



Emerging Multimodal Connectivity in the BBIN Sub-region

Possibilities for Competitive Linkages and Potential Benefits to Bhutan



Joining Dots • Connecting People • Shared Prosperity

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India and Bangladesh are top two trading partners as well as pivotal transit countries for Bhutan and this will continue in the future. Kolkata-Siliguri-Guwahati road link is a crucial road transport corridor for bilateral trade with India and Bangladesh and facilitates access to the seaports. With Bhutan given access to Chittagong and Mongla seaports, international trade is likely to be less costly as these seaports are closer compared to the Indian seaports.

Moreover, with strengthening inter-modal connectivity infrastructure in and between Bangladesh and India, Bhutan has tremendous potential to improve access to BBIN and global markets. In that context, this Discussion Paper reviews Bhutan's access to such infrastructure while highlighting challenges as well as opportunities for the country to develop competitive linkages with existing and emerging corridors of trade and transport connectivity in the sub-region.

Background

The South Asian Association for Regional Cooperation (SAARC), South-Asia Sub-regional Economic Cooperation (SASEC), Bay of Bengal Initiative for Multi-Sectoral Trade & Economic Cooperation (BIMSTEC) and United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP) provide a broad framework and building blocks for regional integration and multimodal transport connectivity in the region. The SAARC Regional Multimodal Transport Study (SRMTS) is one of the first comprehensive studies undertaken for all modes of transport – road, rail, maritime, aviation and inland waterways for the SAARC region.

The study took stock of the existing arrangements for cross-border transport on the most commonly used corridors, identified major physical and non-physical

barriers and prepared a roadmap¹ for the development of multimodal connectivity in the region along the prioritised corridors. BBIN countries (Bangladesh, Bhutan, India and Nepal) are at the core of the SRMTS.

A similar study was undertaken for the SASEC sub-region under the Sub-regional Corridor Operational Efficiency Study,² following a detailed assessment of operational and institutional impediments, and offered recommendations for corridors identified as crucial to promoting integration and cross-border trade and transport in the BBIN countries.

Additionally, the draft BIMSTEC Transport Connectivity Masterplan 2019³ has offered comprehensive policy recommendations, strategies and action areas covering multimodal transport and

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trade facilitation aspects. Again, the primary focus was the BBIN sub-region, with the higher goal of linking with the ASEAN countries through Myanmar and Thailand.

These sub-regional and regional initiatives essentially build upon UNESCAP's flagship infrastructure development project comprising the Asian Highway Network, Trans-Asian Railway and Dry Ports of international importance and these continue to be a priority of the UN system for integrating countries of the Asia and Pacific region.

Multimodal Corridors Identified under Different Initiatives

The above multimodal transport connectivity initiatives entail the development of transport corridors and gateways through enhancement of infrastructure as well as facilitation measures to ensure mutual benefits to all member countries. The following corridors and gateways have been prioritised for Bhutan under different initiatives:

SAARC Regional Multimodal Transport Study (SRMTS)

Transport mode	Corridors identified for Bhutan	Comments
Road transport corridors	<ul style="list-style-type: none"> Thimphu–Phuentsholing–Jaigaon–Hasimara– Kolkata/Haldia (India) Thimphu–Phuentsholing–Jaigaon–Burimari (Bangladesh)–Khulna–Dhaka–Chittagong/Mongla (Bangladesh) Samdrupjongkhar–Guwahati–Shillong–Sylhet (Bangladesh)–Dhaka–Kolkata 	<ul style="list-style-type: none"> Road access to Indian ports Road access to Bangladeshi ports Access to markets in Bangladesh and its seaports from the eastern part of Bhutan
	Thimphu/Paro–Phuentsholing– Hasimara–Siliguri–Kakarvita–Kathmandu	Road transport corridor listed as having potential for trade with Nepal
Rail corridor	Hasimara (West Bengal)–Phuentsholing/Pasakha	Listed as a potential corridor for bilateral trade, and beyond using the larger Trans-Asian Railway network
Maritime gateways	Kolkata and Haldia (India)	For international trade beyond India
	Chittagong and Mongla Ports (Bangladesh)	Alternate access to Bangladeshi seaports for international trade
Aviation gateway	Paro International Airport	For air connectivity to BBIN countries and beyond

South-Asia Sub-regional Economic Cooperation (SASEC)

Transport mode	Corridors identified for Bhutan	Comments
Road transport corridors, combining rail network	<ul style="list-style-type: none"> Thimphu–Phuentsholing–Jaigaon–Siliguri–Kolkata/Haldia Thimphu–Phuentsholing–Jaigaon–Burimari (Bangladesh)–Khulna–Dhaka or Chittagong (Bangladesh) Indian Highways connecting Southern Bhutan and Sikkim (Gateways: Phuentsholing and other points on the Indian/Bhutanese border) Thimphu/Paro–Phuentsholing–Hasimara–Siliguri–Kakarvita–Kathmandu 	<ul style="list-style-type: none"> For trade to and beyond India using the seaports, with the option of combining rail network between Siliguri/New Jalpaiguri and Kolkata Possibility of using rail between Burimari to Dhaka or Chittagong as an alternate seaport The highways in Assam and West Bengal to be used for access along Bhutan's southern border including Sikkim For trade with Nepal via India
Inland Water Transport Corridor	Route covering Kolkata via Sunderbans and bypassing Narayanganj (in Bangladesh)–Brahmaputra–Guwahati (Assam)	This existing IWT corridor could be extended from Guwahati to Samdrupjongkhar in Bhutan by road

Bay of Bengal Initiative for Multi-Sectoral Trade & Economic Cooperation (BIMSTEC)

Transport mode	Corridors identified for Bhutan	Comments
Road transport corridors	Kolkata–Siliguri–[Jaigaon–Phuentsholing]–Guwahati–Imphal–Moreh–Tamu–Mandalay–Meiktila–Tachelik–Chai Rai–Tak–Bangkok–Laem Chabang	Covering the entire BIMSTEC network. Siliguri–Guwahati highway provides access to Bhutan
	Upgrading of north-south Gelephu–Trongsa National Highway	For improved north-south connection to NH 31 in India and also to Gelephu Airport
	Kharbandi–Pasakha/Gedu	Provision of an alternate route for Thimphu–Phuentsholing Highway
	Construction of Samrang–Jomotsangkha section	Improved accessibility along the Indian border
	Construction of the Lhamoizhingkha–Sarpang section of the SEWH (75 km)	Connectivity to Indian Highways in Assam and West Bengal
	Construction of the Gelephu–Panbang section of the SEWH (74 km)	
Construction of Nganglam–Dewathang section of the SEWH (75 km)		
Rail corridor	Development of five rail links: a) Kokhrajhar–Gelephu b) Pathsala–Nanglam c) Rangiya–SamdrupJongkhar d) Banarhat–Samtse e) Hasimara–Phuentsholing/Pasakha	Based on bilateral MoU signed in January 2005, the proposed links are intended to provide rail connectivity for bilateral trade with India and beyond using the Trans-Asian Railway network.
Inland water transport	Explore opportunity to improve inland water transport in the BIMSTEC region, together with road transport for Bhutan	With potential benefit to Bhutan as stated in SASEC roadmap above
Air transport	Further expansion and development of Paro Airport	Domestic terminal, runway resurfacing and widening
	Expansion of Gelephu Airport (feasibility and design studies, construction of new 3,000 m runway, river diversion, ILS and runway lighting system, apron taxiway, terminal building, hanger, cargo building)	For handling larger aircraft to accommodate flight diversions during bad weather at Paro Airport and supplies during emergencies
Intermodal transport hub/ multimodal transport hub/ dry port	Development of Transport Hub including dry port/inland container depot in Gelephu	Diversification of entry/exit points for BIMSTEC trade and transport
	Development of dry port/inland container depot at Nganglam	Diversification of entry/exit points for BIMSTEC trade and transport

United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP)

Transport mode	Corridors identified for Bhutan	Remarks
Road transport	Thimphu–Phuentsholing Primary National Highway AH48	Connecting onward to the larger AH network via India
Rail transport	—	Currently, Bhutan is not a member of the Trans-Asian Railway Network in the absence of rail transport in Bhutan

Trade, Transit and Transport Arrangements

Trade with India and Bangladesh is governed by bilateral agreements on trade and commerce. Salient features of these Agreements are summarised below:

India

Bilateral trade with India is based on the "Agreement on Trade, Commerce and Transit between the Royal Government of Bhutan and the Government of the Republic of India" signed on November 12, 2016. The Agreement is accompanied by a Protocol that provides modalities for undertaking import and export trade, access to Indian seaports and transit to countries beyond India.

The Agreement/Protocol provides for:

- free trade and commerce between the two countries;
- transit rights to Bangladesh and Nepal, and access to the seaports;
- minimum inspection and customs formalities for third-country imports and exports while transiting India; and
- 21 multimodal entry/exit points including two road routes (Dalu and Gasupara) for trade with Bangladesh and one road route (Panitanki) for trade with Nepal.

The Agreement and the accompanying Protocol does not refer to road vehicles, other forms of surface transport, or the rules governing the use of Indian road space by Bhutanese vehicles and vice versa.

No bilateral Transport Agreement exists between the two countries. Despite this, Bhutan-registered vehicles are allowed to operate in India without permit or permit fee, except for local taxes at the border of Assam while crossing over to or from West Bengal. Indian trucks are permitted to enter the frontier towns of Bhutan unless the cargo is such that loading and unloading (trans-shipment) becomes difficult or impossible. Interestingly, the absence of a

bilateral transport agreement has not impeded the movement of vehicles between the two countries.

Bangladesh

Bilateral trade between Bhutan and Bangladesh is based on the "Agreement on Trade between the Royal Government of Bhutan and the Government of the People's Republic of Bangladesh" signed on December 06, 2014 and the accompanying Protocol.

The Trade Agreement stipulates that: "*Both Bhutan and Bangladesh shall accord each other the 'most favoured nation' treatment in respect of the issue of licenses, customs formalities, customs duties and other taxes, storage; and handling charges, fees of any kind levied on export and import of goods to be exchanged between the two countries*", and "*may accord tariff concessions to each other through mutual consultation*".

For facilitating the movement of goods, both Bhutan and Bangladesh agree to provide necessary number and means of transportation, warehousing and handling facilities at point or points of entry, exit or breakpoints, on such terms as may be mutually agreed upon, for the storage and speedy movement of trade cargo.

Six entry/exits points including one airport in Bhutan, while nine such points including two seaports and one international airport are designated by Bhutan and Bangladesh respectively for carrying bilateral trade. Additional points of entry and exit, including seaports and river ports, may be added or discontinued through mutual agreement.

While no specific reference is made on permission for Bhutanese trucks to enter Bangladesh, or for Bangladeshi trucks to enter Bhutan, Burimari, Dalu and Nakugaon are the most frequently used entry/exit points for Bhutanese cargo.

A Memorandum of Understanding signed between India and Bangladesh on December 27, 1983, facilitates the transit cargo between Bhutan and Bangladesh via India.

A Memorandum of Understanding signed between India and Bangladesh facilitates the transit cargo between Bhutan and Bangladesh via India



Bhutan and Bangladesh have also signed a Memorandum of Understanding (MoU) on April 18, 2017, on the use of inland waterways (IWW) for bilateral trade and transit cargoes using Chittagong and Mongla seaports. The MoU stipulates that:

- “Bangladesh agrees to allow export-import cargo of Bhutan to be handled at maritime ports of Chittagong and Mongla in Bangladesh and same will be transited to the identified destinations in Bhutan through the waterways in Bangladesh”;
- the use of Bangladesh IWW is to be facilitated through “separate arrangements for smooth flow of goods trans-shipment through Indian territory”;
- Narayanganj river-port will be selected primarily as the Port of Call for loading and unloading of the cargo of bilateral trade;
- the following are identified as Coastal and Inland Water Transport routes:
 - a) Chittagong- Chandpur-Mawa-Aricha-Sirajganj-Chilmari-Daikhawa
 - b) Mongla-Kawkhali-Barisal-Chandpur-Mawa-Aricha-Sirajganj-Chilmari-Daikhawa

Nepal

There is no trade agreement between Bhutan and Nepal. Despite this, trade with Nepal does take place through India and goods worth Nu. 616.78 million, or one per cent of overall trade volume, was traded in 2018 and was ranked 10th largest trading partner overall.

Bhutan enjoys a positive trade balance since 2016. Export commodities included gypsum, bituminous coal, coke and semi-coke, fruit juices, gypsum, cement clinkers, mineral water, etc. Import from Nepal included statues, readymade garments, pasta and noodles, electrical transformers, carpets, soap, footwear, plastic doors and windows and other consumable items.

Existing Multimodal Transport Operation and Corridors

Road Transport

Road transport is the primary mode of transport within as well to the neighbouring countries. Bhutan’s international trade takes place through numerous border crossing points with India, and Phuentsholing is the principal gateway. Other major border crossing points are Samtse, Gelephu, Nganglam, and Samdrupjongkhar.

These crossing points share borders with the Indian States of Assam and West Bengal. The same border crossing points and road corridors are also used for trade with Bangladesh, Nepal and countries beyond these three countries. Thimphu-Phuentsholing National Primary Highway is designated as the Asian Highway Network AH48 that is connected to the larger AH network.

Beyond Bhutan’s international border, the road corridor Phuentsholing–Jaigaon–Hasimara–Siliguri–Kolkata/Haldia is the single most important transport and transit corridor. All exports to and imports from third countries transit through Kolkata/Haldia seaports.

Other road corridors of international significance are:

- Thimphu/ Paro >> Phuentsholing >> Jaigaon >> Burimari/ Banglabandha (Bangladesh)
- Samdrupjongkhar/ Gelephu >> Hasimara >> Siliguri >> Kolkata/ Haldia (India)
- Samtse >> Siliguri >> Burimari (Bangladesh)
- Samtse >> Siliguri >> Kolkata/Haldia (India)

Goods in the above corridors are generally transported in smaller trucks and 20-foot containers because of small volume and fragmented cargo.

Inland Water Transport Corridor

Rivers in Bhutan have swift water current and are as such unsuitable for riverine transport. Manas River (in the eastern part of the country) has some potential of joining Brahmaputra River system near Guwahati but the entire river basin falls under protected area and, therefore, not permitted.

With the signing of the bilateral Memorandum of Understanding between Bangladesh and Bhutan in 2017, the first consignment of boulders was dispatched from Bhutan to Bangladesh via Dhubri river-port in Assam, India, and terminating in Narayanganj port in July 2019.

While those in the boulder business applauded this milestone cooperation among the three countries, the services could not continue primarily because of inadequate infrastructure and poor road section leading to the port that passes through the town and is hugely congested. In addition, the traders and truck drivers were required to comply with stringent COVID-19 protocol to suppress the disease from further spreading.

The MoU on the use of IWW signed with the Government of Bangladesh has designated Narayanganj river-port as the Port of Call for loading and unloading of cargo of bilateral trade and the

following as Coastal and Inland Water Transport routes:

- Chittagong- Chandpur-Mawa-Aricha- Sirajganj- Chilmari-Daikhawa
- Mongla-Kawkhali-Barisal-Chandpur-Mawa-Aricha- Sirajganj-Chilmari-Daikhawa

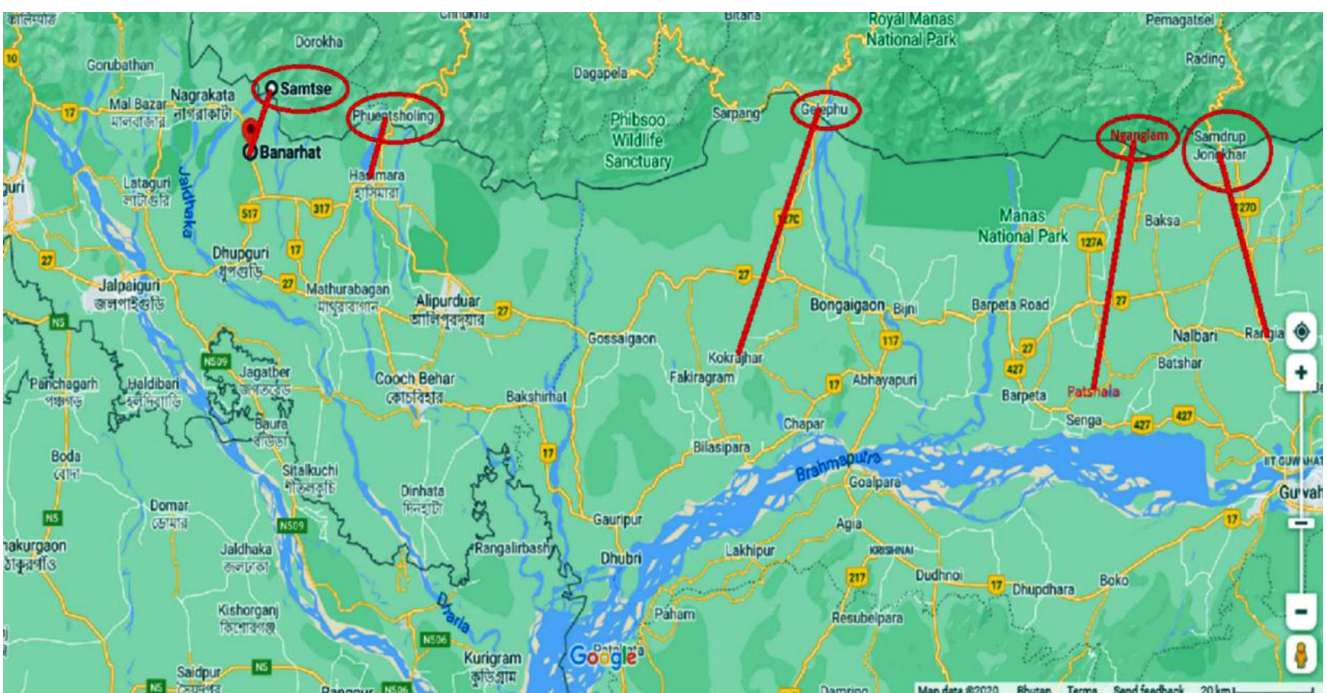
Railway Transport

Currently, Bhutan has no railway connectivity with neighbouring countries nor internal network. The nearest railheads in India are located at a distance ranging from 16-70 km from the border towns. Recognising the potential of railway connectivity, a bilateral MoU was signed in January 2005 to study the feasibility of establishing railway links to five border towns in Bhutan from the nearest Indian railheads.

The following railway links⁴ have been proposed under different initiatives including SAARC and BIMSTEC, and may be pursued:

- Hasimara (West Bengal)–Pasakha/Toribari (17 km)
- Kokrajhar (Assam)–Gelephu (70 km)
- Pathsala (Assam)–Nganglam (40 km)
- Rangia (Assam)–Samdrupjongkhar via Darranga (60 km)
- Banarhat (West Bengal)–Samtse (16 km)

Lately, discussions were also held for additional railway connectivity to Gomtu/Pugli (under Samtse). The proposed link is expected to enhance bilateral trade and beyond, using the Trans-Asian Railway network. **The potential railway links are shown in the rough sketch below:**



Air Transport

In the BBIN sub-region, Bhutan's two airlines operate scheduled air services from Paro (Bhutan) to India (Delhi, Kolkata, Mumbai, Gaya and Guwahati), Bangladesh (Dhaka) and Nepal (Kathmandu). Very few cargo flights operate in the sub-region.

Air transport has been the most dynamic mode of transport in the sub-region. Route network, frequency of services and traffic rights are given due consideration to Bhutanese airlines by the three countries.

Therefore, air transport will continue to be extremely important as part of the multimodal transport connectivity for a landlocked country like Bhutan. One international airport and three domestic airports currently constitute the airport transport sector in Bhutan.

Maritime Transport

Bhutan uses the seaports of Kolkata and Haldia for trade beyond India, Bangladesh and Nepal. Since Bhutan depends on these seaports, all required infrastructure and provision of services are developed and managed by Indian authorities. Similar is the case for Mongla and Chittagong seaports in Bangladesh, although these have not formally become operational for Bhutan.

SAARC and BIMSTEC have encouraged the respective Governments to invest in the development of seaports and improving services, including additional container handling equipment, commensurate with demand and the need to raise handling performance to match international best practices.

Trade Facilitation

Multimodal transport is usually supported by a network of inland container depots or dry ports. Bhutan has one dry port in Phuentsholing completed in February 2019, with few others planned in other parts of the country.

The existing dry port is an inland intermodal terminal, first of its kind in Bhutan, that operates as a center for transshipment of cargo to other destinations in the country and it is one of the major trade facilitation infrastructure planned to boost bilateral and international trade.


The dry port facilitates import/export processing and transit shipment of cargos, thereby reducing transit time and cost for freight movements across the border, reducing congestion of the Phuentsholing town, reducing the risk of damage and pilferage to cargo during the processing, storage, and transshipment, providing improved facilities for export and offering warehouse and storage facilities. The dry port in Phuentsholing is a short-to-medium-term solution until a full-fledged dry port is developed at Pasakha.

BIMSTEC, SAARC, SASEC and UNESCAP studies have consistently recommended the establishment of Inland Container Depots or Dry Ports at appropriate locations by encouraging their inclusion in National Transport Plans.

Brief on the BBIN Motor Vehicles Agreement (BBIN MVA)

The BBIN MVA was derived from the SAARC Regional Multimodal Transport Study. The signing of the MVA was one of the many recommendations aimed at promoting regional integration, transport connectivity and trade for regulated and seamless cross-border movement of vehicles and trade in the SAARC region. The MVA was signed by the four BBIN countries and ratified by Bangladesh, India and Nepal, while it is waiting for ratification by Bhutan's Parliament.

While the framework Agreement was finalised after series of meetings at different levels, certain provisions are seen to adversely impact smaller countries like Bhutan, which has inadequate road infrastructure and parking space, has a disproportionately smaller volume of international trade, small population size, landmass and economic activities, among others.



The MVA was signed by the four BBIN countries and ratified by Bangladesh, India and Nepal, while it is waiting for ratification by Bhutan's Parliament

The same Agreement also deviated from some of the existing Immigration Laws and Labour Laws. The private sector, mainly the truck operators and passenger transport operators, was nervous about losing livelihoods.

Secondly, the Protocols lacked the kind of details that are needed in terms of the number and type of vehicles that would be permitted to enter Bhutan from other countries. If not, the sheer number of vehicles wanting to enter Bhutan could cause more problems to the already congested border towns.

Two possible options are open for further discussion and consideration. One option is to include the Protocol(s) as an Attachment of the Agreement for ease of ratification. The other option is to continue with the current format through a specific provision in the Agreement empowering the governments to negotiate the Protocol(s) without having to process Parliamentary approval. This is because the Constitution requires all Agreements to undergo Parliamentary scrutiny.

Notwithstanding the above, the intent of the BBIN MVA is good and countries must continue to find ways of addressing the core issues and make the Agreement implementable, taking into account the asymmetry and special challenges of smaller and landlocked countries.

Import and Export Trade

Bhutan's trade is largely with India accounting for over 80 per cent, followed by Bangladesh at 7 per cent and Nepal at 0.64 per cent. In terms of import, India ranks top at 81.93 per cent, followed by China, France, Singapore, Thailand, South Korea, Japan, Bangladesh, Sweden and UAE.⁵ For export, India again tops the list followed by Bangladesh, Italy, Nepal, Turkey, Vietnam, The Netherlands, Japan, Singapore and Belgium. The total value of import and export during 2019 with the top ten trading countries is provided in table.

The top ten export commodities (excluding electricity) include ferrosilicon, boulders, pebbles/gravels, semi-finished products of iron/non-alloy steel, dolomite chips, cardamoms, cement, gypsum, silicon carbide, etc. Major import items include petroleum products, motor vehicles and parts, wood charcoal, rice, fruits and edible items, garments, tyres, etc.⁷ Export commodities to India and Bangladesh constitute mainly bulk cargoes like boulders and gravels and cash crops such as orange, cardamom, ginger and apples.

The trade data referred to above provides a good basis for determining and deciding investment in multimodal transport development.

Overall Trade (excluding electricity)⁶

Ranking	Country	Import	Export	Bilateral Trade	Trade Balance	% share total trade
1	India	56,452.98	23,572.54	80,025.52	(32,880.44)	79.90
2	Bangladesh	625.13	6,095.41	6,720.54	5,470.28	6.70
3	China	1,790.44	5.44	1,795.88	(1,785.00)	1.79
4	France	1,605.63	7.67	1,613.30	(1,597.96)	1.61
5	Singapore	1,209.06	41.96	1,251.02	(1,167.10)	1.25
6	Thailand	972.24	28.94	1,001.18	(943.30)	1.00
7	South Korea	851.35	0.02	851.37	(851.33)	0.85
8	Japan	633.17	47.05	680.22	(586.12)	0.68
9	Nepal	217.51	427.83	645.34	210.32	0.64
10	Italy	69.28	506.91	576.19	437.63	0.58



Challenges on the Existing Cross-Border Transport Corridors with India and Bangladesh

Despite the absence of a bilateral transport agreement, the cross-border movement of Bhutanese trucks, passenger buses and personal vehicles within India is fairly smooth. This is mainly due to the free trade agreement and excellent state of bilateral relations with India.

While there are no restrictions on Bhutanese trucks carrying cargo to India, cargo bound for Bhutan are required to be unstuffed/trans-shipped at the border town (mainly Phuentsholing) onto smaller six to eight tonnes Bhutanese trucks more suitable for the narrow and mountainous Bhutanese roads.

At the government level, the challenges faced by transporters are addressed and solved instantly. Local issues, however, complicate matters at times and add to the problems. Issues and challenges are, therefore, segregated as follows:

Challenges while Exporting from Bhutan

Occasional problems are encountered by truckers and traders at the local level caused by interest groups, leading to delay in clearance and additional costs, as stated hereunder:

- Trucks are frequently overloaded and the operators prefer plying at night or take informal routes to avoid penalties for overloading, thereby taking longer travel time;

- Fresh and perishable commodities (fruits and vegetables in particular) exported to Bangladesh face the risk of damage in the absence of suitable storage and warehousing facilities and due to the need to be transhipped at the border in Bangladesh;
- Strikes and roadblocks often cause long queues and delays at the borders;
- Using Bhutanese trucks to Kolkata or Haldia is not economical in the absence of assured return cargo;
- With regard to inland waterways, the existing riverine port at Dhubri has limited infrastructure and other facilities for regular and efficient export cargo from Bhutan.

Challenges while Importing into Bhutan

- Road and port-based informal payments are common.

Common Challenges

- Inadequate truck parking space on both sides of the border in India and Bangladesh including within Bhutan.
- Existing practices do not permit trucks from the importing country to travel beyond the host country's border towns. The need to transship export cargo at international borders in Bangladesh and import cargo in Bhutan result in higher transaction costs.
- The difference in regulations and incompatible customs system.

- Congestion and slow cargo processing facilities at the sea-ports of Kolkata and Haldia
- Poor road sections within India and Bangladesh for access to and from the sea-ports, which has, however, improved significantly in the last few years.
- Bhutanese transporters and exporters are often subjected to informal payments and harassment. Traffic congestion is another issue which they find extremely difficult to deal with.
- So far as railway transport is concerned, small volume and fragmented cargo make it unfeasible to book a full railway wagon or use bigger containers to and from the sea-ports.
- Transit and Transport agreement and facilitation measures have not received the same level of importance as the Trade facilitation measures. As a result, the development of multimodal transport across international boundaries has suffered.

With specific reference to IWW, while boulder exporters have their own stories to share, each river port has its own set of challenges such as the lack or absence of basic infrastructure and services, inadequate depth throughout the year, bad road sections, need to make informal payments and other bureaucratic hurdles.

The ground realities could not, however, be ascertained owing to the current COVID-19 pandemic. This mode of transport is also not suitable for perishable commodities, which need to be transported quickly. The small volume and seasonality of perishable commodities is yet another concern.

Opportunities for Developing Multimodal Transport Connectivity in the Sub-region

India and Bangladesh are the top two trading partners for Bhutan and this will continue in the future. Kolkata–Siliguri–Guwahati road link is a crucial road transport corridor for bilateral trade with India and Bangladesh and facilitating access to the seaports. With Bhutan given access to Chittagong and Mongla seaports, international trade is likely to be less costly, as these seaports are closer compared to the Indian seaports.

Exporting boulders to India and Bangladesh is a big business for Bhutanese traders. The value of boulder export has increased continuously over the years from Nu. 690 million in 2017 to Nu. 2.1 billion in

2018 and to Nu. 4.9 billion in 2019.⁸ The demand for Bhutanese boulders will continue indefinitely and as long as Bhutan can supply. Hence, IWT and road transport can play an extremely important role and benefit of all three countries.

On the IWW corridor Kolkata >> Khulna (Bangladesh) >> Narayangunj >> Chilmari (Bangladesh) >> Dhubri-Guwahati (Assam, India), the distance between Dhubri–Gelegphu and Dhubri–Phuentsholing, is similar at 133 km and 152 km, respectively, while the distance between Jogiphopa–Gelegphu and Jogiphopa–Phuentsholing is approximately 92 km and 152 km, respectively, depending on the route used.

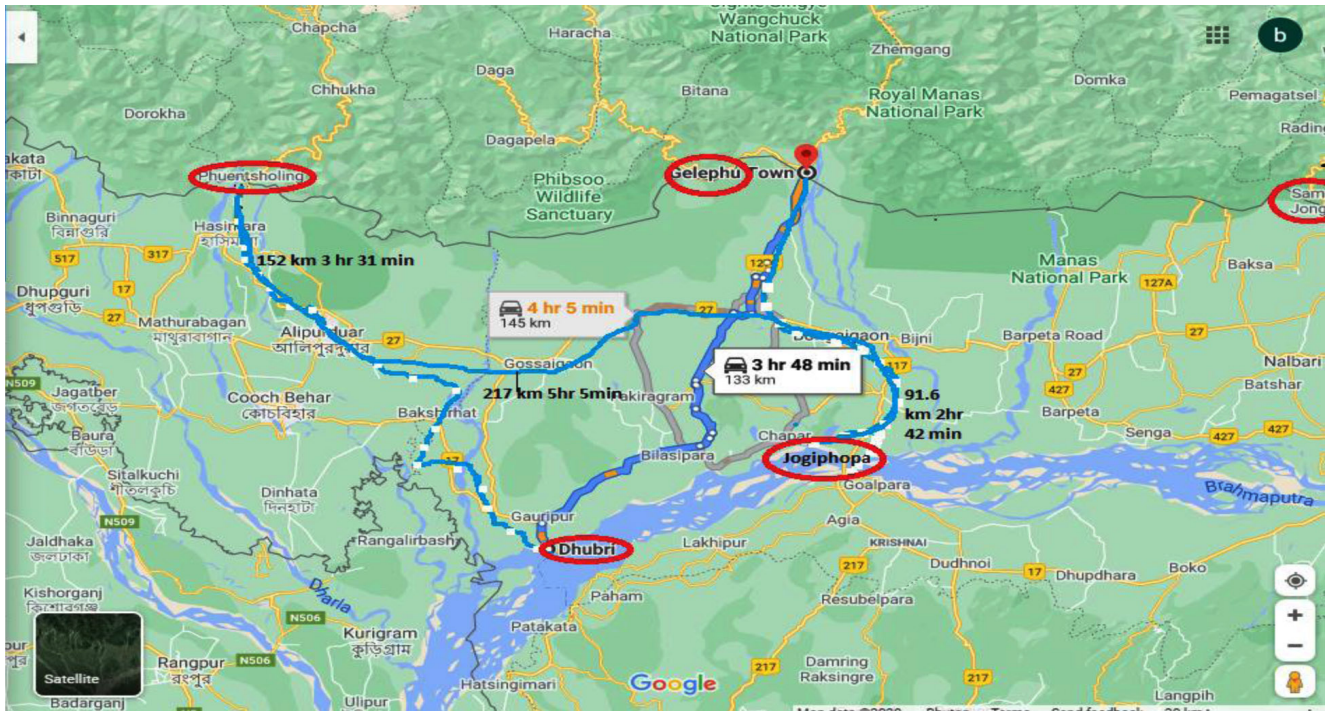
Pandu river port in Guwahati, which is located some 92 km from the eastern town of Samdrupjongkhar can, benefit traders from the six eastern districts, rather than the 348 km road to Dhubri. Few other river ports along the Brahmaputra river basin can also be used based on proximity to the bordering towns in Bhutan and availability of infrastructure.

Dhubri seems to be the most promising river port for export trade to Bangladesh. However, no formal study has been undertaken to ascertain the suitability of other river ports, detailed assessment and comparison of the cost and time savings using road transport and riverine transport. Such a study can prove extremely beneficial. Some suggestions have also been made to make Jogiphopa the hub.

The on-going discussion between India and Bangladesh and the MoU between Bangladesh and Bhutan are expected to make the Brahmaputra river basin more efficient, thereby opening up a range of opportunities for both the countries such as generating employment and improving the overall livelihood of people through diverse economic activities.

Bhutanese traders are going to benefit as well through a well-regulated, reliable and efficient Brahmaputra river basin. Provided in the map below is rough information on Dhubri and Jogiphopa river ports.

The fact that over 200-300 trucks are engaged in international trade every day, confirms the potential for establishing railway connectivity from India. Various studies have shown that the unit cost of transportation would start to fall with an increase in distance and volume compared to the road.



Source: Prepared by the Author with help from Google Map

Hence, developing railway connectivity to the five border sites identified earlier, including a new one connecting Gomtu/Pugliwould, will further boost bilateral trade with India as well as Bangladesh. This is consistent with the recommendations already made under SAARC and BIMSTEC to provide access to landlocked Bhutan.

Air transport is yet another vital sector for a landlocked country and its importance will only increase with the growing middle-class population, increasing economic activities and booming tourism sector. This mode of transport will also become important for freight transportation, especially for transporting perishable, high-value consumables and importing other commodities during an emergency.

The development of the proposed dry port at Pasakha and is similarly, expected to make trading more efficient and less costly.

As a policy, Bhutan has consistently encouraged exploring alternative modes of transport (besides road transport and air transport) such as railway, ropeway, cable-car and riverine transport system. The actual development has, however, suffered in the absence of local expertise and high investment in infrastructure.

Multimodal initiatives beyond the border include plans to establish rail links to some border towns

from India and, most recently, the use of Indian and Bangladeshi inland waterways.

While Bhutanese traders will benefit directly, the support in terms of developing railway links up to the international border in Bhutan and IWW infrastructure would fall on India and Bangladesh, respectively. Despite multimodal transport, road transport will continue to be indispensable for Bhutan for the last mile connectivity.

Conclusion

Road transport will remain the primary mode of transport at the national level (including last-mile connectivity) for bilateral trade as well as for access to seaports for third-country trade.

Therefore, Bhutan needs to negotiate a favourable bilateral agreement first and then a multilateral transport agreement subsequently, keeping in view the asymmetry and various other challenges faced by smaller countries. Reciprocity in the cross-border movement cannot be applied and that the Agreement should specify special concessions granted to smaller and landlocked countries. This will also expedite the ratification process.

The existing informal arrangement for cross-border movement of vehicles could form a basis for the Agreement and Protocol(s) whereby Bhutanese trucks

and other vehicles would continue operating in India and possibly Bangladesh while confining the movement of vehicles from other countries up to the border towns in Bhutan.

Good road network without unnecessary harassment, along the highway in India and Bangladesh, improved efficiency of seaports and river-ports and streamlined and transparent payment of charges for services, would bring about significant changes in bilateral and international trade and achieve the reduced cost of transportation.

The existing arrangements with regard to air services seem adequate, except perhaps additional fifth freedom traffic rights⁹ by neighbouring countries, to expand the route network and make air services more viable. The network of dry ports or inland container depots is equally important to facilitate multimodal transport and international trade.

Trade and transport facilitation must be given equal importance. Regardless of the good intent and engagement of NGOs, the involvement of government stakeholders would be important at different stages for timely support and guidance.

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Endnotes

- 1 SAARC Regional Multimodal Transport Study (SRMTS)-SAARC Secretariat June 2006
- 2 TA No 6112-REG, South Asia Subregional Economic Cooperation (SASEC): Subregional Corridor Operational Efficiency Study *July 2004*, ADB/Padeco Co. Ltd.
- 3 Master Plan for Transport Connectivity in the BIMSTEC Region (Final Draft, August 2019). Towards a Seamless, Multimodal Transport System, Promoting Inclusive Development and Deeper Regional Integration
- 4 Approximate distance
- 5 Based on 2019 data from the Annual Trade Statistics 2019, Department of Revenue & Customs, Ministry of Finance, June 2020
- 6 Annual Trade Statistics 2019, Department of Revenue & Customs, Royal Government of Bhutan June 2020
- 7 Annual Trade Statistics 2019, Department of Revenue & Customs, Ministry of Finance, June 2020
- 8 Source: Kuensel newspaper (Bhutan's newspaper) 15th September 2020
- 9 **Fifth Freedom of The Air** - the right or privilege, in respect of scheduled international air services, granted by one State to another State to put down and to take on, in the territory of the first State, traffic coming from or destined to a third State. Available at: <https://www.icao.int/pages/freedomsair.aspx>

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