Regional Integration & Connectivity: The Contrasting Case of BBIN Sub-Region & ASEAN

The concept of Bangladesh, Bhutan, India and Nepal (BBIN) sub-regional integration and connectivity, an offshoot of the South Asia Association of Regional Cooperation (SAARC) formed in 1985, stands in sharp contrast to the Association of Southeast Asian Nations (ASEAN).

Since 1967, ASEAN has been working to create a fully integrated functional bloc of nations having a shared vision for growth and development through cooperation and connectivity. It has an updated Master Plan for ASEAN Connectivity 2025 to strengthen intra-regional transport connectivity further. But, the BBIN continues to struggle.

The BBIN Motor Vehicles Agreement (MVA), signed in June 2015, is yet to see the light of the day. It would be interesting to understand what the BBIN sub-region needs to do and learn from ASEAN to expedite economic integration and transport connectivity.

In this background, this Working Note attempts to discern policy guidance for multimodal connectivity in the BBIN sub-region, taking reference from ASEAN. It focuses on the emergence of ASEAN and lessons for the BBIN sub-region. The ASEAN Framework initiatives for multimodal connectivity provide an overview of the frameworks adopted by ASEAN. The Note also analyses the initiatives in the BBIN sub-region for multimodal connectivity.

Emergence of ASEAN and Lessons for BBIN Sub-region

The ASEAN is a regional inter-governmental organisation comprising 10 member states: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Laos, Myanmar, Cambodia and Vietnam. Formed in 1967, the region faced several challenges such as poverty, unemployment, limited access to educational and social services and periodic civil and military unrest.

The founding parties believed that the member states shared responsibility for improving economic growth and promoting peace and stability in their region by pursuing a harmonised approach for regional integration.

The states signed the Treaty of Amity and Cooperation in South East Asia signed in 1976 to help foster mutual respect and non-interference in other members’ matters. In addition to this, the members signed a treaty in 1995 to refrain from developing, acquiring or possessing nuclear weapons. The objective of such initiatives was to boost regionalism through strengthened trust and cooperation.

From an economic perspective, ASEAN’s primary focus has been to enable smoother economic integration in the region. Initially, the primary goal was to ensure the production and distribution of basic commodities with a special emphasis on resilience. Industrial and trade cooperation was pondered upon.
In 1992, ASEAN Free Trade Area was formulated to create a single market, boost intra-ASEAN trade and investment, and attract foreign investment. This has also put in place key instruments for ASEAN economic cooperation, namely, ASEAN Industrial Projects (AIP), Preferential Trading Arrangements (PTA) and ASEAN Industrial Cooperation schemes, which the ASEAN Industrial Joint Ventures Initiative later complemented. The region envisioned its efforts into ASEAN Economic Community (AEC), which came into existence in 2015.

The framework for regional cooperation included several aspects, among which transport and connectivity were significant ones. However, the region strived to make it economically viable and stable for the infrastructural developments that it envisaged.

**Potential benefits from replicating the ASEAN success story**

The successful example of ASEAN could not be replicated in the BBIN sub-region. However, due to the strong socio-cultural, ethnic and historical ties, studies show that regional and sub-regional integration will be beneficial not only for intra-regional trade but also to holistic development and inclusive growth. Additionally, it would also help the consumers in welfare gains.3

The sub-region together holds immense potential for deeper economic engagement through trade and connectivity. In this connection, the initiative of South Asian countries for a Motor Vehicles Agreement (MVA), which was to be signed at the SAARC Summit in 2014 held in Kathmandu, was a landmark decision. However, the agreement could not be signed owing to varying perceptions but primarily due to political differences.

Following this debacle, the South Asia Growth Quadrangle, which was launched in 1997 by the Foreign Ministers of BBIN countries, signed a sub-regional MVA in June 2015 to push for sub-regional integration through road transport connectivity. However, even this initiative seems to linger in uncertainties. Bhutan, in April 2017, pulled itself out of the MVA, citing environmental and visa-related issues, while giving its consent for operationalisation of the BBIN MVA among the remaining three with Bhutan to join at a later stage.

To date, this MVA has not been operationalised as countries are still in the process of negotiations of protocols. Given these, fuller regional or sub-regional connectivity through road transport continues to remain a dream resulting in sub-optimal exploitation of trade potential.

The significance of connectivity in terms of trade benefits and economic gains is widely documented. However, studies also show intra-regional trade among the member countries of the BBIN sub-region hovers around 3 per cent of the total trade of these countries. Total intra-regional trade between these countries in 2015 was at US$10bn, accounting for just 2.9 per cent of the entire region’s trade with the world.4

Studies5 also identify the poor intra-regional investments and poorer intra-regional factor movement as the underlying reasons for a low regional integration level. The existing poor connectivity and weak inter linkages in various transportation modes prevent the growth of bilateral trade and regional value chains.

Additionally, due to the ongoing COVID-19 crisis, ‘connectivity’ needs to be viewed in a much more holistic manner. The pandemic has exposed these economies’ vulnerabilities as reflected by a significant decline in their trade, GDP growth, and employment.

During the COVID-19 lockdown period, trade with neighbouring countries was almost stopped, as the pandemic exposed land-based trade limitations in the sub-region. There is a need for the sub-region to align its development strategies across all modes of transport to counter such challenges and ensure trade functions even in emergencies.

For strengthening connectivity initiatives in the BBIN sub-region, references can be drawn from other international multimodal initiatives such as one taken by ASEAN since the 1990s.

The ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT)6 in 1998 followed by
the ASEAN Framework Agreement on Multimodal Transport (AFAFMT) concluded in 2005, and the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST)\(^8\) in 2009 are some of the initiatives taken in the direction of regional connectivity and trade. These were concluded to simplify and harmonise the transport and customs procedures for the goods in transit and the interstate transportation of goods.

It may be mentioned that recognising the importance of multimodal connectivity in the BBIN sub-region, India has taken several measures to facilitate connectivity with Bangladesh through multiple modes of transportation and also to strengthen transit infrastructure linkages with Nepal and Bhutan.

Besides BBIN MVA at the sub-regional level, India has also signed a bilateral agreement such as the Protocol on Inland Water Transit and Trade (PIWTT) with Bangladesh. However, a common policy framework for multimodal connectivity at the sub-regional level is lacking.

The BBIN sub-region can learn from ASEAN countries' agreements and arrangements to strengthen cooperation and connectivity among member countries.

**ASEAN Framework Initiatives for Multimodal Connectivity**

A few decades back, ASEAN was almost at the same juncture where BBIN Sub-region stands today. For the evolution of ASEAN as a powerful economic bloc see Box 1 below.

With a vision for greater integration of the ASEAN economy and improve regional trade through several facilitation measures and seamless connectivity, the member states entered framework agreements. They implemented these through the signing of several protocols.

For example, AFAFGIT\(^9\) signed in 1998 has three objectives: (i) to facilitate transportation of goods in transit, to support the implementation of the ASEAN Free Trade Area, and to integrate the region's economies further; (ii) to simplify and harmonise transport, trade and customs regulations and requirements for facilitation of goods in transit; and (iii) to establish an effective, efficient, integrated and harmonised transit transport system in ASEAN.

The Agreement entails nine protocols. These include establishing transit transport and facilities, frontier posts types and quality of road vehicles, technical requirements of vehicles, the ASEAN scheme of motor vehicles insurance, railways border and interchange stations, customs transit systems, sanitary and phyto-sanitary measures and dangerous goods.

The framework is guided by the most favoured nation's principles, national treatment, consistency, simplicity, transparency, efficiency, appeals, and mutual assistance.

For further smoothening, it is provided that transit transport is not be subjected to any unnecessary delays or restrictions and shall be exempted from customs duties, taxes and other charges for specific services rendered in connection with such transport of goods carried in sealed road vehicles, combination of vehicles or container shall not be subjected to examination at customs offices en-route until required for security purposes.

There are also provisions for frontier facilities to facilitate clearance, examination, repeated loading and unloading, adequate manpower and other frontier formalities. It also provides that the type and quantity of road vehicles used for transit transport shall be agreed upon by all the member parties before the transport services are inaugurated. After that, the type and quantity of road vehicles shall be discussed from time to time.

**ASEAN Framework Agreement on Facilitation of Inter-State Transport**\(^10\) (AFAFIST) was signed in 2009. The framework has been ratified and in force in Cambodia, Lao PDR, Philippines, Thailand and Vietnam. The agreement's vision is to facilitate interstate transport of the goods between and among the member countries to support the implementation of the ASEAN Free Trade Area and further integrate the regional economies.
The main objective of the agreement is to facilitate seamless transportation services to the vehicles carrying goods from one member country to another. The AFAFIST majorly shares the nine protocols of the ASEAN Framework Agreement for Goods in Transit. However, the former (AFAFGIT) allows up to 500 vehicles in other member states. This was done in anticipation of increasing intra-ASEAN trade. Subsequently, the plan emphasises the better functionality of ASEAN institutions while further strengthening the cooperation between sectors.

Box 1. How ASEAN Evolved as a Powerful Block?

- ASEAN was preceded by the Association of Southeast Asia (ASA), an organisation formed on July 31, 1961, by Thailand, the Philippines, and Malaysia.
- ASEAN itself was created on August 8, 1967, when the foreign ministers of five countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand, signed the ASEAN Declaration.
- The aims and purposes of ASEAN are to accelerate economic growth, social progress, and cultural development in the region, to promote regional peace, collaboration and mutual assistance on matters of common interest, to provide assistance to each other in the form of training and research facilities, to collaborate for better utilisation of agriculture and industry to raise the living standards of the people, to promote Southeast Asian studies and to maintain close, beneficial cooperation with existing international organisations with similar aims and purposes.
- The group achieved greater cohesion in the mid-1970s following a change in power balance after the end of the Vietnam War in 1975.
- The region's dynamic economic growth during the 1970s strengthened the organisation, enabling ASEAN to adopt a unified response to Vietnam's invasion of Cambodia in 1979.
- ASEAN's first summit meeting, held in Bali, Indonesia in 1976, resulted in an agreement on several industrial projects and the signing of a Treaty of Amity and Cooperation and a Declaration of Concord.
- The end of the Cold War allowed ASEAN countries to exercise greater political independence in the region, and in the 1990s, ASEAN emerged as a leading voice on regional trade and security issues.
- On January 7, 1984, Brunei became ASEAN's sixth member and on July 28, 1995, following the end of the Cold War, Vietnam joined as the seventh member.
- Laos and Burma (Myanmar) joined two years later on July 23, 1997 and Cambodia joined on April 30, 1999.
- In 2006, ASEAN was given observer status at the United Nations General Assembly. In response, the organisation awarded the status of “dialogue partner” to the UN.
- On December 15, 2008, member states met in Jakarta to launch a charter, signed in November 2007, to move closer to “an EU-style community”.
- The charter turned ASEAN into a legal entity and aimed to create a single free-trade area for the region encompassing 500 million people.

Source: Compiled by the author from asean.org and other sources
Additionally, there are various supporting agreements for AFAFGIT and AFAFIST. These include: (a) Agreement on the Commercial Vehicle Inspection Certificates for Goods Vehicles and Public Services Vehicles issued by ASEAN Member Countries, for supporting the implementation of the two frameworks through mutual recognition of inspection certificates, and, (b) Agreement on the Recognition of Domestic Driving Licenses issued by ASEAN countries to support the implementation of the frameworks through the mutual recognition of driving licences.

ASEAN is also developing a capacity-building ‘going multimodal programme’ with three components: technical assistance, internal standards and knowledge exchange with ASEAN Regional Integration Support from EU (ARISE).\(^\text{11}\)

Additionally, the member states had agreed to implement the **ASEAN Customs Transit System (ACTS)**\(^\text{12}\) along with the AFAFGIT in Malaysia, Singapore and Thailand. The former has acted as a catalyst for the latter to provide complete end-to-end computerisation of transit operations with a single electronic customs transit declaration.

This has been beneficial in the smooth movement of trucks and drivers across borders. A single guarantee secures the taxes and customs duties at risk for all the countries involved in the transit operation. All the related information is transmitted through the network to facilitate the movement of goods through signatory AMS transport authorities.

**The Kuala Lumpur Strategic Plan (KLSP, 2016-2025)**\(^\text{13}\) was formulated after 2015. The plan serves as a backbone to the vision of a deeply integrated region that will contribute towards a highly cohesive ASEAN economy. It was strategically planned for transport facilitation through the effective operationalisation of AFAFGIT, AFAFIST, AFAMT and Cross-Border Transport Passengers by Road Vehicles (CBTP).\(^\text{14}\)

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\(^\text{11}\) ASEAN is also developing a capacity-building ‘going multimodal programme’ with three components: technical assistance, internal standards and knowledge exchange with ASEAN Regional Integration Support from EU (ARISE).

\(^\text{12}\) The *ASEAN Customs Transit System (ACTS)* is a system that facilitates the movement of goods and persons across borders in the ASEAN region. It provides a single guarantee for taxes and duties, allowing for the smooth transit of goods.

\(^\text{13}\) The Kuala Lumpur Strategic Plan (KLSP) is a framework that outlines the strategic goals for ASEAN for the period 2016-2025, focusing on areas such as trade facilitation, transport, and cross-border integration.

\(^\text{14}\) Cross-Border Transport Passengers by Road Vehicles (CBTP) refers to the movement of passengers across borders by road vehicles, which is facilitated through agreements and systems like AFAFGIT, AFAFIST, and AFAMT.
The plan focuses on:

(a) air transport: Strengthen the ASEAN Single Aviation Market for a more resilient and competitive ASEAN;

(b) land transport: Establish an efficient, safe and integrate regional and transport network within ASEAN and with the neighbouring countries to support the development of ASEAN trade and tourism;

(c) Maritime transport: Establish an ASEAN Single Shipping Market and promote maritime safety, security and strategic economic corridors with ASEAN;

(d) sustainable transport: Formulate regional policy framework to support sustainable transport, which includes low carbon modes of transportation, energy efficiency and user-friendly transport initiatives integration of transport and land use planning; and

(e) Transport facilitation: Establish an integrated, efficient and globally competitive logistics and multimodal transportation system for seamless movement of passengers by road vehicles and cargos within and beyond ASEAN.\(^{15}\)

To expand the regional cooperation in trade via various mode of transport, The ASEAN Framework Agreement on Multimodal Transport (AFAFMT)\(^{16}\) was signed in 2005. AFAFMT was introduced to facilitate the movement of goods using different modes, viz, air, sea, road, rail and inland waterways. The specific objective of the AFAFMT is the creation of a regional environment to facilitate the movement of goods within ASEAN and with third party countries by different modes of transport with harmonisation, seamless transportation, minimum checking and load-unload and delays.

For ease of movement of vehicles in member countries, the agreement clearly defines the scope of application, multimodal transport document, the liability of multimodal transport operator, limitation of the multimodal transport operator, and the consignor’s liability jurisdiction and competence, notices, claims actions and time bar.

The underlying aim of all the initiatives above is to develop the infrastructural, institutional, and procedural strength for the efficient functioning of the ASEAN countries’ multimodal apparatus. It is further noted that the frameworks are designed to complement the other to achieve seamless trade. Thus, each framework is reinforcing the other.

**BBIN Initiatives for Multimodal Connectivity**

There is presently a considerable thrust in the BBIN sub-region towards better connectivity. The region appears to be realising the importance of the same in expanding trade and growth. There have been multiple initiatives that have gained momentum in recent years.

These initiatives have materialised in the form of several bilateral agreements,\(^{17}\) defining routes for the transportation of goods through several modes, improving facilitation measures by renewing and establishing additional Land Customs Stations (LCS) and Integrated Check Post (ICP) and implementation of digitisation techniques.

To utilise the connectivity prospects, the member countries have further identified and executed several reforms. For instance, Bhutan and Bangladesh signed a Memorandum of Understanding (MoU) on using inland waterways for bilateral and transit trade (via India).

The inland waterways route stretching from both Chittagong and Mongla Seaports up to Dhubri in Assam (a port of call) via Chilbari in Bangladesh is now accessible to Bhutan. India and Nepal have declared that Kosi and Gandak rivers would be developed as Indo-Nepal waterways. The Indo-Bangladesh protocol route (PIWTT) signed in 1972 has 10 operational ports.

In the context of railways, various old bilateral routes have been revived and new ones have emerged. For example, India and Nepal have declared a railway link connecting Raxaul, Bihar to Kathmandu, Nepal, Agartala-Akhaura railway link will be completed by March 2021 and will be further operational soon. Furthermore, digitisation of the Indian Railways system has already been initiated.
Figure 1: Connectivity with Mainland India through Indo-Bangladesh Protocol Route

Source: Inland Waterways Authority of India

Figure 2: North-East Frontier Railway Zone Map

Source: https://www.mapsofindia.com/railways/northeast-frontier-zone.html
Other efforts include the India-Bangladesh Coastal Shipping Agreement, introduction of new port of calls for ease of transhipment and transit, and Kaladan Multimodal Transport Transit Agreement between India and Myanmar18 and the development of Jogighopa Multimodal Logistics Park.19 Also, India has initiated the National Logistics Efficiency Advancement Predictability and Safety Act, 2020,20 a replacement of earlier Multimodal Transportation of Goods Act (MMTG), with a full-fledged national logistics law to promote the growth of the sector.

However, most of the efforts made have not been able to address numerous transitory challenges. These include process delays, which require streamlining of procedures, institutional will and resolution of technical challenges. Additionally, the majority of the initiatives lack an overarching framework to encompass all the member countries. Under this context, the MVA is the only such initiative that includes a comprehensive policy framework covering all the member countries in the sub-region.

As indicated above, though the MVA21 was signed in June 2015, the agreement focusses on only one mode of transport, namely road. For implementation, the agreement is required to be ratified and protocols for implementation to be signed by all four countries. At the cost of repetition, it can be reiterated that while the governments of Bangladesh, India and Nepal have ratified the agreement, Bhutan’s ratification is still awaited.

However, Bhutan has given its consent for the implementation of the agreement in three countries. In view of this, Bangladesh, India and Nepal are presently negotiating protocols to implement the agreement among three countries. This agreement allows vehicles from member countries in the sub-region to enter each other’s territory and eliminate the need for trans-shipment of goods at the border, thus, eliminating a time-consuming and costly process. This initiative will also contribute in reducing informal trade and encouraging containerised movement of cargo.

Most of the initiatives above either focus on bilateral or single-mode bilateral or sub-regional transport connectivity. There is a visible lack of an underlying framework to integrate the infrastructural, procedural, and institutional developments to harbour harmonised connectivity approaches in the sub-region. Further, there is no such initiative to integrate the sub-region in terms of transport connectivity, institutional connectivity and people-to-people connectivity as a whole. Given this, efforts have been unable to produce coveted results.

**Discussion and Suggestions**

The previous sections have highlighted ASEAN’s focus on the creation of a regional environment, in which a vehicle operating under the transit system can move goods from the point of departure in any ASEAN Member State (AMS) to the point of destination in any other Member State via any number of transit countries without intermediate unloading and with minimal procedures at borders.

BBIN displays an absence of a similar integrated framework that encompasses the entire sub-region. Additionally, the initiatives in the sub-region lack an overarching structure that accounts for the procedural and institutional deficiencies in the system.
What can be gathered here is that if the BBIN sub-region enhances its regional connectivity standards, it needs to overcome the existing technical, procedural, documentation, training, and manpower challenges.

Therefore, the Note reveals that inspiration for such a framework for BBIN Sub-region could be drawn from the ASEAN framework.

Firstly, the transport framework for multimodal, intermodal, or single modal facilitation should include easing customs transit process, single document procedure, granting of visas to facilitate people-to-people connectivity, and coordinating operating hours, digitalisation, vehicle standardisation, identification of driving licences, and roll-on/roll-off services. Once these are in place through some framework agreements, the sub-region could realise its true potential in trade and its positive impact on economic development.

Secondly, the BBIN sub-region requires innovation in containerisation as river water in this sub-region depends heavily on monsoon rains and suffers silt sedimentation. This phenomenon deters the yearlong movement of big vessels. Transporters have to rely on small barges for cross-border trade, which is not apt for big containers.

Thirdly, the transport and logistics sector needs to become a light eco-system that ensures efficient end-to-end services, lower transportation costs, and competitiveness in the international market. Hence, the eco-system will not just be resilient towards addressing challenges emerging from pandemic-like situations, such as COVID-19 but also become a host for regional and global supply chains.

Finally, while the Note highlights ASEAN’s initiatives, it emphasises the need for the BBIN sub-region to get in place a guiding framework for integrating trade facilitation and trade logistics infrastructure through multimodal infrastructure and institutional arrangements in the sub-region. As stated above, the MVA remains as a catalytic component to the same. For better connectivity in the sub-region involving various transportation modes, the following components require priority consideration by the countries.

**Focus Areas for Policy Framework at BBIN Sub-regional Level**

- Allowing the vehicles of member states in transit (Goods in Transit) to ply through any other member state without unloading/loading at all stoppage points through arrangements like BBIN MVA and other multimodal frameworks
- Conceptualisation and setting up of multimodal logistics parks
- Move towards containerisation of shipments
- Single window clearance (preferably behind the border)-for minimum checking and load-unload delays at the border posts
- Robust and integrated electronic data interchange system such as ACTS
- Capacity building and support programme like ARISE Plus
- Quota on trucks that will be operating on foreign roads

These focus areas, among others, could help shape the need for policy dialogues for a comprehensive framework encompassing the entire sub-region to make itself internationally competitive, technically sound, procedurally nourished and commercially viable.
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