

Report on Stakeholders' Dialogue on Creating an Enabling and Inclusive Policy & Political Economy Discourse for Trade, Transport and Transit Facilitation in the Sub-region

31 January 2018

Bhutan Media & Communications Institute

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**Welcome Note by Mr Shiva Raj Chhetri, BMCI**

Hon'ble Dasho Kinley Dorji, former Secretary of the Ministry of Information and Communications, Mr Pemba Wangchuk, Director General of Road Safety and Transport Authority (RSTA), Col. Ninda Wangdi, Royal Bhutan Police, Mr Prithviraj Nath, Associate Director of Consumer Unity & Trust Society, Kolkata, distinguished guests from various government agencies, CSOs, Bhutan Chamber of Commerce and Industry, and various sector associations, journalists, ladies and gentlemen.

As James Scott puts it, "Cities require connectivity rather than territory in order to drive their economic stability and growth." Connectivity has been the key word resonating in the era of globalisation across the world.

I, Shiva Raj Chhetri, on behalf of Bhutan Media & Communications Institute (BMCI) and on my own behalf would like to extend our warm welcome to you all to this very important stakeholders' dialogue on trade, transport, and transit facilitation in the sub-region.

BMCI has conducted the survey we are going to discuss today on Creating an Enabling and Inclusive Policy and Political Economy Discourse for Trade, Transport and Transit Facilitation in the Sub-region. The focus of the study is to identify the existing hurdles to trade, transport and transit facilitation and how overcoming these hurdles can address issues related to livelihood, poverty, and gender. The survey was conducted independently by BMCI in collaboration with local researchers and surveyors.

As we present some very interesting findings from our field survey to you all today, we look forward to a very fruitful discussion and valuable inputs from you all over the next couple of hours which will help us chart our way forward.

Thank you and welcome once again.

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## **Executive Summary of Findings Presented by Director, BMCI**

Director of BMCI, Ms Pushpa Chhetri, presented the draft findings of the institute's study on Creating an Enabling and Inclusive Policy & Political Economy Discourse for Trade, Transport and Transit Facilitation in the Sub-region with some 35 participants from the government, CSOs, and private sector agencies as part of a stakeholders' discourse on the subject.

The study is part of a larger study in the sub-region constituting Bangladesh, Bhutan, India, Myanmar, and Nepal. The study is the result of six months of field survey, literature review, key informant interview, and focus group discussions.

The independent study mapped the perceptions of selected stakeholders in Bhutan on the current state of trading through the journey of a product imported from and exported to India, Bangladesh, and Nepal. It attempts to give a people-centric approach to trade by studying its impact on livelihood, gender, and poverty reduction.

The corridors selected for the study are Thimphu-Phuntsholing-Jaigaon-Changrabandha-Burimari-Dhaka and Pemagatshel-Samdrup Jongkhar-Rongia-Birathnagar.

The countries in the sub-region are home to around 1.5 billion people and they share cultural, religious, and socio-economic similarities and ties.

Bhutan is dependent on the trade with the countries in the sub-region for its basic needs such as rice, ready-made garments, and religious artefacts mostly imported from Bangladesh, India, and Nepal. At the same time, it is dependent on the markets in the sub-region for its exports such as apple, gypsum, and ferrosilicon.

The livelihood of stakeholders like truckers, labourers, and support service providers in the border towns are directly dependent on trade. In the border towns like Phuntsholing and Jaigaon, the concerns of the people living on one side of the border are shared by the people engaged in similar activities on the other side. Political problems affecting one side also affect trade on the other side.

Trading has opened up several economic opportunities for women who have taken up the role of service providers along the highways and nearby bordering towns and industries. For example, most handicraft and readymade garment shops have employed up to 98% women in sales.

Since trade connectivity is recognised as a harbinger of economic growth, bringing prosperity and reducing poverty within and across the countries in the sub-region, several initiatives such

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as rail, road, and port projects at the sub-regional scale have been undertaken to enhance cross-border trade connectivity.

However, timely implementation of these projects are challenging due to complex political and economic ground realities in the countries. For example, in the Thimphu-Phuntsholing-Jaigaon-Changrabandha-Burimari-Dhaka corridor, corrupt practices, political and security issues, shortage of manual labourers in Bhutan, absence of power back-up, animal and plant quarantine facilities at Jaigaon, and trans-shipment are adding to the procedural delays and increase in the cost of trading.

Soft infrastructural challenges include rules and regulations for customs procedures differing from country to country, absence of testing labs, security at the Indo-Bhutan border, illegal trade through LCS, political misunderstandings and lack of institutional and regulatory reforms, poor road conditions, parking issues, narrow roads near LCS, improper water, and sanitation facilities at ports.

Other challenges include absence of efficient transit mechanisms in the sub-region hindering intra-regional trade, economic exchange and integration of regional markets, integration among various operating agencies at the borders, poor internet connectivity at land ports, and lack of coordination among inter-ministerial departments as well as between central and state agencies.

Inadequate transit and transport facilitation is particularly challenging for landlocked countries, such as Nepal and Bhutan, which rely on inter-country land transport for much of their domestic and regional trade. They depend on Kolkata and Haldia in India located on the east coast of India for trade with other countries. Trans-shipment at the borders and high costs of transporting goods for Nepal and Bhutan affect their global trade competitiveness.

Some of the major infrastructural concerns at the borders in Jaigaon, Changrabandha, and Burimari include the absence of quarantine facilities, poor conditions of approach roads, manual inspection of consignments, the absence of proper warehouses and cold storage facilities, the absence of Electronic Data Interchange facilities, lack of uninterrupted supply of electricity, and non-availability of separate restrooms for men and women at all these LCSs.

The study also highlighted the significance of regional agreements in standardisation and formalisation of trade, economic development, integration with larger developmental agenda, and strategic and diplomatic ties.

The project is expected to generate more discussion at important nodes of the corridor to create greater public awareness on the issues related to regional trade, transport, and transit facilitation.

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### **Discussion Moderated by Mr Kunga Tenzin Dorji**

The discussion began with a clarification on the overall objectives of the study. Ms Pushpa Chhetri, Director of BMCI, clarified that the study's main objective was to identify hurdles to trade and trading processes in the sub-region with a particular focus on livelihood and gender. It was beyond the sub-region's Motor Vehicle Agreement which was stuck in Bhutan's parliament.

It was highlighted that the study was intended to be shared with the stakeholders in the member countries of the sub-region. Mr Prithviraj Nath, Associate Director, Consumer Utility and Trust Society, Kolkata said that similar national level dialogues would be held in all the five countries apart from regional dialogues.

Ms Pushpa Chhetri reported that the study was different from other studies such as the ones carried out by the World Bank in that it was looking at the people involved in the trading process, not the process itself. The focus, she said, was people-centric and included salary and working conditions of people concerned. It was about people-to-people connectivity.

The participants recommended that the findings of the study be shared with higher authorities so that they can be implemented.

The participants pointed out the merit of study being independent which indicated the emergence of civil society. It was suggested that the citizens take the discussion beyond the consultation meeting even as the governments get stuck on a few issues.

The following are what emerged from the discussion.

#### **■ Respecting national interests**

The study took into consideration different concerns and challenges surrounding regional connectivity. The bottom line was to make regional connectivity work for the peoples of all four countries without compromising their national interests because it was aimed at improving the livelihood of the peoples. That required taking care of national sensitivities, interests, and concerns. Could regional connectivity work like ASEAN?

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### ■ Connecting beyond India

The participants flagged the need for Bhutan's connectivity beyond India, underling Bhutan's access to markets in Bangladesh and Nepal. This brought into question the need for multimodal connectivity. Without multimodal connectivity, Bhutan could not get to the Bangladeshi waterways.

The current traditional trading system Bhutan followed put the Bhutanese traders at the mercy of the Indian market. Therefore, it was important for Bhutan to have direct access to the markets beyond India. This called for bilateral agreements.

For example, an MoU on inland waterways with Bangladesh would make transportation of goods between Bhutan and Bangladesh five to six times cheaper than by road transport. And it was found to be feasible.

A participant pointed out the need for the Bhutanese traders to use railway routes in India for trading.

### ■ Adding the GST component

Senior Research Officer of BCCI recommended that the study take into consideration the elements of GST regime implemented in India. GST had not been implemented when the study was started so it was not part of the questionnaire. Adding the GST dimension to the study required another focused group discussion.

### ■ Digital connectivity

A participant highlighted the role of digital connectivity for sub-regional integration. Mr Prithviraj Nath observed that the focus of the study was physical connectivity, not digital connectivity. However, digital connectivity could be considered as a possibility. Digital connectivity, he added, would be crucial to the six north-eastern states of India, Bhutan, and Nepal which are landlocked.

Electronic data interchange, which was missing, was pointed out as crucial for the countries in the sub-region.

Dasho Kinley underlined Bhutan's fibre optics project as promising a huge opportunity for digital trade and connectivity.

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A representative from Royal Securities Exchange of Bhutan pointed out that the corporation's attempt to take export products like potato and cardamom online has proven that farmers benefit hugely from digital trade.

#### ■ Need for agency-specific recommendations

Some participants recommended that the recommendations be tagged to specific agencies so that they could act upon the recommendations. Otherwise, recommendations did not catch any agency's attention and ultimately fell through.

Director General of RSTA said that it was important for the study to point out what RSTA, for example, could do to facilitate better connectivity. He added that the study also needed to list down what each country could do.

Mr Prithviraj Nath remarked that it was a national-level consultation and sought to discuss and consider the national issues of Bhutan. After consultations with all the countries, a list of recommendations would be compiled for each country.

#### ■ Need to formalise actors

The need to formalise the actors involved in trading was pointed out as a consideration in the view of trading mostly happening informally. There was need to formalise trade within the countries themselves as well as among the countries. The Bhutanese truckers were observed saying if the relations between India and Bhutan, for example, were only between the officials. They did not feel the friendship when they drove on the roads.

#### ■ Linking ICT services with banking system

Dasho Kinley Dorji pointed out the need to connect ICT services with the banking system in the country to enhance digitisation of trade. Financial connectivity enabled through online payment systems was crucial for digital connectivity.

#### ■ Integrated checkpoints

Integrated cross-border checkpoints in places like Jaigaon and Barobisha were recommended to facilitate smoother trade. The idea was to set up joint checkpoints operated by officials from both the countries.

It was pointed out that the plan for integrated checkpoints had been there for some time but there hadn't been much progress on it. Integrated checkpoints would improve

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predictability in trade. This called for bilateral or sub-regional agreements instead of addressing issues on a case-by-case basis.

#### ■ Study transport policy

It was recommended that BMCI study the transport policy of the Royal Government of Bhutan and check what new components could be included in the study.

#### ■ One-on-one discussion with stakeholders

BMCI was recommended to hold one-on-one discussions with the stakeholders to draw more inputs from them. The stakeholders expressed their interest and willingness to share more information and suggestions to take the study forward.

#### **Key Takeaways by Mr Prithviraj Nath, CUTS**

Mr Prithviraj Nath distilled the discussion into the following key takeaways:

- It is important to learn what Bhutan thinks, meaning the study must accommodate Bhutan's concerns, reservations, challenges, and national interests.
- The role of digital connectivity for trade, bilaterally as well as regionally. The discussion highlighted digital connectivity as a key component of connectivity in the sub-region.
- Make concrete recommendations for specific agencies. A number of participants called for agency-specific recommendations for the ease of implementation.
- Study the transport policy. It was recommended that BMCI study the transport policy of the Royal Government of Bhutan and check what elements could be included in the study.
- Financial connectivity. Connecting the trading sector with the banking sector was pointed out as key to facilitating a better connectivity in the sub-region.
- One-to-one discussion. It was recommended that BMCI hold one-to-one discussion with the stakeholders to garner more information and to take the discussion further.

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### **Vote of Thanks by Mr Shiva Raj Chhetri, BMCI**

It is very heartening to have had such a vibrant discussion.

Hon'ble Dasho Kinley Dorji, former Secretary of MoIC, Mr Pemba Wangchuk, Director General of Road Safety & Transport Authority, Col. Ninda Wangdi, Royal Bhutan Police, Mr Prithviraj Nath, Associate Director of Consumer Unity & Trust Society, Kolkata, distinguished guests from government agencies, CSOs, BCCI, and various sector associations, journalists, ladies and gentlemen.

It is my privilege to propose a vote of thanks on this occasion.

I on behalf of BMCI and on my own behalf would like to extend our heartiest thanks to all the participants for sparing your valuable time to be with us this morning for this very important occasion.

Thank you for your wonderful comments and suggestions.

I thank Mr Kunga Tenzin Dorji for moderating the discussion and Mr Prithviraj Nath for summarising the discussion very beautifully. I would also like to thank Dasho for all your guidance and support.

This kind of event does not happen overnight. The preparation starts weeks ago. It requires a lot of planning and dedication. We have been very fortunate to be backed by very dedicated colleagues who worked relentlessly to make this event a successful one. I can't thank you enough for your contribution.

I would also like to extend our heartiest thanks to Jamyang Resort for its excellent logistics support. I would like to once again thank you all for being part of this important occasion.

Thank you and Tashi Delek.