

National Advocacy Dialogue

Enabling Political Economy Discourse on Multi-Modal Connectivity in the BBIN Sub region
10 December 2021 – Thimphu, Bhutan

Event Report

Bhutan Media and Communication Institute (BMCI), with support from CUTS International, organized the Bhutan National Advocacy Dialogue (NPD) on 10 December, 2021 at Osel Hotel in Thimphu on “Enabling Political Economy Discourse on Multi-Modal Connectivity in the BBIN Sub region”. The event took place from 3:30 -5:45 pm.

The National Advocacy Dialogue was, attended by relevant officials from different government agencies, private sector and the civil society organizations. Some participants like representatives from CUTS International and field coordinates participated virtually. Complete list of participants is in Annexure A. Bhutan NPD was chaired by His Excellency, Loknath Sharma, Honourable Minister for Ministry of Economic Affairs.



Welcome remarks by BMCI



The Director of BMCI thanked the chief guest for sparing his precious time to attend the NAD and extended warm welcome to rest of the participants including panel members. She expressed gratitude for the numerous initiatives taken by the Ministry of Economic Affairs to improve the ease of doing business and for taking various other steps in ensuring ease of trading across the border to India, Bangladesh, Nepal, and beyond. The actions taken by the government helped in ensuring timely supply of goods at affordable costs. BMCI, as a social enterprise, was particularly grateful that they could participate in such a project of regional

significance and understand the ground realities and challenges faced by the trading community.

With the report now ready, she expressed her hope that the issues flagged therein would receive suitable intervention from the Government and help the private sector to grow.

Introductory remarks - CUTS International



Mr. Suresh P Singh, CUTS International provided a brief background of the multimodal transport connectivity (M-Connect) project and its implementation status. According to him, almost fifty five locations were covered in four countries to understand issues and receive feedback and suggestions to address cross-border challenges. Accordingly, recommendations have since been consolidated for taking up the issues with relevant agencies in the governments. He underscored the importance of multimodal transport and seamless connectivity to promote intra-regional trade within the BBIN countries, through improved interaction, political will and stakeholder participation. Such an integration would open up economic and livelihood opportunities for the people, particularly in the trade corridors and make the supply chain more efficient and cost-effective. Although most of the activities had been completed, he expressed concern over people having apprehensions and issues with regional connectivity, which he believed was one of the reasons why the initiative failed to move forward for six years. He was of the view that the apprehensions needed to be appropriately understood through adequate awareness and stakeholder consultation. He also echoed that the low level of integration in the sub-region was impacting overall development of the four countries. Hence, the purpose of the National Advocacy Dialogue was to disseminate the study findings and impress upon the respective governments to review those suggestions made in the report and support the implementation. He expressed his confidence that interactions from the meeting would help in further improving the report and to move forward the sub-regional collaboration.

Keynote address by the Chief Guest, Minister for Economic Affairs



The Chief Guest commended BMCI and CUTS International for undertaking this study in close consultation with relevant government and private sector stakeholders including the non-governmental organizations (NGOs). He informed the participants that owing to small size of the country and less economic activities, consumers are often left with limited choice of goods. This has resulted in growing imports and decreasing export, thereby creating balance of payment problems. Nevertheless, with a presence of ready-made market in the sub-region, he sees tremendous opportunity to improve trade through development of the Cottage & Small Industries (CSI) sector. The sector has to grow to provide choices to consumers, generate employment and increase export trade. Bhutan cannot

continue to depend on imports all the time. The Minister reiterated that the private sector should play a more important role.

BBIN region with almost one-fifth of the world population, is often described as one of the least integrated regions, with intra-regional trade volume of just about 5%. This is far from satisfactory and the situation must improve now. The reasons for this low volume are numerous. Huge documentation requirement and lack of integration among many stakeholders delay in processing Customs clearance and therefore must be digitized and use of ICT optimized. Single window system is yet another area that must be promoted. Countries in the sub-region should trust each other and recognize the certification process. He further stated that seamless transport is critical to achieve higher trade and for this purpose, development and promoting the use of multimodal transport, railways and inland waterways in particular, are important for cross-border connectivity within the sub-region.

The Minister also shared that while trade agreement with Bangladesh and India already exist for a long time, they are in the process of finalizing a similar Agreement with Nepal and Thailand. CSI sector is a government priority and all good ideas will receive attention and support. “Innovate first and regulate later” were his concluding words of wisdom.

Study findings by Shiva Raj Chhetri, Project Coordinator, BMCI



He started the presentation with a brief introduction of the project, its objectives and activities undertaken since the start in April 2020. The presentation focused on the state of multimodal connectivity in the BBIN sub-region and challenges faced by Bhutanese traders. He updated the participants on some of the important features of three major entry/exit points located in Phuentsholing, Gelephu and Samdrupjongkhar which cater to international trade. These three border towns provide access to the nearest railway station at a distance ranging from 18 km to 70 km and the nearest river-port is Jogighopa (92 km) and Dhubri (133 km) from Gelephu. Distance from Phuentsholing to Dhubri riverport is 153 km and Jogighopa riverport is 217

km. The nearest river port from Samdrupjongkhar is Pandu in Guwahati, located at a distance of 104 km.

He stated that among the three major border crossing points, Phuentsholing has relatively better infrastructure and services such as the (recently built) mini dry port, customs clearance facility, truck parking facility, cold storage, weigh bridge, mechanized loading and unloading facility. The Asian Highway (AH48) passes through Phuentsholing providing onward connection to the capital city (Thimphu) and to the larger AH network in India and beyond. A mega dry port is under construction as well. This border town caters to six districts in the region and with a domestic airport already existing, Gelephu offers vast opportunity to grow as an important trading center. For this reason, a dry port is planned and a transport hub has also been conceived. Boulder stock yard is an important facility serving the needs of exporters engaged in boulder export business. Samdrupjongkhar has fewer infrastructure and services to offer. Hence, the stakeholders have repeatedly emphasized the need to establish basic facilities in these three border towns and gradually in other border crossing points as well.

The Project Coordinator thereafter shared other general findings, followed by recommendations to improve cross-border trade. These included (i) inadequate infrastructure to handle increasing trade volume, (ii) lack of coordination among different government agencies, (iii) delay in implementation of paperless trade and single window system due to huge funding requirement and absence of local expertise, (iv) incompatible customs clearance system among the four countries, (v) requirement of too many documents for customs processing, (vi) unreliable and high Internet charges, (vii) absence of focused policies to streamline export trading keeping the requirements of women into consideration, (viii) inadequate space for parking cargo vehicles, (ix) high cost of switching over to fuel-efficient and environment friendly technologies, (x) private sector representatives often deprived of relevant information, (xi) misinformation and fake news circulating in social media, and limited coverage by local media houses, (xii) limited support (financial or building capacity) to the private sector for facilitating integrated freight

transport and improve supply chain, (xiii) policy and regulatory gaps. The biggest challenge faced by traders seems to be harassment while the Bhutanese trucks are plying in India.

Based on feedback from the stakeholders, some basic recommendations have been made. These include recommendations to (i) develop inland container depots or dry ports, together with adequate and systematic truck parking space at major border crossing points, (ii) enhance quality of road network in India for efficient and unhindered access to India, Bangladesh and their respective seaports, (iii) expedite the development and implementation of single window system, (iv) prioritize the establishment of railway link from India to few selected border towns in Bhutan based on trade volume and other benefits, (v) optimize the use of Dhubri, Jogighopa and Pandu river ports through establishment of all required infrastructure and services, (vi) undertake regular consultation and collaboration between the local authorities of Bhutan and India to discuss and resolve local level issues faced by Bhutanese truckers/traders while operating in India, (vii) regular consultation and interaction among relevant stakeholders (at the national level) including private sector to discuss challenges and explore new solutions in advance to avoid issues later, (viii) capacity building to people involved in cross border trade and transport including government officials, (ix) reduce excessive paper works and fast-track customs clearance, including harmonization among the four countries.

Despite close proximity to the Indian Railways and Inland waterways, the former is rarely used owing to small volume of cargo and difficulty in booking wagons. The problem of loading and unloading from trucks pose yet another set of challenges.

Panel discussion



Mr. Sithar Dorji, Chief Transport Officer, Road Safety & Transport Authority, Ministry of Information & Communications

Providing a brief on the Government's transport vision, he informed that series of integrated transport strategies have been developed to guide the government's policy and investment planning. The strategies cover investment and capacity building in road network development, road transport, urban transport, civil aviation, regional connectivity and overall integration of the transport sector. He went on mention that Bhutan's transport sector vision will closely follow the development of hydropower projects and exports to India, industrial development and new population centers in the south, rural-to-urban migration, growth and carefully managed tourism sector, Gross National Happiness, regional connectivity and increased levels of trade, and development of Brand Bhutan with focus on small scale industries.

The overall Transport Vision is to provide the entire population with a safe, reliable, affordable, convenient, cost effective and environmentally friendly transport system in support of strategies for socioeconomic development. The associated goals are to provide accessibility to activities and supplies needed by people and enterprises, use economic resources efficiently, support environmental goals, and improve transport safety.

With a view to promote regional cooperation and transport connectivity, several studies have been undertaken in the last several years under the auspices of SAARC, BBIN and BIMSTEC, and all these studies have recommended the development of multimodal transport by connecting all the member countries in the region. In case of Bhutan however, multimodal transport remains a big challenge and until then road transport will remain the principal mode of transport besides air transport.

Mr. Chorten Dorji, Executive Director, Handicraft Association of Bhutan

The Executive Director informed the participants that the Handicraft Association of Bhutan (HAB) has recently been registered as a Civil Society Organization (CSO). As a not-for-profit organization, it is vested with the responsibility to ensure growth of this sector and safeguard the welfare of its members. He stated that competition from cheap imitation from items produced outside the country was a big challenge due to the absence of strict enforcement. This directly threatens the livelihood of many rural people and discourage innovation. Lack of infrastructure and connectivity was yet another concern since most rural folks who depend on handicraft items are not completely aware of the market for their products.



He went on to share that lack of product standardization has often led to inferior quality thereby not living up to the expectation of the buyers. The Association does not have access to quality testing facilities. High transportation cost also often resulted in making the product more expensive. The technology use for producing handicraft items is old and this leads to inferior quality of products, taking more time. Bhutan does not have even one textile engineer to guide the sector. While demand for handicraft products is growing from many places around the world, the customers have been lately been expressing difficulties with online payment. This must receive adequate attention.



Mr. Gopilal Acharya, Media Consultant/Journalist

At the outset, he stated that Bhutan experiences disruption of supply chain on a routine basis due to events taking place outside the international border, which are beyond the control of Bhutanese authorities. A small local issue is often blown out of proportion, hindering the movement of trucks, causing delays and damage to goods at times. Policy and regulatory bottlenecks usually come with a great degree of sensitivity and is often discouraged or kept low profile by the local authorities. Problems faced by truckers while operating in India is very common and media can play an important role in bringing the issues to the attention of the authorities at the

local as well as national level.

Railway connectivity, which has been under discussion for many years, has not seen progress at the ground level. Absence of this important multimodal transport is leading to excessive dependence on road transport, which has its own set of challenges.

He further shared that negative and false media coverage by interest groups in India have at times been a source of major problems at the political level. Authenticity of such fake news must be countered and suitable clarification provided by the local authorities to minimize bigger impacts. Conversely, media must play its role responsibly and positively by disseminating correct and reliable information, thereby earning trust and credibility.

Mr. Mekh Bahadur Chhetri, Ministry of Agriculture & Forests

He informed the participants that while Bhutan is part to the Free Trade Agreement with India, ground realities are quite different. Bilateral trade is subjected to restrictions and non-physical barriers which are informal and imposed at the local level. The introduction of GST by the Government of India has added to other problems which are often subject to individual interpretation. He cited the example of 197 metric ton of cabbage damaged because of no permission granted by Customs authorities and other agencies in Jaigaon, for its export, this past season. Absence of clear and transparent rules and regulations to deal with situation especially during pandemic made the situation ever more frustrating and problematic.



He stated that bilateral trade used to take place on goodwill and informal, without any issues. Pandemic taught many lessons and therefore, both sides now need to prepare accordingly. Cash crops from Bhutan such as apples, oranges, ginger are in big demand to Bangladeshi markets. Similarly, vegetables are exported to India and Bangladesh in large quantity during the monsoon. Concluding his remarks, he suggested the organizers and other participants to visit the website www.moaf.gov.bt for more details.



Mr. Rikesh Gurung, President, Bhutan Entrepreneur Association

The panel member spoke on behalf of the CSI sector, which has lately been receiving government attention in an effort to boost export to correct the country's trade balance. Almost 450 local entrepreneurs are registered with BEA, employing more than 100,000 Bhutanese.

While the government has taken modest effort to develop this sector, much needs to be done by creating more conducive policy and regulatory environment. He informed that almost fifty-one business enterprises from Australia are currently collaborating with BEA to take forward many initiatives.

With regard to cross-border trading, he was of the opinion that harmonization and simplification of rules and documents would boost this sector immensely. Certification of local products is still a major issue as CSI sector received importance only recently. Innovation needs to be tapped through capacity building, exposure visits to other countries. Absence of storage facility is a major impediment, especially for perishable products. High cost of transportation and absence of suitable vehicles are other hurdles faced by the sector. Considering the problems faced in India, the introduction of GST in Bhutan needs to be studied carefully before it is implemented so that the sector is not unduly burdened with high taxation.

Question & Answer Session

Ms. Kunzang Lhamu, Director General, Ministry of Labour & Human Resources:

Having been associated with the earlier study on Gender and as a member of Project Advisory Committee, she stated that the challenges and issues sounded familiar. These were not really new as confirmed by many similar studies in the past. The recommendations have also been made to address these challenges. It is now time to implement those recommendations. Her participation was mainly from the Gender point of view and she agreed with most of the findings and recommendations.

She also noted that more stakeholders have been taken on board for this project, thereby creating more awareness on the subject of multimodal and cross-border connectivity.

Sangay Penjor, Ministry of Works & Human Settlement sought to understand from the Hon'ble Minister about the linkage between this Project and the BBIN MVA and requested for an update on the ratification of the BBIN MVA. In response, the Minister informed that the issue of BBIN MVA has not been raised yet by the present Government and he was not sure about the future plans. From little that he knew about the MVA, he was of the view that so long the operation of cargo trucks from other countries is confined or restricted up to the border towns in Bhutan, BBIN MVA seems beneficial. The Minister also suggested the BMCI team to study easier and shorter points for trade with Nepal.

On the need to make foreign exchange regulation easier based on trend elsewhere raised by the representative of the Association of Bhutanese Tour Operators, it was clarified that the payment gateway is already under discussion and will be resolved very soon.

The moderator noted that most of the operational issues outlined by the panelists were to do with mandate of the Ministry of Economic Affairs. As such taking advantage of the presence of Hon'ble Minister, suggestion was made to bring those issues, both domestic challenges and issues faced outside the country, to the attention of Ministry of Economic Affairs for suitable action.

In closing, the Director of BMCI once again thanked the Chief Guest for gracing this advocacy program and to all the participants for sparing their time. She was optimistic of organizing similar events in the future and hoped to receive the same level of support and enthusiasm from the stakeholders.