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About the Issue

The inaugural issue of the *Journal of Land Ports and Border Economy* presents a set of research papers covering various facets of trade and development. The development of transit points by the Land Ports Authority of India (LPAI) has triggered the development of border economy. This inaugural issue of the *Journal of Land Ports and Border Economy* captures India's journey in border management and its progress and achievements. It includes a Foreword by the Chairman of LPAI, an introduction and nine research papers, written by eminent scholars and practitioners.

About the Journal

Journal of Land Ports and Border Economy is the primary publication of the Land Ports Authority of India (LPAI), which has distinguished itself as a leading developer for land port and border development. Widely consulted by researcher scholars, educators and practitioners, the journal encourages the submission of papers from all social science and humanities focusing on the development of land ports, generation of border economies, border issues and geo-political and security-related dynamics between borders in any part of the world. The distinctive purpose of the *Journal of Land Ports and Border Economy* is to publish original research covering the development of theories and concepts, methodological perspectives, empirical analysis and policy debate in the field of land port development and border studies with particular reference to India. The journal is an interdisciplinary forum, which showcases diverse perspectives and analytical techniques.

About LPAI

LPAI is a statutory body established under Land Ports Authority of India Act, 2010. The provisions of the Act came into force on 1 March 2012. Section 11 of the Act gives powers to LPAI to develop, sanitize and manage the facilities for cross-border movement of passengers and goods at designated points along the international borders of India. The Vision of LPAI is to provide state-of-the-art infrastructure to facilitate trade and travel. The Mission of LPAI is to build land ports on India's borders, to provide secure, seamless and efficient systems for cargo and passenger movement, to reduce dwell time and trade transaction costs, to promote regional trade and people-to-people contact and endeavour to imbibe the best international practices.

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Foreword

I am delighted to present to you the inaugural issue of the 'Journal of Land Ports and Border Economy' which is the flagship publication of the Land Ports Authority of India. Owing to its central geographical location in South Asia, India's land borders have a crucial role to play in strengthening regional trade and connectivity. Across India's 15,104 km long international land border, there are several transit points designated for trade and passenger movement. It is well established that the quality of infrastructure at land borders plays a key role in facilitating trade, especially in the case of contiguous countries sharing history, common heritage, linguistic and cultural ties.

As part of the efforts to improve infrastructure at border checkpoints, LPAI was established in 2012 to build land ports with state-of-art infrastructure to facilitate seamless and efficient movement of cargo and passengers. Since the establishment of LPAI, we have developed and operationalized nine Integrated Check Posts that provide modern infrastructure and house all regulatory agencies, such as immigration, customs and border security under one roof. We are also in the process of developing fourteen more ICPs.

The development of land ports and border infrastructure has triggered the generation of economic activities in the region. This has further led to creation of border economies. With the launch of this journal exclusively on Land Ports and Border Economy, we intend to create a knowledge base on this subject, which has been neglected in the literature so far. The purpose of the journal is to publish original research on all aspects related to development of land ports. This covers, inter-alia, generation of border economies, cross-border issues, geo-political and security-related dynamics between borders and overall border management, with a particular emphasis on India.

The inaugural issue of the Journal of Land Ports and Border Economy captures India's journey in border management, progress, and achievements. We hope to continue publishing issues on diverse issues of relevance to Land Ports in the future as well.

I hope you will enjoy reading the nine papers by eminent scholars in the inaugural issue and contribute to the upcoming issues.

Shri Aditya Mishra
Chairman, LPAI

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Introduction

An improved border assures safe and secure trade, raising a country's overall competitiveness. According to the World Trade Organization (WTO), full implementation of the Trade Facilitation Agreement (TFA) could boost global trade by US$ 1 trillion per year, reducing global trade costs by an average of 14 per cent. The performance of transit points across India's land borders is key to fulfilling India's commitments made at the WTO's TFA.

The Land Ports Authority of India (LPAI) was established in 2012 to improve the infrastructure at the transit points. As of January 2022, it has developed and operationalized a total of nine ICPs across India's international land border. The operational ICPs are: Attari – handling India's trade with Pakistan; Agartala, Petrapole, Srimantapur and Sutarkandi – all handling India's trade with Bangladesh; Raxaul and Jogbani – both handling India's trade with Nepal; and Moreh – handling India's trade with Myanmar. There are several new ICPs in the process of development and the total number of ICPs is likely to touch 24 by 2030.

International trade and infrastructure are two concepts that have a self-reinforcing relationship, in the sense that higher infrastructure spurs a larger volume of trade flows. Over the last decade, the share of ICPs in India's trade with its neighboring countries has gone up significantly. From a share of 41.87 per cent in 2012-13, the share of ICP's in India's trade with its neighboring countries has gone up to 63.59 per cent in 2020-21.[1] Much of this can be attributed to the strengthening of border infrastructure.

ICPs assumed an important role during the COVID-19 pandemic crisis. During the pandemic crisis, ICPs turned out to be a lifeline for the Indian economy-managing trade, delivering critical supplies and keeping the supply chains open. However, the pandemic restrictions have also led to severe global supply-chain congestion and resulted in logistics-related challenges for the ICPs.

As India ramps up its border infrastructure to cope with the ongoing pandemic related challenges, there are several important points to consider while providing a safe and secure border, which is *sine qua non* for enhanced trade and integration. First, reducing the costs of crossing borders in a timely manner has become a priority. Second, it is important to build industry resilience, sustainability, modernisation, and safety as key priorities for the sector post-pandemic in India. While several transit points are becoming more environmentally conscious, there is no reporting on the metrics of emission release from the built-up infrastructure. There has been limited research on the carbon-neutral border connectivity options. Third, the momentum of digitalization which picked up during the pandemic needs to continue. There are immense benefits associated with having contactless processes, particularly while improving the operational efficiency of ports. These are the best practices that LPAI intends to offer.

[1] This includes India's trade with Bangladesh, Bhutan, Myanmar, Nepal and Pakistan.

The inaugural issue of the *Journal of Land Ports and Border Economy* (henceforth JLPBE) carries nine full-length freshly written research articles on Indian land borders and border economies. All the articles were peer-reviewed as per journal's stated policy. This inaugural issue presents not only research articles on trade at Indian borders but also analyses the cross-sectoral issues such as technology, supply chain, border management, and strategic and security relations. Here are some major findings of the articles.

Bipul Chatterjee, Indranil Bose and Arnab Ganguly in their paper titled "Facilitating Safe Trade among BBIN Countries" present key learnings from the trade facilitation initiatives and suggest ways to customise the trade that takes place among countries in the Bangladesh-Bhutan-India-Nepal (BBIN) sub-region.

Nisha Taneja and Samridhi Bimal in their paper titled "Impediments to India-Pakistan Trade: A Transaction Costs Analysis" identify impediments to trade at border and estimate transaction costs related to moving goods between India and Pakistan through the road, rail and sea routes. The article also finds that restrictive transport protocols, limited transportation routes, restriction on the number of items permitted into Pakistan from India, non-availability of rail wagons, infrastructural bottlenecks and procedural clearances lead to high transaction costs of trading between India and Pakistan. In the end, authors suggest policy measures that could lower such costs and enhance India-Pakistan trade.

Gurudas Das in his paper titled "Cross-Border Trade and Infrastructure in India's Northeast" argues that cross-border trade with the neighbouring countries (NCs) can play a pivotal role in the economic development of Northeastern Region (NER) of India as the cross-border markets, being far nearer, can act as the vent for surplus produced here, given the far away national markets. It examines the nature of cross-border trade that takes place between NER and NCs and links it with infrastructure and trade facilitation (ITF) at the land ports. It finds a positive association between availability of ITF and volume of trade and hence suggests strengthening the former for the growth of the latter.

Dripto Mukhopadhyay, Devendra B Gupta and Sanjib Pohit in their article titled "Quantifying the Transport, Regulatory and Other Costs of Exporting through Petrapole Land Port" attempt to measure the relevant costs resulting from these non-visible but truly deterrent informal trade barriers that hinder India's export to Bangladesh. It focuses on Petrapole border, the most important land port between India and Bangladesh. The key findings show that the aggregate delay the traders face on daily basis is high and proves costly for them. The scenario has not changed much over the years. The additional transaction costs in terms of delays and speed money incurred still act as bottlenecks. With these informal barriers, Indian exporters suffer in terms of global competitiveness. Improved infrastructure and administration at the border are essential to reduce this additional transaction costs.

Afaq Hussain in the article titled "Cross-Line of Control Trade through Jammu and Kashmir: Impediments and Way Forward" discusses the challenges that were faced by stakeholders prior to the suspension of border trade, estimates the losses associated with suspension and proposes the several steps that are needed to facilitate the trade across the LoC in a smoother, faster and more transparent manner between India and Pakistan.

Arpita Mukherjee and Angana Parashar Sarma in their article titled "Streamlining Agri-Food Imports through Technology Interventions: The Case of North-East India" examine ways and means to streamline the food import process based on a secondary information analysis and a primary survey. The authors make a set of recommendations to streamline the import process through the use of technology and automation, along with addressing the infrastructure constraints specific to the North-Eastern region.

India's approach to border management has evolved in response to the cross-border threats, challenges and opportunities that the country faced over the decades. Over the years, the Government of India has crafted a comprehensive border management system to secure the country's borders. Components of the system include — border guarding, border regulation, development of border areas, and bilateral institutional mechanism. However, factors such as inadequate manpower and financial resources, rigid rules and regulations, corruption, non-cooperative states governments, etc. have hampered the efficient functioning of this system. These inadequacies, therefore, need to be addressed urgently because efficiently managed borders are a sine qua non for a secure and prosperous country. Pushpita Das in her article titled "Comprehensive Border Management System in India: Challenges and Way Forward" review the current status of border management in India and presents a set of policy recommendations to strengthen the border management in the country.

K. Yhome and Nongthombam Jiten in their article titled "Security Issues in Border Trade: A Case of Moreh in India-Myanmar Border" argue that the complex nature of borderlands where the line dividing inclusion and exclusion is blurred needs to form an important part of the conversation on security issues in border trade. Examining the four policy frameworks in the context of India's approach to security challenges in border trade, authors suggest that there have been efforts to view border trade through the lens of promoting a sense of security among the people in the borderlands with initiatives such as the Border Haats. The overall border management approach remains largely driven by the narrow conventional notion of security. It has already been five years since the introduction of normal trade in India-Myanmar border trade. However, border trade through the normal trade at Moreh is yet to show sign of improvement.

Mirza Zulfiqur Rahman in his paper titled "Fixed, Fluid, Flows: Border, Regionalism and Sub-Regionalism in South Asia" explores the regional and sub-regional cooperation frames through the combined interplay of fixed land borders and fluid riverine borders to understand the dynamics of flows across transboundary spaces encompassing the South Asian region. The positionality and operationalization of important regional and sub-regional processes in South Asia is important in the context of India's Look/Act East Policy and its diplomatic endeavours, flowing through maritime as well as continental routes. The understanding of Northeast India as an important borderland region, described as a springboard, bridgehead and cultural connector between the geographical spaces of South Asia and Southeast Asia, makes it an ideal site for sub-regional cooperation to thrive across social, economic, cultural and ecological frames, sectors and meanings.

This is the inaugural issue of the JLPBE and we are happy to mention that despite the pandemic period the publication process was on track. Our published papers represent the breadth of issues related to land ports and are of critical importance. We would like to thank the authors for not just taking the time to contribute to the journal but also for maintaining communication with the editor throughout the editorial and review process. We are also grateful to all those associated with the publication of this journal for their advice and support.

We would especially like to extend our thanks to Routledge (Taylor & Francis Group) for helping us publish this journal. We hope this inaugural issue of the journal serves its purpose and the readers find it useful and informative.

The editor is immensely grateful to Mr. Aditya Mishra, LPAI Chairman for his motivation and guidance, which indeed helped the editor to take up the managing editorship of the JLPBE. This is also to acknowledge that Dr. Samridhi Bimal extended very effective administrative support in publishing the journal.

Prabir De
Managing Editor, JLPBE
Professor, ASEAN-India Centre (AIC)
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ARTICLE 1

Facilitating Safe Trade among BBIN Countries

Bipul Chatterjee*, Indranil Bose, Arnab Ganguly*****

Abstract: *The world at present is facing an unprecedented contagion, the COVID-19 pandemic. The contagion has adversely affected economies across the globe in varying degrees, disrupting trade and global value chains, rendering the approximation of social development goals more challenging than ever before. Countries and regions are groping for appropriate strategies to deal with the pandemic such that cross-border trade flows remain unhampered and global value chains uninterrupted. Only through such strategies will governments across the world be able to address issues like poverty, unemployment and food security in such difficult times. The writing on the wall seems loud and clear: Trade must continue, but with an eye for the safety and security of individuals. The East African Community (EAC) is seen to adopt steps towards Safe Trade. This article attempts to cull out some key learnings from the initiatives and suggests ways to customise the trade that takes place among countries in the Bangladesh-Bhutan-India-Nepal region.*

Keywords: BBIN, Trade, Trade facilitation, Regional cooperation

JEL codes: F1, F14

Views are authors' own. Usual disclaimers apply.

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1. INTRODUCTION

The world is reeling at present under the threat of the COVID-19 virus. It has negatively impacted trade, economic growth, and other human development indicators across the globe. The speed at which the pandemic has spread across the world has revealed more clearly than ever before the degree of connectivity that exists among countries and economies in the contemporary world.

Several factors have contributed to the increasing interconnectedness across the globe—crucial among them is physical connectivity (i.e. roads, ports, the opening of new routes, etc.) and digital connectivity. Countries across the world are increasingly feeling the need to integrate them with the global trade regime and become part of the Global Value Chains (GVCs). This is manifested in the building of new roads, ports, and the establishment of various trade-facilitating infrastructures coupled with concomitant procedural reforms. With a steady increase in the cross-border flow of goods and services, the global economy as a whole prospered, until the global trade regime was struck by the COVID-19 pandemic.

In an attempt to contain the spread of the pandemic several countries closed their international borders, thereby thwarting trade and GVCs. Some are also considering the need for enunciating inward-looking trade policies, which is a threat to the very foundation of the contemporary world trade regime, not to mention the cascading effect it can have on world trade via the GVC route.

Countries in the BBIN region (consisting of Bangladesh, Bhutan, India and Nepal) are no exception to this trend. The bulk of the trade that happens between these countries is heavily skewed towards land-based transportation. In dealing with the spread of the COVID-19 pandemic, these countries have felt impelled to seal all land borders almost immediately. This heavily disrupted trade and commerce among these countries.

The situation was not very different for countries in the East African Community (EAC). However, the region has come up with strategies to combat the contagion and there are lessons to be learnt and adopted in the case of the BBIN region. In this regard, the article argues in favour of embracing some of the good practices adopted by the EAC member states to contain the COVID-19 spread, while at the same time allowing seamless cargo movement across the countries in the region. These practices may be adopted and customised with due cognition of the socio-economic and political context of the BBIN region.

The rest of the article is divided into eight sections. The first section outlines the context of the paper and highlights its objectives. The second section provides a brief overview of the nature and content of the trade among countries in the BBIN region, underlining the key product-wise inter-dependencies, that is how they are/could be connected in a value chain. The third section delves into the various challenges—infrastructural and procedural—to trade among countries in the BBIN region. The fourth section clarifies the need for seamless connectivity across the BBIN region: detention at the border in the time of COVID-19 could aggravate the spread of the disease; hence, the need to address infrastructural deficits and procedural bottlenecks to trade among countries in the BBIN region. The fifth section discusses the various steps undertaken by the EAC member states to combat the spread of COVID-19 via international trade and the logistics route. The sixth section discusses the opportunities and challenges for

the BBIN countries in imbibing the measures undertaken by the EAC to contain the spread of COVID-19 while ensuring uninterrupted trade flows. The seventh section indicates certain measures that need to be put in place in order to facilitate the adoption of the key lessons from the EAC experience. Finally, the article stresses the need for collaboration among countries in the BBIN region for strengthening regional integration and rendering the processes involved in regional trade more resilient to pandemics.

2. NATURE AND COMPOSITION OF TRADE AMONG COUNTRIES IN THE BBIN REGION

The BBIN region is home to nearly 1.6 billion people with a combined gross domestic product (GDP) of US$ 3.5 trillion. India and Bangladesh are the two largest economies in the BBIN region, where Bhutan and Nepal are land-locked and are mostly dependent on India's road, rail and waterways for their exports to and imports from countries both within and outside the BBIN region. Additionally, India enjoys a trade surplus with the rest of the countries in the BBIN region, including Bangladesh. These countries are dependent on India for the supply of food grains and various essential agricultural products, among others. Thus, when India decided to seal its borders, Bangladesh, Bhutan and Nepal were badly hurt. Table 1.1 lists out some of the commodities traded between the BBIN countries.

Table 1.1 Intra-regional Trade-in Select Commodities among the BBIN Countries

Name of Trading Partners and Direction of Trade	Primary Products	Manufacturing Products	Processed
India's exports to Bangladesh	Cotton, Fresh fruits, Cereals, Edible vegetables and certain roots and tubers	Limestone flux, Man-made staple fibres	Tea, Spices
India's imports from Bangladesh	Vegetable textile fibres, Fish, Raw hides and leather	Cement clinkers, Articles of apparel and clothing accessories, not knitted or crocheted, Other made-up textile articles, worn clothing and worn textile articles rags, paper yarn and woven fabrics of paper yarn	Fruit juice and Beverages
India's exports to Bhutan	Fruits, nuts or other parts of plants, Edible fruits and nuts	-	Coffee & spices, peel of citrus fruit or melons, Beverages and Spirits, Preparations of vegetables, Tea
India's imports from Bhutan	-	Wood and articles of wood, wood charcoal, Articles of stone, plaster, cement, asbestos, mica or similar materials	Preparations of vegetables, fruit, nuts or other parts of plants

Name of Trading Partners and Direction of Trade	Primary Products	Manufacturing Products	Processed
India's exports to Nepal	Cereals, Cotton, Fresh fruits, Nut, Edible vegetables and certain roots and tubers	Fabrics and apparels	Pharmaceutical products, Spices
India's imports from Nepal	Edible fruits and nuts, Fresh fruits, Medicinal plants	Footwear, gaiters and the like, parts of such articles, Other made-up textile articles, sets, worn clothing and worn textile articles, rags	Peel of citrus fruits or melons, Sugars and sugar confectionery, Beverages, spirits and vinegar
Nepal's exports to Bangladesh	Edible vegetables and certain roots and tubers	-	Miscellaneous edible preparations
Nepal's imports from Bangladesh	Other vegetable textile fibres, Cotton	Paper yarn and woven fabrics of paper yarn, Apparel (Intermediate and final)	Preparations of vegetables, fruits, nuts or other parts of plants, Pharmaceutical products, Beverages, spirits and vinegar, Sugars and sugar confectionery
Bangladesh's exports to Bhutan	-	Articles of apparel and clothing accessories, not knitted or crocheted, pastry cooks' products	Preparations of cereals, flour, starch or milk, Beverages, spirits and vinegar, Pharmaceutical products
Bangladesh's imports from Bhutan	Edible fruits and nuts	Sulphur, earths and stone, plastering materials, lime and cement	Salt,peel of citrus fruit or melons, Coffee, tea, maté and spices
Nepal's exports to Bhutan	-	Works of art, collectors' pieces and antiques, Apparel (intermediate and final)	Miscellaneous edible preparations
Nepal's imports from Bhutan	-	Sulphur, earths and stone, plastering materials, lime and cement	Beverages, spirits and vinegar, Salt

Source: CUTS (2019a)

The composition and direction of trade among countries in the BBIN region are briefed as follows:

- Trade in raw cotton, cotton yarns, apparels, fabrics and man-made fibres, fresh fruits and processed fruit juices are predominant in the region, especially between India and Bangladesh when it comes to cotton yarns and textiles.
- Stone boulders, gypsum, limestone flux and cement clinkers are widely traded between India, Bhutan and Bangladesh. Significant quantities of boulders are traded between Bhutan and Bangladesh via the Phuntsholing-Jaigaon-Changrabandha-Burimari route.
- While the quantum of trade between Bhutan and Nepal is limited, significant trade happens in respect of various handicraft items, cement, apparel, food and beverages.

- India and Bangladesh are exporters of pharmaceutical products to Nepal, and Nepal in turn exports various medicinal plants to other countries in the BBIN region.

It is believed that the volume of intra-regional trade among countries in the BBIN region is less that its potential owing to a number of infrastructural and trade facilitation challenges (CUTS, 2019b). Some of the key challenges for increased trade between and among BBIN countries are discussed in the next section.

3.1 Infrastructure Challenges

A) Predominance of Roadways

Freight movement across the BBIN countries is at present heavily skewed towards road transportation (Table 1.2). Given the substantial cost, coupled with delays in sending small cargo (weighing 20–50 tonnes) by sea and rail, businesses prefer land routes for sending even small amounts of cargo. But even then such transportation is fraught with problems: delays in getting clearance, non-availability of containers/rakes, unpredictability (especially in the case of railways) and above all the fear of returning empty after unloading at the destination. In Bangladesh, while the Chittagong port is well connected with the Dhaka ICD, it takes almost 15 days to transport the shipment; however, it takes less than two days to do the same by road (Saha, 2016).

Table 1.2 Share of Different Modes of Freight Transport in the BBIN Countries

Country	Land Routes	Railways	Waterways	Air/Other
Bangladesh[1]	60%	12%	14%	14%
Bhutan[2]	Completely dependent	Does not exist	Does not exist	Miniscule
India[3]	59%	35%	6%	1%
Nepal[4]	Approximately more than 90%	NA	Does not exist	NA (but supposedly small percentage)

Sources:

1. http://www.iebconferences.info/377.pdf, 2011;
2. https://www.moic.gov.bt/wp-content/uploads/2017/08/Second-Draft-National-Transport-Policy-Bhutan.pdf, 2017;
3. http://niti.gov.in/writereaddata/files/document_publication/Freight_report.pdf, 2018;
4. https://www.unescap.org/sites/default/files/Nepal%20country%20report-TAR%20WGM-5.pdf, date not mentioned.

B) High Logistics Cost

Figures 1.1 and 1.2 highlight how and to what extent the countries in the BBIN region differ from each other across parameters included in the Logistics Performance Index (LPI) and Global Competitiveness Report[1]. Countries in the BBIN region face serious challenges in terms of infrastructure deficit and efficient logistics which in turn accentuate the overall trade cost.

Several studies (CUTS, 2015; World Bank, 2018; and Karim and Balaji, 2016) have underlined the need to reduce the logistics cost to make them at par with the developed countries. For example, for South Asia, the logistics costs constitute about 13–14 per cent of the GDP against

[1] Data for Bhutan was not available and hence not include in Figure 1.1.

8–10 per cent for developed countries. In the case of India, the cost of doing business at seaports is around 15–16 per cent of the total consignment value.

Figure 1.1 analyses the key parameters of LPI and indicates that India ranks higher compared to Bhutan. The suboptimal performance of Bangladesh, Nepal and Bhutan on LPI affect their capabilities to become part of the lubricated value chains. The development of cross-border value chains hinges on the state of trade infrastructures. BBIN countries must invest in developing efficient transport and logistics networks that will facilitate both time and cost-efficient movement of cargo within the BBIN region. While road transport dominates the bulk of the cargo movement within the BBIN region, road connectivity in Bangladesh and Nepal is wanting in many respects (Figure 1.2). Even in Bhutan, the roads and bridges are not suited for handling large cargo fleets. The problem of congestion at the borders in BBIN is a common knowledge.

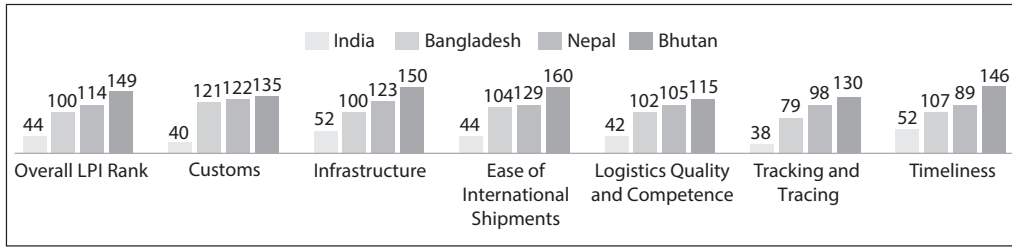

Fig. 1.1 How the BBIN Countries Rank on the Logistics Performance Index

Source: Logistics Performance Indicator, 2018, The World Bank

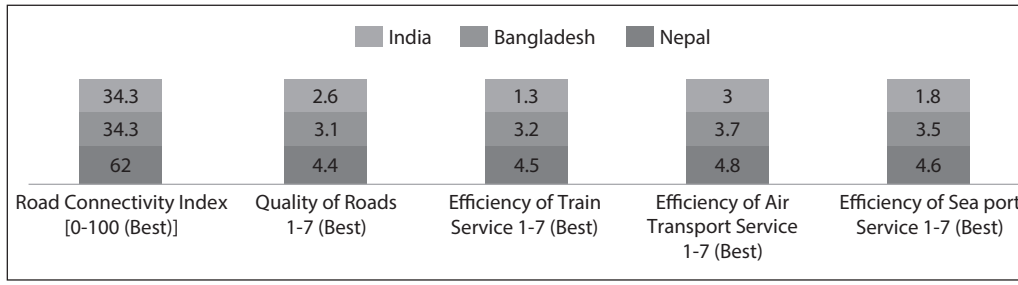

Fig. 1.2 Country Specific Infrastructure Related Indicators for Select Parameters

Source: Global Competitiveness Report, 2018, World Economic Forum (Schwab, 2018)

C) Sub-Optimal Inter-Modal Connectivity within each BBIN Country

Unlike India and Bangladesh, both Nepal and Bhutan are landlocked with no access to sea or inland ports. In addition, rail connectivity between the two countries is negligible. Nepal, for example, depends on Kolkata/Paradip/Vishakhapatnam ports in India for its sea borne trade. Similar is the case with Bhutan as well. The rail connectivity for freight movement from India to Nepal is only up to Birgunj. In India and Bangladesh also, appropriate intermodal connectivity is often lacking. In India, for example, railways often do not connect the origin and destination points, which is essential for leveraging the benefits of an effective value chain. Inland Container

Depots (ICDs) that have come up in India are also not well integrated with the rail network (NITI Aayog, 2018).

D) Other Infrastructure Deficits

CUTS has been closely working towards the facilitation of the Motor Vehicles Agreement (MVA) among the BBIN countries and has undertaken a series of surveys across major land ports in India. Some of the common infrastructural deficits observed at the borders may be summed up as follows:

- Lack of adequate parking spaces for trucks causes trucks to encroach upon the roadways. This narrows the path for truck movement and causes congestion and delay and even accidents
- Narrow approach roads near Land Customs Stations (LCSs) also result in congestion at border crossings
- Improper water and sanitation facilities at the ports
- Absence of quarantine laboratories at the borders
- Poor internet connectivity at land ports adversely impacts the functioning of Electronic Data Inter-changes
- Absence of cold storage and adequate warehouse facilities at several places, and
- Lack of proper sanitation and refreshment facilities at some border points

3.2 Trade Facilitation Challenges

A) Checking Consignments at Multiple Border Crossings

Customs clearance procedures are not streamlined as goods are examined at multiple customs stations within this region. For example, goods exported from Nepal to Bangladesh via India through the Kathmandu-Kakarbhitta/Panitanki-Phulbari/Banglabandha-Dhaka-Mongla/Chittagong corridor have to cross four border points (namely, Kakarbhitta in Nepal and Panitanki in India, and Phulbari in India and Banglabandha in Bangladesh) and customs clearance formalities are required to be completed at each point. This causes a delay in the clearance of cargo and adversely affects their seamless movement.

B) Inadequate Coordination Among Agencies

A number of agencies operate at customs stations, which include plant quarantine (PQ), animal quarantine (AQ), border security forces, central warehousing corporation, customs, food safety and standards authorities. Lack of information-technology-enabled interface among different operating agencies is recognised as a major problem.

The aforementioned infrastructure and trade facilitation challenges lead to an increase in the time and cost of cross-border trade among BBIN countries.

It needs to be pointed out that the Land Ports Authority of India (LPAI) has been working towards addressing these infrastructural challenges by way of converting LCS to Integrated Check Posts (ICPs). These ICPs provide one-stop solutions for the exporters by bringing different trade-related services (viz. customs, warehouse, parking, etc.) under one roof. Two successful examples have been upgrading the Petrapole–Benapole ICP along the India-Bangladesh Border and the Raxaul–Birgunj ICP along the India-Nepal border.

3.3 Understanding Fallouts of Border Detentions in the Light of the COVID-19 Pandemic

Among various measures suggested to combat the spread of COVID-19, three are particularly relevant to cross-border trade. These are: *firstly*, maintaining hygiene; *secondly*, avoiding crowded places; and *lastly*, avoiding all modes of people-to-people contact.

If one looks at the infrastructure deficits at the border crossings, it is not difficult to understand how these infrastructure deficits severely expose the truck drivers and other stakeholders to the COVID-19 threat at the borders.

Firstly, due to the trade overhauling at the Petrapole-Benapole border nearly 2,000 trucks were left stranded at the border (The Hindu Business Line, 2020). On an average, each truck has a crew consisting of two persons—the driver and the helper. This means nearly 4,000 people were left stranded at the Petrapole-Benapole border alone. In the absence of parking places coupled with the non-availability of proper restrooms, restaurants (roadside eateries) and hotels these 4,000 people were at risk of getting infected.

Secondly, barring a few, a majority of truck drivers and their helpers, prefer to spend days in their own trucks to minimise theft. With a majority of the trucks stranded at the parking bays or on the roadside, one can well understand the extent of the breach of the basic condition of social distancing, hygiene, etc.

Lastly, trade in South Asia, including the BBIN region, is "Paper Heavy" (Nora *et al.*, 2020), where papers and consignments are manually checked at the border crossings, thereby further increasing the risk of the COVID-19 spread.[2]

Fortunately, amidst this entire crisis, some positive measures were undertaken by the respective border agencies of countries in the BBIN region in 2020. These include:

- India introduced a 'faceless assessment' program to assess declarations online irrespective of the port of arrival, and established a dedicated single window COVID-19 helpdesk.
- Nepal Customs formed a Quick Response Team to ensure essential goods are cleared within two hours. Bangladesh waived import duties on priority medical supplies, and accepted electronic copies for assessing goods imported from select countries.
- Bhutan implemented zero contact clearance procedures and released consignments with minimal interference.

For almost half a decade, governments across the BBIN region have been discussing strategies to ease border crossing procedures by making them "Digitised" and "Contactless". In this regard, the COVID-19 pandemic not only acted as a catalyst in converting discussions into actions but also added a third pillar to the existing narrative. This third pillar is "Safety" which is to ensure that no pandemic gets transmitted to another country via the international trade and logistics route.

[2] In case of manual checking of consignments, the decision depends on the evaluation by the Risk Management System (RMS) that is available only for ports with EDI.

4. STEPS UNDERTAKEN BY THE EAC TO COMBAT THE SPREAD OF THE COVID-19 VIA THE INTERNATIONAL TRADE AND LOGISTICS ROUTE

The East African Community (EAC) is an intergovernmental organisation composed of six countries in the African Great Lakes region in eastern Africa, namely, Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda. Of these, Uganda, Rwanda and Burundi are landlocked. To access seaports these landlocked countries are dependent on Kenya for the Mombasa port or on Tanzania for the Dar es Salaam port.

However, Mombasa shares the largest share of sea-borne cargo. Currently, the port handles annual container traffic of more than 1.4 million tonnes with an estimated total of 31.45 million tonnes of cargo. It is also the main gateway for exports and imports for the rest of East Africa with transit cargo going to Uganda (82 per cent), South Sudan (7.6 per cent), Democratic Republic of Congo (4.9 per cent), Tanzania (2.6 per cent), Rwanda (2.4 per cent) and Burundi (0.2 per cent) (Greenport, 2020).

There are a number of similarities between the BBIN region and the EAC which prompts us to take note of the steps undertaken by the EAC to contain the spread of COVID-19, without hampering trade flows. *Firstly*, roadways are the most dominant mode of freight movement in both the regions, one of the reasons being weak intermodal connectivity; *Secondly*, the EAC is a mix of countries, similar to the BBIN region, where some of the countries are landlocked while others have good connectivity including access to sea ports; *Third*, similar to the countries in the BBIN region, intra-regional trade among countries in the EAC is also limited owing to a number of infrastructural and procedural challenges; *Finally*, countries in the EAC, are striving to overcome various trade barriers so as to reduce the overall logistics cost and facilitate greater intra-regional trade and integration.

With the onset of COVID-19, countries in the EAC immediately responded by shutting down their borders. This severely hampered trade flows, especially the flow of necessary goods like medicine, agricultural produce, etc. Cargo at the Mombasa and Dar es Salaam ports were stuck, there were long queues of trucks at border crossings which stretched almost 70 km. According to the data released by the Shippers Council of East Africa (SCEA), the cost of transporting cargo from Mombasa to Kampala has gone up by an average of US$ 1,000, US$ 1,400 for Kigali, US$ 2,000 for Bujumbura and US$ 2,400 for Juba.

While it took an average of 2–4 days for a return journey to Kampala last year, the COVID-19 period has seen this rise to 7–9 days. In Kigali, it is taking 14–16 days up from 7–8 days in 2019. Transporters took 9–10 days to reach South Sudan, but now they need 21–26 days for the journey, as per information from SCEA and time for transportation from Mombasa to Bujumbura increased from an average of 9–10 days in 2019 to 19–20 days in the COVID era (FEAFFA, 2020).

To tide over the situation, the EAC Regional Coordination Committee (EACRCC) issued an administrative guideline to facilitate the movement of goods and services during the COVID-19 pandemic (EAC Secretariate, 2020). This was backed by a joint statement by the EAC member

states on the adoption of the EAC Regional Electronic Cargo and Drivers Tracking System to be hosted at the EAC Headquarters in Arusha, Tanzania (Trade Law Centre, 2020).

The guideline issued by the EACRCC covered the following 11 broad aspects: (i) trade facilitation, (ii) gazetted transit routes, (iii) handling of cargo at ports of entry/internal borders, (iv) movement of goods in transit/inland deliveries, (v) priority treatment for cargo mitigating the COVID-19 pandemic; (vi) payments and communication services; (vii) application of customs laws and interpretation; (viii) inspection of goods for quality and safety; (ix) exchange and sharing of information; (x) training and capacity building; and (xi) monitoring and evaluation.

The guideline clearly identified facilitation of truck movement as an essential service. Among others, one of the key objectives of the guideline was to facilitate the development of an Electronic Cargo Tracking System (ECTS) coupled with the driver's journey and health tracking system. It was highlighted that the digital surveillance tracker will interface and connect directly to designated laboratories in the partner states to allow them to generate the COVID-19 Test Certificates/Attestation Certificates for COVID-19 test results.

Among other directives issued by the Ministers/Cabinet Secretaries of the partner states were to designate, provide, establish or ensure that the required key enablers for the digital system to work are put in place; the EAC Secretariat to fast track the implementation of the EAC Digital Surveillance Tracker; the EAC Secretariat to coordinate the rollout of the existing EAC regional Electronic Cargo Tracking System to cover the Central Corridor, and the Secretariat in collaboration with the partner states and National transporters' associations to sensitise key stakeholders on the EAC Digital COVID-19 Surveillance tracker.

Other than designating the routes and border points for cargo movement, emphasis was placed on testing the health of the drivers—at the start of the journey and at every border crossing. The guidelines underlined that in case a driver/crew was found to be infected with COVID-19, the existing crew will not be allowed to proceed and backup arrangements are to be made by the transporter/freight forwarder to ensure transporting of the cargo by the backup crew. Additionally, in order to avoid mingling of the truck drivers with the communities, members were asked to designate resting places for the drivers and their crew.

Limiting the number of crew members was also proposed as part of the guidelines. In addition, customs and other officials were requested to check scanned documents instead of original documents. It was also pointed out that all relevant officials from customs, health, border security, etc. were to be present at the border crossings so as to provide single window clearance and avoid delays in cargo clearance. Customs was also directed to waive any charges and/or time limits between the point of entry and point of exit from a customs area. The shipping lines were also requested not to charge any fees/penalty for delays in cargo clearance. Partner states were also requested to waive border handling charges for essential commodities and facilitate digital payments.

There were two other important areas that were mentioned in the guideline. *Firstly*, in case a truck driver and the crew were found to test COVID-19 positive, the states were requested not to send them back to their point of origin but instead, take appropriate measures to facilitate

treatment of the driver and the crew members. *Secondly*, the guideline stressed on the need for the partner states to create awareness among various stakeholders including transporters, government officials, truck drivers, crew members, etc. on the steps undertaken as part of the emergency response to COVID-19. This is to avoid panic among the key players and stakeholders involved in logistics and cross-border trade.

While EAC is awaiting large scale rollout of the Regional Electronic Cargo and Drivers Tracking System (RECDTS), which is expected to facilitate smooth cargo movement, its implementation has hit a roadblock with Kenya and Tanzania's reluctance to adopt the system. The system requires trucking companies to have an account with details of their fleet and authorised personnel uploaded on the platform, while they ensure that drivers and crew in each vehicle have an activated app downloaded on their Android smartphones. This requires training the truck drivers in the new system. The ports authority and transporters association of Dodoma and Nairobi, respectively, have opposed the rollout citing that it will be difficult for the drivers to get acquainted with the new system (Gbenga, 2020). They are of the opinion that unless the drivers are fully trained, they are likely to make mistakes and chances are that the drivers will again end up increasing the already long queue of trucks at the various border crossings within the EAC.

5. REPLICATION OF THE RECTDS IN THE BBIN REGION: OPPORTUNITIES AND CHALLENGES

Replication of the RECTDS in its present avatar is difficult for the BBIN region, simply because of the fact that the EAC countries have a transit arrangement in place, whereas the same is still to be for the BBIN region. However, even though implementation of the RECTDS could be difficult, there is always the scope for quick implementation of the Regional Electronic Cargo Tracking System. Once in place, the driver tracking could be easily integrated with it to make it a Regional Electronic Cargo and Drivers Tracking System (RECDTS). The following section discusses the opportunities and challenges associated with the implementation of the RECTDS in the context of the BBIN region.

5.1 Opportunities

A) Reduction in the Time and Cost of Doing Trade

CUTS International conducted a study across eight trade corridors in the BBIN region and estimated the total time and cost of doing trade (CUTS, 2019a). Table 1.3 presents the time and cost of doing cross-border trade among countries in the BBIN region.

Table 1.3 Proposed BBIN Corridors

Sl. No.	Corridor Name	Distance (km)	Total Time (minutes/km)	Total Cost (US$/km)
1.	Kathmandu-Kakarbhitta-Panitanki-Fulbari-Dhaka-Chittagong	1,183	1.86	0.12
2.	Thimphu-Phuntsholing-Jaigaon-Changrabandha-Burimari-Dhaka	725	2.18	3.8

Sl. No.	Corridor Name	Distance (km)	Total Time (minutes/km)	Total Cost (US$/km)
3.	Lucknow-Gorakhpur-Sonauli-Bhairahawa-Kathmandu	631	2.5	0.04
4.	Kolkata-Raxaul-Birgunj-Kathmandu	1,011	2.11	0.21
5.	Jaigaon-Gelephu-SamdrupJongkhar-Guwahati-Dawki-Tamabil-Dhaka	859	2.4	1.4
6.	Kolkata-Petrapole-Benapole-Dhaka	351	19.64	6.15
7.	Agartala-Akhaura-Comilla-Chittagong	231	4.62	3.42

Source: CUTS (2019a)

It is evident from Table 1.3 that the cost of doing trade via the Thimphu-Phuntsholing-Jaigaon-Changrabandha-Burimari-Dhaka, Kolkata-Petrapole-Benapole-Dhaka and Agartala-Akhaura-Comilla-Chittagong are considerably higher compared to other trade corridors. The higher trade cost at the Changrabandha-Burimari border and the Petrapole-Benapole border is owing to increased detention time at the borders.

As pointed out earlier, one of the key reasons for these delays emanate from procedural complexities which involve manual checking of each and every truck and/or consignment. In case ECTS seal is used, it will help do away with the number of checks, since the exporter only needs to show the documents and checking will not be done unless the seal is broken.

Of late, the Government of India has introduced the use of ECTS for Nepal-bound transit cargo (The New Indian Express, 2019) and it is available in cases of transhipment of cargo from the ports of Kolkata, Haldia and Visakhapatnam in India to Birgunj in Nepal by rail and from the ports of Kolkata, Haldia and Visakhapatnam to Batnaha in India by rail and from Batnaha to Biratnagar in Nepal by road (CBIC Notification, 2019). However, the system is still awaiting large-scale rollout for cargo that is transported by roadways, which accounts for the bulk of the cargo movement within the BBIN countries.

B) Reduction in Cargo Theft

The use of ECTS seal can significantly reduce the risk of cargo theft. Since the ECTS seal comes with an in-built alarm, whenever anyone attempts to break the seal the consignee, customs officials, port officials and the logistic service provider will immediately get a notification of breach and accordingly take appropriate measures.

C) Facilitate Implementation of the BBIN MVA

Implementation of the RECTDS could pave the way for the effective implementation of the BBIN Motor Vehicles Agreement (MVA). The BBIN MVA has been signed in June, 2015 among the BBIN countries. The BBIN MVA aims to facilitate smooth cargo and passenger movements, and promote greater connectivity and integration among the BBIN countries. While Bhutan is yet to become a party to the BBIN-MVA, the other three countries have decided to go ahead with the agreement and presently the respective national governments are in the process of finalising the protocols regarding standard operating procedures (SoP). One of the concerns pertaining to the BBIN MVA is the predictability and traceability of the transit cargo. The ECTS

seal if adopted in the BBIN region could facilitate the implementation of the BBIN MVA. In addition, it will be helpful in settling cross-border cargo insurance claims, in case a cargo meets with an accident.

D) Facilitate Implementation of a Journey Management System

The RECTDS in the EAC facilitates precise tracking of the entire journey of a truck from origin to destination. What is more important, especially from the perspective of prevention of the contagion, is to understand how the truck driver is keeping health-wise during the journey and whether the truck is stopping at designated stops only. This, in turn, will help in identifying locations, where the driver has come in contact with other people, and take immediate preventive actions in case the driver is found to be infected with the COVID-19.

5.2 Challenges

A) Limited Containerised Traffic

One of the key challenges in the greater uptake of ECTS is the lack of containerised traffic movement in the BBIN region. The bulk of the cargo that moves on the road among the BBIN countries is through covered or open trucks. Only bulk cargo viz. auto components, project machinery, chemicals, etc. are moved by containers, where all formalities are done at the ICDs or designated ports and railway yards. One of the other reasons for limited container traffic is the predominance of small-scale exporters. While their numbers are large, their individual volumes are less and they find it cost effective to send their cargo via road in small trucks rather than through other modes where the movement will not be cost-effective.

There are a number of structural challenges in the trucking business. A majority of the truck drivers belong to the unorganised sector with limited investment capacity. In addition, the segment in which they operate is dominated by small players. Together, these factors serve as a deterrent to the truck drivers to sell their existing trucks and switch to carriers carrying cargo. This, in turn, adversely affects the restructuring of the existing carriers to carriers of container cargo.

While container movement is taking place via rail and water, lack of predictability in the time and cost of transporting cargo via these modes is a major concern for businesses who know the ins and outs of exporting/importing cargo via roadways.

B) Inadequate Digital Connectivity

The overall digital connectivity in the BBIN region is inadequate. There are regions where connectivity is a serious issue. This is one of the reasons why introduction of the ECTS may not yield the desired result.

C) ECTS as a Threat to Informal Trade

Informal trade is predominant in the trucking business. For example, a truck driver, who is not the owner of the truck, often loads multiple consignments during a particular trip, unknown to the owner. This helps the driver to make an additional income. With the introduction of ECTS, such practices will be hampered and it is likely that these truck drivers, who are significant in number, will oppose the implementation of ECTS. Additionally, the truck drivers often lack the required

technological knowhow to even operate smartphones, let alone use of a mobile-based journey management system.

6. WHAT NEEDS TO BE DONE TO PROMOTE 'SAFE TRADE'?

The RECTDS adopted by the EAC is an effective way to contain the COVID-19 pandemic while allowing cross border flow of goods and services. However, it was possible because of a coordinated action by all the member states. Additionally, to facilitate the implementation of the RECTDS, a number of supporting interventions had been put in place. Moreover, the initiative received support from the Trade Mark East Africa (TMEA) and the International Organization for Migration (IOM), who are providing various technical, financial and trained healthcare manpower support to the EACs (IOM, 2020). While there are certain challenges, the EAC secretariat is hopeful of successful implementation of the RECTDS.

The EAC and the BBIN regions are not very dissimilar, especially in regard to some countries being endowed with connectivity advantages over others. However, one of the biggest advantages that the EAC scores over the BBIN region is that the countries of the EAC were early movers for regional integration, while countries in the BBIN region are still working out ways to integrate better. For example, transit is allowed among countries in the EAC, while it is still in the pilot phase among the BBIN countries.

Similarly, ECTS is a mature technology in the EAC and the countries are presently discussing how to integrate the journey management system of a truck driver with the ECTS. In the BBIN region, the use of ECTS is still limited to the movement of containerised cargo and is largely restricted to either ICD to ICD movement via roadways or between designated ports via rail and water.

However, given that countries in the BBIN region are late starters, they are trying to find ways to better integrate with each other, and are devising strategies for prompt actions on the ground. Some of the recent initiatives are discernible in the transportation of food grains, vegetables and auto components from India to Bangladesh via rail. In addition, containers carrying steel and pulses were also moved from India to Bangladesh via waterways.

Given the positive intent at the highest policy-making levels for facilitating better trade and connectivity within and among countries in the BBIN region, bolstered by the need to contain the spread of the COVID-19 pandemic, while, at the same time, ensuring the seamless cross-border movement of goods and services, the right question to ask would be: '*How* to make trade safe', instead of looking for answers to '*Whether* trade could be made safe'.

With regard to *How to make Trade Safe*, there is a need for urgent adoption of the following policy recommendations:

(i) Promote off-border clearance

There is an urgent need to promote off-border clearance through ICDs. Additionally, the ICDs should be equipped with the required infrastructure to sanitise containers, and other medical facilities for health check-up of the drivers and crew members. This will be beneficial from a

number of perspectives. *Firstly*, it will help reduce crowd at the border points; *Secondly*, it will provide a single window facility for completing all export/import procedures, thereby reducing the cost of doing cross-border trade; and *finally*, it will facilitate better monitoring of the trade consignments in the wake of COVID-19.

(ii) Designate rest areas for truck drivers to avoid their mingling with communities

Similar to the EAC, there is an urgent need to designate rest areas for the truck drivers, or sensitising all hotels and restaurants along a route so that they could provide separate facilities for the drivers and crew. For example, a separate place where food could be served to the drivers and crew members.

(iii) Promote the use of rail and waterways for transporting cargo and avoid road transport to the extent possible

Countries in the BBIN region have high population density. Hence, travel by roadways increases the chances of mingling with communities and increases the risk of spreading the contagion. Such risks are significantly reduced while transporting cargo via other modes. Thus, in the immediate to medium term it is imperative to facilitate a modal shift from roadways to waterways and/or railways.

However, there is a need to undertake a deep dive to better understand the time-cost factor involved in transporting cargo by rail and/or water as compared to roadways. Overall, there is a felt need to create awareness among the exporters and importers and encourage them to shift to these cleaner and safer modes of transport compared to roadways.

(iv) Implement Electronic Cargo Tracking System

Adopting ECTS would be one of the best ways to reduce the time and cost of doing cross-border trade, especially when complemented with increased off-border clearance, appropriate customs conventions, and above all providing transit rights.

In this regard, one can consider adopting the TIR convention which could yield significant benefits (CUTS and IRU, 2017). The benefits of the TIR system are clear: it prevents losses to the state budget by securing customs duties and taxes and it provides a robust guarantee mechanism that not only ensures the security of customs authorities but also facilitates efficient customs management.

TIR can significantly improve the effectiveness and robustness of the MVA in the region by establishing effective transit procedures among the four countries and by connecting the BBIN region to other world markets.

Key benefits expected from the possible implementation of TIR in the BBIN region is summarised as follows:

- Standardisation of documents and procedures reduces the cost of transport and transit delays.
- The TIR system offers a "single customs guarantee" backed by the TIR international guarantee chain, managed by International Road Transport Union (IRU).
- The adoption of TIR covers duties and taxes at risk during international transit, thus protecting state revenue from any potential losses during international transit.

- TIR equips customs authorities with standard IT risk management tools. The Real-Time Safe TIR integrates customs with other stakeholders and allows them to validate the status of a TIR carnet in transit and to transmit the information on the termination of the TIR operation in the territory of a country. This important risk management instrument enables the early detection of potential irregularities. Thanks to another instrument—TIR-EPD, customs authorities can receive advance information on transported goods for performing an advance risk assessment.
- The adoption of TIR in the BBIN MVA would facilitate integration between customs and other stakeholders based on mutually accepted protocols, thereby eliminating the potential risks and irregularities in the course of the clearance of traffic and transit.

(v) Creating awareness among various stakeholders on the need to allow seamless cargo movement especially during the pandemic

There is an urgent need to create awareness among various stakeholders, including the general public on the need and ways to allow seamless cargo movement especially during the COVID-19 pandemic. If communities living along the trade corridors are not convinced about the needs and ways, then there are chances of mass protest, roadblocks etc., which in turn can hamper the cross-border flow of goods.

(vi) Need for collaborative efforts at the regional level to ensure seamless flow of cross-border goods and services

Ensuring the unhindered cross-border flow of goods and services will not be possible without consensus at the highest political level. The EACRCC is a good example in this regard, where Prime Ministers of the EAC came together and declared the need to jointly work to ensure trade flows remain uninterrupted during COVID-19. Even adopting RECTDS would have remained a distant dream had there been political differences and disagreements among countries in the EAC. In the South Asian context, the establishment of the SAARC COVID-19 Emergency Fund is a positive step in that direction. The need of the hour is to sustain and build on such measures in the economic and geo-political interests of the region.

7. CONCLUDING REMARKS

Countries across the globe are currently facing the daunting task of combating the COVID-19 contagion, while managing their economic growth and pursuing various sustainable development goals. The developing and less developed countries particularly those that are landlocked are grappling with strategies to combat poverty, ensuring food security for all, underdevelopment and providing essential medical supplies to the ones who need them the most. The world has not met with such a contagion in the last two decades, let alone countries in the BBIN region.

While the COVID-19 is creating havoc across the globe, the pandemic has underlined the need for countries and regions to be prepared with an emergency response plan, particularly in an interconnected and interdependent world where more than two-third (Dollar, 2019) of the global trade happens through global value chains. Till now the focus has been on how to increase and sustain cross-border trade flows. The COVID-19 has highlighted the additional need to make such trade flows resilient to pandemics.

The COVID-19 has hit the BBIN countries at a time when the connectivity initiatives among the concerned countries were beginning to acquire momentum. In the BBIN region the COVID-19 has even facilitated the translation of such ideas into actions when it comes to trading with neighbouring countries in several ways. Now, it is the time, more than ever before, to draw upon the right lessons heralded by the pandemic, and not only harmonise and intensify efforts on part of the concerned countries at strengthening regional integration, but to build on them so as to make trade and connectivity more resilient in the days to come.

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ARTICLE 2

Impediments to India-Pakistan Trade: A Transaction Costs Analysis

Nisha Taneja* and Samridhi Bimal**

Abstract: *One of the major reasons for low intra-regional trade in South Asia can be attributed to the low volumes of trade between two of its largest economies—India and Pakistan. Even though efforts have been made by both the governments to normalise trade relations, bilateral trade has continued to be at low levels primarily because of the high transaction costs of trading emanating from the restrictive trade and transport arrangement between the two countries. The uncertainties in policies governing trade and transport have further added to the transaction costs of trading. This article identifies impediments and estimates transaction costs related to moving the goods between India and Pakistan through the road, rail and sea routes. The study finds that the restrictive transport protocols, limited transportation routes, restriction on the number of items permitted into Pakistan from India, non-availability of rail wagons, infrastructural bottlenecks and procedural clearances lead to high transaction costs of trading between India and Pakistan. The study suggests policy measures that could lower such costs and enhance India-Pakistan trade.*

Keywords: India-Pakistan, Trade, Trade and transport facilitation, Regional integration

JEL codes: F10, F13, F50, F53

Views are authors' own. Usual disclaimers apply.

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1. INTRODUCTION

The pace of regional integration in South Asia has remained low with intra-regional trade continuing to range between 3–5 per cent as compared to 50 per cent in East Asia and 64 per cent in Europe (World Bank, 2018; World Economic Forum, 2019). A key reason has been that the two largest economies of the region, namely, India and Pakistan, continue to trade far below their potential. The South Asian countries have also failed to grant transit rights to each other thus inhibiting them from moving goods seamlessly within the region and beyond.

The strained relations between India and Pakistan and the low levels of trade between the two countries have played a major role in preventing fruitful implementation of South Asian Free Trade Area (SAFTA) and other regional trade facilitation measures in the region. In 2018-19, bilateral trade between the two countries was just US$ 2.56 billion which is far below the envisaged trade potential. Several studies have estimated the trade potential between India and Pakistan to range between US$ 6 to 60 billion (Batra, 2004; Rahman, Shadat and Das 2006; Pohit, 2013; De *et al.*, 2013; Taneja *et al.*, 2013; Kumar, 2016; Hashim and Razzaque, 2016; Kathuria, 2018). Even though efforts have been made by the two governments to normalise trade relations, bilateral trade has continued to be at low levels primarily because of the high transaction costs of trading emanating from the restrictive trade and transport arrangement between the two countries. The uncertainty in policies governing trade and transport has further added to the transaction costs of trading. Ranging from a complete hiatus in trade to active steps being undertaken to normalising trade relations, businesses in both countries have carried a high burden in conducting trade. Several studies have documented the impediments related to overland trade (Taneja, 2006; Taneja 2007; Khan, 2013; Taneja, 2013; Dash, 2013; Kochhar and Ghani, 2013; De *et al.*, 2013; Taneja *et al.*, 2013; Taneja *et al.*, 2016; Taneja *et al.*, 2016; Manzoor *et al.*, 2020). However, given the vacillation in policies, the nature of impediments has been subjected to a continuous change. As a result, studies carried out at different points in time have addressed the impediments emanating from the policy environment that prevailed at that time.

Against this background, the objective of the paper is to identify impediments and estimate transaction costs related to moving goods between India and Pakistan through the road, rail and sea routes. A similar study was undertaken by Taneja (2006) and Taneja (2007), which documented the impediments through the land and sea routes and also estimated the transaction costs of trade on the basis of an examination of transport arrangements in place at that time between the two countries.[1] However, several measures have been undertaken by India and Pakistan to liberalise trade and transport arrangements since then. One of the most noteworthy developments in India-Pakistan trade has been that Pakistan made substantial progress in the process of granting Most Favoured Nation (MFN) status to India in 2012 by switching from the positive list approach, which allowed trade in a limited number of items, to a small negative list of items in which trade is not permitted. In terms of the transport arrangements, the road route was opened for trade in 2005 and the restrictive maritime protocol which allowed only Indian and Pakistani vessels to carry cargo between the two countries was also amended. The present

[1] The identified impediments and estimated transaction costs in Taneja (2006) and Taneja (2007) were based on a survey conducted in 2005.

study contributes to the understanding of how restrictive trade and transport regimes governing between the two countries has impeded bilateral trade and is based on the policy governing trade and transport between the two countries in 2017.

The layout of the paper is as follows. To contextualise the study, Section 2 presents a detailed evolution of trade and transport policies impacting India-Pakistan trade. Section 3 describes the methodology and approach to the study. Section 4 presents the impediments to transporting goods between India and Pakistan. Section 5 estimates the transaction costs of trading related to moving goods through the road, rail and sea routes. Section 6 provides policy suggestions for addressing the transport-related impediments and enhancing trade between India and Pakistan, and Section 7 presents the concluding remarks.

2. EVOLUTION OF INDIA-PAKISTAN TRADE AND TRANSPORT POLICY

Following the partition in 1947, the trade between India and Pakistan fell drastically and came to a halt for almost nine years in the aftermath of the war in 1965. A protocol on the resumption of trading relations was signed in 1974 on a list of mutually agreed items. In 1996, India accorded MFN status to Pakistan. Pakistan, on the other hand, continued to allow imports from India in a limited number of items even though the number of items being permitted increased gradually.[2]

Trade relations between the two countries have been inextricably linked to political events for a long time. India stopped trade via the air and land routes between 2001 and 2004 following the attack on Indian parliament in December 2001. Trade was restricted on several other counts as well—the major ones being a restrictive maritime protocol until 2005, only one rail route, and no access to road-based trade until 2005. The restrictive trading environment resulted in large informal trade flows between the two countries—the most well-documented route being trade through third-country ports mainly from Dubai (Taneja and Bimal, 2016).

The restrictive trading arrangement between India and Pakistan continued even after the two countries as members of the South Asian Association for Regional Cooperation (SAARC) signed SAFTA in 2006.[3]

The process of trade normalisation between India and Pakistan was set in motion in 2004 by the Commerce Secretary-level talks on commercial and economic cooperation between India and Pakistan. Four rounds of talks concluded during 2004 and 2007 resulted in three major changes—an expansion of the positive list, opening of the road route for the first time in 2005 and an amendment of the maritime protocol. Following the Mumbai attacks in November 2008, the composite dialogue was stalled and then resumed after a hiatus of three years. During this time, however, no pro-active measures were taken to block trade. The fifth round of talks, held in April 2011, laid down the blueprint for normalising trade between the two countries. While the agenda

[2] The positive list was gradually expanded from 875 items in 2000 to 1,947 items in 2009.

[3] The members of SAFTA include four least developed countries (LDCs)—Nepal, Bhutan, the Maldives and Bangladesh; and three non-least developed countries (NLDCs)—India, Pakistan and Sri Lanka.

was very detailed[4], the two negotiating points revolved around Pakistan granting MFN status to India and the latter addressing non-tariff barriers faced by Pakistan in accessing India's market (Taneja *et al.*, 2013).

In accordance with the sequencing and timelines for the move toward full normalisation of trade, Pakistan made a transition from the positive list approach to a small negative list of 1,209 items in March 2012.[5] However, it continued to restrict road-based trade by allowing only 137 items to be imported from India via road.[6] During the seventh round of talks held in September 2012, both countries agreed to deepen the preferential arrangements under SAFTA further with India offering concessions to Pakistan in exchange for Pakistan granting MFN status to India. In a significant step India pruned its sensitive list to 614 items.[7]

Although no further trade liberalisation has taken place since then, it is noteworthy to mention that up to February 2019, political events between India and Pakistan neither had any major impact on trade relations nor led to the imposition of a ban on trade. Instead, during the period 2004–2019 bilateral trade continued to increase, though at a slow pace.

An overall deteriorating political climate led India and Pakistan to adopt drastic trade measures in 2019. In February, India imposed a duty of 200 per cent on all items imported from Pakistan and in April, India suspended cross-border LOC trade (Ministry of Finance, 2019; Press Information Bureau, 2019). This was followed by a series of measures by Pakistan in August which included suspension of all trade with India and cancellation of train and bus services between India and Pakistan bringing trade to a grinding halt (Government of Pakistan, 2019).

3. METHODOLOGY AND APPROACH TO THE STUDY

In order to assess the barriers to transporting goods between India and Pakistan and to estimate the transaction costs of trading, the study uses "mixed methods" and is based on secondary sources and primary information collected through field surveys. Secondary sources include published papers and literature on India-Pakistan trade, government policies, agreements and regulations. For the primary survey, three cities in India—Amritsar, Delhi and Mumbai were selected. Face-to-face interviews, focus group discussions, stakeholder consultations and key-informant interviews were held using semi-structured open-ended questionnaires. The survey was designed to capture the characteristics of business, trade features, custom processes and transaction procedures involved in trade and most importantly impediments to transporting goods between India and Pakistan using the road, rail and sea routes. Estimates for transaction costs

[4] The agenda covered inter alia the MFN issue, addressing non-tariff barriers, improving border infrastructure, customs liaison, harmonisation of customs procedures, trade in electricity and petroleum products, co-operation in information technology, visas, bilateral investments and opening of bank branches.

[5] The list contained specific banned, rather than permitted items.

[6] Even though the list of items permitted for import by Pakistan from India increased from 14 items in 2007 to 137 items in March 2012, the list continued to be different from the general positive list. Thus, for road-based trade, the positive list was much smaller than the one maintained on other transport routes.

[7] Vide Ministry of Finance Notification No. 48/2012-Customs dated the 6 September, 2012.

incurred in moving cargo on the key routes were obtained through the survey. The survey was conducted during November and December 2017.

The respondents covered traders, both exporters and importers, transporters, clearing agents/ freight forwarders and knowledgeable persons including members of the chambers of commerce and industry, officials at the ports, customs officials and other business stakeholders. Traders and knowledgeable persons were interviewed to understand the transacting environment. To understand the trade logistics and transaction costs incurred in trading with Pakistan, information was sought from traders, transporters and clearing agents/freight forwarders.

A total of 150 respondents were covered as indicated in Table 2.1. Of the total respondents, 30 per cent were traders, 20 per cent were transporters, another 16.6 per cent were clearing agents/freight forwarders and remaining 33.3 per cent constituted the 'Knowledgeable Persons' category.

Table 2.1 City-wise Break up of Respondents

City	Traders	Transporter	Clearing Agents/ Freight Forwarders	Knowledgeable Persons	Total Respondents
Amritsar	20	15	15	10	60
Delhi NCR	10			20	30
Mumbai	15	15	10	20	60
Total	45	30	25	50	150

Source: ICRIER Survey 2017

The study also has some limitations. First, the estimates of transaction costs are based upon the knowledge of respondents. Second, the sample selection in the study may be biased. This is a small, non-representative survey and hence the results presented in the paper should be generalised with caution. Third, given the nature of the sample of respondents, the estimates of transaction costs may only be indicative. Fourth, the paper reports the impediments and the estimation of transaction costs as reported in the survey conducted in the year in 2017.[8]

4. IMPEDIMENTS TO TRANSPORTING GOODS BETWEEN INDIA AND PAKISTAN

Even though measures to facilitate trade have been undertaken by both the governments at different points in time, there are several impediments on the road, rail and sea route which remain unaddressed.

4.1 Impediments to Transporting Goods by Road through Wagah

In a major step in 2012, the Indian government opened an Integrated Check Post (ICP) at the land customs station at Wagah which has state-of-the-art facilities and is fully operational. However,

[8] At the time of writing the paper, follow-up telephonic interviews were held with some of the respondents interviewed earlier to understand if there has been any significant change in the transacting environment from the time the survey was conducted.

several impediments were reported by trade representatives while transporting goods by road through Attari-Wagah border (Taneja, Dayal and Bimal, 2016; ICRIER Survey, 2017):

Infrastructure

The lack of appropriate infrastructure is one of the major impediments deterring India-Pakistan trade through the road route. Congestion at the port-entry gate, inadequate warehouse facilities, manual scanning, lack of lab-testing and banking facilities were the major infrastructural bottlenecks at the ICP.

Congestion at the port-entry gate is caused because the ICP is already operating at its full capacity and there is a single gate for exports and imports.

The warehousing capacity at the ICP is not equipped to handle growing trade volumes. Very often open yard warehouses are used for loose commodities like gypsum, cement and rock salt thereby making them prone to damages. The storage charges by ICP are also reported to be high by the traders. Lack of competition from the private-bonded warehouses is perhaps the reason for high charges.

Each truck is manually checked at different points of time by different agencies, which adds to the transaction time and cost of trading.

There are no lab testing facilities at the ICP. For mineral products, samples are sent to Delhi; for textile products samples are sent to Ludhiana and food samples have to be sent for inspection to Amritsar. Animal quarantine facilities are also not available at the ICP and samples have to be sent to either laboratories in Amritsar or Delhi. This increases costs for traders in terms of additional time. During the survey, it was also observed that all samples are sent only to government laboratories, although there are several private laboratories in Amritsar that are notified by the Food Safety and Standards Authority of India (FSSAI) and accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL). The dependence on government laboratories causes delays and leads to inefficiencies and rent seeking.

There are no bank branches at the ICP. Procuring the SAFTA certificate to avail import duty concessions from the city of Jalandhar also adds to the transaction time of trading.

Loading and Unloading

The areas designated for loading and unloading the cargo are uncovered leading to damages and losses. The trade representatives find labour charges at the ICP to be 2.5 times higher compared to other dry ports such as Ludhiana.

Demurrage charges are levied from the time of landing. This is unlike seaports where free time is given after unloading of consignments before demurrage charges can be levied.

The transportation of goods across Attari-Wagah road route has been adversely affected by truck unions. It has been reported that the truck unions at Attari do not allow imported goods to be transported by any other trucking firm. The truck unions can charge up to 40 per cent higher than the market rates.

Trade Procedures

Although the ICP is officially operational from 7 am to 7 pm on all days of the week[9], the survey reports that very often trade timings are changed without any prior circular. The practical steps involved in conducting trade are also not made public and changed frequently.

Even though Electronic Data Interchange (EDI) is operational, there are frequent breakdowns and Risk Management Systems (RMS), which facilitate undertaking random sample examination are not functional.[10] A circular issued by the customs in 2015,[11] mandated that all import cargo from Pakistan will be subjected to usual examination irrespective of the fact whether they are under RMS or otherwise. Also, despite EDI being operational, there is no provision for pre-shipment inspection of cargo or pre-arrival processing of documents by importers. This adds to the delay in clearance of goods.

Even though the Indian Authorized Economic Operators (AEO) Programme, which enables customs to identify the safe and compliant business entities in order to provide them a higher degree of assured facilitation, has been implemented at all custom stations in India,[12] it was observed during the survey that there are no authorised economic operators at the ICP. None of the traders have registered for AEO certificate as they are not aware of the AEO programme.

The transport protocols governing trade through the Attari-Wagah road routes do not permit the seamless movement of trucks across the border. At the border goods from trucks from one country are offloaded and loaded on to the other country's trucks. This not only adds to time and cost, but also leads to higher incidences of damages and pilferage. There are also restrictions on the size of trucks, which prevents containerised trucks from carrying cargo across the border for unloading. This poses a limitation to the cost-efficient movement of goods across borders.

Coordination among Agencies

Trade representatives have pointed out that there are multiple agencies and multiple steps involved in conducting trade. The agencies involved include the Border Security Force, Customs, Plant Quarantine department, Bureau of Immigration and Central Warehousing Corporation, which do not follow a standardised procedure. The lack of inter-agency coordination has impeded the efficient regulation of trade and functioning of customs administrations at the ICP.

Till 2016, a Customs Liaison Border Committee (CLBC) led by the Customs Commissioner, Amritsar had regular meetings with the counterpart in Lahore to resolve operational issues at the Attari-Wagah border. However, these meetings have come to a standstill (Rana, 2016). With the discontinuation of the CLBC, there is no institutional set up for dispute resolution at the ICP.

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[9] ICP is functional from 7 am to 7 pm, except in the winter months of December, January and February, where it closes at 5 pm.

[10] The purpose of RMS is to facilitate a large number of Bills of Entry, which are perceived to be compliant with the Customs Laws and Regulations. Under RMS, ordinarily only a part of the consignment is selected on random selection basis and examined (Public Notice No. 68 /2006, Ministry of Finance).

[11] Office Order No. 01/Cus/ldh/2015 dated 12.02.2015 issued by the Additional Commissioner, Customs Ludhiana.

[12] Central Board of Excise & Customs Circular 33/2016 – Customs dated 22.07.2016

There is also absence of an institutionalised consultative mechanism between different agencies at the border and between the border agencies and the agencies at the centre.

4.2 Impediments to Transporting Goods by Rail through Attari

The number of rakes/wagonsthat can ply in a goods train from Attari to Amritsar are determined usually on a monthly basis. There is no fixed timing for a goods train but the trains do not move across the border after 5 pm due to security reasons. Under a reciprocal arrangement between the two countries, the wagon balance has to be cleared every 10 days between the two countries. The Indian Railways crew and engine are allowed to carry the wagons till the Attari/Wagah border only (and vice-versa) from which point the wagons are transported by Pakistani rail engine ahead.

The mechanism in place for transporting goods by rail poses several barriers to traders. The following impediments were reported while transporting goods by rail through Attari-Wagah border (Taneja, Dayal and Bimal, 2016; ICRIER Survey, 2017).

Availability, Type and Movement of Wagons

There is inadequacy in the number of wagons allocated to Indian exporters.[13] Also, there is no transparency in the allocation of wagons as it is done manually and is not computerised. Scarcity of wagons and difficulties in allotting them have encouraged agents to seek huge rents from traders in exchange for the allotment of wagons. Such a non-transparent trading environment restricts the free flow of information and creates uncertainty for traders. The survey also reports that the traders based in the southern or the eastern part of the country find it difficult to trade through the Attari/Wagah land border, because information on how to trade by the rail route is not accessible to them. Therefore, these consignments are usually sent by sea to Colombo/Dubai and then to Karachi.

Another major problem is that under the bilateral agreement, there are restrictions on rolling stock that permit only covered wagons to operate between India and Pakistan. There is no provision for sending liquid cargo or uncovered cargo. Also, temperature-controlled wagons and refrigerated wagons are not permitted. This limits the transportation of containerised wagons and consequently the movement of goods that require containerisation. As a result, containerised cargo destined for Pakistan moves via a circuitous route through the sea port in Mumbai, instead of going through the much shorter and direct route through Attari/Wagah. Thus, even though there is no restriction on commodities that can be traded through the rail route, the restriction on the type of wagons permitted restricts the type of commodities that could be traded.

The trade by rail is largely one way from India to Pakistan. The rail wagons that go to Pakistan return from Pakistan only after they are loaded with Pakistani export cargo. However, as most of the export cargo from Pakistan has shifted to the road route there is not much cargo movement by rail from Pakistan that can be loaded on the wagon. This leads to a long waiting time on the Pakistani side and a delay in return of wagons of about 3–7 days.

[13] As of 8 March 2017, there was a waiting list of 985 wagons as compared to the allotted number of only 60 wagons (ICRIER Survey, 2017).

The goods train does not have a fixed schedule. As a result there is uncertainty about the arrival and departure of trains.

Railway Receipt from Origin to Destination

Until 2010, railway receipts were endorsed from the point of origin in India to the point of destination. Thus, the same wagon could be transported from the point of origin to the point of destination (up to Lahore). Since 2010, this practice has been stopped. According to the current practice, wagons from Indore reach Amritsar where they are loaded onto different wagons for onward movement to Lahore. At Lahore again goods are unloaded and loaded to a different wagon for onward movement to another destination in Pakistan. This adds to transaction costs substantially. It is not understood by the trade why the practices change frequently. Also, there is no circular/public notice which would either put in place or change such practices.

Container Corporation of India Limited (CONCOR) is issuing its own in-house document—Inland Way Bill in lieu of railway receipt quoting an all-inclusive lump sum tariff. These inland way bills are treated and dealt with as local/through goods invoice.

Infrastructure

Paucity of appropriate infrastructure is one of the major impediments hindering India-Pakistan trade through the rail route. Inadequate parking and warehousing facilities, congestion, manual scanning, pilferage, lack of cold-storage, container-handling facilities, lab-testing and banking facilities are some of the infrastructural issues identified at the rail LCS.

Parking and warehousing are amongst the basic infrastructure necessities that are lacking in quality and quantity at the rail LCS. Due to non-availability of proper parking facilities, trucks have to wait outside the port-gate on a narrow approach road which accommodates a single lane of trucks leading to severe congestion and delays. Upon entry into the port, there is no space allocated for stacking of goods prior to export leading to deterioration of goods and unnecessary demurrage charges.

Safety and security of cargo is a huge concern for traders as there are no safe and secure warehouses and holding areas available at the port making them vulnerable to theft/pilferage. Additionally, there is no custodian of cargo at the railway station.

The rail port also lacks basic physical infrastructure such as weighbridges which are imperative for examination of the consignments. Neither is there any container handling facility nor any facility for mechanised loading and unloading of goods. Manually undertaking the task adds to the time and cost of clearance for exports and imports.

There are no lab testing facilities at Amritsar railway port. Several items have to be sent outside Amritsar or to Amritsar airport for testing purposes. The test reports are referred to government laboratories only. These result in delays in releasing the consignments form the rail port.

There are no bank branches or currency exchange booths at the Amritsar rail port. Besides, there are no cold-storage facilities limiting the type of goods that can be traded via the rail route. There is also no power back up at the port and there are incessant problems related to frequent load shedding.

Loading and Unloading

The areas designated for loading and unloading the cargo are uncovered exposing goods to the elements on nature resulting in damages and losses to exporters and importers. The cargo holding area is also unpaved and suffers from water logging during monsoon season resulting in losses to traders.

No free time is given for unloaded cargo. Demurrage charges are levied from the time the goods are unloaded.[14]

There is no government or private agency that is approved for provision of labour for loading and unloading at the LCS. Traders are permitted to bring in their own labour that is issued passes by the railway authorities to do the loading and unloading. However, there are security issues with regard to the unorganised labour working at the port.

Trade Procedures

The trade documents are submitted manually as submission through EDI for exports and imports is not operational for rail cargo. There is no RMS in place that would allow random checking of consignments. All cargo is subjected to manual examination which is time-consuming and leads to delays. Due to lack of EDI, there is no provision for pre-arrival processing of documents. Also, the exact steps involved in conducting trade are not made public and are changed frequently.

Coordination among Agencies

There is lack of coordination and exchanges amongst the multiple government departments and agencies involved in the trade. Some of the agencies involved include railways, road transport and highways, customs, external affairs, defense, agriculture, law and justice which not only lack coordination amongst themselves at the centre level, but also with the local agencies at the state level. There is also lack of coordination in the functioning of different agencies coupled with non-synchronisation in their procedures.

Under the existing system, there is absence of an institutionalised consultative mechanism between different agencies at the border and between the border agencies and the agencies at the centre. There is also an absence of any institutional mechanism for the trade and industry representatives to meet with the railway officials at the border. Even though the industry representatives meet with officials, due to lack of an institutional mechanism, these are informal in nature. Additionally, there is no system whereby follow-up action on impediments pointed out by the industry can be undertaken. In particular, the survey respondents pointed out that there is no institutional mechanism whereby complaints from the industry to the local railway offices can be taken to the railway board or other relevant bodies at the centre which have the final authority to address several of these impediments.

Cross-border meetings between the two countries are equally important for smooth rail-based trade. Unlike the road route, there is absence of any mechanism for railway officials from

[14] It has also been reported that when the train arrives at midnight, the Import General Manifest (IGM) is filed only when customs officials come to work in the morning. But demurrage charges start to apply from the time of arrival of the train.

India and Pakistan to meet, identify roadblocks in facilitation of trade and collaborate to address them.

4.3 Impediments to Transporting Goods by Sea through JNPT

The biggest transport reform between India and Pakistan has been in the sea route with the amendment of the maritime protocol in 2005, bringing it at par with global maritime arrangement. This also led to greater competition and a considerable reduction in the costs for sea-based trade (Taneja *et al.*, 2011; Taneja *et al.*, 2013). Following this amendment, the sea route has become the most dominant and preferred mode of trade between India and Pakistan. In 2011-12, the sea route accounted for 60 per cent of the total bilateral trade and this share increased to 69 per cent in 2016-17.

Among the sea routes, the Jawaharlal Nehru Port Trust (JNPT or Nhava Sheva) is India's largest container handling port and one of the most important ports through which sea-based trade with Pakistan takes place. In 2016-17, around 38 per cent of sea-based trade with Pakistan took place through JNPT. While JNPT is a fully mechanised port, the port efficiency still continues to be low both on account of ship waiting time and cargo dwell time resulting in delays. Interestingly, while some of the impediments related to delays for shipments going to Pakistan are the same as that faced by those going to other countries, there are some impediments that are specific to Pakistan.

The following impediments have been reported by the trade representatives while transporting goods by sea through JNPT (ICRIER Survey, 2017):

Infrastructure

JNPT is "supply constrained" to handle the rising volumes of containerised cargo. Although JNPT hosts four dedicated container terminals, namely, Jawaharlal Nehru Port Container Terminal (JNPCT), NhavaSheva International Container Terminal (NSICT-DP World), Gateway Terminals India (GTI-APM Terminals) and NhavaSheva (India) Gateway Terminal Pvt. Ltd., survey reveals that the port is operating at near full capacity. The existing number of terminals have limited berthing space for incoming ships. With the increase in the number and size of the incoming ships, the port is struggling to accommodate them.

There are draught restrictions which limit the navigation and the size of vessels that can be accommodated at the port.[15] In addition, the cargo-handling capabilities of the port are also low. This is primarily because the cargo-handling equipment/machinery at the port was commissioned several years ago and have now become obsolete to handle the growing volumes of trade and incapable of managing the large size of consignments.

Congestion on the approach road to the port and inside the port is a common phenomenon resulting in delays, queuing and extra time of voyage and dwell of ships and cargo at the port. The approach remains clogged with truck queued up to enter the port gate. The survey reports that on an average there is an 8–10 kms waiting line to enter JNPT. The roads within the port are also narrow and inadequate to handle the growing traffic and load. Also, there is a general lack of handling areas

[15] The highest available draft is 14 meters which is not enough for mother vessels.

within the port, especially in the container yards. All this results in severe congestion leading to delays in feeding and evacuation of cargo, which in turn lowers the productivity of vessels.

Trade Procedures

Given the political tensions and ensuing security issues between India and Pakistan, there is excessively high checking of consignments by the customs. RMS is not utilised to randomly examine the import cargo from Pakistan. Instead, all import cargo from Pakistan is subjected to 100 per cent examination. Such checks are not carried out on import consignments from other countries. This practice of excessive checking has led the traders to switch the bill of lading to show that the consignment has been loaded from another country. For instance, the "Switch Bill of Lading" (SBL) is used when goods actually move from Mumbai to Karachi but the bill of lading shows the origin of the goods is from Dubai, Hong Kong or Singapore.

Even though EDI is fully operational at JNPT, there are frequent breakdowns which disrupt the functioning of the message exchange system between different maritime transport stakeholders. This also impacts functioning of the Port Community Systems.[16] Trade procedures are also disrupted by frequent strikes by labour working under the Port Trust. The labour which is primarily used for offloading the goods for clearance and handling equipment at the port goes for strikes 5–6 times a year. This results in congestion at the port and leads to delay in release of the consignments form the port.

Direct Shipping Lines

There are limited shipping lines plying directly from Mumbai to Karachi. As a result, most of the consignments are transhipped via Dubai, Colombo or Singapore which leads to an increased transaction cost. Besides, there are some additional restrictions for Pakistani vessels such as limited shore time and no night pass.[17] These restrictions are also applicable to the third-country vessels touching any port of Pakistan and arriving at JNPT.

Port-related Charges

The charges imposed by the shipping lines and Container Freight Stations (CFSs) are erratic and vary across customers for the same commodities. A study by BRIEF (2016) also notes that there have been instances where charges such as container cleaning and container maintenance charges are being levied by the shipping lines on the importer/CBr, even when the containers provided to them for exports are often not clean.

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[16] Port Community System (PCS) is intended to integrate the electronic flow of trade-related document/information and function as the centralised hub for the ports of India and other stakeholders like Shipping Lines/Agents, Surveyors, Stevedores, Banks, Container Freight Stations, Inland Container Depots, Customs Brokers, Importers, Exporters, Railways/CONCOR, Government regulatory agencies, etc. for exchanging electronic messages in a secure manner. More details are available at https://indianpcs.gov.in/IPA_PCS/.

[17] As per official directives, all vessels calling Indian ports from Pakistan need to copy their Pre-Arrival Notification of Security (PANS)/International Ship and Port Facility Security (ISPS) code/messages to the Indian Navy and Coast Guard 96 hours prior to arrival. It is mandatory for the Captain of the ship to fill up a required form, referred to as 'Advance Info', and forward it to Indian Navy and Coast Guard on a daily basis. In addition to this, the shipping companies are also bound to inform the Port Police, Immigration, Central Industrial Security Force and Central Bureau of Investigation in advance furnishing details of the vessel's crew list.

The Terminal Handling Charges at JNPT are high as compared to other sea ports such as Tuticorin or Chennai. The survey reports that while a 40-feet container would charge Rs 7,000–7,500 in Chennai, the same costs about Rs 12,500 in JNPT. This lack of consistency in charges across ports reduces the port efficiency and impacts its competitiveness.

5. TRANSACTION COSTS OF TRADING

The transaction costs of trading between India and Pakistan have been high primarily due to five reasons—restrictive transport protocols, limited transportation routes, restriction on the number of items permitted into Pakistan from India, non-availability of rail wagons, infrastructural bottlenecks and procedural clearances. Transaction costs are incurred both in terms of money and time.

On the basis of the survey, an attempt was made to estimate the transaction costs being incurred by Indian traders on alternative routes. We define transaction costs (in money terms) to include transportation costs, official charges related to documentation and port/LCS charges and other unofficial charges incurred to facilitate trade. Transport and other transaction costs have been obtained for a 40-feet ship container load of 25 tons of cotton. Costs related to transportation by rail and road were calculated for an equivalent amount of cotton. This item was selected for the analysis because it enabled comparison across different modes. At the time of the survey this item was being traded by all modes.

The key land routes under study are the Delhi-Attari road route and Delhi-Attari road-rail route. The latter is usually used for items which are not permitted to be traded by the road route. The key sea routes are the Mumbai-Karachi and the Mumbai-Dubai-Karachi route. The latter is usually used to transport items that are on Pakistan's negative list for imports from India. The Mumbai-Karachi sea route using a SBL is also considered to elucidate the extent of transaction costs incurred on the direct sea routes to transport items which are not permitted to be imported by Pakistan.[18]

A route-wise comparison of total transaction costs for India's exports to Pakistan was carried out, both in terms of absolute costs and efficiency (Table 2). Costs per-ton allows cost comparisons in absolute terms while cost per-ton-kilometre is used as a measure for performance/efficiency on alternative routes.

The survey reveals that the Mumbai-Dubai-Karachi and the Delhi-Attari (by road) are the most efficient routes in terms of the lowest transaction cost incurred per-ton-km (see Columns 7 and 8, Table 2.2). The indirect Mumbai-Dubai-Karachi route is preferred to the direct Mumbai-Karachi sea route as it is 1.3 times more efficient. The road route between Delhi and Attari is preferred over the road-cum-rail route between Delhi and Atari because it is 2.5 times more efficient.

[18] The cost for SBL for a 40-feet container is reported to be US$ 200 (ICRIER Survey, 2017).

Table 2.2 Route-wise Comparison of Transaction Cost (TC) for India's Exports to Pakistan

	Distance (km) (1)	Transportation Costs/Ton (2)	Transport Cost/Ton-km (3)=(2)/(1)	Other Transaction Costs/Ton (4)	Other Transaction Costs/Ton-km (5)	Total Transaction Costs/Ton (6)=(2)+(4)	Total Transaction Costs/Ton–km (7)=(6)/(1)	Ranking of Transaction Costs/Ton-km (8)
Land								
Delhi-Attari (road)	491	800	1.63	590	1.20	1390	2.83	2
Delhi-Attari (road-rail)	457	1850	4.05	1435	3.14	3285	7.19	5
Sea								
Mumbai-Dubai-Karachi	3125	980	0.31	5832	1.86	6812	2.18	1
Mumbai-Karachi	882	800	0.91	1760	2.00	2560	2.90	3
Mumbai-Karachi (with switch bill of lading)	882	800	0.91	2280	2.59	3080	3.49	4

Note: Estimates for transport and other transaction costs have been obtained for a 40-feet sea container load that can transport 25 tons of cotton. Costs for land transport have been obtained for the same quantity. Information was elicited from freight forwarders and traders.

Source: ICRIER Survey 2017

The efficiency of the indirect route over the direct route has also been reported in previous studies such as Taneja (2007) and Taneja and Bimal (2016). As there are several barriers due to trade and transport regimes, traders have developed alternative routes where markets in trade and transport have allowed for greater efficiency. This also explains the persistence of trade through indirect routes for almost seven decades (Taneja and Bimal, 2016). Amongst the land routes, the high transaction costs per-ton-km at the Delhi-Attari road-cum-rail route exist because of several factors discussed in the previous sections which include cumbersome customs checks, poor infrastructure, physical examination of goods, etc.

If, however, transport and transaction costs are not normalised over distance, costs per ton on the indirect route are much higher than the direct routes. Thus, on the Mumbai-Dubai-Karachi route transport costs are 1.2 times while transaction costs are 2.6 times the cost of transporting directly between Mumbai and Karachi.

The transaction costs in terms of time taken in the transportation of goods on alternative routes are given in Table 3. The actual transportation time on the Delhi-Attari road route is 2 days whereas if goods move by rail between Delhi and Attari it takes only 1 day. The transportation time for the direct Mumbai-Karachi route takes around 2–4 days but through Dubai it takes 7–9 days. Even though the actual transportation time on alternative land and sea routes varies between 1 and 9 days, total time taken due to delays on various counts varies between 3 and 23 days (Table 2.3). Delays are caused on several counts. On the Delhi-Attari road route, delays

are primarily caused due to congestion at port and on the Delhi-Attari road-rail route delays are primarily cased due to the time taken in obtaining clearances and time required for procurement of wagons. On the Mumbai-Karachi and Mumbai-Dubai-Karachi sea routes, delays are caused due to time taken in getting clearances, ship waiting time, cargo dwell time, congestion at port gate and at container freight station and due to delays in vessel stacking.

Table 2.3 Transaction Cost on Alternative Routes: Time Taken

Route	Mode	Transportation Time (days)	Delay (days)	Total Time (days)
Delhi-Attari	Road	2	1-2	3-4
Delhi-Attari	Road-Rail	1	4-10	5-11
Mumbai-Dubai-Karachi	Sea	7-9	2-14	9-23
Mumbai-Karachi	Sea	2-4	2-14	4-18

Source: ICRIER Survey 2017

6. POLICY SUGGESTIONS TO ENHANCE INDIA-PAKISTAN TRADE

The study proposes the following recommendations for policy actions to seamlessly facilitate trade between India and Pakistan:

(i) Facilitating Trade via Road

Hard infrastructure at the ICP which includes warehousing, cargo holding area, container handling facilities, lab facilities for testing, banking facilities and full-body truck scanners need to be upgraded. Customs reforms particularly those related to simplification of procedures and transparency need to be introduced and risk management systems should be utilised to randomly check the import consignments. Free time should be given for import cargo and labour charges should not be levied when loading and unloading is done mechanically. Private-bonded warehouses should be permitted to operate at the ICP and cross-border movement of containerised cargo should be allowed. Meetings between custom officials of the two countries and between industry representatives and government agencies should be institutionalised and should take place on a regular basis.

(ii) Facilitating Trade via Rail

An immediate measure that can be taken is to permit Indian rail wagons to go upto Lahore and return empty, the freight for which can be borne by trade. This will improve the frequency of movement of rail wagons. The infrastructure facilities at the LCS such as warehousing, cargo holding area, container handling facilities, lab facilities for testing, bank branches, currency exchange booths, provision for mechanised loading and unloading and utilities for human resource working at port need to be upgraded. Modern customs facilitation methods which include transparent and simple procedures, and risk management systems need to be introduced. Free time should be given for the import cargo. There should be a designated custodian of

cargo at Amritsar railway station. A dry port should be constructed for containerised cargo near Attari and cross-border movement of containerised cargo should be permitted. The meetings between railway officials and customs officials of both the countries, and between industry representatives and government agencies should be institutionalised and should take place on a regular basis.

(iii) Facilitating Trade via Sea

Infrastructure facilities such as warehousing, cargo-holding area, container-handling facilities and utilities for human resource working at the port need to be upgraded. The customs should utilise RMS system and undertake a random checking of the import consignments from Pakistan, rather than a complete 100 per cent check. More shipping lines should be incentivised to operate directly between India and Pakistan. The port-related charges at JNPT should be streamlined and made at par with other comparable sea ports.

(iv) Overall Trade Facilitation

A comprehensive and integrated international transport policy needs to be put in place not only to provide rail and road services to both the countries but also to service other countries as well by linking sea ports through land borders so that both the countries can connect with each other as well as the rest of the world. Currently, there are only two operational land routes through Attari/Wagah and two through the land borders of Jammu and Kashmir. New road and rail links e.g. Khokrapar-Munabao link should be opened for trade.

The transport protocols between the two countries need to be amended to allow seamless transportation of containerised cargo in each other's territory without the requirement of transhipment of cargo at the land borders. A lot of the problems related to land transport can also be addressed by complying with and acceding to the international conventions. The two most important legal instruments in this regard are the International Road Transport (TIR) Convention[19] and Convention Concerning the International Transport of Goods by Rail (COTIF).[20] These international conventions allow for seamless transportation under simplified transit procedures through multiple territories with a single document under full customs security and international guarantee. It is important to note here that while Pakistan has acceded to both of these conventions, India has acceded to only the TIR convention. Facilitating the movement of goods under the international conventions will not only help seamless movement of transportation bilaterally but also help India link up with Central Asia through Afghanistan and Pakistan as these countries are also members of the TIR convention.

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[19] TIR Handbook: Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention, 1975), Eleventh Revised Edition (New York and Geneva: United Nations Economic Commission for Europe, August 2018). Available at https://www.unece.org/fileadmin/DAM/tir/handbook/english/newtirhand/TIR-6Rev11e.pdf.

[20] Convention concerning International Carriage by Rail as amended by the Vilnius Protocol in force from 1.7.2006 applicable from 01.07.2015. Available at http://www.otif.org/fileadmin/user_upload/otif_verlinkte_files/07_veroeff/02_COTIF_99/2015/COTIF_1999_01_07_2015_e.pdf.

7. CONCLUDING REMARKS

Connectivity has a vital role to play in unlocking full trade and economic potential of India and Pakistan. Although significant measures, such as the amendment of the restrictive maritime protocol and opening of the road route for trade, have been taken in the past to facilitate movement of cargo between India and Pakistan, there has been limited improvement in lowering the transaction costs of trading.

The impediments identified in the study and estimation of transaction costs of trading provide useful insights for the policymakers. There is a need to undertake policy measures to improve cross-border movement of goods and facilitate trade between India and Pakistan. The sequencing of policy measures should be such that as a first step trade negotiations should be de-linked from political relations and normalised through trading on an MFN basis. As a second step, the policymakers should address problems related to trade and transport facilitation. Although there have been some recent developments vis-à-vis trade facilitation via the land route, most notably, introduction of EDI at the rail route, trade through both road and rail transport still faces several infrastructural and procedural impediments, despite being the most appropriate and the cheapest mode for trade between contiguous countries. The sea route which technically has no restrictions also had inadequate infrastructure, limited direct connectivity and excessive security checking on import consignments from Pakistan.

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ARTICLE 3

Cross-Border Trade and Infrastructure in India's Northeast

Gurudas Das*

Abstract: *This paper argues that cross-border trade with the neighbouring countries (NCs) can play a pivotal role in the economic development of Northeastern Region (NER) of India as the cross-border markets, being far nearer, can act as the vent for surplus produced here, given the far away national markets. It examines the nature of cross-border trade that takes place between NER and NCs and links it with the infrastructure and trade facilitation (ITF) at the land ports. It finds a positive association between the availability of ITF and volume of trade and hence suggests strengthening the former for the growth of the latter.*

Keywords: Cross-border trade, Resource-trade linkage, India, Northeast India

JEL codes: F14, R11

Views are author's own. Usual disclaimers apply.

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1. INTRODUCTION

Unlike other bordering regions in India, cross-border trade with the neighbouring countries (NCs) has a special significance for the development of India's North Eastern Region (NER). Following the partition of the country in 1947, this region that comprises of seven states, viz., Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, found itself surrounded by the neighbouring countries of Bangladesh (erstwhile East Pakistan), Bhutan, China and Myanmar. In fact, NER shares more than 98 per cent of her border with these NCs and is only strenuously linked with the mainland of India through a narrow strip of land popularly known as Chicken's Neck, also called Siliguri Corridor, which is barely 22 km wide. Thus, partition has made NER land-locked territorially and peripheral to mainland India economically. This paper argues that cross-border trade with the NCs can play a pivotal role in the economic development of NER as the cross-border markets can act as the vent for surplus produced in the region as the national markets are far away. It examines the nature of the contemporary cross-border trade that takes place between NER and NCs and links it with the provisions of infrastructure and trade facilitation at the Land Custom Stations (LCS)/land ports.

Section 2 deals with some of the partition-induced predicaments which have crippled the economy of NER. Types and modes of NER-NCs cross-border trade have been discussed in section 3. Section 4 examines the quantum and nature of NER-NCs cross-border trade. Section 5 describes the availability of infrastructure and other trade-facilitation measures at the land border ports. Section 6 examines the relationship between infrastructure and volume of cross-border trade. Finally, section 7 contains the concluding observations.

2. PARTITION-INDUCED PREDICAMENTS: CROSS-BORDER TRADE AS A STRATEGY FOR THE DEVELOPMENT OF INDIA'S NORTHEAST

2.1 Partition Effect

As NER was economically integrated with the mainland India through undivided Bengal during the colonial regime, partition has robbed all her communication channels and made her a landlocked periphery. The road transportation cost, in terms of both time and money, between NER and mainland India has suddenly gone up by about fourfold as the traffic takes a circuitous route via the Chicken's Neck instead of cost-effective traditional and shorter routes through present day Bangladesh. The distance between Agartala, the capital town of Tripura, and Kolkata, the nearest commercial hub in Eastern India, was 450 km via Bangladesh. The distance between these two places via Chicken's Neck is 1680 km. Thus, partition has increased the distance by four times (3.73 times to be precise) (Das, 2012). With distance rising by four times, the cost of transportation between NER and mainland India has also gone up by four times. This sharp rise in the transportation cost following the partition has made production in NER non-competitive. As a result, in spite of being rich in natural resources, the resource-industry linkage in NER has remained very weak (Das, 2005) as the natural comparative advantage of the region in resource-based industrialisation could not be harnessed due to exorbitant transport cost.

Moreover, as the region is left out there in the periphery, adequate public investment required to neutralise its post-partition geographical isolation has not been made due to "bottle up" effect—benefits of investment get bottled up and do not spill over to other regions. For example, it might be noted that even after 74 years of independence, while India has launched interplanetary mission, an all-weather road has not yet been constructed to connect Agartala to Kolkata via the Chicken's Neck. It was only the other day, on 9 June 2008, Agartala has been brought into the Indian railway map (HT, 2008). Although Tripura's Dharmanagar was connected by rail in 1964, it took four decades to complete a 200-km long track from there to Agartala.

2.2 Border Effect

Besides this "partition effect", economies of the states of NER are also subjected to "border effect"—effect of the existence of international border on the market area of a firm located in the bordering regions. As the market area of a firm gets truncated due to the existence of international border particularly when the borders are perceived as sensitive by the home state, and hence, under strict surveillance. In such a case, cross-border trade flow is kept to the bare minimum and it does not encourage the big private business to operate in the bordering region.

As a result, except in extractive sectors, large- and medium-scale industries have hardly come up in the economies of the bordering states of NER. Besides ethnic products like Assamese *gamocha*, Naga shawl, Karbi women's ware; traditional skill-based enterprises like Assamese bell metal, Assamese silk, Tripura's cane and bamboo handicrafts; one can find a variety of micro and small units particularly producing and selling demand-based products to cater to the local markets. Most of them are subsistence firms without much hope to scale up and diversify. Resources and talents from such economies, which are trapped in low level equilibrium, move away to metropolitans of the mainland leaving the residual labour force in the peripheries.

Economies of the bordering states with stunted growth and very weak industrial base hardly offer any job opportunities to the local youths. Many of them involve in informal cross-border exchange activities. Such activities, inter alia, also involve high-yielding narcotic trade. Drug addiction among the youths often appears as an acute social problem which subsequently leads to HIV infections. Thus, societies in border areas keep on grappling with a kind of vicious cycle of low income-low investment-low employment-low income which gives birth to intense frustration and severe problem of drug addiction among the local youths.

2.3 Security Effect

Apart from the partition and border effects, economies of the states in NER are also subjected to "security effect"—effect of external security perception on particularly public sector investment. During much of the era of state-led development in India (1947–1990), despite being rich in natural resources, no significant public sector investment was made in NER as such investments did not clear the litmus test from security point of view. It may be mentioned that during the 1950s when new oil deposits were found in Naharkatiya, for processing it, Government of India (GOI) wanted to establish a refinery at Barauni in Bihar, instead of strategically located frontier Assam presumably due to the unfavourable security perception. It is, however, altogether a different

issue that under intense popular mass movement, GOI had to ultimately concede the first refinery in Assam at Noonmati, Guwahati, along with the Barauni refinery (Baruah, 2011).

It is this fragile security perception about the north-eastern borders that appears to have been factored into in devising a policy of deliberate under development of infrastructure in the bordering states of NER. Inaccessibility appears to have been used as a strategy which resulted into widened infrastructural gap between NER and India's mainland.

Thus, state-centric security perception could neither spur growth in NER by way of developing faster transportation and communication link with the main land nor it allowed the region to integrate herself with the neighbouring countries in South and Southeast Asia.

In fact, it is due to the negative impacts of these three effects—partition, border and security—that have kept NER underdeveloped vis-à-vis the mainland India. As the national centers of mass production and consumption are far away from NER, better access to the cross-border markets in neighbouring countries would act as the vent for surplus. Cross-border trade and development cooperation, thus, assume special significance for the development of NER. Mobilisation of the cross-border synergies for producing goods for larger markets requires softening of border policy and modernisation of border management. This can only be possible when the home countries view their borders not as a conflict zones but as the gateways for economic cooperation with each other. Border trade can play a crucial role in reshaping the states' outlook towards border management and thereby reducing the negative impact of border effect.

3. TRADE BETWEEN NER AND NCs: TYPES AND MODES

NER's trade with the neighbouring countries (NCs) may conveniently be classified into two types: formal and informal. While the formal trade is recorded at different levels, it is almost impossible to quantify the informal trade that flows across the numerous crossings along the long and porous border.

3.1 Formal Direct Trade (FDT)

Again, the formal trade flows both directly and indirectly. Direct trade flows through the Land Customs Stations (LCS)/custom check posts along the international borders between NER and NCs. In fact, there are a total of 38 notified LCS in NER for conducting trade with the NCS. Of them, a total of 23 LCSs are functional (Appendix 1) and the rest 15 are non-functional (Appendix 2). Details of the items, quantity and value—all are recorded at the LCSs. Of course, not all formal direct trade is recorded. When trading is done in accordance with the country's "standard export-import framework", all such transactions that require customs approval are recorded. But formal exchanges which are carried out in accordance with the "border trade" (BT) and "border haat" (BH) frameworks, where people living on both sides of the international border are allowed to trade certain quantities of listed goods within certain radius in order to ease out their living are not reported by the office of the customs. Generally, in such cases, people are allowed to carry headloads of local produce across the border for exchange. The idea

is to create a space for the people living across the border so that they can carry out customary trade practices.

3.2 Formal Indirect Trade (FIT)

In case of formal indirect trade, it is extremely difficult to estimate the contribution of states of NER as no such data are available at the state level. Goods produced in NER but exported to foreign markets either directly or after value addition through ports located in other states are not recorded as per their origin. For example, tea produced in Assam is sold to traders through auction in Guwahati. Traders export them to different markets abroad using ports outside the region. Similarly, spices produced in different parts of NER are procured by the traders in Kerala and Tamil Nadu. Spice traders in those states, in turn, export them to markets across the world. Although state-wise production data for such crops are available, origin-wise export data are not.

3.3 Informal Direct Trade (IDT)

Unlike formal direct trade, informal direct trade (IDT) is not recorded at the LCS. IDT might flow alongside the FDT under the guise of BT/BH, or it might flow through unmanned border crossings. This type of trade is particularly prevalent with NER's trade with Myanmar. A wide range of third-country origin consumer goods like textile, consumer electronics, electrical goods, kitchen ware, toys, etc. from China, South Korea and Thailand pour in to flood the markets in the bordering regions like Manipur and Mizoram. While one can see them everywhere in the markets of Imphal or Aizawl, no records are available with the customs in respective LCS.

As a result, for any objective analysis of trade between NER and NCs, one has to bank only on customs data on FDT, which is only a part, sometimes insignificant, of the total volume of cross-border trade. This limitation is built-in in the analysis of this paper which is based on the LCS-wise customs data of last 5 years (2014/15–2018/19).

3.4 Modes of Cross-border Connectivity

Despite having cross-border connectivity between NER and NCs through all modes: roadways, railways, waterways and airways—trade predominantly flows through roadways. Both railways and waterways, hitherto used before the partition, were discontinued mainly due to the geo-political fallout. However, currently efforts are being made to reopen those communication channels. It might be noted that both India and Bangladesh agreed to establish 15.6 km railway gauge link between Agartala and Akhaura. The construction work is going on and the project is expected to be completed by 2021 (TOI, 2020). Similarly, India has proposed to reopen the Mahisashan-Shahbajpur railway link and Bangladesh has agreed in principle. Thus, rail-bound trade between NER and Bangladesh is likely to begin afresh in near future.

Similarly, efforts are being made to restore the waterways connectivity along Brahmaputra and Barak rivers which were once thrived but dried after the partition. The Protocol for Inland Water Trade & Transit (PIWT&T), which was signed between India and Bangladesh in 1972 but

allowed to remain dormant, has acquired a fresh life following its last renewal in 2015 while both the parties agreed to work on interlinking the cross-border waterways network. India's National Waterways 1 (NW 1) (the Ganga-Bhagirathi-Hooghly River system connecting Allahabad and Hoogly) and National Waterways 2 (NW 2) (the Brahmaputra river connecting Sadiya and Dhubri) will be linked through the river network of Bangladesh. In fact, linking of NW 1 and NW 2 will provide a waterways link between NER and mainland India across Bangladesh ushering an alternative connectivity network for landlocked NER. Besides being boosting the cross-border trade, this trans-border waterways connectivity will also largely reduce the security vulnerability of NER as it will bypass the Chicken's Neck. Moreover, NW 6 (Lakhipur-Bhanga of Barak river) will also be connected with NW 1 and NW 2 through Bangladesh which will boost cross-border trade between parts of NER (Southern Assam, Tripura, Mizoram and Manipur) and Bangladesh.

Air cargo service has started in NER since December 31, 2018, with the SpiceFresh, a subsidiary of SpiceJet, at Lokopriya Gopinath Bordoloi International (LGBI) airport. Two flights carrying 1000 kg of mandarin fruits for export flew to Hong Kong and Dubai on that day (https://bit.ly/34kTyea). Airports Authority of India's Cargo Logistics & Allied Services Ltd (AAICLAS) has created separate cargo terminals at Guwahati, Imphal, Agartala and Silchar airports. Dedicated air cargo flights are supposed to be operated by SpiceXpress, a subsidiary of low-cost carrier SpiceJet, from September 2020. Cargo services in NER are planned to be organised around Kolkata airport, the hub in Eastern and Northeastern India (https://bit.ly/33tsWs6).

4. VOLUME AND STRUCTURE OF NER's TRADE

The five-year (2014/15–2018/19) average annual volume of trade that flows through LCSs in NER stands at around Rs 2000 crores. It is evident that about 64 per cent of this average annual volume of trade is with Bangladesh, about 31 per cent with Bhutan and only about 5 per cent with Myanmar (Table 3.1). Thus, trade with Bangladesh is predominant in NER's trade with the NCs.

Table 3.1 Status of NER's Trade with the Neighbouring Countries (2014/15–2018/19 up to February 2019) (Rs in Lakhs)

Countries	Import	Export	Total Volume of Trade	Annual Average Volume of Trade	Share (%)
Bangladesh	238258.35	398301.34	636559.69	127311.94	64.15
Bhutan	60634.78	249333.95	309968.73	61993.75	31.24
Myanmar	39100.4	6687.79	45788.19	9157.64	4.61
NCs	337993.53	654323.08	992316.61	198463.32	100

Source: Commissioner of Customs, Shillong

It might be noted that not only NER's volumes of trade with Bangladesh and Bhutan are much higher than Myanmar, the volume of exports are also higher than the volumes of imports in case of the former while the opposite holds good in case of the latter.

It has already been discussed in detail in Das (2000, 2019) that while resource-base complementarities between NER and Bangladesh provides a strong basis for trade to flow across the border, in case of Bhutan and Myanmar competitive resource-structure has led to a weak basis for trade. As NER's Bangladesh trade is characterised by export of raw materials like coal, limestone, boulder stone, agri-horticultural products like vegetables, spices and fresh fruits and imports of manufacturing products like cement, plastic products and processed fruits, a cross-border resource-trade linkage has been established, which propels a growth generating effect by way of creating income and employment for the people across the border.

In contrast, NER's trade with both Bhutan and Myanmar is essentially transit in nature. It might be noted that while the resource structure between India and Bhutan is complimentary, the same between NER and Bhutan is competitive. India's Bhutan trade is characterised by import of raw materials and intermediary products and export of essentials and manufacturing goods. NER largely plays the role of a transit point in India's Bhutan trade as some of the routes to landlocked Bhutan happen to pass via Assam. A look into the structure of NER-Bhutan trade exhibits that the region exports all sorts of essential goods like rice, textile products, other consumer goods, machine parts and fuel to Bhutan. Much of these exportables are procured from outside the region and sent to Bhutan. There is no perceptible resource-trade linkage in this trade that could dynamise the local economy of NER in general and Assam in particular. Similarly, minerals like gypsum and ferro silicon are imported from Bhutan, which mainly cater to the needs of the industries located in the mainland. Similarly, boulder stone and crushed stone are imported to send to Bangladesh. Thus, although NER's Bhutan trade is beneficial for the economy of Bhutan where it has led to the establishment of resource-industry-trade linkages, the same does not hold good for the region (Das, 2021).

NER's Myanmar trade, *a la* Bhutan, is also transit in nature, but like Bangladesh and Bhutan, it is not resource driven. As has already been mentioned, competitive resource structure between NER and Myanmar provides a very weak basis for trade. Mainly third-country origin consumer goods are imported from and manufacturing goods procured from mainland are exported to Myanmar. NER's Myanmar trade is predominantly informal.

The characteristics of NER's cross-border trade with the NCs are shown in Table 3.2.

Table 3.2 Characteristics of NER's Trade with the NCs

Country	Characteristics				
Bangladesh	Predominantly formal	Resource driven	Resource-trade linkage in NER	Complimentary resource-structure provides strong basis for trade	Growth generating
Bhutan	Predominantly formal	Resource driven	Resource-trade linkage in Bhutan	Competitive resource structure provides weak basis for trade	Transit
Myanmar	Predominantly informal	Consumer goods driven	No resource-trade linkage	Competitive resource structure provides weak basis for trade	Transit

Source Author's own

5. INFRASTRUCTURE AND TRADE FACILITATION IN NER

Provision of infrastructure is a sine qua non for the smooth conduct of NER's resource-driven trade with Bangladesh as well as Bhutan's resource-driven trade with India that passes through the region. As the resource goods like coal, limestone, gypsum, ferro silicon, boulder stones and other riverbed materials are bulky in nature, good quality roads are needed across the border connecting the points of uploading and downloading. Moreover, the LCSs through which this resource trade flows need to be equipped with weighbridge, parking facilities, dumping grounds along with other trade-facilitating infrastructure.

As part of the central scheme of integrated check post (ICP), devised in order to provide a solution to trade infrastructure under one roof in the borders with the neighbouring countries of India under 11th Five Year Plan (2007–12), four ICPs have been constructed in NER—one each at Agartala, Dawki, Moreh and Sutarkandi. Later, replicating this ICP module, similar facility has been constructed at three more LCSs in Assam—one each at Darranga, Golakganj and Mankachar—under the name of Border Trade Centre (BTC). Like ICP module, BTCs have been constructed with provisions for office building where different agencies like customs, customs house agent (CHA), bank, post office and telecommunication centre can be accommodated. Provisions have also been made for conference rooms, guest house and staff quarters. Hard infrastructure like weighbridge, warehouse, transhipment platform, guard room at the gate, etc. has also been constructed.

Except Agartala and Moreh which are operating under the Land Ports Authority of India (LPAI), facilities created in other five LCSs are utterly underused due to managerial problems. For example, BTC Golakganj was constructed by Assam Industrial Development Corporation (AIDC) over an area of 12.50 bigha spending Rs 19.38 crores under a central scheme known as Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE). It was inaugurated on 15 December 2015. Although hard infrastructure components have been created, AIDC does not have the expertise in its day-to-day management. Except the office of the Customs and CHA, no other agencies are found operating in the premises of the BTC. Customs is not supposed to operate weighbridge, warehouse, parking bay, guesthouse, bank, post office, canteen, etc. As a result, different components of hard infrastructure created inside the premises of BTC have remained idle. As per the Assam Government's directives, assets created inside the BTC are to be operationalised through lease. Accordingly, one lessee had been engaged in the month of July 2018 for operation and maintenance of the BTC on monthly rental basis. But except for the weighbridge, no other components are being used by the traders as well as other service providers. As a result, the lessee had surrendered the lease in June 2019 due to incurring loss and the BTC is back again to AIDC which is looking for alternative till now as of 28 September 2020.

In fact, out of the 21 LCSs (Table 3.3) through which trade flows overland, majority utterly lacks infrastructure including cross-border roads. Except Agartala and Moreh, wherever ICP/BTC has been constructed, in most cases, like BTC Golakganj the facilities have remained unutilised or underutilised due to managerial problems. Similar is the case of Zokhawthar LCS where BTC-like infrastructure was created but remained unused.

Table 3.3 LCS by 5-year Average Annual Volume of Trade (2014/15–2018/19)

(Rs Crores)

<50	50-100	100-200	200-300	>300
Mahendraganj	Dawki*	Borsora	Agartala*	Hatisar
Golakganj*	Moreh*	Shella	Darranga*	
Manu	Srimanthapur	Bholaganj	Sutarkandi*	
Zokhawthar*	Muhurighat			
Mankachar*	Ghasuapara			
Dalu	Kamardwisa			
Old Ragna Bazar				
Baghmara				

Notes: * indicates LCS having ICP/BTC like infrastructure module
Source: Categorised by author based on customs data

BTC Mankachar, which was constructed by AIDC over a land area of more than 6 bighas at a cost of Rs 4.66 crores, despite its completionon 27 January 2011, it has remained out of bounds of the stakeholders of cross-border trade till now, 28 September 2020. It is learnt that AIDC's job has got over with the construction and delivery of the project, as the operation and maintenance are not under its purview; the Government of Assam is to assign this job to some other agencies. As the Government of Assam could not frame a policy in this regard, the BTC has been occupied by several groups of border security personnel from time to time.

A mapping of infrastructure to volume of trade (Table 3.3) exhibits that investment decisions have not been strictly guided by the trade outcomes. Highest performer, Hatisar, has not attracted investment in infrastructure. Contrastingly, lowest performers like Golakganj, Zokhawthar and Mankachar have been able to attract significant amount of infrastructural investment. Mid-level performers like Borsora, Shella and Bholaganj—all resource-trade outlets through which minerals and other natural resources of Meghalaya are exported to Bangladesh—hardly have any infrastructure in place.

This mismatch and non-correspondence between the investment in infrastructure and the outcomes measured in terms of average annual volume of trade accounts for the fact that the identification of LCS that warrants investment in infrastructure is done by the state governments. Based on their requisitions, appropriate ministry/department at the centre sanctions fund. State governments, then, assign the task of building requisite infrastructure to competent agencies. As the trade outcome of the LCS in different states is different, mapping them on to a regional scale to look for justification may not yield the expected correspondence. Moreover, all the states may not show equal interest in developing the LCS for different reasons. Even if interested, some might lack activism and hence miss the opportunity of accessing the limited central resources earmarked for this purpose.

It might also be pointed out whatever investment has been mobilised, utilisation of the assets and facilities created out of it has been observed to be incredibly low. This has been due to the fact that service-providing agencies like customs, warehousing, banks, post office, border security forces, etc. are not under the control of the state governments who are supposed to look

after the utilisation of the assets. Further, state governments neither have any specialised agency like Land Ports Authority of India (LPAI) nor have they created a nodal office which can act as a system coordinator and facilitate the functioning of all other required service providers. In fact, conceptualisation of ICP/BTC-type infrastructure investment module suffers from a serious weakness in that it has not factored into the *modus operandi* of their day-to-day functioning.

The trade-facilitation measures in the LCS of NER have got a boost following the WTO's Trade Facilitation Agreement (TFA) that has come into force on 22 February 2017. All the LCSs having functional ICP/BTC are provided with internet services, electronic data interchange (EDI) facilities and customs house agents (CHA). Arrangements have been made for power back up to minimise the shocks of power outage. Even these trade-facilitation services have been extended to some of the LCS without having any infrastructure. Efforts are being made to bring even the remote land ports under the ambit of these trade-facilitation measures.

6. RELATIONSHIP BETWEEN INFRASTRUCTURE AND TRADE

As has already been indicated, cross-border trade with Bangladesh predominates NER's trade with the NCs. And the strong basis for trade between these two regions lies in their complementary resource endowments. It is not the comparative advantage that causes trade to flow across the NER-Bangladesh border, rather it is the availability of certain resources and climatic goods that are available in NER and not available or scarce in Bangladesh. Similarly, this Kravis (1956)-type availability hypothesis also better explains the pattern of Bhutan's trade with India via NER. It might be worthwhile to examine as to whether this Kravis-type trade flows from resource-rich NER to resource-poor Bangladesh bears similar relationship with infrastructure as has been observed in case of comparative advantage-induced trade. In fact, many studies find a positive relationship between volume trade and infrastructure in different contexts (Nordås and Piermartini, 2004; Olarreaga, 2016; Shinyekwa and Ntale, 2017; Rehman*, et al.*, 2020). The mechanism through which this direct relationship works—with the improvement of infrastructure transportation cost reduces, transportation volume per unit of time increases, traffic mobility per unit of time increases, under EDI seamless movement of traffic becomes possible with prior clearance, all these reduce the transaction cost making trade more competitive.

To examine the impact of infrastructure on NER-NC trade, we have collected information on the quality of 13 infrastructural indicators from all the functional 21 LCS through which trade flows overland (Appendix 4). Infrastructure indicators are classified on a 6-point scale. Each scale has been assigned a numerical value ranging from 0 to 5. And then LCS-wise infrastructure score is obtained by summing up the scores of all the indicators. These composite scores are then mapped into an index scale ranging from 0 to 100. Zero, if there is no infrastructure and 100, if all the 13 infrastructural indicators are of excellent category. This infrastructure index (I) is used as an explanatory variable and five year (2014/15–2018/19) average annual volume of trade, V, is regressed on I, using the relationship:

$$V_i = \alpha + \beta I_i + \varepsilon_i$$

where α and β are the parameters to be estimated, ε is the error term, and i = 1,2,3…..21. The result of the regression is presented in Table 3.4.

Table 3.4 OLS Regression Estimates

DV: Log (Volume of Trade)

Regressors		Coefficient	SE
Infrastructure Index		.0200**	.0087
Constant		2.8904***	.3454
No of Obs. = 21	F(1,19) = 5.22		
Prob > F = 0.0339	R-squared = 0.2157		
Adj R-squared = 0.1744	Root MSE = .68581		
Regression Diagnostics			
Shapiro-Wilk W test for normality of residuals: W = 0.94641 z = 0.551 (p = 0.290)			
Breusch-Pagan test for heteroscedasticity: $chi^2(1)$ = 3.07 (p = 0.0800)			
*** p < 0.01, ** p < 0.05			

As the z value being nearer to 0.5, the Shapiro-Wilk W test results indicate that the data is normally distributed. Similarly, with low chi-square value of 3.07, Breusch-Pagan test indicates that there is no heteroscedasticity. The results of both the diagnostics make our model amenable to be estimated using Ordinary Least Square (OLS). The regression results show that the coefficient of infrastructure index (I) is statistically significant at 5 per cent level. It means 1 unit change in I will bring a 2 unit change in volume of trade. R squared value indicates that I explains 21.57 per cent variation in the volume of trade. It might be noted that as the value of R squared rises with the increase in the number of explanatory variable in regression analysis, the derived value (0.2157) may be considered to be satisfactory as only a single explanatory variable is used in our model. Besides infrastructure, there are a host of other variables like demand in the destination of export, tariff as well as non-tariff barriers, distance, etc., which influence the volume of trade flow through the LCSs. Similarly, as the Prob > F = 0.0339, it shows that our model well fits the data.

CONCLUSION

The direct relationship between infrastructure index (I) and the average annual volume of trade (V) in our study suggests an impact of 1 unit increase in the former by 2 units upon the latter only corroborates the outcome of such similar studies done using complex tools for much larger settings (Nordås and Piermartini, 2004; Olarreaga, 2016; Shinyekwa and Ntale, 2017; Rehman, *et al.*, 2020). Besides statistical evidence in favour of larger investment in cross-border trade infrastructure, geo-political and geo-economic compulsions that have already been discussed in the beginning also suggest for liberal provisions for investment on border infrastructure without which the problems of underdevelopment of NER would not be adequately addressed particularly under the neo-liberal settings of national growth. Although application of cost-benefit analysis may not justify LPAI-run-ICP-type border management solution for all the LCSs in NER, but it is not very difficult to create an LPAI-prototype at smaller scale at the state level which can look

after the day-to-day management of the LCSs. Along with the agency, prototype tailor-made infrastructure can also be created at the LCSs to smoothen out the passage for trade to flow. In fact, development of the land ports at borders calls for close coordination among agencies under both the central and state governments. Absence of a coordinating agent who can synchronise the functioning of various agencies is a major challenge for the development and smooth functioning of the LCSs in NER. Perhaps a non-state actor driven outcome based evaluation of the state agencies might improve the situation on the ground.

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Appendix 1 List of Functional LCS in NER with NCs

State	LCS in Indian Side	Corresponding LCS in NCs	Neighbouring Country	Nature of Transportation Link across the International Border
Assam	1. Mankachar	Rowmari	Bangladesh	Overland
Assam	2. Golakganj	Sonahat	Bangladesh	Overland
Assam	3. Hatisar	Gelephu	Bhutan	Overland
Assam	4. Kamardwisa	Nganglam	Bhutan	Overland
Assam	5. Darranga	Samdrup Jongkhar	Bhutan	Overland
Assam	6. Karimganj Steamer and Ferry Station (KSFS)	Jakiganj	Bangladesh	Across river Barak
Assam	7. Sutarkandi	Sheola	Bangladesh	Overland
Manipur	8. Morteh	Tamu	Myanmar	Overland
Meghalaya	9. Baghmara	Bijoypur	Bangladesh	Overland
Meghalaya	10. Ghasuapara	Gobrakora	Bangladesh	Overland
Meghalaya	11. Dalu	Nakugaon	Bangladesh	Overland
Meghalaya	12. Mahendraganj	Kamalpur	Bangladesh	Overland
Meghalaya	13. Borsora	Tahirpur	Bangladesh	Overland
Meghalaya	14. Bholaganj	Chatak	Bangladesh	Overland
Meghalaya	15. Shella	Sunamganj	Bangladesh	Overland
Meghalaya	16. Dawki	Tamabil	Bangladesh	Overland
Mizoram	17. Zokhawthar	Rih	Myanmar	Overland
Tripura	18. Agartala	Akhaura	Bangladesh	Overland
Tripura	19. Khowaighat	Bhalla	Bangladesh	Across river Khowai
Tripura	20. Muhurighat	Belonia	Bangladesh	Overland
Tripura	21. Srimanthapur	Bibir Bazar	Bangladesh	Overland
Tripura	22. Manu	Chatlapur	Bangladesh	Overland connected by bridge over river Juri
Tripura	23. Old Ragna bazar	Batula	Bangladesh	Overland

Appendix 2 List of Non-Functional LCS of NER with NCs

States	LCS in Indian Side	Corresponding LCS in NCs	Neighbouring Country	Nature of Transportation Link across the International Border
Arunachal Pradesh	1. Nampong	Pangsu	Myanmar	Overland
Assam	2. Ultapani	Sarpang	Bhutan	Overland
	3. Dhubri Steamer Ghat	Indo-Bangladesh Protocol (IBP) Route	Bangladesh	Along the river Brahmaputra
	4. Guwahati Steamer Ghat	IBP Route	Bangladesh	Along the river Brahmaputra
	5. Silghat	IBP Route	Bangladesh	Along the river Brahmaputra
	6. Mahisashan	Shahbajpur	Bangladesh	Railway
	7. Silchar RMS	Shahbajpur	Bangladesh	Railway
	8. Export Promotion Extension Centre	Open ended	World	Airways
Meghalaya	9. Balat	Lauwaghar	Bangladesh	Overland
	10. Rynkhu	Bagan Bari	Bangladesh	Overland
	11. Kalaichar	Baliamari	Bangladesh	Overland
Mizoram	12. Demagiri	Thegamukh	Bangladesh	Overland
Nagaland	13. Avakhung	Layshe	Myanmar	Overland
Tripura	14. Sabroom	Ramgarh	Bangladesh	Across river Feni
	15. Dhalaighat	Kurmachhara	Bangladesh	Across river Dhalai

Appendix 3 LCSs in NER by Rank on Volume of Trade and Infrastructure Score

LCS	Five-year Average Annual Trade (%)	Rank	Infrastructure Score	Infrastructure Index	Infrastructure Rank
Hatisar	16.28	1	20	0.31	8
Agartala	12.93	2	50	0.77	1
Darranga	11.93	3	38	0.58	3
Sutarkandi	10.60	4	42	0.65	2
Borsora	9.86	5	12	0.18	13
Shella	8.87	6	16	0.25	11
Bholaganj	5.37	7	16	0.25	11
Dawki	4.76	8	19	0.29	9
Moreh	4.00	9	38	0.58	3
Srimanthapur	3.27	10	25	0.38	7
Muhurighat	3.09	11	26	0.40	6
Ghasuapara	2.66	12	18	0.28	10
Kamardwisa	2.53	13	29	0.45	4
Mahendraganj	0.87	14	16	0.25	11

LCS	Five-year Average Annual Trade (%)	Rank	Infrastructure Score	Infrastructure Index	Infrastructure Rank
Golakganj	0.76	15	28	0.43	5
Manu	0.72	16	8	0.12	15
Zokhawthar	0.54	17	29	0.45	4
Mankachar	0.43	18	19	0.29	9
Dalu	0.33	19	12	0.18	13
Old Ragna Bazar	0.18	20	9	0.14	14
Baghmara	0.02	21	15	0.23	12

Source: Author's calculation based on custom's data on trade volume and field survey

Appendix 4 Gradation of Infrastructure Indicators for Assigning Score

	Infrastructure Indicator	Very Bad: 0	Bad: 1	Average: 2	Good: 3	Very Good: 4	Excellent: 5
1	Cross-border road	Muddy	Unpaved	Narrow, paved, poorly maintained	Narrow, paved, modedrate or well maintained	Broad, paved, one lane	Broad, paved, two lane or more
2	LCS Premise	Roadside makeshift office	Small rented house without premise	Rented or owned small office with premise	Spacious office without any infrastructure	Spacious office with infrastructure having some non-functional facilities	Spacious office with premise and functional facilities
3	Weighbridge (WB)	No WB	Exists but non-functional	Exists and occasionally functions	1 WB exists and functions	2 WB one functions and the other does not	2 WB and both functions
4	Warehouse (WH)	No WH	Exists but non-functional	Functional but without security	Functional but not used	Functional and occasionally used	Functional and regularly used
5	Parking	No parking facility	Limited parking on the roadside	Unlimited parking on roadside	Limited parking inside LCS without any parking bay and unlimited on the roadside	Limited parking bay inside LCS and unlimited parking on the roadside	No problem with parking
6	Dumping	No dumping facility	Limited dumping wayside	Unlimited dumping on wayside	Some dumping inside LCS and some outside on rented land	Limited dumping facility inside LCS, on wayside and on rented land	No dumping problem
7	Electricity	Frequent power cut for long hours	Available for 5-6 hrs	Available for 6-8 hrs	Available for 8-10 hrs	Available for 10-12 hrs	Available for more than 12 hrs

	Infrastructure Indicator	Very Bad: 0	Bad: 1	Average: 2	Good: 3	Very Good: 4	Excellent: 5
8	Telecommunication	Irregular connectivity	Weak connectivity	Voice call is ok but very slow downloading	Voice call and data downloading at slow speed	Both functions are ok	LCS is having exclusive telecommunication access that allows normal speed downloading
9	Electronic Data Interchange (EDI)	No EDI	Exists but non-functional	Exists and functions for limited period	Exists and functions without any power backing	Functions with limited power backing	No problem
10	Banking Facility	No bank	Limited days limited hour banking facility	Limited days normal hrs banking facility	All days limited hrs banking	Normal hrs daily banking without forex facility	Normal hrs daily banking with forex facility
11	Security Access	No Security	Remote access to security	Delayed access	Access within a reasonable time lag	Prompt but not instant access	No problem as integrated into the system
12	Inter-agency cooperation	Hostility is more than cooperation	Limited cooperation	Frequent cooperation	Regular cooperation as and when basis	Regular and planned cooperation	Integrated operation and no problem with cooperation
13	Customs House Agent (CHA)	No CHA	Limited CHA services	Regular CHA services on site	Onsite and offsite CHA services	Onsite, offsite and online CHA services	No problem in accessing CHA services

ARTICLE 4

Quantifying the Transport, Regulatory and Other Costs of Exporting through Petrapole Land Port

Dripto Mukhopadhyay*, Devendra B. Gupta, Sanjib Pohit*****

Abstract: *Informal trade barriers still prevail and impede upon trade flows in India. The factors responsible include complex procedures, capacity constraints and/or malpractices at the border ports. However, these are difficult to measure directly due to the absence of any fact-based evidence. This article attempts to measure the relevant costs resulting from these non-visible but truly deterrent informal trade barriers that hinder India's export to Bangladesh. The study focusses on Petrapole border, the most important land port between India and Bangladesh. The key findings show that the aggregate delay the traders face on daily basis is high and proves costly for them. The scenario has not changed much over the years. The additional transaction costs in terms of delays and speed money incurred still act as bottlenecks. With these informal barriers, the Indian exporters suffer in terms of global competitiveness. An improved infrastructure and administration at the border are essential to reduce these additional transaction costs.*

Keywords: Land port,informal barriers, logistics barriers, logistics costs

JEL codes: D57, E23, P44

Views are authors' own. Usual disclaimers apply.

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1. INTRODUCTION

At the outset, economies across the world in the last two decades have witnessed greater regional and economic integration due to gradual reduction in tariff and non-tariff barriers across nations. Independent nation states, such as those in Europe, have given way to economic communities; while in other countries regional agreements regarding trade, investment and the mobility of people have greatly reduced the barriers to cross-border economic engagement. Most of the countries adopted outward-looking economic policies to promote growth and employment through expanding export-oriented activities. All countries now-a-days court multinationals to promote growth and increase the productivity of investment. Typically, the multinationals locate production process across nations to reap the benefits from lower cost of production and raw materials. This necessitates movement of parts, components, semi-manufactured goods and sub-assemblies across nation at a fast pace with minimal impediments/ cost. Furthermore, increased competitive pressure in today's world has made all firms to be cost conscious. Outsourcing to lower-cost firms and countries has become a major source of cost reduction. Reduced inventory costs through just-in-time manufacturing, and an efficient supply chain management has been another effective instrument for cost reduction. With worldwide fall in tariff levels, efficiency of supply chains and associated logistics costs have become core determinants of competitiveness of both firms and countries. This trend is now very much evident in the first world economies as well as in fast growing East Asian economies. Of late, the present government has been proactive to make India a part of the global supply chains and a manufacturing hub.

However, the high logistics costs in India as compared to those in other countries with similar environments and states of development are a matter of concern for the attainment of high manufacturing growth and to be a hub of global supply chain. Several reasons are cited for the high logistics costs in India. These include an unfavourable policy regime, lack of a multimodal transport system and the consequent heavy reliance on road transport, fragmented storage infrastructure, the presence of multiple stakeholders in the entire transport and storage value chain, poor quality of road and port infrastructure and the absence of technology intervention in storage/transportation and distribution activities.

In this context, this article aims at quantifying the logistics costs that affect the Indian exports to Bangladesh from West Bengal through Petrapole land port, West Bengal (India). The study is based on the evidences collected through primary surveys conducted at Petrapole border in 2019. In the process, we also compare our costs as far as possible to the costs obtained by earlier researchers along this route.

The article is outlined as follows. Section 2 evaluates previous studies on regulatory as well as other logistics related costs of trade between India and Bangladesh along this route. Section 3 deals with the issues related to logistics to cross the border at Petrapole-Benapole route. Section 4 describes the framework, methodology and sampling design adopted in this paper. Sections 5 and 6 report our findings. Finally, the last section gives the policy implications following from the study.

2. PREVIOUS STUDIES ON COSTS OF INDIA-BANGLADESH TRADE THROUGH PETRAPOLE

To our best knowledge, there have been four notable studies in the past that have attempted to quantify the cost for movement of cargo from Kolkata to Petrapole by road. These are the studies by Pohit and Taneja (2000), Subramanian and Arnold (2001), Das and Pohit (2003) and De and Ghosh (2008). These studies measured costs occurred due to loss of time at different stages of trade transaction processes including (i) securing export license, (ii) procedural delays at the customs, (iii) processing at the banks, and (iv) movement of merchandise.[1] Furthermore, Das and Pohit's (2003) study separately analysed the loss of time at parking, crossing of border, unloading at Benapole and crossing of border while returning that the other studies did not cover. A comparison of these three studies is given in Table 4.1 in terms of their coverage.

3. LOGISTICS INFRASTRUCTURE OF THE KOLKATA-PETRAPOLE ROUTE

The land ports in West Bengal are the major gateways for trading with Bangladesh in terms of volume and value. The three most important LCSs in West Bengal are Petrapole, Mahadipur and Hilli. Among these, Petrapole is the most important one. Of course, its proximity to Kolkata, the trading hub of Eastern India, gives it natural vantages over other land ports in West Bengal.

Petrapole is strategically located about 100 km from West Bengal's capital city Kolkata. The commodities traded through Petrapole land port originate from different parts of the country. The final transhipment of most of the traded commodities happens at Kolkata prior to being transported to the Petrapole border by trucks. Kolkata and Petrapole land port are connected through the National Highway 35, which is also known as Jessore Road. Delay in reaching the consignments through this route is normal due to heavy traffic congestion, poor road conditions and also because of narrow width of the road that are full of encroachments.[2]

The traffic movement is hampered due to very congested towns like Barasat, Dutta Pukur, Ashoknagar, Habra and Bongaonen *route* from Kolkata. Moreover, encroachments by hawkers and three railway crossings play their role to slow down truck movements. The narrow Naobhasa Bridge about 3 km prior to Petrapole is another major hurdle for the transportation. The transporters' charge in the Kolkata-Petrapole-Benapole route in 2003 was around Rs. 2543 for 95 km vis-à-vis Rs. 1752 in other national highways. The average transportation cost per kilometre in 2003 was about Rs. 27 on this route as compared to Rs. 18 on other national highways.

According to Das and Pohit (2003) the delay used to take place at the following places: (i) parking lot, (ii) customs clearance and (iii) entry/exit point.

[1] Das and Pohit (2003)

[2] The width of Jessore road is only 16 feet.

Table 4.1 Comparison of Various Studies

Factors/Elements	Study			
	Pohit and Taneja (2000)	Subramanian and Arnold (2001)	Das and Pohit (2003)	De and Ghosh (2008)
Transportation Cost:				
Cost per kilometre/cost per truck	No	Yes	Yes	Yes
Cost as proportion of annual total exports/single shipment	Yes	No	Yes	No
Loss of Time in:				
Obtaining export license	Yes	No	Yes	
Loading at Kolkata	No	No	Yes	Yes
Transportation	Yes	Yes	Yes	Yes
Parking	No	No	Yes	Not separately
Customs clearance	Yes	Yes	Yes	Not separately
Crossing of border	No	No	Yes	Not separately
Unloading at Benapole	No	No	Yes	Yes
Crossing of border while returning	No	No	Yes	Yes
Export remittances	Yes	No	Yes	No
Loss Perceived by Exporters – Cost Implications:				
Due to delay in customs clearance and transportation including parking and queue at border	No	Yes	Yes	Not separately
Due to delay in obtaining export remittances	No	No	Yes	Not separately
Trading Costs other than Transportation:				
Incidence of bribes (speed money)	Yes	Yes	Yes	Not separately
Cost of credit	Yes	No	Yes	No

Note: All the above studies have analysed these costs in respect of Petrapole-Benapole border.

Source: Computed from Das and Pohit (2003)

It was mandatory for the trucks coming from Kolkata during daytime to park at Bongaon Municipality Parking instead of moving directly towards the Central Warehousing Corporation (CWC) parking lot, which is situated near the border gate and adjacent to the Indian Customs House. The trucks are allowed to move serially towards the Petrapole border based on their entry coupons only after 11 pm in summers and after 10 pm in winters. At the border, the trucks are again made to park at the parking space of CWC. After getting the clearance from the Indian customs authority, the trucks can cross the border between 10 am and 5.30 pm (ibid).

The study by Das and Pohit (2003) also suggested that the existing customs clearance procedures at the border were not transparent as well as used which led to significant costs and delays. The clearing agents were key resources for the exporters for all paper works at the border who were employed on a commission basis. De and Ghosh (2008) asserted the same as their study revealed that complex procedural requirement enhances the possibilities of corruption. In spite of appointing clearing agents and paying bribes to the customs officials, customs clearance requires

much more time than it should require according to the expectations of exporters.[3] It was also reported that though no official fees for paper work were mandated at customs office, exporters had to pay for the overtime allowances to the customs staff if their consignment needed to be cleared on holidays or before/after the scheduled working hours at the customs office.

In 2003, the entry point at the Petrapole border had a single gate, which was used for all purposes, viz. exports, imports and passenger movement. Only one truck was allowed through the gate which used to lead to congestion. Even the timing of the trucks to pass the border along with all the other factors used to lead to significant wastage of time and additional transaction cost.

Of course, the situation has improved over the years with the focus on Act East Policy. However, a few major bottlenecks in this route still exist:

- The last 7-km stretch from Bongaon town to Petrapole border is still found severely congested and is a major reason for delay;
- Pilferage near the Petrapole border during the waiting time for the trucks for long hours due to traffic is still a common phenomenon;
- There are shortage of parking space at the Petrapole border and also of the other basic amenities that are needed;
- The number of loading/unloading stations at the border are limited and that leads to further increase in the waiting time for trucks;
- The police and RTO officials continue to harass the drivers close to the Petrapole border.

4. METHODOLOGY AND DATA

The present study is a small part of a larger all-India based study undertaken by NCAER on logistics (Pohit *et al.*, 2019b). This paper has used only relevant data for Petrapole to understand the changes that have taken place between 2003 and 2019. The data for our study comes from a primary survey conducted during 2019. The primary survey included interactions with the logistics firms (third party logistics, second party logistics, others), standalone warehouse operators, end users managing own logistics (first party logistics), freight forwarders/clearing agents, transporters, end users (manufacturing companies as well as standalone importers) and port authorities/experts. Interviews were conducted with two sets of stakeholders to collect data. Firstly, interviews with the senior managements of the companies were conducted using a semi-structured questionnaire. It is well understood that the senior managements of companies at either the corporate offices or regional offices would be well versed of relevant information about the sector and can provide the same with views from top level as well as the grass root level. Hence, in-depth discussions were held with this group with open-ended questions to obtain facts as well as their perceptions about various aspects of the logistics sector. However, certain information such as logistics costs and the similar ones that are standard hard numbers in nature was captured through structured questionnaire from this group as well as others. For Kolkata-Petrapole route, the cost estimates are based on exports of Fast-Moving Consumer Goods (FMCG products) through the Kolkata-Petrapole route. It also interacted with the

[3] Refer, Das and Pohit (2003)

logistics service providers (second party logistics/third party logistics players, for instance), end users managing logistics on their own, freight forwarders and ICD/CFS, industry associations, among others. In sum, 50 stakeholders in all were interviewed.

In this study, we have also attempted to estimate the logistics cost of moving cargo on this. It must be mentioned that there is no standard world wide nomenclature that defines logistics costs (Pohit *et al.*, 2019a). Broadly speaking, the following are considered to be the core elements of logistics costs namely, handling and loading/unloading costs, packaging cost, insurance cost, transportation cost and management and administration costs. However, surveying the literature on measurement of logistics cost, we have included a few additional logistics costs components for measuring the total logistics cost of India as indicated in Table 4.2. Note that we have incorporated the speed money (i.e. bribes) as part of the logistics cost as it is very much embedded in India's transportation system.

Table 4.2 Logistics Cost Components

Transportation
Other Logistics Cost Element • Material Handling • Warehousing • Administration Cost • Cost of Logistics Equipment • Documentation • Insurance Cost • IT – Hardware & Software Cost • Logistics System Management • Marketing Cost • Packaging Costs • Speed Money • Software & Maintenance

Source: Authors' compilation

5. RESULTS

The survey finds that about 70 per cent of the cargo is transported using containers or closed body vehicles. The majority, about 70 per cent, of the containers used in this route are 20 feet in length. The integrated service providers are key players in this route and they handle about 70 per cent of the total export cargo from India to Bangladesh.

Although the distance to be covered is just 80 km, at present, the transportation time amounts to 12 hours due to the traffic congestion as exhibited in Table 4.3. The average cost of transportation is estimated to be Rs. 4.5 per ton-km for 16 tonnage truck.[4] The cost of transportation per tonne km on the route was relatively higher in 2019 also primarily due to traffic congestion in the route and high waiting time for unloading the goods at the station for customs clearance that the export consignments need to face.

[4] The average cost of transportation per tonne-km includes the cost of transportation and other direct and indirect expenses incurred during transportation. It does not include expenses incurred for other logistics activities.

Table 4.3 Time and Cost for Transportation

Average Total Time (including Stoppage Time) – 12 hours		**Cost per Tonne Km in INR**	
Time (hour/ km) – Kolkata-Petrapole route	Time (hour/ km) – National average	Kolkata-Petrapole route	National average
0.15	0.06	4.5	2.89

Source: Pohit *et al.* (2019b)

The average cost of logistics is estimated to be Rs. 7.2 per tonne km. This is on a higher side in comparison to the estimated national average of Rs. 5.44 per tonne km across 22 major exporting routes of India (Pohit *et al.*, 2019b).[5] The study has also estimated the average share of different sub-components of the overall logistics costs. As presented in Figure 4.1, the estimates show that the share of transportation cost is about 61 per cent of total logistics cost. In comparison to that study, this amounts to 10 per cent lesser in other routes at about 50 per cent.

The study has also presented the time taken in hours for logistics purposes, which is exhibited in Figure 4.2. It is noteworthy to mention that that while the actual time taken for transportation in this route is 7.2 hours, the waiting time at the border is nearly 5 hours. This suggests how the exporters' transaction cost is increasing in this route because of transport as well as the waiting time in transit. The efficiency of this route in terms of time required as measure in logistics time in hour per km is 0.95 which is much higher compared to the national average of 0.41 hour per km (Pohit *et al.*, 2019b).

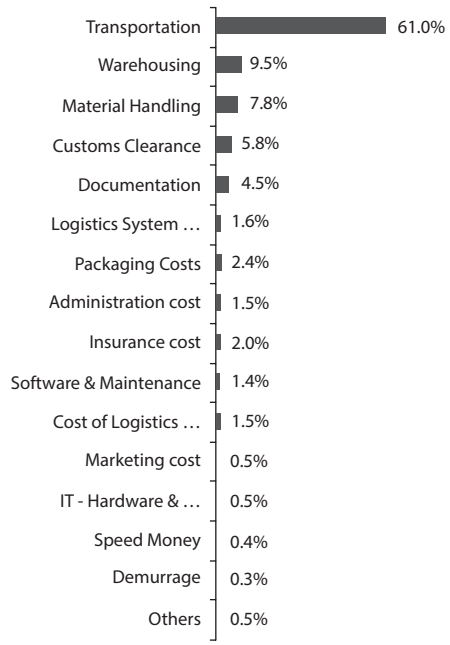

Fig. 4.1 Shares of Sub-components of the Logistics Cost in Per Cent

Source: Pohit *et al.* (2019b)

[5] The routes covers airport, seaport as well as other 2 other land port.

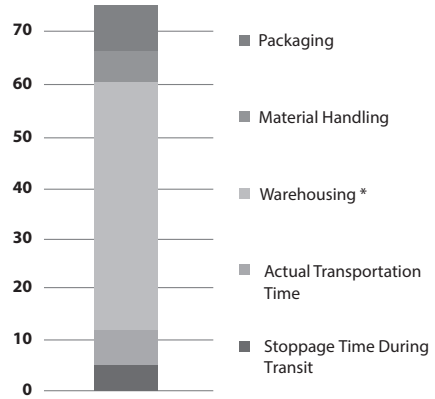

Fig. 4.2 Logistics Time in Hours by Activity

Source: Authors' own

To understand the impediment points of exporters in this route, the survey captured their perceptions related to transport and port ecosystem. The perception about the transport ecosystem was captured through rating. Higher the challenge faced, higher is the rating. The ratings vary between 0 to 10, where 0 represents no challenge at all and 10 represents extreme level of challenge. The parameters examined are as follows: (i) road condition including signage; (ii) ease of customs and documentation; (iii) harassment by RTO officials; (iv) port infrastructure; (v) pilferage/leakage of consignments; (vi) parking and other basic amenities; (vii) harassment by police; (viii) need to pay bribe, etc.

The feedback from the exporters from our interaction is given in Figure 4.3. The diagram clearly shows that in terms of all the above parameters, the rating hovers in the range of 8–10, which signified enormous challenge for the exporters to operate in this route. The only exception to some extent is pilferage with relatively lower score at 6 signifying marginally better compared to the rest of the challenges they face. When asked about cost related feedback, it is estimated that on an average 5 per cent of the total transportation cost is spent for bribes.

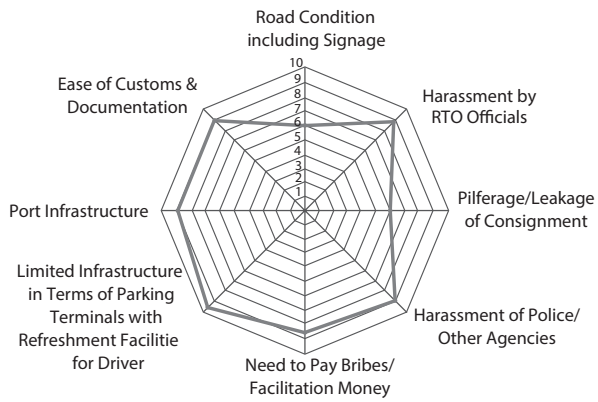

Fig. 4.3 Rating of Challenges Faced by the Exporters

Source: Authors' own

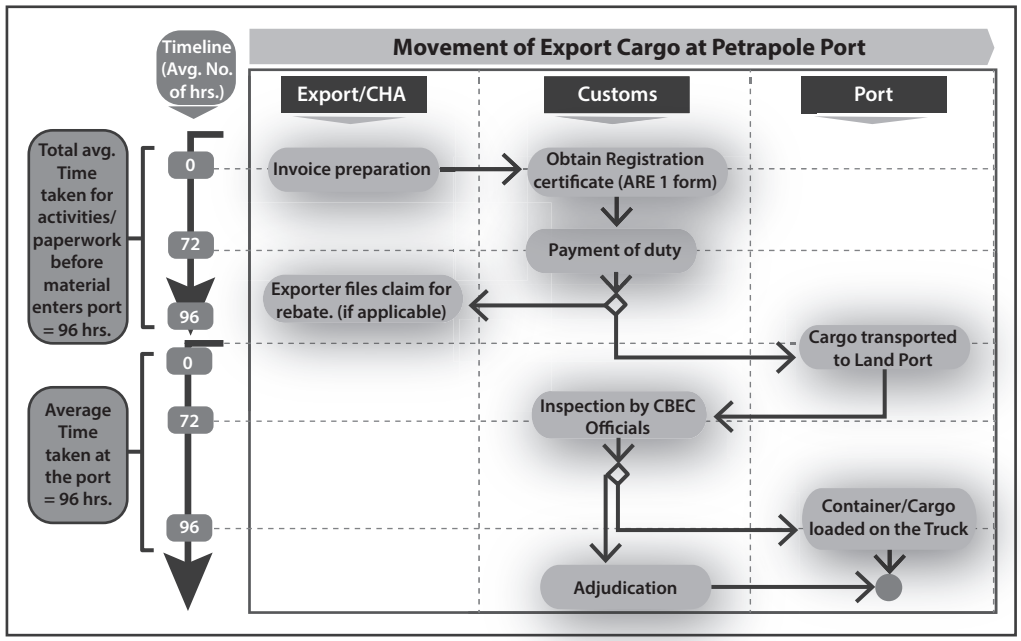

Fig. 4.4 Cargo Movement at Petrapole Land Port (in Hours)

Source: Pohit *et al.* (2019b)

The survey also captured the time they spend for one consignment in two phases. The first one is before entering into the port for various paper works etc. and the second one is once the consignment enters into port area till it is finally gone out of the port and loaded on the vehicle for dispatch. This is presented in Figure 4.4. The data suggests that in both phase 1 and phase 2 in each it takes about 96 hours on an average.

6. CONCLUDING REMARKS

At present, West Bengal is the largest transportation hub within India for trade with Nepal/ Bangladesh and Bhutan. Among them, Petrapole is the important one for trading with Bangladesh. However, the facilities have not coped with the pace of growth of trade with Bangladesh leading to "open smuggling" at the border area, with law-and-order ramifications. The direct and indirect employment generation from these activities, viz. being the transportation hub, are large and as such warrants attention from the government for creating atmosphere for the growth of these kind of activities. If one considers also the livelihood of people who are associated with the smuggling activities due to the shortcoming of the formal channel, it seems logical that the state government needs to address the grievances of transporters/exporters in the context of India-Bangladesh trade, etc. just like any other industries. This study has made an attempt to stress the importance of trade-facilitation measures at the India-Bangladesh border for efficient movement of goods through the LCSs. Besides, it has specifically tried to quantify the logistics costs of exporting FMCG products from Kolkata.

The average cost of logistics is estimated to be Rs. 7.2 per tonne km. This is on a higher side in comparison to the national average is Rs. 5.44 per tome km as estimated by Pohit *et al.* (2019b). The efficiency of this route in terms of time required as measure in logistics time in hour per km turns out to be is 0.95, which is much higher compared to the national average of 0.41 hour per km across various major exporting routes of India.

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ARTICLE 5

Cross-Line of Control Trade through Jammu and Kashmir: Impediments and Way Forward

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Abstract: *Cross-Line of Control (LoC) trade, the most successful confidence building measure (CBM) between India and Pakistan was suspended in April 2019. Limited in visibility but extensive in impact, LoC trade not only created monetary value but also emotional value. Till its suspension, LoC trade had formulated a trade ecosystem of its own by generating a cumulative trade of around US$ 1270 Million. Its suspension has impacted livelihoods of several stakeholders including traders, businesses, transporters and labourers. This paper discusses the challenges that were being faced by stakeholders prior to suspension, estimates the losses associated with suspension and proposes several steps that are needed to facilitate the trade across the LoC in a smoother, faster and more transparent manner.*

Keywords: Confidence Building Measures (CBM), India, Pakistan, Trade, Line of Control, Trade Facilitation

JEL codes: F10, F13, F50

Views are author's own. Usual disclaimers apply.

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1. INTRODUCTION

South Asia has been waiting to reap its full benefits of economic cooperation within the region. Though limited bilateral level cooperation is flourishing between the countries, the vital factor hampering the progress of South Asian regional cooperation is the volatile political relationship between India and Pakistan. While there are tremendous gains to be realised from cooperation, the relationship between the two countries has been subject to wars, lack of trust and hasty politics, which has hampered the constructive economic integration between the two countries and within the South Asian region.

The impact of volatile political relations on trade can be witnessed the most in the year 2019. In the wake of the Pulwama attack in February 2019, India decided to withdraw the Most Favoured Nation (MFN) status to Pakistan and subsequently imposed 200 percent customs duty on all Pakistani goods coming into India. After the Balakot airstrikes, again in February 2019, India and Pakistan closed their airspace, with Pakistan keeping the ban in place for nearly five months. In April 2019, India suspended trade across the Line of Control in Jammu and Kashmir citing misuse of the trade route by Pakistan-based elements. Post the Jammu and Kashmir Reorganisation Bill in August 2019, Pakistan cut off diplomatic and economic ties with India—expelling the Indian envoy, partially shutting airspace and suspending bilateral trade (Hussain and Singla, 2020).

A review of the economic relationship between the two countries does suggest that there have been multiple phases of "good" political relations which have had a positive impact on the levels of economic cooperation. Post 2011-12, when the trade normalisation dialogue between the two countries began, multiple steps by both governments resulted in elevated trade ties between the two countries. Trade increased from US$ 1.93 billion in 2011-12 to US$ 2.6 billion in 2012-13 and had been hovering around US$ 2-3 billion since then. This value is well-below its estimated potential of US$ 37 billion (Kathuria, 2018). This significant trade potential could not be realised due to multiple non-political factors as well, including impediments in transport and transit facilities, restrictive visa regime, continuation of large informal trade flows and presence of 'perceived' non-tariff barriers to trade between India and Pakistan (Taneja *et al.*, 2013).

The bilateral economic engagement between India and Pakistan has existed in multiple forms, including the regular international trade, barter trade through LoC in Jammu and Kashmir and indirect trade via third countries:

- International trade between India and Pakistan takes place via air, sea, road and rail routes following all the policy regulations related to international trade. The trade via land route happens through Attari-Wagah border in Amritsar while the trade through rail takes place through goods train and passenger train (Samjhauta Express). The international trade has been often hampered owing to the bilateral political tensions and has been subjected to several tariff and non-tariff measures imposed by both countries. In 2018-19, bilateral trade was recorded at US$ 2.56 billion. Trade balance has been in favour of India with around US$ 2 billion being exported from India to Pakistan and around US$ 500 million being

imported from Pakistan to India. This trade eventually succumbed to the political tensions between the two countries and was suspended by Pakistan in August 2019.

- Barter trade across two points on the LoC in Jammu and Kashmir was initiated in October 2008. LoC trade, which is a duty-free trade and without any financial mechanisms, was initiated as a confidence building measure (CBM) between India and Pakistan. The trade takes place across two routes of Srinagar-Muzaffarabad in Kashmir and Poonch-Rawalakot in Jammu with the provision of 21 listed commodities that can be exchanged through this trade. The total trade across the LoC in 2018-19 was US$ 95 million (Hussain and Singla, 2020), which is minuscule in comparison to the overall international trade between India and Pakistan. This trade was initiated to create a peace constituency and connect the divided families of Jammu and Kashmir through economic engagement. Cross-LoC trade was suspended by the Government of India in April 2019 citing security reasons and is yet to be resumed (Government of India, Ministry of Home Affairs. 2019).
- Informal trade that has been taking place in large volumes, mostly via third countries such as Dubai. This trade is a sort of "evasion" mechanism for traders from the volatile political situation. It is the trust deficit and the lack of confidence on direct trading mechanism by the business community in the two countries that this trade thrives on. A study by Bureau of Research on Industry and Economic Fundamentals (BRIEF), estimates the informal trade between India and Pakistan to be close to US$ 2.34 billion in 2018. About 92 percent of this trade takes place via United Arab Emirates (Singla and Arora, 2020).

While there has been a plethora of studies on India-Pakistan economic engagements covering the aspects of direct international trade between India and Pakistan and the informal trade between the two countries exists, the literature on the Cross-LoC trade is minimal with a limited research focusing on this subject (Hussain and Singla, 2020; Hussain and Sinha 2016; Padder, 2015; Kira, 2011; Pattanaik and Anant, 2010). Against this backdrop, the objective of this article is to describe the background of commencement of cross-LoC trade and examine the institutional framework governing cross-LoC trade. The article also assesses the trends in the cross-LoC trade. Since its inception, while cross-LoC trade has shown a surge in volumes, it has also been hampered by multiple infrastructural and policy bottlenecks. Based on the past ground research conducted by the author and interaction with the various stakeholders related to Cross-LoC trade, the article highlights the gaps which have hindered the growth of this trade in the past. The paper concludes with the way forward by suggesting necessary reforms to facilitate the trade in a smooth and transparent manner across the Line of Control. Rest of the article is arranged as follows: Section 2 presents the background, institutional policy framework and modalities of cross-border trade. Trends in cross-LoC trade and challenges to cross-LoC trade are then discussed in Section 3 and Section 4, respectively. Section 5 presents Conclusions and way forward.

2. CROSS-LOC TRADE: BACKGROUND, INSTITUTIONAL POLICY FRAMEWORK AND MODALITIES

Continuous political engagement at the highest level between New Delhi and Islamabad during the years 2003 to 2005 culminated in fructification of two of the biggest confidence building

measures between India and Pakistan: Cross-LoC Travel and Cross-LoC Trade. Travel along the Line of Control in Jammu and Kashmir was officially opened for the first time in 2005. This was followed by the commencement of trade across the LoC in October 2008 through two trade routes, namely, Srinagar–Muzaffarabad in Kashmir and Poonch–Rawalakot in Jammu. The announcement and implementation of these confidence building measures was expected to enhance economic cooperation between the two sides of Kashmir and was much appreciated by people on both sides as it created some sense of "economic engagement" across the Line of Control.

2.1 Background of Cross-LoC Trade

The process of establishing Cross-LoC confidence building measures gained momentum after the ceasefire between India and Pakistan in 2003. Post a meeting between the then Prime Minister of India, Atal Bihari Vajpayee and President of Pakistan, Parvez Musharraf on the sidelines of the SAARC Summit in Islamabad in 2004, President Musharraf assured Prime Minister Vajpayee that any part of the territory under Pakistan's control would not be allowed to be used to support terrorism against India. This event—which marked a new beginning, entailing implementation of CBMs in Kashmir—led to the two countries agreeing in February 2004 to commence the process of Composite Dialogue (Pattanaik and Anant, 2012). The foreign secretaries of both the countries met in the same month to start the same.

Trade and travel across the LoC were among the key elements in the multiple CBMs proposed by India. In September 2004, Pakistan President Parvez Musharraf and Indian Prime Minister Manmohan Singh met in New York and agreed that "confidence building measures (CBMs) of all categories under discussion between the two governments should be implemented keeping in mind practical possibilities". This gave the necessary impetus towards the implementation of the CBMs of cross-LoC trade and travel. The modalities of cross-LoC travel were finalised in February 2005, following which the Srinagar–Muzaffarabad bus service was inaugurated on April 7, 2005 and Poonch–Rawalakot route was opened for travel on June 20, 2006.

The year 2008 witnessed major developments as far as trade across the LoC is concerned. The foreign ministers of both the countries, in a meeting held on May 21, 2008, agreed to allow intra-Jammu and Kashmir trade and truck services. Subsequently, in a meeting of the India-Pakistan Joint Working Group (JWG) on July 18, 2008, focus was on simplifying the procedure of issuing cross-LoC travel permits, increasing the frequency of Srinagar–Muzaffarabad bus service launching a postal service between the two cities, expediting cases of inadvertent crossings of the LoC and discussing the items to be allowed for trade through the truck service. On September 22, 2008, the modalities regarding the movement of trucks, code of conduct for the drivers, permits, security, timings and list of items to be traded were agreed upon between India and Pakistan to conduct cross-LoC trade. Following this, cross-LoC trade on the Srinagar–Muzaffarabad and Poonch–Rawalakot routes commenced from October 21, 2008 (Padder, 2015). Twenty-one items were allowed for duty-free passage from each side.

Table 5.1 Background of Cross-LoC Trade: Chronology of Events

November 2003	India and Pakistan declared ceasefire along the LoC and lay ground for initiating a peace process.
September 2004	The then foreign ministers of India and Pakistan, Natwar Singh (2004-05) and Khurshid Kasuri (2002-07), respectively, conducted a meeting in New Delhi. Indian authorities proposed 72 CBMs in various spheres, including trade and travel across the LoC.
December 2004	Shyam Sharan, a former Indian foreign secretary (2004-06), announced that pertaining to the humanitarian issues affecting people on both sides of the LoC, India has put forward "a proposal for meeting of families in Kashmir at five places, on designated days and periods of time, under joint security arrangements". The proposed places included Mendhar, Poonch, Suchetgarh, Uri and Tangdhar.
February 2005	The modalities of cross-LoC travel were finalised. Foreign Minister Khurshid Kasuri announced this in Islamabad in a joint statement with his Indian counterpart Natwar Singh after talks between the two.
April 2005	First bus service from Srinagar to Muzaffarabad was flagged off by then Indian Prime Minister Manmohan Singh.
June 2006	Cross-LoC bus service was inaugurated from Poonch to Rawalakot through Chakan-Da-Bagh and Tatrinote points.
May 2008	The foreign ministers of India and Pakistan agreed to a series of Kashmir-specific CBMs—a triple-entry permit to facilitate crossing the LoC and increase the frequency of Muzaffarabad–Srinagar and Rawalakot–Poonch bus services from a fortnightly to a weekly basis and to finalise modalities for intra-Kashmir trade and truck services.
September 2008	The modalities regarding the movement of trucks, code of conduct for drivers, permits, security, timings and list of items to be traded under cross-LoC trade were agreed upon between India and Pakistan.
October 2008	Trade across the LoC commenced with the first truck crossing the LoC through Srinagar–Muzaffarabad route. This trade was limited to 21 items and scheduled to take place two days each week. A second trade route across the LoC was opened, connecting the cities of Rawalakot and Poonch.
July 2011	The then foreign ministers of India and Pakistan, S M Krishna (2009-12) and Hina Khar (2011-13), respectively, met in New Delhi to discuss ways to improve travel and trade across Kashmir.
February 2014	Trade across the LoC in Kashmir resumed after being suspended for a month, after Indian authorities detained a Pakistani truck driver for allegedly carrying 114 kilograms (250 pounds) of heroin.
March 2019	Trade along the Srinagar–Muzaffarabad route temporarily suspended for repair of a bridge over a water channel in parts of Chakothi sector.
April 2019	India's Ministry of Home Affairs ordered suspension of cross-LoC trade citing misuse by Pakistan-based elements for funneling illegal weapons, narcotics and fake currency.

Source: Hussain and Singla (2020)

Since the commencement of Cross-LoC trade in 2008, as part of a CBM between India and Pakistan; the measure is considered to be one of the most significant CBMs taken by the two countries in recent history. This was expected to enhance economic cooperation between the two sides of Kashmir and eventually between India and Pakistan. Though initially this trade was in

the limelight and did serve its purpose, but over time the trade came into scrutiny for multiple unfavourable reasons which eventually also became the reason for the suspension of this trade in April 2019. A snapshot of the chronology of events leading to the initiation of Cross-LoC trade is given in Table 5.1.

2.2 Institutional Framework of Cross-LoC Trade

Barter trade involving no-financial transaction was permitted across the LoC between India and Pakistan via the land route on the Srinagar–Muzaffarabad (at Uri) and Poonch–Rawalakot trade route on October 21, 2008. No goods of third country origin are allowed to be traded through these routes. The trade framework is guided by a Standard Operating Procedure (SOP[1]) issued by the Ministry of Home Affairs, Government of India. On the Pakistan side, Trade and Travel Authority (TATA) is the regulatory authority for Cross-LoC trade. The SOP, agreed between India and Pakistan, lays down the conditions of the trade regarding the protocols for movement of trucks, security protocols, commodities to be traded, number of trucks to be exchanged, frequency of trade days, etc. The LoC trade is a "zero-tariff trade" which does not involve any duty payment and trade balancing ("Trade In" balanced with "Trade Out") happens every three months.

Box 5.1: Key Features of Cross-LoC Trade

- Nature of the trade is 'barter'.
- Agreed list of 21 commodities (not based on HS Code) can be exchanged.
- Trade is allowed through Srinagar–Muzaffarabad and the Poonch–Rawalakot routes.
- Cross-LoC trade is governed by a Standard Operating Procedure (SOP) issued by the Ministry of Home Affairs, Government of India.
- Trade takes place 4 days a week on Tuesday, Wednesday, Thursday and Friday. A total of about 70 trucks are exchanged every day.
- Since cross-LoC trade is not international trade, the exports and imports are called 'traded out' and 'traded-in' goods, respectively.

Source: Hussain and Singla (2020)

Initially, the trade was allowed to take place on two days (Tuesday and Wednesday) and 25 trucks from both sides were allowed to cross the LoC on each of these trade days. However, following Foreign Ministerial level talks between Pakistan and India in July 2011, this trade was allowed to take place on four days a week, Tuesday, Wednesday, Thursday and Friday (Government of India, 2011).

A list of 21 tradable items was mutually agreed upon by both the countries which comprised of items such as fruits, vegetables, carpets, medicinal herbs and dry fruits. It is important to mention that the list of tradable items is not based on the Harmonised System (HS) of international trade classification. The list of tradable items is given in Table 5.2.

[1] SOP can be accessed online at http://jkindustriescommerce.nic.in/Guidelines/SoP%20of%20Cross%20LoC.pdf.

Table 5.2 List of Items Allowed to be Traded Across the LoC

S. No	Trade-In Products (in J&K)	Trade-Out Products (from J&K)
1	Rice	Carpets
2	Jahnamaz and Tusbies	Rugs
3	Precious stones	Wall hangings
4	Gabbas	Shawls and stoles
5	Namdas	Namdas
6	Peshawari leather chappals	Gabbas
7	Medicinal herbs	Embroidered items including crewels
8	Maize and maize products	Furniture including walnut furniture
9	Fresh fruits and vegetables	Wooden handicrafts
10	Dry fruits including walnuts	Fresh fruits and vegetables
11	Honey	Dry fruits including walnuts
12	Moongi	Saffron
13	Imli	Aromatic Plants
14	Black mushrooms	Fruit bearing plants
15	Furniture including walnut furniture	Dania, moongi, imli and black mushrooms
16	Wooden handicrafts	Kashmiri spices
17	Carpets and rugs	Rajmah
18	Wall hangings	Honey
19	Embroidered items	Papier mache products
20	Foam mattresses, cushions and pillows	Spring, rubberised coir/foam mattresses, cushions, pillows and quilts
21	Shawls and stoles	Medicinal herbs

Source: Hussain and Singla (2020)

While the product list consisted of 21 commodities, the trade was being conducted in a select list of products given the demand and viability aspects (Table 5.3). The major commodities traded through Uri on the Srinagar–Muzaffarabad trade point included kinnow, mango, medicinal herbs, banana, chilli flakes, jeera, seasonal fruits and vegetables. Hard shelled almonds, imli, medicinal herbs, grapes, banana and walnut were the major items exchanged at Poonch through Poonch–Rawalakot route.

Table 5.3 Top Products Actually Traded across the LoC (2018-19)

S. No	Trade-In Products		Trade-Out Products	
	To Uri	To Poonch	From Uri	From Poonch
1	Kinnow	Hard-shelled almond	Banana	Jeera
2	Mango	Medicinal herbs	Jeera	Imli
3	Medicinal herbs	Walnut	Chilli flakes	Banana
4	Walnuts		Embroidered items	Grapes
5	Dates		Almond giri and almond	Pineapple
6	Pista		Seasonal fruits and vegetables	

Source: Hussain and Singla (2020)

2.3 Modalities of Cross-LoC Trade

The cross-LoC trade is facilitated through Trade Facilitation Centre (TFC) set up at Salamabad, Uri on the Srinagar–Muzaffarabad route and Chakan-Da-Bagh on the Poonch–Rawalakot route. The cargo once cleared at the TFC Salamabad and TFC Chakan-Da-Bagh can cross the line of control. At TFC, the custodian of goods is the Trade Facilitation Officer (TFO) who follows the SOP issued towards this trade. The cargo can cross the LoC only after being cleared by the respective TFOs designated at the TFCs. The role of the TFO is to check whether the items being traded are falling under the agreed list of 21 tradable items along with the documentary compliance. Required documents include proforma invoice, cargo manifest, packing list, single-entry permit (with driver and truck details) and security wingcertificate. Being a barter trade, quarterly trade balance statements are submitted by traders to the TFO. Trade balance is maintained by each authorised trader wherein the person has to ensure that trade-out is equal to trade-in for each quarter, for a particular trader.

As mentioned in Table 5.4, there are around 610 traders operating in Jammu and Kashmir (Uri and Poonch), whereas around 500 traders are operating from the other side of LoC at Muzaffarabad and Rawalakot point. While registered traders is high, the actual traders doing trade is significantly lower. This trade has primarily been taking place through middlemen since trade balancing is to be done by each trader, i.e. balancing the trade-in with trade-out or vice-versa in three months. It is difficult for a trader who is getting goods (trade-in), from Muzaffarabad/Rawalakot, to send goods (trade-out) within three months given the market conditions, demand supply, costing, etc. A trader is supposed to undertake both trade in and trade out to comply with the barter trade balance, which may not be a normal case for a trader. As a result of this compliance, traders sometimes have to incur losses and the profits earned due to previous trading get hampered. This has given rise to middlemen who have networks on both sides of the LoC and deal in multiple commodities with both trade in and trade out options. As a result of the middlemen framework, lesser number of actual business communities are involved and more middlemen/commission agents are prevalent in this trade.

Table 5.4 Number of Registered Traders (2018-19)

TFC	Number of Registered Traders
Chakothi (Muzaffarabad)	120
Tetrinote (Rawalakot)	350
Salamabad (Uri)	230
Poonch	380

Source: Hussain and Singla (2020)

Security is one of the prime concerns for this trade. Multiple security agencies including Jammu and Kashmir Police, CID, Border Security Force, etc are involved in the screening of the trucks at various points from the time trucks cross into Salamabad (Uri)/Poonch till they reach TFC, which is located around eight km from the LoC in Uri. The trucks are escorted by the security vehicles from the LoC till the TFC, where the documentary compliances and security protocols are undertaken. At the TFC, goods are unloaded from the trucks for the documentary compliance

and security checks which include scanning as well as physical inspection are carried out. After unloading the goods, empty trucks return back to Muzaffarabad/Rawalakot on the same day. Post documentary compliance and security clearance, 'out pass' is issued for the goods to be moved out of the TFC, in the local J&K truck, to its destination in Srinagar/Jammu or other location. Similarly, incase of 'trade out' of goods from Salamabad Uri trading point on the Srinagar–Muzaffarabad route, goods will arrive at the TFC Salamabad and will go through the multiple security checks including the verification of the drivers/cleaners. Post clearance, the goods will cross over through the LoC and reach Muzaffarabad TFC wherein documentary and security formalities will be undertaken as per the SOP before empty trucks arrive back in Salamabad TFC. Figure 5.1 summarises the movement of trucks/goods from Muzaffarabad TFC to Salamabad TFC in Uri (Srinagar–Muzaffarabad route).

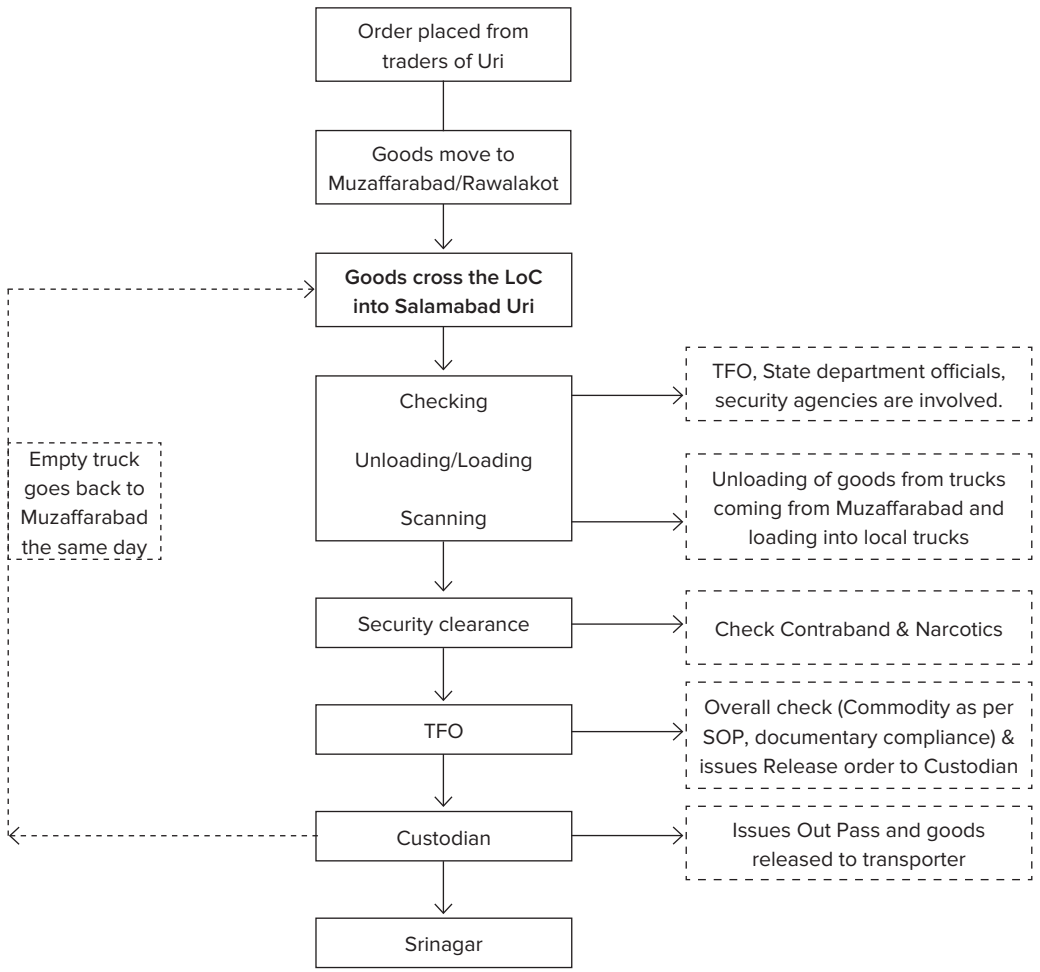

Fig. 5.1 Modality of Movement of Goods from Muzaffarabad to Srinagar[2]

[2] Based on author's interaction with traders.

3. TRENDS IN CROSS-LOC TRADE

Beginning October 2008, cross-LoC trade was operational for almost over a decade before it was suspended in April 2019, by the Ministry of Home Affairs, Government of India citing concerns about misuse by Pakistan-based elements, involving illegal inflows of weapons, narcotics and currency (Government of India, 2019).

The volume and value of cross-LoC trade is significantly low in comparison to overall trade between India and Pakistan and has accounted for less than 1 per cent of total India-Pakistan trade during the period 2008-19. The annual value of trade has increased from US$ 0.77 million in 2008-09 to US$ 95.9 million in 2018-19 (Hussain and Singla, 2020).

In over 10 years, cumulative trade of US$ 1270.20 million from two trading points was carried with Srinagar–Muzaffarabad trade points having around 75 per cent share of this trade. The trade value was steady over the years with some dips in between primarily due to temporary interruptions on account of operational stoppages and political skirmishes between India and Pakistan. The trade showed positive trends since inception with considerable rise in 2014-15 and 2015-16, post which there was consistent decrease in the trade value till it was suspended in April 2019. In 2016, the trade came into the scrutiny of various government agencies for issues like narcotics, hawala, misrepresentations, etc. As a result, the agencies conducted raids and investigations across the TFCs which also resulted in the decline in trade.

Over the years the trade also created its ecosystem which included multiple stakeholders. This trade has engaged over 600 traders at two trading routes of Srinagar–Muzaffarabad and Poonch–Rawalakot recording a cumulative value of over US$ 1270.2 million (Table 5.5). It has also resulted in economic development of other stakeholders in the ecosystem which include transport operators, labourers at trade facilitation centers, goods suppliers, commission agents, labourers/agents/middlemen at mandi in bigger towns, etc. As a result of this trade, more than 1,70,000 job days and freight revenue of about INR 66.4 crores for transporters in Jammu and Kashmir, on account of 1,11,113 trucks exchanged till April 2019 and INR 90.2 crores was paid to labourers. Transport sector in J&K has been one of the key beneficiaries of this trade with around 1,11,113 trucks being exchanged at the two trading points, out of which over 75000 trucks have been exchanged through Srinagar–Muzaffarabad route alone (Table 5.6). The impact of cross-LoC trade has been immense on the overall ecosystem of political economy constituted by this confidence building measure which may be beyond the financials generated by this trade.

Table 5.5 Cross-LoC Trade, by Value, 2008-19 (US$ million)

Year	Salamabad, Uri			Chakan-da-Bagh, Poonch			Total Yearly	Exchange Rate	
	Trade In	Trade Out	Total	Trade In	Trade Out	Total		US$/INR	US$/PKR
2008-09	0.33	0.30	0.62	0.07	0.08	0.15	0.77	45.93	75.61
2009-10	11.12	15.14	26.25	14.63	14.39	29.02	55.27	47.44	83.12
2010-11	30.47	34.34	64.82	20.38	20.40	40.78	105.60	45.56	85.46
2011-12	46.23	50.99	97.22	14.19	15.63	29.82	127.03	47.92	88.2
2012-13	59.13	59.69	118.82	9.49	8.82	18.31	137.13	54.4	95.85

Year	Salamabad, Uri			Chakan-da-Bagh, Poonch			Total Yearly	Exchange Rate	
	Trade In	Trade Out	Total	Trade In	Trade Out	Total		US$/INR	US$/PKR
2013-14	39.39	45.02	84.41	10.53	12.43	22.96	107.37	60.5	102.89
2014-15	60.59	61.79	122.38	19.81	21.44	41.25	163.63	61.14	100.87
2015-16	62.69	81.33	144.01	19.32	16.53	35.84	179.86	65.46	103.94
2016-17	56.91	54.37	111.28	25.03	24.34	49.38	160.66	67	104.73
2017-18	47.41	63.12	110.52	9.38	17.06	26.44	136.96	64.63	108.1
2018-19	34.13	46.26	80.39	4.85	10.69	15.54	95.92	69.85	130.61
Total	**448.38**	**512.34**	**960.73**	**85.7**	**89.27**	**309.47**	**1,270.20**		

Source: Hussain and Singla (2020)

Table 5.6 Number of Trucks Crossed for Cross-LoC Trade, 2008-19

Year	Salamabad, Uri			Chakan-da-Bagh, Poonch			Total Yearly
	Number of Trucks for Trade-Out	Number of Trucks for Trade-In	Total	Number of Trucks for Trade-Out	Number of Trucks for Trade-In	Total	
2008-09	180	219	399	42	23	65	464
2009-10	1,830	2,662	4,492	1,492	1,560	3,052	7,544
2010-11	3,650	2,413	6,063	1,836	1,626	3,462	9,525
2011-12	4,406	2,960	7,366	2,020	1,255	3,275	10,641
2012-13	7,519	4,119	11,638	1,514	905	2,419	14,057
2013-14	5,152	3,299	8,451	2,151	1,231	3,382	11,833
2014-15	5,476	2,458	7,934	3,675	1,296	4,971	12,905
2015-16	4,323	2,179	6,502	3,220	1,063	4,283	10,785
2016-17	4,726	2,653	7,379	3,418	1,682	5,100	12,479
2017-18	5,193	2,539	7,732	2,770	999	3,769	11,501
2018-19	3,912	3,251	7,163	1,494	722	2,216	9,379
TOTAL	**46,367**	**28,752**	**75,119**	**23,632**	**12,362**	**35,994**	**1,11,113**

Source: Hussain and Singla (2020)

4. CHALLENGES TO CROSS-LOC TRADE

Before its suspension in April 2019, the cross-LoC trade had been operational for over a decade but the trade was continuously in focus due to various security and operational concerns. Some of these concerns were linked to the infrastructural and policy level deficiencies. Absence of scanners, lack of digital platforms to track the transactions, gaps in the SOP are some of the challenges that had hampered this trade to function smoothly and transparently. Based on past field survey and stakeholder consultations, this paper lists down several challenges that are imperative to resolve for re-initiating this trade with trust and transparency.

4.1 Infrastructural Challenges

4.1.1 Lack of Truck Scanners

According to the traders, the infrastructure at the trading points is insufficient. Absence of full body truck scanners leads to delays in the security examination of the goods which happens manually for each truck. The process of offloading the goods and then screening each consignment is cumbersome and would sometimes cause damage to the goods specially the perishable items. Given the security concerns at the trading points and the consistent increase in the number of trucks crossing every day, the delays and damage to consignments caused due to physical inspection and screening, in the absence of full body truck scanners, is inevitable.

4.1.2 Road and Allied Security Infrastructure

Once goods are cleared at the TFC, the trucks move to the crossing point (Kaman Post in case of Srinagar–Muzaffarabad Point) for the crossover to the other side of the LoC and deliver the goods at the TFC in Muzaffarabad. The road condition of nine km from Salamabad, Uri TFC to the Kaman post has been a point of concern for the traders as the roads are not in a very suitable condition. The condition of the road poses a threat to the truck movement along the road.

Additionally, X-ray machines, warehouses, CCTV cameras are in need of upgradation at the TFCs. In the absence of proper security infrastructure, the traders are suffering from delays in the clearance of the consignment which leads to additional transportation cost for the traders.

4.2 Absence of HS Code-Based Item List

As per the SOP issued by the Ministry of Home Affairs, 21 commodities are allowed to be exchanged through the cross-LoC trade. The commodity list given in the SOP is generic and does not refer to the HS code of the allowed items. This results in the ambiguity towards the items to be exchanged. For example: 'Fruits and vegetables' is allowed as per the SOP, while fruits and vegetables may consist of hundreds of individual items like apples, banana, kinnow, etc. Hence, in the absence of specific HS code-based product list, there are chances of misrepresentation of goods and under-invoicing. Over the years, absence of specific or HS code-based item list has resulted in confusion, towards the items to be allowed, among the traders as well as the regulatory authorities at the trading points. There have been instances in the past wherein trucks loaded with banana have reached the TFC, but have not been allowed to cross due to sudden ban leading to loss for the traders.

4.3 Ambiguity in 'Rules of Origin' Norm

The SOP is not clear on the rules of origin for the items to be exchanged through the LoC trade. In the absence of rules of origin in the SOP, it is open to interpretation by the traders and can sometimes lead to exploiting the market conditions and defying the 'country of origin' by exchanging goods which may not have been allowed like the goods from other countries like Sri Lanka, the US, etc. Sometimes absence of rule of origin also gets interpreted as trade between the two sides of Kashmir i.e. only the goods originating from Jammu and Kashmir can be exchanged

with the other side and vice-versa. This lack of clarity has also lead to suspension of a particular commodity in the past.

As a result of the lack of clarity on the 'rules of origin' there have been growing misapprehensions among the LoC traders and international India-Pakistan traders in Amritsar. The traders in Amritsar have been complaining that cross-LoC trade is being misused as a trade route and is restricting the market and competitiveness of India-Pakistan international trade through the international border at Attari in Amritsar.

4.4 Absence of Digital Platform

The trade procedures at the TFCs involve multiple documents and agencies before clearance to a consignment is granted. The documentation procedure has not been digitised at the TFCs. The traders submit their documents manually at the TFC and each agency processes the documents manually which results in delays for regulatory clearances. In the absence of digital platforms, advance submission of documents and consignments' details through online platform is not possible, resulting in clearance delays.

4.5 Lack of Awareness about Trading Practices

Traders involved in the cross-LoC trade have been vulnerable to multiple inefficiencies and undesirable trading practices. Lack of awareness of the trading mechanisms and best practices, particularly the accounting practices has been a roadblock in moving towards transparent cross-LoC trade. Given the background of the traders, there is a lack of understanding about the accounting formalities, record maintenance, tax regulations, financial management, etc. This has resulted in multiple irregularities in the trading patterns of traders which have also led to the scrutiny of various traders by the government investigation agencies in recent past.

Additionally, direct line of communication through telephone lines is restricted as the calling between the two sides of LoC is not allowed. Even though, traders are using online platforms and applications to make calls but the uncertain internet connectivity has hampered this communication as well. Other impediments like lack of clarity in the GST provisions while goods are moving out of Jammu and Kashmir resulting in domestic tax evasions and lower interaction among the trading communities of the two sides of the LoC resulting in prolonged trade disputes between parties have also been hampering the smooth functioning of this trade over the last decade.

5. CONCLUSIONS AND WAY FORWARD

Cross-LoC trade would not have sustained the political and security skirmishes between India and Pakistan if the emotional capital associated with this trade would not have existed. This trade was beyond the trade volumes and numbers. The barter exchange across the LoC opened a new chapter in the India-Pakistan engagements especially when it comes to initiatives on Jammu and Kashmir. It was this sentiment and the political will that this trade survived in one of the tense political scenarios i.e. in the aftermath of Mumbai terror attacks in November 2008, which was just one month after this trade started. Cross-LoC trade did manage to connect the two

divided sides of Jammu and Kashmir, thereby creating a constituency of peace in an otherwise tense region. Even though economically speaking, the trade volumes may be meager, but the emotional capital attached to this trade is way beyond the numbers (Hussain and Singla, 2019). At times, the term LoC has also been referred to as Line of Commerce and Line of Cooperation. The externalities generated by the trade in terms of its benefits to the local communities and connecting the divided sides of J&K has made this 'blind trade' flourish and continue in even the toughest political situations between India and Pakistan (Hussain, 2015).

Till its suspension in April 2019, the cross-LoC trade had formulated a trade ecosystem of its own by generating a cumulative trade of around US$ 1270 million, since its inception in 2008. The trade suspension has impacted livelihoods of several stakeholders including traders, businesses, transporters and labourers. As per a study by Bureau of Research on Industry and Economic Fundamentals, about 600 merchants and 300 labourers that were all directly involved in the day-to-day trade operations across the LoC were most hit by the trade ban. The study delved deep into the Srinagar–Muzaffarabad route and estimated loss of potential freight earning of INR 5.5 crores from trucks transiting to and fro via the Srinagar route. These estimations are for a period of 31 weeks from March 8, 2019. Additional potential profit of INR 15 crores for the 7,340 trucks that would have crossed the LoC through the Srinagar–Muzaffarabad route could not be realised by the traders involved through this route. There were also losses on account of barter balances; damage to perishable goods that remained in transit; and market-price fluctuations after the cross-LoC trade was suspended. Beyond the trading and transport communities, an estimated loss of over INR 85 lakhs was incurred by the concerned support staff, daily-wage labourers, middlemen and agents in 31 weeks after March 8, 2019. Labourers also suffered potential loss of about INR 160 lakhs—wage loss of INR 95 lakhs by the labour at the Salamabad trade facilitation centre and nearly INR 65 lakhs foregone in labour wages at the Srinagar mandi, where many trucks are loaded and unloaded (Hussain and Singla, 2019). In addition, there has been an indirect impact on the manufacturers and farmers that provided goods for this trade; end consumers, who now have to pay higher prices for same commodities; and shops, restaurants and mechanics in the border area that depended on this trade and transit. Ground evidence suggests that all the stakeholders are anxiously waiting for the trade to re-start so that they can revive their livelihoods. Economic activity—in this case, the cross-LoC trade—also helped enhance connectivity for the otherwise far and isolated border areas of the districts of Poonch and Baramulla. It connected them not just across the LoC, but also to other local districts such as Jammu and Srinagar.

India and Pakistan are now at a point where the oscillating political situation between the two is expected to shape future dialogue and economic discourse. Any pursuit of long-term peace between India and Pakistan necessitates separation of politics from economics and continuation of creating stakeholders that push for greater economic cooperation. Before the re-initiation of the cross-LoC trade, governments need to re-strategise the framework of this trade through initiatives that enhance the security aspects associated with this trade, while simultaneously inducing trust and transparency.

Over the last decade, cross-LoC trade has been suffering due to both infrastructural as well as policy bottlenecks as mentioned in the previous sections. In this regard, steps must be taken to

address the concerns surrounding this trade in terms of infrastructure and policy gaps particularly in the areas of product identification through HS codes, implementation of digital platforms, clarity of tax regulations and 'rules of origin', etc. This study proposes the following steps that are needed to facilitate the trade across the LoC in a smoother, faster and more transparent manner.

5.1 Infrastructural Upgradation

Government should undertake infrastructural upgradation to improve the physical infrastructure at the TFCs. The roads connecting the TFC and the line of control, though a short distance of a few kilometers should be upgraded to ensure smooth and secured movement of trucks in the sensitive area. Security infrastructure including the full body truck scanners and X-ray machines in the warehouses should be installed. This will help in faster security checks and reduce any wrongful activity in terms of smuggling and any illegal trading activity. There have been discussions by the Ministry of Home Affairs, Government of India for procurement of scanners at the two TFCs of Salamabad and Poonch. This would ensure complete check of the goods being exchanged and will also reduce unloading-loading in case of trade-out trucks as the checking happens manually at the moment. This will particularly be beneficial for perishable items, which are also one of the key items being traded. These initiatives should be implemented before the trade is re-started to ensure faster and secured trade through the LoC.

5.2 Revised Item List in-line with HS Code System

The item list to be traded should be based on the HS codes to allow transparency in the tradable items. This will remove any ambiguity towards the items that can be traded which at present is not clear given the broad item list in the SOP. The item list should be revised and made as per the demand and supply of the items within the region. HS code-based list will also ensure that the traders are guided by the specific items they can trade without any misinterpretations and ambiguities. There have been representations by the traders regarding the revision of item list. The governments should consider that list while finalising the revised item list based on HS code system.

5.3 Digital Infrastructure

In today's economies, digital platform is the main pillar of any trading ecosystem. The digital trading platforms ensure smooth, faster and transparent trading activities. Given the sensitive nature of this trade, it is important to create a digital ecosystem where trader details, trader background, consignment details, invoice history, truck details, driver details, trade balance details, etc. are secured. Since there are multiple security agencies involved at the TFCs, it would be imperative to have a digital platform for smooth information sharing with each agency and fasten the trade procedures as well.

A monitoring cell may also be constituted consisting of officials from the state and central agencies. This team can periodically monitor the daily trade practices like registration of traders, invoicing and exchange of goods, trade balancing, etc. to address the allegations of hawala money, under invoicing, misrepresentation of goods, etc. Trade data and information for each registered

trader should be mandatorily recorded in electronic formats by the TFO and shared with the cell at regular intervals for analysis and other real time scrutiny (Hussain, 2017).

5.4 Protocols for Trading Practices

An SOP for trading practices may be outlined by the government which each of the traders should strictly adhere to. Compliance for maintenance of documents, accounting practices, tax compliances, annual returns, PAN details, invoices, trade-balance details, etc. may be issued and traders should maintain the same and furnish to the authorities at regular intervals (perhaps annually). This would result in transparency in the trade practices from the trader's end and also ensure that the right people are involved in this trade. Option of imparting training to the LoC traders may also be explored. With support from excise and security agencies, training sessions should be conducted on the SOP of this trade as well as proper accounting practices such as maintenance of financial documents/record. This would help the traders and the government agencies in monitoring the trade, as well as put the onus on the trader for ensuring proper practices.

5.5 Cross-LoC Trade as Part of National Chambers

Steps need to be taken to incorporate the cross-LoC trade related stakeholders as part of the national level chambers and institutions. This will help in the capacity building and mainstreaming this community in terms of understanding of the domestic economic framework and also enhance the opportunities of the trade community. It will also give them an opportunity to collectively raise the concerns as well as learn from other trade formats and best trading practices.

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ARTICLE 6

Streamlining Agri-Food Imports through Technology Interventions: The Case of North-East India

Arpita Mukherjee* and Angana Parashar Sarma**

Abstract: *The demand for food in India is rising and food imports have increased in the past decade. While various tariffs and non-tariff barriers have been imposed to restrict food imports, it may be difficult for India to continue with such restrictions as it enters into trade agreements with key partners such as the United States (US) and the European Union (EU). Further, the current import process has not been successful in addressing issues related to informal trade and spurious product imports, leading to health hazards. As India is trying to be a part of the global food supply chain, there is an urgent need to streamline the import process using technology. This is particularly important for the North-Eastern region of India where trade is mostly facilitated through the land customs stations. The region has huge potential to enhance trade in food products due to proximity to the Association of Southeast Asian Nations (ASEAN) and other neighbouring countries but lags behind in integrating to domestic and global value chains due to connectivity issues, infrastructure challenges and gaps in usage of technology for trade facilitation. This article, based on a secondary information analysis and a primary survey, examines ways and means to streamline the food import process. It maps the import clearance processes across multiple agencies with an emphasis on the role of the Food Safety and Standards Authority of India (FSSAI), which is the nodal agency. It presents the current food import clearance process in the North-Eastern region and identifies the gaps. It then makes recommendations to streamline the import process through use of technology and automation, along with addressing the infrastructure constraints specific to the North-Eastern region.*

Keywords: Trade, food, land ports, India, North-East, imports, technology

JEL Classification: F10, F13, F15, O38

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1. INTRODUCTION

Food products are the key component of India's trade basket. India is both a large importer and exporter of agri-commodities and has a positive trade balance in this sector. In 2019, India's exports and imports of food products were US$31 billion and US$18 billion, respectively.[1] India primarily exports to countries/regions such as the United States (US) and the European Union (EU) and imports from countries/regions such as Ukraine, Argentina and the ASEAN economies. Some key export items include cereals, fishes, crustaceans and meat, while key import items include animal and vegetable fats, edible fruits, nuts and vegetables.

Although food imports are low, it has increased from US$4.71 billion in 2005, due to rise in income, growth of modern retail, urbanisation, diversification of consumer taste and growing awareness. Policy initiatives such as 'Make in India' and 100 per cent foreign direct investment (FDI) in food processing have prompted foreign companies to set up manufacturing facilities in India. This has created requirement for imports of select raw materials and intermediate products. Studies show that most of these companies first try the 'test marketing' route to understand the demand for their products in India before establishing manufacturing units (Mukherjee *et al.*, 2019). However, at present, there are various restrictions on imports, including high tariffs and non-tariff barriers (for example, ban of imports of organic products). It may be difficult for India to continue with such restrictions as it enters into trade agreements with key partners such as the US, the EU and Australia or revise its trade agreements with ASEAN, Japan and Republic of Korea. Hence, the food product clearance agencies such as the Food Safety and Standards Authority of India (FSSAI), Directorate of Plant Protection, Quarantine and Storage (DPPQS) and Animal Quarantine and Certification Services (AQCS) under the Department of Animal Husbandry, Dairying and Fisheries (DAHDF), should set up a science-based system for food safety and hygiene standards, which is aligned with India's obligation in the international organisations such as the World Trade Organization. There is also a need to have a transparent and robust technology-based risk management system (RMS) for import clearances, which reduces the risk of spurious imports and/or informal trade.

Focusing on the import clearance process, the Customs is the nodal agency for all imported goods while the FSSAI is the principal regulatory authority for food imports. Other agencies such as the Directorate General of Foreign Trade (DGFT), Legal Metrology, DAHDF, DPPQS and Bureau of Indian Standards (BIS) are also involved in the food clearance process (see Mukherjee *et al.*, 2019). An imported food product first enters through the Customs Electronic Commerce Gateway (ICEGATE)[2] portal and then it is sent to different agencies for clearances. For fast and efficient coordination across the multiple agencies, there is a need for uniform product definition and classification, clearly laid down sampling processes and a technology-based system through which the Customs is able to connect with the relevant clearance agency and stakeholders like laboratories. The Customs RMS has to be aligned with the RMS of the other clearance agencies. At the same time, the requirements should be made available to the exporters, importers and other stakeholders

[1] Compiled from the World Integrated Trade Statistics (WITS).

[2] It is the national portal of Indian Customs of Central Board of Indirect Taxes and Customs (CBIC) that provides e-filing services to the trade, cargo carriers and other trading partners electronically.

so that they comply with it. While it is important to minimise overlaps and delays, it is equally important to ensure that there is no entry of spurious or contaminated food into the country, which can be a health hazard for the consumers. A number of countries such as the United Kingdom (UK), the US and Australia, are therefore using robust RMS in food import clearance processes, which includes risk identification, sharing of information on risk, risk analysis, which can reduce risk and at the same time facilitates fast-track import clearances within and across multiple agencies.

India is yet to adopt a robust technology-based RMS for import clearance. Due to this, the time and cost to import into India is significantly high. For example, in 2019, the time to import (in terms of border compliance hours) was 65 hours for India when compared to 5 hours in Bhutan, 30 hours in Brazil or 6 hours in Republic of Korea; and in terms of cost to import in border compliance, it was US$266/per container for India while it was US$190 for Nepal, US$46 for Turkey and nil for the developed economies such as France and Germany.[3] This reduces the ease of doing business and India has been ranked 68th among 190 countries in the 2019 World Bank's 'Trading Across Borders' sub-indicator under Ease of Doing Business. Therefore, there is an urgent need to streamline the import clearance process.

1.1 The North-Eastern Region

Food is imported into India from multiple locations. The trade through North-Eastern region (NER)[4] is presently low but has the potential to increase due to proximity to the ASEAN countries and as it shares borders with China (1395 km), Bhutan (455 km), Bangladesh (1596 km), Myanmar (1640 km) and Nepal (97 km). This region accounts for around 8 per cent of the country's total area, with a population of around 45 million.[5] The region contributes around 2.6 per cent to the net domestic product of the country.[6] Around 70 per cent of the region has hilly terrains and it lags behind in integrating to domestic and global value chains due to connectivity issues, infrastructure challenges and gaps in the usage of technology for trade facilitation. This leads to delays and high transportation costs (De and Majumdar, 2014). The lack of proper border control and customs clearance processes have led to informal trade with the neighbouring countries such as Bangladesh and Myanmar (Taneja *et al.*, 2019; De *et al.*, 2019). This is a cause for concern for food safety and standards, as imported products may enter the markets without going through standard inspections and testing procedures (Kathuria and Mathur, 2020) leading to health hazards. The region is land-locked and most of the trade happens through the land customs stations (LCSs) and by air. There are 40 LCSs in the region,[7] out of which trade with the neighbouring countries takes place through 24 LCSs. The government is also in the process of developing some inland waterway routes to diversify the trade channels between the region and the neighbouring countries. The food imported

[3] https://www.doingbusiness.org/en/data/exploretopics/trading-across-borders (Last accessed September 16, 2020)

[4] It consists of eight states, namely, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim

[5] Census, 2011

[6] https://icfa.org.in/assets/doc/reports/6215521-souvenir-ner.pdf (Last accessed September 16, 2020)

[7] https://mdoner.gov.in/list (Last accessed September 17, 2020)

into the region through the LCSs often fails to comply with documentary requirements such as country of origin certificates, product standards compliance and mutual recognition agreements (MRAs) (De *et al.*, 2019).

Given the strategic location of the North-East, the Indian government has prioritised the development of the region through various connectivity projects. Some of these are Kaladan Multimodal Transit Transport Project; the India-Myanmar-Thailand Trilateral Highway Project; inland waterway route connecting Ashuganj inland river port in Bangladesh with Agartala in Tripura; railway connectivity channels (Maitree and Bandhan Express) between Tripura and Meghalaya in North-East and Bangladesh, to name a few. The LCSs are being modernised to facilitate trade and faster clearances of goods.[8] While connectivity is likely to improve and Customs will also be modernised as part of these infrastructure and logistics development initiatives, it is equally important to focus on the import clearance process so that a robust RMS ensures that food safety and hygiene is not compromised, the clearance process is fast tracked for food products—a large part of which is perishable, and the ease of doing business improves.

1.2 Objective

This article is based on secondary information and data analysis and a survey conducted by the authors for the FSSAI on streamlining India's food import process. The survey mapped the food import process of FSSAI, identified the overlaps with other agencies and made recommendations on how to use technology and automation to fast track the import clearance processes. The article focuses on the North-Eastern region.

The survey was conducted during November 2018–March 2019. Apart from in-depth meetings with FSSAI officials, the survey covered 20 food importers, 10 foreign exporters, officials from the government bodies such as the DAHDF, DPPQS, BIS, Legal Metrology; industry associations such as the Federation of Industry and Commerce of North Eastern Region (FINER) and the Forum of Indian Food Importers (FIFI), logistics companies, customs house agents (CHAs), laboratories, etc. In total, there were 50 in-depth interviews based on semi-structured questionnaire.

2. AGRI-FOOD IMPORT PROCESS IN INDIA

Customs operates under the aegis of regulations, guidelines and standards set by multiple government bodies at the central level (for instance, DGFT, FSSAI, DAHDF, etc.). It works closely with the FSSAI for food safety and standards related clearances and the DPPQS and the DAHDF for prevention of pest-infestation in plant-based and animal-based food products, respectively. As of February 2019, there are around 578 points of entry of the Customs, out of which consignments carrying food products into India can enter through 417 points of entry.[9] In October 2019, the FSSAI had notified a list of 150 points of entry for food imports into the country where FSSAI

[8] https://www.mea.gov.in/Speeches-Statements.htm?dtl/32953/Remarks_by_Foreign_Secretary_on_the_Impact_of_Neighbourhood_First_and_Act_East_Policies_on_the_North_East (Last accessed September 17, 2020)

[9] Compiled from DGCI&S database

would have their authorised officers, and in the remaining points of entry the Customs officials would handle the food import clearance processes on behalf of FSSAI.[10] Import of plant-based food products fall under the jurisdiction of 59 plant quarantine stations,[11] where plant quarantine officials are present and imports of animal-based food products fall under the jurisdiction of six animal quarantine stations, located at New Delhi, Mumbai, Kolkata, Chennai, Hyderabad and Bengaluru.[12] Figure 6.1 maps the points of entry of food products with the presence of clearance agencies such as the FSSAI, the DAHDF and the DPPQS. These points of entries include seaports, airports, land frontier stations, inland container depots (ICDs) and container freight stations.

Among the 417 points of entry for food products in the country, the FSSAI has notified authorised officers in 14 points of entry in the NER,[13] and there are 41 points of entry,[14] where Customs officials do the clearance on behalf of the FSSAI. Among the 14 points of entry, there is one ICD and 13 LCSs. Food safety and hygiene is a specialised subject and, therefore, it needs relevant officials with training and skills for clearances, which seems to be a gap in the region. Among the 121 points of entry for plant-based food products, there are four points of entry in the region, which includes an airport and 3 LCSs, which fall under the jurisdiction of one plant quarantine station in Guwahati, Assam. Figure 6.1 shows that there is no animal quarantine clearance in the NER. This is a cause for concern as there could be imports of animal products from the neighbouring countries.

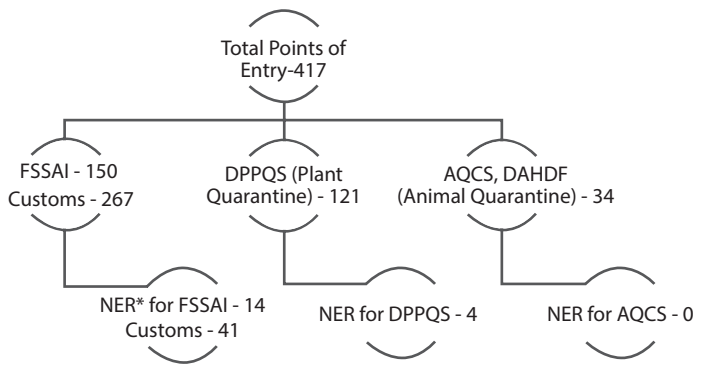

Fig. 6.1 Points of Entry of Food Products across Multiple Clearance Agencies and their Presence in the North-Eastern Region (NER) (as of September 20, 2020)

*NER – North-Eastern Region
Source: Compiled by authors from the websites of the clearance agencies

[10] https://www.fssai.gov.in/upload/advisories/2019/10/5da3ffc13176eNotification_AOs_Import_11_10_2019.pdf (Last accessed September 20, 2020)

[11] For details, see Schedule I & II of the Plant Quarantine Order, available at https://plantquarantineindia.nic.in/PQISPub/html/Notified-con-POE.htm# (Last accessed September 22, 2020)

[12] For details, see http://aqcsindia.gov.in/import-export-oflivestock-and-livestock-products.html (Last accessed September 22, 2020)

[13] https://www.fssai.gov.in/upload/advisories/2019/10/5da3ffc13176eNotification_AOs_Import_11_10_2019.pdf (Last accessed September 17, 2020)

[14] https://fssai.gov.in/upload/advisories/2018/07/5b51c6ca12df9Order_Notification_Authorised_Officers_03_05_2018.pdf (Last accessed September 17, 2020)

Most of the points of entry for food products are concentrated in the states of Assam, Manipur, Mizoram and Tripura, with Nagaland being the only state which has no specific points of entry for food products. Also, majority of the food imports are facilitated through the LCSs across the states (see Table 6.1).

Table 6.1 State-wise Points of Entry for Food Products across Multiple Agencies in the North-Eastern Region

States/Agencies	FSSAI	DPPQS	Customs
Assam	**5** (ICD-1; LCS-4)	**1** (Airport-1)	**15** (Airport-1, ICD-1, LCS-13)
Manipur	**1** (LCS-1)	**1** (LCS-1)	**2** (Airport-1, LCS-1)
Mizoram	**1** (LCS-1)	**1** (LCS-1)	**3** (LCS-3)
Tripura	**4** (LCS-4)	**1** (LCS-1)	**8** (LCS-8)
Meghalaya	**3** (LCS-3)	Nil	**11** (LCS-11)
Arunachal Pradesh	Nil	Nil	**1** (LCS-1)
Sikkim	Nil	Nil	**1** (LCS-1)

Source: Compiled by authors

There are 172 National Accreditation Board for Testing and Calibration Laboratories (NABL) food testing laboratories approved by the FSSAI in the country as of January, 2020, out of which the NER has only one laboratory located in Tripura.[15] The next section describes the import process.

2.1 The Import Process

An importer needs to register with the Directorate of Foreign Trade (DGFT), Ministry of Commerce and Industry and obtain a valid Import Export (IE) Code for importing into India. The importer has to check the latest ITC (HS) Import Policy to see whether the food products fall under the free, prohibited or restricted category and accordingly, follow the import provisions mentioned thereunder.

The food products enter India through the Customs. For this, an importer has to file an Integrated Declaration Bill of Entry (BoE) through the ICEGATE portal on Single Window Interface for Facilitating Trade (SWIFT). This allows importers to upload clearance related documents online at a single point. Once the form is filled, the application is scrutinised for clearance and then verified through the RMS at ICEGATE. Once application gets verified, an examination order is generated and the food consignment receives approval for proceeding towards clearances from other agencies such as the FSSAI, DPPQS and AQCS under the DAHDF, whichever is required for that particular food product. To grant clearance, the FSSAI has an online application system—the Food Import Clearance System (FICS), which is integrated with the ICEGATE. Customs uses ICEGATE to provide BoE data to FICS and FICS issues a 'No Objection Certificate' (NOC) or other advice to ICEGATE. Similarly, DPPQS has an online application system called the Plant Quarantine Information System (PQIS), into which ICEGATE provides BoE data and

[15] https://fssai.gov.in/food-laboratories.php?pages=1; https://fssai.gov.in/upload/advisories/2020/01/5e0ee4a72736dOrder_NABL_Lab_Validity_02_01_2020.pdf (Last accessed September 20, 2020)

PQIS issues the NOC or other advice to ICEGATE. The AQCS had no online clearance system integrated with the Customs' RMS at the time of the interview (November 2018–March 2019). However, for submission of sanitary import permit (SIP),[16] there was a web portal.[17]

The core steps undertaken in the food import clearance processes by DPPQS and AQCS, is similar to that taken by the FSSAI (see the sub-section below and Figure 6.2 for details), which includes online filing of application, visual inspection of the products, sampling and laboratory testing and final approval through an NOC if the product conforms to all the standards. However, there exist some differences related to the specific documents required by these clearance agencies. For example, for import clearance of plant-based food products, the DPPQS requires a phytosanitary

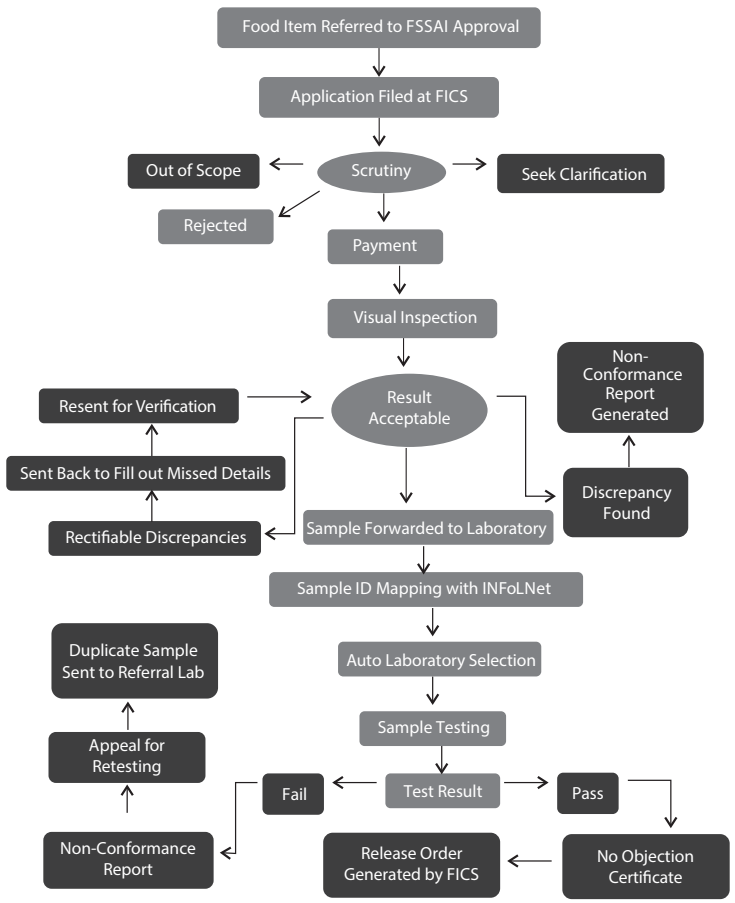

Fig. 6.2 Food Import Clearance Process of FSSAI

Source: Compiled by authors

[16] It is a document issued under Section 3 (a) of the livestock importation act 1898 authorising import of livestock and livestock products. It is not a licence but it communicates the sanitary requirement to be fulfilled by the exporting country before the entry of livestock product into India.

[17] https://sip.nic.in/ (Last accessed September 20, 2020)

certificate and a fumigation certificate indicating no infestation of pests. If consignments are found to be infested with pests, it is permitted for clearance only after it goes through fumigation and re-inspection. To improve the risk-based sampling process, the DPPQS has identified a list of 28 processed food products which have low risk and does not require any phytosanitary certificate for obtaining an NOC.[18] For import clearance of animal-based food products, the AQCS requires importers to produce a valid SIP and veterinary health certificates,[19] to ensure that the food product does not contain any exotic diseases. However, based on the risk factor, there are three types of testing that the imported products need to go through. These are compulsory testing or high-risk products (requires compulsory SIP and NOC from the AQCS), random testing or medium-risk products (does not require a SIP but need an NOC from the AQCS), and no testing or low-risk products (does not require either a SIP or an NOC from the AQCS).[20] As HS codes and the end-uses of the items are not mapped by the clearance agencies, the survey found that the clearance by the AQCS sometimes overlaps with the clearance by FSSAI as in the case of HS code 19 for bakery products. It is important to note that the AQCS and the DPPQS also look at imports of non-food products such as live animals and non-food-based plant products, respectively, unlike the FSSAI in which jurisdiction is specific to food products.

The following sub-section describes the food import clearance process of the FSSAI in detail.

Food Import Clearance Process: FSSAI

All food, food raw materials and ingredient importers, processors, retailers, wholesalers, etc., are required to register with the FSSAI in the Food Licensing and Registration System (FLRS) and acquire a valid importer licence. Once registered with the FSSAI, the importers must ensure that their products are approved and meet the standards as laid down by the FSSAI rules and regulations. For the purposes of import clearance, the importer has to register on the FICS portal of the FSSAI and follow the processes as mentioned under the Food Safety and Standards (Import) Regulations, 2017.[21] The Customs notify the FSSAI about the arrival of the food consignment and share the documents uploaded in the ICEGATE. The FSSAI officials can check the documents.

Once the food products enter the country through one of the ports of entry, the FSSAI officials or Customs officials on behalf of the FSSAI do the visual inspection (which includes physical checks, labelling and packaging requirements, etc.) and verify the documents, and if there are no discrepancies, samples are drawn for laboratory testing (see Figure 6.2 for a pictorial depiction). To carry out the process of laboratory analysis, two sets of samples are collected, one for primary testing and the other for referred testing in laboratories in case of issues with the results of the primary tests (for details on the process of sampling through the RMS, see Box 6.1).

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[18] https://plantquarantineindia.nic.in/PQISPub/pdffiles/omop.pdf (Last accessed September 20, 2020)

[19] The veterinary health certificate has to be produced by the importer from the products' country of origin, fulfilling all import health guidelines of India as per the notifications/supplied protocol with license or SIP/ AQCS requirement as the case may be.

[20] For details on the products, see http:// aqcsindia.gov.in/pdf/699%20CTHs%20mapped%20with%20 AQCS%20Nov-%2018.pdf Last accessed September 20, 2020)

[21] https://archive.fssai.gov.in/dam/jcr:e22fae42-974e-4c9b-bc52-a56a2ea9bc8a/Compendium_Food_ Import_Regulations_26_04_2018.pdf (Last accessed September 20, 2020)

Box 6.1: Risk Management System of FSSAI

For the purposes of sampling of food products and risk scrutiny, all food items are divided into two categories—high-risk (e.g., meat and meat products, infant food, milk and milk products, eggs, fish, etc.) and low-risk (all others that are not included under high-risk). In the case of high-risk items, 100 per cent sampling is done for the first five consignments and, if the samples are cleared, 25 per cent sampling is done for the next 20 consignments. If cleared, 5 per cent sampling is done for all subsequent consignments. In case of sample failure at any stage, 100 per cent sampling is done till five consecutive successful samples. In the case of low-risk food products, 100 per cent sampling is done for the first five consignments after which 5 per cent sampling is done. In case of sample failure at any stage, 100 per cent sampling till five consecutive successful samples is done. In case of products that do not require sampling, there is a provision to clear the consignments through a green channel.

The FSSAI implemented its RMS called the Food Import Prioritisation System (FIPS) in May 2016. This is integrated into the FICS and operates parallelly with the Customs' RMS, developed by the Directorate General for Analytics and Risk Management (DGARM).

While the FSSAI aims to review the risks associated with food products through profiling of importers, products, country of origin, source country of the consignments, port of entry of the consignments, compliance history, etc., as detailed out in the Food Safety and Standards (Import) Regulation, 2017, the RMS during the survey was not robust enough to incorporate all of the above requirements.

Source: Mukherjee *et al.* (2019)

Food can be cleared at the port or at the ICDs. The survey found that agents of the importers or CHAs bring in the packaging materials for sample collection, unlike other countries such as the UK where it is provided by the food safety authority. The FSSAI only does the document checks 'upon arrival of the consignment' and does not use the 'pre-shipment document filing' process which is available through the portals as is done in most countries including the US, Australia and the UK. This causes delays if the documents are incomplete. The FSSAI officials also confirmed that all food details may not be shared with the FSSAI by the Customs as there is lack of clear segregation of HS codes by food products. This can lead to leakages and entry of food products into the country without proper checks. At the port of entry or the ICDs, there is no requirement for a dedicated place for food product clearances, as in the case of many countries and the conditions of storage and levels of hygiene vary widely. They often have shortage of efficient cold storage facilities and other infrastructure, which is essential for the perishable food products. The visual inspection is done manually—the officials carry a form which they fill up and then come back to their office and enter the data. There is no real-time information sharing across officials at different ports of entry and hence a consignment rejected at one port can enter through the other simultaneously.

The samples collected are assigned to laboratories based on a mapping of the testing facilities required for particular food products. The food laboratories who are involved in the process

of food sample testing are connected through a single online portal called the Indian Food Laboratories Network (INFoLNeT), which assists FSSAI officials in assigning laboratories for food samples based on the testing facility, geographical location and work load of the laboratories.[22] Laboratories send report via INFoLNeT to the FICS portal, where either the samples are found to be conforming or non-conforming to the standards as laid down by the FSSAI. If in conformance, the application is then notified to the Customs and the food product gets clearance.

3. CHALLENGES

This section details out the challenges faced in importing the food products in the NER. While some are related to the overall connectivity and infrastructure-related issues specific to the region, others include issues which are concerned with the import clearance processes. The section also highlights issues related to the FSSAI, which at times act as a barrier towards smooth facilitation of food imports.

3.1 Barriers Specific to Connectivity and Infrastructure in the North-Eastern Region

Inadequate Infrastructure Facilities

Most of the LCSs in the NER suffer from inadequate infrastructure facilities for the purposes of import clearances. This includes basic handling equipment like crane for loading and unloading of containers and reach stacker for lift-off operations, and non-availability of demarcated areas for storage of food products (Deshpande, 2019). The LCSs also suffer from inadequate warehousing and cold chain facilities. There are also other issues related to physical infrastructural facilities such as low supply of electricity and frequent power cuts (especially in Moreh, Manipur where electricity is only available for 4-5 hours a day (De and Majumdar, 2014). Costs of running systems with power back-up are high inspite of the advantages the region has in renewable energy sources.

Transport and Logistics Bottlenecks

There are a number of transport and logistics issues across the region, which makes smooth trade facilitation a hassle. It is mostly due to uneven and hilly terrains of the region coupled with scattered population leading to issues in the last-mile connectivity. Due to challenges of inefficient logistics connectivity and high transportation costs, the products traded between the NER and the rest of India and within the states of the region have been less than the potential. In context of agri-food produce, poor road conditions and poor connectivity compel importers and food businesses at times to sell off their produce at a much lower price and thus at a loss.

Lack of Internet and Phone Connectivity

Mobile and internet connectivity are among the major issues that act as a disadvantage in facilitating seamless import clearances using technology in the land borders in the NER. The

[22] For details, see https://fssai.gov.in/cms/infolnet.php (Last accessed September 20, 2020)

land border stations are located at sites far away from the mainland areas, which have almost no mobile towers. There is also no fibre-optic based internet connectivity for smooth functioning of import clearances and trade facilitation.

Lack of Reliable Data on Status of ICDs and LCSs

There is a lack of basic and reliable data on the ICDs and LCSs in the country, and this is especially true for the NER. The data on the number of ICD and LCSs, location, operational status (i.e., functioning or closed), installed capacity, performance in terms of operating capacity, etc., has gaps. Most of the ICDs operate at less than half of their installed capacity and another one third operates between 50–70 per cent of their capacity.[23] There is also a gap in performance monitoring.

Lack of IT Adoption and Procedural Delays

There are gaps in adoption of technology and most of the import clearance processes in the LCSs are conducted manually (De and Majumdar, 2014). The inspections are carried out physically, payments are mostly made through offline channels, there is limited application of electronic document submission and the Customs' Electronic Data Interchange (EDI) system is not fully functional. The manual documentation processes for imports leads to delays and additional costs.

Existence of Informal Trade

There is absence of inadequate security measures in the ports of entry across the borders of the NER, often spurring the growth of informal trade. De and Majumdar (2014) in their study mention that in such border ports of entry within the region, food safety regulations are not enforced strictly and thus trade remains informal to a great extent. Agri-food commodities which are mostly traded informally include fruits and vegetables. Most often, the goods that are imported through the informal route extend beyond the products that are approved for trading in the border trade agreements signed between India and the neighbouring countries. In case of certain herbs used for Ayurveda products the survey found that while there are different names used for the same herbs, these names are not shared with the Customs. So even if a herb is banned, the local names can be used to import it. This leads to imports of banned products.

3.2 Issues Concerned with Import Clearance

Lack of Adequate Infrastructure Facilities

In a number of ports and points of entries, there are no efficient infrastructural facilities to handle food imports, especially perishable food, and their clearances. This leads to the risk of contamination even before the food consignment is released into the market. Often, these points of entry lack temperature-controlled storage facilities for perishables, and clean and hygienic designated areas for food inspections. There is often not enough space or sheds for trans-loading. For testing of samples, there is a dearth of food laboratories within the NER, with only one FSSAI approved laboratory in Tripura. Thus, the samples have to be sent to West Bengal and other states

[23] https://cag.gov.in/sites/default/files/audit_report_files/Executive_Summary_of_Report_No_16_of_2018_Performance_Audit_of_Working_of_Inland_Container_Depots_%28ICDs%29_and_Container_Freight_Stations_%28CFSs%29_Department_of_Revenue_Indirect_tax.pdf (Last accessed September 20, 2020)

for laboratory testing which causes delays. Further, there is not a single-entry point where FSSAI, plant quarantine or animal quarantine officials are present in the region.

Lack of Harmonisation of HS-Codes and Requirements Across Multiple Agencies

For the purposes of food import clearances across multiple agencies, the products are not classified evenly at 8-digit HS code level (or more disaggregated at 10 digits as is done in countries like the US) and there is no uniformity in classification or harmonisation of the codes across multiple clearance agencies (such as the FSSAI, DPPQS and DAHDF). The import requirements are specified through different rules and regulations of the concerned agencies and there is a limited coordination across them and with Customs as they develop their RMS. This often leads to non-transparency and increases the scope for either multiple layered clearance processes or errors due to human interpretation of the policy and process. It is a cause of concern for both importers as well as for Customs officers who are entrusted with clearance of food products. For example, it was highlighted during the survey that due to lack of harmonisation of codes and requirements, Customs officials often get confused between food and non-food items. Even within food, an NOC may be needed from an agency such as the DAHDF for products such as bakery items, which may/may not contain ingredient of animal origin. With the lack of harmonisation, there can be no data sharing across the agencies and also the backend information technology (IT) processes cannot be integrated.

Low Level of Technology Adoption

According to the survey, there are gaps in adoption and implementation of IT by the clearance agencies including the FSSAI, which often delays the import clearance processes. A number of processes are manual where documents have to be physically submitted, forms to be filled offline and information has to be manually entered during inspections. The food business operators/importers are also required to submit scientific dossiers physically. Such manual processes create a backlog of work and act as a barrier in streamlining food imports, especially at a time of COVID-19 pandemic where physical interaction should be minimum. In the case of food imports, if processes are made online without a robust RMS, there is a risk of importing spurious products.

Partial Integration of Customs RMS with the Participating Agencies

Any product that gets imported into the country passes through the Customs' ICEGATE portal and then through the RMS. However, all the participating agencies are not fully integrated into the system. For example, while FSSAI and DPPQS have their own import clearance portals which are linked to the Customs' RMS, the AQCS system is not fully integrated. Further, for the clearance of express cargo, there is a clearance portal called the express cargo clearance system (ECCS), which follows a paperless system. However, the portal is not integrated with the Customs' RMS or ICEGATE portal and the FSSAI's import clearance portal (FICS) for the clearance of small food consignments which are perishables. Also, through the Courier Imports and Exports (Electronic Data and Processing) Regulations, 2010, movement of all perishable consignments through the courier or fast-track route was banned in 2018. In the absence of integration across these IT systems, information cannot be shared in real time.

3.3 FSSAI Specific Barriers

Limited Presence of FSSAI Officers, Offices and Laboratories

Among the 150 points of entry for food imports in India where FSSAI has its authorised officers, the NER only has 12 points of entry. While the FSSAI has notified Customs officials on-behalf of FSSAI where there are no authorised officers, the survey conducted by the authors found that the Customs officials often lacked domain knowledge about food products and safety. Further, even points of entries where FSSAI has authorised officers, food product approvals often take time as there are limited FSSAI food scientists to sample and inspect. The region has just one FSSAI approved food laboratory for testing and access to certification and inspection services are poor. Only a few border stations have access to the laboratory testing facilities or depend on the distant food laboratories (such as in Kolkata), leading to delays or importing food products without testing and inspections (Kathuria and Mathur, 2020).

Lack of a Robust RMS

The RMS of the FSSAI lacks information on the country of origin, product category, risk category (high/low/medium), supportive information on reasons behind accepting/rejecting the consignments, etc. The information is not adequate to do any kind of risk management analysis using data analytics. According to data, since April 2018 to March 2019, out of 74,743 samples recorded under the Food Import Prioritisation System (FIPS), 6,038 samples (only 8 per cent) were granted clearance. Further, only ten points of entry of the FSSAI out of the 150 points of entry (only 6.7 per cent) are EDI enabled or have a functional RMS (Mukherjee *et al.*, 2019). Further, although sampling should be based on risks, in a majority of the ports, 100 per cent sampling is conducted—irrespective of whether the food product is of high-risk or low-risk. FSSAI have till date restricted entry of products primarily on the issues related to labeling whereas in markets like the EU, the UK and the US, products are restricted for not meeting the food safety and hygiene standards (for example, not meeting the maximum residue levels).

Lack of a Process for Data Analysis and Data Sharing

FSSAI has access to a lot of data including importers profile, type of food products imported, reasons for rejection, etc. While the data is being collected through different web portals, there is limited analysis of the data. Modern tools such as artificial intelligence (AI), machine learning (MI) are not used. Unlike the food safety authorities in countries such as the UK and the US, the FSSAI does not do a scientific risk analysis by products and their country of origin. Therefore, the import restrictions are ad-hoc and depend on what DGFT under the Department of Commerce tells them to do. This can be challenged by the importers or the exporting countries.

Differentiated Standards for Imported and Domestic Food Products

While the FSSAI has set food import rules and regulations for all sorts of food products, for some categories such as packaged drinking water, infant formula, milk powder, etc., the FSSAI has mandated compulsory BIS certification, which is otherwise voluntary.[24] Application of differentiated standards for imports *vis-a-vis* domestic market can be challenged in the WTO.

[24] For details, see https://foodregulatory.fssai.gov.in/bis (Last accessed September 21, 2020)

4. THE WAY FORWARD

The NER with its rich natural resources, favourable agro-climatic zones and close proximity to the ASEAN economies has huge potential to grow as an agri-food and economic hub. However, with the challenges of infrastructure connectivity and impediments towards smooth facilitation of food imports, the region has not been able to scale up and integrate with the domestic and global value chains. This section lays down recommendations on streamlining the food import clearance processes within the region by focusing on the technological solutions. These recommendations are aimed at different import clearance agencies including the FSSAI, regulators and the policy makers at both Central and regional levels.

4.1 Harmonisation of HS Codes and Product Requirements at Single Place

The food import requirements of different clearance agencies such as the FSSAI, DPPQS and DAHDF need to be compiled and integrated and shared through a single online portal or platform, with relevant stakeholders such as exporters, importers, CHAs, etc. The process and documentation requirements need to be clearly laid down and the products have to be uniformly classified across the agencies at 8-digit or more disaggregated HS code levels. This will reduce the misinterpretation of rules and delays and help the Customs officials in understanding the 'end-use' of the food product. India can learn from countries such as Canada, where the Automated Import Reference System (AIRS) allows foreign exporters to enter an HS code and retrieve information regarding the import of that product through a single portal.

4.2 Focus on Infrastructural Improvements

The LCSs need to be upgraded with facilities such as warehousing and handling facilities, integrated logistics and cold chain facilities, mechanised transloading vehicles such as forklift trucks, etc. For the food products' clearances, there should be hygienic and demarcated areas for food inspection. To improve such facilities, public-private partnerships may be encouraged. While the functional LCSs need upgrading, focus should also be on developing the non-functional LCSs within the region, which can significantly reduce the delays in clearances. Road connectivity should be improved to facilitate smooth last-mile connectivity. Efforts have to be made towards facilitating 24×7 electricity supply and improvements in telecommunication and internet connectivity. Investments should be made in developing optical fibre networks for smooth and high-speed internet connectivity.

4.3 Establish more Food Testing Laboratories and Quarantine Facilities

The FSSAI should focus on expanding infrastructure facilities such as the number of food testing laboratories within the region. Other clearance agencies such as the DPPQS and the DAHDF should also plan on expanding their laboratories, testing facilities and quarantine stations within the region, which are currently quite low. The agencies can coordinate on developing these laboratories and facilities within the same locations to enhance the ease of doing business. The survey found that around six entry points in the NER is enough, but they should be well-equipped with proper clearance facilities and inter-agency coordination. Rather than multiple ports of entry

at the borders, a few well-equipped and efficient ports will reduce congestion. This will also reduce the costs of replicating infrastructure across the multiple ports. Ideally, the laboratories, clearance facilities, testing facilities or quarantine facilities should be well-connected, as it would minimise delays.

4.4 Introduce Pre-Shipment Document Checks

All the clearance agencies should focus on introducing pre-shipment document filling and checks in their import clearance portals. This would significantly reduce the import clearance timings as the importers would be able to upload the documents and get those verified before the arrival of the consignment at the port of entry. If documentation is incomplete, an alert can be raised.

4.5 Use Technology to Enhance Security to Minimise Informal Trade

The security measures across the border LCSs should be enhanced through use of technological solutions such as geographic information system (GIS) and radio frequency identification (RFID) systems to minimise informal trade. Through implementation of such systems, containers can be tracked in real time along the borders. Further, the list of tradable goods through particular LCSs should be revised regularly to discourage informal/illegal imports in the food products.

4.6 Enhance Electronic Submission of Documents

The manual documentation processes need to be phased out and e-filling and submission needs to be mandated across all the clearance agencies within the region, including Customs. This will reduce the documentary burden and the procedural delays while importing. There should be focus on enabling e-payments and e-signatures. Manual processes such as taking printouts of forms and filling it up during the visual inspection should be replaced by the use of technology such as tablets that help upload real time data and data sharing. Collecting evidence is also crucial in the food import clearance process. If FSSAI officials have tablets and internet connectivity, they can share the real-time data with their offices while ensuring data security and the authenticity of the evidence collected.

4.7 Develop a Robust Risk Management System across Agencies

There is need to develop robust technology-based risk management systems across the food clearance agencies, based on commodity classification (high risk or low risk) and risk classification—for example, product risk, country of origin risk, importer risk, risks associated with the transportation/transit, storage-related risk and other supply chain risks, risks due to vulnerabilities in border controls, etc. In addition, list of high-risk and low-risk products need to be clearly defined and documented. Focus should be on developing an RMS that uses data analytics, machine learning, artificial intelligence (AI) and other modern technology to identify and mitigate risk by taking into account various risk parameters. In this regard, best practices of other countries' food-surveillance systems such as that of the UK can be taken into account, which uses data science and open data sharing platforms. If a risk is identified, it is important that the real-time information is relayed across all the import clearance agencies, to raise an alert and mitigate any further threats to food safety. The FSSAI may also explore the possibilities of

having block chain-based technologies for high-risk products or products that require traceability like organic products.

4.8 Reduce the Ports of Entry

The 417 ports of entry for food products should be reduced as there is not enough staff with the FSSAI. These ports may be selected based on the availability of facilities for offloading, handling, storing, testing and transporting food products, proximity of location between the ports and the laboratories, staff capacity, physical location, etc. The FSSAI in co-ordination with the government agencies involved in food exports and imports, may do an infrastructure and hygiene rating of ports to examine and understand their capabilities in terms of infrastructure and in ensuring food safety. In doing so, the FSSAI can create hygiene parameters based on which ports can be ranked. This ranking can be mapped with the users' (importers') experiences.

5. CONCLUDING REMARKS

To conclude, there is a vision of the Government to develop infrastructure in the NER. Along with that, processes must be developed. It will be difficult for India to continue to restrict import of food products through sporadic bans or high tariffs as it enters into the trade agreements. Therefore, imports can be regulated through a robust risk management system, which will also ensure that the consumers have access to safe and hygienic food. In an age of fourth industrial revolution, technology will play a key role in ease of doing business, ensuring compliances and in streamlining the governance processes. With the onset of the COVID-19 pandemic, it is an appropriate time for India, and the NER in particular, to adopt technology to streamline the import process.

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ARTICLE 7

Comprehensive Border Management System in India: Challenges and Way Forward

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Abstract: *India's approach to border management has evolved in response to the cross-border threats, challenges and opportunities that the country faced over the decades. Over the decades, the Government of India has crafted a comprehensive border management system to secure the country's borders. Components of the system include—border guarding, border regulation, development of border areas and bilateral institutional mechanism. However, factors such as inadequate manpower and financial resources, rigid rules and regulations, corruption, non-cooperative states governments, etc. have hampered the efficient functioning of this system. These inadequacies, therefore, need to be addressed urgently because efficiently managed borders are a sine qua non for a secure and prosperous country.*

Keywords: Border management, Border security force, Trade facilitation, Border development, Cross-border cooperation

JEL codes: F10, F13

Views are author's own. Usual disclaimers apply.

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1. INTRODUCTION

As markers of the territorial sovereignty of a state, borders perform interrelated but contradictory functions to protect the state they enclose. On one hand, the borders act as barriers to undesirable elements considered harmful for the domestic territory and population. On the other hand, they serve as bridges to facilitate legitimate socio-economic and cultural contacts across countries. Traditionally, the primary role of the borders has been to prevent threats such as cross-border terrorism, illegal migration, trafficking of narcotics and drugs, smuggling, etc. from entering into the country and jeopardising its security. However, the advent of globalised revolutions in mass communication and information technologies enabled increased cross-border movements. Free flow of people, goods, services and capital across countries were considered necessary for the growth of the globalised markets. In this context, the barrier role of the borders was espied as "interrupting and distorting free flow of trade, limiting the size of the market and increasing transaction costs" (O'Dowd, 2002, p. 20), and therefore needed to be transformed as facilitators for greater economic integration through enhanced trade and connectivity. Consequently, the borders acquired an additional 'bridging' function".

Border management is the process by which countries optimise the functioning of their borders. An effective border management requires a precise conception of what constitutes a legitimate crossing and what is an irregular crossing and therefore, a threat. Equally, it requires judicious deployment of resources and policy solutions to tackle the threat, while at the same time allowing efficient clearance of legitimate traffic. Defining the objectives of border management, the Ministry of Home Affairs (MHA), Government of India states, "Securing the country's borders against interests hostile to the country and putting in place the systems that are able to interdict such elements while facilitating legitimate trade and commerce are among the principal objectives of border management" (Ministry of Home Affairs, 2014, p. 41). Border management, thus, involves development of appropriate policies and legislation, administrative structures, operational systems and human resource base to respond effectively to diverse challenges. Proper border management requires efficient coordination and concerted action by various agencies such as security, regulatory, intelligence, diplomatic, administrative and economic.

Depending upon their assessment of threats and available resources, different countries have devised different strategies. While some countries have tried to manage their borders unilaterally, others have sought the cooperation of their neighbours. Some countries have given priority to security and hardened their borders, whereas others have emphasised on soft borders to facilitate greater trade and contact. India's approach to border management has also evolved in response to the cross-border threats, challenges and opportunities that the country faced over the decades. In fact, India's border management concept has transformed from a security centric and unilateral approach to a trade facilitative and cooperative approach.

This article attempts to provide an overview of India's comprehensive border management system as it evolved over the years. The opening section of the article analyses the events, which shaped India's understanding and subsequent policies towards its borders. It lists various reforms that were carried out successively in response to the cross-border threats and challenges that the country faced. The next section describes the elements which comprise the border management

system in India. The article ends by highlighting the problems in the system and forwards few suggestions to address the concerns.

2. EVOLUTION OF BORDER MANAGEMENT IN INDIA

In the initial years post-independence, the political leaders in India were largely unaware of the nature and location of the country's borders. Much of their understandings of India's international borders were also influenced by the British frontier policies as well as the conviction that friendly relations with neighbours guarantee a peaceful and secure borders. Despite the war with Pakistan in 1947–1948 and the Chinese takeover of Xinjiang and Tibet in 1949–1950 with potential security ramifications for India, not much efforts were made by the Government of India to clearly define the country's international borders and secure them. At the most, it stationed the armed forces in Jammu & Kashmir to defend the state against any potential invasion by Pakistan. Along the India-China border, the government started the process of bringing the frontier areas under its administrative control by building communication lines (Palat, 2014, p. 316). However, resource and technology constraints as well as preoccupation with other internal matters restricted Government's attention and efforts in this respect. Besides these conventional threats, India also faced non-conventional threats such as raids, kidnappings, trespassing, smuggling, etc. from across its borders. Even though these threats were widespread and common, they were perceived as law and order problems falling under the purview of the respective state governments (Kavic, 1967, p. 36). And therefore, the responsibility of guarding the international borders was entrusted to the respective border states. The state governments, on their parts, deployed the state armed police to secure the borders, who were assisted by small units of the Central Reserve Police Force (CRPF).

It was only after India faced its first set of threats in the form of large-scale armed intrusion from China in 1962 and later from Pakistan in 1965, which culminated in limited wars with these two countries, that policymakers woke up to the necessity of implementing effective measures for guarding the country's borders. These two wars had revealed that the state police assisted by the CRPF were incapable of thwarting intrusions by armed adversaries along the borders and therefore there was an urgent need to raise well-trained and well-equipped border guarding forces with proper mandates, roles and duties to act as the first line of defence. Accordingly, the Indo-Tibetan Border Police (ITBP) and the Border Security Force (BSF) were raised in 1962 and 1965 to guard the India-China and India-Pakistan borders respectively (Shah, 1994, p. 343; Rajgopal, 2009, p. 248.). As a consequence to the wars, borders with China and Pakistan became hard and highly regulated borders.[1] At the same time, imperatives of open borders with Nepal and Bhutan and a semi-regulated border with Myanmar necessitated that these borders be kept soft and lightly guarded to facilitate easy cross-border movements of border inhabitants.

[1] Following the cessation of hostilities between India and Pakistan on January 1, 1949, the ceasefire line came into existence in parts of Jammu & Kashmir. This line was renamed as Line of Control (LoC) following the 1971 war with Pakistan. As far as India-China border is concerned, the Line of Actual Control (LoAC) came into existence after the 1962 border war with China. Both the lines are military-held lines and do not denote the international borders of India with Pakistan and China.

The second major reform in the country's border security arrangement was effected in the 1980s, when India faced a second set of threats in Punjab in the form of Sikh militancy and large-scale smuggling of narcotics. Militants demanding an independent Khalistan found a willing ally in the form of Pakistan, who not only hosted, trained and provided them with arms and explosives but also facilitated their infiltration into Punjab. Availability of the safe havens in Pakistan and the ability to cross the international border with arms and explosives coupled with a fearful border population allowed the Sikh militants to sustain their movement and carry out terror activities with impunity. One way to tackle the insurgency was to cut off access of the Sikh militants to the training camps and weapons in Pakistan. This was achieved by comprehensively securing the borders by constructing fences all along the Punjab border and strengthening the border guarding forces with manpower as well as sophisticated weapons and equipment for surveillance and interception (Deshpande, 2015, p. 217). By 1993, the entire border of Punjab with Pakistan was fenced off and the strength the BSF was raised to 149 battalion. Alongside, schemes such as BADP for the development of infrastructure along the border were also initiated not only to facilitate the deployment of border-guarding forces but also to provide basic facilities to the border residents to instil a sense of security in them against militancy and hostile propaganda of Pakistan. Besides cross-border movement of militants, Punjab border also witnessed increasing trend of drug smuggling. Since these threats were emanating from Pakistani territory, India solicited the cooperation of Pakistan in finding a solution through institutional engagements based on mutual trust. These engagements paved the way for cooperation between border-guarding forces as well as narcotics-control agencies of both the countries, especially in the field of information sharing regarding smugglers and traffickers (Bhasin, 2012, pp. 3123–3125). The measures to secure and develop Punjab's international borders served as a template for border management to be replicated in the rest of India's international borders in the subsequent years.

A more comprehensive overhaul of India's border management practices was brought about in the wake of the Kargil war of 1999. Intrusions by Pakistani Army and irregulars in the Kargil sector resulted in a brief war with Pakistan in the summer of 1999. The war yet again brought to the fore huge gaps in India's efforts in securing its borders against armed intrusions and other threats. Following the war, the Government set up a Task Force on border management, which suggested drastic reforms in the management of India's borders. Based on the recommendations, the Government undertook a slew of measures to address the shortcomings in border security arrangement. To begin with, a single border-guarding force was assigned to a single border under the "one border one force" principle (Reforming National Security System, 2001, pp. 61–61). The aim was to ensure accountability by ending the problems of coordination among various border-guarding forces deployed along a single border. The Special Service Bureau (SSB), which was raised in 1962, was renamed Sashastra Seema Bal (SSB), restructured and designated as border-guarding forces to be deployed along India-Nepal and India-Bhutan borders. The Assam Rifles (AR) was also designated as a border-guarding force and given the responsibility of guarding the India-Myanmar border. The government also sanctioned funds to fence and floodlit the entire India-Pakistan and India-Bangladesh borders as well as to construct more Border Out Posts (BOPs) to improve patrolling and surveillance of the borders. Border-guarding forces were provided with an array of electronic devices for remote surveillance to enhance their detection

and interception capabilities. Besides, infrastructural and basic facilities available to the border-guarding forces were also improved. In addition, steps were taken for a balanced and integrated development of the border areas with the emphasis on peoples' participation. For these purposes, the guidelines of the BADP were periodically revised and funding for the schemes were increased. Most importantly, the Government of India established the Department of Border Management under the Ministry of Home Affairs to focus exclusively on border security issues (Ministry of Home Affairs, 2004, p. 4).

As is evident almost all the measures that were hitherto taken to secure the borders were in response to the threats that India faced from across its international borders. Consequently, India's border management approach was predominantly security centric with emphasis on hardening the borders to cross-border trade and travel and keeping the border areas underdeveloped to act as a buffer against the external conventional threats. This approach was further reinforced by insular and restrictive economic policies which gradually reduced India's trade with the neighbours, making South Asia the least integrated regions in the world. Hostile and uncooperative attitude of the neighbours also compelled India to secure its borders unilaterally. Such a restrictive attitude towards its borders, however, could not persist for long as forces of globalisation and liberalisation in post-Cold War era coupled with an underperforming economy and balance of payment crisis forced India to open up for greater international trade (Rodrik, 1992, p. 31). India's effort to integrate with the Southeast Asian economies through the Look East Policy was one such initiative. Trade liberalisation and lifting of restrictions allowed greater foreign investments in the country as well as freed the Indian private sectors from state controls allowing them to compete and outperform state-run public sector undertakings. The inflow of investments together with a booming private sector contributed to high levels of economic growth.

By the turn of the century, increased trade with the world ushered in prosperity in the country and a growing realisation that economic integration at the regional and global level is the key to growth and reduces poverty. But for that to happen, the borders had to be perceived as bridges between India and its neighbours rather than barriers. Such attitudinal change towards the country's border areas was gradually brought about as Indian economy grew and the country gained more confidence and resources. Now, greater emphasis was being laid on the development of border areas and restoring severed lines of communication with its neighbours through increased investments in building transportation networks both within the border as well as beyond (Saran, 2005). Notably, a number of road and railway projects were launched under the Prime Ministers' Initiative schemes, especially in the Northeast which borders Bangladesh, Myanmar, China, Bhutan and Nepal. In addition, infrastructural development such as ICPs, LCSs, banks, utilities etc. at major entry/exit points along the international border points for smoothening movement of passenger and cargo has also been initiated. India also simplified visa rules and regulations to promote trade and tourism. Most importantly, India invited its neighbours to share its prosperity and become partners in the growth and development of the region. The establishment of a tariff-free trade regime among the South Asian neighbours with the implementation of South Asia Preferential Trade Agreement (SAPTA) and South Asia Free Trade Area (SAFTA) was one such step towards cooperative development of the region. Change in the political dispensation in the neighbouring countries together with India's constructive

engagements with them further created conducive environment for deepening bilateral relations and smooth implementation of various cross-border infrastructural projects effectively.

Improved relations also provided avenues for India and its neighbours to reactivate and reinvigorate institutionalised bilateral interactions to discuss and resolve various border disputes. The ratification of the LBA in 2015, the delineation of the India-Nepal border on strip maps and the start of the process of demarcation of the border marked the resolution of long pending border disputes that India had with two of its important neighbours. Regular interactions between the border-guarding forces as well as regulatory and law enforcement agencies of India and their counterparts at various levels have also succeeded, to a large extent, in sensitising to each other about their security concerns paving the way for evolving a cooperative mechanism, both at the local as well as the national levels. The implementation of the coordinated border management plan and SOP for repatriation of victims of human trafficking between India and Bangladesh as well as the formalisation of Free Movement Regime (FMR) and the facilitation of movement of people through the land border with Myanmar are some of the positive outcomes of the processes of institutionalised engagements. In addition, initiation of border trade acted as a robust confidence-building measure between India and its neighbours besides bringing prosperity and a sense of well-being for the inhabitants of the remote areas (Das, 2014, pp. 3).

The policies and practices employed by the Indian government over the decades to secure and manage its international borders led to the creation of a comprehensive border management system.

3. ELEMENTS OF BORDER MANAGEMENT

India's border management system has four main elements: (i) border guarding, (ii) border regulation, (iii) development of border areas and (iv) bilateral institutional mechanisms. Following paragraphs analyse these fours elements of India's border management system:

Border guarding: Physically guarding the international borders between various designated ports of entry and exit along the border forms the first element of India's comprehensive border management strategy. Guarding international borders depends on factors such as the nature and intensity of non-military threats from across the borders, the terrain and population profile of the border areas as well as the level of infrastructural development. Thus, depending on the levels of threats, border-guarding responsibilities range from the policing of the borders involving vigilance through effective surveillance and intelligence to protecting the borders through tactical planning or adopting defensive measures (Surinder Singh, 1999, p. 9). World over, the task for guarding the borders is undertaken by border-guarding forces involving either the military or the armed police force. In case of India, the guarding of its international borders is primarily entrusted to four central armed police forces (CAPFs). These are the Assam Rifles (AR) guarding the India-Myanmar border, the Border Security Force (BSF) guarding the India-Pakistan and India-Bangladesh borders, the Sashastra Seema Bal (SSB) policing the India-Nepal and India-Bhutan borders and the Indo-Tibetan Border Police Force (ITBP) guarding the India-China border. Besides, the Indian army guards the line of control (LOC) on Pakistan border with BSF and line of actual control (LoAC/LAC) along India-China border with ITBP (Ministry of Home Affairs,

2019, p. 35). These border-guarding forces are the first responders against border violators and act as a law enforcement agency by enforcing various customs, immigration, anti-narcotics and other criminal laws of the country, and have the power to arrest, search and seize (The Border Security Force Act, 1968, p. 61). They are also the first respondents against external aggression.

These border-guarding forces are, in general, deployed in a linear pattern along the international borders to cover the maximum area. 'Area dominance' is the method employed by the border-guarding forces to guard India's borders. Under the method, a string BOPs is established all along the border (see Table 7.1 for details).

Table 7.1 Battalions and BOPs on Various International Borders

Border	Border Guarding Force	No. of Battalions	No. of Border Outposts
India-Bangladesh	Border Security Force	82	1011
India-Pakistan	Border Security Force	57	656
India-China	Indo-Tibetan Border Police	32	172
Indo-Nepal	Sashastra Seema Bal	31	473
Indo-Bhutan	Sashastra Seema Bal	16	157
India-Myanmar	Assam Riffles	15	83 (COBs)

Source: 203rd Report on Border Security: Capacity Building and Institutions, 2017.

The BOPs are "are meant to provide appropriate show of force to deter trans-border criminals, infiltrators and the hostile elements from indulging in the activities of intrusion/encroachment and border violations" (Ministry of Home Affairs, 2019, p. 35). However, these BOPs are not strong enough to withstand or counter conventional attacks from the neighbouring countries. They can, at best, hold the line and delay and disrupt the advance of the enemy till the Indian army takes over the operations (Singh, 1999, p. 99). The primary task of the BOPs is to send out regular patrols to areas under its responsibility for effective border surveillance and domination. Parties sent out on patrols also interact with the local people to gather tactical intelligence. Units of the Border Police, the border wing of the Home Guards as well as members of the Village Volunteer Force (VVF) of different border states also participate in the patrolling of the international borders (Singh, 1999, pp. 125–126).

India has also been erecting physical barriers in the form of fences to prevent the illegal ingress and egress of people and goods. The construction of fences began in the mid-1980s. The fences were erected along the India-Bangladesh border to prevent the illegal migration and the India-Pakistan borders to stop the movement of Sikh militants as well as the smuggling of narcotics (Ministry of Home Affairs, 1989, pp. 7-8). Fences have also been constructed along the J&K border as the state faced the dual threat of infiltration by terrorists and trafficking of narcotics (Ministry of Home Affairs, 2008, p. 30). Furthermore, a 4-km long fence along the international border at Moreh (between pillars no. 79 and 81) in Manipur has been built as this stretch is most porous to the movement of insurgents and traffickers (Ministry of Home Affairs, 2013, p. 35). At present, a total of 5060 km of fences have been erected along India's borders and a substantial portion of these fences (approximately 4401 km) have been floodlit to enhance the operational effectiveness of the forces guarding these borders during the night. Besides, 3660.70 km-border

road has been constructed along the India-Bangladesh border to provide rapid mobility to the BSF personnel (Ministry of Home Affairs, 2019, pp. 36–39).

These efforts are supplemented by remote surveillance of the border through various electronic equipment such as hand-held thermal imageries, direction finders, night-vision goggles, battle field surveillance radars, ground sensors, unmanned aerial vehicles, etc. Induction of these equipment have enhanced the detection and interception capabilities of the BSF personnel resulting in several successful interception of infiltrators and contraband. In addition, the quest for improving border security propelled the Indian government to explore new systems involving greater use of high technologies. The Comprehensive Integrated Border Management System (CIBMS), which comprises an array of sophisticated sensors, cameras and detectors, is presented as a robust and integrated system which would address the gaps in the present system of border security by seamlessly integrating human resources, weapons and surveillance equipment. The CIBMS aims to improve the "situational awareness" of the border areas by replacing manual surveillance with high-tech equipment as well as reaction capabilities of the border-guarding forces. At present, the CIBMS is installed in three stretches along the India-Pakistan and India-Bangladesh borders—two in Jammu sector and one in Dhubri sector (Ministry of Home Affairs, 2019, p. 40). If the system is successfully implemented then it will be a paradigmatic shift in the way India's international borders are guarded.

Regulation at the Borders: Facilitating legitimate trade and travel through the designated points of entry and exit along the international borders while giving due regard to the security of the country is the second element of border management. Regulation involves two conflicting processes: first, maintaining control and regulating the cross-border movement of people, cargo and vehicles through a range of interventions, such as documentary and physical monitoring, screening, scanning and testing; and second, enabling efficient trade and travel by minimising the impact of interventionist strategies as far as possible (Widdowson & Holloway, 2011, p. 98). In sum, it means the procedures applied to persons and objects crossing the international border should ensure that they are compliant with the laws, rules and regulations of the countries they are exiting as well as entering and, at the same time, detecting and apprehending offenders. (Zarnowiecki, 2011, p. 37).

A border as an international gateway is not necessarily at the periphery of the country; in fact, it could well be inside its domestic territory such as airports, railway stations, river ports on international waterways, inland clearance depots, economic zones, etc., which are treated as border stations (Zarnowiecki, 2011, p. 38). A border station is a facility that "serves as a point of contact for travellers entering or leaving the country for the purposes of enforcement; the prevention of illegal aliens from entering the country; the collection of revenue; the prevention of injurious plants, animal pests, human and animal diseases from entering the country; the examination of export documents; the registration of valuable articles being temporarily taken out of the country; and commercial transactions" (Conway, 2019). In India, the points of entry and exit are manned land customs stations, some of which are upgraded as integrated check posts (ICPs). Typically, an ICP houses all the regulatory agencies, such as customs, immigration, and border-guarding forces as well as support services such as plant and animal quarantine, foreign

exchange bureau, banking, parking, etc. in a single complex. It is also equipped with a state-of-the-art scanning and detection devices, such as metal detectors, X-ray machines, scanners, besides having a passenger facilitation area and a cargo area for processing imports and exports within the complex (Ministry of Home Affairs, 2019, p. 48). To oversee and regulate the construction, management and maintenance of the ICPs, the Land Port Authority of India (LPAI) was set up as a statutory authority on 1 March 2012, under the Land Ports Authority of India Act, 2010 (Ministry of Home Affairs, 2011, p. 45). In addition, India has implemented a scheme, the Immigration, Visa and Foreigners Registration & Tracking (IVFRT) (Ministry of Home Affairs, 2019, p. 234). The purpose of this secure and integrated scheme is to facilitate legitimate travellers while strengthening security through a centralised database. Besides, Passport Reading Machines (PRMs) and Questionable Document Examiner (QDX) machines are installed at the immigration points to detect forged documents. An Advance Passenger Information System (APIS) has also been installed at international airports to enhance the security screening of passengers and effectively reducing immigration clearance time (Ministry of Home Affairs, 2010, p. 159).

As far as trade is concerned, India ratified the Trade Facilitation Agreement (TFA) in April 2016, and constituted a National Committee on Trade Facilitation (NCTF) under the Chairmanship of the Cabinet Secretary (Ministry of Commerce & Industry, 2017). On 20 July 2017, the NCTF adopted a 76-point National Trade Facilitation Action Plan 2017–2020 which was aimed at transforming the "cross-border clearance eco-system through efficient, transparent, risk-based, coordinated, digital, seamless and technology-driven procedures which are supported by the state-of-the-art sea ports, airports, land border crossings, rail, road and other logistics infrastructure" (Central Board of Indirect Taxes and Customs, n.d.). The plan states that trade facilitation comprises four components: Transparency (access to information); Technology (digital and detection); Procedures (simplification, standardisation, harmonisation and risk-based approach); and Infrastructure (augmentation in road and rail connectivity, improvement of sea and airports, and land customs stations). These measures are being implemented through intra-government and inter-agency cooperation and collaboration (Central Board of Indirect Taxes and Customs, n.d.).

Development of Border Areas: The third main element in India's border management system is the development of border areas. Being at the periphery and proximate to the neighbouring country, border areas face difficulties which are normally not experienced in the hinterland. Issues of security and accessibility are two of the most prominent problems experienced by people living along the borders, albeit the magnitude of these problems differ from one border area to another. The security of border areas has always been contingent on the kind of relations a country shares with its neighbours. More often than not, actions of hostile neighbours have shattered the peace and security of the border areas, instilling a sense of fear and anxiety among the border populace. Relatively peaceful borders with friendly neighbours also grapple with their own sets of problems. Remoteness from the hinterland, coupled with a difficult terrain and weather conditions further aggravate the security situation of the border areas. Inaccessibility places these areas beyond of the reach of the civil administration. As a result border people are mostly deprived of the basic amenities such as health, education, sanitation, potable water, roads, etc. Abysmal levels of transportation and communication infrastructure as well as a poor economic base fail to attract

investment, making these areas unindustrialised, economically depressed and underdeveloped. With no legitimate means of livelihood opportunities, most border residents are forced to indulge in illegal activities, mostly acting as couriers for big mafias involved in the trafficking of drugs, arms and persons. The absence of law enforcement personnel further contributes to transforming the border areas into hubs for illegal activities.

In view of the distressing situation along the international borders, the Union government realised that these areas required special government intervention for their overall development so that the people are relieved from their daily predicaments and encourage in them a sense of belongingness. Accordingly, it launched the Border Area Development Programme (BADP) in 1986 (Planning Commission, 1992). Broadly, the aim of the BADP is to meet the infrastructural needs of the people residing in the border areas, develop skills and generate employment to wean border residents away from the illegal activities and instilling a sense of security among them. At present, the programme covers 396 border blocks in 111 border districts of 17 States located along the international land border (Ministry of Home Affairs, 2019, p. 42). Schemes taken up under the BADP in various sectors such as education, health, agriculture and allied activities, employment generation, connectivity, etc., in general, have created a conducive atmosphere for undertaking economic activities as well as potentially improving the quality of life of people residing in these far-flung and remote areas (Planning Commission, 2013, p. 327).

Along with BADP, border trade as per the prevailing customary practices including border haats is also encouraged as an alternative means of earning for the border people in the economically depressed areas. The idea is to allow the border people to trade their surplus produce in exchange of essential commodities. Successful conduct of border trade also curbs smuggling in essential items as it provides legitimacy to traditional exchange of commodities, besides promoting psychological well-being of the border inhabitants. Border trade is a trade in local products of limited value by the people residing along the border areas. The trade is barter trade of mutually agreed list of items. While India had border trade with its neighbour after independence, but wars with China and Pakistan had disrupted these economic interactions. However, as bilateral relations improved, border trade between India and its neighbours commenced once again. India re-started border trade first with China in 1992 through Lipulekh. Subsequently, Shipki La and Nathu La were added in 1993 and 2003 respectively (Ministry of External Affairs, 2004, p. 16). India and Myanmar re-started border trade along Moreh in 1994 and Zowakhthar in 2004 (Agreement between India and Myanmar on Border Trade, 1994). In 2008, India started cross-LoC trade through the Uri and Poonch posts. The trade has been suspended since 2019 because of the misuse of the trading routes for smuggling of drugs and weapons (Ministry of Home Affairs, 2019, p. 19). Lastly in 2011, India opened a border haat along the India-Bangladesh border in Kalaichar, which increased to four in 2017 (Chakraborty, 2020).

The resumption of border trade with the neighbouring countries has resulted in significant tangible as well as intangible gains, both to the bilateral relations as well as to people residing along various borders. The successful conduct of the trade and the positive changes that it has brought about in the lives of the people, have induced a number of border communities as well as State governments to demand/request the reopening of additional trade routes. Even though

border trade constitutes a miniscule part of India's overall international trade with its neighbours, and affects a small population residing in the peripheral areas, yet it has played a significant role in India's neighbourhood policy. India has successfully employed the instrument of border trade to constructively engage with its neighbours.

Bilateral Institutional Mechanisms: The fact that borders cannot be secured without the active cooperation of neighbours is well known. Security threats and challenges faced by countries along their mutual borders are similar and, therefore, cooperation and coordination between countries are essential for their effective management. Such cooperation and coordination enable neighbours to establish institutional interactions to raise, discuss and resolve disputes. These institutional conflict resolution mechanisms also help in jointly addressing security challenges by pooling resources and developing common border management strategies. These interactions contribute in allaying distrust, building confidence and developing a spirit of coordination and cooperation between neighbours and their national agencies. India and its neighbours have also established several bilateral institutional mechanisms to address border disputes as well as manage threats and challenges that make their border vulnerable.

One such institutional mechanism is the bilateral interactions between the officials of concerned agencies of India and its neighbours. These institutionalised interactions takes place regularly at national, regional and local levels to facilitate bilateral dialogue on matters of mutual concern regarding border management (Ministry of Home Affairs, 2019, pp. 203–206). For instance, border liaison meetings between the border-guarding forces of India and its neighbours are held to maintain peace and tranquillity along the border and resolve local tensions caused by inadvertent violations of each other's territory by security forces as well as by the trans-border movement of insurgents and terrorists, narco-traffickers, illegal migrants and criminals. Another set of meetings takes place between the Surveyor General of India and its neighbours to discuss the work plan for joint inspection, repairs, restoration and maintenance of boundary pillars as well as joint survey construction/relocation of missing pillars along the border (Survey of India, 2018, pp. 5–8).

In addition, several joint working groups (JWGs) have been constituted to provide frameworks for resolving contentious boundary issues festering between India and its neighbours. In this regard, India and Bangladesh constituted two Joint Boundary Working Groups–I & II (JBWG-I & II) in 2001 to deal with the completion of the 6.1 km of the un-demarcated stretch, and modalities relating to the exchange of enclaves and adverse possessions between as well as the erection of boundary pillars (Bhasin, 2003, pp. 2168–2169). Efforts of the two JBWGs bore fruits in 2015 when India and Bangladesh successfully resolved the boundary disputes between them ("India, Bangladesh swap border enclaves, settle old dispute", 2015). Similarly, India and Nepal set up the Joint Technical Level Nepal-India Boundary Committee (JTLNIBC) in 1981 to demarcate the India-Nepal border (Bhasin, 2005, p. 2827) and after years of surveying, deliberations and extensions, the Committee, in 2007, delineated 98 per cent of the India-Nepal boundary, excluding Kalapani and Susta. Subsequently, a boundary working group (BWG) was constituted in 2014 to construct, restore and repair boundary pillars, including clearing the "no man's land" ("Nepal, India decide to set up boundary working group", 2014). In the case of Bhutan as well,

the India-Bhutan Group on Border Management and Security was constituted to discuss ways of improving the security environment in the border areas (Ministry Home Affairs, 2019, p. 41).

These bilateral institutional mechanisms have provided a conducive platform for India and its neighbours to discuss issues related to the border management and sensitise each other about their security concerns.

4. FACTORS UNDERMINING THE BORDER MANAGEMENT SYSTEM

The adoption of a comprehensive system for border management has indubitably improved the security of India's international borders. However, persistence of threats in the form of terrorist infiltration, illegal migration, trafficking and smuggling of narcotics and weapons across the borders indicate that several inadequacies exist in the system which required urgent attention and remedy. Some of these shortcomings are discussed here:

Shortage of manpower and infrastructure: Shortage of manpower in all the border-guarding organisations has adversely affected their operational capabilities. While the Union government had sanctioned raising of additional battalions (Ministry of Home Affairs, 2009, p. 21), but the problem still remains acute. One of the major reasons is the high rate of attrition among border-guarding personnel because of personal reasons, health issues, or poor working conditions ("Voluntary retirement in paramilitary forces rises by 450 per cent, Rijiju tells Rajya Sabha", 2018). Secondly, a number of units of the border-guarding forces are deployed for internal security duties such as anti-naxal operations, election duties and aiding states in maintaining law and order. As a result a large number of personnel are pulled out of the borders thereby compromising security at the borders. Third, a number of personnel go for training or on leave leaving the unit with reduced strength.

The lack of adequate infrastructure is also an issue of concern. A majority of the BOPs along the border are kachcha structures and do not have enough room to house the personnel or offer basic necessities such as drinking water (Department related Parliamentary Standing Committee on Home Affairs, 2018). Further, many units deployed along the borders do not have modern electronic equipment for remote surveillance and in places where they are deployed, most of these equipment do not function as they are either damaged or component to run it is not available. Moreover, personnel handling these sophisticated equipment are not adequately trained resulting in suboptimal utilisation of these equipment.

Delays in implementation of projects: A number of infrastructural projects such as fences, ICPs, roads, etc. that were sanctioned by the Union government for effectively securing the borders are witnessing slow pace of implementation. Several factors cause delays. Problems in acquisition of land because of bureaucratic hurdles, poorly maintained land records and un-cooperative state governments is a major obstacle in the implementation of the projects. (Department Related Standing Committee on Home Affairs, 2017). For example, construction of border fences is pending in many places in West Bengal as the state government could not provide land on time (Mehta, 2019). Late submission of the detailed project reports and late approval by the concerned ministries is another factor in delaying the initiation of the projects. Furthermore, stringent

environment regulations, inadequate funds and resources, lack of required local expertise, hostile border people, etc., all contribute towards slowing down the progress of the projects.

Lack of coordination among agencies: Poor coordination among the concerned organisations is one of the major challenges in efficiently managing the country's border, especially at the points of entry and exit. An estimated 12 different ministries and departments are involved in securing and managing India's borders—both at the central and state levels. The involvement of such an array of agencies invariably leads to coordination problems stemming from factors such as a lack of common understanding about the threats and challenges to borders, absence of proper channels of communication, turf wars and differing organisational goals of the concerned agencies. This lack of coordination is most glaring during the intelligence-sharing meetings, which take place once a month. The BSF, being the Lead Intelligence Agency (LIA) organises these meetings, but the level of participation from other agencies, especially the civil administration has been poor (BSF officials, personal communication, December 12, 2019). Most of the agencies also do not share information/intelligence with other agencies to earn brownie points. Further, an instance of systemic mismatch is observed in the operation of the customs department. Although one of the goals of the customs department is anti-smuggling, its goals of revenue maximisation through facilitation of trade, more often than not, compel its officials to relax security norms (Dogra, 2012).

Corruption: Connivance of the border-guarding forces in letting smugglers, criminals, as well as ordinary people through the border is one of the major reasons for breaches of the international borders. For instance, the BSF personnel are notorious for demanding money from Bangladeshi migrants to look the other way when these illegal migrants cross the international border. Along the India-Bangladesh border each tout or smuggler is "assigned specific patches along the border, locally called the *ghats*, to facilitate border crossings by prospective immigrants and smugglers" (Nandy, 2005, p. 85). These touts bribe the corrupt BSF and state police personnel as well as local politicians for facilitating these unauthorised cross-border movements. The border-guarding personnel also collude with the drug peddlers for economic benefits. Investigations on drug trafficking cases in Punjab have revealed the BSF personnel take bribe to let drug traffickers sneak in heroin and weapons into the country (Sahay, 2020, Kanwal, 2016). In addition, one of the reasons for the shoddy implementation of development projects in the border areas is rampant corruption by local politicians and bureaucrats who siphon off funds meant for the projects. The absence of people's participation in these projects further reduces their transparency (Niti Aayog, 2015).

Uncooperative neighbours: India's limited success in soliciting the cooperation of its neighbours in managing their mutual borders has also hampered effective border management. Some of its neighbours have been actively supporting and abetting terrorist groups and facilitating their infiltration into India as well as obstructing construction of border as fences and ICPs. For instance, Bangladesh has always protested against the building of fences by India and in past it had resorted to violence to stop its construction as well (Ghosh, p. 85). Similarly, Myanmar has objected to the construction of the ICP at Moreh claiming that the land on which the ICP was being built belonged to them ("Checkpost site at Moreh our land, says Myanmar", 2013).

Both Bangladesh and Myanmar are also not warm towards the idea of opening up additional border *haats* to benefit the border people and have remained non-committal towards developing required infrastructure along their borders. Thus, mutual distrust, hostility and unfavourable political dispensation, have prevented the bilateral mechanisms to function efficiently and help India manage its borders effectively.

CONCLUSIONS

While implementation of a comprehensive mechanism for border management has improved security and efficiency of India's international borders, persistence of various cross-border threats, especially infiltration by terrorists and trafficking of narcotics, etc., indicate that India has to continuously balance between softening its borders to enable legitimate trade and travel and hardening them as a barrier against cross-border terrorism and crime. In fact, the terror attacks on the military stations in Pathankot and Uri are grim reminders that unless the borders are not properly secured, the country's security will continue to remain vulnerable. The quest for improving border security propelled the Indian government to explore new systems involving greater use of high technologies. At the same time, India is also focussed on trade and travel facilitation at the border points by improving transparency, using technology, simplifying procedures and developing infrastructure. The ratification of the TFA in April 2016 and the establishment of NCTF are positive steps towards achieving these goals. The measures undertaken for improving security and efficiency along the borders are comprehensive and much awaited. However, they will take some time to come to fruition. Meanwhile, the Government should focus its attention on the remedying inadequacies that are undermining the current border management system. To start with, the problem of manpower shortage among various border-guarding forces should be addressed and their working and living conditions improved. Concomitantly, the training of the border-guarding forces should be customised not only to acquire greater technological skills but also to sensitise them about the local culture and tradition. This is important because an understanding of the local cultural milieu will facilitate meaningful dialogue between the border-guarding personnel and the local people and help them garner local support for their activities. At the same time, the government should undertake sustained community interaction programmes to sensitise the border residents about their strategic location and encourage them to work as 'ears and eyes' for the security agencies. The government should also encourage the local people to participate in their own economic development and develop a stake in keeping the borders peaceful and crime free.

The next issue that the government should focus on is to cut down on delays in land acquisition and environmental clearance for development of infrastructure and improve connectivity in the border areas. While the remedial actions are being initiated to address these issues, one thing that the Union government should do to expedite this process is to persuade the concerned state governments to understand the importance of border management and actively participate/cooperate in implementing various measures to improve the security and efficiency along the country's international borders. Furthermore, the Union government should ensure greater coordination and synergies among the concerned organisations involved in border management

by establishing coordination committees at the district and state levels. These committees should include representatives from the local civil administration, border-guarding forces, customs, immigration, narcotics bureau, etc., and should meet regularly to discuss border security and management issues.

Last but not least, international borders are best managed when neighbours cooperate to secure their mutual borders. For such cooperation to materialise, political and diplomatic initiatives require to be carefully crafted. India has been constructively engaging its neighbours so that they remain sensitive to India's security concerns. In fact, military operations undertaken by Myanmar and Bhutan to crack down on Indian insurgent groups as well as handing out leaders of insurgent groups by Bangladesh are successful outcomes of these engagements. India should maintain this momentum of constructive engagements with its neighbours. It can further deepen such cooperation by assisting its smaller neighbours in strengthening their border guarding capabilities by providing them with training and resources. Development of the shared border areas is yet another area of cooperation that India should explore with its neighbours for a secure and peaceful border.

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ARTICLE 8

Security Issues in Border Trade: A Case of Moreh in India-Myanmar Border

K. Yhome* and Nongthombam Jiten**

Abstract: *This article argues that the complex nature of borderlands where the line dividing inclusion and exclusion is blurred needs to form an important part of the conversation on security issues in border trade. Often in understanding security issues in border trade in Northeast India, there is a tendency to view it purely from the state-centric notion and little attention is given to human security. In assessing the main security problems of cross-border trade at the India-Myanmar border, the human-security approach provides a more useful perspective in capturing security challenges in border trade in its entirety and by keeping security of people at the centre of the discourse that has long been overlooked by the traditional approach to security. Examining the four policy frameworks in the context of India's approach to security challenges in border trade, the paper suggests that there have been efforts to view border trade through the lens of promoting a sense of security among the people in the borderlands with initiatives such as the Border Haats. However, the overall border management approach remains largely driven by the narrow conventional notion of security. It has already been five years since the introduction of normal trade in India-Myanmar border trade. However, the border trade through the normal trade at Moreh is yet to show sign of improvement.*

Keywords: India, Myanmar, Border trade, Northeast India

JEL codes: F1, F5

Views are authors' own. Usual disclaimers apply.

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1. INTRODUCTION

With almost 99 per cent of its boundary being international borders, while linked to the rest of the country through a narrow stretch of land known as the 'Siliguri corridor', India's Northeast has its own peculiar challenges and opportunities. It is not unusual to hear stories of the international boundary cutting right in the middle of houses and villages in the Northeast region. For people who are directly affected, the border remains at best, an imaginary line that has been superimposed on them and at worst, a barrier dividing a shared landscape. If the cross-border ethnic linkages were once viewed as a challenge, the same are today seen as an opportunity in furthering cross-border diplomacy. Cross-border ethnic linkages are leveraged to generate goodwill in the neighbouring countries as well as to address economic development in the border regions. Most studies on India-Myanmar border trade provide understanding of various dimensions of border trade between India and Myanmar, but tend to view border trade from the narrow conventional state-centric notion of 'security' that does not capture the blurring of the line between licit and illicit or formal and informal in the context of borderlands such as Northeast India (Taneja *et al.*, 2019; Export-Import Bank of India, 2019; Das, 2016; Ministry of Development of North Eastern Region, 2011).

2. SECURITY ISSUES IN BORDER TRADE

'Security' issues in border trade can be better appreciated from the wider perspective of border management. The nature of border-management approach is fundamentally informed by how the state views its 'borders.' The concepts of 'frontier' and 'borderland' are often used interchangeably, but studies have shown that they are not the same. While the notion of 'frontier' is viewed by the state as "empty territories" for the purpose of settlement, resources, or geopolitical interests, the notion of 'borderland' denotes existence of "networks and systems of interaction across" borders where the contest over "rules of inclusion and exclusion and the efforts of people to use, manipulate or avoid the resulting border restrictions" form the key features of borders (Baud, 1997). Whether 'borders' are viewed through the concept of 'frontier' or 'borderland' determines the nature of 'security' both in terms of its focus and scope. In the context of Northeast India, scholars have studied the region using both the concepts (Baruah, 2020; Das, 2014).

Border-management approach is shaped by the notion of 'frontier' where the military occupies a central role, and borders are merely territorial markers needed to be protected from the external threats. In this military-dominated border security narrative, people living in border areas are viewed, at best as liabilities rather than a source of strength. This has had adverse consequences. Viewed largely as a state's instrument of oppression with special powers, it has alienated borderlands' people and created mistrust towards the state. Instead of viewing it as providing security to the people in border areas, the military contributed a sense of insecurity in the border areas. This understanding of border management has undergone changes with the realisation of its limitations and with the expansion of the concept of 'security'. There has been a rethink in the border-management approach with an understanding that no human activity including trade and commerce can function freely and smoothly without first ensuring human security.

In recent years, the notion of security has been redefined and expanded, particularly with the 'human security' paradigm that gives primacy to the human beings and advocates the security of people and communities as opposed to the traditional state-centric notion of security. The human-security approach was introduced in 1994 by the global Human Development Report that broadened "the scope of security analysis and policy from territorial security to the security of people" (Gomez *et al.*, no date). Human security is often referred to as 'freedom from fear' and 'freedom of want'. In 2012, UN General Assembly adopted a common definition of the concept where it stressed the role of "Member States in identifying and addressing widespread and cross-cutting challenges to survival, livelihood and dignity of their people" and called for "people-centred, comprehensive, context-specific and prevention-oriented responses that strengthen the protection and empowerment of all people" (United Nations, 2012).

The human-centric approach allows for viewing borders through the borderlands discourse that stresses the idea that border regions are spaces where the line dividing national and international is blur and often licit and illicit overlap. In the context of India-Myanmar border trade, there is a need to bring in this notion in the conversation. This paper asserts the need for strengthening the border trade narrative in Northeast India within the borderland perspective. The zeal to add the border trade in national trade statistics without considering the characteristics of borderlands could be problematic as it might create a sense of insecurity among the local traders involved in the border trade centre such as Moreh. The paper discusses four policy regimes—two are directly related to border trade, while two bring the focus on promoting the security of people living in the borderlands. On one hand, the government's current border-management approach seems to accommodate some aspects of the borderlands narrative, while, on the other hand, efforts seem to be driven merely by the desire to turn battlefields into marketplaces (Woods, 2011). These contradictory trends in the current policy discourse suggest an ongoing tension in the way border trade is framed.

3. HUMAN-CENTRIC NOTION OF SECURITY

The human-security approach has allowed expanding the scope of border management beyond mere territorial security to having a role in providing security to the people in the borderlands. Today, at least in theory, people in the border areas form a core element in border management. In practice, this is still a work in progress. India's approach to border management has begun to move in that direction with the conception of Border Areas Development Programme (BADP). Referred to as 'a comprehensive approach' to border management, the BADP is being implemented by the department of border management under the ministry of home affairs (MHA) through the state governments. According to the official website of the MHA, the BADP is 'an important intervention' of the central government which is supplemental in nature to ensure 'balanced development of border areas through the development of infrastructure and promotion of a sense of security among the border population (emphasis added)' (Department of Border Development, no date).

The programme was first conceived in the context of India's western border and was initiated in 1986-1987 for states bordering Pakistan. Subsequently, it was extended to all the states which

constitute the international land border. According to the government, the BADP is implemented in 396 border blocks of 111 border districts in 17 states including the Northeast states where it was first introduced in 1993-1994 as a centrally sponsored scheme with the objective to 'meet the special development needs of the people living in remote and inaccessible areas situated near the international border and to saturate the border areas with the entire essential infrastructure' (Department of Border Development, no date).

One people-centric initiative under the BADP has been the development of model villages in the border areas that was first initiated in 2005-2006 for the development of social and economic infrastructure in the border villages with the aim to "arrest the migration of the people [in border areas] to other developed areas" (Department of Border Management, 2017). A model village is defined as 'a village where economic activities and employment opportunities will be available to its residents as well as the residents of surrounding villages, regardless of their level of education, skills or income levels' (Department of Border Management, 2019). By 2017, states such as Jammu & Kashmir, Nagaland, Punjab, Rajasthan and West Bengal have utilised BADP funds to develop model villages in border areas. The BADP guidelines were modified in 2015 (Department of Border Management, 2015). The key modifications included extension of the coverage of the programme to all the villages which are located within the 0-10 km of the international border, irrespective of the border block abutting on the international border or not. However, priority was to be given to the villages located within 0-10 km, though the programme would cover 0-50 km (aerial distance) from the international border (Department of Border Management, 2015).

The list of schemes permissible under BADP was also expanded to include schemes relating to Swatch Bharat Abhiyan, skill development programme, promotion of sports activities in border areas, promotion of rural tourism/border tourism, protection of heritage sites, construction of helipads in remote and inaccessible hilly areas, skill development training to farmers for the use of modern/scientific techniques in farming, organic farming, etc. (Department of Border Management, 2015). The modified guidelines expanded the composition of the Empowered Committee (EC) on BADP by adding representatives of four more union ministries—ministry of rural development, ministry of sports and youth affairs, ministry of health & family welfare and ministry of human resources. This suggests the growing involvement of non-military agencies in the border management with the programme expanding to include construction of primary health centres, schools, supply of drinking water, community centres, connectivity, drainage, etc. (Department of Border Management, 2015). Clearly, this reflects the growing recognition of the importance of well-being of the people living in the border areas in reframing the policy formulation.

A NITI Aayog's (2015) study assessing the performance of BADP suggests that plenty of areas needed to be improved. The study revealed that '80 per cent inhabitant of the States covered under the study did not feel satisfied with the impact of BADP.' The findings also showed that in 'most of the North-Eastern States, a large proportion of the local people faced inadequate stock of infrastructure facilities, and therefore 32 per cent of the people of Manipur, 54 per cent people of Mizoram, 40 per cent people of Nagaland and 54 per cent people of Tripura settled in these remote areas are not satisfied with BADP' (Niti Aayog, 2015). It goes without saying

that if the scheme is implemented effectively, the Northeast would be a natural beneficiary of the BADP owing its geographical location. It is equally important to recognise that the idea of people-centric notion of border management creates room for redefining security. The Northeast could ensure the success of the programme as it could be a harbinger in creating a narrative of border-management approach that is less territorial and move towards the security of the people living in border areas. Diffusing this norm into the system would require active local agency and participation.

4. RE-ESTABLISHING TRADITIONAL SYSTEM OF MARKETING

Another entry point in the cross-border trade has been the renewal of traditional system of marketing local produce in the borderlands or the mutually agreed designated cross-border marketplaces or border *haats*. The first Memorandum of Understanding (MoU) to establish border *haats* along India-Bangladesh border as a pilot project was signed in January 2010 for a validity period of three years. The MoU noted that the border *haats* "aim at promoting the well-being of the people dwelling in remote areas across the borders of two countries, by establishing traditional system of marketing the local produce through local markets (emphasis added)" in local currency or on barter basis (Ministry of Commerce, 2010). Furthermore, the MoU observed that selecting border *haats* would be based on "historical location, difficulty in access, interdependence of the population on both sides of the border and availability of suitable location (emphasis added)" (Ministry of Commerce, 2010).

Following the establishment of border *haats* between India and Bangladesh, in May 2012 India and Myanmar signed a similar MoU for setting up a border *haat* at Nampong in Arunachal Pradesh corresponding to Pangsau in Sagaing Region as a pilot project with identical provisions as in the context of India-Bangladesh border and to be automatically renewed for the subsequent period of three years (Ministry of Commerce, 2011). No customs duties or other taxes are levied on the commodities traded at the designated border *haats* thereby encouraging tax-free trade and free movement of people as passport is not required to enter the *haat*. A border *haat* takes place at Nampong in India and Pangsua Pass in Myanmar where people purchase goods, mostly local produce. Introduction of the concept of border *haats* is another instance of the recognition of the interconnected local economy of the borderlands. The idea of reviving *traditional* practices of marketing at the border and recognising the *interdependence* among border communities with the aim to improve the livelihoods of people living *across the borders* has brought about positive impacts on the socio-economic ties among the communities residing across the border.

Studies have suggested that the concept of border *haats* has emerged as an innovative way of addressing various issues at the borderlands. For instance, a study has observed that the *haats* could "generate the much-needed economic and welfare benefits for people living in the border" areas and importantly noted that the *haats* could "help in arresting informal trade, particularly small-time informal trade and bootleg smuggling … [and with] easy access to items across the border, the incentive and need for high-risk informal trade goes down" (CUTS International, 2014).

5. FREE MOVEMENT VS. FENCED BORDER

Another move on the part of the state to have taken the narrow view of border management is the initiative to erect fencing along the India-Myanmar border. Since the past few years, the state's effort has been to construct border fencing with the primary argument that it would curb the movement of insurgents through the porous borders. In the context of the coronavirus, it is providing the justification for intensifying fencing work along the India-Myanmar border near Moreh to check the movement of people—construction of which had come to a halt due to the local opposition that triggered unrest among the ethnic groups living on both sides of the border (Deccan Herald, 2020, April 9). Earlier, the government decided to review another border regime called the Free Movement Regime (FMR) for the fear of being misused, particularly in the context of Rohingyas who were fleeing persecution in Myanmar (The Hindustan Times, 2017, September 27). The initiative also raised serious opposition from the local population in the borderlands as they argued that such a move would divide people who have their relatives on the other side of the border and create livelihood challenges as their ancestral farms are across the border. Taking into account these concerns of the border communities, India and Myanmar agreed to continue to maintain the visa-free movement regime along their border to allow local people from both the countries to travel 16 km across the border on either side (The Print, 2018, October 25).

The government's approach to border management towards free movement and border fencing again seems contradictory. While the FMR is a recognition of the key feature of borderlands, the ongoing construction of fencing of the border suggests adding another issue that might emerge as an area of tension between the state and the border communities as "any attempt to create physical infrastructure to secure the border in the midst of the prevailing public resentment creates a situation that may further fuel discontent and disturb peace" (Majumdar, 2020). This would neither provide security to the people in the border areas nor create an environment of stability in the border areas that is in the interest of the state. There is growing recognition that "[r]egulated borders with greater emphasis on developing people-to-people contact and cross-border trade initiatives are likely to yield greater security benefits as against a closed border that may lead to a disturbed security environment amidst popular discontent" (Chhonkar, 2017, February 6). According to a recent study, the goals of border fencing such as "control and prevent illegal immigration, cross-border terrorism, trafficking of goods, transnational crimes and other non-traditional security threats—are hardly achieved and indeed question whether fencing of border will do well to the communities living across borders" and it further argues that "the policy of looking at the border merely with insurgency and illegal trade in mind needs to be re-looked" (Majumdar, 2020).

6. BORDER TRADE VS. NORMAL TRADE

India-Myanmar bilateral trade through the land route accounts for less than 1 per cent, even as the four Northeast states (Arunachal Pradesh, Manipur, Nagaland and Mizoram) share over 1600 km of common border with Myanmar. Although unregulated cross-border trade had long existed, in 1995 India and Myanmar signed the Border Trade Agreement that designated Land Custom

Stations (LCSs) to conduct border trade. Two border trade points—Moreh in Manipur and Tamu in Sagaing of Myanmar as well as Zokhawthar in Mizoram and Rhi in Chin State of Myanmar—were designated for border trade. The LCS at Moreh-Tamu was inaugurated in 1995 followed by the LCS at Zokhawthar-Rhi in 2004. Later, two more places were bilaterally agreed for setting up LCS—the Nampong LCS in Arunachal Pradesh corresponding to Pangsau in Sagaing and the Avangkhu LCS in Nagaland corresponding to Somra in Sagaing in 2008, though both remain non-functional with the Avangkhu LSC not notified till date.

Integrated Check Post (ICP) at Moreh started functioning from 2018 and was formally inaugurated on 4 January 2019. After conducting border trade through the barter system for a decade, the Reserve Bank of India (RBI) in a circular on 5 November 2015 decided to do away with the barter trade and shift to normal trade in India-Myanmar border. The RBI's rationale for the move was that in the barter trade "transactions were not captured in the banking system or reflected in the trade statistics (emphasis added)" and that "over a period of time the trade basket has diversified and adequate banking presence is in place to support normal trade with Myanmar" (Reserve Bank of India, 2015, November 5). This policy is an example of disconnect between the policy discourse and the ground realities at borderlands where the line dividing formal and informal are blurred that is further complicated by the conflict situations in the border regions.

The timing of the RBI's circular suggests that beyond the desire to capture border trade in national trade statistics, the primary factor behind the decision appears to be encouraged by the need to ensure the success of demonetisation announced by Prime Minister Narendra Modi on 8 November 2015, three days after the circular. This is the one possible explanation for the hastiness at which it was operationalised. Less than one month was given for complete switching over to the normal trade, which has had adverse implications on the border trade. India-Myanmar border trade value reached US$ 24.3 million in 2014-15 but has been falling year on year since then and it accounted to just US$ 0.02 million in 2017-18 (Taneja, 2019). According to Wantham Nabachandra Singh, the President of Indo-Myanmar Border Traders Union (IMBTU), normal trade was introduced without much critical evaluation as custom duty jumped 36-40 per cent (both import and export) plus GST (Personal interview, 2020, August 13). Local traders were not prepared for the sudden change to the new procedures in conducting cross-border trade that now required increased documentation and hike in the customs duties on imports from Myanmar (Taneja, 2019). This sudden increase in tariffs on imports from Myanmar dissuades local traders to use the formal trade mechanism. For instance, under the new formal trading system, local exporters are required to obtain 'Certificate of Origin' (COO) from the government agencies. In the absence of COO-issuing authority in Manipur and Mizoram, exporters are compelled to travel outside the states which lead to an increase in transaction costs and delays (Taneja, 2019).

Local traders prefer informal trade over the formal trade to avoid the cumbersome official procedures and to enjoy the low transaction costs. According to a local trader from Imphal, the new system has disrupted the long established practice of trade at the border that functions on the basis of trust among the local traders of both the countries (Personal interview, 2020, July 30). The new procedure is time consuming and makes it difficult for the local traders to deliver goods on time that in turn affects the trust that ultimately impacts trade. In sum, restriction imposed by

normal trade has only encouraged informal trade as the informal channels are far more profitable with faster realization of payments. For instance, Ch. Proyoranjan of Manipur University estimated that about Rs. 1300 to 2000 crore is transacted through informal trade annually that exclude contrabands (Bose, 2018, November 12). Informal trade remains the backbone of the Indo-Myanmar border trade as the value traded through the normal trade remains a minuscule compared to the informal trade. The growing border-trade restrictions increase the insecurities of the small traders for their involvement in 'unofficial' border trade. One might argue that the normalisation of border trade serves one aspect of the "functionalist argument" that is to allay the fears for "those who are alarmed at the growing rate of unofficial trade across these borders" (Das, 2014), but it overlooks the complex interactions of social and economic networks and systems across the border which is a key characteristic of a borderland such as Moreh.

Below are a few features of Moreh as a borderland and how the introduction of normal trade is misplaced. Take the issue of insurgency and counterinsurgency and their impact on the border trade. On one hand, Moreh has emerged as an epicentre of violent clashes between the border communities as they try to dominate the lucrative border trading town. Ethnic armed groups which enter into some sort of ceasefire agreement or 'suspension of operation' with the government have not helped alleviate the insecurities of people as different armed groups fight and struggle to control the trading town (Nag, 2010). In fact, when we discuss the role of ethnic violence and trading in a remote borderland, Nag's (2010) study reminds us that "the violent events that regularly occur in Moreh in the course of something apparently rational like trading and in the conflicts over distribution of the profits from trading" is but a result of a society that "resents the power the state wields in organising the society in its own image and contests it in its own term." On the other hand, the existence of the 'impunity of power' given to the military forces under the Armed Forces Special Powers Act (AFSPA), 1958 to counter insurgency problems in Northeast India has produced its own dynamics with adverse implications on border trade in Moreh. This Act itself has been "a major source of strikes, *bandh* and blockades targeting the highways in the state" (Singh, 2018). According to an estimate, the total loss to the state's economy due to bandh and blockade in 2016-2017 was at Rs 2616.23 crore (The People's Chronicle, no date). Moreover, the multiple security check points by the Assam Rifles create hurdles to the traders.

7. CONCLUSIONS

Discussions on the India-Myanmar border trade often highlight the conventional 'security' challenges and reflect the discourse of viewing borders through the lens of 'frontiers'. As this article has argued, the complex nature of borderlands where the line dividing inclusion and exclusion is blurred needs to form an important part of the conversation on security issues in border trade. Often in understanding the security issues in the border trade in Northeast India, there is a tendency to view it purely from the state-centric notion and little attention is given to the human-security. In assessing the main security problems of cross-border trade at the India-Myanmar border, the human-security approach provides a more useful perspective in capturing security challenges in border trade in its entirety and by keeping security of the people at the centre of the discourse that has long been overlooked by the traditional approach to security.

Examining the four policy frameworks in the context of India's approach to security challenges in the border trade, the paper has suggested that there have been efforts to view border trade through the lens of promoting a sense of security among the people in the borderlands with initiatives such as the Border *haats*. However, the overall border-management approach remains largely driven by the narrow conventional notion of security. The sudden shift to the normal trade in the India-Myanmar border with the sole goal of adding border trade in the national trade map without considering the adverse consequences of such action on the people of the borderland was only one example of the disconnect that only seems to have increased insecurities for the local traders and the small business community as they increasingly channel their trading activities through the 'unofficial' route. It has already been five years since the introduction of normal trade in India-Myanmar border trade, however, the border trade through the normal trade at Moreh is yet to show sign of improvement.

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ARTICLE 9

Fixed, Fluid, Flows: Border, Regionalism and Sub-Regionalism in South Asia

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Abstract: *This article explores the regional and sub-regional cooperation frames through the combined interplay of* fixed *land borders and* fluid *riverine borders to understand the dynamics of the* flows *across transboundary spaces encompassing the South Asian region. The positionality and operationalisation of important regional and sub-regional processes in South Asia is important in the context of India's Look/Act East Policy and its diplomatic endeavours, flowing through the maritime as well as the continental routes. The understanding of Northeast India as an important borderland region, described as a springboard, bridgehead and cultural connector between the geographical spaces of South Asia and Southeast Asia, makes it an ideal site for sub-regional cooperation to thrive across social, economic, cultural and ecological frames, sectors and meanings.*

Keywords: Regionalism, Transboundary Rivers, River Regionalism, South Asia, Borderlands

JEL codes: F0, F4

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1. INTRODUCTION

The end of the Cold War in the early 1990s, accompanied by the liberalisation of the economies of the post-colonial nation-states, marked the beginning of a semblance of progress in the processes of regionalism in Asia. The spirit of South-South cooperation primarily drove the political and economic regionalism in Asia, among the least developed, under-developed and the developing countries, in addition to the North-South cooperation. The presence of North-South cooperation was characterised by the presence of multilateral development donor agencies, such as the Asian Development Bank (ADB) and the World Bank, a primary goal of which was to deepen and widen the ambit of the processes of regionalism in Asia. The initial successes were seen in East Asian Regionalism, particularly in Southeast Asian countries, with regional initiatives in South Asia clearly having a slow start, especially the South Asian Association of Regional Cooperation (SAARC) initiative, which was formed in 1985.

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Bangladesh China India Myanmar (BCIM) Sub-Regional Cooperation Initiative, the Bangladesh Bhutan India Nepal (BBIN) Sub-Regional Cooperation Initiative and the South Asia Sub-Regional Economic Cooperation (SASEC) are few examples of sub-regional and regional cooperation initiatives which have all emerged in the decades following the end of the Cold War, straddling the combined South Asian and Southeast Asian contexts. The processes and progress in these initiatives have largely been dependent on the trajectory of economic development and integration stimulus seen in the connections within South Asia and with Southeast Asia at one level; while on the other, a projection of growth, infrastructure development and connectivity in the peripheral and underdeveloped sub-regions within the relatively big countries of India, China, Myanmar and Bangladesh.

India's Look East Policy, which was initiated by Prime Minister P V Narasimha Rao, has been an integral component of its larger foreign policy vision since 1991 and marked a new thrust at exploring avenues to foster greater and stronger ties with its eastern neighbourhood, which initially included the countries of Southeast Asia, and gradually expanded to include China, Japan and the Korea. India's Look East Policy came at a time when India was gradually opening up to the world with the economic liberalisation programme begun under Prime Minister P V Narasimha Rao, and against the backdrop of the disintegration of Soviet Russia. This was the same time period when the sub-regional cooperation initiatives of South Asia saw an increased impetus, and a major factor of this was the aspect that India had begun to 'Look East', and had devoted considerable foreign policy attention and allocated financial resources to promote regional integration within South Asia, and for trade connections with Southeast Asia.

As India's Look East Policy was rolled on into the foreign policy consciousness of the larger South Asian and Southeast Asian region, Prime Minister I K Gujral propounded another important policy initiative in 1997, which came to be subsequently known as the 'Gujral Doctrine'. The contents of the Gujral Doctrine were rolled into a simple foreign policy narrative, targeted specifically at India's proximate international neighbourhood. This in practical terms involved India reaching out to its neighbours unilaterally, without expecting a commensurate reciprocal

behaviour from the other side. The Gujral Doctrine came at the cusp of a time period, when most sub-regional initiatives in South Asia were being rolled out, and this helped set the stage as a foreign policy indicator for India, upon which a lot of future sub-regional negotiations were predicated. The principle of reciprocity was seen as a major hurdle in creating confidence for regionalism to thrive in South Asia.

2. INTERNATIONAL RELATIONS, REGIONALISM, SECURITISATION OF TRANSBOUNDARY WATERS

The discipline of International Relations, which is concerned with the interactions and exchanges between nation-states, has oscillated in its engagement with transboundary waters. The terms of such engagement have been dependent on how the modern nation-state system has essentially distinguished between high politics and low politics. In classical International Relations terminology, high politics refers to issues critical to the survival of the nation-state, often military in nature, and corresponds to what are considered to be 'traditional' security issues (Buzan, 1991). The low politics refers to non-military issues relating to daily human survival and livelihood and are termed as 'non-traditional' security issues, which do not directly pose a threat to the survival of the nation-state (ibid). The discursive power and material capability of nation-states to utilise and control transboundary waters make for a mix of low politics and high politics, of securitisation fears and opportunitisation possibilities (Mirumachi, 2015).

The United Nations Human Development Report of 1994 was brought out at the backdrop of economic liberalisation and political globalisation. This larger shift in attention to non-traditional security issues was marked by the changes brought about in the state security literature, which linked the survival of the state beyond military centric control strategies (Buzan, 1991; Waever, 1995). Confronting non-traditional security aspects such as environmental, epidemiological and economic threats had become a major activity of the nation-state system (Buzan *et al.*, 1998). The employment of the 'security' language provided for effective ways to manage new issues, and the securitisation opens up avenues for direct and successful resolution of threats, making the state stand up and take cognizance of non-traditional threats (ibid). The sharing, use and management of transboundary waters among nation-states are thus securitised, placed in the bracket of high politics between riparian countries.

The United Nations Human Development Report of 1994 brought into focus the need of the state to move beyond traditional security and military-based approaches, to an understanding of security based on sustainable development. A limited territorial security approach was gradually replaced by an approach seeking to build consensus on important human security elements of environment, food, water, economics and social growth. Therefore, it became pertinent for the discipline of International Relations to engage with the non-traditional security issues, which included environment, climate change and water issues. At the very basic level, as rivers are transboundary in nature, often traversing more than two countries, the disciplinary boundaries and processes of International Relations cannot remain closed to the bilateral, multilateral political interactions and dynamics over transboundary rivers. This includes regional cooperation initiatives, a core process of international relations.

The transnational nature of non-traditional security issues, and essentially following from that premise, the transboundary nature of water issues between two or more countries have been in the attention span of nation-states in the international realm. Ikenberry and Moravcsik (2004) point out that the discipline of international relations does study such 'alternative' areas and politics, which are considered non-traditional in the 'narrow' security studies conversations. The analysis of the specific regional initiatives in Asia, through the lens of international relations theories, add to the scalar and layered nature of the factors and drivers determining the conflict and cooperation cycles on transboundary rivers. The regional initiatives in Asia have been a mixed bag of cooperation in transboundary rivers, especially lagging behind in South Asia. This has been attributed to the intense securitisation of transboundary rivers over time in South Asia, keeping it trapped at low levels of cooperation among riparian countries.

3. REGIONALISM, SUB-REGIONALISM, TRANS-REGIONALISM AND INTER-REGIONALISM

Regionalism is a core process of the conduct of international relations in the contemporary world, and the waves of regionalism we have seen over different parts of the world have definitely had a fundamentally transformative effect. Christopher Dent (2008) goes on to define regionalism as the structures, processes and arrangements that are working towards greater coherence within a specific international region in terms of economic, political, security, socio-cultural and other kinds of linkages. The operationalisation of the regionalism happens through commitments to public policies through inter-governmental dialogues and treaties between member countries towards the objective of economic cooperation and integration (Dent, 2008). A similar vein of operationalisation of regionalisation happens through micro-level processes of interconnecting private or civil society activities, coming from regional concentrations and assemblages of that order (ibid).

Sub-regionalism involves geographically contiguous sub-regions among a cluster of large countries or a combination of smaller countries and sub-regions of large countries, in a given membership combination. The sub-regions are classically defined as growth triangles/polygons/quadrilaterals or quasi-regional trans-border zones within the geographical parts of the member countries, primarily driven by the logic of global economic production processes and based on specific economic complementarities between geographically contiguous neighbouring cross-border districts or provinces of the member countries (Saint Mezard, 2006; Dent, 2008). An example of straddling South Asia, Southeast Asia and East Asia is the BCIM Sub-Regional Cooperation Initiative, which combines sub-regions from China and India, namely Southwest China and a somewhat notional combination of East India and Northeast India, in addition to Myanmar and Bangladesh (Rana and Uberoi, 2012).

Dent (2008) explains about the levels of regional cooperation mechanisms, which ranges from small sub-structural micro-regions, which is attributed to micro-level civil society activities, to macro-regions which involves most of the countries of a given regionally-determined geographical construct. He also goes on to describe trans-regionalism, which involves countries in two or more macro-regions, for instance the overlapping boundaries of ASEAN in Southeast Asia and

BIMSTEC straddling parts of South Asia and Southeast Asia, which also indicates cooperation on a larger geographical macro-scale, namely the Indo-Pacific region (ibid). The critical factor to examine between processes of regionalism and sub-regionalism and actual progress in such cooperation initiatives in the larger South Asian and Southeast Asian context is the ability to transcend the boundaries of these regional initiatives. The trans-regional nature of interactions can create synergies for greater cooperation.

The inter-regional scale of cooperation involves regional and sub-regional initiatives of cooperation from relative distant geographical zones (ibid), for instance between the European Union in Europe and the ASEAN or BIMSTEC in Southeast Asia and South Asia. This can operate at a South-South cooperation level, which is between regional initiatives of the Global South, and at a North-South cooperation level. In addition to understanding these regional constructs at the functional level of its membership, most of these regions are also seen largely as colonial constructs, of how erstwhile colonial powers looked at these regions in terms of their political and economic spheres of control and influence. This underlines that the regional and sub-regional initiatives in South Asia and Southeast Asia, are trapped in the colonial construction of political, economic, social, cultural and ecological spaces, and the manner and method by which post-colonial nation-state boundaries were carved out.

4. NATION-STATE SOVEREIGNTY, TERRITORIAL BORDERS AND TRANSBOUNDARY RIVERS

The world that we live in modern times is compartmentalised into states and regions, and territorial borders are the defining characteristics of such compartmentalisation (Newman, 2010). Political map-making in the modern nation-state system, depicts nation-states as confined to fixed drawn lines of territory, to such an extent that they seem to be 'natural' formations (Anderson, 1995). Nation-states have been described as 'bordered power containers' (Giddens, 1985), lending context to territorial border fixities. Sovereignty is the supreme power or authority of a nation-state to govern itself within its fixed territorial borders. The primary base from which we discuss transboundary waters in the context of international relations is the modern nation-state system, and its characteristics of state sovereignty and fixed territorial borders. It is pertinent to examine the location and flows of transboundary waters in context of territorial sovereignty and geopolitical reality of contemporary international relations.

The notion of 'natural' formations of territorial and political markers of nation-states (Anderson, 1995) is in direct contestation with natural geographical features such as mountains, valleys, plains and rivers, depicting the physical map of the world. Transboundary rivers aptly demonstrate its inherent nature of 'fluid' in the face of such 'fixed' notions of territorial sovereignty of the modern nation-state, which flows from one country to the other, and in many instances traversing more than two countries. The nation-state is often described as a container in terms of territoriality (Taylor, 1994), and it is this very container concept that is challenged by the geopolitical realities and dynamics of transboundary waters. Some transboundary rivers cross multiple nation-state borders (Nile, Brahmaputra, Mekong), some form boundaries between nation-states (the Mekong

in Laos and Thailand, the Ganges in India and Bangladesh for a small part before it enters Bangladesh to form the Padma).

After the end of the Cold War in the early 1990s, the emergence of globalisation processes and its challenge to territorial sovereignty of nation-states in the world has been the pivot of international relations as a discipline (Laine, 2016). Over time, the practice of geopolitics has been closely associated with the territorialisation of political space, building and performing states as definitive bounded territories, constructing domestic order through different methods of government, constituting the 'international' as the 'inter-state' (Moisio and Paasi, 2016). This concept of geopolitics fits into the 'inter-state' domain of interactions in the politics of water among nation-states, as put forward by Mollinga (2008), in his four-fold classification, which includes everyday politics of water resources management and the politics of water policy of nation-states. Sovereignty of nation-states complicates the politics of access and the management of transboundary waters (Alam *et al.*, 2009).

The nation-state attempts to exert control over transboundary waters through physical and institutional infrastructure in the backdrop of territorial exclusivity and political boundaries, yet the vulnerabilities and interdependence of transboundary water utilisation are not merely political in nature, but ecological as well (Alam *et al.*, 2009). Transboundary waters are characterised by surface flows and groundwater flows between two or more nation-states, and this inextricably links the concept of territory to transboundary waters in the modern world of politics between nation-states. What constitutes the edge of one particular nation-state, and where does the edge start of the other nation-state are determined in territorial terms by borderlines which are highlighted by physical geographical attributes and features such as hills, valleys and rivers. The determination of such edges in the case of transboundary waters, physicality determined by flows rather than fixity, is a major geopolitical challenge.

5. BILATERALISM, MULTILATERALISM AND TRANSBOUNDARY RIVERS

Transboundary rivers, by its very nature of crossing territorial borders and political boundaries, are in the realm of international relations between two or more nation-states. Therefore, the essential distinction between bilateralism and multilateralism as a method of engagement between riparian countries comes into play, often a mix of both, with bilateral outcomes coming from multilateral engagement on multilateral river basins. The post-World War II international relations scenario, has led to a multitude of multilateral institutions and synergies to offset critical global and regional challenges, prominent among them is the United Nations Organisation. This has picked up momentum in the post-Cold War period, and is most visible in international financial and trade investment architecture, regionalism and sub-regionalism. However, we see a mix of bilateral and multilateral methods and strategies in the management of transboundary water resources by the riparian countries.

Ruggie (1992) brings out the essential distinction between bilateralism and multilateralism, where he points out that bilateralism differentiates international relations on a case-by-case basis, principally on a priori particularistic grounds or situational exigencies, whereas multilateralism

implements generalised principles of international relations and its conduct. This essentially means that bilateralism gives adequate space to countries to design their responses to particular situations on the merits of the case in hand, and taking into account the linkages of other sectors in their bilateral engagements. In the context of transboundary river basins, bilateralism helps formulate actor- and event-specific responses, as each river basin is unique in its physical and geographical resource base; and the political characteristics and strategic disposition of the riparian nation-states that share that particular river basin. This bilateral stance is the preferred norm in South Asia, in talks on the transboundary rivers.

An umbrella multilateral arrangement will not be able to take into account these specific exigencies, and this explains why countries are averse to commit themselves to multilateral arrangements alone. Borrowing from Ruggie (1992), on a given issue area, such as transboundary river management, bilateralism is seen as a matter of choice, because it entails the range of customised options in the hands of the countries involved, based on the content of their overall bilateral relations. The expression of power as a strategic option in the hands of any nation-state is best preserved when bilateralism is retained, and at times taken with multilateralism (Singh, 2011). The adoption of bilateralism as a strategy in international relations comes from a focus on the uniqueness of the context in which the co-riparian countries are engaged in, both in terms of overall political, economic, strategic and foreign policy interactions (Ruggie 1992), which explains the bilateral context in South Asian water negotiations.

As an instrument of state policy, multilateralism seems to be employed to address a host of complex and problematic issues, actors and interactions. Bilateralism, on the other hand, remains the mainstay of emerging powers' newfound interest in multilateralism, and while outwardly expressing support for multilateralism, most states continue to work on a bilateral basis to support multilateral discussion, and have a fallback position, if multilateralism fails to deliver (Singh, 2011). Power asymmetry between nation-states can play a significant role in the kind of treaty mechanism that is entered upon between the riparians. According to Crow and Singh (2000), powerful riparians prefer bilateral treaties in multilateral river basins because it allows them to impose a 'divide and rule' policy and secure substantial relative gains in the river basin. This policy is seen as the prevailing norm in South Asia, with countries such as India abstaining from multilateralism on transboundary water issues.

6. RIVER REGIONALISM

The above background analysis of international relations and its interactions with the transboundary waters; the interplay of nation-state territorial sovereignty concepts, borders and transboundary rivers; the basic context of regionalism, sub-regionalism, trans-regionalism and inter-regionalism, and the essential distinctions between bilateralism and multilateralism as strategies of engagement between nation-states on transboundary rivers, sets the stage to discuss the processes and progress of regional and sub-regional initiatives in South Asia. The analysis of specific events related to the formation and impetus to regional and sub-regional initiatives in South Asia after the end of the Cold War, outlining the timeline of such events, adds to the context. The major keywords discussed above, which are regularly operationalised in how international

relations are conducted among nation states, and regional and sub-regional contexts, are critical to the understanding of the dynamics of these processes.

In the specific context of this article, which involves the analysis of regional water cooperation through sub-regional initiatives in South Asia, and from the larger literature review done on the core concepts and processes of international relations, regionalism and sub-regionalism; it becomes pertinent to examine the conditions and parameters with which transboundary waters can interact with regionalism as an idea. Therefore, I propose the concept of 'river regionalism', borrowing from Dent's definition of political regionalism (Dent, 2002), which can be defined as and referring to integral formations of transnational government and policy networks, the expression of shared political, economic and development interests among the basin riparians and stakeholders, advancement in policy coordination and policy enterprises and the creation of regional level institutions to manage the common 'river basin interest'. The analytical line of enquiry is if 'river regionalism' does exist in South Asia.

7. THE SUB-REGIONAL COOPERATION STORY IN SOUTH ASIA AND TRANSBOUNDARY WATERS

The general assessment of the sub-regional story in South Asia is of a defensive-type regionalism rather than a positive-type regionalism, a classification borrowed from Taga's two-fold typology of post-Cold War regionalism, which were defensive-type regionalism and positive-type regionalism (Taga, 1994), emerging from the debate on regional bloc-building. This defensive-type regionalism is primarily from a standpoint of an overarching state-centric approach, which has markers of economic regionalism, but is besotted with a securitised, nation-state sovereignty-centric mindset of cooperation. When the South Asian Association of Regional Cooperation (SAARC) was formed, it was termed as an economic regionalism typology, however national security considerations took prominence, and the process has been caught between the strenuous nature of bilateral relations between India and Pakistan, and the imperatives of sustained engagement for the overall proclaimed idea of South Asian regionalism.

The sub-regional initiatives in South Asia face the same securitised nature of interactions, and the participating nation-states remain apprehensive of exploring the fuller potential of regional cooperation, more so because the sub-regions involved in these processes are still going through a process of national integration politically and in development terms. These overlapping layers of integration imperatives for the nation-states, both in the national and sub-regional context, particularly the case of Northeast India, for instance, makes for a limited scope of regional cooperation on many issues. The borderlands encompassing South Asia and Southeast Asia remain trapped in overlapping cycles of conflict which are political, social, ethnic, ecological and developmental in nature, and this is true of the geographically contiguous regions of Northeast India, South, Central and Eastern Bhutan, parts of Bangladesh, the northern parts of Myanmar bordering India and Bangladesh and of Southwest China.

The basic foundations of sub-regional and regional initiatives in South Asia remain weak, because they started off on an exclusivist platform and rationale of either trying to keep

Pakistan or China out of the regional cooperation agenda. This was primarily driven by India, and therefore sub-regional initiatives in South Asia are said to be based on negatives rather than positives, and therefore, remains trapped in narrow national agendas, becoming basically non-starters. The sub-regional initiatives fall in the typology of defensive-type regionalism, are inherently securitised, and as a result are unable to deepen regional cooperation agendas on the one hand or widen regional cooperation agendas on the other. The sub-regional cooperation story in South Asia has not been able to purposefully bring in new issue areas to their respective agendas. The area of transboundary water issues is one such issue areas, which has been long kept out, due to the narrow security framings and defensive-type regionalism evident in South Asia.

Transboundary water issues do find mention in South Asian sub-regional and regional cooperation agendas in narrow terms of energy cooperation, which includes primarily hydropower development, and in inland water transport, which falls under the larger connectivity and economic development imperatives of these processes. The strategic resource framing of transboundary waters by the respective nation-states in South Asia, makes for such a limited view of sub-regional and regional cooperation on transboundary water issues. The larger issue—linkages to agriculture, livelihood, ecology, biodiversity, wetlands connectivity, pollution concerns have not been seen in the larger cooperative regional assessments in South Asia, on a transboundary scale. There is evidence of a clear lag of political agenda-setting on transboundary water issues by the nation-states on the sub-regional and regional cooperation initiatives, and this emanates from a narrow bounded strategic framing and a securitised mindset.

8. WHY AND WHAT OF SUB-REGIONAL COOPERATION IN SOUTH ASIA: BROAD INDICATORS

The rationale for the countries of South Asia to come together in the above sub-regional initiatives is the larger sense in their respective foreign policies of a regional interdependence, and the common challenges facing the South Asian strategic geography. This collective sense straddles across issues of security, economic development, infrastructure development, trade and connectivity, migration and climate change, among other issues. The sub-regional cooperation story of South Asia is primarily marked by the regional development discourses propagated by the big hegemonic powers in the region, which are India and China respectively, as has been evidenced by the trajectory of the sub-regional initiatives such as BBIN and BCIM. The ability and inability of these two regional powers to keep a sub-regional initiative on track will determine the content and trajectory that it acquires, as the resources for underwriting sub-regional regimes in South Asia primarily do rest on India and China.

The decision, motives and intentions of the countries in South Asia to be part of these sub-regional regimes is primarily driven by the rationale of economic development and regional connectivity. The curiosity or trigger to do stuff in the regional sense depends a lot on the basic principles and norms that the more powerful nations want to establish, which goes on to the establishment of institutions which govern such regional cooperation norms and decision-making procedures, and make them enduring. The sub-regional cooperation story can be described as being reactive

to the balance of power in the region, and commensurate with the trajectory of the economic development of India and China, after the Cold War ended in the early 1990s. It is exactly this financial prowess that India and China are employing while determining the nature and content of sub-regional cooperation in South Asia, and the gradual transformation of norms have introduced new issue-areas on the sub-regional agenda.

The impact of ideas emanating from civil society in the South Asian space has led to norm transforming behaviour among countries engaged in sub-regional cooperation initiatives, thereby leading to a general broadening and deepening of the agendas for action, underlining a sense of emacipatory politics, and inclusion of issue-areas, not simply limited to environment and climate change. The rules of the sub-regional cooperative conduct are now seen to be influenced by the smaller stakeholders in South Asia, such as Bangladesh and Nepal, going from their astute diplomatic engagements and a sense of resilience, coupled with contributions towards institution building and providing valuable human and technical resources. The leading role that Bangladesh took in the formation of SAARC, for instance, and the hosting of the BIMSTEC Secretariat since 2014 are ample evidence of its staying power in the sub-regional cooperation framework, committed to providing momentum to the processes.

The outcomes of the resilience and staying power in these sub-regional initiatives over the past two decades by all the countries in South Asia, have now resulted in the momentum we see on various issues of sub-regional cooperation now. The building blocks of regional confidence-building measures have been in play, and that has enabled South Asia to move forward to join the pieces of the puzzle more effectively. The impact of external donor agencies on the sub-regional cooperation processes in South Asia has been considerable, evidenced by the Asian Development Bank in the SASEC and BIMSTEC processes, and the emergence of regional development and financial institutions such as the Asian Infrastructure Investment Bank and the BRICS Bank, for instance. This has the potential to provide the necessary financial stimulus to the various sub-regional initiatives, contributing to the broadening and deepening of the cooperation agendas, including environment, shared rivers and climate change.

9. CONCLUSIONS AND THE ROADMAP AHEAD

A credible research-backed focus on a consortium of issues, not seen as politically linked with transboundary rivers, such as environment, livelihood, biodiversity, climate change, disaster risk reduction, transboundary ecology, can help generate a desecuritised sub-regional grammar/spirit of transboundary water cooperation. This is in essence the synthesis of the idea of ‘river regionalism’, mechanisms which can be supplemented from the progress of already existing multilateral research and dialogue processes, such as the Ecosystems for Life (E4L) of the International Union for Conservation of Nature (IUCN), the Kailash Sacred Landscape Conservation Initiative and the Brahmaputra-Salween Landscape of the International Centre for Integrated Mountain Development (ICIMOD), and the Brahmaputra Dialogue (BD) process. The ‘Mekong Spirit’ highlights the history of regional hydro-politics among the Lower Mekong countries, deepening and widening cooperation (Lauridsen, 2004).

Regional Water Cooperation through sub-regional initiatives in South Asia can happen through a positive agenda-setting and issue-linkage engagement strategy with the inter-governmental level by the civil society stakeholders, showcasing successes, best practices of sub-national and transboundary level cooperation as the pot of honey. This will enable the existing mechanisms of hydro-diplomacy in South Asia to acquire momentum and the multiplicity of sub-regional initiatives such as BIMSTEC, BBIN and BCIM can function as natural and effective vehicles of such diplomacy. There is a need to build transparency into the processes of multilateral negotiations on transboundary water issues in South Asia to ensure trust and confidence. Multilateral platforms should not be taken as the sole criterion of regional cooperation, but instead build on multiple sectoral levels and parallel tracks of bilateral engagement and arrangements, hence creating a regionally appraised bilateralism model in South Asia.

A benefit-sharing vision has to be created with intensive scientific and technical research programs to understand core issues of transboundary waters in South Asia, building on past research studies and practical experiences of cooperation on transboundary rivers. This will help create a networked convergence between national governments and international donor agencies, thereby replicating the dogged SASEC model of cooperation, which has been seen as highly effective in the regional context. It is difficult to replicate European models of regional cooperation on water issues in South Asia, as the political, social, economic, demographic and geographical complexities are unique to the region, and will require region-specific cooperation models. It is useful to look at examples of multilateral transboundary water regional cooperation models in Asia such as the Mekong, learn from its successes and failures, acknowledging that such cooperation models have evolved over a long period of time.

There is a multiplicity of sub-regional initiatives in South Asian context, all having a significant momentum currently in the regional development engagement, and can provide a cumulative effect of pushing transboundary water issues to the core of sub-regional cooperation narrative. It needs to avoid the negatives of hegemonic forum-shopping behaviour, which only undermines one process against the other. There are multilateral environmental policy networks operating in South Asia, which need to be brought together in convergence to add to the cumulative momentum. An abiding political consensus on the long-term positive-sum outcomes of regional water cooperation in an iterated sub-regional engagement context in South Asia is essential; clearly underlining the economic costs of non-cooperation on transboundary water issues; enlarging the regional-cooperation pie towards benefit-sharing. An inclusive sub-regional water cooperation agenda requires a basin-wide approach in South Asia.

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