumptions and risk involved
1 Bad road condition in Kakarvitta to Phulbari section of the corridor	1.a. Improve road condition	1.a Government of India	1.a It helps smooth and speedy flow of goods but involves big budget and also not very important for India 1.b. Governments of Nepal, India and Bangladesh with the assistance of ADB and ESCAP may take up a project for improvement of road condition.
2 Congestion in Panitanki custom point	2.a. Expansion of custom area with parking	2.a. Government of India	2.a. Involves big budget 2.b. difficulty in land acquisition
3.Absence of competent decision making officer in Panitanki and Phulbari Custom	3.a Depute high level officer in Panitanki and Phulbari customs	3.a. Land Custom Authority of India	3.a This avoids delay in decision making but increases cost of the Panitanki custom office 3.b volume of transaction is not big enough
4. Inadequate infrastructure facilities in Phulbari Custom	4.a. Develop infrastructure	4.a. Government of India	4.a. involves big budget 4. b. problem of cost recovery
5. Restriction on the movement of Nepali truck beyond Banglabandh	5.a. Implement policy of allowing Nepali trucks loaded with export cargo to move to ultimate destination in Bangladesh within specified time period	5.a. Government of Bangladesh	5.It avoids transshipment but domestic carriers in Bangladesh may feel threat
6. Restriction to enter the Nepali Exporter to Banglabandh with Cargo	6.a Make Visa available on arrival.	6.a Government of Bangladesh	6.a This will help enhancing flow of goods and human traffic in the corridor but needs effective passport control.
7.Shortages of skill manpower and equipment in Kakarvitta custom	7.a. Develop skill manpower b. made provision of required equipment	7.a. Department of custom b. ICD & Department of Custom	7a. Department of Custom is planning to implement e-custom. In this context also capacity building of human resource becomes an important component but adequate amount of budget is required. 7.b This also involves a big budget and recovery of cost may be a problem.
8. Custom related offices are scattered outside the ICD	8.a Confine all related offices with in ICD compound	8.a. Ministry of Commerce and Supplies, Ministry of Agriculture, Ministry of Industry and Ministry of Finance.	8.a It Reduces custom clearance time but requires coordination among related ministries.

<p>9. Reduce the cost of transportation of goods from Nepal to Bangladesh.</p>	<p>9.a. To introduce a flexible and effective car pass system for Nepalese trucks in Bangladesh.</p>	<p>9.a. Government of India, Government of Nepal, Government of Bangladesh</p>	<p>9.a. It is understood that under a car pass system introduced by Bangladesh Government, the Nepalese trucks carrying export consignments can enter Bangladesh, for one day only. The truck is required to return the same day from Bangladesh.</p> <p>9.b. The Nepalese trucks can enter Bangladesh without Kalashi / Cleaner.</p> <p>9.c. The goods are transferred at the border of Bangladesh to a Bangladeshi Truck, which adds to cost.</p> <p>9.d. It is suggested that the Government of Nepal and Government of Bangladesh may work out a flexible system for facilitating the process of Nepal trucks' free movement to Bangladesh for offloading the goods at the destination.</p>
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Corridor 2. Phuentsholing – Jaigaon – Hasimara – Changrabandha - Burimari

Bhutanese exports to third countries including Bangladesh and Nepal have to transit through Indian territory. For Bhutan's trade with Bangladesh, the principal transit route is Changrabanda (India) and Burimari (Bangladesh) which is 115 km from Bhutan's border town Phuentsholing.

1. Constraints

- Documentations are paper-based.
- Banking and insurance services located at Phuentsholing do not support Customs and tax clearance.
- No testing laboratory / facilities at Phuentsholing. Non-radio-active and Fit for Human Consumption certificates are issued on an *ad hoc* basis.
- Customs at Phuentsholing does not have machinery and equipment like cranes, loaders, forklifts and scanning machines to facilitate cargo handling and clearance. This is known to cause delays.
- Road condition is not good for the stretch between Phuentsholing and Hasimara (18 km) and between Birpara and Dhupguri (25 km).
- Limited parking space at Phuentsholing is a major constraint to speedy and orderly clearance of goods.
- No parking and warehouse facilities at Jaigaon LCS.
- Both Changrabanda and Jaigaon Customs have limited office and equipment, and function under poor conditions.
- Delays in transportation occur sometimes due to general strikes in West Bengal state of India.
- The need for transshipment at Burimari causes delays and deterioration of export like orange and adds to the cost of trade. In the absence of a bilateral, trilateral or regional Transport Agreement and common understanding on transit right for motor vehicles among Bangladesh, Bhutan and India, Bhutanese and Indian trucks cannot deliver the export cargo to the destination in Bangladesh.
- The poor road condition between Hasimara and Changrabanda causes delays and adds cost to trade between Bhutan and Bangladesh.
- Receiving payment for export of oranges takes time which creates problems for exporters in repaying loans. It also dampens the spirit to do engage in trade. Many Bhutanese exporters, particularly the new ones are reported to be unfamiliar with the L/C requirements. The UPDC requirement is two weeks but the banks do clear it within a week provided the conditions are clearly spelled out in the L/C.
- Negotiation for exports of orange is normally done face-to-face with Bangladeshi buyers as this is the most convenient mode of negotiation in this part of the world. However, the importers or their agents are unable to obtain multiple entry visas for India for transit which limits their visit to Bhutan unless they travel by air for which the nationals of Bangladesh do not require visa to visit Bhutan.
- Obtaining a Token/Registration Number from BCCI prior to submitting a request for PSC to BAFRA is meant for ensuring the legitimacy of the exporter and gathering export data for the BCCI. The procedure lengthens the process and serves no real

- Issuing work permits by the Department of Immigration for expatriate labor can delay the export process although the BEA says that due to the perishable nature of the export, it ensures speedy action. As many as seven documents in original are required to process the approval in addition to three documents that have to be submitted to the Department of Labor for initial approval. Further, as Phuentsholing is the main entry point for Bhutan, the Regional Immigration Office is overburdened with processing such permits for other clients.
- On top of the Certificate of Origin, Non-Radiation and Fit for Human Consumption certificates are required by the Bangladeshi Government¹ for import of oranges. It makes little sense to continue the practice as radioactive substance is absent in Bhutan and oranges are grown in natural conditions with low use of pesticides. In any case, Bhutan does not have the testing facilities for such requirements and so the procedure is a burden for the RTIO which issues these documents.
- The need for the customs officer or CFA to travel to Burimari and Changrabanda to verify and sign transit documents as well as seal the import consignment lengthens the clearance process.
- As a gateway to Bhutan, Phuentsholing is heavily congested especially in the area where the clearance functions of RRCO are carried out. This delays customs handling and clearance process both for exports and imports.

2. Recommendations

- SAARC countries should expedite the adoption of the Motor Vehicle Agreement for the Regulation of Passenger and Cargo Vehicular Traffic amongst SAARC Member States, proposed by the SARC Inter-Governmental Group on Transport in November 2010. Should this be delayed further, the SASEC members should initiate bilateral or sub-regional arrangements to enable seamless movement of vehicles from one country to another for transportation of trade cargo.
- There is an urgent need to improve the condition of road along Corridor 2. This will reduce travel time for both cargo trucks and passengers alike. A large segment of the road NH 31 in India needs repair and upgradation as a measure for trade facilitation especially as it is also designated as one of the Asian Highways.
- Indian Customs check-posts at Jaigaon and Changrabanda need better conditions and facilities for work with proper buildings and equipment. Jaigaon in particular needs parking space for vehicles and warehouses. Its relocation nearer to the international border would help to reduce smuggling and informal trade between the two countries. The relocation of the check-post is also desirable in the context of opening the second gate at Phuentsholing near to the proposed mini dry port.
- Appropriate measures to expedite international payments for trade between Bhutan and Bangladesh are needed as this has become an irritant in recent years. The central banks of the two countries should review the situation. Further, some Bhutanese traders have not received payment for their exports due to differences with Bangladeshi importers. This calls for training in negotiation for traders especially in using the L/C that can be arranged by the Royal Monetary Authority and banks in Bhutan.

¹ This procedure was introduced by the interim Government before the present Government came to power in Dhaka.

- The Bhutanese Government should improve its coordination mechanism among its relevant agencies like the Department of Trade, Department of Revenue & Customs, BAFRA, Department of Labor and Department of Immigration. A national Trade Facilitation Committee² is needed to meet on a regular basis to review current procedures and practices, simplify documents and use common documents, where possible. It should also make greater use of ICT such as fax, e-mail and exchange of electronic data and information and depend less on written letters unless in special circumstances. An area of special concern is the transfer of import items from proforma invoice to the Import License/Permit Form in HS codes for the DoT to expedite issuance of the Permit. Finally, the Government through DRC should move towards a ‘single window’ in line with the Revised Kyoto Protocol³ which Bhutan has decided in principle to sign.
- The Government should provide basic machinery and equipment like forklifts, loaders, cranes and scanners to enable the RRCO to become more efficient. Staffs should also be increased to handle third country trade as the existing staffs have additional tasks to facilitate Bhutan to Bhutan transit via India.
- A similar study as the current one should be conducted in the Phuentsholing-Jaigaon-Kolkata Corridor through which bulk of Bhutan’s trade with third countries (other than Bangladesh and Nepal) passes.
- The SAARC members should liberalize the Visa Exemption Scheme to facilitate movement of business persons across borders within the SAARC framework or the SASEC sub-region. Meanwhile, India could consider extending multiple entry visas to Bangladeshi business persons to travel through the land to Bhutan for concluding trade deals, particularly on perishable exports from Bhutan on the basis of recommendation and certification from the apex Chamber of Commerce of Bangladesh and Bhutan.
- The BCCI should do away with the practice of issuing Token/Registration Numbers for export of orange (and apple and other forest/agricultural exports) in order to reduce procedures and delays caused in processing the PSC. The BCCI can obtain the trade data from various sources like BAFRA, DRC and RTIOs. The possession of a valid trade license is itself a proof of the trader without requiring further attestation by the BCCI.
- The Ministry of Labor & Human Resources (MoLHR) should provide seasonal labor from within Bhutan especially as the major part of the orange export season falls during annual school holiday. Where expatriate labor is needed, the procedure should be simplified for recruitment by delegating the approval authority to the regional offices of the MoLHR and the Department of Immigration.
- The Bangladesh and Bhutanese Governments should consult to do away with the former’s requirement for the Non-radio-active and Fit for Human Consumption Certificates for orange (and apple) exported from Bhutan to Bangladesh. The PSC should suffice this purpose.
- The Government should dispense with the requirement of IHR as it does not serve any meaningful purpose beyond that of the trade license.
- An alternative arrangement should be explored for transit clearance of imports at Burimari and Changrabanda by doing away with the need for the Bhutanese customs inspector and the trader or his/her agent having to travel to this border. The DRC can

² Based on consultation between ADB and the Government, such a Committee with the representatives of major stakeholders including the private sector is being formed.

³ It is an international Agreement on modernization of Customs Procedures for trade.

appoint an agent in the two border towns and transmit the Letter of Guarantee through the importer or his/her agent under a bond to DRC. The importer or his/her agent can also transmit the Letter of Guarantee electronically to its agents in Burimari and Changrabanda. These measures would reduce time for transit clearance at the Indo-Bangla border.

- A functional mini dry port and diversion of traffic to Industrial Estate at Pasakha through a by-pass road in Phuentsholing will decongest the traffic and facilitate speedy clearance of imports at Phuentsholing. In addition, the proposed road link to Pasakha from Bolan Chaupatti (India) will reduce the flow of cargo to Phuentsholing to a large extent as most exports to and imports from India will be cleared at the proposed new check post at the Indo-Bhutan border at Pasakha, Bhutan. Further, the opening of the second international gate at Phuentsholing to provide direct access to the mini dry port from Jaigaon is necessary. The Government should accord priority in constructing and developing these facilities in cooperation with India, ADB and ESCAP.
- To reduce time taken for flow of goods between Bhutan and Bangladesh, the 130 km road between Phuentsholing (Bhutan) and Burimari (Bangladesh) needs improvement (whereas NH 34 portion is quite good). Government of India, Royal Government of Bhutan and Government of Bangladesh with the assistance of ADB/ESCAP may take up a project for improving the road in this corridor.
- The implementation of the above measures would reduce the time taken for trade between Bhutan and Bangladesh. The proposed Trade Facilitation Committee would be right agency in Bhutan to spearhead the implementation with active cooperation of other related agencies in the Government, the private sector and the ADB. The political commitment of the Government is crucial especially in forging stronger coordination and cooperation with the governments of Bangladesh and India.

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