

## **India-Bangladesh Maritime Trade: Protocol on Inland Water Transit and Trade (PIWTT)**

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### **Introduction**

After the 1971 India-Pakistan War leading to the creation of Bangladesh, India and Bangladesh signed a Treaty of Peace and Friendship, in 1972. Since then, more than 50 bilateral institutional mechanisms were forged between the two countries. Evidently, issues concerning the sharing of river waters, illegal migration, and border security are still outstanding.

At present, India is a part of two economic initiatives that create economic corridors for the landlocked countries of South Asia to the sea, viz. the Bangladesh-Bhutan-India-Nepal (BBIN) Initiative, and the Protocol on Inland Water Transit and Trade (PIWTT). The former is a quadrilateral initiative, focusing on issues such as water resources management, connectivity of power, transport, and infrastructure; the latter is a bilateral protocol connecting the inland waterways of India and Bangladesh. These economic initiatives showcase India's interest to connect with northeast India, and further on with the South East Asian countries.

In the past five years, trade between India and Bangladesh has grown more than 17 per cent.<sup>1</sup> Bangladesh seeks to enhance bilateral trade further towards the north-eastern states of India. As indicated by the officials of Bangladesh, 100 Special Economic Zones (SEZs) are being planned in Bangladesh, of which, two SEZs in north-west Bangladesh are dedicated to Indian businesses.<sup>2</sup> Bangladesh has been welcoming the Indian private sector to help achieve the desired growth, benefitting both. Companies like Reliance, Adani, Tata, and Godrej are already present in Bangladesh. The north-eastern states of India offer Bangladesh a desired market, particularly in the FMCG sector.

This issue brief examines the geostrategic dimensions of the India-Bangladesh bilateral Protocol on Inland Water Transit and Trade, and its ramifications for the two countries.

## **Protocol on Inland Water Transit and Trade (PIWTT)**

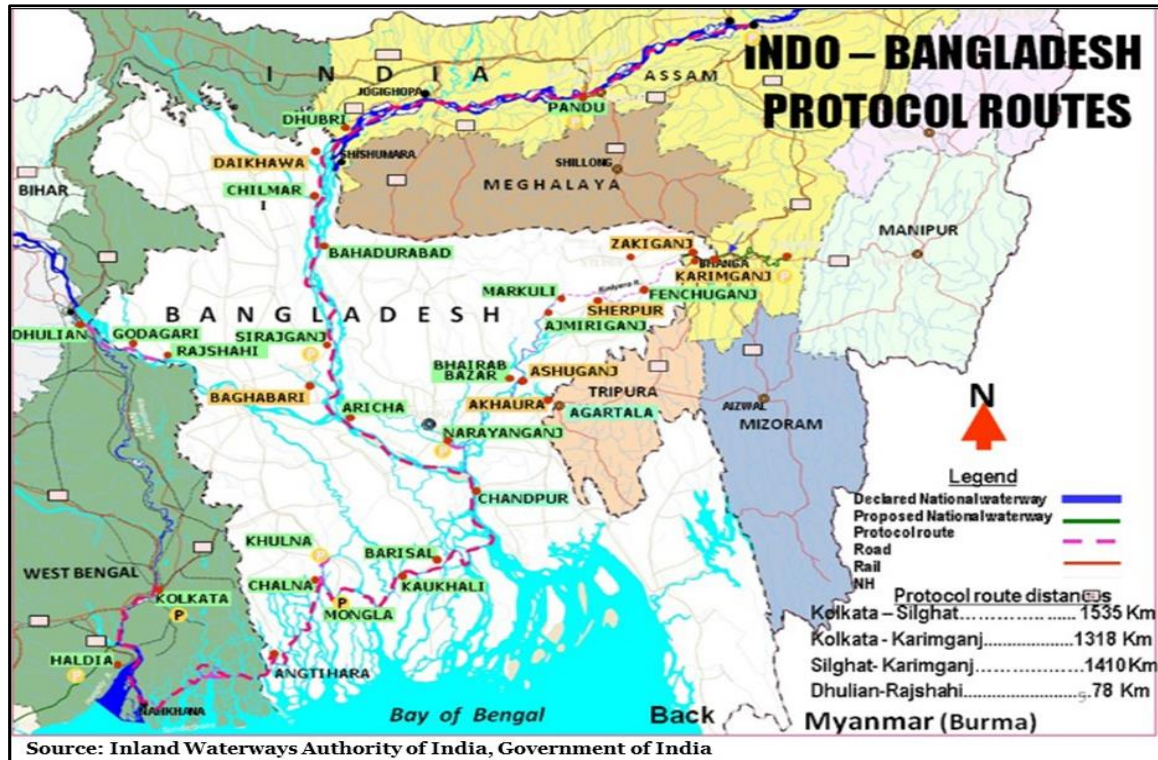
In 1972, India and Bangladesh signed the Protocol on Inland Water Transit and Trade (PIWTT). It was initially renewable every two years; however, since October 2001, the renewal was done in a haphazard manner. In June 2015, Prime Minister Modi's visit to Bangladesh propelled the bilateral ties and the two governments renewed the protocol on 6 June 2015.<sup>3</sup>

The protocol is an agreement between the two governments for the transportation of goods and keeping their respective waterways navigable, while providing infrastructure facilities. The protocol further states that both countries will mutually decide the proposed expenses; voyage permissions shall be taken at least four days prior to the actual journey; and the vessels shall share equal tonnage.<sup>4</sup> The cargo tonnage share between the two parties on paper seems highly attractive, questioning its viability, as the routes are dominated by Bangladeshi vessels.

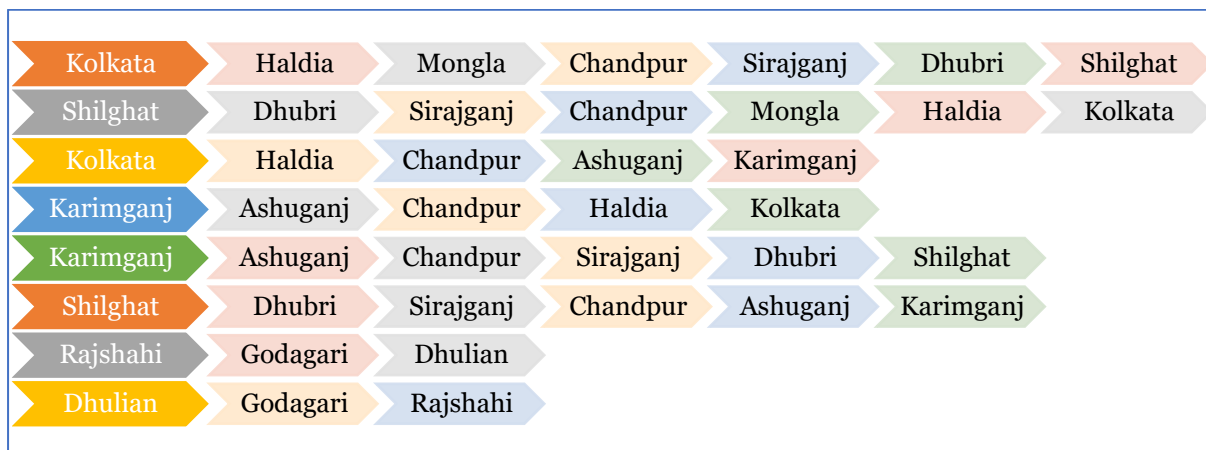
In May 2017, the two governments also signed an MoU on river cruises on the PIWTT routes, which will see the upcoming cruise vessel *Charaidew 2* begin its voyage from September 2018.<sup>5</sup> The execution of plans on waterways between the two countries has been quite efficient, portraying their individual interests.

The EXIM trade between India and Bangladesh is of great economic salience for the two countries. However, in terms of quantity, Indian exports to Bangladesh are higher than the imports from Bangladesh.<sup>6</sup> This has led to a one-way traffic on the waterways, and increased costs for vessel operators. Other than this, the protocol has a five-year automatic renewal, until either government terminates the protocol. The termination is valid on the expiry of the protocol, and shall not affect the actions already taken.<sup>7</sup> This clause shall prove to be beneficial for the two countries, as the initial developments would not come to a standstill with the change in governments or the expiration of the protocol.

The India-Bangladesh Protocol Routes include parts of rivers Ganga, Hooghly, Brahmaputra, and Barak, and the Sundarbans delta (Fig.1). The key routes are indicated in Fig.2.



**Fig.1. Official Map of PIWTT**



**Fig.2. Key routes of PIWTT (Source: IWAI, GoI)**

Developments under this protocol have taken major strides. Initially, Bangladesh allowed a transshipment of food grains to Tripura on humanitarian grounds, and another transshipment of equipment for ONGC's power plant.<sup>8</sup> In 2015, Prime Minister

Modi's visit to Bangladesh further strengthened the ties. In May 2017, India and Bangladesh initiated the process to make River Brahmaputra (also known as Jamuna in Bangladesh) navigable through dredging. In this, India bears 80 per cent of the total cost.<sup>9</sup> Though the primary aim of the PIWTT is economic, it will also help the two countries geostrategically.

The signed protocol between the two governments will primarily drive their respective economies towards growth. While Bangladesh aims to grow its economy through an increase in trade, India's interest is not only restricted to the economy but also includes geostrategic issues. If Bangladesh is enclosed by India on three sides, India is separated by Bangladesh, while being connected via a narrow corridor. Thus, India's primary interest is to efficiently connect the northeast with the main hinterland by using the waterways.

### **Strategic Interests of Bangladesh**

Bangladesh's economy has grown by 0.6 per cent in the financial year 2016–17, pushing its GDP to 7.2 per cent. With an aim to increase its trade with India, Bangladesh would benefit from the services it would offer to Indian vessels during their voyage, which will further facilitate growth in their service industry and enhance their logistics businesses. Since Bangladesh is looking forward to export to the north-eastern states of India, the protocol opens various opportunities for Bangladesh to enhance their trade, which will in turn generate revenues.

Being a deltaic country, Bangladesh is home to 54 rivers that flow from India into the Bay of Bengal, of which the Ganga and the Brahmaputra are vital for both the countries. In Bangladesh, they are famously known as Padma and Jamuna, respectively.

Bangladesh's political leadership is often driven by either the Bangladesh Awami League, which has a pro-India tilt, or the Bangladesh National Party, which has an anti-India tilt. The most favourable bilateral ties with India have taken place under the leadership of the Awami League. But there have also been a few instances that have weakened the ties. Former Indian Prime Minister Manmohan Singh lacked West Bengal's Chief Minister Mamta Banerjee's support during his visit to Bangladesh to

sign the Teesta agreement. The agreement was not signed as Mamta Banerjee argued that water sharing would harm agriculture in northern West Bengal. Also, the water sharing agreement on the Ganges signed in 1996 created problems for Bangladesh. After the construction of the Farrakka Barrage, Bangladesh had issues with the water flow, which had been diverted into the Hooghly River, causing water scarcity in Bangladesh for drinking and agriculture. The 30-year agreement is approaching its renewal, which might be difficult with problems persisting.

On the other hand, recent developments such as resolving the maritime boundary dispute under the Permanent Court of Arbitration and the signing of the Land Boundary Accord, have shown progress in the bilateral relationship. Bangladesh surely is looking forward to the settlement of Teesta water sharing. But, Mamta Banerjee's proposal (made during Sheikh Hasina's visit in 2017),<sup>10</sup> for sharing the water of the river Torsa instead of the river Teesta, might further delay the signing of Teesta agreement.

A major part of the PIWTT routes inevitably passes through Bangladesh, which will give Bangladesh leverage to control the river routes. At present, Bangladeshi vessels enjoy cheaper diesel costs, cheaper labour costs, and lower capital costs vis-à-vis Indian vessels, due to lower safety standards adopted in Bangladesh.<sup>11</sup> The dominance of Bangladeshi vessels in the region will also give them an opportunity to put pressure on India for signing the Teesta agreement. Bangladesh has also remained silent on Mamta Banerjee's proposal of water sharing of the Torsa river. In short, the strategic advantages of Bangladesh would create geopolitical ramifications for India.

## **Strategic Interests of India**

India's primary interest to integrate with the northeast is quite evident with the recent developments on the protocol. Bangladesh provides India access to northeast India, both via land and by the waterways. The waterways are known for their cost-friendly and environment-friendly characteristics. Thus, transportation through waterways seems to be the best alternative to land routes. Also, the poor infrastructure of roads led to the signing of the Protocol on Inland Water Transit and Trade.

In 2001, the Ministry of the North-East Region (NER) was founded to have complete commitment towards the development of the region, and to tap the potential of its people and natural resources.<sup>12</sup> The NER was vital for former Prime Minister Narsimha Rao's Look East policy, whereas it is crucial for the current government's Act East policy to connect to the South-East Asia.

The northeastern states do not have direct access to the sea, and are landlocked. Their situation is similar to other landlocked countries of the world, as their economic prosperity is the lowest among the developing countries.<sup>13</sup> They especially lack infrastructure development and the role of private players, which generate efficiency, higher productivity, and incomes. The north-eastern states of India would benefit the most from the waterways. There would be sufficient availability of goods and services in the region. The vessel services and river fishing would generate employment; the maintenance of waterways would help prevent floods in the areas; and mainly, the seven sisters would be accessible for the transportation of goods, especially at the time of any calamity.

Being economically viable, waterways would benefit Indian traders because of reduced transport costs. The existing infrastructure development of river ports and multimodal transport networks under the Project Sagarmala will further enhance the overall logistics costs and bring economic prosperity.

The lack of accessibility to the northeast has been under discussion for decades, and even the few recently proposed developments by the Indian government have mainly centred around road and rail connectivity projects. But the Siliguri corridor, known for its vulnerability because of its narrow width, is not sufficient to connect to the seven sister states. Famously known as the 'chicken's neck', the corridor is 100km long and the width comes down to as low as 17km at one point.<sup>14</sup> Thus, to supplement the land routes through the corridor, strong bilateral ties with Bangladesh on waterways is the only viable option left for India. India looks forward to strengthening the ties and revive the lost water routes in the region.

Moreover, Bhutan's exit from the BBIN Motor Vehicle Agreement might turn out to be fruitful for the development of inland waterways between the two countries as an alternate route. The reason for its exit is environmental concerns.<sup>15</sup> Thus, for India, it

is the best opportunity to move forward with the development of waterways to transport goods in an environment-friendly manner. This might even solve the problem for Bhutan, as they would enjoy equal benefits by using waterways as a mode of transportation.

## **Possible Challenges**

The execution of navigable waterways will no doubt face some serious challenges in its course to become efficient. The siltation of rivers is a common problem in the Sundarbans delta, being the largest delta in the world. This will require regular dredging in the waterway routes. As mentioned above, India is bearing 80 per cent of the dredging costs initially; but the requirement of dredging is more frequent in deltaic regions. Thus, the cost incurred by both the countries, especially India, will increase. Also, an effective and efficient management is needed to perform regular dredging in the entire protocol route.

The Ganga and Brahmaputra rivers are seasonal in nature and thus, proper infrastructure is necessary. The construction of locks should be the primary concern after dredging. The locks help in maintaining efficient water levels for vessels to ply smoothly. As mentioned in a report, transportation in Assam becomes unpredictable during the monsoon. Operating small passenger ferry boats is risky. Similarly, between December and March, big vessels are unable to ply due to low water levels. This has led to the untapped potential of trade and transit through the waterways.<sup>16</sup>

## **Way Ahead for India**

India has been endeavoring to keep good relations with its neighbour despite the conflicting interests within Bangladesh's political parties. India's efforts to connect its north-eastern states might prove to be fruitful after the rivers are made navigable. But, Bangladesh's leverage in the region will continue to hinder smooth navigation till the Teesta agreement is signed.

The protocol routes will open doors for India to trade with the South East Asian countries through Bangladesh. The development of waterways in this landlocked region will be a boon for their economy, simultaneously also satisfying the individual

interests of each country. The effective development of these routes might also benefit the BBIN agreement if Bhutan opts for waterways to supplement roadways.

The above developments in the region support the Indian Prime Minister's initiative: 'Sabka Sath, Sabka Vikas'. The collaboration will further benefit every country in the region because of mutual interests.

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