

India-Bangladesh Transshipment Policy

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India-Bangladesh Transshipment Policy: Strategic Rollback and Its Implications

Context:

- In **2020**, India allowed Bangladesh to use its land customs stations and ports for transshipment of goods to **third countries** like Nepal, Bhutan, and Myanmar.
- This facility was seen as a step towards **regional economic integration** under India's "Neighbourhood First" policy.
- In **March 2024**, India revoked this arrangement, citing **logistical challenges, domestic industry concerns, and strategic security risks**.
- The move has significant implications for **bilateral relations, regional trade connectivity, and India's strategic posture** in South Asia.

What Was the India-Bangladesh Transshipment Facility?

- **Launched in 2020**, the policy allowed Bangladesh to send export cargo to third countries using Indian infrastructure.
- **Key objective:** To reduce transit time and costs for Bangladeshi exports, especially **readymade garments (RMG)**.
- Cargo moved through Indian ports like **Kolkata** and airports like **Delhi**, aiding global market access.
- India's initiative was viewed as a **goodwill gesture** supporting regional connectivity and integration.

Reasons Behind India's Withdrawal

- **Domestic Industry Pressure:**

- The **Apparel Export Promotion Council (AEPC)** warned of competitive disadvantage for Indian textile exporters.

- **Logistics Burden:**

- **Congestion** at Indian ports and airports due to additional cargo from Bangladesh disrupted domestic trade flows.

- **Strategic and Security Concerns:**

- Growing Chinese investments in **northern Bangladesh**, especially near the **Siliguri Corridor**, raised alarm in Indian strategic circles.

- **Diplomatic Signaling:**

- The move may serve as a **geopolitical message** to Bangladesh about drifting towards Chinese influence.

Implications of the Withdrawal

On Bangladesh:

- **RMG Sector Impact:**

- Bangladesh's RMG exports earned **\$50 billion in 2024**; higher transit costs may reduce competitiveness.

- **Infrastructure Challenge:**

- Bangladesh lacks equivalent ports and logistics facilities to compensate immediately.

- **Reduced Market Access:**

- Losing access to **Delhi Airport** limits reach to Western markets, especially the US and EU.

- **Strategic Setback:**

- Undermines its ambitions of becoming a regional **transit and logistics hub**.

On India:

- **Domestic Textile Advantage:**

- Reduces competition, providing relief to India's own **textile exporters**.

- **Port and Airport Efficiency:**

- Frees up infrastructure previously burdened by handling Bangladeshi shipments.

- **Strategic Leverage:**

- Maintains control over regional logistics amid China's assertive presence in South Asia.

- **Perception Risk:**

- May appear as **reactive diplomacy**, potentially affecting India's **soft power** image in the neighbourhood.

Way Ahead

- **Structured Dialogue:**

- India and Bangladesh should initiate high-level talks to reassess trade expectations and cooperation frameworks.

- **Balanced Policy Framework:**

- India must strike a balance between protecting domestic industries and maintaining

regional goodwill.

- **Joint Logistics Infrastructure:**

- Invest in **shared infrastructure** like inland container depots and dry ports to reduce mutual dependency.

- **Regional Transit Agreements:**

- Use **SAARC**, **BBIN**, or **BIMSTEC** to formalize **multilateral transit protocols**.

- **Conditional Resumption:**

- India may consider restoring the facility under **revised terms** with security and economic clauses in place.

Conclusion

India's decision to revoke the transshipment facility reflects the complex balance between **economic interests**, **national security**, and **regional diplomacy**. As regional dynamics evolve, India must ensure that its strategic decisions align with the broader goal of **South Asian connectivity**, **economic stability**, and **cooperative neighbourhood policy**.

