



Executive Summary

The Northeastern Region (NER) of India and Bangladesh is a natural economic area bound together by rich natural resources, mountains, rivers and sea, covering 410639 square kilometers and a combined population of around 220 million. India and Bangladesh share deep civilizational links; and diplomatic, economic and security ties; which have helped them in developing strong bonds of friendship and trust in recent times.

India's NER, consisting of states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, and Bangladesh, complement each other in terms of their economic attributes, and their strategic location presents an opportunity for greater economic integration and connectivity in the Indo-Pacific region.

However, inadequate connectivity between the NER and Bangladesh has been posing as a major threat to the development of the region, both at centre and periphery. India and Bangladesh have been undertaking various measures to restore the pre-1965 connectivity linkages (rail, road, ports, and inland waterway) that used to exist between them in the past in order to accelerate economic integration of the NER and also economic growth of the region as a whole.

The NER has been at the core of India's "Act East Policy" (AEP). Connectivity of India's NER to the Bay of Bengal region is a key building block of realizing the vision of a prosperous and vibrant Indo-Pacific region. It is also a gateway to East and Southeast Asia. The NER is endowed with vast natural resources such as agri-horticulture and forest

resources, petroleum products and hydel power. Additionally, the region with such strategic location, sharing borders with Nepal, Bhutan, China, Myanmar and Bangladesh, outperforms other states in terms of resources and the international borders.

Several studies have identified that the NER has the potential to grow faster than its current pace, provided the region builds cross-border production linkages, particularly with Bangladesh and Southeast and East Asian countries. NER's value chain potentials can be unlocked if hard and soft infrastructure and multi-modal transportation (rail, road, air and IWT) networks, in particular, are improved. This has been also argued that enhancing NER's existing level of trade and economic linkages with Bangladesh would need infrastructure and institutional support, which would then facilitate growth and gradually remove the region's economic isolation.

About the Study

This Report entitled "Assessing Connectivity between Northeast India and Bangladesh: Towards a Prosperous Bay of Bengal Region" aims to unravel the connectivity-growth nexus in South Asia's most happening place – Northeast India and Bangladesh. To realize the true potential of NER-Bangladesh economic relations, it has two major objectives:

- To explore connectivity linkages centering Matarbari DSP and assess the present situation, challenges and opportunities;
- To assess economic opportunities that the Matarbari DSP may generate for India and Bangladesh.

The Study has been conducted by the Asian Confluence in consultations with the SANEM in Dhaka and key stakeholders of the region, both government and non-government entities and individuals. Based on both primary and secondary data and intensive stakeholders' consultations, this Study has a total 11

chapters to address the aforesaid objectives. Not only it discusses the challenges to India-Bangladesh connectivity but also presents the current status of existing and envisaged connectivity networks. It also presents policy recommendations to strengthen the NER-Bangladesh connectivity. Outcomes of this Study are narrated as follows.

Stronger NER-Bangladesh Economic Partnership

Enhancing partnership between NER and Bangladesh is expected to enable exponential benefits to the region. For India, transit and transshipment through Bangladesh is important as it is expected to boost the economy of India's eastern and north-eastern states. For Bangladesh, India's NER is a gateway for its enhanced connectivity with India and South and Southeast Asia. An access of such treasure trove will help Bangladesh, while meeting challenges in post 2025 by when Bangladesh becomes a developing country. Moreover, reliable infrastructure linkages between India's NER and Bangladesh are important to Bhutan and Nepal since it may help them strengthen their global linkages. Therefore, a region-wide physical and non-physical connectivity will speed up not only the competitive business environment but also trade and economic development of this region.

Reconnecting Vibrant Maritime Space in Indo-Pacific

India and Bangladesh share a maritime border in the Bay of Bengal. Given Bangladesh's sustained economic growth in the last one decade, its open and free market, growing middle-class consumers and domestic demand provide an opportunity for India to further strengthen its economic relations for realizing

the vision of a prosperous and vibrant Indo-Pacific. On the other, the strategic location of Bangladesh provides a unique opportunity to realize the vision of Indo-Pacific by strengthening partnership with India. Enhancing cooperation with Bangladesh may provide the NER and other parts of India access to active seaports (Chattogram and Mongla) and the upcoming Matarbari Deep Sea Port (DSP), which is being constructed with assistance of Japan. The DSP is anticipated to boost growth, enhance maritime connectivity and trade since the facility is predicted to significantly reduce travel time and distance, thereby making trade more viable. The Matarbari DSP is going to be a game changer, and therefore, its connectivity with the rest of Bangladesh and India's NER through Tripura will be a critical building block in realizing the Indo-Pacific vision.

Promoting Industrial Value Chains

NER's vast value chain potentials can be unlocked if border infrastructure and ports and shipping networks, in particular, are improved. Today, there are substantial gaps in infrastructure facilities at both sides of the border, which are hampering the growth and economic integration of the region. Improving the border infrastructure and enhancing the inland and overland transportation networks with Bangladesh may provide new opportunities to the NER. The Matarbari DSP will add new impetus to India's NER as the upcoming port has the potential to significantly boost value chains in the region. It would not be enough just to build physical connectivity, but to go beyond to establish trans-boundary industrial value chains which in turn can help to ensure sustainable economic growth and stability in the region.

Tripura a New Gateway in East

Both India and Bangladesh have been making efforts to improve the multi-modal connectivity through the NER for expediting the movement of goods and services. The recent development of the Maitri Setu (Bridge) built over the Feni River, which would reduce the distance between Tripura's Agartala and Chattogram port to just 111 km. In addition, road connectivity in Meghalaya's Dawki, southern Assam's Sutarkandi and Tripura's Agartala linking eastern and south-eastern Bangladesh is also being improved. India has been working on a multi-modal transport hub and SEZ at Tripura's Sabroom that can help goods destined to the ports in Bangladesh in a few hours. In recent years, the transshipment of goods to India's NER states like Tripura and Assam via the Chattogram Port has increased. Mongla port has also started handling goods between India and Bangladesh. Access to Matarbari DSP will be a phenomenal step in relieving the NER's land-locked status. At the same time, this foreseeable linkage may generate substantial economic benefits and strategic heft for Bangladesh. Bangladesh through Tripura can also access the upcoming India-Myanmar-Thailand Trilateral Highway.

Japan as Development Partner of Bangladesh and India

Japan, the most trusted development partner of Bangladesh and India, is working to promote cross-border infrastructure, trade integration, financial links, and other regional public goods. Japan is the lead country for the "connectivity" pillar of India's "Indo-Pacific Oceans Initiative (IPOI)". Japan has also supported development of the NER

through the “Japan-India Act East Forum”. For Bangladesh, Japan supports development of Matarbari DSP and related activities, Chattogram and Dhaka under the initiative of the Bay of Bengal Industrial Growth Belt (BIG-B). Japan has further agreed to promote cooperation in these frameworks, and further improve connectivity in the Bay of Bengal region. Japan’s economic engagements with India and Bangladesh have immensely contributed to the industrial development of the region, which is likely to witness a stronger industrial value chain. With higher infrastructure as envisaged, Japan aims to create industrial value chains that can also benefit the industries in Japan.

Given that the India-Japan CEPA is in operation and the CEPA that Bangladesh is planning to negotiate with India and Japan, a trilateral free trade zone between three of them may eventually emerge in near future. In such context, the Matarbari DSP in Bay of Bengal is likely to play a dual catalytic role in strengthening the trilateral relationship between Bangladesh, India and Japan.

Major Recommendations

- One, the NER and Bangladesh need to scale up the multi-modal connectivity, which would not only help the region to raise its competitiveness but also narrow the development gaps in the region. In parallel, both should work together to bring synergy in trade facilitation and build express corridors for the transshipment and transit of goods from NER to Chattogram and/or Matarbari DSP and vice versa.
- Two, four-lane highway from Agartala to Sabroom to Ramgarh to Chattogram is required for faster cargo movement. India and Bangladesh may consider developing connectivity between Ramgarh, Barigarh and Sabroom through Feni Bridge which will connect the Matarbari DSP with Tripura and other NER states. If needed, India may consider extending a fresh LOC to Bangladesh for the development of road and rail network between Ramgarh, Chattogram and Matarbari.
- Three, both India and Bangladesh may undertake measures to eliminate non-tariff barriers, increase regulatory transparency and promote harmonization of standards. Digitalization of customs procedures will reduce the handling time and improve ease of doing business.
- Four, creation of industrial value chains is the need of the hour to create a win-win situation for all stakeholders in India and Bangladesh and Japanese companies in the region. The NER has scope for creating value chains in agri-horticulture, processed foods, man-made fibers, handicrafts, automobiles (e.g. two-wheeler assembling), tea, pharmaceuticals, rubber products, etc. To unlock such value chain potentials, the NER may execute an agreement with Bangladesh for third-country trade via Bangladesh. Alternatively, it can also be done if the scope of ACMP and PIWT transit transport agreements is widened.
- Five, to encourage the economic integration and industrial value chains, the restriction on the FDI flows from Bangladesh to India should be lifted.
- Six, establish Japan-Northeastern Chamber of Commerce to promote Japanese investment in the NER, and a NER-Bangladesh-Japan CEO Forum so that it can provide the required business leadership.
- Seven, an India-Bangladesh think-tank forum may be set up to work on the NER-Bangladesh economic relations and identify the future line of activities.
- Eight, fast track the Bangladesh-Japan CEPA and Bangladesh-India CEPA

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- negotiations as the CEPA is anticipated to increase trade, investment, and technology flows between three partners.
- Nine, greater involvement of Japan will pave the way for industrial value chains, comprehensive connectivity
 - development of Northeast India and Bangladesh.
 - Ten, to gain and sustain the NER-Bangladesh connectivity, strong political leadership, both at national and sub-national levels, is a must.
