

Merchants' Chamber of Commerce & Industry

MCCI Logistics Forum 2018 ***'Regional Integration through Transport & Trade'***

Saturday, 1 December 2018 at 10.30 am at The Park, Kolkata

Brief Proceedings

Inaugural Session: 'Logistics beyond boundaries – creating seamless movements'

The speakers at the Inaugural Session were

- Mr. Vishal Jhajharia, President, MCCI
- Mr. Abdul Matlub Ahmad, President, India - Bangladesh Chamber of Commerce & Industry (IBCCI)
- Mr. Toufique Hasan, Deputy High Commissioner, People's Republic of Bangladesh in Kolkata
- Mr. Amit Kumar Gupta, Zonal Business Head, Mahindra Trucks & Buses
- Mr. Sabyasachi Mitra, Deputy Country Director, Asian Development Bank, India Resident Mission
- Ms Nandita Baruah, Country Representative, The Asia Foundation
- Guest of Honour: Mr. N. S. Nigam, IAS, Secretary, Department of Transport, Govt. of West Bengal and MD, WBTC
- Mr. Lavesh Poddar, Chairman, Standing Committee on Logistics, Transport & Warehousing, MCCI

Mr. Vishal Jhajharia, President, MCCI in his welcome address said that India now ranks 44th in the latest edition of the World Bank's Logistics Performance Index, a relatively high score compared to other countries with similar income levels. Economic integration depends heavily on the density and quality of connectivity or so to say regional infrastructure. A stronger connectivity not only strengthens the intra- and inter-regional trade but also generates higher income and prosperity.

The World Bank feels that transport corridors offer huge potential to boost South Asia's economies, reduce poverty and spur more and better jobs for local people. Today, South Asia abounds with new proposals to build a vast network of transport corridors. In India alone, after the successful completion of the Golden Quadrilateral highway system – several transport proposals extending beyond India's borders are under consideration such as International North – South Transport Corridor linking India, Iran and Russia; the Bangladesh, China, India and Myanmar (BCIM) economic corridor and the Bangladesh Bhutan India Nepal Motor Vehicle Agreement (BBIN MVA).

The India initiated Kaladan multi modal transit transport project aims to connect the Bay of Bengal to Rakhine and Chin hinterland of Myanmar and there onto Mizoram in India using sea, river and road transport modes to facilitate a development corridor

in Myanmar and also movement of cargo from the Indian mainland to North East India.

The rolling out of the 'Special Accelerated Road Development Programme' in North East, a key initiative of the Government's flagship Bharatmala programme can go a long way in providing crucial connectivity to the far flung regions of the North East.

The World Bank estimates India's potential trade in goods with South Asia at USD 62 billion against its actual trade of USD 19 billion, which is a mere 3 p.c. of its global trade and about USD 43 billion below its potential. 'Deeper regional trade and connectivity can reduce the isolation of North East India, give Indian firms better access to markets in South Asia and East Asia, and allow it to substitute fossil fuels by cleaner hydropower from Nepal and Bhutan', the Bank said.

A recent international report indicated that the transaction cost of shipping and logistics in South Asia is double that of the ASEAN countries. It says that if this gap is brought to par with ASEAN, exports out of South Asia will increase by 7 p.c.

Bangladesh Bhutan India Nepal Motor Vehicles Agreement (BBIN MVA) has the potential to establish seamless multi modal connectivity to facilitate movement of vehicles and goods at the sub-regional level. It can help countries in creating an institutional mechanism for regional integration.

Mr. Abdul Matlub Ahmad, President, India – Bangladesh Chamber of Commerce & Industry (IBCCI) pointed out that now about 300 hundred barges are operating between India and Bangladesh and more than 50 p.c. are owned by Bangladesh. Mr. Matlub invited Indian business communities to invest in this sector.

The partition of India made North Eastern states such as Mizoram and Meghalaya landlocked. States in the Indian mainland are growing at a faster rate than the North Eastern states. Bangladesh is geographically in such a position that unless it gives free movement of goods to India, the North East cannot develop.

Regional cooperation is necessary. The new thinking is whether countries in the region can work together without borders and yet retain their sovereignty. The topic under deliberation at the 'MCCI Logistics Forum 2018' will help the concerned countries as they will benefit from regional trade.

SAARC did not make any progress with its mission, as the member countries did not trust each other. The countries in BIN (Bangladesh, India and Nepal), however, think alike and they agree on issues. Bhutan has not ratified the agreement.

Mr. Toufique Hasan, Deputy High Commissioner, People's Republic of Bangladesh in Kolkata said that regional infrastructure is a major determinant of integration. He spoke of seamless connectivity and felt that Bangladesh could be a gateway for the entire North East and for landlocked countries like Bhutan & Nepal.

Mr. Hasan mentioned that plans are on to connect Bangladesh with the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which is a regional organization comprising seven member states lying in the littoral and adjacent areas of the Bay of Bengal constituting a contiguous regional unity.

Mr. Hasan said that the BIN MVA, based on the EU model is almost ready for implementation. The EU model has paved the way for seamless movement of goods between India and Bangladesh. BIN MVA will connect the hinterland with Kolkata and Chittagong Ports.

The Kolkata – Agartala bus service and use of Mongla Port in Bangladesh are steps in the right direction. The Agartala – Akhaura railway link is under construction. Coastal shipping can carry cargo between India and Bangladesh at a low cost.

Mr. Amit Kumar Gupta, Zonal Business Head, Mahindra Trucks & Buses said that Mahindra has a presence in 126 nations. It is the only company having a wide range of products from two wheelers to tractors and trucks.

Mr. Gupta said that most states other than West Bengal have adopted new axle norms. Mahindra is ready with the new axle norms.

Mahindra is offering six years guarantee and not just a warranty on its vehicles. It will attend to vehicles in four hours time. Mahindra vehicles give best performance on fuel mileage.

Recently, fuel prices have moved up substantially due to rise in crude oil prices. Fuel is 60 p.c. of a transporter's cost. Freight rates have not kept pace with rise in fuel costs.

Mr. Sabyasachi Mitra, Deputy Country Head, Asian Development Bank, India Resident Mission said that ADB is committed to spending USD 1 billion each year on economic corridors in India.

Logistics cost is about 14 p.c. of cost of production in India. It is around 8 p.c. to 10 p.c. in other countries. The high logistics cost hurts India's competitiveness. If India wants to be a part of a regional economic hub, it needs to have better logistics.

Mr. Mitra raised the following issues: lack of multi modal hubs in India, over reliance on road freight in India, need to lower transaction costs in the country and a general shortage of skilled manpower in logistics.

Mr. Mitra said that it is important to figure out how to coordinate rail, road, sea and air transport in a seamless manner. Among other issues, ADB is working on EXIM Bank processes as a lot of paperwork is involved there. ADB is looking for redundancies in processes.

ADB is also working on issues such as coastal shipping and multi modal logistics. In fact, it has identified Silchar in Assam as a centre for multi modal transport.

Ms Nandita Baruah, Country Representative, The Asia Foundation said that she represents a non profit organisation operating in 18 countries. It is working on hydro power, renewable power and trade issues in India.

There are many structural issues regarding surface trade that need to be addressed and there is a need for seamless trade. Asia Foundation did a study and found significant non tariff barriers between Nepal and India. Inland waterways have become an area of discourse and they are important for landlocked countries such as Nepal and Bhutan. We need multi-modal transport for regional trade.

One way of addressing perceived local fears is to have local participation and trade corridors should be inclusive. We also need to see last mile connectivity.

Guest of Honour, Mr. N. S. Nigam, IAS, Secretary, Department of Transport, Government of West Bengal and MD, WBTC said that the Government of West Bengal will look into the suggestions made by the speakers at MCCI Logistics Forum 2018 to ensure faster connectivity. The Government of West Bengal is serious about developing logistics.

Mr. Nigam said that if you look at the strategic position of West Bengal, you will see that all the economic corridors in the East end up in the State. A major portion of India's waterways flows through West Bengal.

Mr. Nigam pointed out that logistics cost is about 14 p.c. in India but only about 8 p.c. in other countries.

If the policies are right, there is an inherent capacity in the region to take up challenges. The Government of West Bengal is keen to provide right policies.

Mr. Lavesh Poddar, Chairman, Standing Committee on Logistics, Transport & Warehousing, MCCI offered a hearty vote of thanks. He said that the time is right for improvement in logistics in the region which will allow economic integration in BIN.

Panel Discussion I: 'India's Logistics Sector and Integration with neighbouring countries through Waterways and Railways'

The speakers at the Session were

- Session Moderator: Mr. Abdul Matlub Ahmad, President, India - Bangladesh Chamber of Commerce & Industry (IBCCI)
- Guest of Honour: Mr. Vinit Kumar, I.R.S.E.E, Chairman, Kolkata Port Trust
- Ms Shahanaj Akhter Ranu, Counsellor (Political), Bangladesh Deputy High Commission, Kolkata
- Mr. Rameshwor Pokharel, Deputy Consul General, Consulate of Federal Democratic Republic of Nepal in Kolkata

- Mr. Rajiv Agarwal, Director, Tirupati Vessels Pvt. Ltd
- Mr. Jahangir Bin Alam, CEO & Secretary, India - Bangladesh Chamber of Commerce & Industry (IBCCI)

Guest of Honour, Mr. Vinit Kumar, I.R.S.E.E., Chairman, Kolkata Port Trust said that there is a huge trade imbalance between India and Bangladesh. 90 p.c. goods are exported from India and only 10 p.c. are imported from Bangladesh. Since it takes a long time to aggregate goods in Bangladesh, their transportation to India becomes expensive. Therefore, Mr. Kumar suggested that Bangladesh export garments from its Ports to India for all over transmission to European countries.

The approximate logistics cost is 14 p.c. in India compared with 8 p.c. in other countries which makes Indian exports expensive.

Water transport should be promoted between India and Bangladesh as it is more economical and it also ensures faster delivery as waiting at the land ports is eliminated, which on an average consumes about 12 to 15 days.

The CAGR of Nepal trade is 23 p.c. in last 5 years. As regards exports to Nepal, Raxaul is the main land port through which major Indian exports are sent to Nepal. Till recently, Kolkata Port was the only access for Nepal. Today, Nepal is also using Vizag port. There exist constraints in the sense that there is only one land point for delivering cargo to Nepal. KoPT has suggested that two more points be opened for bilateral trade.

Kolkata is a riverine port and it cannot handle large ships. Consequently, two floating cranes have been installed at Kolkata Port which help to unload the shipments from larger ships and then move the cargo through barges for further transporting them to their destinations.

Mr. Kumar welcomed the proposal to open a container port in the West side of the Hooghly river to relieve congestion on roads in Kolkata.

Logistics includes road, rail, waterways, etc. Another part is the soft logistics comprising of processes and systems. The quality of trucks may have improved, but without proper processes, they will be stuck at the India – Bangladesh border. Processes should streamline and make things less time consuming. Kolkata Port Trust has reduced paperwork from about 11 forms to about 3 forms.

Mr. Kumar suggested that MCCI be part of a delegation to visit foreign ports to study best practices.

Mr. Abdul Matlub Ahmad summed up as the Session Moderator. Mr. Matlub welcomed the suggestion made by Mr. Vinit Kumar to export garments from Bangladesh Ports to India for all over transmission to European countries.

He said that India should consider opening two new points of entry for movement of bulk cargo to Nepal.

MCCI should help launch a mission to visit Western ports to study best practices.

Mr. Rajiv Agarwal, Director, Tirupati Vessels Pvt. Ltd. said that West Bengal is a trading hub which can emerge as the logistics centre for North East, Bhutan and Nepal.

A container port should be opened in the West side of the Hooghly river to relieve congestion on roads in Kolkata.

Earlier, there was only minor trade by waterways between Bangladesh and Kolkata. Today, 30 vessels are plying between India and Bangladesh daily but these vessels are mostly owned by Bangladesh. Mr. Agarwal urged the members to invest in this sector.

Mr. Abdul Matlub Ahmad summed up as the Session Moderator. He repeated the point about opening a container port on the West side of the Hooghly river. With regard to inland water transport, he enquired if more Indian investment can be made on barges that will travel to Bangladesh.

Mr. Rameshwor Pokharel, Deputy Consul General, Consulate of Federal Democratic Republic of Nepal in Kolkata said that Nepal faces a large trade deficit with India. Two thirds of Nepal's trade is with India. Today, intra-regional trade is nominal due to lack of connectivity in the region. Nepal faces problems with its infrastructure.

The rivers of Nepal have hydel power potential. The power can benefit the entire region under a regional economic framework.

Nepal is facing many challenges as it is a land locked country. The transaction cost of international trade is high for Nepal.

A number of initiatives have taken place for regional integration and ease cross border transport of goods. BIN MVA holds a big potential for trade and tourism and an integrated market will promote e-commerce.

The existing transit treaty between India and Nepal was signed way back in 1999. Many changes have taken place in the transit system since then. Nepal has emphasized the need to review the Treaty with a view to facilitate transit trade.

To facilitate Nepal's trade, there is an increasing demand in Nepal that it be allowed to use additional port facilities in both Eastern and Western India. There is a need to revise the India – Nepal Treaty so that new ports are opened such as Dhamra and Paradeep.

The Governments of the two countries should promote use of inland waterways.

Mr. Abdul Matlub Ahmad summed up as the Session Moderator. He said that Nepal needs more Seminars such as the 'MCCI Logistics Forum 2018' to highlight its plight. The India – Nepal Treaty was signed in 1999 and a lot has changed in the last 20 years. So, the Treaty needs another look.

Ms Shahanaj Akhter Ranu, Counsellor (Political), Bangladesh Deputy High Commission, Kolkata said that the bilateral relations have witnessed unprecedented high level visits. India has given duty free access to garments from Bangladesh. The Agartala – Akhaura project will boost growth.

Bangladesh is now classified as a developing country and not as a least developed country. A stable economy will be tied with regional connectivity and regional trade.

The Rohingya crisis has adversely affected Bangladesh. Bangladesh is sheltering 12 lac Rohingya refugees in the Chittagong region and it has to ensure the security of this region. Bangladesh needs international help to repatriate the Rohingyas to their homeland in Myanmar.

SAARC was faced with trust deficit which is why it did not progress. India has the responsibility of correcting any trust deficit and ensuring security in the region.

The ease of connectivity for India with its North East depends on Bangladesh. There should be easy flow of products between India and Bangladesh. We also need to focus on skilled manpower.

Mr. Abdul Matlub Ahmad summed up as the Session Moderator. He said that countries, governments and political parties need to build on trust so that progress is made. Sheikh Hasina Wajed, Hon'ble Prime Minister of Bangladesh has said that insurgents have no place in Bangladesh. Both countries are free from insurgents. Security is important in order to have smooth development.

Mr. Jahangir Bin Alam, CEO & Secretary, India - Bangladesh Chamber of Commerce & Industry (IBCCI) said that better connectivity for trade will be a harbinger of growth. The BIN MVA provides a boost to land locked Nepal which will gain access to global markets. Also, the North East stands to benefit from BIN.

An integrated rail network in BIN countries would help and eight corridors have been identified through which most trade between BIN countries takes place.

The delays in implementing MVA are due to lack of good roads. Due to soil conditions, it will be costly to develop roads in Bangladesh. Also, there will be many disputes over land. On account of problems with roads, air cargo should be considered for faster movement of goods, particularly perishables.

Mr. Abdul Matlub Ahmad summed up as the Session Moderator. He said that the audience learnt of the eight corridors through which most trade takes place in BIN countries. Also, air cargo services may be considered as an alternative to road transport.

Panel Discussion II: 'India's Transportation Challenges and Opportunities with neighbouring nations with a focus on Roadways and BBIN-MVA'

The speakers at the Session were

- Session Moderator: Col. Prashant Kumar Mishra, Director (Operations), Land Ports Authority of India, Ministry of Home Affairs, Govt. of India
- Mr. Tanmay Chatterjee, General Manager (Finance), Indian Oil Corporation Ltd.
- Mr. Motiar Rahman, CEO, Sharothi Enterprise, Bangladesh
- Mr. Sunil Agarwal, CMD, CTI Logistics Pvt. Ltd, General Secretary, CGTA & Secretary East, AITWA
- Dr. Anasua Basu Ray Chaudhury, Fellow, Observer Research Foundation

Col. Prashant Kumar Mishra, Director (Operations), Land Ports Authority of India, Ministry of Home Affairs, Govt. of India said that the Land Ports Authority was set up to provide infrastructure at borders and address the problem of lack of facilities at border crossings. There are five land ports at present at Attari, Raxaul, Agartala, Petrapole and Jogbani. Similar land ports have been setup in the European Union.

Col. Mishra said that the political climate is good for getting things done at this time in South Asia. There is a possibility of movement of goods from the Indian mainland to Agartala via Bangladesh. A highway has been built at Agartala which opens up the North East to Chittagong Port.

Mr. Tanmay Chatterjee, General Manager (Finance), Indian Oil Corporation Ltd. said that the BBN MVA will allow regional transport with ease. The bilateral trade between India and BBN countries is about USD 23 billion. The topic for the discussion should be how to get rid of geographical boundaries.

There is a need for better transport between India and Nepal. Customs formalities at the borders should be reduced.

IOC is seeking enhanced trade on petroleum products with Bangladesh. It makes sense for Bangladeshi trucks to service LPG to Tripura.

Good transport is not an option. It is a compulsion for doing business with neighbours.

Mr. Motiar Rahman, CEO, Sharothi Enterprise, Bangladesh said that his organisation Sharothi Transport Agency handles major Indian and Bangladeshi customs clearing and transports their imported and exported goods.

Pilferage must be stopped in trans-shipment of goods. Benapole, on the Bangladesh side of the border has poor infrastructure. Truck detention is high and it is costly. Indian trucks wait for at least 3 to 4 days for unloading their cargo. Logistics facilities need to be improved to allow more trade among BIN countries.

Petrapole, on the Indian side of the border does not have enough space for unloading goods and it lacks crane facilities. For this reason, Bangladeshi trucks must wait for a long time for unloading. As a result, truck detention charge is being paid by both sides.

Mr. Sunil Agarwal, CMD, CTI Logistics Pvt. Ltd, General Secretary, CGTA & Secretary East, AITWA said that Bhutan did not want to join BIN.

Kolkata to Agartala is 1,600 km at present but only 485 km through Dhaka. If Indian vehicles could travel through Bangladesh, then logistics would improve.

Trade between Bhutan and Bangladesh is mostly illegal today. It will become cleaner in future.

The problem with truck drivers in international trade is that they must be skilled to handle cross border and visa issues. So, they will need training on how to handle cross border issues.

Paperwork needs to be reduced as they cause delays. Digital locks may be used to control pilferage.

Dr. Anasua Basu Ray Chaudhury, Fellow, Observer Research Foundation said that ORF is a leading public policy thinktank. ORF has been studying BIN MVA and some of its proposals have been integrated in India's foreign policy.

Dr. Ray Chaudhury said that BIN MVA is a benchmark. However, it is not standalone. It is a part of SAARC MVA.

The nature of negotiation in border issues is bilateralism. Although BIN MVA is a multilateral platform, the countries are using bilateral approvals. BIN MVA is following the principal of acceptance of consensus.

With regard to Bhutan, Dr. Ray Chaudhury said that when she visited Bhutan, the Bhutanese were categorical about specifying their concept of Gross National Happiness. If they allow more trucks into their country, it would reduce their Gross National Happiness. As a result, Bhutan has not ratified the MVA.

Dr. Ray Chaudhury said that development of infrastructure is not the only issue for connectivity. There must be awareness that we are dealing with international law in trans-border issues.

Informal trade is twice the size of formal trade in South Asia. If facilities at borders are upgraded, then informal trade can be controlled.

Capacity building is important both in terms of adopting technology and enhancing the strength of skilled labour. The rights of labour should be considered before opening of borders.

There are streamlining issues regarding permits and procedures. Then, there are issues such as our certification centres not being present at the border crossing. In fact, one certification centre is only present in Kolkata. Also, the work of different agencies needs to be synchronised.

Last but not the least, an understanding of each other's perception is most important. The time has come to understand the essence of mutual understanding.

Rajiv Mukerji
(Deputy Secretary)
