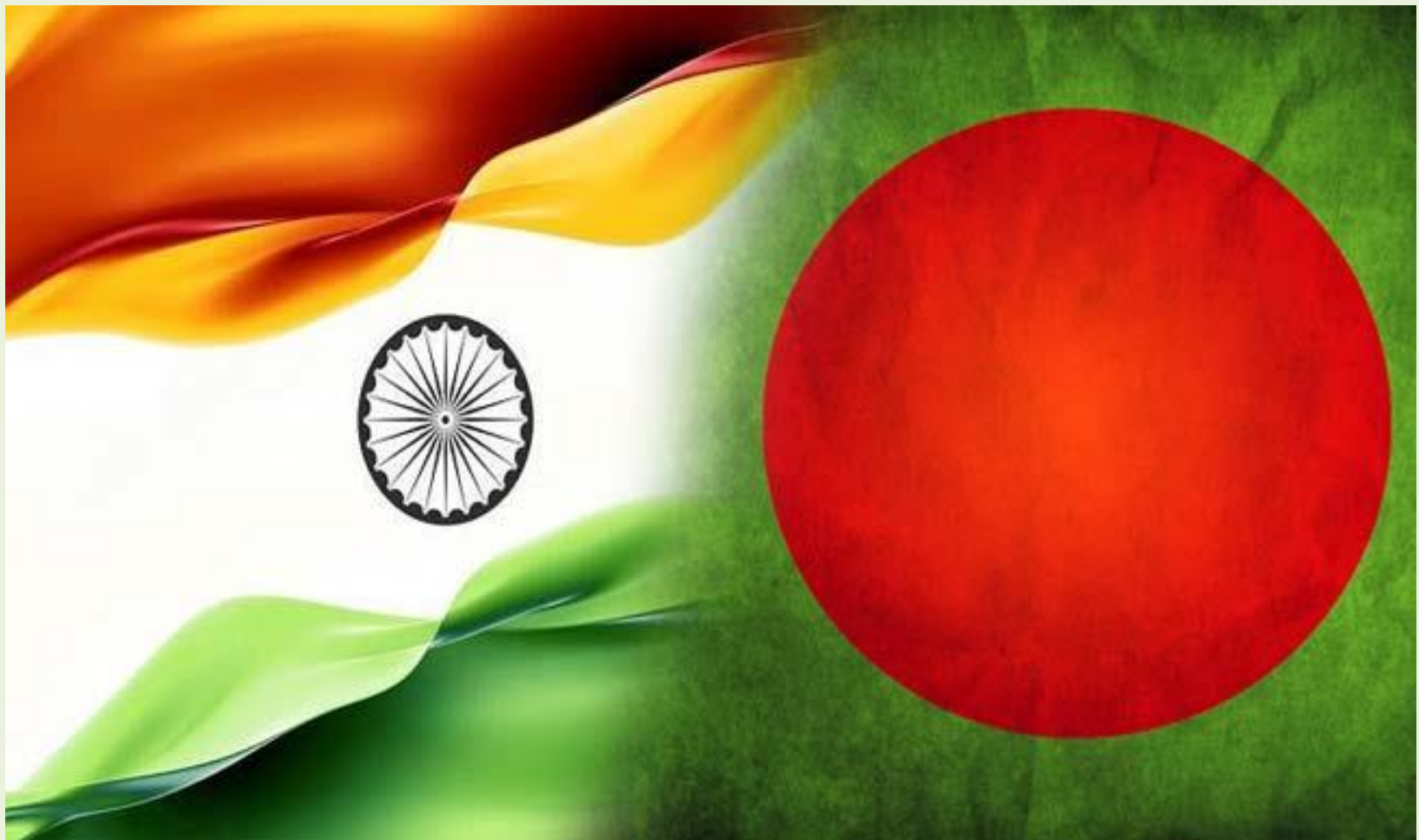




# **India- Bangladesh Relations: An Enduring Economic Partnership**

**Dr. Madhumita Srivastava Balaji**



## **About the Author**



The author, a student of political science is an alumna of the Benaras Hindu University Varanasi, India. She is a P.hd in Political Science and the subject of her dissertation has been International Dimensions of Ethnic Conflicts: A Case Study of Kashmir and Northern Ireland, reviewed by the Indian Council of Social Sciences Research, New Delhi and published under the publication grant of ICSSR in 1999-2000. Having taught in colleges of Delhi University, the author is presently a Visiting Research Associate with the Vivekananda International Foundation, New Delhi.

# India- Bangladesh Relations: An Enduring Economic Partnership

**Dr. Madhumita Srivastava Balaji,  
Visiting Research Associate, VIF**

India and Bangladesh share a long history of enduring economic partnership and bi-lateral development. The relationship between the two countries has been one based on mutual trust and cooperation. Our multi-faceted economic relations encompass trade, credit arrangements, soft transit facilities and joint ventures in energy and connectivity. Both the countries have benefitted largely through the growing economic ties. It has exercised an overall stabilizing effect on our political relations too.

Over the last fifteen years, the annual development assistance to Bangladesh from India has ranged between 20 million to 700 million rupees and now a landmark 2 billion dollars recently extended during Prime Minister Modi's visit in June 2015. This is double the Line of credit (LoC) of \$1 Billion extended during PM Manmohan Singh's visit in September 2011. At that time, this was the single biggest LoC India had ever extended to any country in one announcement (and the single largest that Bangladesh had received from any single donor). For both countries, it reflected a new confidence in each other in advancing and expanding their bilateral relations after over four decades of latent mutual suspicion and ups and downs.

Of the earlier tranche, \$200 million was converted into a grant (announced by President Pranab Mukherjee when he undertook his first trip abroad, and that too to Bangladesh, after he assumed the nation's highest office), which was used by Bangladesh to commence ground breaking on its ambitious Padma Bridge project, designed to exponentially facilitate east-to-west connectivity across Bangladesh. The remaining 80% was entirely used on rail/road connectivity up gradation and modernization.

The aim of the present study is to look into the steps taken by New Delhi and Dhaka in the areas of trade, connectivity and other economic developmental activities which have been hailed as the new paradigm in bilateral relationship. As part of this study an endeavor has also been made to study the progress made in the implementation of these and impediments, if any. This is important since this relationship now appears to be acquiring a new momentum in the

recent times to take it to greater heights in tune with Prime Minister Modi's neighborhood outreach initiative. Some of the related and important aspects of the outreach include grant of visas and the historic Land Boundary Agreement and Bangladesh's effort to provide India with a "Power Corridor". The protocol on reciprocal visa facilitation was revised after over 13 years in 2013 – again a reflection of increasing trust and confidence in each other. Concomitant with this has been India's permission to Bangladesh to open Consular offices in Mumbai and Guwahati while India will open 2 additional offices in Bangladesh.

Although not part of the developmental initiatives, one cannot but mention here the unprecedented level of cooperation being extended by Dhaka in recent times to address India's security concerns.

India's development partnership with Bangladesh is primarily channeled through three main avenues namely government aided training programmes, Grant assistance and Loans.

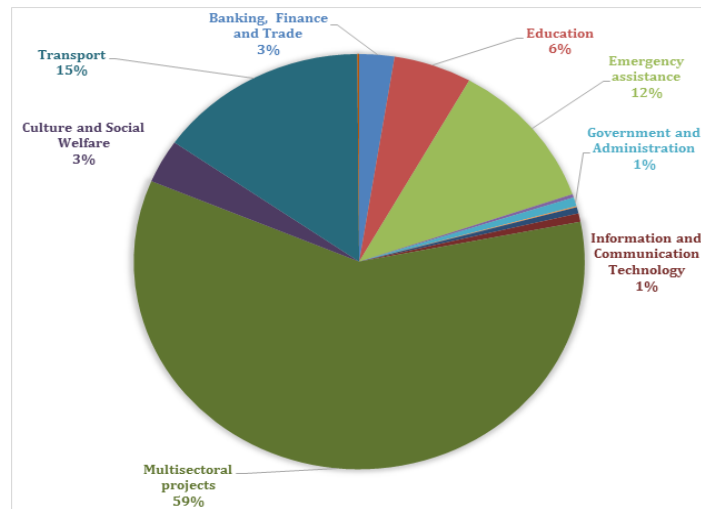
### **Government Aided Training Programmes;-**

Indian Technical & Economic Cooperation (ITEC) and the Technical Cooperation Scheme of the Colombo Plan (TCS) have been extremely effective instruments in extending technical training programmes both to the civilian and defense sector functionaries of Bangladesh. Over the last ten years, it is estimated that such facilities have been made available to Bangladesh and these have been extremely popular and useful in cementing our relationship.

### **Development Partnership : Grant Assistance**

Under this category, humanitarian assistance in the form of food and other aid in meeting emergent situations have been extended from time to time. For example, a grant worth USD 37 million was provided to Bangladesh in response to the natural disasters that struck the country in 2007-08. Besides, providing relief funds in hours of crisis, India has provided no-conditionality grants in areas like education, health and transportation as well.

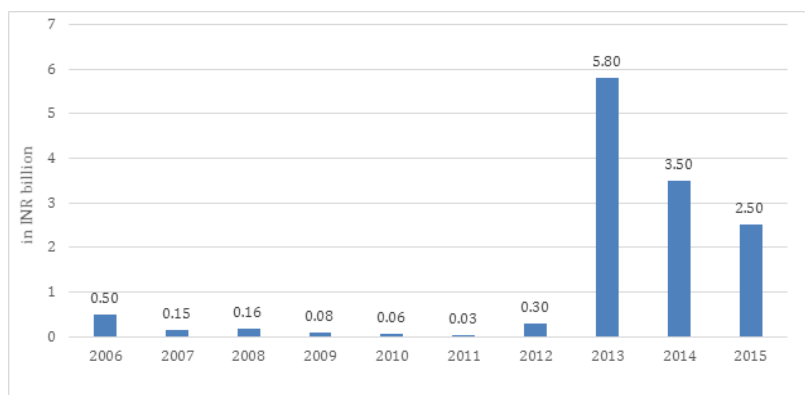
Indian Development Assistance to Bangladesh between 2006-07 & 2015-16 out of total of INR 13 billion were distributed over a number of key sectors as indicated below: .



(Figure by Indian Development Cooperative Research, IDCR)

As can be seen from the above, bulk of the development assistance to the tune of 74% went into multi-sectoral projects and the crucial transport sector. Need/event based emergency assistance came third in terms of quantum at about 12% of the total package.

Year wise commitment through Grant to Bangladesh between 2006-07 and 2015 and 2015-16 out of a total of INR 13 billion is illustrated in the table below:

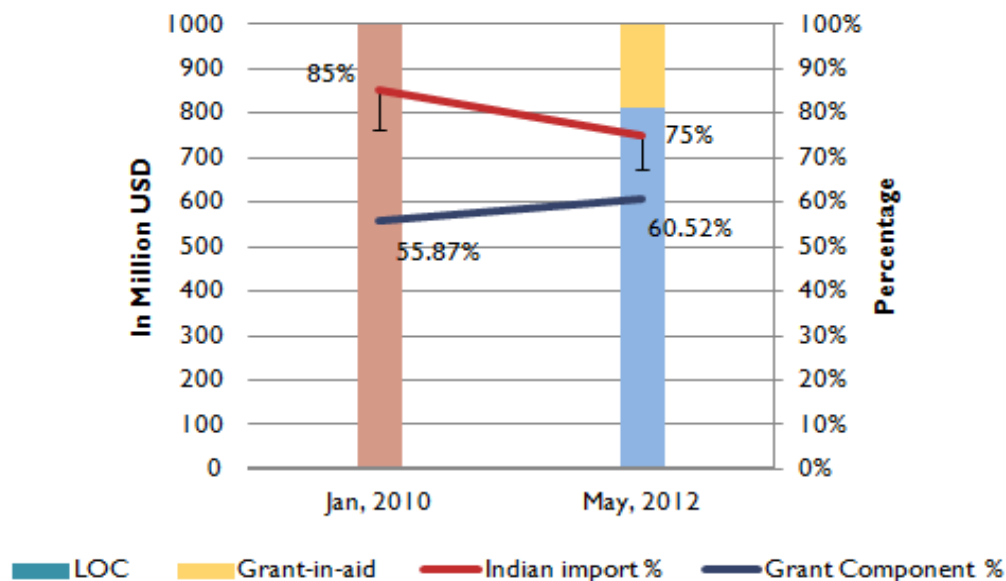


(Source: Indian Development Cooperation Research Initiative (IDCR) based on publically available data).

The main projects undertaken from the USD 200 million grant included Small Development Projects (SDP’s), Community Development Projects,(COP’s) and connectivity related projects such as construction of Akhaura – Agartala Rail link, setting up an inland port at Ashuganj and setting up a manufacturing unit for railway coaches.

## Development Partnership: Loans (Advances & Lines of Credit)

Lines of Credit have been an integral part of India's development assistance to Bangladesh right since its inception. Initially 'soft' lines of credit used to be extended to help Bangladesh meet emergent demands. These, in later years, took the form of export credits aimed at long term enhancement of mutual economic cooperation and development. As mentioned earlier, during his visit to Bangladesh in 2010, the then PM, Dr. Manmohan Singh had announced the extension of credit line of one billion dollars. Since the government of Bangladesh found the clauses in the line of credit inconvenient, it was decided in 2012 to alter the LoC into a grant with reduced conditionality to make it more user-friendly. It was later further modified to a USD 810.86 million LOC and a USD 200 million grant to be used for urgent projects. The USD 810.86 million LOC was at a reduced interest rate of one per cent which was earlier 1.75 per cent. These changes in the initial LoC of US \$ 1 billion are depicted below:



(Source: Grant Component of LOC's calculated by the IDCR)

Transport sectors which included development of railway infrastructure, supply of locomotives and procurement of buses & dredgers were to benefit the most from the granted LOC. It may be mentioned here that Bangladesh has been in principle supportive of the idea of providing India with connectivity, even though the progress in this direction has not always been smooth.

The grant will be disbursed for developing core sectors such as power, education, health and the connectivity infrastructure. Among the several agreements and memoranda signed, one was a MOU on development of two Special Economic Zones (SEZs) in Bheramara and Mongla. These would facilitate better access to the Bangladeshi markets, once the SEZ's come into operation and also help in movement of goods & encourage the shipping industries of India and Bangladesh. India's significant emphasis on strengthening development assistance based ties with Bangladesh is therefore abundantly manifest<sup>1</sup>.

### **Delays in Execution of Projects:**

It needs no reiteration that for achieving the desired objectives and creating the right impact, timely execution of programmes would be important and would also help make the process of strengthening of relations irreversible. Conversely, any delay in the delivery process will have adverse impact not only in the context of Indo-Bangladesh relations but could also similarly impact the overall reputation of India aided projects and programmes in the entire neighbourhood. There is thus an urgent requirement to streamline the procedures at both ends to ensure timely delivery with clarity and transparency.

As an example, it is pointed out that the actual amount disbursed out of the earlier Line of Credit of USD 800 million LOC, was only USD 169 million till September 2014! This was primarily on account of inordinate procedural delays in 'tendering' process and the absence of the adequate number of competitive bidders from the Indian side. For both the countries this was a new experience and both needed to figure out how to administer and execute decisions related to use of this money. The finalization of the allocation of the funds is now complete. Works which are in the pipeline are moving slowly but steadily. What is important here is that despite delays, the progress has been sustained. This is a big departure from the past. Ways and means to correct this and such other impediments in the 'delivery' process needs to be addressed. As a key instrument of India's aid diplomacy, it is imperative that infrastructural projects are executed on time to attain the desired effectiveness.

*Assessment of India's aid projects in Bangladesh<sup>2</sup>*

Projects	Start Date	Finish Date	Revised Date	Consultant	Allocation 2014-2015
<b>Bangladesh</b>					
Grant assistance to Bangladesh (1st tranche of \$ 50 million*)	2012	2012	2013	IRCON	Rs. 162 crores
Agartala Akhaura Rail link	2013	2016	2018	IRCON	Rs. 49 crores
Inland river port at Ashuganj	2014	Not yet decided	Not yet decided	WAPCOS	Rs. 29 crores

The remaining amount of US\$150 million has also been disbursed. The entire amount was for the Padma Bridge initial river training and ground breaking works. The World Bank had refused to finance this prestigious project earlier in 2012 on spurious/contested grounds. PM Sheikh Hasina formally initiated the work on the multi-billion dollar project a few months ago. Almost entire financing will be done from Bangladesh's own resources, and it will be commissioned for use by end-2018. Indian assistance was given at a critically important time and gave Bangladesh the confidence to go ahead with this vitally important connectivity project.

It is understood that one most often projects remain pending since financial approvals in India takes time to come through for multiple reasons. To address this, the GoI has initiated remedial measures to streamline coordination and implementation of India's aid management by creating a separate wing for 'Development Partnership Administration' in the Ministry of External Affairs. This is a step in this direction. The new wing will be responsible for effective implementation of all aid projects from technical training to extension of credit lines to grant-in-aid projects in close cooperation with the other departments. DPA will oversee all the three forms of aid – from ITEC to EXIM Bank, credit lines to grant in aid projects by the MEA. It would fast track work at all stages of project implementation. Grass root projects are also being looked into so that the process of implementation is swift and in line with PM Modi's emphasis on "Act East" as a foreign policy priority<sup>3</sup>.

## Trade

While developmental and infrastructure projects are important, it is universally recognized the bilateral trade plays an extremely important role in promoting



and strengthening economic relations between countries. In this area, India and Bangladesh bilateral trade presents an extremely complex and disappointing scenario. As immediate neighbour, India with long land boundary, size, population, growing market and a huge consumer market, presents an ideal opportunity for Bangladesh to sell its products. But the key question is whether Bangladesh produces the goods that can sell easily and competitively in the Indian market.

Since 1982 and particularly after Bangladesh moved on the path of economic liberalization, bilateral trade has been improving steadily. In 2011-2012, India's total export to Bangladesh reached 5.84 billion US dollars. This does not obviously take into account the substantial volume of 'illegal or informal' exports that takes place continuously and is estimated at a substantive figure. A high percentage of BD's import from India is in the nature of inputs (cotton) meant for the production of its main export item (readymade garments); an area in which the country has championed itself. India's annual earnings from trade with Bangladesh is somewhere near 14 to 15 billion dollars. On the other hand, in contrast, Bangladesh's exports to India have been significantly less. In 2011-2012, Bangladesh's exports to India reached only 584.64 million US dollars. In 2014-15, BD export figure further dropped down to USD 396 million. In the current scenario the total bilateral trade volume of USD 6.5 billion looks impressive but the sheen is lost when one looks at the country's exports to India that account for a mere USD 500 million leaving a high trade deficit. The following table is illustrative in this context:-

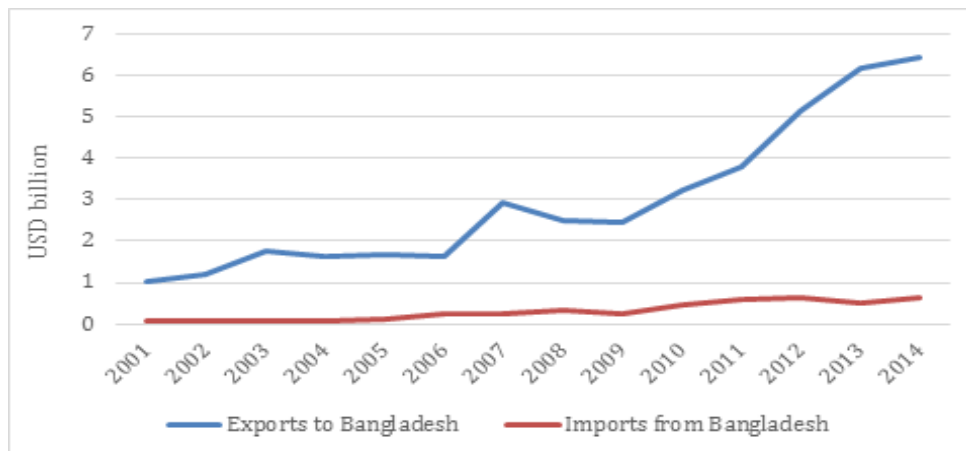
*Trade & Investment: India Bangladesh Trade Scenario<sup>4</sup>*

FY	Bangladesh Export to India	Bangladesh Import from India	Trade Imbalance	Trade in Favour of
2010-11	512.51	4569.20	4056.69	India
2011-12	498.42	4743.30	4244.88	India
2012-13	563.96	4776.80	4212.84	India
2013-14	456.63	6034.8	5578.17	India
2014-15 (July-March)	396.43	4456.5	968.71	India

Putting it in another perspective, the linear graphical representation below brings out trade differential figure in greater contrast. The trade gap which was just over US \$ 1.5 billion in the year 2001 rose to over US \$ 5.5 billion. Understandably, this is a matter of immense concern to Bangladesh and need urgent redress. It could be argued that growing levels of trade gap is an

international phenomenon particularly since globalization, liberalization and dismantling of protectionist barriers by governments across the world. It must however be noted that smaller economies face much more serious challenges in coping with large trade deficits.

*Indian Trade with Bangladesh between 2001-02, 2014-15 in USD Billion*



(Source: Indian Development Research Initiative (IDCR) based on EXIM Data Bank.)

## **Trade Imbalance and Unilateral Trade Concessions by India:**

Bangladesh has contended over the last several years that the high level of tariff by India has been a major constraint in its effort to expand its export. Besides, Bangladesh has not only reduced the tariff at a faster rate but has also maintained a lower tariff regime over a longer period than India.

To address this issue of growing trade imbalance between the two countries, India in 2011 announced the removal of all 46 textile items, a key export produce of Bangladesh, from the sensitive list and zero duty access in all the 46 items meant for Bangladesh's export to India. It was expected that Bangladesh's export to India would increase with this initiative. But subsequently problems were faced due to the existing Non-Tariff Barrier (NTB). Bangladesh expects India to remove the NTB as it is a major hurdle to their export growth. Some of the obstacles which could be targeted for removal of the NTBs, are the requirement of double laboratory test for every consignment of food product, delay in getting these test results, imposition of state tax and strengthening the infrastructural facilities at the authorized Land Custom Stations (LCS). Quite a few of these bottlenecks arose simply because of non-transmittal of decisions from the policy level to the executing agencies

at ground level, while some were simply reflective of a deeply entrenched mindsets and reluctance to do business differently. Barrier by barrier, these have had to be addressed for removal, some with success and some without.

New Delhi and Dhaka have also lately realized the important role played by the Border Haats-(trading posts) in promoting trade and consequently the well-being of the people dwelling in the remote and inaccessible areas across the borders of the two countries. Locations for opening up of these Border Haats are selected by both the countries based on the inaccessibility of such regions and the interdependence of the population. Eight such border haats are currently operational; four in Meghalaya and four in Tripura states of India. As many as sixteen more are under consideration. Both sides are reviewing the radial perimeters (presently 25 miles, to 50 miles), and range of goods permissible for trade through these haats. The first border haat started functioning in July 2011. Both the countries have recently agreed to open more such trading posts near the Tripura – Bangladesh border after the recent inauguration of Tarapur – Kamlasagar Border Haat.

PM Modi during his recent Dhaka visit also took cognizance of the massive trade imbalance in bilateral trade despite availability of Duty Free and Quota Free (DFQF) access for all but the revised 25 Bangladeshi items of exports to India. The extension of unilateral trade preferences by India should also help in reducing the huge trade imbalance. This will also create a beneficial spill-over-effect on the political relationship between New Delhi and Dhaka. What is now important is for the authorities at the implementation level to pursue these initiatives and decisions for effective and expeditious implementation. The trade policy negotiators are hopeful that a Free Trade Agreement (FTI) based on the Global Trade Analysis Project (GTAP) model may be useful in addressing this issue. There are several advantages for Bangladesh as far as Free Trade Association (FTA) with India is concerned<sup>5</sup>. Some of these are:-

- i. The concessions under FTA are more stable as they are within a contractual framework. This contractual framework tends to provide an incentive to expand their export capacity thereby seizing its potential in exporting to India. Thereafter, an assured access to our market would result in an enlarged flow of foreign private capital for enhancing export capacity and infrastructure in development in Bangladesh.
- ii. FTA also provides for elimination of non-tariff barriers within a time bound framework unlike the unilateral trade.
- iii. Our geographical proximity provides Bangladesh with a competitive advantage over the rest of India in exporting to our north-east areas. This advantage would come into place with the coming of FTA.

- iv. Lastly, FTA would also ensure deeper economic integration, trade facilitation, harmonization of standards, building and up-gradation in transport facilities.

Interestingly, some experts point out that ‘the macro-economic implications suggest that what matters in the long run is the overall balance of trade of a country and not the balance with individual trading partners. Therefore, even if trade equations remain imbalanced, both the partners should benefit from it<sup>6</sup>’.

A Comprehensive Economic Partnership Agreement (CEPA) is the call of the day. Both the governments have deliberated this for some time now. The Joint

Communiqué signed on the occasion of Bangladeshi Prime Minister Sheikh Hasina’s visit to India in 2010 categorically stated that “The two Prime Ministers agreed to put in place a comprehensive framework of cooperation for development between the two countries, encapsulating their mutually shared vision for the future, which would include cooperation in water resources, power transportation and connectivity, tourism and education<sup>7</sup>.” The signing of Framework Agreement on Cooperation for Development (FACD) was a hallmark development in 2011. Under this Agreement, the two countries could aim at establishing an FTA or CEPA. Cooperation in other range of areas, such as sub-regional cooperation in the power sector, water resource management and transmission of electricity were also looked into<sup>8</sup>.

## **Connectivity:**

The prime area of focus in Indo-Bangladesh economic relations is now on transportation and commercial links eyeing mutual growth and an overall development especially in the area of bilateral trade. As a measure of this, it may be mentioned that initially, over 225 Indian firms proposed foreign direct investments (FDI) totaling USD 558.77 million. Unfortunately, these private enterprises were unable to deliver as was expected from them because of the suspicious attitude they still harbour against each other. With the growing emphasis on developing its landlocked north-eastern region, New Delhi is recognizing the advantages that Bangladesh as a port city can offer. The two countries have signed several agreements and MOU’s over a period of time to address the combined need for strengthening connectivity between the two nations. In 2011, an MOU to facilitate rail transit to/from Bangladesh and Nepal by using the Rohanpur – Singhabad route was agreed to by the Bangladeshi PM Sheikh Hasina during her New Delhi visit in 2010. It permitted rail transit between Bangladesh and Nepal using the Indian Territory through the Radikapur- Birol line. This MOU, also thereby sought to facilitate

Bangladesh Nepal trade<sup>9</sup>. While unveiling the foundation stone for construction of Khulna -Mongla railway line during his recent Dhaka visit, PM Modi reiterated New Delhi's commitment to promoting and intensifying not only people to people connectivity but also expanding economic ties between the two nations<sup>10</sup>.

Given the geo-morphology of the river, the most important means of connectivity for human passengers and cargo and goods has historically been the riverine connectivity. Until the early sixties, over 70 per cent of all human and goods transportation was along the rivers. After the 1965 Indo-Pak war, this has been reduced to less than 30%. Non-use of the rivers in atrophy of the overall ecology has caused great damage to the health of the rivers. The Northeast was always land-locked but water-linked. This needs to be restored.

### **Land Connectivity:**

In 2012, after the first meeting of the Joint Consultative Commission (JCC), the inauguration of Car Pass system at Petrapole-Benapole border took place for the movement of cargo vehicles through the Land Custom Stations (LCS) of the two countries. The two Prime Ministers, during their recent meet (2015) in Dhaka, stressed the urgent need for the speedy up-gradation of the infrastructure of the LCS and Integrated Check Posts (ICPs). Four ICPs are now modernized and operationalized: (1) Benapole-Petrapole along West Bengal border; (2) Akhaura-Agartala along Tripura border; (3) Dawki-Tamabil along Meghalaya border; and (4) Demagiri-Thekamukh along Mizoram border.

An additional new LCS is about to be operationalized at Nakugaon-Dalu (along Meghalaya-Mymensingh border, facilitating north-side traffic, also desired by Bhutan. Other existing LCSs in northern Bengal are being upgraded to include phyto-sanitary and immigration facilities also to be made available.

With the commencement of Dhaka-Shillong-Guwahati and Kolkata-Dhaka-Agartala bus services, connectivity is bound to improve further. Bus services on Khulna-Kolkata and on Jessore-Kolkata circuits are likely to commence soon. The soon to be finalized Highway Project from Kolkata to Kunming (China), would further enhance the transit connectivity<sup>11</sup>. Bhutan and Nepal have also indicated that they would like similar bus services established transiting India. The BBIN MVA, to be operationalized in January 2016, should make this doable.

## **Rail Connectivity :**

The commitment to finalize the construction of Akhaura-Agartala rail link was perceived in 2012. In the rail sector, the second Maitree Express is likely to ply between Khulna and Kolkata according to the 2015 Declaration. In Bangladesh, the inaugural rail link between Jessore and Benapole commenced from the 20<sup>th</sup> of October 2015 keeping in mind the necessity of the people to stay connected. On the Bangladesh – India land border, Benapole is the most important check post from the strategic point of view owing its proximity to Kolkata. 90% of the total import items from India come through Benapole. Bangladesh is already seized with Tripura government's desire conveyed through GoI, for extending rail link between Agartala and Ramu (in Bangladesh) across Feni River (India will construct the bridge).The rail link between Akhaura (in Bangladesh) and Agartala (in Tripura) is also expected to be finalized soon (work in progress)

## **Coastal Connectivity:**

The two sides also stressed on the use of Chittagong and Mongla sea ports in Bangladesh for movement of goods. The Coastal Shipping Agreement inked in 2015 would open a new chapter in bi-lateral trade initiative, cooperation and connectivity. Besides, an expeditious venture is also expected on the proposed construction of a bridge over river Feni. Additionally, Bangladesh and India have also signed a maritime shipping agreement that had been absent since so many decades. The said maritime agreement will allow each other's ships to go directly to each other's ports.

The renewal of the Protocol on Inland Water Transit and Trade (PIWTT) which was initially signed by Bangabandhu and Mrs. Gandhi was a welcome development in the ongoing efforts in enhancing connectivity. To utilize its full potential, the dredging of the Bangladesh–India inland water protocol routes has also been agreed upon. PM Modi has agreed to provide necessary assistance for enhancing the navigability of the routes as envisaged in the Framework Agreement<sup>12</sup>.

There has been a special emphasis on seamless, multi-model connectivity to ensure regional economic development which would be beneficial to the people of the two countries. Negotiations are underway for a Multi Model Transport Agreement.

It would be pertinent to mention the role and responsibilities of the ‘Bengal Initiative’ for Multi Sectoral Technical and Economic Cooperation (BIMSTEC) as an important ingredient in India’s “Act East” strategy. BIMSTEC is likely to play an important role in this and add a new dimension in our relations with our South Asian neighbours especially Bangladesh. The two PMs recently welcomed the agreement on the establishment of the BIMSTEC electricity grid. The bilateral coastal shipping agreement between Bangladesh and India signed in 2014 can be extended to embrace Sri Lanka, Myanmar and Thailand as well under BIMSTEC framework.

As can be seen from the above, many initiatives have been taken by the two governments, particularly since the landmark visit of PM Hasina 5 years ago and strongly built upon during the visits of PMs Manmohan Singh and Narendra Modi now. The two governments are now required to aggressively and purposefully pursue these to turn the dreams of the leaders into reality.

## **Developments in the field of Water and Maritime Resource Sharing:**

It is now widely recognized that as close geographical neighbours with a linked and shared destiny, India and Bangladesh need to evolve a cooperative approach in the field of water and maritime resources management for achieving the desired goals of inclusive growth and development. This was amply reflected in the FACD of 2011 which included growth and development in water resources also.

The sharing of river water has been the most contentious issue between neighbors. In the first JCC meeting, both sides welcomed the exchange of data on the flow of Teesta waters at the technical level. With initiatives from the two governments, an early finalization of agreements on sharing of water of Teesta and Feni rivers is an impending commitment. The Teesta water sharing deal which was perhaps nearly finalized a couple of years back by the government of Dr. Manmohan Singh, did not eventually come through on account of ‘internal political compulsions’ as speculated by the media. While the new government in New Delhi has assured Bangladesh of its serious intent in resolving the issue, it is cognizant of West Bengal’s genuine concerns in this regard. The government is believed to be in the process of evolving an acceptable consensus internally that may include a full package of benefits/compensation for West Bengal, rehabilitation and an irrigation package for those who shall be impacted by the agreement. If it works out, it may not be long before an amicable

resolution of this festering problem is announced. Govt. of India should not put this on the back-burner and actively work towards a resolution.

Under the Framework Agreement of 2011, Bangladesh, Bhutan and India are in the early stages of discussing how to collaborate on managing the Brahmaputra waters. Reviving navigation would restore the historical “water-linked status” of the Northeast with Bangladesh and West Bengal that had enabled the economies of this entire region to have the highest GDP in pre-Partition era. River routes used to be perennial because land routes are difficult and very expensive to maintain for greater part of the year due to climatic and environmental reasons. River transportation is also most economic and most eco-friendly.

Bangladesh has also sought India’s cooperation in jointly developing the Ganga Barrage on the river Padma in Bangladesh. Both sides have agreed to constitute a sub-group under the Joint River Commission (JRC) that would examine all aspects of the Tipaimukh Hydroelectric Project. Signing of the Coastal Shipping Agreement has been welcomed by both the Prime Ministers. To utilize full potential there was an agreement on the need for dredging of the Bangladesh-India Inland Water Protocol. The necessary navigability of the water routes shall be provided as is envisaged in the Framework Agreement. The recently signed MoU between PM Modi & his Bangladeshi counterpart on Blue Economy & Maritime Cooperation in Bay of Bengal and the Indian Ocean will further elevate our bilateral efforts in the area of coastal connectivity. Sub Regional Cooperation between BBIN nations on Water Resource Management and Hydro Power shall also play a major role in the development of economics of the key areas.

The less mentioned, through a very positive Confidence Building Measure (CBM) is the agreement on delimitation of Indo-Bangladesh Maritime Boundary. This long festering dispute is believed to have in the past, restrained/deterred many overseas petroleum companies from investing in the sea-blocks initially offered by Bangladesh. The recent ruling by the Hague based Permanent Court of Attribution (PCA) confirmed Bangladesh’s right to exploit the rich water resources in the Bay of Bengal. In a landmark judgment, the PCA awarded Bangladesh an area of 19,467 sq km., which is four-fifth of the total area of 25,602 sq km. of the disputed maritime boundary in the Bay of Bengal<sup>13</sup>.



## **Joint Agreements in Power and Energy:**

Before concluding the review of India-Bangladesh economic cooperation, it would be important to look into the prospects and potentials of cooperative efforts in the area of energy that has emerged as an important focus area not only in India but in the entire region. An endeavour by Bangladesh to provide India with a “Power Corridor” has consolidated this amicable relationship. Bangladesh has offered to allow India to wheel power produced in the Northeast through Bangladesh to India. An agreement between Dhaka and New Delhi was reached during the 7<sup>th</sup> meeting of the Joint Steering Committee on Power Sector Corporation. Denial of this in the past had prevented any major investment in power sector, whether hydro or thermal, because of limitations of the capacity to use the “chicken’s neck” corridor for the purpose. India will now be able to maximize power generation in the energy rich region. The ‘power corridor’ has indeed opened a new vista of cooperation between the two nations. It can certainly be construed as a genuine first step towards regional connectivity in the power sector.

The FACD signed by the Prime Ministers of India and Bangladesh in Dhaka in 2011 laid down the framework for enhancing beneficial bilateral cooperation in a wide range of areas, which included sub-regional cooperation in power sector and renewable energy. Cooperation between Bangladesh and India also being extended to embrace Bhutan and Nepal will enable all these BBIN countries to put in place the architecture for medium and long term energy security and promote a sense of interdependence. Bangladesh and India have identified 15 projects to provide connectivity among South Asian neighbours. Another area of advancement is the institutionalization of the sub regional co-operation group BBIN (Bangladesh, Bhutan, India and Nepal) that attempts to foster power trade and inter grid connectivity between the four countries.

The aim has been to promote bilateral cooperation in areas of power, solar wind and bio-diversity. Bangladesh faces a power deficit of nearly 1500 MW on a daily basis. India has agreed to extend a helping hand to bridge this shortfall. In 2012, during the first meeting of the India Bangladesh JCC, the then Indian EAM and Bangladesh Minister for Foreign Affairs Dipu Moni welcomed the Power Purchase Agreement signed between BPDB and NVUN for purchase of 250 MW power from India. Formalities were also completed for commissioning the inter-grid connectivity by July 2013 and the establishment of a Joint Venture between NTPC and the BPDB to set up a 1320 MW thermal power plant in Bagerhat. Further, in December 2014, India agreed to supply 100

MW of power from the Paltana power plant in Tripura in exchange for allowing the Indian goods to transit through the Ashugang port in eastern Bangladesh. In 2014 itself, steps were taken to augment power supply by 30-50 MW over the existing transmission line so that the net power supply to Bangladesh could increase to 500 MW. Besides welcoming the agreement on the establishment of the BIMSTEC electricity grid, both sides also took encouraging steps to augment supply of power through the Bheramara-Behrampur grid inter-connection from 500 MW to 1000 MW.

Bilateral efforts to evacuate power from the North-eastern region of India (Rangia/Rowta) to Muzaffarnagar in India through Bangladesh by constructing a 800 KV, 7000 MV HVDC water terminal bi-pole DC grid line with suitable power tapping points at Barapukuria in Bangladesh have also been lauded. PM Modi has agreed in principle to consider Bangladesh's request for providing adequate power from this line to Bangladesh keeping in view the grid security of both the countries. The Bangladesh-India Friendship Power Company's 1320 MW coal-fired power plant at Rampal, Bagerhat has been viewed with great satisfaction<sup>14</sup>.

Comprehensive energy sector cooperation also includes areas of natural gas, coal, LNG, renewable energy, supply of petroleum products and pipelines. The 2015 visit of PM Modi also saw the signing of an MOU and the Sale Purchase Agreement between Numaligarh Refinery Ltd. (NRL) and Bangladesh Petroleum Corporation for the construction of a pipeline from Siliguri to Parbatipur for supply of High Speed Diesel.

Emphasizing the need to increase Indian investments, PM Modi welcomed Bangladesh's decision to allocate land for SEZs for India. Mongla and Bheramara were identified as the possible locations. He lauded Bangladeshi PM Sheikh Hasina's effort in improving the power situation in Bangladesh and her government's untiring effort in meeting the challenges of power-shortage and facilitate its economic empowerment towards a developed Middle Income Country (MIC) by achieving an installed capacity of 24,000 MW by 2021. PM Modi also indicated that India can be an earnest partner in achieving this goal and many Indian corporate have the capacity to contribute in this endeavour. The Government of Bangladesh inked a Memorandum of Understanding with two leading private Indian firms. The Indian Prime Minister also reiterated an earlier commitment that India would not take any unilateral decisions on the Himalayan component of their River inter linking projects which may affect Bangladesh adversely.

The Tipaimukh Hydro-Electronic Power Project is not likely to move forward in its present form due to statutory requirements. New Delhi and Dhaka have to look into the modalities and then study the economic interface. Projects which impact the diurnal life of our citizens should be undertaken. Policies that deal with regional development should be encouraged since they lead to economic growth for both these nations.

## **Conclusion:**

The above narrative of the key issues involved and the fast-track forward movement attained thus far clearly signify the evolution of a new reality of genuine cooperative environ for all-round economic engagement between India and Bangladesh. The symbiotic positivity to grow harmoniously stems primarily from the signing of the historic Land Boundary Agreement (LBA) that was inked in Dhaka on May 7, 2015 with significant socio– economic implications for a class of people whose destiny had been facing uncertainties for decades.

With the recently signed twenty two important bilateral documents including four agreements, three protocols, fourteen Memorandum of Understanding and one letter of consent which together covers varied areas of cooperation, economics, trade and investment, security, infrastructure developments and education, India and Bangladesh are on the way of evolving a new paradigm for growing together harmoniously that could well become the model for other countries to follow. Sub-regional cooperation among BBIN would not have been possible without establishment of strong, cooperative Bangladesh-India relations. Suffice it would be to say that these efforts could well decide the destiny of the two nations and indeed the region. While complimenting the visionary leaderships of the two countries, one would like to re-stress that the momentum needs to be maintained and further energized for the well being of our people.

## **Endnotes**

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### **Image Source:**

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### **VIVEKANANDA INTERNATIONAL FOUNDATION**

3, San Martin Marg, Chanakyapuri, New Delhi – 110021

Tel: 011-24121764, Fax: 011- 24106698

Email: [info@vifindia.org](mailto:info@vifindia.org), Website: <http://www.vifidia.org>