



Issue Brief

Indo-Bangladesh Relations: Opening New Vistas

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The Prime Minister of Bangladesh, Ms Sheikh Hasina visited India from January 10-13, 2010. This was the first visit by her since Awami League government assumed office after the landmark December 29, 2008 general elections which ended political uncertainty in Bangladesh. Further, with the formation of the Awami League government in Bangladesh and the Congress led coalition government in India, a congenial atmosphere has evolved which could pave the way for settling pending issues through productive negotiations because of the historic links between the two parties since the independence of Bangladesh.

Path-breaking Agreements

During 1996-2001, Sheikh Hasina's Awami League government signed two landmark agreements e.g. the 1996 Ganges Water Treaty with India and the 1997 Chittagong Hill Tracts Peace Agreement with tribal representatives. In 2010, the Prime Ministers of India and Bangladesh witnessed the signing of the following accords: Agreement on Mutual Legal Assistance on Criminal Matters, Agreement on the Transfer of Sentenced Persons, Agreement on Combating International Terrorism, Organized Crime and Illicit Drug Trafficking, Memorandum of Understanding on Cooperation in Power Sector and a Cultural Exchange Programme.

Expanding Counter-terror and Security Cooperation: Chetia to be handed over

India and Bangladesh reiterated that the territory of either side would not be allowed for activities inimical to the other and resolved not to allow their respective territory to be

used for training, sanctuary and other operations by domestic or foreign terrorist/militant and insurgent organizations and their operatives. Both leaders also rejected extremism, violence and terrorism and agreed to cooperate proactively in combating these evils.

Bangladesh took a significant step towards improving bilateral relations with India when it arrested several leaders of the United Liberation Front of Asom (ULFA) and handed them over to India. This was an important development because Bangladesh's territory was being used to launch terror attacks against India. Bangladesh's Home Minister indicated that the government had directed the law enforcement agencies to crack down on ULFA bases following reports that the group was planning major strikes. Bangladesh High Commissioner to India Tariq Ahmed Karim has indicated that Anup Chetia, general secretary of the banned ULFA, under detention in his country after serving a jail term, would be handed over to India soon. India had asked Bangladesh to deport outlawed ULFA leader Anup Chetia, whose jail term is going to end soon. India is of the view that deportation of Chetia would be a major confidence-building measure at a time when the two countries are working to give a push to their ties.

The Bangladesh government has decided to call upon the Indian government to arrest the Bangladeshi criminals, including the convicted killers of Bangabandhu Sheikh Mujibur Rahman, and the absconding Bangladesh Rifles Jawans and hand them over to Bangladesh if they are in India.

Transit Facilities

The geographical proximity and land connectivity among India, Bangladesh, Bhutan and Nepal provides immense opportunity for mutual transit arrangements for trade across each other's territories. Bangladesh decided to give transit facilities to traders of India, Nepal and Bhutan to Chittagong and Mongla ports through road and rail. In turn, India agreed to grant similar transit facility to Bangladesh. This will allow India easier access to its far-flung north-eastern states. For Bangladesh, it offers access to the markets of Nepal and Bhutan. Bangladesh's staggering economy would also gain from the transit fees of approximately US \$1 billion annually. The connectivity will also ensure higher utilization of the Chittagong and Mongla ports capacity. Currently, they are under-utilized. Sheikh Hasina claimed that only 40 percent capacity of the Chittagong port and

10 percent of the Mongla port is being currently used. Revenue earnings will be more than double when the usage is increased.

Bhutan has already begun using a newly agreed trade route through India's north-eastern region to export its products to Bangladesh. Bhutanese trucks with oranges entered Sylhet after crossing Dawki-Tamabil Land Custom stations at the Indo-Bangladesh border. Dawki is in India's north-eastern state of Meghalaya. Tamabil is the adjacent town in Bangladesh. This was the first consignment that Bhutan exported to Bangladesh after New Delhi, Dhaka and Thimpu agreed upon the new transit route through north-eastern India.

Inter-grid Power Connectivity

Bangladesh is experiencing huge energy shortages which could be between 25 per cent and 50 per cent. Bangladesh's current power production stands at around 4000 MW against an estimated daily demand for 5500 MW. Bangladesh has for long been keen on sourcing hydel power from Nepal and Bhutan but could not do so as any such transaction would need to be routed through India. India agreed to supply to Bangladesh 250 MW electricity from its grid. In this context both countries agreed to expedite inter-grid connectivity and showcased their willingness to cooperate in the development and sale of electricity, including generation from renewable sources.

Largest One-time Bilateral Financial Assistance by India

In 2010, India offered a US \$ 1 billion line of credit to Bangladesh which is the largest ever one-time bilateral financial assistance by India to any country. It underlined India's resolve to spur the economic development of Bangladesh. The credit line will be used for the construction of railway bridges and lines, supply of locomotive coaches and buses. This decision is significant in Indo-Bangladesh relations. It has been welcomed by a large section of the people of Bangladesh, including business leaders and intellectuals. It is believed that enhanced economic ties could lead to the dawn of a new era in regional cooperation.

Enhancing Trade

Indo-Bangladesh bilateral trade was US \$ 3.63 billion during 2007-08, but there is vast potential for expanding the trade. Bangladesh's largest trade deficit is US\$ 3.8 billion with China in 2008, not with India which was US\$ 2.8 billion in 2008. Farooq Sobhan, the President of the Bangladesh Enterprise Institute, has noted that "the benefits of co-operation with India could be huge and full economic integration could raise Bangladesh's average rate of economic growth from 6 percent to 8 percent." Confederation of Indian Industries and the Federation of Bangladesh Chambers of Commerce and Industry signed an agreement to enhance bilateral trade and investments. Under the national campaign of "digital Bangladesh", India's Bharti Enterprises and Bangladesh's Warid Telecom will also be collaborating in the telecommunications segment as part of US \$ 300 million deal. Meru Cabs and Tata also presented their intent to invest in Bangladesh with 10,000-20,000 radio controlled taxis, which would address domestic transportation problems in Bangladesh. The first India Trade Fair 2010 is also being organized by the India-Bangladesh Chamber of Commerce and Industry in Dhaka from February 25-27, 2010 to enhance bilateral trade.

Boosting Regional Co-operation

To boost the intra-SAARC trade and for greater engagements with the Least Developed Countries (LDCs) of SAARC, India has unilaterally decided to reduce its negative list of trade products with reference to the LDCs of SAARC. The LDCs in the SAARC are Bangladesh, Nepal, Bhutan and Maldives. Intra-regional trade amongst the SAARC countries stands at \$20 billion in 2009. India is expecting to take it up to about \$40 billion by 2011-13. India has so far reduced import duties to zero on all items other than those in the negative list for LDCs. In this context, Bangladesh welcomed India's initiative to provide duty-free access to SAARC LDCs to the Indian market. Bangladesh also welcomed the reduction of the number of items from India's negative list that were of direct interest to Bangladesh and requested for further reduction in the list.

Removal of Tariff and Non-tariff Barriers

For encouraging imports from Bangladesh, both countries agreed to remove tariff and non-tariff barriers and port restrictions and facilitate movement of cargo by rail and

water. The Free Trade Agreement talk is expected to gain momentum after the visit of Bangladesh Prime Minister Sheikh Hasina to Delhi which would open up duty-free export of garments, leather, jute and ceramic products from Bangladesh and maybe helpful in reducing the trade deficit of Bangladesh. India has free trade pacts with only Sri Lanka and the ASEAN. Five years after the India-Sri Lanka FTA, the balance in favour of India declined from 15:1 in 1998 to 3.5:1 in 2004. Sri Lanka's FTA with India has attracted many multinationals in search of cheap labour and good port facilities. Bangladesh could also see similar investments after the pact.

Rail/ Road Connectivity

India agreed to finance the construction of the proposed Akhaura-Agartala railway link. Authorities of both countries would identify the alignment for connectivity. Both countries also agreed that Rohanpur-Singabud broad gauge railway link would be available for transit to Nepal. Bangladesh has informed of its intention to convert Radhikapur-Birol railway line into broad gauge and requested for railway transit link to Bhutan as well.

Maritime Boundary Issue

Another major challenge between India and Bangladesh is the demarcation of maritime boundary which has delayed the marking of territorial waters, the exclusive economic zone and continental shelves, which are essential for the exploitation of marine resources. In October, 2009 Bangladesh decided to register the maritime boundary dispute with India to a compulsory arbitration under the United Nations Convention on the Law of the Sea (UNCLOS), for an early peaceful settlement. India has already submitted its claim on maritime boundary to the UN in May 2009.

According to the UNCLOS, Bangladesh must demarcate its sea boundaries by July 27, 2011, and India by June 29, 2009. As per the UN provision, claims submitted by any country would not be taken for final consideration before settling the objection raised by a neighboring country which might have overlapping claims. India and Bangladesh have overlapping claims on at least 18 blocks in the complicated maritime geography. They cannot exploit the full benefits of their oil and gas reserves in the Bay of Bengal due to

claims and counter-claims to the offshore gas blocks. Prime Ministers of both the countries agreed on the need to amicably demarcate the maritime boundary.

Teesta River Issue

Bangladesh and India share 54 rivers. Discussions on sharing waters of the Teesta have hardly seen any progress due to not holding of Joint River Commission meeting since September 2005. Bangladesh has insisted on expediting an interim agreement on the Teesta water sharing, especially in view of the coming lean period.

India and Bangladesh recognized the sufferings of the people of both sides in the face of scarcity of lean season flows of the Teesta River and expressed the hope that the discussions on the sharing of the Teesta waters would be concluded expeditiously. In this regard, a meeting of the Secretaries of Water Resources of India and Bangladesh was held in Dhaka in January, 2010. They will meet again in New Delhi on February 20, 2010.

Tipaimukh Multipurpose Hydrel Dam Project

The Tipaimukh Multipurpose Hydrel Dam Project was commissioned by India in 2006. The objective of the project is to generate 1500 MW hydel power and to contain floods in the Barak valley in Manipur. The project will also improve infrastructure and economic development in India's north-east region. There has been intense debate in Bangladesh over the implications of the project on sharing of waters. Bangladesh urged India to conduct a joint study about the future flow of water in the concerned river system, which affects Bangladesh directly. Sheikh Hasina had taken up Bangladesh's concerns relating to the project with Prime Minister Manmohan Singh during the visit. The Prime Minister of India reiterated the assurance that India would not take steps on the Tipaimukh project that would adversely impact Bangladesh.

Environment

The two Prime Ministers underlined that climate change was one of the most important global challenges. They reaffirmed the provisions and principles of the United Nations Framework Convention on Climate Change including that of common but differentiated responsibilities and respective capabilities. The authorities also underscored the

importance of its full, effective and sustained implementation, giving due consideration to the needs of those which are most vulnerable, especially Least Developed Countries, Small Island Developing States and Africa.

Cooperation in UN

Bangladesh conveyed its full political support for India's candidature for the permanent membership of the United Nations Security Council when the reform of the UN Security Council is achieved. Bangladesh would also support India's candidature for a non-permanent seat in the UN Security Council for the term 2011-12. Likewise, India also conveyed its support to Bangladesh's candidature for a non-permanent seat in UNSC for the term 2016-17.

Enlarging Knowledge Society

India agreed to offer Bangladesh 300 scholarships annually for a period of five years. It could be utilized for the study and training in universities and training institutions in India. It can cover a wide range of disciplines as may be required by scholars and persons in government employment.

Reaction in Bangladesh

Bangladesh Nationalist Party (BNP), the main opposition party, termed Prime Minister Sheikh Hasina's India visit as 'total failure' saying 'the country's interest was not protected'. BNP is preparing for an agitation to oppose the treaties and memorandum of understanding (MoUs) signed. BNP Secretary General Khandaker Delwar Hossain said that Bangladesh had gained nothing when an extradition treaty and a Memorandum of Understanding (MoU) on importing power from India were signed. He said that Bangladesh will become a market of the neighboring country due to the newly signed treaties and memorandums of understanding.

But, Prime Minister Sheikh Hasina Wajed slammed the opposition for criticizing her visit to India. Sheikh Hasina said that Bangladesh "in this day and age cannot remain with doors closed" while defending her efforts in advancing relations with the India in the areas of trade, connectivity, power and water sharing.

Conclusion

The visit of the Prime Minister of Bangladesh promises to be a path-breaking one and gave both the countries an opportunity to build ‘a new and forward looking’ relationship. Both the countries had mutual expectations from each other. To fulfill this, India and Bangladesh have started taking steps to realize the decisions taken during the Summit e.g. Secretaries of Water Resources of India and Bangladesh will meet in New Delhi on February 20, 2010 on the Teesta issue. Again, India has already allowed Bhutan to export its products to Bangladesh through a newly agreed trade route. Bhutanese trucks with oranges have started plying through Sylhet. It would not be very difficult for both the countries to sell the package of decisions because both the governments are working very positively and taking each other in confidence. India is committed to work with the government of Bangladesh to open new vistas in bilateral relations. Both countries need each other in the current regional and global environment. So, both the countries must look forward with a constructive spirit to develop bilateral relations which may help in making South Asia stable and secure.

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