Connecting for Trade and Development: Issues and Prospects of Land Transport Corridors of South Asia

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South and South-West Asia Office
Imperatives for Land transport connectivity in South Asia

- **High transport costs due to congestion in existing carriageways and time delays due to procedural issues**
  - High transport costs strongly correlated with forgone intra-regional trade opportunities
  - Intra-regional trade costs in South Asia is prohibitively higher at about 114% compared to that of South East Asia at 76% and East Asia at 51%
  - Potential intra-regional trade estimated to be at least 3 times that of actual figures

- **Cargo transport demand is projected to increase exponentially - future transport development must adhere to sustainable development paradigm**
  - Land transport freight expected to increase by close to 4 times by 2050 in the Asia-Pacific, accounting for about two thirds of all surface freight globally

- **Land transport connectivity is poorly developed in South Asia compared to other geographically contiguous subregions of the Asia-Pacific.**
  - The number of container block trains along routes between China and Europe has risen rapidly from 17 freight trains in 2011 to 3,673 in 2017, and from two routes in 2011 to 61 in 2017
  - Rail accounts for only less than 5 percent of overall land cargo transport in South Asia
Overlapping programmes

- ECO - SAARC – BIMSTEC
- CPEC, BCIM Corridors
- APTTA, BBIN MVA
- CAREC, SASEC Programmes
- IMT Highway, MGC

Differences in approach

- Institutional Capabilities
- Legal and Admin Coverage
- Project Term/Scope
- Operational authority
- Financing
## Issues of Land Transport in South Asia

### Corridor Design

- 70% of the current intra-regional trade via road-
- Potential of rail traffic neglected
- Lack of multimodal corridor design – missing road-rail interfaces
- Lack of extended corridors for inter-regional trade with Central Asia and Southeast Asia

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<th>Corridor Design</th>
<th>Facilitation</th>
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<td>Congestion without optimal distribution between modes</td>
<td>Without modernization and digitization border reforms cannot be meaningfully implemented</td>
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<td>Modal shifts difficult without interfaces</td>
<td>Inability to apply advanced security measures (e-seals, GPS tracking) and inability to avoid border stoppages without containerization</td>
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<td>Investment-traffic revenue calculus limited without vision of extended corridor – massive loss of transit revenues</td>
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### Facilitation

- Inefficient transshipment at borders
- Dealing in break-bulk cargo and lack of containerization
- Digital processing and single window systems are not applied

### Infrastructure

- Lack of end-to-end corridor development plan
- Scattered and isolated projects on border infrastructure, road/rail segments
- Missing linkages to production hubs through shortest routes

| Infrastructure | |
|----------------|-----------------
| Without comprehensive corridor development, congestion and time delays cannot be reduced significantly | |
| Lack of synergies between initiatives results in in duplication and wastage of resources | |
### Imperatives for Land Transport in South Asia

#### Corridor Design

A trunk transport corridor with multimodal interfaces enabling modal shifts
- Optimal usage of road and rail potential
- Alternative transport options

#### Facilitation

Modernization of transport and trade procedures
- Harmonized transport protocols
- Implementation of paperless trade system

#### Infrastructure

An extended transport network vision with linkages to the developing transport networks of neighboring subregions
- Synergies between scattered corridor development projects
- Commercial viability of South Asian transport networks
Promoted by ESCAP as the trunk route of Southern Asian Corridors

Feasibility, commercial viability and operational potential

Bridge between Europe-Asia trade-connects Southeast and Central Asia

Linked with INSTC, CAREC, SASEC, CEPC, ECO, BIMSTEC, SAARC and other important subregional corridors

Rail route requires minimal infrastructural improvement – ITI rail service operational, Pakistan-India-Bangladesh rail links exists

Provide alternate connections through maritime routes of South Asia; eg: Mumbai to Chabahar, Colombo to Karachi, Gwadar

**Corridor Design**

**Options of Extended Corridor**

**ITI-DKD-Y Container Rail Corridor**

Istanbul-Tehran-Islamabad-Delhi-Kolkata-Dhaka-Yangon
Western and northern Linkages

- **ECO Corridors**
  - Facilitated by ECO Transit Transport Framework Agreement signed in 1998 and the ECO Transit Trade Agreement signed in 1995
  - Multimodal; both transport and trade facilitation coverage

- **International North–South Transport Corridor (INSTC)**
  - 13 Member States, Eastern Europe - Central Asia – South Asia connectivity

- **Central Asia Regional Economic Cooperation (CAREC)**
  - 11 member states, North and Central Asia – South Asia connectivity

- **China-Pakistan Economic Corridor (CPEC)**
  - Under BRI, alternative trade links, development of port of Gwadar

- **The Ashgabat Agreement**
  - 7 member states, Central Asia-Eastern Europe

- **Lapiz Lazuli Corridor**
  - Afghanistan – Eurasian region

- **SCO Transport Agreements**
  - 8 member states, Intergovernmental Agreement on Facilitation of International Road Transport 2014
Southern and Southeastern linkages

- **SAARC**
  - 8 member states, SAARC Regional Multimodal Transport Study adopted in 2006
  - Multimodal routes identified (10 road corridors and 6 rail corridors); Limited trade facilitation coverage

- **BIMSTEC**
  - 7 member states, BIMSTEC Transport Infrastructure and Logistics Study (BTILS) adopted in 2007
  - Project based Connectivity Master Plan under development

- **GMS Economic Corridors**
  - 6 member states, developed under ten-year GMS Strategic Framework, 2002–2012

- **ASEAN**
  - Master Plan on ASEAN Connectivity adopted in 2010
  - Multimodal, comprehensive coverage including all dimensions of connectivity and trade facilitation measures

- **BCIM Corridor**
  - Cross-border transport project under Bangladesh-China-India-Myanmar Forum

- **SASEC Corridors – South Asia Subregional Economic Cooperation**
  - Covers 6 Countries - Bangladesh, Bhutan, India, the Maldives, Nepal, and Sri Lanka
  - Multimodal; project based, infrastructural investments

- **BBIN Cooperation**
  - BBIN Motor Vehicles Agreement provides transit across Bangladesh, Bhutan, India and Nepal, transport facilitation

- **India-Myanmar-Thailand Trilateral Highway (IMT-GT)**
  - Development of AH 1 and 2, Trilateral Motor Vehicle Agreement in progress
Benefits of Broadening Connectivity

• **Promote development of regional production networks**
  o Wider connectivity networks enhance sourcing options for upstream firms and chances of market participation for downstream firms in the value chain
  o Efficiency of regional sourcing of inputs will increase proportionately with reach of regional transport networks to as many downstream production hubs as possible

• **Maximize network externalities**

• **Strategic location of Southern and Central Asian subregion offers immense possibilities of inter-regional connectivity with EU and ASEAN**
  o Besides facilitating intraregional trade can make Southern Asia a hub of Europe-Asia trade

• **Major boost for least developed and landlocked countries in Central Asia and South Asia like Afghanistan, Bhutan, Nepal**

• **Easier to mobilize resources for infrastructure and institutional development in a broader regional framework**
ESCAP’s Contributions

Corridor Design
• Layout of Asia-Pacific wide multimodal transport system built on an integrated Asian Highway (AH)-Trans-Asian Railway(TAR)-Dry-Ports network
• Blueprint for subregional corridor development projects

Facilitation
• Intergovernmental Agreements to Strategic Frameworks for implementation
• International conventions, facilitation tools, models and best practices
Regional Frameworks for implementation adopted for AH and TAR and Dryports networks

Models for secure and efficient border-crossings and transit

Provide policy guidelines for integrating transport and trade facilitation programmes

Guidelines for formulating bilateral/subregional agreements to standardize operations

Guidelines for adoption of new technologies

Guidelines for simplifying intermodal interfaces

Enabling participation of member countries in international transport conventions
Regional Strategic Framework for Facilitation of International Road Transport

- Streamline legal regimes
- Wider application of new technologies
  - SCTM, new security protocols, e-Seals, GPS tracking, RFID tags
- Deployment of trained professionals
- Establishment and strengthening of national coordination mechanisms
- Promotion of joint controls at border crossings
- Promotion of economic zones at border crossings
- Application of facilitation tools
Regional Cooperation Framework for facilitation of international railway transport

- Participate in international railway organizations
  - Application of COTIF convention in ITI route
  - United Transport and Logistics Company (UTLC) Eurasian Rail Alliance

- Formulate bilateral/subregional agreements

- Collaborate to standardize cross border railway operations

- Models for managing gauge breaks

- Use advance cargo information systems

- Arrangement for exchange of wagons

- Use new technologies in train operations and in container tracking
### Facilitation

#### Rules

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<th>Regulatory Authorities in Destination Country</th>
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- **Origin procedures before cargo movement**
  - Contacting the Importer
  - Fixing the Contract
  - Sending the contract and proforma invoice
  - Receiving acceptance letter and acknowledge L/C copy
  - Obtaining cargo insurance
  - Preparing documents for export
  - Loading for delivery
  - Deposit chalan fee, VAT and customs declaration
  - Customs inspection and clearance by C&F agent
  - Out Pass handing over by C&F Agent to importer’s representative and unloading of the commodity to importer’s carrier
  - Receive payment

- **Border Infrastructure in Destination Country**

- **Documentation Payments in Destination Country**

- **Destination procedures after cargo arrival**
  - Contacting the exporter
  - Negotiating the contract and fixing
  - Opening the L/C account
  - Sending the copy of L/C and acceptance letter
  - Documents prepared for customs declaration (to be used by C&F agent)
  - Payment to C&F agent
  - Customs inspection and clearance
  - Collect out pass from port
  - Transport to destination

### Reform areas requiring harmonization/coordination
Facilitation

- The Intergovernmental Agreement on Dry Ports entered into force in 2016

- 5 South Asian countries are signatories to the Agreement, 3 countries ratified, others in the process of ratifying

Regional Framework for the Development of Dry Ports of International Importance

- Basic infrastructure requirements
- Selection of location – transport linkages
- Planning – road/rail/maritime interfaces
- Container yard capacity and equipment
- Lay out of facilities
- ICT systems
- Arrangements for customs clearance
- Practical options for financing
Trade Facilitation Policy Framework

Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific

Interim Intergovernmental Steering Group

Legal and Technical Working Groups

- Guide on how to develop or upgrade paperless trade systems in a manner consistent with the general principles
- Template for designing national policy framework
- Mutual recognition mechanism for trade-related data and documents in electronic form

Subregional workshop for South and Central Asia in 2017

- Status report being prepared
- Subsequent subregional capacity-building workshops to be conducted
• Taking stock of parallel developments in different parts of Southern Asia and neighboring subregions

• Highlight mutual advantages of extended corridors

• Mobilize resources from multilateral donors who are contributing to ongoing corridor development (ADB, EBRD, IsDB, WB etc.)

• Common member states can play a vital role in advancing this process
• **Comprehensive assessment of physical infrastructure requirements** of trunk corridors and their sublinks

• **Strategy for institutional cooperation** between governmental agencies and multilateral bodies for implementing region wide transit and transport agreements

• **Plan for linkages between ongoing corridor development projects** applied to different segments/parts of the wider Southern Asian multimodal network

• **Integrated trade and transport facilitation** including implementation of paperless trade systems

• **Plan for resource mobilization and utilization** - governmental and multilateral agencies and the private sector
Thank you