

Quantifying the Transport, Regulatory and Other Costs of Indian Overland Exports to Bangladesh

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Abstract

In the globalised world, country borders ought to be arbitrary lines on the map. But recent studies have shown that informal trade barriers still do exist and inhibit trade flows, particularly so in the developing countries. This can arise due to a host of factors such as, complex customs procedures, which sometimes are changing, capacity constraints given limited facilities and/or corruption at the border. These types of non-tariff barriers of various sorts and structural impediments are less obvious and perhaps more interesting, but also much more difficult to directly measure. In this context, this paper attempts to quantify all the relevant costs resulting from informal trade barriers that impinge upon Indian overland exports to Bangladesh through the land custom stations (LCSs) at Petrapole (West Bengal, India) and Benapole (Bangladesh). The study is based on primary data collated through surveys conducted in West Bengal.

Our estimate shows that the aggregate delay pertaining to all the phases of exports turns out to be approximately four days for a single shipment. It also shows that the additional transaction cost in terms of delays and speed money incurred by the Indian exporters during trading with Bangladesh is about 10 per cent of the shipment value. Our estimate has shown that informal barriers/para-tariff in Indian overland exports to Bangladesh are already high. Therefore, it is essential to improve the infrastructure and administration at the border to reduce transaction cost. It would be even more important to do this if trade is liberalised, because congestion costs will otherwise rise with the resulting increased demand for trade across the border. The paper concludes with feasible policy recommendations to make trade between India and Bangladesh more vibrant.

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1. Introduction

Globalisation has opened up economic opportunities to developing countries in the form of outflow of value-added services and low-cost raw material/human resource skills, improved market access for their exports, efficiency gains in their economies through technology transfer and spill-over and resource re-allocations. Consequently, the developing countries have increasingly begun to position themselves to participate in regional and global markets. However, the developing countries need to have the capacity to link with global and regional markets for benefiting in this globalised world. This in turn, depends on efficient transport and trade facilitation systems. Costs related to trade facilitation have long been thought an important factor determining transaction costs in international trade, in addition to other factors such as tariff and non-tariff barriers to trade. Of late, tariff and non-tariff barriers to trade have been losing its significance due to successive rounds of negotiations under WTO. On the other hand, transportation costs have reached the plateau after decreasing over time due to technological innovations. As a result, the relative importance of trade facilitation or border delays has become much more conspicuous and deserves greater attention in the literature on impediments to trade in developing countries. However, few studies have focussed their attention on informal trade barriers such as border delays due to capacity constraints, customs clearance and corruption. As Hummels (2001) asserts, “ non-tariff barriers of various sorts and structural impediments are less obvious and perhaps more interesting, but also much more difficult to directly measure”.

In the globalised world, country borders ought to be arbitrary lines on the map. But recent studies (Anderson and Van Wincoop, 2001) have shown that informal trade barriers still do exist and inhibit trade flows, particularly so in the developing countries. This can arise due to a host of factors such as, complex customs procedures, which sometimes are changing, capacity constraints given limited facilities and/or corruption at the border.

In this context, this paper attempts to quantify all the relevant cost resulting from informal trade barriers that impinge upon Indian overland exports to Bangladesh through the land custom stations (LCSs) at Petrapole (West Bengal, India) and Benapole (Bangladesh). The study is based on primary data collated through surveys conducted in West Bengal.

The plan of the rest of the paper is as follows. Section 2 reviews past studies on transport regulatory and other logistics costs of India-Bangladesh trade. Section 3 describes the border crossing logistics in the 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 Transaction costs of India-Bangladesh Trade

To our best knowledge, there have been two other earlier studies, namely, by Pohit and Taneja (2000) and Subramanian and Arnold (2001), which have attempted to identify the relevant cost in terms of time and money involved in trading of commodities between India and Bangladesh. To be specific, these studies have attempted to identify loss of time in the different stages of trade transaction such as (1) securing export license, (2) procedural delays at the customs, (3) processing cost at the banks and (4) movement of merchandise (see Table 1). However, both these studies fall short of identifying all the components that impinge trade. As Table 1 shows, these two studies have not analysed separately the loss of time at parking, crossing of border, unloading at Benapole and crossing of border while returning. So, both these studies have underestimated the costs. In this context, our study is an improvement over the other two.

Table 1: Comparison of Various Studies			
Factors/Elements	Study		
	Pohit and Taneja (2000)	Subramanian and Arnold (2001)	Current (2003)
Transportation cost:			
Cost per kilometre / cost per 10 ton truck	No	Yes	Yes
Cost as proportion of annual total exports / single shipment	Yes	No	Yes
Loss of time in:			
Obtaining export license	Yes	No	Yes
Loading at Kolkata	No	No	Yes
Transportation	Yes	Yes	Yes
Parking	No	No	Yes
Customs clearance	Yes	Yes	Yes
Crossing of border	No	No	Yes
Unloading at Benapole	No	No	Yes
Crossing of border while returning	No	No	Yes
Export remittances	Yes	No	Yes
Loss perceived by exporters – cost implications:			
Due to delay in customs clearance and transportation including parking and queue at border	No	Yes	Yes
Due to delay in obtaining export remittances	No	No	Yes
Trading costs other than transportation			
Incidence of bribes (speed money)	Yes	Yes	Yes
Cost of credit	Yes	No	Yes

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

3. Description of Border Crossing Logistics

At the outset, the land border routes in West Bengal are the most important gateways for trade with Bangladesh in terms of trade volume and value. Notable among these LCSs in West Bengal are Petrapole, Mahadipur and Hilli. However, the state of the physical infrastructure at all these LCSs is in a mess. Table 2 provides a summary picture of the same for these LCSs.

Table 2 shows that the parking lots in all the LCSs lack the basic amenities like drinking water and toilet. The approach roads to the LCSs are congested. The frequent power cuts coupled with low voltage at the LCSs adversely affect the efficiency of customs officials. Surprisingly, there is no government-bonded warehouse in these LCSs. Thefts from parking lots are common and corruption is rampant.

Table 2: Bottlenecks in Physical Infrastructure and Procedural Hazards			
Facility	Hilli	Mahadipur	Petrapole
Approach Road to LCS	• Single lane congested road	• Poor physical condition	• Passes through congested towns & places infested by hawkers.
Parking lot	• No sanitation facility and inadequate drinking facility. • Not secured - loss through theft • Prevalence of speed money	• Lack of basic amenities. • Highly discriminatory parking fees • Not secured - loss through theft • Prevalence of speed money	• No sanitation facility and inadequate drinking water facility. • Not secured - loss through theft • Prevalence of speed money
Warehouse	• No government bonded warehousing	• No government bonded warehousing	• No government bonded warehousing
Others	• Poor quality of power • Local clubs with political affiliations extort exporters for donations • Hilli not notified in Duty Entitlement Pass Book (DEPB) port registration – traders of DEPB items not getting the benefit.	• Poor quality of power affects efficiency of customs officials • Absence of bank collection centre • No office space for clearing & forwarding agents	• Irregular power supply with low voltage • Single gate for export, import and passengers • Frequent strikes delay official work • Electronic Data Interchange (EDI) ineffective due to lack of efficient operator

It is evident from the above table that problems prevailing in the three LCSs are similar in nature. Hence, analysis pertaining to transportation and cross border costs and times of one of the LCSs would provide a fair picture of the ground realities. We have chosen Petrapole border for our in-depth study as it handles the highest trade (66% in value terms during 2001-2002) between India and Bangladesh.

Petrapole is located about 95 kilometres from Kolkata. The commodities that are traded through Petrapole LCS originate from all over India. Kolkata is the final transshipment area for most of these commodities and they are carried to the Petrapole border by trucks through the National Highway 35, formerly known as Jessore Road as it originates from

Jessore in Bangladesh. The delay in this route is a normal phenomenon due to the heavy traffic, poor physical condition and narrow width of the road and encroachments¹.

On an average, 250 trucks travel daily through the Jessore road. The Jessore road passes through very congested towns like Barasat, Dutta Pukur, Ashoknagar, Habra and Bongaon on the way from Kolkata. Furthermore, hawkers in Habra and Bongaon and three railway crossings *en route* slow down the movement of trucks. Another major hurdle in transportation is the narrow Naobhasa Bridge, which is located 3 kilometres prior to Petrapole. The bridge is so narrow that at a time only one truck can pass. Moreover, heavy trucks with carrying capacity of 15 to 18 tonnes or more cannot pass through this bridge due to its poor condition. This results in transshipment either in Kolkata or Bongaon incurring additional transportation cost and time. Our survey findings reveal that the average cost charged by the transporter in the Kolkata - Petrapole - Benapole route is around Rs. 2543 vis-à-vis Rs.1752 in other national highways for an equivalent distance of 95 kms. Hence, the average transportation cost per kilometre turns out to be Rs. 27 in Kolkata - Petrapole - Benapole route against Rs. 18 in other national highways.

Merchandise has to face substantial loss of time at the border. The delay takes place at the parking lot, in customs clearance and at the entry/exit point. It is 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 summer and after 10 PM in winter². 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, trucks can cross the border between 10 AM and 5.30 PM.

The existing custom clearance procedures at the border lead to significant costs and delays. The existing custom procedures and documentation are not transparent. As a result, all the exporters employ clearing agents on a commission basis to take up the responsibilities of all paper works at the border. The fees of clearing agents usually vary from 0.3% to 1% of shipment value. In spite of appointing clearing agents and paying bribes to the customs officials, custom clearance requires much more time than it should require according to the expectations of exporters. Although, there is no official fees for paper work at customs office, exporters have to bear for overtime allowances of custom staffs if they want their consignment to be cleared on holidays or before/after the scheduled working hours. Recently, the government of India has introduced the Electronic Data Information (EDI) system with much fanfare at custom office at Petrapole for streamlining the system. However, the implementation has been a failure due to poor planning. Consequently, the clearing of papers is presently being done manually. Thus, the huge investment in EDI is remaining idle.

¹ The width of Jessore road is only 16 feet.

² Trucks carrying perishable items and hazardous chemicals like acid are allowed to move straight towards the border.

The entry point at the border has one single gate, which is used for exports, imports as well as for passenger movement. At a time, only one truck can pass through the gate. As a result, the entry point remains very congested. Big trees at the entry-exit point often become irritants to traffic flow. The Indian trucks after unloading at Benapole (in Bangladesh) are allowed to enter India only after 7 PM. or are allowed to return to India before the start of exports from India (i.e. 10 AM). This results in wastage of time together with payment of detention charges.

4. Framework, Methodology and Sampling Design

A trader/exporter incurs transaction costs in all the phases of the export process starting from obtaining information about market conditions in any given foreign market and ending with receipt of final payment. One part of the transaction cost is inherent in any transaction. It is trader specific and depends upon his operational efficiency. The magnitude of this transaction cost diminishes with an increase in the efficiency level of the trader.

The other part of the transaction cost is specific to the trading environment and is incurred by the traders due to the in-built inefficiencies in the trading environment. It includes institutional bottlenecks (transport, regulatory, and other logistics infrastructure), information asymmetry and administrative power that give rise to rent seeking activities by the officials at various steps of transaction. This may cost traders time and money including demurrage charges, making transactions more expensive. This is within the realm of the policy makers to reduce this cost. In our analysis we deal with this transaction cost and term it *auxiliary transaction cost*. It refers to the additional transaction cost that the exporters have to incur in terms of speed money (bribes) and delays.

The auxiliary transaction costs represent real resource cost as well as costs that may just be ways of sharing the economic rents. For example, delay on the road, in Customs, etc., represents real resource costs but “speed money” is a way of transferring income. In our analysis, delay has been estimated at various points of export transaction separately. However, speed money includes the total bribes that the exporters need to pay for exporting one consignment. The survey was unable to secure information relating to bribes separately for various aspects of export transaction³.

As noted earlier, the cost estimates in this paper are based on primary data collated through field survey. We have surveyed exporters and transporters engaged in India-Bangladesh trade. Discussions were held with few Indian importers having trading relationship with Bangladesh to get information on the problems faced by them in importing goods from Bangladesh. But no full-fledged survey of importers was undertaken.

The survey of Indian exporters and transporters was conducted using structured questionnaires in towns adjoining to Petrapole including Kolkata during the months of July and August, 2002. The questionnaire solicited information from the exporters and

³ Underinvoicing and misdeclarations are said to be frequent and substantial in India-Bangladesh trade through Petrapole-Benapole border. But estimates of bribes to customs officials to turn a blind eye to underinvoicing and misdeclarations could not be captured in our survey.

transporters regarding time and cost of different phases of trade transaction. For clarity, the entire activities related to exports through the Petrapole-Benapole border have been divided into the following three distinct phases:

- Phase 1 - loading at Kolkata, unloading at Benapole in Bangladesh and crossing of border while returning from Bangladesh
- Phase 2 - transportation and
- Phase 3 - exports including parking, customs clearance and crossing of border during exports.

The questionnaires elicited information on several variables. The data was collected on transaction costs and time taken for transaction for each of these phases. Information was also solicited from the traders on transportation cost, cost of credit, incidence of bribes, delay in obtaining export remittances, duty refund and in respect of obtaining Import-export code. Besides these, traders were asked to provide money value (opportunity cost) to the time loss due to delay.

The information on transaction costs needs further clarifications. In our analysis, the transaction costs that are quantified are only those incurred by Indian exporters up to the point at which they leave their cargoes in Bangladesh. Transaction costs beyond this point in Bangladesh are not quantified, so the total transaction costs of India-Bangladesh trade are not quantified. To be specific, the present paper solely deals with the total additional transaction costs incurred by the Indian exporters. Even in quantifying the additional transaction costs of the Indian exporters, certain transaction costs are not picked up in the survey.⁴

The *population* of the survey consisted of exporters and transporters, engaged in India-Bangladesh trade through the Petrapole-Benapole border. Once we established the scope of the population, we obtained a *sampling frame* – a list of population elements. The lists of 'major transporters' (25 in all) and 'major exporters' (155 in all) with commodity specifications were acquired from the respective federations in Kolkata. Before selection of samples, we held discussions with representatives from the different federations of exporters and transporters. The discussions revealed that the population was not heterogeneous enough to be critically worried about the *sample size* and *sampling error*. Hence, given the time and budget constraints, fifteen transporters were contacted and interviewed. Though information was solicited from 155 exporters, responses were obtained from 82 only.

5. Estimation of Cross Border Delay

Tables 3, 4 and 5 summarise our survey findings regarding the loss of time incurred by traders in exporting goods to Bangladesh through Petrapole-Benapole route. In each table, the delay incurred in different phases of transaction is calculated using transporters'

⁴ For example, theft in the border parking lots which presumably leads to increased insurance costs and the costs involved in pre-shipment inspection are not covered in this paper.

responses of actual time taken and his estimate of ideal time for the same transaction. In the questionnaire, the transporters were asked to indicate their perceptions about the ideal time for transporting consignments from Kolkata to Petrapole if the Jessore road were wider or in better condition. They were also asked to respond about the actual time of transportation given the poor state of the road. For the other phases of transaction, questions pertaining to ideal and actual time were asked in a similar manner.

Table 3 shows that unloading at Benapole in Bangladesh assumes highest extent of loss of time in absolute terms as well as in relation to perceived ideal time. The loss of time while unloading at Benapole is more than four times the perceived ideal time for unloading. Similarly, it is about three times the perceived ideal time for crossing of border while returning from Bangladesh.

Table 3: Loss of Time in Phase 1									
	Ideal Time (in hrs)	Loss of time (in hrs)	Loss of time as % of ideal time	Ideal Time (in hrs)	Loss of time (in hrs)	Loss of time as % of ideal time	Ideal Time (in hrs)	Loss of time (in hrs)	Loss of time as % of ideal time
	Loading at Kolkata			Unloading at Benapole in Bangladesh			Crossing of Border while returning from Bangladesh		
Average	2.50	4.10 (40)	126.67	1.83	9.00 (43)	444.00	1.60	4.67 (8)	300.00
Std. Dev	2.07	10.16	152.21	2.04	11.87	314.25	0.51	1.91	126.77
Coef. Of var	0.83	2.48	1.20	1.11	1.32	0.71	0.32	0.41	0.42

Note: The figures in the parenthesis represent the maximum loss of time

On the other hand, Table 4 shows that on an average there is a loss of more than 3 hours in transporting merchandise from Kolkata to Petrapole (95 kms). The loss of time is nearly 1.5 time the perceived ideal time for covering this 95 kilometres.

Table 4: Loss of Time in Phase 2			
	Ideal Time (in hrs)	Loss of time (in hrs)	Loss of time as % of ideal time
	Transportation		
Average	2.40	3.20 (5)	146.19
Std. Dev	0.95	0.90	57.56
Coef. Of var	0.40	0.28	0.39

Note: The figure in the parenthesis represents the maximum loss of time.

Table 5 summarises our findings regarding the time loss incurred in exports including parking, custom clearance and crossing of border during exports. As this table shows, the average ideal time for exports is perceived to be slightly more than 21 hours. However, the actual time for exports is 99 hours resulting in loss of around 78 hours. The loss of time is estimated to be 3.75 times the perceived ideal time for exports.

Table 5: Loss of Time in Phase 3			
	Ideal Time (in hrs)	Loss of time (in hrs)	Loss of time as % of ideal time
	Total Time for Exports Including Parking, Customs and Crossing of Border during Exports		
Average	21.33	78.07 (96)	375.67
Std. Dev	5.43	17.29	125.84
Coef. Of var	0.25	0.25	0.36

Note: The figures in the parenthesis represent the maximum loss of time.

In summary, the aggregate delay (loss of time) pertaining to all the three phases of exports turns out to be around 99 hours on an average (approximately 4 days) for a single shipment (see Table 6). The data suggests that the aggregate delay could be as high as 192 hours (8 days).

Table 6: Cumulative Loss of Time in Exports		
	Ideal time (hrs)	Loss of time (hrs)
Phase 1	5.9	17.8
Phase 2	2.4	3.2
Phase 3	21.3	78.1
Cumulative	29.6	99.1

6. Auxiliary Transaction Cost vis-à-vis Shipment Value

The additional transaction cost incurred by the Indian exporters during trading with Bangladesh includes speed money and delays. As noted earlier, we have attempted to quantify the extent of this additional transaction cost in relation to the average value of shipment based on the perceptions of our sample exporters. By and large, exporters were found to be trading in multiple commodities. So the response of an individual exporter in the questionnaire regarding the transaction cost vis-à-vis shipment value pertains to an average figure taking into account all the commodities that he is engaged in trading. Thus our analysis fails to identify commodity specific results in this respect. The results are given in Table 7.

Table 7: Auxiliary Transaction Cost Vis-à-vis Shipment Value		
Cost Elements	% of Shipment Value	
	Average	Maximum
Delay in customs clearance including Transport, parking and queue at border	5.73 (0.54)	18
Total bribes	2.50 (0.74)	10
Delay in obtaining export remittances	2.15 (1.33)	12
Total	10.38	

Note: Figures in the parenthesis indicate the coefficient of variation.

As this table shows, the average financial implication of the loss of time in customs clearance and transportation including parking and queue at border turns out to be 5.73 per cent of value of shipment. The survey results indicate that the maximum perceived loss is 18 per cent. Similarly, the financial implications of bribes and delay in obtaining export remittances are 2.50 per cent and 2.15 per cent of the shipment value respectively (Table 7). The results of the survey reveal that majority of the exporters pay bribe which varies between 1 and 3 per cent of the shipment value; the maximum being 10 per cent. The maximum perceived loss due to delay in obtaining export remittances is 12 per cent of the shipment value.

Thus, it may be concluded that on an average an Indian exporter incurs in sum an auxiliary transaction cost of about 10 per cent of the shipment value.

7. Summary and Policy Implications

This paper attempts to quantify the cost implications of the informal trade barriers that impinge upon trade between India and Bangladesh through the LCSs at Petrapole (India) and Benapole (Bangladesh). The study is based on an extensive survey conducted in towns neighbouring Petrapole including Kolkata.

One aspect that is usually not taken into account while undertaking trade liberalisation, either unilaterally or through free trade agreements (FTAs), is the welfare implications of the existing institutional barriers. In low income and transitional economies including India and Bangladesh, currently the real barrier to trade is quite often institutional taking the form of unreasonable customs delay accompanied by widespread demands for bribes to expedite the movements of goods. In this kind of regime, perishable commodities are obviously more adversely affected by delays than non-perishables. Tariff reductions have little or no impact on domestic prices due to the capacity constraint in processing imports. More queuing results in added real resource costs, rather than generating revenues, as is true with tariffs. Perishability considerations affect the costs of liberalisation through more product loss. However, the literature on trade liberalisation or cost and benefits of FTAs has rarely touched on this issue. The precise length of these delays and how they arise is, unfortunately, poorly documented, but their impact on trade is undeniable.

The crucial question is whether the institutional factors can marginalise or negate the India's gains from trade liberalization, either by unilateral route or through FTA route. Sadly, none of the past Indian studies quantifying the gains from FTAs or trade liberalization have accounted these factors in their analysis. In fact, similar studies for other countries are also silent on this account. The sole exception being the study for Russia by Edgar Cudmore and John Whalley (2003), which has shown that liberalization can be welfare worsening rather than welfare improving as is usually the case in conventional models if one incorporates border delays in the analysis. In the context of India-Bangladesh trade, this finding has immense relevance in emphasising the need to have a fresh look in improving the infrastructure in the LCSs. If the Bangladesh tariffs were reduced or abolished and capacity were not expanded, the resulting increase in congestion costs at the border could conceivably exceed the welfare gains from the reduced tariff.

Our estimation shows that the total delay (loss of time) in exporting a single shipment from India to Bangladesh is to the tune of four days (99 hours). The maximum loss of time takes place in the activity, which includes parking, customs clearance and crossing of border (78 hours) and is followed by unloading at Benapole (9 hours). Our analysis also shows that on an average an Indian exporter incurs in sum an auxiliary transaction cost of about 10 per cent of the shipment value; the maximum delay occurs in custom clearance including transport, parking and queue at border.

The approach roads towards the LCSs have to be widened. A Government bonded warehousing facility is mandatory in all the LCSs to promote an efficient system of handling exportables. With much ado, the Government of India had introduced EDI system at Petrapole for streamlining export documentation and to reduce delay in customs clearance. But the EDI system is non-operational and consequently the clearing of papers is now being done manually. Efforts should also be made to operationalise the EDI immediately. Local administration with co-operation from exporters should take the responsibility to ensure supply of drinking water and proper sanitation facilities at the parking lots. In addition, the concerted effort by local administration and exporters should sort out the issues related to poor quality of power supply and strikes.

The negotiation is on for signing a FTA with Bangladesh. Our view is that the Government of India needs to focus more attention on administrative considerations, infrastructure development and border delays as far as Bangladesh exporters/Indian importers are concerned for realising the benefits of a FTA with Bangladesh. For example, these traders have to undergo tremendous hardship to be in business in the present set up. The Petrapole LCS has a single gate for exports, imports and passengers resulting in high degree of congestion. Moreover, the balance of trade is significantly in favour of India. As a consequence, the trucks from Bangladesh carrying Indian imports have to give way to the Indian trucks carrying Indian exports and the waiting time on an average turns out to be 4 to 5 hours.⁵ Once the trucks from Bangladesh enter India, immediate transshipment of Indian imports is required since there is no customs bonded warehousing facility at Petrapole and the Bangladeshi trucks are not allowed to move further into the Indian side. For perishable commodities, this occasionally results in damage of goods, especially so during the months of monsoon. Presently, the Indian imports are transhipped in a vacant land beside the Indian customs office, which is insufficient, as far as the infrastructure is concerned and remains muddy during the monsoons. This adds to the problems of the Indian importers and Bangladeshi exporters.

The discussions with Indian importers have revealed that Bangladeshi exporters face ill-treatment at the hands of the Indian custom officials when they visit India on business purpose through the land borders. This happens in spite of the fact that the Bangladeshi exporters pay Rs. 400 to 500 as bribes to the custom official for putting seals on their visas. As a result, they prefer the air route for coming to India for exploring trade opportunities, which adds to their business cost. However, this problem is not symmetrical in the sense that none of our sample Indian exporters have informed us about this type of harassment in the Bangladesh side. Given the problem of transshipment, ill treatment by the custom

5. This is true with other LCSs.

officials on the India side and exports from Bangladesh being given the second preference by the Indian officials, it is not surprising that Bangladeshi/Indian traders are least interested in trading goods from Bangladesh to India.

The Government of India should construct separate gates for exports and imports in all the important LCSs in general and Petrapole in particular. If this is not feasible, in some days of the week imports from Bangladesh should be given first preference before exports from India proceed. This is a must to promote two way trade. The current system of transshipment of goods from Bangladesh trucks to Indian trucks has to be made efficient and trader friendly and measures should be taken to ensure that the Bangladeshi traders are not ill treated by the Indian custom officials.

By and large, Indian policy-makers have been more proactive in trade liberalization rather than on focusing attention on administrative considerations and border delays. On the contrary, the present study has shown that improved infrastructure and administration at the border are essential for increasing volume of trade with Bangladesh through Land Customs Stations. It would be even more important to do this if trade is liberalised, because congestion costs will otherwise rise with the resulting increased demand for trade across the border.

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