



BANGLADESH ENTERPRISE INSTITUTE

House # 20, Road # 5, Gulshan-1, Dhaka-1212, Bangladesh. Phone: 9892662-3 Fax: 9888583 E-mail: bei@bei-online.com
Website: www.bei-bd.org

Valedictory Speech by Ambassador Farooq Sobhan President, Bangladesh Enterprise Institute

4th North East Business Summit 16 September 2008 Guwahati, Assam, India

Honourable Chairman, Excellencies, distinguished guests, ladies and gentlemen,

It is indeed a great honour and pleasure for me to be invited to speak at the 4th North East Business Summit. At the outset I would like to warmly congratulate my old friend, the Chairman, the Hon'ble Minister for Panchayat Raj and Development of North Eastern Region, Mr. Mani Shankar Aiyar, for all the time, energy and effort that he has invested in the development of the Indian North East, I would also like to pay tribute to him for his vision and commitment to realizing the full potential of the North East through building bridges between the North East and its neighbours. A vision and commitment which I fully share. Four of the states in the North East, Assam, Meghalaya, Mizoram and Tripura border Bangladesh. We are much more than next door neighbours, we are brothers that share a common heritage and a common destiny.

I would like to take this opportunity to say that I share the Honorable Minister's belief, his conviction, and his vision that the relations between India and Bangladesh should prosper and flourish to the mutual benefit of both countries. Over the years we have in our different ways done our best to improve the cooperation between our two countries; we both recognize the enormous opportunities for cooperation that exist in the fields of trade, investment, energy, culture, tourism, transportation, harnessing of our water resources and so much more, in particular the huge potential for cooperation in all these areas between the States of the North East and Bangladesh.

This Summit has very successfully show-cased the many investment opportunities that are available today in the North East. There are many investment opportunities also available today in Bangladesh. Bangladesh, with a population of 145 million, has been growing at 5-6% for the past two decades. We have a GNP of approximately 80 billion dollars, exports of 15 billion dollars and remittances of nearly 10 billion dollars. By the end of this year we will have 50 million cell phone subscribers. We have today a short fall of nearly 1500 MW of power. In the next 15 years the demand for power will be in

excess of 40,000MW. In many cases it is obvious that Bangladesh and the North East should join hands to take advantage of these investment opportunities.

During the past one year I have had the privilege of meeting the Hon'ble Minister of External Affairs, Mr. Pranab Mukherjee and Mr. Mani Shankar Aiyar, the Minister of DoNER and Panchayat Raj, on several occasions. One of the subjects we have discussed on each occasion is a visit to Dhaka by Mr. Mani Shankar. I hope very much that he will be able to visit Dhaka in the very near future. In addition, we have talked about the possibility of holding a business summit in Dhaka, with the participation of all the Chief Ministers of the North East, similar to the business conclave held last year in Thailand. I hope with the support of the chambers on both sides, it will be possible to hold such a business summit meeting next year in Dhaka. Bangladesh is due to hold elections in the third week of December this year. It is my hope and expectation that the democratically elected government in Bangladesh will move forward in the shortest possible time to strengthen its relations with India and with the North East in particular. Connectivity and the development of our infrastructure is the key to progress, growth and development for both India, in particular the North East and Bangladesh. It is a win-win situation for both our countries, for the people of both our countries, for our private sector as well as for the public sector.

Both Bangladesh and India have in recent years made great economic progress. India, in particular has emerged as one of the fastest growing economies in the world. But India's 8 to 9% growth could increase to 10 or even 12% if Bangladesh and the North East could be made an integral part of this growth. However, the challenges ahead are still quite daunting. Trade and investment play a key role in achieving more rapid growth. In this context, Bangladesh and India should strive for greater economic cooperation. Despite our geographical contiguity, our cultural affinity, our shared heritage, trade and investment between Bangladesh and India has only realized a fraction of the potential that exists. The capacity for growth in both trade and investment is enormous.

I believe there are four specific reasons why trade between Bangladesh and the Indian North East should be immediately prioritized:

- First, the most obvious reason is that trade facilitation will enhance trade and thus ensure achieving higher levels of economic growth and welfare of our people.
- Second, the rationale for trade facilitation is that it will create a better business enabling environment in both the countries for joint ventures and attracting foreign direct investment (FDI).

- Thirdly, trade cooperation will build capacity and equip these two countries in dealing with specific issues, such as border controls, transit and movement of labour. Today the private sector on both sides is keen to see the removal of all the Non-Tariff Barriers that stand in the way of expanding both trade and investment.
- Finally, increase in trade between Bangladesh and the Indian North East will dramatically increase the level of confidence among the political leaders and decision makers in both our countries. In the past we have allowed security concerns and perceptions on both sides to stand in the way of economic cooperation. My view has always been that the more economic cooperation we have the easier it will be to sort out amicably some of our long standing bilateral problems.

Hon'ble Chairman, Excellencies, Ladies and gentleman,

In several studies conducted by the ADB, IFC, the World Bank and BEI, it has been found that the major obstruction to trade and economic cooperation stems from inadequate cross-border infrastructure and related services that facilitate the movement of goods and people.

- I have for 15 years now been advocating direct air links between Guwahati and Dhaka. Over the years there have been promises made by successive governments both in Delhi and in Dhaka that they support these links but that at the end of the day it was up to the airlines to decide whether such a service would be viable. There are today several flights a day between Kolkata and Guwahati and between Delhi and Guwahati. All we need is for one of these flights to go via Dhaka. I am convinced the day this happens we will see a dramatic improvement in both business and tourism. I am also trying to persuade some of our private airline companies to explore the possibility of starting a Dhaka-Guwahati service. But I would urge the State Governments as well as the business community to do their best to persuade either Indian Airlines or one of the private airline companies to start such a service without delay. I am convinced that such a service will be profitable and will have a profound impact on strengthening the ties between Bangladesh and the North Eastern region.
- Equally important is to begin a direct bus service between Dhaka and Guwahati via Sylhet and Shillong. Such a journey should not take more than nine or ten hours and would provide a major boost to tourism as well as be of special benefit to small and medium size traders on both sides of the border. I was heartened to hear that bus operators on both sides are willing to begin such a service immediately. As you know today we have a bus service between

Agartala via Dhaka to Kolkata, as well as a direct train service between Dhaka and Kolkata, there is therefore no reason why we cannot have a similar service from Dhaka to Guwahati and as a first step from Sylhet to Shillong.

- Direct connectivity will significantly help in the growth of the tourism sector in both the countries. The largest number of dollar paying tourists to India today, 600,000 last year, was from Bangladesh. It is estimated that if we combine revenues from education, medical treatment and tourism, this would be in excess of one billion dollars. If visa formalities are simplified, such as a mutual visa on arrival agreement, and land, river, rail and air connectivity to the North East is provided, this would attract thousands of tourists, not illegal immigrants, but dollar paying tourists from Bangladesh to the North East and hopefully vice versa.
- There is an urgent need to open up a Bangladesh Trade and Visa office in Guwahati. A proposal to this effect is currently pending with the Govt. of India. Double and multiple entry visas to Bangladesh for the businessmen in the North East, and Bangladeshi businessmen to the North East should be provided freely.
- A joint working group, comprising multi stakeholders, could be commissioned to oversee the physical connectivity related problems and identify and recommend effective solutions, in particular in the North East Region, where enormous opportunities are available. The multilateral financial institutions and foreign investors are ready to invest in cross border power generation projects, including large, medium and small size hydro power projects plus gas generated power projects.
- It is necessary for the governments to recognize the importance of rail and water transport in improving not only Bangladesh-India bilateral trade but also as a means to increasing trade in the entire sub-region; thus improved connectivity will benefit the trade of not only India and Bangladesh but would also benefit Nepal and Bhutan.
- It is important to develop high capacity highways along the major trade corridors that touch Bangladesh, India, Nepal and Bhutan in order to allow the introduction of heavy duty trucks. It is important that not only the governments of all these four countries but also the private sector in all the four countries joins hands to promote an integrated approach to improving and upgrading their rail, road and waterways infrastructure.

- As repeatedly discussed in this Summit, it is essential to take urgent steps to improve banking and insurance services, warehousing, as well as improve hotel facilities at the key transit points.
- Border and Customs check posts should be improved between Bangladesh and Mizoram in order to facilitate trade and investment, in particular in making use of the enormous bamboo resources available in Mizoram, for which there is a vast market in Bangladesh.
- Ashuganj could be considered as a Port of Call because it will save almost two days to transport goods to Tripura and Mizoram.
- IT/Connectivity /Bandwidth improvement of the Banks located at Karimganj and Shillong is of critical importance. Today most communications and documents are dispatched via either the postal service or by courier. E-mail, scanning from a proprietary domain can be an alternate channel for faster communication with banks in Bangladesh. All authenticated messages need to be communicated through SWIFT so as to prevent fraud and money laundering.
- Regular meetings of exporters, customs officials is essential in order to remove the existing bottle-necks in doing business between Bangladesh and the North East. Simplification of customs procedure is required to improve trade between Bangladesh and India. Both the governments should actively consider the necessity for joint training programmes for the customs officials on both sides on harmonization, classification, standardization, and certification issues.
- Considerable efforts have to be made to streamline customs clearance and customs documentation. However, customs is, by no means, the only service involved in foreign trade transactions. In addition to customs, there are banks, insurance companies, transporters, c&f agents, port authorities, terminal operators as well as government institutions, such as the central banks, RBI and Bangladesh Bank, BSF and BDR, BSTI and ISTI, who need to meet collectively on a regular basis in order to tackle the many existing problems in doing business and trade between Bangladesh and the Indian North East. A mechanism for regular dialogues among these stakeholders needs to be facilitated. The Chambers could play a vital role in this regard as should the Commerce Ministries in both countries, DoNER, as well as the State governments of the North East. Without these regular dialogues involving all the stakeholders, we will not be able to make any meaningful progress.

- Both the governments must recognize that there is demand in the North East for products like cement, pharmaceuticals, cosmetics, ready made garments, fish etc. which can be supplied by Bangladesh at cost-effective rates.
- Joint ventures in the fields of cement, fertilizer, agro-products, pharmaceuticals, RMG etc. should be encouraged. In this regard, support from multilateral financial institutions could be sought. Along with the governments, the Chambers should play a proactive role in promoting bilateral joint ventures and investments in the Indian North East. Here I want to refer to the success of the Lafarge cement plant, which is currently importing 1.7 million tons of limestone from a quarry in Meghalaya via a 17 kilometre long conveyor belt to the Lafarge Cement plant in Sylhet on the Indo-Bangladesh border. Lafarge has made a 30 million dollar investment in Meghalaya and employs, directly and indirectly 300 persons. When the plant reaches its full capacity of two million tons, the state government of Meghalaya will be earning 10 crore rupees a year in royalties.
- I am also happy to announce that during this 4th North East Business summit an MOU has been signed between the Indian Chamber of Commerce and the Indo-Bangladesh Chamber of Commerce from Dhaka. The 13 member delegation from the Indo-Bangladesh Chamber under its President, Mr. Matlub Ahmed, has also discussed a number of joint venture projects including a rubber tyre factory. Where the rubber latex will be supplied from Tripura and the finishing will be done in Bangladesh, a similar joint venture has also been discussed for the production of bamboo pulp from bamboo for paper production; several other joint ventures, including import of clinker and bio fuels have been discussed. I am confident that these discussions will produce some concrete results in the near future.
- The present caretaker government in Bangladesh has undertaken extensive reforms to improve the investment climate in the country; special importance has been given to improving the efficiency and modernization of Chittagong port. A feasibility study has been commissioned for a deep sea port off Chittagong. Because of its unique geographical location, Chittagong port, in particular the deep sea port, can play a pivotal role by providing access to the outside world for the entire North East, Nepal and Bhutan.
- At the same time, the North East region has abundant natural resources that Bangladesh lacks. Potential for importing power from the North East region needs to be explored by Bangladesh. Therefore, trade cooperation between Bangladesh and North East region should be given special priority to the mutual benefit of the North East and Bangladesh. Export of at

least 200 MW power from the proposed 750 MW power plant in Tripura would substantially help in mitigating the power crisis in Bangladesh. Both the governments should also actively consider hydro power trading between Bangladesh and North East region. In this connection we have noted that Mehalaya itself has substantial hydro power resources available for immediate development. I would like to say that Bangladesh will be very interested in importing hydro power from Meghalaya and can do this with the participation of foreign investors and multilateral financial institutions.

- Trade through formal channels is an issue that needs to be carefully looked into. A large and vibrant informal trade continues to exist and thrive between Bangladesh and the Indian North East. The research conducted by BEI and other research institutes indicates that many traders prefer to trade through the informal channel due to the existing inefficient and cumbersome institutional arrangements that constitute the formal channel.
- These studies also reveal that the transaction costs of trading in the informal channel are significantly lower than the formal channel. It is therefore imperative for the governments of both India and Bangladesh to take the initiative with the support of the Chambers, to lessen the administrative costs and take full advantage of the zero-tariff access provided by India to Bangladesh with effect from the 1st of January this year under SAFTA.

Hon'ble, Chairman, Excellencies, Ladies and gentleman,

I had the opportunity to read the report : North Eastern Region: Vision 2020, prepared by the Ministry of Development of North Eastern Region, which was presented to me by Ms. VS Rao, Secretary, DoNER, when I called on her on the 1st of September,2008. This report is a very useful document for all the stakeholders involved in improving sub-regional cooperation in South Asia. This report should be studied by the financial community, and all those engaged in the business of exporting goods and services in Bangladesh and India. It should also be read by policy makers, academics and media commentators alike, as a valuable commentary on the Indian North East region. It provides an up-to-date overview of trade patterns, with particular emphasis on the pragmatic issues that would ultimately improve sub-regional cooperation. I propose to personally hand over a copy of the report on my return to Dhaka to the Chief Adviser, the head of the caretaker Government, Dr. Fakhruddin Ahmed. We will give special attention to this report when in February the India-Bangladesh Chamber, under the leadership of Mr.Matlub Ahmed, its president, holds a conference in Dhaka, in partnership with the Indian Chamber of Commerce, to which he will also be inviting representatives of the various chambers in the North East.

The report provides a direction towards improving trade between Bangladesh and the Indian North East. The report has correctly highlighted that, *'in general Bangladesh has had a consistently unfavorable trade balance with India due to an insufficiently diversified export basket'*. Nevertheless, it further highlighted, *'closer economic integration with Bangladesh could be seen as a very important way to reducing the economic and political isolation of the eight north eastern States from the rest of India'*.

I firmly believe that given geographic realities and cultural ties that bind Bangladesh and North east India together provides us with a unique opportunity to join hands and work together for the mutual benefit of our people. The report published by the Ministry of Development of North Eastern Region is a clear and succinct reflection of such aspirations. Along with the initiatives taken by the government, public and private sectors, exporters and importers to and from the North East and all other stakeholders, should actively commit themselves to taking Bangladesh-India relations to a higher level. I would like to mention here that the Bangladesh Enterprise Institute has published several comprehensive research and policy papers on Bangladesh and North East India with the sole objective of facilitating trade and business between Bangladesh and the Indian North East.

In conclusion, let me stress that in order to promote more trade and investment between Bangladesh and the Indian North East based on a mutually beneficial relationship, it is necessary for the two neighbours to actively engage in exploring the signing of a bilateral FTA between India and Bangladesh in the very near future. This FTA should focus not only on trade, but also on investment and services. Both the governments should adopt a fast track approach to concluding such an FTA, which should also pave the way to promoting cooperation with Nepal and Bhutan. We should always remember that Bangladesh and the Indian North East are geographically contiguous and as such are 'natural markets' for each other. I strongly believe that the proposal for a bilateral FTA and regional trade agreements, as discussed in this Summit, should be seen as an opportunity to maintain the impetus for regional development and cooperation.

Let us hope that the spirit of this 4th North East Business Summit can be reflected in some concrete decisions and will serve as a major incentive in promoting and facilitating a balanced Bangladesh-Indian FTA. This will require both sides, the governments as well as the private sector, to collectively work for the conclusion of such an FTA. The task is difficult, but the impact of such an FTA could be of enormous benefit to both countries.

Indo-Bangladesh relations have had their ups and downs and there have been many missed opportunities, not least among them being the Myanmar-Bangladesh-India gas pipeline and more recently the TATA investment proposal. But I am hopeful that once the elections take place in Dhaka

in December 2008, TATA will re-submit their three billion dollar investment proposal for four major projects. But alongside these missed opportunities, let me mention that today there are some 200,000 Indian professionals working in Bangladesh; India's exports on the official account has averaged two billion dollars and if we add informal trade, the total will be close to five billion dollars. There are literally hundreds of Indian companies in Bangladesh, including Indian firms account for over a billion dollars in garment exports out of Bangladesh, some 300 IT related joint ventures. In fact if we add up all the figures India's earnings from Bangladesh would be close to 10 billion dollars a year. Regrettably only a very small portion of this comes to the Indian North East. It is our estimate that exports from the North East to Bangladesh during the past twelve months was approximately 120 million dollars. Of this amount coal alone accounted for approximately 70 million dollars. Thus of the total dollar earnings from Bangladesh, it will be noted that a little over 1% goes to the North East. If we can in the next few months have the direct air link between Dhaka and Guwahati, the visa and trade office in Guwahati and the direct bus service to Shillong and Guwahati, I am confident we can double this figure by the time of the next business summit, when as announced by Minister Mani Shankar Bangladesh will be the partner country at the summit.

It is my hope and expectation that in the months ahead we can take some concrete measures which will facilitate greater economic and trade cooperation between Bangladesh and the Indian North East. The potential is certainly there, as is the commitment of both Mr.Mani Shankar Aiyar and DoNER, as well as the State governments and the private sector to turn things round. India and Bangladesh, in our own interest, should join hands and make the vision embodied in the DoNER report a reality.

THANK YOU.