



# ORF ISSUE BRIEF

AUGUST 2014

ISSUE BRIEF # 71

## India-Bangladesh Relations: A Ten-point Agenda

Joyeeta Bhattacharjee

### Introduction

For three days in June 2014 India's External Affairs Minister, Sushma Swaraj, went on an official visit to Bangladesh. The visit underlined the importance being accorded by the new government in New Delhi on strengthening the country's relationship with all its immediate neighbours and, more specifically, showed New Delhi's eagerness to revive its relations with Dhaka. After years of tardy progress, the bilateral relationship had got a boost with the landmark visits of Bangladesh Prime Minister Sheikh Hasina to India in January 2010 and the visit of Indian Prime Minister Dr Manmohan Singh in 2011. External Affairs Minister Swaraj's visit gave the relationship an added push.

The timing of Mrs Swaraj's visit was all the more crucial, occurring as it did when the relationship had seemingly lost its momentum. The Indian government had been blamed for "dragging its feet" over two critical issues on which there had been an initial agreement between the two nations: sharing of the Teesta river waters and issues related to demarcation of the land boundary. The task before the new government in New Delhi is clear: to ensure that the promises the two countries have made to each other are fulfilled.<sup>1</sup> The new government must not only deliver on past agreements and

---

\*This Issue Brief is based on presentations and proceedings at a roundtable organised by Observer Research Foundation on January 18, 2014. The participants included former Indian High Commissioners to Bangladesh, academics and journalists from India.

Observer Research Foundation is a public policy think-tank that aims to influence formulation of policies for building a strong and prosperous India. ORF pursues these goals by providing informed and productive inputs, in-depth research and stimulating discussions. The Foundation is supported in its mission by a cross-section of India's leading public figures, academics and business leaders.

promises, but also discover new avenues for cooperation. Bangladesh, on its part, must accommodate India's concerns on illegal migration and border management.

This Issue Brief seeks to highlight key issues which the Narendra Modi government should prioritise. It also suggests some additional steps that can be taken to strengthen India-Bangladesh relations.

**Teesta Water-sharing Agreement:** The failure to sign the agreement on sharing of Teesta waters during Prime Minister Manmohan Singh's visit to Bangladesh in September 2011 significantly eroded India's credibility. Before the visit, India and Bangladesh had agreed in principle to sign an interim treaty for 15 years.<sup>2</sup> But India, at the last moment, stepped back after West Bengal Chief Minister Mamata Banerjee raised serious objections to the draft treaty. The Chief Minister accused the Union Government of not adequately consulting the state government on the matter which, she argued, was a state subject.

The Teesta, one of the 54 rivers which India shares with Bangladesh, is about 404 km in length, traversing three Indian states before entering Bangladesh.<sup>3</sup> It has been a major source of sustenance for north and north-west Bangladesh.<sup>4</sup> Bangladesh's repeated insistence on a treaty was prompted in great measure by the construction of a barrage upstream in Teesta by India at Gozaldoba.<sup>5</sup> The upstream construction affected the availability of water in the downstream barrage constructed by Bangladesh in 1990. Bangladesh claims that it does not get enough water during the lean season.<sup>6</sup>

The crux of the dispute over Teesta is the Bangladesh demand for an equal share of the river waters. In fact, the draft agreement prepared by the Joint River Commission agreed on the 50-50 principle of water sharing.<sup>7</sup> But the West Bengal Chief Minister declined to accept this formula, claiming it would reduce the availability of water for farmers in the state. After much persuasion, she however agreed to give 30 percent of the water during the lean season. New Delhi could make this a starting point to pursue a mutually acceptable resolution. Another way out of the tangle would be to explore a technical solution and construct reservoirs on both sides of the border to store water during the floods which can be utilised during the lean season.

**Land Boundary Agreement:** The Land Boundary Agreement (LBA) signed during Dr Manmohan Singh's visit to Bangladesh in September 2011 is not yet functional as it has not been ratified by the Indian Parliament. Despite India's repeated assurances to introduce the Constitutional Amendment Bill for ratifying LBA, the erstwhile government failed to do so due to objections raised by certain regional parties. The main argument against the LBA is that the exchange of enclaves would violate country's sovereignty and could lead to loss of territory. It is feared that this might ignite secessionist movements in some parts of the country.<sup>8</sup>

The LBA, in fact, is a continuation of the 1974 agreement signed between Prime Ministers Sheikh Mujibur Rahman and Indira Gandhi. Among its South Asian neighbours, India has the longest land boundary—4,098-km—with Bangladesh.

The major boundary disputes relate to exchange of enclaves, land in adverse possession and a 6.5-km stretch of boundary that is yet to be demarcated. There are 111 Indian enclaves within Bangladesh's territory and 51 Bangladesh enclaves in India which are home to about 51,000 people.<sup>9</sup> These enclaves are virtually un-governable as they are inaccessible from the mainland. Being landlocked, the enclaves have become a haven for criminals. A delay in the ratification of the agreement would not only further dent India's credibility but also create safety and security concerns as well.

The argument about the loss of territory is debatable as many of these areas have effectively been out of bounds. Proponents of this argument fail to look at the humanitarian side of this issue. People who dwell in these enclaves have remained stateless for years and, consequently, deprived of state protection and privileges. The ratification of the agreement could lead to a final resolution of boundary issues between the two countries, with Bangladesh becoming the first country with which India would have no border dispute. It would also help in containing, at least to some extent, the problem of illegal immigration since these enclaves act as major transit points.

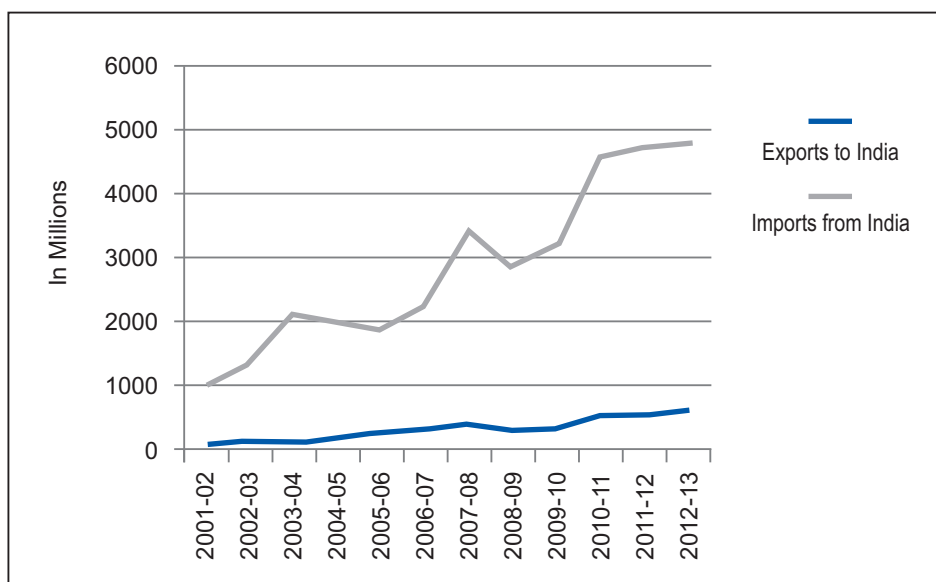
**Illegal Migration:** For long, India has been urging Bangladesh to take measures to stop illegal migration. But Bangladesh has always refuted claims of any such migration. There is no denying the fact that illegal migration from Bangladesh poses serious problems for India; most significantly, the impact it has on the demographic profile of the North-eastern states. There is considerable anger among local communities in some North-eastern states over the influx of illegal Bangladeshi migrants. This has often led to clashes between the local population and the immigrants, causing serious law and order problems in states like Assam.

However, illegal migration is not restricted to the North-eastern states. A report prepared by former Assam Governor S.K. Sinha in 1998 stated that the number of Bangladeshi migrants in the states was as follows: West Bengal: 54 lakhs; Assam: 40 lakhs; Tripura: 8 lakhs; Bihar: 5 lakhs; Maharashtra: 5 lakhs; Rajasthan: 5 lakhs; Delhi: 3 lakhs. In 2008, the Parliamentary Committee on Home Affairs in its report pointed out that the presence of large numbers of illegal migrants from Bangladesh posed a threat to India's security. The report raised concerns about the possibility of illegal migrants being recruited by terrorist organisations.

There is perhaps no easy solution to this contentious problem. Both the countries, however, must deliberate on this matter and find solutions which would address both security and humanitarian concerns.

**Trade and Investment:** Trade is an important factor in India-Bangladesh relationship. While India is a major source of imports for Bangladesh, the latter is New Delhi's biggest trading partner in the South Asia region.<sup>10</sup> Growth of economic relations between the two countries has been made possible largely due to New Delhi's liberal policies, including unilateral concessions that have enabled duty-free access of Bangladeshi products to India. Today, almost all Bangladeshi products, except certain narcotic products, enjoy duty-free access to the Indian market. This measure has helped address Bangladesh's major grouse against India—the country's soaring trade deficit. Bilateral trade has increased, with Bangladesh exporting more products to India. In 2002-03, Bangladesh's exports to India were valued at US\$ 83.61 million; this increased to US\$ 563.96 million by 2012-13.<sup>11</sup> Bangladesh's exports to India are expected to touch the US\$ 1 billion mark in the next few years.

**Figure 1: Bangladesh's Trade with India**



Source: Bangladesh Bank; Bangladesh Export Promotion Bureau

India has also extended a \$ 1 billion line of credit to Bangladesh, of which \$200 million has been converted into grant-in-aid. This gesture was welcomed in Bangladesh which saw it as an opportunity to increase its exports to India. However, Bangladesh believes India can do much more on the trade front; specifically to ease non-tariff barriers (NTBs). Bangladesh has been unable to exploit many of the concessions due to these barriers,<sup>12</sup> which include: laboratory test of each consignment containing food products, cosmetics, and leather and textile products, imposition of state tax, packaging requirements; anti-dumping and countervailing duties, inadequate infrastructure facilities such as warehousing, transshipment yard, parking yard and connecting roads at land customs stations in India.<sup>13</sup>

India has partly responded to the issue of NTBs. It has agreed to the upgradation of the Bangladesh Standard and Technical Institution (BSTI) to minimise the problem of rules of origin. On March 18,

2011, India's National Accreditation Board for Calibration and Testing Laboratories (NABL) accorded accreditation to the chemical, mechanical and biological laboratories of the BSTI, facilitating the latter's technical wing to issue certificates on quality and standards for some products traded between the two countries. The BSTI has improved the testing facility of 83 ingredients and materials, including food items, cement and textiles by setting up new machineries and infrastructure.<sup>14</sup> This has raised the product coverage of BSTI certification jurisdiction.<sup>15</sup>

India is also working on upgrading the facilities at the border. In June 2010, it notified 50 Land Customs Stations (LCS) to diversify the trading point. It has designated important LCSs as Land Ports and put them under the Land Port Authority of India (LPAI) in 2010. India is also setting up an Integrated Check Post (ICP) at the major entry point to strengthen the infrastructure and support facilities to help the business community. Of the six other ICPs India has proposed, the one in Agartala is already functional.

The remaining ICPs need to be upgraded at the earliest. Faster implementation of infrastructure projects at the border will help in reducing the cost of trade. An agreement to regulate the cross-border movement of trucks and vehicles, on which a discussion has been initiated, would also facilitate the flow of trade.<sup>16</sup>

Increased Indian investments in Bangladesh could prove to be a booster. Following the Bilateral Investment Promotion and Protection Agreement (BIPPA) signed in 2009, a large number of Indian firms from both the public and private sector have been working on various turnkey projects in Bangladesh in sectors such as power, telecom, textiles, chemicals, pharmaceuticals and engineering. India's investments in Bangladesh for the FY2011 stood at US\$ 210 million. While the agreement has certainly helped in increasing Indian investments in Bangladesh, much more can be done.

The two countries should consider setting up Special Border Economic Zones along the border, which could cater to the markets in North-east India. Joint venture projects could be encouraged in the manufacturing sector, with a focus not only on the nearby North-eastern states but on a bigger market within and outside the region. For instance, much of the agricultural produce in the North-east region often goes waste due to poor transport facilities. The agricultural produce could be processed in the proposed border economic zones and marketed both within India, and outside.

Such initiatives would help reduce the trade gap with Bangladesh, provide employment opportunities and help Indian manufacturers to reduce their transport costs. It would also allow Indian business houses to take advantage of the low labour costs in Bangladesh. On its part, Bangladesh also needs to take some steps, like setting up a single window clearance for new business

proposals, set up an Industrial Park for India in Bangladesh, institute an Export Processing Zone with all infrastructure facilities; and extend the tax holiday system.

Bangladesh needs to improve its investment climate, reinforce its infrastructure facilities and improve the quality of services.<sup>18</sup>

Considering the large volume of informal trade between the two countries—estimated to be double the formal trade—it is important to bring this under a formal trade regime. The informal trade is facilitated by institutional bottlenecks. Increasing the number of border-*haats* could be one way of regulating the huge volume of informal trade. Presently, only two border *haats* are in operation in the Meghalaya sector and the response of these *haats* has been encouraging. More border *haats* would also greatly help in boosting the economy of the border areas. This will not only generate greater revenue but also reduce involvement of the criminal networks which benefit from the informal trade.

**Connectivity:** The two countries are connected by four different modes of connectivity, namely: rail, road, air and waterways. Air connectivity between India and Bangladesh was established after the two countries signed an air services agreement in 1978. This agreement was expanded and revised in February 2008; the number of flights of the designated airlines has since increased to 61 per week in each direction. The new agreement also increased the number of services to and from 18 tourist destinations in India.

Major connectivity issues are related to rail and road, particularly the transit issue. Technically, the issue of connectivity by rail, road and waterways was resolved with the signing of the Trade Agreement in March 1972. Article V of the agreement provided for “mutually beneficial arrangements for the use of their waterways, railways and roadways for commerce between the two countries and for passage of goods between two places in one country through the territory of the other.”<sup>19</sup> India has been urging Bangladesh to provide road transit facility to transport goods from the mainland to the North-eastern parts of the country via Bangladesh. Bangladesh has so far remained non-committal due to internal resistance.

The reason given by Bangladesh for denying transit facilities to India is that the infrastructure is inadequate and would not be able to take the load of the increased traffic. To address these concerns, India provided US\$ 1 billion line of credit to Bangladesh for development of infrastructure projects. But there has hardly been any progress on this front.

Bangladesh is missing out on the economic benefits that it can potentially accrue by providing transit facilities to India. It is estimated that transit could help Dhaka earn US\$ 44 million per annum for the

first five years. From the sixth year onwards, earnings could touch \$ 500 million and could further rise to \$ 1 billion.<sup>20</sup> Bangladesh's resistance to transit is also delaying the implementation of the Bangladesh, China, India and Myanmar economic corridor, although Dhaka claims that it is keen on the initiative. Realisation of BCIM corridor will require free movement of goods and vehicles across borders.

Interestingly, inland water transit between the two countries has been operational since the India-Bangladesh Protocol on Trade and Transit was signed in 1972.<sup>21</sup> The protocol is renewed after every two years and has been operational without many hurdles. The utilisation of inland water transit, however, has remained far below its actual potential.

India could benefit by exploiting the inland water transit system to its optimal. In this regard, India's initiative of providing financial assistance to Bangladesh to buy dredgers to increase the navigability of the rivers is a positive step. India can help Bangladesh to strengthen the inland water transport infrastructure and ensure seamless river transport between the two countries. It could also compensate the high cost of using the waterways by providing subsidies to Indian traders. Besides, New Delhi should also consider increasing coastal shipping between Chittagong and Chennai. These measures will greatly enhance the bilateral trade.

Rail connectivity between the two countries resumed in April 2008 after the Maitri Express was flagged off from Kolkata to Dhaka. This initiative, which has been a success, needs to be strengthened by opening new rail links between the countries. In fact, reviving the old railway networks in the region could help in laying the necessary infrastructure for both passenger as well as freight traffic.

**Cattle Smuggling:** The issue of cattle smuggling needs special attention. More so, because it has led to border killings, creating negative sentiments in Bangladesh. Most of the persons killed on the border were cattle smugglers but referred to as “traders” on the Bangladesh side. Cattle smuggling between India and Bangladesh is worth US\$ 500 million dollars annually. The high demand and high price of cattle in Bangladesh has resulted in a flourishing cattle-smuggling trade, which is controlled by criminal networks.

One of the reasons for the smuggling is the ban imposed by India on cattle export. But Bangladesh has benefitted significantly after it legalised the cattle trade in 1993. An act of smuggling becomes a trade as soon as the cattle enter Bangladesh. For a paltry sum of Taka 500, the “trader” just has to declare that he found the cattle “roaming near the border”. This modus operandi has helped Bangladesh earn substantial revenue. Besides, the bone and leather from the slaughtered cattle are

used by the leather and ceramic industries, providing an additional source of revenue. Ceramic tableware and leather are two major exports of Bangladesh.<sup>22</sup>

Bangladesh, not surprisingly, is unlikely to curb cattle smuggling. Dhaka fears that any changes in Indian laws could undermine its exports, adversely affect the domestic beef industry and reduce Custom revenues. With religious sentiments in India discouraging any review of the ban, there is a need to work out innovative solutions to address this complex issue.

**Energy Cooperation:** Significant progress has been made in power and grid connectivity between the two countries. Bangladesh faces an acute energy shortage as indigenous sources of energy are fast dwindling. The country's current natural gas reserves are inadequate for future demand. While Bangladesh has maintained a six percent growth rate for a decade, the country would need to expand its energy sources to sustain this growth. India could contribute to the economic growth of Bangladesh by providing electricity.

Grid connectivity, for one, needs to be expanded. In a memorandum of understanding (MOU) signed in 2010, the two countries have agreed to set up a power transmission link at Behrampur (in West Bengal) and Bheramara (a remote village in Bangladesh bordering Murshidabad district in West Bengal) to connect their electricity grids.

India is also committed to export 500 MW of electricity to Bangladesh, with the line having a maximum capacity of 1000 MW. The two countries also agreed to invest in power generation.<sup>23</sup> As a result, grid connectivity was completed in 2013. India is now exporting 500 MW of electricity to the south-western region of Bangladesh. In March 2014, India has promised an additional 100 MW of power from the Palatana power plant in Tripura.<sup>24</sup>

This power agreement has brightened the prospects for the formation of a South Asian electricity grid. The two countries could also work together, and with other neighbouring countries, to exploit the untapped hydro-electric potential in countries like Nepal and Bhutan. Bangladeshi investment and enterprises could be encouraged to tap the hydro-electric potential in the North-eastern states. This would not only address the energy problem in Bangladesh but also resolve disputes over riparian rights.

**Military Cooperation:** India and Bangladesh, which share security concerns, should promote strong military cooperation through exchanges, training and joint exercises. For long, the Bangladesh Army was known to be sceptical of the country's relationship with India. The perception began to change after the visit of General Moeen Ahmed Choudhury, Chief of the Bangladesh Army, in February 2008. The visit marked a new beginning in military relations between



the two countries. Military cooperation between the two countries has improved: in October 2011, the militaries of the two countries participated in their first joint exercise—Operation Sampriti—in Sylhet, Bangladesh, and carried out counter-insurgency and counter-terrorism exercises.<sup>25</sup>

The changing attitude of the Bangladesh army can be gauged from the fact that, unlike in the past, its training programmes do not visualise India as a principal threat.<sup>26</sup> To sustain this positive trend, it is necessary to develop an institutional framework for interaction between the top commanders of the two countries, freeing the process from political exigencies. Stronger military ties will further strengthen security cooperation between the two countries.

The two sides should explore joint disaster management programmes as the armed forces of both countries have significant experience in dealing with natural disasters.

**Opening Dialogue with Political Parties:** Domestic political compulsions in Bangladesh have often been a stumbling block in improving the bilateral relationship. India will do well to change the widespread perception that it is pro-Awami League. There have been attempts in the recent past to reach out to the other major party, the Bangladesh Nationalist Party (BNP), but without much success. India must renew efforts to reach out to the BNP as well as other smaller parties to create a consensus for a better relationship between the two countries.

**People-to-people Contacts:** Perhaps one way to remove false public perceptions would be to raise the level of contact between the people of the two countries. Some steps have already been taken like providing scholarships to Bangladeshi students to study in Indian educational institutions, cultural exchanges among artists of the two countries and greater interaction among people of different walks of life.

India is also working on easing visa restrictions: Giving visa-on-arrival to Bangladeshi tourists, which is likely to start from October 2014,<sup>27</sup> is a positive step. India is also considering providing five-year multiple entry visas to Bangladesh citizens.<sup>28</sup> In fact, during External Affairs Minister Swaraj's visit to Bangladesh in June 2014, India agreed to give five-year multiple-entry visa to Bangladeshi citizens above the age of 65 years and those under 13.<sup>29</sup> India should likewise work on simplifying procedures for job visas for Bangladeshis.

## Conclusion

Over the recent years, there has been significant progress in improving bilateral relations between India and Bangladesh. The new Indian government needs to capitalise on these gains and create in Bangladesh a critical ally in the region. A strong relationship with Bangladesh could set the tone for a greater engagement with India's immediate neighbourhood.

---

### ABOUT THE AUTHOR

Joyeeta Bhattacharjee is Associate Fellow at Observer Research Foundation, New Delhi. She has done her PhD in Conflict Resolution from Assam University, Silchar. She has published extensively on issues related to India-Bangladesh relations.

**Endnotes:**

1. “Bangladesh most trusted by Indians”; [ibnline.in.com](http://ibnline.in.com), 29 July 2013.
2. Haroon Habib, “India and Bangladesh finalise deal on Teesta, Feni river water”, *The Hindu*, 12 January 2014.
3. Walskar Sandep & Ilmas Futehally, *Rivers of Peace: Restructuring India Bangladesh Relations*, Strategic Foresight Group, 2013.
4. Joyeeta Bhattacharjee, “India-Bangladesh Relations: Finding a Way Forward”, Observer Research Foundation, Issue Brief 43, September 2012.
5. Ibid.
6. Ibid.
7. According to the draft agreement that was exchanged between the two countries, India and Bangladesh would get 40 percent of the water available actual flow available at Gazaldoba at West Bengal and 20 percent of the actual flow at the Gazaldoba would be reserved as environmental flow.
8. Rukmani Das & Deepak Raju, “A settlement long overdue”, *The Hindu*, 13 August 2013.
9. “India, Bangladesh settle boundary dispute”, [Indiatoday.in](http://indiatoday.in), 7 September 2011.
10. Mentioned by India's Foreign Secretary in her Keynote address at the Inaugural Session of the India-Bangladesh Security Dialogue organised by ORF on 2 April 2014.
11. India-Bangladesh Export import statistics in <http://www.hcidhaka.gov.in/pages.php?id=34>, accessed on 15 April 2014.
12. Opinion expressed by participant from Bangladesh at a workshop on “NTBs in South Asia” organised by Observer Research Foundation on 4 March 2014.
13. Sajjadur Rahman, “Analysts urge India to erase trade barriers to Bangladesh”, *The Daily Star*, 10 January 2011.
14. *India-Bangladesh Relations: Towards Convergence*, IDSA Task Force Report, September 2011.
15. Jamdani saris are tested for dyes in Lucknow instead of Kolkata. Similarly, sanitary testing of Hilsa fish imported from Bangladesh is done in Kolkata instead of Petrapole. Three laboratories in Bangladesh have been identified for testing export samples meant for India, with testing facilities set up at the Petrapole border.
16. Seven ICPs are:-
  - Petrapole in West Bengal (corresponding to Benapole in Bangladesh),
  - Dawki in Meghalaya (corresponding to Tamabil in Bangladesh) and
  - Agartala in Tripura (corresponding to Akhaura in Bangladesh).
  - Hili, West Bengal (corresponding to Hili in Bangladesh),
  - Chandrabangha, West Bengal (corresponding to Burimari in Bangladesh),
  - Sutarkhandi Assam (corresponding to Sheola in Bangladesh) and
  - Kawarpuchia, Mizoram (corresponding to Thegamukh in Bangladesh).

17. “India, Bangladesh set to sign motor pact in trade push”, Business Standard, 3 October, 2013.
18. Mohammad Abu Rayhan, “Foreign Direct Investment in Bangladesh: Problems and Prospects”, ASA University Review, Vol.3 No2, July-December 2009.
19. Sangeeta Thapliyal, “India-Bangladesh Transport Links: A move for Closer Cooperation”, Strategic Analysis Vol.12, No.12, 1999.
20. Exclusive Interview with Dr. M Rahmatullah, leading transport expert of Bangladesh, published in The Daily Star, 5 June 2012.
21. Protocol on Inland Water Transit and Trade sign between India and Bangladesh in [http://mdoner.gov.in/sites/default/files/silo3\\_content/InlandWaterways/Indo-Bangladesh%20Protocol.pdf](http://mdoner.gov.in/sites/default/files/silo3_content/InlandWaterways/Indo-Bangladesh%20Protocol.pdf) accessed on 20 February 2014.
22. Joyeeta Bhattacharjee, “India-Bangladesh Cattle Smuggling: Challenges to Border Management”, ORF Special Report, August 2013.
23. “Cross Border Electricity Trade”, Power Division Ministry of Power, Energy and Mineral Resources Government of the People's Republic of the Bangladesh in <http://www.powerdivision.gov.bd/user/berc/54/97> accessed on 26 February 2014.
24. “More India Power”, The Daily Star, 5 March 2014.
25. “India-Bangladesh first-ever joint military exercise”, Deccan Herald, 7 October 2011.
26. “India not 'Enemy' in Bangladesh War games”, The New India Express, 10 February 2014.
27. “India offers visa on arrival”, The Daily Star, 7 February 2014.
28. “Indian visa rules to get relaxed”, The Daily Star, 25 February 2014.
29. “India relaxes visa norms for Bangladesh nationals”, [www.ndtv.com](http://www.ndtv.com), 27 June 2014.



**Observer Research Foundation,**  
20, Rouse Avenue, New Delhi-110 002  
Phone: +91-11-43520020 Fax: +91-11-43520003  
[www.orfonline.org](http://www.orfonline.org) email: [orf@orfonline.org](mailto:orf@orfonline.org)