

India-Bangladesh Coastal Shipping: Opportunities and Challenges

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On 16 March 2016, Bangladesh Shipping Minister Shajahan Khan launched the coastal shipping service between Bangladesh and India at a ceremony at New Mooring Container Terminal of Chittagong Port. The Minister said coastal shipping was being implemented within a year of the coastal shipping agreement having been concluded during Prime Minister Modi's visit to Bangladesh in June 2015. He said, "The goods transported from the Indian ports to Chittagong could be delivered to the north-eastern region of India through roads".¹ He went on to add that road communication between Chittagong and Agartala would also be established by constructing a bridge over the Feni River in the border area. Shajahan Khan also said, "...the idea of sub-regional grouping between Bangladesh, India, Nepal and Bhutan is getting shape through this coastal shipping."² Thus, the Minister spoke of bilateral cooperation; sub-regional cooperation; and better connectivity facilitating movement between two places of India through Bangladesh. Later, on 23 March 2016, the container vessel MV *Harbour 1* left Chittagong Port in Bangladesh and reached Krishnapatnam Port on India's east coast on 28 March 2016. This historic journey has begun a new chapter of economic cooperation.

Commencement of coastal shipping between India and Bangladesh is not an isolated development, but part of larger blueprint of bilateral cooperation. This paper examines the positive developments which have facilitated coastal shipping; the areas identified for cooperation under the maritime agenda; and last, the opportunities and challenges in coastal shipping.

The Context

Prime Minister Modi's visit to Bangladesh in June 2015 was preceded by the historic passage of the 100th Constitution Amendment Bill in the Indian Parliament to give effect to the 1974 Land Boundary Agreement and its 2011 Protocol. The instruments of ratification were exchanged between the two governments during the visit. Spelling its significance, India's Foreign Secretary Jaishankar said, '.....what it has done is, it has really created a climate of confidence, of goodwill, of trust where a lot of other initiatives which could have happened, should have happened, can now happen....there is an enormous sense today of optimism and confidence about the entire relationship.'³ Earlier in 2014, the dispute over the maritime boundary was resolved. ⁴ With both the land and maritime boundary settled, two major irritants in the bilateral relations were resolved and an enormous agenda of shared interest was opened. All this was built on the 'Framework Agreement on Cooperation for Development' of 2011, concluded by the United Progressive Alliance (UPA) government of Prime Minister Manmohan Singh and Prime Minister Sheikh Hasina of Bangladesh. ⁵

During Modi's visit, 22 Agreements/MoUs were concluded. One of these was on coastal shipping. An elaborate 65 point Joint Declaration titled, 'Notun Projonma-Nayi Disha, New Generation-New Direction', was also spelt out. These documents discussed cooperation on security related issues; Coordinated Border Management Plan; expediting agreements on sharing of river waters; cooperation in the power sector, renewable energy and nuclear energy; sub regional cooperation under BBIN (Bangladesh, Bhutan, India , Nepal) framework; sustainable and mutually beneficial economic cooperation and narrowing the trade balance; opening new avenues and multiple modes of connectivity; India's second Line of Credit worth US \$2 billion; maritime cooperation; people-to-people interaction; coordination in regional groupings, multilateral organisations and the United Nations. For India, this expanded agenda was part of its Act East policy which sought to impact India's northeast and the areas beyond it.

The confidence that these positive developments will sustain, come from the fact that Modi's visit was welcomed across the broad political spectrum in Bangladesh. The balance of trade being in India's favour has always been an emotive issue. However, this

was now being approached with objectivity by both the academia and the politicians in Bangladesh.⁶ There is a consensus that tariff lines are few, and the problem arises with non tariff barriers. The setting up of Special Economic Zone for India to facilitate Indian investment in Bangladesh, which should then lead to exports, is looked upon as a positive measure to address this issue of trade gap.

The Maritime Agenda of Cooperation

In June 2015, India and Bangladesh concluded six agreements/MoUs to cooperate in the maritime sphere.⁷ They are:

- Agreement on Coastal Shipping between India and Bangladesh. This agreement seeks to promote two-way trade between India and Bangladesh through ports. Shipping cargo between these two countries is presently routed through Colombo/Singapore/Klang ports. Shifting to coastal shipping will reduce the shipping time between the two countries; also, congestion with regard to commercial traffic at 'land ports', which are also called border stations for import and export, located at land boundaries and inland water (river) boundaries should also reduce.
- Protocol Inland Waterways Transit and Trade (PIWTT) (Renewal). This Protocol was first signed in 1972. It outlines mutually beneficial arrangements for use of waterways of both countries for commerce between them and for passage of goods between two places in one country and to third countries through the territory of the other under mutually agreed terms. This protocol has five years validity with automatic renewal.
- MoU between India and Bangladesh on Use of Chittagong and Mongla Ports for movement of goods to and from India. Accordingly, Bangladesh will allow use of Chittagong and Mongla Ports for the movement of goods to and from India by using Chittagong/Mongla to Agartala, Chittagong/Mongla to Dawki, and Chittagong/Mongla to Sutarkandi routes. The movement of goods to and from Chittagong and Mongla Ports may be by waterways, rail, road or multimodal transport.
- MoU between India and Bangladesh on blue economy and maritime cooperation in the Bay of Bengal and the Indian Ocean. This envisages cooperation on blue

economy and maritime sphere for capacity building, training and joint research collaborations, and setting up of a Joint Working Group to further cooperation in this area.

- MoU between the coast guards of India and Bangladesh. Consequent to the settling of maritime boundary between India and Bangladesh, this MoU seeks cooperation between both the coast guards to ensure jointly marine security and prevent crimes at sea.
- MoU between Council of Scientific and Industrial Research (CSIR), India, and University of Dhaka, Bangladesh, for joint research on oceanography in Bay of Bengal. This will facilitate joint study, project research and cooperation for training and capacity building in Oceanography.

Thus, with the maritime boundary being settled, both India and Bangladesh want to use the seas and rivers for development on land. The cooperation among the coast guards will ensure that coastal shipping and other activities carry on securely.

India and Bangladesh have instituted a Bilateral Protocol on Inland Water Transit and Trade (PIWTT) for operation of inland vessels on the river protocol routes between river ports of Haldia, Kolkata, Pandu, Karimganj and Silghat in India and Narayanganj, Khulna, Mongla, Sirajganj and Ashuganj in Bangladesh. This has facilitated the movement of EXIM trade as well as cargo bound for the north eastern states of India. During the current financial year, India for the first time is using the Indo-Bangladesh river protocol to transport food grains via Ashuganj to Tripura. However, the quantum of cargo has not picked up because of low draft in the upper reaches of rivers of Bangladesh and also because of certain non-trade barriers.⁸

It is important to note that both the countries have agreed on the need for dredging of the Bangladesh-India inland water protocol routes with assured Least Available Depth (LAD) with international funding to utilise their full potential and enhance navigability of the routes.

Even before Modi's visit, Bangladesh had allowed transshipment of 25,000 metric tonnes of food grains to Tripura across Bangladesh territory on humanitarian cause. Also, Bangladesh had allowed heavy equipment shipment for OTPC Palatana Power Project via Bangladesh Ashuganj Port. For India, positive bilateral cooperation is

facilitating economic development of its northeast states.⁹ The Joint Working Group on blue economy needs to come out with time bound projects benefitting both countries, as it is already being given prominent place in their development narratives.¹⁰

Opportunities and Challenges

The growth in bilateral trade between India and Bangladesh has led to congestion on the road at Indo-Bangladesh border and at the Land Custom Stations/integrated Check Posts. It has been observed that the traffic congestion at “Petrapole” and “Benapole” on the Bangladesh side has emerged as one of the biggest impediments to the movement of EXIM cargo. Due to such congestion, the exporters/importers on both sides have been facing delays and undue increase in the transportation costs. One measure to address this was by transporting commercial cargo through coastal shipping.

However, coastal shipping could not take place between India and Bangladesh ports as it was not profitable for large vessels to operate between these ports; River Sea Vessel class of Vessels were not available in Bangladesh; and, foreign going vessels of higher technical and manning standards were not cost effective for coastal voyage between the two countries. As a result, sea connectivity meant that goods had to be first sent to Singapore and Colombo ports and from there it would be sent in smaller vessels to Indian and Bangladesh ports. This took 30-40 days adding to both time and costs of EXIM trade.

Discussions on coastal shipping have been taking place since 2012, and a broad understanding was finally reached on 24 June 2014 in Dhaka. The agreement on coastal shipping was finally concluded on 6 June 2015 during Modi’s visit to Bangladesh.¹¹ The cooperation in coastal shipping between the two countries is based on the principles of national sovereignty, mutual benefits as per national laws and international conventions.

On 15 November 2015, India and Bangladesh signed the standard operating procedure (SOP) to operationalize the ‘Agreement on Coastal Shipping’ signed between the two countries in June 2015. Its implementation will result in huge saving of logistics cost for EXIM transport between the two countries and will enhance bilateral trade. The SOP contains provisions which stipulate that India and Bangladesh shall render same

treatment to the other country's vessels as it would have done to its national vessels used in international sea transportation. The two sides have also agreed upon the use of vessels of River Sea Vessel (RSV) category for Indo-Bangladesh coastal shipping. ¹²

On 23 March 2016, coastal shipping commenced when the container vessel M V Harbour 1 left Chittagong Port in Bangladesh and reached Krishnapatnam Port on India's east coast on 28 March 2016. The Coastal Shipping Agreement has enabled the direct regular movement of ships between India and Bangladesh taking six to 10 days. Since transit time will come down, goods will reach faster reducing the cost too. Competitive freight rates will benefit all. These increased activities will lead to development of ports of both the countries, the hinterlands, shipping industry and also facilitate movements of goods to India's northeast states through Bangladesh ports.

However, if the maritime domain has brought both the countries together, the same has the capacity to drive fissures if certain irritants are not addressed as a priority. Sheikh Hasina requested Modi for immediate conclusion of the Interim Agreement on Sharing of the Water of Teesta as agreed upon by both governments in January 2011. The Article 2 of the Framework Agreement on Cooperation for Development of 2011 spells out the commitment of Bangladesh and India to address the issue of water resources management of common rivers including water sharing in a holistic manner through common basin management.

During his visit, Prime Minister Modi said, "The rivers should nurture our relationship, not become a source of discord. Water sharing is above all a human issue. It affects life and livelihood on both sides of the border.....I am confident that with the support of state governments in India, we can reach a fair solution on Teesta and Feni Rivers....."¹³

Conclusion

Prime Minister Modi handed over to Prime Minister Hasina a memento of INS Vikrant which played an important role in the Liberation war of 1971. The maritime domain has always played a critical role to bring the countries together. Coastal shipping has the potential to redefine the relations not just with movement of cargo but passengers too in future. Similarly, cooperation on blue economy will lead to sustainable development and

utilisation of the ocean resources benefitting both India and Bangladesh. However, all this is but part of the larger picture of bilateral cooperation. Unless differences regarding river Teesta are addressed and the special economic zone for Indian investments starts delivering the whole edifice can weaken.

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