



# ORF ISSUE BRIEF

SEPTEMBER 2012

ISSUE BRIEF # 43

## India-Bangladesh Relations: Finding a Way Forward

Joyeeta Bhattacharjee

### Introduction

A key element of India's foreign policy has been to ensure a 'peaceful periphery'—a friendly and cooperative working relationship with all its neighbouring countries. This objective, for various reasons, has remained unfulfilled especially with regard to Pakistan. A certain lingering distrust and suspicion continues to trouble the ties with the other neighbours too. In this overall picture, Bangladesh presents a ray of hope. In a very real sense, the ties with Bangladesh are of critical importance to India's South Asian relations and to its burgeoning relations with Southeast Asia.

Since 2009, Bangladesh has moved away from a relationship which had earlier been marked by mistrust. This shift in attitude helped in improving the bilateral relationship. India has reciprocated in a similar manner. A flurry of high-level visits between the two capitals occurred and a feeling of mutual trust gained ground rapidly.<sup>1</sup> But, as events turned out, 2011 saw an equally swift decline of cordiality, with senseless polemics overtaking rational debate over issues that have remained contentious since long.

India has a stake in Bangladesh not only for the security of its eastern borders but also for other strategic advantages. Therefore, it cannot afford to let go of this recently achieved opportunity to break away from the past trajectory and establish new contours of engagement with Bangladesh. In many ways, this is a rare opportunity for both the countries to talk with each other and resolve differences.

This paper argues that India must seize this opportunity and expand cooperation with Bangladesh at all levels. It puts forward several key issues that call for an understanding and suggests possible paths of convergence.

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.

## Water

Fifty four riverways link India and Bangladesh. Being a lower riparian, Bangladesh is keen on signing agreements on water sharing on all the common rivers. So far, there is only one such agreement– the Ganges Water Treaty signed in 1996. It is the sharing of Teesta water which tops the list of water disputes between the two countries and Bangladesh has been insisting on reaching an agreement. In fact, both the countries in principle are agreed on the need for an agreement. But the protest by Paschimbango (erstwhile West Bengal) Chief Minister Mamata Banerjee prevented the signing of a treaty, for which a proposal was mooted during Prime Minister Manmohan Singh’s visit to Dhaka in September 2011. The Chief Minister objected to the proposed ratio of 50-50 water sharing agreed to in the draft agreement, claiming that the proposed ratio would be disadvantageous to the people of her state.<sup>2</sup>

Teesta River originates in Sikkim and flows through West Bengal before entering Bangladesh. It is the major source of water for agriculture in north Bengal and in north-west Bangladesh. Bangladesh is extremely keen on the pact as it has already built a barrage downstream (in 1990), which enables it to grow three seasonal crops in a year. Interestingly, India also has a barrage upstream in Teesta at Gozaldiba in north Bengal. This has made water availability in the barrage downstream in Bangladesh dependent on water released upstream.<sup>3</sup> Bangladesh claims that it does not receive adequate water in the lean season (January and February).

Thus, the problem boils down to water sharing during the lean season with Dhaka wanting 50 percent and Ms. Banerjee willing to give only 30 percent during the lean months.

The problem could be resolved if arrangements are made to augment the flow during the two-month lean season by storing upstream the surplus water flow during the flood season. It would provide enough water flow in the Jan-Feb period, addressing the worries on both sides. Augmentation is doable especially when both the countries are on friendly terms and are willing to go the extra mile to resolve differences.

Bangladesh has other issues too. Being a lower riparian, it is concerned over the changes taking place upstream, particularly over the proposal for interlinking of rivers. The Supreme Court of India has directed the government to implement the project, raising new fears in Bangladesh.

The Indian government in 2003 had instituted a task force to investigate the viability and other factors of the project. The scheme involves transferring surplus water from the Brahmaputra-Ganga basin and diverting it to rivers in the states of Uttar Pradesh, Rajasthan, Maharashtra, Gujarat, Orissa, Andhra Pradesh, Karnataka and Tamil Nadu through canals. However, the project could not make any major progress. Bangladesh has been criticizing the project on the ground that if implemented, it would have an adverse impact on its own rivers, agriculture and ecology. Popular opinion in Bangladesh is that India

should not take any unilateral decision on the issue without taking due consideration of the needs of the lower riparian section of the rivers.

Construction of the Tipaimukh Dam is another contentious issue between India and Bangladesh. Tipaimukh Dam is a hydel power project proposed on the river Barak in Manipur. Bangladesh's objection is that it would have adverse ecological effects in its eastern Sylhet district. In spite of India's reiteration that no dam would be constructed overlooking Bangladesh's objections, the controversy is far from over.

The popular arguments in Bangladesh against the Tipaimukh project are:

- a) India should not decide what is good for people of Bangladesh without taking them into confidence;<sup>4</sup>
- b) No study has been undertaken in Bangladesh to assess the impact of the ecosystems that exist and depend on the natural flow of the water in Surma-Kusiyara-Meghna and their tributaries. How can India assume that the project will not harm the environment and the ecosystem in the downstream region in Bangladesh without any proper study?

India and Bangladesh have agreed on a joint study group to examine the points raised by Bangladesh. But scepticism still prevails. Some of the reservations expressed are: a) since there is no treaty between India and Bangladesh about joint management of water resources in Barak, India will decide on the amount of water Bangladesh will receive; b) Barak is an international river so Bangladesh is a stakeholder and hence it should not invest any money in the project, and power should be given free to Bangladesh.

### **Border Killings**

The killing of Bangladeshi nationals by Border Security Force (BSF) has become a major irritant between the two countries in the recent past. It has evoked strong public sentiments in Bangladesh. According to a report of Bangladesh Human Rights Watch organization Odhikar, BSF has, from January 1, 2001 to March 31, 2012, killed 907 Bangladeshis.<sup>5</sup> Bangladesh wants no time lost in stopping these killings.

Acting on Bangladesh's request, India has adopted a policy of restraint at the border and has directed the BSF to avoid shooting. Instead of firing, BSF is detaining intruders and handing them over to the local police for further action. There have been some positive steps taken by both the governments to contain such incidents. For instance, BSF and Border Guards of Bangladesh (BGB) have started coordinated patrolling and night patrolling at various points on the border. Such steps have significantly reduced incidents of border killing. This fact is also endorsed by Major General Anwar Hossain, Director

General of BGB.<sup>6</sup> All the same, the border, being prone to cross border crimes—mainly cattle smuggling, arms, and illegal human trafficking, and killings—remains a serious concern.

A straight solution to this problem would be to stop the cattle smuggling, which is a billion-dollar illegal industry with stake holders on both sides of the border. Most of the victims are those that the Bangladesh media chooses to call 'cattle traders'. This lucrative trade involves, according to some estimates, 1.5 million cows worth \$500 million being smuggled annually to Bangladesh from India.<sup>7</sup>

India has initiated some steps to prevent the smuggling, but the issue is further complicated by the fact that most of the cows that are smuggled through West Bengal and Assam border are brought from as far away as Rajasthan and Haryana, which indicates a countrywide network. So, measures confined to the border areas will not check the smuggling. Both the countries need to accept the reality of cattle smuggling and find mutually acceptable ways to address the problem.

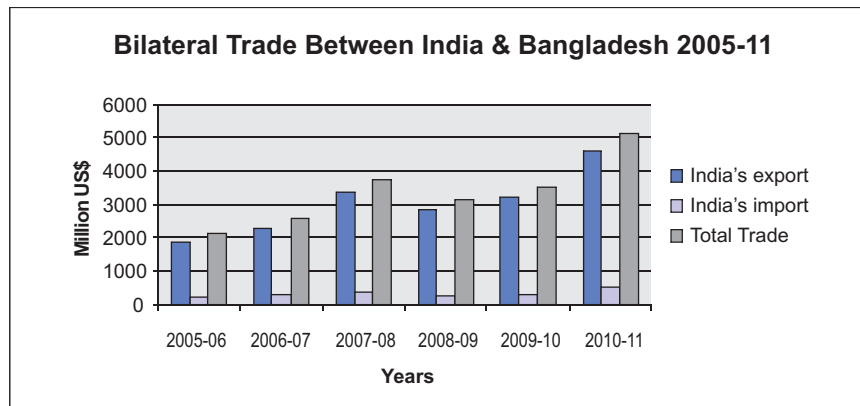
### **Implementation of Land Boundary Agreement**

The delay in implementation of the land boundary agreement signed during the Indian Prime Minister's visit has increased the differences. India and Bangladesh share a 4,098-km long border. The land boundary agreement was signed to resolve all the boundary issues, including delimitation of 6.9 kms of disputed boundary, land in adverse possession and exchange of enclaves.

The Bangladesh Parliament has ratified the agreement, but it awaits ratification by the Indian Parliament. Bangladesh is urging India to take necessary steps at the earliest to make it functional. The reason for the parliamentary delay is the reservation expressed by some sections, mainly people living on the border, who complain that they had not been consulted before signing the treaty. They also argue that implementation of the treaty would have adverse impact on their lives. Authorities should reach out to the people and explain to them the benefits of improving relations with Bangladesh by ratifying the agreement.

### **Trade and Investment**

The trade deficit with India is frequently highlighted by Bangladesh as a major contentious issue. Trade deficit for Bangladesh is more than \$4 billion.<sup>8</sup> For long, Bangladesh has been urging India to reduce this gap by lifting the tariff barriers as they were a major impediment to the growth of Bangladesh's exports to India. Responding to Bangladesh's concern, in November 2011, India granted duty free access to all products, except 25 tobacco and liquor items from Bangladesh.<sup>9</sup> As much as 98 per cent of Bangladesh products now enjoy zero duty benefits in the Indian market.<sup>10</sup> Bangladesh's exports to India are expected to cross \$1 billion in 2012.<sup>11</sup>



*Source: "India Bangladesh Relation", High Commission of India, Dhaka, Bangladesh, at [http://www.hcidhaka.org/br\\_politics.php](http://www.hcidhaka.org/br_politics.php) accessed on March 23, 2012*

However, Bangladesh is now urging India to remove all non-tariff barriers (NTBs) as it views NTBs as the major obstacles to its export growth. Some of these barriers are: laboratory test for every consignment of food products, cosmetics, and leather and textile products; delay in getting test results; imposition of state tax; packaging requirement, anti-dumping and countervailing duties; inadequate infrastructure facilities such as warehousing, trans-shipment yard, parking yard and; connecting roads at land customs stations of India.<sup>12</sup> To encourage exports from Bangladesh, India must move proactively to provide facilities of customs and testing at the border check posts.

Besides, removal of non-tariff barriers should be accompanied by tariff reforms since the opportunity cost of non-tariff barriers is very high. A Consumer Unity & Trust Society (CUTS) International report says: "In 2010, value of unexplored market was more than 48 per cent of total value of India-Bangladesh trade and potential saving, which is a proxy for cost of non-tariff barriers, is more than seven per cent of total value of Indo-Bangla trade".<sup>13</sup> Hence, to resolve non-tariff barrier issues, both sides should engage in a sustained dialogue with a view to signing an agreement for the removal of non-tariff barriers.

India is also encouraging investments in Bangladesh. In this regard, a Bilateral Investment Promotion and Protection Agreement has been signed between the two countries. The agreement is expected to increase Indian investment in Bangladesh. Response of the business communities of both countries has been quite encouraging and a number of joint ventures have been signed. However, to multiply investment further, Indian experts are suggesting that Bangladesh create a more enabling environment for foreign investment in the infrastructure sector.<sup>14</sup>

## Transit

India has been urging Bangladesh to provide rail and road transit to connect with its north-eastern states. Technically speaking, the issue of transit was resolved in 1972 when both sides agreed on a mutually beneficial arrangement for the use of their waterways, railways and roadways for commerce between two countries and for passage of goods to places in one country through the territory of the other. Inland water transit has been functional, but the rail and road transit is still waiting to be operational.

Bangladesh's initial reluctance to granting India rail and road transit was on the grounds that transit facility once given was difficult to take back, and such a facility may encourage terrorism and insurgency. Other concerns included damage to the roads and bridges in Bangladesh by the increased traffic flow from the Indian side.<sup>15</sup> However, during Dr. Singh's visit, the two sides agreed to resolve the issue but there has been no major progress.

The reason for delay was that Bangladesh's infrastructure was not yet prepared to take the load of the increased traffic that will follow with the granting of transit to India.<sup>16</sup>

Addressing Bangladesh's concern, India provided a credit line of \$1 billion to Bangladesh for development of infrastructure projects. But the credit line could not be used to its potential because of the strict conditions India imposed, to the effect that 85 per cent of the raw materials for the road projects has to be procured from India, on the ground that it produces all the materials necessary. Bangladesh has countered by claiming it too has the necessary raw materials. India reduced the quantum to 75 per cent, but Bangladesh still finds it too high.<sup>17</sup> India may have to reduce the quantum still more.

Bangladesh, on its part, should also work to implement the projects on a priority basis and take advantage of the economic benefits from transit. It could earn \$44 million per annum for first five years if it grants transit to India. From the sixth year, earnings would be around \$500 million, which could rise to \$1 billion.<sup>18</sup> Transit would not only boost connectivity between the two countries, but also offer opportunities for regional connectivity and help Bangladesh develop Chittagong port into a regional hub.

### **Extradition Treaty**

India has been urging Bangladesh for a bilateral extradition treaty for long. It raised this issue during the meeting of Home Ministers held in Delhi in February 2012. The treaty is essential as it would help both the countries to deport criminals and terrorists easily, avoiding lengthy legal processes. The need for such an arrangement is crucial to institutionalize the security cooperation among the two countries which is greatly dependent on the parties ruling in the two countries.

### **Illegal Migration**

India has been expressing concern about illegal migration from Bangladesh, which is causing ethno-political tensions in India. The ethnic riot in Assam in the 1980s is a case in point. Influx from Bangladesh due to high population growth in that country and poor economic conditions is likely to grow. This is likely to pressurise availability of resources resulting in escalation of tensions. Both the countries should address the problem, but Bangladesh is in denial about India's bona fide complaints in this regard.

According to a report by Lt. Gen. SK Sinha, former Governor of Assam, submitted to the President of India in 1998, the contributing factor for migration has been primarily economic. Besides, there is ethnic, linguistic and religious commonality between people living on both sides of the border, many of whom have familial ties that encourage migration. Analysing the possible reason behind Bangladesh's stand, the report claims that there is no evidence of Bangladesh government encouraging illegal migration. However, the report opines that possible reason behind Bangladesh government's denial could be that it wants to ease the pressure of its own bursting population.<sup>19</sup>

To tackle illegal migration, along with effective border management, there is a need to set up a mechanism on the lines of work permits. The system would not only help legalize the influx of people, but would also help in avoiding the political backlash in India, resulting from illegal migration. Again, the illegal migrants are mostly employed in the unorganized sector and the permits would help them to get some privileges enjoyed by migrant workers, specially the right to send money home. This would also help in addressing the issue of trade imbalance.

### **The Way Forward**

India and Bangladesh are keen on resolving differences. They must therefore speed up all efforts to move forward on key issues. The following suggestions can be considered as a rough guide map of rapprochement.

- a) Agreement on water sharing should be given priority. Early resolution of the Teesta issue is necessary.
- b) India should give prominence to the ratification of land boundary agreement.
- c) Security cooperation between the two countries has been good. But there is need for institutionalizing this cooperation so that it does not remain restricted to the tenure of a particular government in either country. In this regard, a beginning could be made by signing the bilateral extradition treaty.
- d) Connectivity should be given top most priority. Both the countries should work together to operationalise it.
- e) There is need for addressing the issue of illegal migration. In this regard innovative measures should be taken to resolve the problem, being extra careful to ensure that illegal migrants do not acquire voting rights and Indian nationality.
- f) People-to-people contact needs to be encouraged; hence liberal visa system should be put in place.
- g) Trade relationship has improved significantly between the two countries. India has provided zero duty access of Bangladeshi products thereby addressing the tariff related issue to a great extent. The two countries should now consider an agreement on non-tariff barriers.
- h) Indian investment should be encouraged in Bangladesh through visits of trade delegations, trade fairs, and bilateral assurances on protection of the interests of potential investors.

- i) Progress can be made by cooperating on common challenges like disaster management, food and energy security.
- j) Greater involvement of people and wider public debate on foreign policy issues will discourage conspiracy theories and distrust.
- k) A greater level of people-to-people contact should be encouraged.

#### ABOUT THE AUTHOR

Joyeeta Bhattacharjee is an Associate Fellow at Observer Research Foundation.

#### Endnotes:

1. Bangladesh Prime Minister Shiekh Hasina visited India in January 2010 while Indian Prime Minister Dr. Monmohan Singh visited Bangladesh in September 2011.
2. "Teesta Deal Uncertain", *The Daily Star*, September 6, 2012.
3. S. Chandrasekharan, "Bangladesh-India: The Teesta Mess: The Way forward", [www.southasiaanalysis.org](http://www.southasiaanalysis.org), paper no.4846, January 8, 2012.
4. Md. Khalequzzaman, "Tipaimukh Dam: Bangladesh Perspective" in <http://www.indiawaterportal.org?post?22888>, accessed on June 7, 2012.
5. "Legal Cattle Trade to Cut Border Killing", *The Daily Star*, September 19, 2011.
6. "BGB-BSF coordinated patrolling to check border killings", *The Independent*, March 14, 2012.
7. "For a cow it doesn't get much better than India" in <http://articles.latimes.com/2010/may/02/world/la-fg-cows-20100503> accessed on March 19, 2012.
8. Sajjadur Rahman, "Trade gap with India doubles in five years", *The Daily Star*, September 6, 2011.
9. "Exploring the Opportunities of Regional and International Dynamics", Nizneed Ahmed, December 8, 2011, [www.biiss.org](http://www.biiss.org).
10. "Export to India will cross \$1 billion mark", *The Daily Star*, March 7, 2012.
11. Ibid.
12. Sajjadur Rahman, "Analysts urge India to erase trade barriers to Bangladesh", *The Daily Star*, January 10, 2011.
13. CUTS International report on the Stakeholder Consultation on India-Bangladesh Trade organized in Kolkata on May 31, 2012.
14. Ibid.
15. Piyali Dutta, "India-Bangladesh Relations: Issues, Problems and Recent Developments", IPCS Special Report, September 2010.
16. Exclusive Interview with Dr. M Rahmatullah, leading transport expert of Bangladesh, published in *The Daily Star*, June 5, 2012.
17. Ibid.
18. "Transit to spin \$44 mn a year: M Rahmatullah", *The Daily Star*, February 27, 2012.
19. Report on Illegal Migration in Assam submitted to the President of India by Lt Gen SK Sinha, Governor of Assam, November 8, 1998 in [www.satp.org](http://www.satp.org) accessed on June 7, 2012.



**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)