Towards Seamless Connectivity in South and South-West Asia
ESCAP is the regional development arm of the United Nations and serves as the main economic and social development centre for the United Nations in Asia and the Pacific. Its mandate is to foster cooperation between its 53 members and 9 associate members. ESCAP provides the strategic link between global and country-level programmes and issues. It supports governments of countries in the region in consolidating regional positions and advocates regional approaches to meeting the region’s unique socio-economic challenges in a globalizing world. The ESCAP office is located in Bangkok, Thailand. Please visit the ESCAP website at www.unescap.org for further information.

The darker areas of the map represent the members and associate members of ESCAP.
Towards Seamless Connectivity in South and South-West Asia
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Strengthening connectivity, trade and transport facilitation and promoting regional economic integration are key priority areas of the work programme of the United Nations ESCAP in South and South-West Asia. The Office, launched in December 2011 in New Delhi, covers 10 ESCAP member States: Afghanistan, Bangladesh, Bhutan, the Islamic Republic of Iran, India, Maldives, Nepal, Pakistan, Sri Lanka and Turkey. Three of these countries, namely Afghanistan, Bhutan and Nepal are landlocked and thus particular hardship because of their lack of access to the sea.

ESCAP-SSWA Office is assisting the countries in the subregion in addressing the key development challenges they are facing. As poor transport connectivity emerges as a key factor explaining the relatively low level of intraregional trade, ESCAP-SSWA Office has launched an active programme of work on strengthening transport connectivity in the sub-region, in collaboration with the Transport Division at the ESCAP headquarters. This work programme covers normative work, policy advocacy and capacity-building on potential, prospects and challenges of strengthening connectivity in the region in terms not only of hard or infrastructure aspects but also the soft or institutional aspects. An early analysis on the theme was presented in the *South and South-West Asia Development Report 2012-13* brought out by the ESCAP-SSWA Office in October 2012.

A Policy Dialogue on Strengthening Transport Connectivity in South and South-West Asia was organized in Dhaka in June 2013 by ESCAP-SSWA, ESCAP Transport Division and the Bangladesh Institute of International and Strategic Studies (BIISS) to discuss the potential, prospects and challenges of strengthening overland transport connectivity in the subregion with senior representatives of the Governments and other stakeholders. The Policy Dialogue led to a rich discussion on different aspects of transport connectivity challenges in the subregion and came up with an agenda for action.
Towards Seamless Connectivity in South and South-West Asia

This publication puts together the key messages coming out of the Dhaka Policy Dialogue along with the background material prepared for it for further dissemination in view of their policy relevance. ESCAP-SSWA will continue to engage the stakeholders of the region in this discussion initiated in Dhaka at similar policy dialogues planned in the coming months in other South and South-West Asian countries. We are grateful to all the resource persons and participants for bringing their insights to the discussion.

I would like to thank H.E. Professor Gowher Rizvi, International Affairs Adviser to the Prime Minister of Bangladesh and H.E. Amb. Tariq Karim, High Commissioner of Bangladesh, among many other dignitaries in Bangladesh policy circles for the stimulus and support to the ongoing work on the theme. I am indebted to Maj. Gen. Sajjadul Haque, Director-General, and Dr. Shaheen Afroze, Research Director, BIJSS and the entire BIJSS team for their gracious support in hosting the Policy Dialogue. We are grateful to all the resource persons and participants for bringing their insights to the discussions.

I am also grateful to my colleagues in the ESCAP Transport Division especially Mr. Dong Woo Ha, Director; Mr Yuwei Li, Chief of Transport Facilitation, Mr. Sandeep Raj Jain for their collaboration and support to the initiative.

I wish to thank Ms Wanphen Shreshthaputra Korotki, Mr. Manas Bhattacharya and Mr. Raju Rana for their support to this publication.

New Delhi, August 2013

Nagesh Kumar
Director, ESCAP South and South-West Asia Office and ESCAP Chief Economist
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Explanatory Notes

The designations employed and the representation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city, or area, or of its authorities, or concerning the delimitation of its frontiers of boundaries.

Mention of firm names and commercial products does not imply the endorsement of the United Nations.

The term “ESCAP region” in this publication refers to the group of countries and territories/areas comprising Afghanistan; American Samoa; Armenia; Australia; Azerbaijan; Bangladesh; Bhutan; Brunei Darussalam; Cambodia; China; Cook Islands; Democratic people’s Republic of Korea; Fiji; French Polynesia; Georgia; Guam; Hong Kong; China; India; Indonesia; Iran (Islamic repub of); Japan; Kazakhstan; Kiribati; Kyrgyzstan; Lao People’s Democratic Republic; Macao, China; Malaysia; Maldives; Marshall Islands; Micronesia (Federated States of); Mongolia; Myanmar; Nauru; Nepal; New Caledonia; New Zealand; Niue; Northern Mariana Islands; Pakistan; Palau; Papua New Guinea; Philippines; Republic of Korea; Russian Federation; Samoa; Singapore; Solomon Islands; Sri Lanka; Tajikistan; Thailand; Timor-Leste; Tonga; Turkey; Turkmenistan; Tuvalu; Uzbekistan; Vanuatu; and VietNam.

The term “developing ESCAP region” in this publication excludes Australia, Japan, New Zealand and North and Central Asian economies. Non-regional members of ESCAP are France, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

The term “South and South-West Asia” in this publication refers collectively to Afghanistan, Bangladesh, Bhutan, India, the Islamic Republic of Iran, Maldives, Nepal, Pakistan, Sri Lanka and Turkey.

Values are in United States dollars unless specified otherwise.
The term “billion” signifies a thousand million. The term “trillion” signifies a million million.

Reference to “tons” indicates metric tons.

In the table, two dots (..) indicate that data are not available or are not separately reported, a dash(-) indicates that the amount is nil or negligible, and a blank indicates that the item is not applicable.

In dates, a hyphen (-) is used to signify the full period Involved, including the beginning and end years, and a stroke (/) indicates a crop year, fiscal year or plan year.

Bibliographical and other references have not been verified. The United Nations bears no responsibility for the availability or functioning of URLs.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AEO</td>
<td>Authorized Economic Operator</td>
</tr>
<tr>
<td>AH</td>
<td>Asian Highway</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
</tr>
<tr>
<td>ASW</td>
<td>Asian Single Window</td>
</tr>
<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
</tr>
<tr>
<td>BIMSTEC</td>
<td>Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation</td>
</tr>
<tr>
<td>BPO</td>
<td>Business Process Outsourcing</td>
</tr>
<tr>
<td>BISS</td>
<td>Bangladesh Institute of International and Strategic Studies</td>
</tr>
<tr>
<td>CAREC</td>
<td>Central Asia Regional Economic Cooperation</td>
</tr>
<tr>
<td>CONCOR</td>
<td>Container Corporation of India Ltd</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>ECO</td>
<td>Economic Cooperation Organization</td>
</tr>
<tr>
<td>ECOTTA</td>
<td>ECO Transit Trade Agreement</td>
</tr>
<tr>
<td>EDI</td>
<td>Electronic Data Interchange</td>
</tr>
<tr>
<td>EPD</td>
<td>Electronic Pre-Declaration</td>
</tr>
<tr>
<td>ESCAP</td>
<td>Economic and Social Commission for Asia and the Pacific</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>GMS</td>
<td>Greater Mekong Subregion</td>
</tr>
<tr>
<td>GT</td>
<td>Grand Trunk</td>
</tr>
<tr>
<td>ICD</td>
<td>Inland Customs Depot (also Inland Container Depot)</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>ICEGATE</td>
<td>Indian Customs EDI Gateway</td>
</tr>
<tr>
<td>ICP</td>
<td>Integrated Check Post</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>IGG</td>
<td>Inter Governmental Group</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>IWT</td>
<td>Inland Waterways Transport</td>
</tr>
<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
</tr>
<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>LCS</td>
<td>Land Customs Station</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Countries</td>
</tr>
<tr>
<td>LLDCs</td>
<td>Landlocked Developing Countries</td>
</tr>
<tr>
<td>LPAI</td>
<td>Land Ports Authority of India</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle-East and North Africa</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MRA</td>
<td>Mutual Recognition Arrangement</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>NSW</td>
<td>National Single Window</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>RSF</td>
<td>Regional Strategic Framework</td>
</tr>
<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
</tr>
<tr>
<td>SAFTA</td>
<td>South Asian Free Trade Agreement</td>
</tr>
<tr>
<td>SKRL</td>
<td>Singapore-Kunming Rail Link</td>
</tr>
<tr>
<td>SSWA</td>
<td>South and South-West Asia</td>
</tr>
<tr>
<td>TAR</td>
<td>Trans Asian Railway</td>
</tr>
<tr>
<td>UN-ESCAP</td>
<td>United Nations Economic and Social Commission for Asia and the Pacific</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
</tbody>
</table>
Regional economic cooperation and integration assumes a new criticality in the aftermath of the global financial crisis which erupted in 2008/09 but is still persisting. It is now increasingly clear that the countries of the Asia and the Pacific region will have to rely more on internal and regional demand to drive their growth. A new wave of economic regionalism is sweeping Asia and the Pacific motivated by not only the continuing economic difficulties in the developed economies but also by the search for efficiency-seeking industrial restructuring linking comparative advantages across borders in highly integrated supply chains.*

South and South-West Asia emerges among the least integrated regions in the world and has the bulk of its potential for regional economic integration remaining to be exploited. UNESCAP estimates show that intraregional trade could generate an additional US$ 52 billion in exports annually. The intraregional exports could rise to $ 163 billion by 2017, if the barriers to them are addressed [UNESCAP-SSWA 2012: chapter 4].

Low realization of the potential of regional trade obtains despite the fact that three overlapping frameworks exist in the region to promote regional economic cooperation and integration namely the South Asian Association for Regional Cooperation (SAARC), the Economic Cooperation Organization (ECO), and the Bay of Bengal Initiative for Multisectoral Techno-economic Cooperation (BIMSTEC). These regional groupings have their own preferential trading arrangements including the South Asian Free Trade Agreement (SAFTA), ECO Trade Agreement (ECOTA) and the BIMSTEC FTA in different stages of implementation and scopes

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*This discussion is based on chapter 4 of the UNESCAP-SSWA (2012) Regional Cooperation for inclusive and Sustainable Development – South and South-West Asia Development Report 2012-13, UN Publications and Routledge, New Delhi, 2012.
and coverage [UNESCAP-SSWA 2012 for details]. It would appear that intraregional trade is impeded by some barriers that the preferential regimes existing under the groupings are not able to surmount.

Among the barriers to fuller exploitation of potential of intraregional trade in South and South-West Asia include tariffs and non-tariff barriers that lead to a substantial proportion of trade taking place informally at the borders. UNESCAP has estimated that such trade could be of the order of over US$ 12 billion in a year. In addition a considerable part of intra-regional trade is conducted through third countries. Altogether intraregional trade is considerably underreported due to sizeable informal trade. Other reason is poor supply capability in some of the SSWA countries especially the least developed countries that does not enable these countries to take advantage of preferential market access being made available to them by their regional partners. But an important reason explaining the low intra-regional trade in South and South-West Asia is its high cost vis-à-vis trade with other regions. UNESCAP Trade Cost Database summarized in Table 1.1 underlines the fact that trade costs applicable to intra-SAARC trade for instance are higher than those applicable to South Asia’s trade with the EU countries or with the United States. The Table also shows that while trade costs applicable to exports of South Asian countries to other regions have declined, those relating to intra-regional trade have not.

The trade costs for intraregional trade in South and South-West Asia have been high because of poor land transport connectivity and trade facilitation. This means that the region is better connected with Europe and North America than with itself. Therefore the benefits of geographical proximity and contiguity are not available to intra-regional trade.

High costs of intra-regional trade have cost the region dearly in terms of not only to keep the intraregional trade at low levels but also have not allowed formation of regional value chains across the region. Regional production networking has emerged as important channels of regional economic integration in other regions such as South-East Asia and East Asia and has been helping in reaping the gains of efficiency-seeking industrial restructuring.
Table 1.1. Non-tariff intra- and extra-regional trade costs in Asia-Pacific, 2007-2009 (as percentage of import prices)

<table>
<thead>
<tr>
<th>Region</th>
<th>ASEAN-4</th>
<th>East Asia-3</th>
<th>North and Central Asia-6</th>
<th>SAARC-4</th>
<th>Australia-New Zealand</th>
<th>EU-3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN-4</td>
<td>79 (-10)</td>
<td>47 (-21)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia-3</td>
<td>73 (-6)</td>
<td>47 (-21)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North and Central Asia-6</td>
<td>291 (-14)</td>
<td>187 (-33)</td>
<td>149 (-21)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAARC-4</td>
<td>134 (-0)</td>
<td>119 (-3)</td>
<td>270 (-22)</td>
<td>113</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia-New Zealand</td>
<td>90 (-12)</td>
<td>78 (-16)</td>
<td>270 (-22)</td>
<td>130</td>
<td>45 (-24)</td>
<td></td>
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<tr>
<td>United States</td>
<td>77 (-0)</td>
<td>53 (-14)</td>
<td>165 (-17)</td>
<td>99</td>
<td>82 (-11)</td>
<td>51 (-18)</td>
</tr>
</tbody>
</table>

Source: UN-ESCAP Trade Cost Database (version 2).

Note: Trade costs may be interpreted as tariff equivalents. Percentage changes in trade costs between 2001-2003 and 2007-2009 are in parentheses. ASEAN-4: Indonesia, Malaysia, the Philippines and Thailand; EastAsia-3: China, Japan and Republic of Korea; North and Central Asia-6: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan and the Russian Federation; SAARC-4: Bangladesh, India, Pakistan and Sri Lanka; EU-3: France, Germany and the United Kingdom of Great Britain and Northern Ireland.

It would follow from the above discussion that strengthening transport connectivity and facilitation at the borders could go a long way in assisting in fuller exploitation of potential of intraregional trade and of regional production networking.

The South Asia region had the connectivity all across its land mass since the times of Mauryan dynasty (322 BC-185 BC),
Towards Seamless Connectivity in South and South-West Asia through the Silk Route during the first Century BC, till the times of Independence from the British colonial rule. With the passage of time, history has divided the sub-continent delimiting connectivity within the definitions of new political boundaries. Because of poor connectivity, South and South-West Asia has also not been able to leverage its strategic location at the crossroads of West, Central, and East Asia to serve as a hub for trade as it once was at the times of Silk Route.

Against that backdrop, this report summarizes the status of transport connectivity in South and South-West Asia and identifies the gaps in both hard as well as soft aspects of connectivity in the region (chapter 2). It makes the case for broader roads and railway corridors along the Asian Highway and TransAsian Railway routes that may help to exploit the region’s potential as an economic hub (chapter 3). It is followed up by presenting highlights of discussion covering potential and prospects of connectivity at a Policy Dialogue organized by UNESCAP in Dhaka in June 2013 to move the connectivity agenda forward (chapter 4). Finally, it summarizes the conclusions and recommendations coming out of the policy dialogue that set the agenda for the future work of UNESCAP and stakeholders in this area.
Transport Connectivity in South and South-West Asia: An Overview

By facilitating the movement of goods and people, transport connectivity has been an important driver of prosperity and cultural interchanges throughout the century. Even before the evolution of the famous Silk Route in the first century BC, South and South-West Asia had the Grand Trunk Road during the Mauryan dynasty (322 BC to 185 BC), connecting Chittagong of present day Bangladesh to Kabul in Afghanistan through Peshawar of present day Pakistan. The route was subsequently extended and rebuilt by Emperor Sher Shah Suri in the sixteenth century. With the passage of time, history has divided the subcontinent delimiting connectivity within the definitions of new political boundaries. Many of the earlier roads and railway connections still exist, but have decayed over time and fragmented with multiple divisions scattered across different countries. Developments and cross border movements along these earlier routes have overtime become more difficult.

Recognizing the responsibility for developing transport infrastructure, most governments plan and invest in ambitious medium- to long-term transport strategies and programmes. Each mode of transport – roads, railways, maritime transportation and aviation – has its own physical and operational characteristics which require different considerations. Aviation and maritime shipping, for example, essentially move people and goods from point-to-point without intervening infrastructure. Consequently, investment in these sectors has focused on specific airports and maritime ports. In the past century, maritime ports dominated international trade and, as a result, attracted investment from both the public and the private sectors. Land-based modes and inland water transport by contrast, require the development of roads, railway tracks and inland waterways across vast geographic
areas. The sheer scale of these networks means that the cost of maintaining them is much greater than that for airports and maritime ports. Non-physical barriers to the movement of people and goods are also greater for overland crossings as compared with maritime ports or airports because the risk of damage and theft is higher and more difficult to monitor.

This chapter examines the state of transport infrastructure and facilitation in South and South-West Asia.*

**Transport infrastructure in South and South-West Asia**

Across South and South-West Asia, the maritime and aviation sectors are relatively well connected to their respective global networks. There is also a relatively high degree of private sector involvement in developing and managing infrastructures in those sectors. From a subregional perspective, therefore, the priority should be placed on the development and upgrading of land-based transport infrastructure. Tremendous efficiency gains could also be realized by removing non-physical barriers to transport and improving intermodal connectivity. Both of these steps would improve the efficiency of transport services and raise the utilization rates of existing infrastructure.

**Maritime transport**

The expansion of international trade across the world has depended on building the capacity and efficiency of its major seaports, particularly container ports. For the past two decades, the container terminals in South and South-West Asia have been handling increasingly higher cargoes. However, none of the world’s top 10 busiest container ports is located in the subregion. Asia’s most important liner routes, by volume, still run from Asia to Europe and North America. But there has been a substantial increase in intra-Asian shipping, particularly between India and East Asian countries. Driven by trade between India and China,

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*This discussion is based on chapter 5 of the UNESCAP-SSWA (2012) *Regional Cooperation for inclusive and Sustainable Development – South and South-West Asia Development Report 2012-13*, UN Publications and Routledge, New Delhi, 2012.*
containerized trade in South and South-West Asia has also been growing rapidly.

Almost all the coastal countries in South and South-West Asia are now linked by direct shipping services or by transshipment and transit operations through hub ports. Nevertheless, there is significant intercountry variation. In addition, there are three landlocked countries and one island country in the subregion, which depend on transit ports in neighbouring countries for their trade. One measure of shipping connectivity is the United Nations Conference on Trade and Development (UNCTAD) Liner Shipping Connectivity Index, which includes measures of the number and capacity of ships and the extent of services.1 This index shows that between 2006 and 2011, shipping connectivity increased markedly in a number of the South and South-West Asian economies such as Turkey, Sri Lanka, Pakistan and India, while that for Maldives deteriorated (Figure 2.1). UNESCAP study found that liner shipping connectivity accounts for about 25 per cent of the changes in trade costs that are unrelated to non-tariff policies.2 Thus, as a country's liner connectivity index improves, the cost of shipping declines, boosting competitiveness and increasing container traffic.3

**Figure 2.1: UNCTAD Liner Shipping Connectivity Index**

![Figure 2.1: UNCTAD Liner Shipping Connectivity Index](source: UN-ESCAP based on UNCTAD, online database.)
Governments in South and South-West Asia can attract more ships, and a wider range of ships, by investing and maintaining their maritime ports. They may also improve competitiveness by improving the efficiency of land transport, particularly through road and railways. Meanwhile, to address the issue of insufficient shipping services, countries can achieve economies of scale through collective shipping arrangements such as by starting the liner shipping services between the ports of Sri Lanka, Turkey, the Islamic Republic of Iran, Pakistan, Bangladesh, and India. There is further scope to improve connectivity, particularly for landlocked countries through reduction of trade processes and procedures at transit ports.

**Air transport**

Over the 2000-2010 decade, an impressive expansion in air transport services has been achieved in South and South-West Asia, with international passenger traffic in the subregion rising by 20.36 per cent per annum to 145 million, air departures rising by 15 per cent and the air freight rising by 10 per cent per annum reaching 3685.11 million ton-km in 2010 (Table 2.1). However, air transportation performance has been uneven across South and South-West Asia, with Maldives, Nepal and Pakistan losing in terms of airfreight, passengers or departures. By contrast air services have seen a major expansion in India and Turkey over the past decade.

Despite this impressive expansion as a result of improved air transport connectivity in the subregion with entry of low-cost carriers and increased frequencies, and investments made in new and existing airports, some capital cities in South and South-West Asia are yet to be connected by direct air links e.g. Delhi and Islamabad or Dhaka and Islamabad. Air links are particularly important for landlocked and island States. Potential of liberalization of air services in facilitating the flow of tourism and business is also demonstrated by the recent agreement between India and Sri Lanka that has made the latter the major foreign carrier in the Indian market and India the largest source of tourists into Sri Lanka. There is also some cooperation in aviation infrastructure development, with an Indian company GMR, operator of Delhi and
Transport Connectivity in South and South-West Asia: An Overview

Hyderabad international airports in India, developing greenfield airports in Maldives and Turkey.

**Land transport**

As the maritime shipping has historically been the main mode of transportation in international trade, inter-country land transport linkages are particularly underdeveloped in the Asian and Pacific region. In recent decades, however, Governments across the region have made considerable efforts to extend national road and railway systems and in some cases, inland waterways, both within their countries and with their neighbours.

Performance of South and South-West Asian countries in land-based transport as summarized in Table 2.2 is a mixed one with some countries improving their road density and others improving

### Table 2.1: Aviation performance of South and South-West Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>No of Airports+</th>
<th>Air freight (million ton-km)</th>
<th>Air passengers carried (million)</th>
<th>Air registered carrier departures worldwide ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>23</td>
<td>7.81</td>
<td>..</td>
<td>0.15</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>16</td>
<td>193.87</td>
<td>84.63</td>
<td>1.33</td>
</tr>
<tr>
<td>Bhutan</td>
<td>1</td>
<td>0.00</td>
<td>4.88</td>
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</tr>
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<td>India</td>
<td>251</td>
<td>547.65</td>
<td>1720.24</td>
<td>17.30</td>
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<td>Iran (Islamic Republic of</td>
<td>136</td>
<td>73.72</td>
<td>131.41</td>
<td>8.72</td>
</tr>
<tr>
<td>Maldives</td>
<td>4</td>
<td>13.17</td>
<td>0.31</td>
<td>0.32</td>
</tr>
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<td>Nepal</td>
<td>11</td>
<td>17.00</td>
<td>3.68</td>
<td>0.64</td>
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<td>Pakistan</td>
<td>107</td>
<td>340.31</td>
<td>309.76</td>
<td>5.29</td>
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<tr>
<td>Sri Lanka</td>
<td>14</td>
<td>255.71</td>
<td>329.49</td>
<td>1.76</td>
</tr>
<tr>
<td>Turkey</td>
<td>89</td>
<td>385.04</td>
<td>1100.70</td>
<td>12.19</td>
</tr>
<tr>
<td>SSWA total</td>
<td>652</td>
<td>1834.27</td>
<td>3685.11</td>
<td>47.73</td>
</tr>
</tbody>
</table>

Source: ESCAP based on World Bank’s World Development Indicators Online Database
Notes: +Airports having paved runways, collected from CIA Fact Yearbook.
Two dots (..) indicate that data are not available.
Table 2.2: State of roads and railways in South and South-West Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Road density (km of road per 100 sq. km of surface area)</th>
<th>Roads, paved (% of total roads)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>..</td>
<td>6.000</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>166.000</td>
<td>171.000</td>
</tr>
<tr>
<td>Bhutan</td>
<td>20.000</td>
<td>36.00</td>
</tr>
<tr>
<td>India</td>
<td>89.000</td>
<td>125.000</td>
</tr>
<tr>
<td>Iran (Islamic Republic of)</td>
<td>10.000</td>
<td>11.000</td>
</tr>
<tr>
<td>Maldives</td>
<td>29.000</td>
<td>..</td>
</tr>
<tr>
<td>Nepal</td>
<td>11.000</td>
<td>14.000</td>
</tr>
<tr>
<td>Pakistan</td>
<td>32.000</td>
<td>32.000</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>148.000</td>
<td>163.000</td>
</tr>
<tr>
<td>Turkey</td>
<td>54.000</td>
<td>46.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Rail lines (total route-km)</th>
<th>Rail density (km per 1000 sq. km. of surface area)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2010</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2 768</td>
<td>2 835</td>
</tr>
<tr>
<td>Bhutan</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>India</td>
<td>62 759</td>
<td>63 974</td>
</tr>
<tr>
<td>Iran (Islamic Republic of)</td>
<td>6 688</td>
<td>6 073</td>
</tr>
<tr>
<td>Maldives</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Nepal</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7 791</td>
<td>7 791</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Turkey</td>
<td>8 671</td>
<td>9 594</td>
</tr>
</tbody>
</table>

Source: UN-ESCAP based on WDI Online Database
Notes: Two dots (..) indicate that data are not available
* indicates that railway does not exist.
+ indicate that a negligible portion of railway only exists.
the percentage of paved roads. In the case of railways the change is very moderate. In general there is high potential in improving the road conditions since many countries in the subregion are still having substantial proportion of unpaved roads. In terms of railways, landlocked South and South-West Asian countries are generally not well equipped. Railways across the subregion also need to be modernized with improved safety. This calls for a stronger cooperation with both developing and developed regions where both availability of technology and financing are available. At the same time, investment is greatly needed for strengthening national road and rail networks and removing the missing links in regional networks such as Trans-Asian Railways (TAR).

So far, much of the investment has been directed into the road sector. Governments have invested in major national roads, as well as rural road networks in Bangladesh, India and Sri Lanka. In addition, the Intergovernmental Agreement on the Asian Highway Network, adopted under the auspices of ESCAP on 18 November 2003, established technical specifications for the regional road network. The Asian Highway Network now extends through 32 member States and comprises 142,000 km of highways (Figure 2.2). Currently, about 32 per cent of the network is classified as Primary and Class I standards, the two highest categories of road class. However, there are still 11,500 km of Asian Highway routes that need to be upgraded to meet the minimum standards. Although the network does not have “missing links”, the poor quality of some road segments is a deterrent for international transport because it increases transport time and operating costs for vehicles. Countries are also struggling to maintain their Asian Highway routes owing to limited finances and institutional capacity. Furthermore, as in the case of other infrastructure networks, it is often difficult to fund cross-border projects unless such projects are part of a broader integration strategy, such as the Almaty-Bishkek Regional Road Rehabilitation project funded by ADB under the Central Asia Regional Economic Cooperation (CAREC) programme, or more recently the Northern Economic Corridor of the Greater Mekong Subregion (GMS). This underlines the critical role played by regional cooperative frameworks, such as the Intergovernmental Agreement on the Asian Highway Network, as well as the many
Figure 2.2: Asian Highway Network

Source: UNESCAP.
subregional initiatives promoted by subregional organizations and multilateral financing institutions.

The situation is similar for railways. Some countries are expanding and improving their networks through the construction of new tracks, double tracking or electric signaling, but the region as a whole has yet to realize its rail potential. The Intergovernmental Agreement on the Trans-Asian Railway Network, which entered into force in 2009, is encouraging Governments and financing institutions to increase investment in the sector. Other subregional and regional initiatives have also been catalytic in improving railway network connectivity. For example, the Master Plan on ASEAN Connectivity launched in 2010 has renewed interest in the Singapore-Kunming Rail Link (SKRL) Project.

Railways face the challenge of missing links, which prevent the network from functioning as a continuous system (Table 2.3 and Figure 2.3). According to ESCAP estimates, these constitute about 10,500 km of rail track, mostly located in the ASEAN subregion. While these links can be filled by transshipments to trucks, shippers are discouraged from using rail because of the longer transit time and higher costs. In addition, interoperability across borders remains a problem. However, compared with South-East Asia, South and South-West Asia does not have too many missing links in railways. Yet, the subregion suffers from railway gauge mismatch, particularly between South Asia and South-West Asia. As shown in Figure 2.3, while India and Pakistan follow broad gauge (1,676 mm), the Islamic Republic of Iran and Turkey follow standard gauge (1,435 mm). Therefore, the railway train can run from Dhaka to Istanbul if the railway gauge can be standardized or dual gauge introduced. Across the subregion, successful bilateral arrangement of passenger and freight trains between countries are in place. There are four good examples of passenger trains operating in South and South-West Asia: (i) Trans-Asia Express between Istanbul and Tehran, (ii) Maitree Express between Kolkata (Calcutta) and Dhaka, (iii) Samjhauta Express between Delhi and Lahore, and (iv) Container freight train between Islamabad, Tehran and Istanbul. SAARC has also taken measures for demonstration run of the container train between Nepal, India and Bangladesh that could be eventually extended to other SAARC countries.4
Table 2.3: Missing links in the Trans-Asian Railway Network in South and South-West Asia (as of 2011)

<table>
<thead>
<tr>
<th>Link</th>
<th>Countries concerned</th>
<th>Distance (km)</th>
<th>Estimated cost (in millions of US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Asia and the Caucasus, including Iran (Islamic Republic of) and Turkey</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gagarin-Meghri</td>
<td>Armenia-Iran (Islamic Republic of)</td>
<td>469.6</td>
<td>2 000.0</td>
</tr>
<tr>
<td>Tatvan-Van</td>
<td>Turkey</td>
<td>240.0</td>
<td></td>
</tr>
<tr>
<td>Qazvin-Rasht-Anzali-Astara</td>
<td>Iran (Islamic Republic of)</td>
<td>370.0</td>
<td>969.0</td>
</tr>
<tr>
<td></td>
<td>Azerbaijan</td>
<td>8.2</td>
<td>12.4</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>378.2</td>
<td>981.4</td>
</tr>
<tr>
<td>Kars-Akhalkalaki</td>
<td>Turkey</td>
<td>76.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Georgia</td>
<td>29.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>105.0</td>
<td>420.0</td>
</tr>
<tr>
<td>Uzgen-Arpa-Torugart-Kashi</td>
<td>Kyrgyzstan</td>
<td>270.0</td>
<td>2 000.0</td>
</tr>
<tr>
<td></td>
<td>China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arak-Khosravi-Khaneghein</td>
<td>Iran (Islamic Republic of) - Iraq (up to border)</td>
<td>566.0</td>
<td>820.0</td>
</tr>
<tr>
<td>Sangan-Herat</td>
<td>Iran (Islamic Republic of)</td>
<td>77.0</td>
<td>78.0</td>
</tr>
<tr>
<td></td>
<td>Afghanistan</td>
<td>114.0 (61.0+53.0)</td>
<td>75.0 (for 61.0 km)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>191.0</td>
<td>153.0</td>
</tr>
<tr>
<td><strong>South Asia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dalbandin-Gwadar</td>
<td>Pakistan</td>
<td>515.0</td>
<td>1 250.0</td>
</tr>
<tr>
<td>Dohazari-Gundum</td>
<td>Bangladesh</td>
<td>129.0</td>
<td>300.0</td>
</tr>
<tr>
<td>Kalay-Jiribam</td>
<td>Myanmar</td>
<td>127.0</td>
<td>98.0</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>219.0</td>
<td>649.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>346.0</td>
<td>747.0</td>
</tr>
</tbody>
</table>

*Source: UN-ESCAP*

Given the expected growth in intraregional trade, as well as heightened awareness about the transport sector’s contribution to climate change, the railways could capture a greater proportion of intraregional transport, particularly for freight. But there is
Figure 2.3: Trans-Asian Railway Network

Source: UN-ESCAP
a need to demonstrate this potential, for example, through demonstration runs of container block trains. The ECO has been particularly active in this area, starting with demonstration runs between Istanbul and Almaty in 2002, followed by Islamabad and Istanbul via Tehran in 2009. The operation of the Islamabad-Tehran-Istanbul Container Train has become regular since July 2012 and the regular operation of the ECO Container Trains on Istanbul-Almaty and Almaty-Bandar Abbas Routes is likely to start soon. Realization of the project of Uzen (Kazakhstan)-Kyzylikya-Bereket-Etrek (Turkmenistan)-Gorgan (the Islamic Republic of Iran) railway is also expected soon.

Countries in South and South-West Asia can also increase rail connectivity by developing more inland container depots and dry ports with rail connections. Afghanistan, Nepal, and Bhutan and inland parts of India and Pakistan should set-up more container depots and dry ports. Nepal has been running successfully a container depot at Birgunj connected to the vast Indian railways network (mainly for Nepal's international traffic) in PPP while another one is coming-up at Kakarbhitta (to facilitate Nepal's trade with eastern parts of South Asia). The same model can be extended to other landlocked developing countries of South and South-West Asia, namely Bhutan and Afghanistan. The Navoi inland container depot in Uzbekistan, for example, now serves as a subregional air hub with rail links to Central Asia and Afghanistan.

Transit and trade facilitation

The major challenge facing South and South-West Asia in its quest for regional integration and increasing competitiveness is the poor quality and inefficient infrastructure services, both hardware and software, which raise costs of transportation and production and constrain the capacity of subregional economies to gain from a liberal trading environment. South and South-West Asia, with its geographical contiguity, has great potential for cooperation in the area of connectivity. The non-tariff costs for intra-SAARC trade are higher than exporting to the United States of America and Europe (as shown in Table 1.1), thus effectively denying to intraregional trade the advantage of geographical proximity and contiguity. Those costs arise due to poor transport connectivity and facilitation
including high costs of cumbersome procedures of handing trade at the borders. Together these costs affect the competitiveness of intraregional exports which lose out in competition with extraregional alternatives.

While countries have succeeded to reduce documents required to export and import, countries still take considerable time for export and import, more particularly landlocked countries like Afghanistan (Table 2.4). There is a very high variation across countries in the number of days taken for exporting from 74 days for Afghanistan to only 6 days for Sri Lanka. Therefore, there is much to gain from reducing the transport cost and time taken for export and enhancing the overall efficiency and competitiveness within the subregion.

**Cumbersome cross-border and transit transport facilitation**

Owing to the increase in intraregional trade during the last two decades, countries have opened more border crossings and

**Table 2.4: Documents, cost and time to export in South and South-West Asia, 2012**

<table>
<thead>
<tr>
<th>Country</th>
<th>Documents to export (number)</th>
<th>Time to export (days)</th>
<th>Cost to export (US$ per container)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>10</td>
<td>74</td>
<td>3 545</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>6</td>
<td>25</td>
<td>965</td>
</tr>
<tr>
<td>Bhutan</td>
<td>8</td>
<td>38</td>
<td>2 230</td>
</tr>
<tr>
<td>India</td>
<td>8</td>
<td>16</td>
<td>1 095</td>
</tr>
<tr>
<td>Iran (Islamic Republic of)</td>
<td>7</td>
<td>25</td>
<td>1 275</td>
</tr>
<tr>
<td>Maldives</td>
<td>8</td>
<td>21</td>
<td>1 550</td>
</tr>
<tr>
<td>Nepal</td>
<td>9</td>
<td>9</td>
<td>1 960</td>
</tr>
<tr>
<td>Pakistan</td>
<td>7</td>
<td>7</td>
<td>660</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>6</td>
<td>6</td>
<td>715</td>
</tr>
<tr>
<td>Turkey</td>
<td>7</td>
<td>14</td>
<td>990</td>
</tr>
<tr>
<td>Coefficient of Variation (%)</td>
<td>16</td>
<td>82</td>
<td>56</td>
</tr>
</tbody>
</table>

*Source: UN-ESCAP based on Doing Business Database, World Bank*
domestic routes for international transport, and are using bilateral and multilateral agreements on transport facilitation to improve the conditions for international land transport. Also, countries in eastern parts of South Asia have decided to open up to subregional transit. To deal with challenges of coordination among different agencies dealing with transport facilitation, many countries have set up national coordination mechanisms. ECO and SAARC countries have taken measures on issues related to customs and trade facilitation, and transit. For example, ECO countries signed the ECO Transit Transport Framework Agreement on 9 May 1998. This Agreement facilitates the movement of goods, luggage and passengers through the respective territories of the ECO member States and provides all necessary facilities for transit transport under the provisions of this Agreement. India and Pakistan also provide transit transport facility to landlocked countries such as Bhutan and Nepal, and Afghanistan, respectively. In many cases, these agreements need revisions in light of new changes in transportation and handling and storage mechanisms and procedures.

Nevertheless, cross-border and transit transport is still hampered by many non-physical barriers that lead to excessive delays, high costs and uncertainties. These are multiple technical standards, inconsistent and complex border-crossing procedures and excessive documentation. In addition, goods are often inspected on both sides of the borders by different authorities, and sometimes even while in transit, rather than being inspected either at loading or unloading points. Experience has shown that unilateral measures have had a limited impact on transport facilitation, since gains on one side of the border may be lost on the other – thus, regional cooperation is critical.

Landlocked countries, which depend on inter-country land transport for much of their external trade, could benefit the most from multilateral facilitation; despite being connected to regional networks, they still depend on their transit countries for their goods to reach sea ports and beyond. Many organizations have been bringing stakeholders together to remove these barriers. ESCAP, for example, through resolution 48/11 adopted in 1992, has
been urging member countries to accede to seven international conventions related to land transport facilitation (Table 2.5). To ensure that these efforts converge over the long run, the ESCAP secretariat has prepared a Regional Strategic Framework for Facilitation of International Road Transport which was adopted by the Ministerial Conference on Transport held in Bangkok in March 2012. Its adoption by the member States will pave the way for dealing with non-physical barriers comprehensively, which is of critical importance to enhance trade and boost regional integration.

Table 2.5: Status of accession of South and South-West Asian member States to the seven international Conventions related to land transport facilitation listed in ESCAP Commission Resolution 48/11 (as of 14 February 2012)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Bangladesh</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bhutan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iran (Islamic Republic of)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maldives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td>X</td>
<td>+</td>
<td>X</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
</tbody>
</table>

Source: UN-ESCAP

Notes: X = acceded before adoption of Resolution 48/11, + = acceded after adoption of Resolution 48/11
Complex Border Customs Handling Procedures

The efficiency of border corridors and land customs stations is an important factor for trade competitiveness in South and South-West Asia. Thus, the objectives of the trade and transport facilitation measures in the subregion would be to: (i) constantly improve the performance of border corridors and land customs stations (LCSs), (ii) eliminate the asymmetry between the LCSs pair, and (iii) remove multiple handling of goods at border. While there is no mismatch in the timing of operations of customs and immigration among the LCSs, the days of operation differ between India and Bangladesh because of different sets of weekly holidays. Apart from immigration, customs and security, which are an essential part of all LCSs, the other facilities in both the physical and non-physical categories vary across the LCSs. For example, except for Birganj in Nepal none of major LCSs in South and South-West Asia has an exclusive container-handling yard at the border. Similarly, except for Petrapole in India none has effectively adopted the fast track cargo clearance system. In the case of e-governance in customs, most of the LCSs in the subregion now use electronic data exchange platform, (e.g., Petrapole and Raxaul use ICEGATE while Benapole and Birganj use ASYCUDA) but many still handle customs formalities manually. The customs offices in South Asia still require excessive documentation, especially for imports, which must be submitted in hard copy form.7

Most of the land custom stations suffer from limited warehouse capacity and the lack of banking and foreign exchange facilities. In some cases, banks are located several kilometres away from the border (e.g., Burimari, Panitanki and Karkabitta). Adequate foreign exchange facilities are also unavailable at these borders. Some LCSs do not even have a foreign exchange facility, such as Burimari and Banglabandh in Bangladesh, Karkabitta in Nepal, and Phulbari and Panitanki in India. Procedural complexities and lack of facilities often deter intraregional trade and affect the composition and direction of trade of South Asia in a significant manner.

Upgrading infrastructure for faster processing requires large investments. In this context, the integrated check post (ICP) project initiated by the Government of India could help improve the
border infrastructure serving South Asian neighbours (Box 2.1). At the same time, the other side of the border needs upgrading at a similar pace. Smaller partner countries may not have adequate funds and capacity to implement ICPs on their side of the border. The international community needs to help them financially and technically so that a compatible, harmonized and improved border can be achieved, which would serve trade across the entire subregion. In particular, LCSs in least developed countries namely

**Box 2.1**

**Integrated Check Post in India**

To undertake measures aimed at simplifying control and accelerating procedures in the border customs points, the Government of India has planned Integrated Check Post (ICPs) at identified entry points on land borders. In order to facilitate trade among contiguous countries, ICP is planned to serve as a single window facility covering customs, immigration and warehousing, also providing health facilities, shopping complex and parking facilities under a single roof. The Land Ports Authority of India (LPAI) oversees the construction, management and maintenance of ICPs, which are being developed as public funded projects. The LPAI is empowered to notify entry points on land/riverine borders as land ports, plan, develop, construct and maintain terminal and ancillary buildings, parking areas, lay-byes, warehouses and cargo complexes etc. and to establish such facilities as may be required for facilitating trade and traffic. About 13 ICPs with one on the India-Pakistan border, four on the India-Nepal border, one on the India-Myanmar border and seven on the India-Bangladesh border are being planned. Already the ICP at the India-Pakistan border (at Attari) has been operational since April 2012. The cost of setting up 13 ICPs has been estimated at Rs 7.34 billion. Of these, four ICPs at Petrapole, Moreh, Raxaul and Wagah are proposed to be set up in Phase I at a cost of Rs 3.42 billion. In Phase II the balance nine ICPs at Hili, Chandrabangha (both in West Bengal), Sutarkhandi (Assam), Dawki (Meghalaya), Akaura (Tripura), Kawarpuchiah (Mizoram), Jobgani (Bihar), Sunauli (Uttar Pradesh) and Rupaidiha/Nepalganj (Uttar Pradesh) would be established at a cost of Rs 3.94 billion.

*Source: Land Ports Authority of India, New Delhi*
Afghanistan, Bangladesh, Nepal and Bhutan need special attention since they lack in facilities compared with those offered by other countries in the subregion, thereby putting them at a disadvantage by adding to the costs of transaction. A regional approach would be useful particularly for those who lack in adequate capacity to upgrade the LCSs. Thus regional cooperation is essential in order to remove the infrastructural asymmetry between the LCSs.

**Lack of Regional Transit**

The foremost critical factor prohibiting South Asia to achieve its regional connectivity is the absence of regional transit trade. The goods carried by road across South and South-West Asia are largely subject to transshipment at the borders, which is a serious impediment to trade (Figure 2.4). Unlike European Union, South and South-West Asia does not have regional transit arrangement, although partial transit exists for landlocked countries like Afghanistan, Bhutan and Nepal. The position is further

**Figure 2.4: Handling procedures at South and South-West Asian borders**

Source: Adapted from ADB
compound by a lack of harmonization of technical standards. Regional transit is critical for South Asian countries to achieve the potential benefits of SAFTA that is under implementation since 2006 by reducing transaction costs. Empirical studies show that a 10 per cent fall in transaction costs at border in South Asia has the effect of increasing country’s exports by about 3 per cent. In that context SAARC can take lessons from ECO that has adopted a regional transit in 1995 (Box 2.2).

Besides facilitating trade and developing business along the transit routes, a transit agreement also has the potential to generate significant revenue streams for the transit countries. It has been estimated for instance that transit between India and Bangladesh could generate an annual revenue of over US$1 billion as transit fees for Bangladesh from Indian vehicles plying to and from India’s north-eastern region to the rest of India using Bangladeshi soil. Similarly, transit arrangement between India, Pakistan and Afghanistan will fetch a flow of transit fees to Pakistan for movement of vehicles between India and Afghanistan using Pakistani soil. There are also huge gains associated with energy conservation and associated carbon footprints owing to transit and efficient use of resources.

SAARC has set up an Inter-Governmental Group (IGG) to advise on facilitation of transport in South Asia. Following the 14th SAARC Summit held in New Delhi in April 2007, the SAARC Ministers of Transport met in New Delhi on 31 August 2007. Taking note of the recommendations of SAARC Regional Multimodal Transport Study, SAARC Transport Ministers agreed to adopt a Regional Transport and Transit Agreement, and a Regional Motor Vehicles Agreement in 2008. The 17th SAARC Summit, held in Addu, Maldives in November 2011, decided to conclude the Regional Railways Agreement and to convene the Expert Group Meeting on the Motor Vehicles Agreement before the next Session of the Council of Ministers. The time has come to expedite the adoption of the Regional Transport and Transit Agreement and Motor Vehicles Agreement to enable South Asian countries to exploit the benefits of seamless connectivity across the subregion and economic integration.
Box 2.2

ECO Transit Trade Agreement (ECOTTA)

Considering the critical importance of transit trade, ECO member States signed a Transit Trade Agreement in 1995. The member States have realized that uniform, simplified and harmonized administrative formalities including customs procedures in the field of regional trade, in particular at border crossing points, seaports and airports, are necessary for achieving the objectives of the Treaty of Izmir. Article 3 of ECOTTA indicates that the objective of the Agreement is to facilitate trade between two member States when the goods transported have to pass en route through other member State/States. Its scope as noted in the Article 4 suggests the transport of goods with or without intermediate re-loading, across one or more borders between a customs office of departure of one member State and a customs office of destination of another, while passing through the customs jurisdiction of other member State/States. In this Agreement, goods transported by means of road vehicles, railway carriages, ships, aircraft or any combination thereof. Goods transported under this Agreement are not subject to the payment or deposit of import or export duties and taxes while in transit through the territory of any member State. The Guaranteeing Association undertakes to pay the export or import duties and taxes together with default interest, due under the Customs laws and regulations of the country in which any irregularity has been noted in connection with the Article. Goods transported under this Agreement, as a general rule, will not be subject to examination through the customs jurisdiction en route. In exceptional cases, however, in order to prevent abuse, the customs authorities may examine goods only when irregularities are suspected. In order to avail of the facilities provided under this Agreement, goods must be carried either by ships or aircraft or in sealed road vehicles, containers, railway carriages, or a combination thereof, and sealed according to the regulations determined by the guaranteeing association. In order to monitor the progress of transit trade under this Agreement an ECO Committee on Transit Trade has been constituted having one representative from each signatory member State.

Source: ECO Secretariat
Concluding Remarks

The above discussion shows that the state of transport connectivity in South and South-West Asia leaves much to be desired in terms of both the hard infrastructure aspects as well as the soft aspects covering transport and transit facilitation. Besides inhibiting the intraregional trade, this state of affairs is not allowing the region to leverage its strategic location at the crossroads of West, Central, and East Asia as a hub of trade. Thus the opportunity cost of not having stronger connectivity is substantial. The next chapter makes case of reviving a couple of transport corridors that could the region exploiting its potential.

Endnotes

1. The index is generated as follows: for each of the five components, a country’s value is divided by the maximum value of that component in 2004, and for each country, the average of the five components is calculated. This average is then divided by the maximum average for 2004 and multiplied by 100. In this way, the index generates the value 100 for the country with the highest average index of the five components in 2004.
3. See UN-ESCAP (2012a), Chapter 3.
5. ECO has very ambitious plan on railway connectivity. For example, the Railway Administrations of the Islamic Republic of Iran, Republic of Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Turkmenistan and Uzbekistan, hereinafter referred to as Contracting Parties, bearing in mind the goals and objectives of the Treaty of Izmir (1996) and the relevant decisions of the 4th and 5th Meetings of the Heads of ECO Railway Authorities, have agreed to open international passenger traffic on Almaty-Tashkent-Turkmenabad-Tehran-Istanbul route of Trans-Asian railway main line (ECO, 2001).
7. Improvements in customs procedures have definitely reduced the amount of informal payments needed for clearing cargo. Even so, under-the-table transactions to clear exports at the borders remain high. The actual amount is negotiated between the shipper and the customs agent, with both agreeing on the amount per shipment that will be reimbursed without an invoice and which will therefore be available for paying customs officials to expedite cargo clearance.
8. See De (2011) and De, Raihan and Kathuria (2012).
Transport Corridors for Seamless Connectivity in South and South-West Asia

Transport corridors are built on the concept of “network externalities” which implies considerable favourable externalities for all the partners in extending the transport networks to other countries. It is this concept that is pushing Governments to connect their national transport networks to form regional networks and integrate them with the pan-Asian arteries such as the Asian Highway and the Trans-Asian Railways of ESCAP. In this chapter, we make case for integrated approach towards connectivity and propose two broader transport corridors for integrating the South and South-West Asia region.*

Integrating ECO-SAARC-BIMSTEC transport corridors

A useful approach to achieve greater synergies and to maximize the network externalities across South and South-West Asia is for the three overlapping regional groupings namely ECO-SAARC-BIMSTEC to coordinate and join their transport corridors. That will allow the subregion to achieve maximum network effects. Such integration could cover both road and railway movements.

Regional Highway

Turkey-Iran (Islamic Republic of)-Pakistan-India-Bangladesh-Myanmar (TIPI-BM) road corridor: Asia’s new Southern Silk Route

An East-West Road Corridor connecting Turkey-Iran (Islamic Republic of)-Pakistan-India-Bangladesh-Myanmar (TIPI-BM

*This discussion is based on chapter 5 of the UNESCAP-SSWA (2012) Regional Cooperation for inclusive and Sustainable Development – South and South-West Asia Development Report 2012-13, UN Publications and Routledge, New Delhi, 2012.
Corridor) can be conceived on the Asian Highway routes with vertical connections with Afghanistan, the Central Asian Republics, Nepal and Bhutan, and Sri Lanka and Maldives. The TIPI-BM Corridor could become an important transport artery and could assist the subregion exploit its potential as the crossroads of Europe, West Asia, East Asia and the Pacific and emerge as a hub bringing forth immense prosperity.

Integrating the ECO-SAARC-BIMSTEC transport corridors could take the form of TIPI-BM corridor. With some effort, a regional overland road link from Istanbul to Yangon via Delhi can be revived for regional trade. A major part of this corridor is domestically operational, dual carriageway, and is an integral part of the old Sher Shah Road, or Grand Trunk (GT) Road. The opening of the route will mark a revival of the old linkages existing in South and South-West Asia dating back to the British period. TIPI-BM corridor will make each country in the subregion a transport hub for trade in the broader region. It thus deserves to be prioritized for operationalization (see Figure 3.1) and has the potential to make Turkey, Iran (Islamic Republic of), Pakistan and Afghanistan become hubs for India’s trade with Central Asia and Europe. Similarly, Bangladesh will become a hub for India’s trade with Myanmar and other South-East Asian countries, besides serving as a transit for the north-eastern region of India. Myanmar itself will become a transit hub for India’s trade with other ASEAN countries. Sri Lanka

![Figure 3.1: Potential transport hubs in South and South-West Asia](source: UNESCAP)
Towards Seamless Connectivity in South and South-West Asia

is already well placed to be a maritime hub in South Asia with a lot of India’s trade transshipped through port of Colombo. Apart from transit revenues, there are huge gains associated with energy conservation owing to transit and efficient use of resources. It would facilitate investments in infrastructure sector in South Asia and bring development and prosperity to the border areas.

The TIPI-BM corridor would be Asia’s new Silk Route, linking Central and West Asia with East Asia, with South Asia functioning as a land bridge and playing the role of a vital corridor for expanded trade and transportation.

Regional Container Goods Trains

Istanbul-Tehran-Islamabad—Delhi-Kolkata-Dhaka (ITI-DKD) Railway Cargo Corridor

The other proposal made here is of connecting two initiatives introduced in relation to regional container trains. One of these initiatives, launched under ECO is that of the Istanbul-Tehran-Islamabad container train that started regular service after the demonstration runs cited earlier were successfully completed. The other initiative was undertaken in the wake of the 17th SAARC Summit which endorsed demonstration runs for a Bangladesh-India-Nepal container train and could be eventually extended to other SAARC countries. Each of these is an important initiative in itself but connecting them through Indian Railways network would multiply their value greatly for all the countries concerned.

The proposed ITI-DKD Railway Cargo Corridor can provide a new lifeline for trade in Asia by connecting important cities across South and South-West Asia. Considering that Istanbul-Tehran-Islamabad (ITI) container train is already operational, Pakistan-India railway networks are already connected and regular passenger trains between Delhi and Lahore via Attari (Samjhauta Express) are already in service, extending the ITI train to the Indian Railways network to reach Kolkata should not be too problematic. Kolkata, already connected by regular train services to Dhaka, is also connected with Birganj in Nepal. Effectively extending the ITI train to the Indian network and linking it with the Bangladesh-India-Nepal
container train initiative would produce a very important trade route and generate substantial revenues for all the countries on the way – as transit fees besides facilitating trade and generating economic activity.

Overtime, this corridor can become a premier trade channel for Europe, Central Asia, West Asia’s trade with South Asia and eventually to East Asia, once the proposed Delhi-Hanoi Rail Link and Kunming-Singapore Rail Links are completed. Istanbul is already getting integrated with the European Railway networks. There are also many links on the route with the landlocked countries in Central Asia and Afghanistan, Nepal and Bhutan.

The TIPI-BM Highway Corridor and the ITI-DKD Container Railway Corridor proposed in the present study could transform South and South-West Asia into a major hub of intra- and interregional trade with many spillovers and welfare gains for all the participating countries. Furthermore, ESCAP analysis shows that the poorest parts of the subregion benefit the most from improved connectivity.\(^1\) Hence it would lead to a more balanced regional and inclusive development of the subregion. By helping to save huge resources on transport costs by reducing distances between countries and also by exploiting the economies of scale and scope, it would also enhance sustainability of the development process and help to reduce carbon footprints. Integrated transport networks across South and South-West Asia will be especially crucial for landlocked countries such as Afghanistan, Nepal and Bhutan, landlocked countries in Central Asia as well as landlocked areas within larger countries such as India’s north-eastern region or the north-western provinces of Pakistan. Such networks could serve to end the countries’ or areas’ landlocked or semi-isolated status and provide them with shorter transport and transit links.

The key prerequisites for such a coordinated approach for developing and integrating the transport corridors by ECO, SAARC and BIMSTEC would require greater consultation and cooperation between these groupings. As the sole intergovernmental body with universal membership in Asia and the Pacific, ESCAP is in a unique position to play a role in facilitating such consultation. ESCAP secretariat will also need to make detailed techno-economic
feasibilities studies and demonstrate costs and benefits projections for the countries concerned, estimate the resource requirements, and help prepare the legal frameworks such as a regional transport and transit agreement that will be needed. ESCAP would also need to engage the concerned authorities for dialogues and consultation with their counterparts in order to facilitate reaching a political agreement.

**Other initiatives for strengthening transport connectivity**

**Strengthening Inland Waterways, Ports and Shipping, and Aviation**

In case of inland waterways, a formal understanding between India and Bangladesh is being renewed on monthly basis. Keeping in mind the potential of inland waterways in providing a cost-effective transport service, India and Bangladesh should agree on a longer-term Inland Waterways Transport Transport (IWT) Agreement. Similar arrangements could also be developed between India and Nepal, India and Pakistan, or the Islamic Republic of Iran and Turkey.
Transshipment between India and Pakistan represents a long standing unresolved bilateral issue. In the absence of direct call between Indian and Pakistan vessels, maritime trade between India and Pakistan is routed through a third country. India-Pakistan Shipping Protocol, signed in 1975 restricts transshipment cargo destined for a third country carried by the vessels of either country. This provision leads to underutilization and benefits third country vessels at the cost of vessels of either country, a situation which should clearly be remedied.

Supply-side constraints are posing serious threat to maritime transportation infrastructure. In this context, India, Turkey and the Islamic Republic of Iran that have some capabilities can play a major role in strengthening ports and shipping sector, particularly in Bangladesh, Maldives, and also Myanmar, in terms of training human resources in marine engineering and nautical science, costal management, among others.

South and South-West Asia has long coastline which offers significant potential for short sea or costal shipping. To start with, a regional agreement to allow short sea shipping in will not only enhance ferry services across the subregion but also strengthen the countries’ maritime profile.

With regard to aviation, airports across South and South-West Asia suffer from tremendous capacity constraints, on-shore and off-shore, for both passengers and cargo, in terms of runways, parking areas for aircrafts, passenger handling areas, cargo processing facilities (green channel, cold storage, etc.), as well as security and baggage handling facilities. Pilots and ground handling staffs in airports are also crucially lacking. South and South-West Asian countries could jointly set up a regional aviation training institute while an Open Sky Policy for airlines originating from within the subregion may help in strengthening the connectivity between important cities. In this connection, South and South-West Asian countries may learn from ASEAN countries that have adopted ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services on 20 May 2009 as a part of the Roadmap for Integration of Air Travel Sector and the Action Plan for ASEAN Air Transport Integration and Liberalisation 2005-2015.
**Strengthening and Harmonizing Rules, Regulations, and Standards**

In order for the infrastructure hardware of a transport network to function effectively across the entire subregion, necessary soft infrastructure, such as relevant rules, regulations, and standards, need to be in place. Rules, regulations, and standards must meet at least a common regional structure, but preferably an international design. Participating countries need to formulate and agree on a harmonized set of rules, regulations, and standards. ECO Transit Trade Agreement is a very important step towards harmonizing the software relating to cross-border infrastructure use and could provide a template for South and South-West Asia.

Trade facilitation initiatives also need to focus on addressing differences between national laws, standards, and conformity assessment procedures towards a broader horizontal approach at the subregional level. Therefore national standards need to be harmonized in line with international standards and Mutual Recognition Arrangements (MRAs) developed among South and South-West Asian countries. The early operationalization of SAARC Standards Organization in Dhaka would be an important step in this direction. In terms of customs procedures, SAARC and other groupings should move towards single window procedures, similar to the ASEAN Single Window (ASW) initiative, designed to expedite customs clearance and release of shipments coming to and departing from ASEAN. It is broadly defined as an environment where a single window in each ASEAN country (i.e., National Single Window, or NSW) operates and integrates. The National Single Window is a prerequisite for the ASEAN Single Window and is now being implemented in six ASEAN countries.

**Concluding Remarks**

Poor connectivity is one of the major constraints to regional economic integration of South and South-West Asian countries. In order to realize their potential for regional economic integration, regional cooperation groupings will have to pay attention to strengthening connectivity not only in terms of physical but also soft aspects such as transport, transit and trade facilitation.
Keeping in mind the substantial network externalities involved in transport networks, it makes a lot of sense that ECO, SAARC and BIMSTEC integrate their transport networks. In this context, two proposals can be considered. One of TIPI-BM Highway Corridor linking Asia Highway routes in Turkey, the Islamic Republic of Iran, Pakistan, India, Bangladesh, Myanmar and the other linking two ongoing initiatives of regional container trains through Indian Railway network to produce ITI-DKD (Istanbul-Tehran-Islamabad—Delhi-Kolkata-Dhaka Container Train Corridor). Such initiative could help the subregion emerge as the hub of Europe and Central Asia’s trade with East Asia besides facilitating intraregional trade. These corridors could assist in connecting the landlocked developing countries of Central Asia and South Asia and stimulate economic activity in the lagging regions, also helping to reduce the carbon foot prints caused by transport. ESCAP could facilitate these proposals in getting off the ground with detailed feasibility studies, policy advocacy and consultations between the concerned groupings and member states.

South and South-West Asia would also benefit from strengthening transport, transit and trade facilitation through a regional transport and transit agreement. Investments in upgrading infrastructure at the land customs stations, through the adoption of a single window approach to customs procedures would also be beneficial, in the process of moving towards international standards and conformity assessment procedures.

The strategic location of South and South-West Asia at the crossroads of Asia and the Pacific can be harnessed by strengthening connectivity across the subregion and beyond. In this respect, South and South-West Asia may emulate the ASEAN example of developing a comprehensive ASEAN Connectivity Master Plan in 2010 with the technical assistance from regional organizations such as ESCAP and ADB which is now driving the connectivity agenda ahead of the ASEAN Economic Community goal set to be achieved by 2015.

Endnote
1. The analysis was made of the three Asian Highway Routes in the framework of a geographical simulation model including the following route AH1 + AH14:
Kunming (China) – Muse (Myanmar) – Mandalay (Myanmar) – North India – Dhaka (Bangladesh) – Delhi (India). The simulations show that improvements in land routes typically create businesses and employment opportunities in the regions where these routes are located; highest gains are recorded by the poorest regions in terms of regional GDP per capita compared to the baseline. See UN-ESCAP (2012a).
Potential and Prospects of Strengthening Transport Connectivity in South and South-West Asia: Stakeholders’ Reflections

The context for a policy discussion at the Dhaka Policy Dialogue on connectivity was provided by the dramatically changed international context which necessitates rebalancing the sources of growth in favour of regional and domestic demand. Regional economic integration in South and South-West Asia was held up because of poor regional connectivity, as discussed in the previous chapters. The policy dialogue reviewed the potential, challenges and ways forward to strengthening the connectivity. In what follows, highlights of key presentations and interventions at the dialogue are summarized.

1. Importance of Connectivity in South and South-West Asia

*Sajjadul Haque:* Transport connectivity is necessary for ensuring diversification of the economy together with trade and regional integration. Globalization demands a transport system that transcends national borders. For a meaningful cooperation in the field of investment, production and services in the region of South and South-West Asia, opening up of borders and movement of goods and services should be the first step to consider with greater emphasis. The lack of efficient operational transport connectivity due to cumbersome border clearance procedures and inefficient arrangements for cross border and transit transport is the main reason behind the low intra-regional and intra-sub regional trade in South and South-West Asia. In the post-crisis global scenario, regional connectivity has a significant importance for the dynamism of the region. Establishment of strong transport connectivity would assist to balance the development of the
countries that are lagging behind.

**Nagesh Kumar:** The external economic context had changed dramatically in the past few years in the aftermath of the global financial crisis that required a rebalancing in favour of regional economic integration as the centre of economic gravity is moving towards the East. South and South-West Asia were amongst the least integrated regions of the world. An important constraint to deeper regional integration was poorly developed land transport links in the region. This region is better connected with Europe and North America than with itself which meant that the trade costs were high and the benefits of geographical proximity and contiguity were not available to the region’s trade. Poor transport connectivity did not allow the region to benefit from production networking and to exploit its strategic location at the cross-roads of Asia and the Pacific. The establishment of greater transport connectivity will facilitate intraregional trade, energy and food security and people to people contact. With the establishment of its South and South-West Asia office, UNESCAP was now focusing greater attention on the subregion and had launched a work programme to push the agenda of transport connectivity of the region.

**Mashiur Rahman:** By joining the Asian Highway Network (AH) and the Trans-Asian Railway Network (TAR) recently, Bangladesh came out of the nervous isolation of the past. Connectivity, including transit, should be seen in the context of broad long term cooperation and is welfare enhancing for all cooperating countries, and augments public revenues. He made a case for stronger connectivity in the context of long-term cooperation among South and South-West Asian countries, to advance progress towards a common economic space which may lead to large cross-border investment in relatively smaller economies. Bangladesh, Bhutan and Nepal may initiate trilateral agreements for replacing the current bilateral agreements to accelerate the removal of the trade-obstructive rules and procedures. The UN and the multilateral financial institutions can assist the sub-regional countries with mobilization of resources and professional and technical support for strengthening connectivity because of their apolitical nature. Among the multilateral treaties, UNCLOS and GATT allow right and
freedom of access to the sea by the most convenient international route. The Custom Act 1969 of Bangladesh is explicit in allowing transit back into the country of origin. On the cost-sharing and pricing issues related to transit he mentioned that the cost of transit should be set such that the provider does not subsidize the transit-user and recovers the cost plus reasonable profit or rent. Transit charges are not for revenue and protection. Likewise, discriminatory pricing is inconsistent with the free-trade principle of GATT. Price discrimination goes against contestable market features of the transit market. In addition to trade facilitation measures, immigration rules and procedures may be simplified and harmonized progressively and efforts made to remove multiple checks and trans-shipments at each border and other trade obstructions to creating the common economic space.

**Tarique Ahmed Siddique:** Strengthening transport-connectivity would serve the interests of all the countries of South and South West Asia in promoting investment, exports, industrial production and growth in the region and help it confidently face challenges such as financial volatility, natural disasters, epidemics, food and energy insecurity, adverse impacts of climate change. As a part of its desire to develop connectivity in the region, Bangladesh’s government has taken major initiatives to develop relations with neighbouring countries for facilitating cooperation through connectivity and gain economic benefits in recent years including through Asian Highway. The endeavour to revive the historic Silk Route in the region was important but attention needs to be paid to security concerns while extending connectivity.

**Munshi Faiz Ahmad:** The importance of connectivity on global and regional agenda as a tool for promoting trade and commerce, and enhancing interaction, cooperation and understanding among peoples in different countries and regions needs to be recognized. For promoting a universal and global connectivity by ensuring seamless linkages across countries and regions in all directions, countries in the region need to agree on universally acceptable, user-friendly and easy regimes for visa and transit of goods, services and people across borders and to harmonise standards, customs, immigration, banking and other procedures.
2. Potential and Prospects of Strengthened Transport Connectivity in South and South-West Asia

**Nagesh Kumar:** A number of initiatives had been taken to strengthen connectivity and regional cooperation under overlapping frameworks of SAARC, ECO, BIMSTEC and bilateral and trilateral arrangements. But there was a case for integrated approach to transport corridors to maximize network externalities. The extended transport corridors could provide a major boost to landlocked economies of the region besides helping South and South-West Asia emerge as a hub of East-West trade. UNESCAP SSWA Office has proposed two potential transport corridors in South and South-West Asia that can be developed taking advantage of initiatives taken in ECO and SAARC contexts utilizing existing infrastructure viz. Turkey-Iran-Pakistan-India-Bangladesh-Myanmar (TIPI-BM) road corridor along Asian Highway routes, and Istanbul-Tehran-Islamabad—Delhi-Kolkata-Dhaka container train corridor along the Trans-Asian Railway routes, as elaborated in chapter 3. These corridors have the potential to make every country in the region as a transport hub and help the region re-emerge as a hub of East-West trade that it was in the times of Silk Route.

**Tariq Karim:** South Asia is the land of rivers with 54 shared rivers and the objective should be to make these rivers ‘rivers of cooperation’. The Brahmaputra basin (Bangladesh, India and Bhutan) and the Ganga Basin (India, Nepal and Bangladesh) could be considered for cooperative development. An arrangement for shared development will be challenging considering the political dynamics of sharing river waters. However, efforts should be sustained in this direction to develop these basins. While developing these basins, environmental concern should be considered since roads connectivity will not be useful if the environmental problems like floods, land-slides continue to increase that can destroy the supporting infrastructure. Policy Dialogues like this should be continued to maintain the momentum.

**M. Rahamtullah:** The countries of the SSWA could not reap the full benefits due to poor connectivity, facilitation hurdles and missing links (in the TAR). Initiatives of UNESCAP have led to major transport corridors linking Asia and Europe. These include the first
Asia-Europe Continental Land Bridge operating commercially since 1998/99 as Trans-Siberian Railway route. The Second Asia-Europe Continental Land Bridge corridor opened in January 2008 when a pilot container train travelled between Beijing and Hamburg via Almaty. It is now time that the third Asia-Europe Land Bridge including Southern corridors of AH and TAR are operationalized along the lines proposed by UNESCAP-SSWA linking Kunming to Turkey via South Asian countries by closing the gaps and providing transport facilitation. South and South-West Asian countries may go for a regional transit transport framework agreement like the ASEAN, GMS and the ECO. The Joint Communiqué between India and Bangladesh signed in 2010 is an important step forward. Having initiated Asian Highway and Trans Asian Railway Agreements, UNESCAP should come forward to generate political consensus for operationalizing the proposed SSWA corridors. UNESCAP could also provide a forum for resolving the issue of two way transit by Pakistan to Afghanistan for its trade with India.

**K.L. Thapar:** Regional production networks are going to be more important than the global ones. Integration of economies in the subregion will result in the development of rational transport networks including rail networks that is environmentally most benign mode of transport. It will also help in harmonization of technology platforms and in reduction in informal trade, which is often linked to criminal activities that threaten the social fabric of the societies. It is possible to introduce land based container services between Dhaka-Istanbul covering a distance of around 8000 Kms, IT networks and pipelines can be laid alongside. Side by side, the regional sea ports could be used for the benefits of landlocked areas and countries. Cooperation among the non-governmental organizations with regional base should be promoted. The Asian Railways Association has been established, for instance, to promote cooperative research, harmonization of technologies and operational practices. There is a need for regional training centre for railway officials of the South and Southeast Asian countries as recommended at the conference of railway officials of these countries in 2013. Investment in inter-country infrastructure should be promoted and socially beneficial modes of transport be developed to build regional production networks.
Li Yuwei: Logistics performance in the SSWA subregion is generally poor and trading cost is quite high. In terms of ease of doing business rank South Asian countries lag behind. Transport connectivity can help promote economic growth and support economic and social integration in this subregion. It can help develop remote border areas, narrow development gaps, enhance competitiveness and attract investment. Transport connectivity can connect within subregion and with others, diversify trade markets, improve trade efficiency and reduce trade costs. The ways to enhance transport connectivity required rapid infrastructural development, shortening the long formulation cycle of subregional agreements (currently it is longer than 10 years) and controlling the difficulties in implementing bilateral transport agreements. Lessons learned from other subregions show a need for a master plan for transport facilitation to enhance connectivity. The approach to master plan should be ‘step by step’ in full consultation with the stakeholders. In a master plan the measures should be coordinated and tools for monitoring progress applied.

Mahfuz Kabir and Shaheen Afroze: Bangladesh is geographically located between two economic giants, China and India so it is imperative for the country to have stronger connectivity to exploit its strategic location. It is important to commence national dialogue through all means regarding transit through Bangladesh. In order to build national consensus and ownership on transit issues, national institutions should organize more dialogues and public learning to reduce the gap between imagined dangers and real benefits of transit. A high level task force including scholars, professionals and civil society actors can be set up for this purpose. It is important to set a pragmatic transit fee that would benefit both providers and users considering resource cost and prices, which should be reviewed annually. The aspects of inter-modal optimality also need to be adequately looked into. Bangladesh could be enabled to emerge as a more competitive source of supply to northeastern states of India than the mainland. Bangladeshi transport companies can be established as the principal carriers of India’s transit traffic. Bangladesh should also use road and rail links to connect to China using transit routes to attract investment with no additional costs.
3. Status of Transport Connectivity and Transit Facilitation in South and South-West Asian countries

**Rehman Sobhan:** Historically this region was one of the most connected regions during the Mauryan, Mughal and British colonial periods. Globalization has brought the opportunity to reconnect the region. South and South-West Asia has become one of the biggest markets of energy and one of the biggest sources of energy as well. Afghanistan, Islamic Republic of Iran, Pakistan, India and Bangladesh are some of the key players now in energy trading. South Asia is the principal source of labour. With 77 percent of the world foreign currency reserves and two thirds of world’s total capitalization, Asia is not only the source of labour but also of capital. South and South-West Asia is the major market of South East and East Asia. In order to realize their market potential the key responsibility of the regional countries is to reconnect the region physically by building transport infrastructure and to integrate the entire gamut of regional geo-economics. We need to reach a point in our integration when businessmen from Nepal and Bhutan, two land-locked countries in South Asia, begin to consider Mongla and Chittagong ports of Bangladesh as their own ports in terms of utilizing the port facilities just as landlocked countries in Europe like Switzerland consider Marseille or Rotterdam as their ports. Political dialogue is the main bottleneck, since the problems remain in the political domain. There has been very little progress over the past two decades and consequently common people are getting punished continually.

**Afghanistan**

**Matiullah Qazizada:** Afghanistan had an important geo-strategic location and the Afghan Government had decided to revive the Silk Road. The country lacked railway systems but recently Turkmenistan and Tajikistan had signed an agreement for connectivity via Afghanistan. New bilateral agreement on transit between Afghanistan and Pakistan had also been signed. On customs front, ASYCUDA has been introduced and its coverage is being extended. However, Afghanistan is facing challenges in transit transport, such as lack of mutual trust, drug trafficking,
lack of coordination between regional customs and security concerns.

**Bangladesh**

Md. Amzad Hossain and Shisir Kanti Routh: The vision for South and South-West Asian regional connectivity is to achieve seamless movement of freight and passengers across borders to reduce Non-Tariff Barriers (NTBs). Among the regional railway cooperation initiatives, Bangladesh had signed the Intergovernmental Agreement on the Trans Asian Railway Network on 9 November 2007. Railway network in the SAARC region as finalized in the 3rd meeting of Expert Group for finalization of Railway Agreement included several regional rail links: Pakistan-India; Pakistan-India-Bangladesh–India; India-Bangladesh; Nepal-India; Nepal-India-Bangladesh; India-Sri Lanka and Bangladesh-Bhutan. A Joint Communiqué was signed between India and Bangladesh on 12 January 2010 to facilitate regional connectivity. A number of government-financed regional railway connectivity projects are going on and MOUs and feasibility studies are being explored for others, including with funding from ADB. Possible road connectivity corridors through Bangladesh are Asian Highway (AH), SAARC Highway Corridor, SASEC Road Corridor, BIMSTEC Road Corridor and BCIM Route. The policy initiatives on road connectivity in Bangladesh have been reflected in the Sixth Five Year Plan, Road Master Plan 2009, SAARC Motor Vehicle Act, National Core Committee on Transit, National Multimodal Transport Policy, and in the Motor Vehicles Axle Load Control Station Implementation Policy 2012. Bangladesh had the potential to become a land transport and logistics hub in the region and as a gateway for South Asia. However, existing challenges included missing links and sub-standard sections. There is need to finance infrastructure development through the use of PPPs; options should also be explored for support from development partners and a possible Regional Infrastructure Fund. There is also need for harmonization of standards, interoperability and interchangeability in railways, electronic data interchange, development of border crossing facilities and development of multimodal integration.
**Bhutan**

Karma Tenzin: The main challenges of connectivity in Bhutan included lack of equipment for tracking the movement of goods for predictability. The goods are transported in open trucks and there is a lack of multiple access bypasses from importing country to exporting countries. Road conditions are bad and there are multiple checkpoints on the highways initiated by the local authorities. Also there is a lack of coordination of working areas between the border checkpoints of neighboring countries.

**India**

Satish Kumar Reddy: India had 101 land customs stations (LCS) and border crossing points with neighboring countries of which 85 are on the borders of Bangladesh, Nepal and Bhutan with which the country has agreements on transit facilities with Bangladesh, Bhutan and Nepal. With Nepal, India has a treaty of transit and rail services agreement; with Bhutan, the agreement is on trade, commerce and transit; and with Bangladesh, there is a protocol to the inland water trade and transit. The basic features of facilitation include exemption from customs duties; commercial charges such as costs of transportation are payable. There are temporary storage facilities at Kolkata/Haldia ports and arrangements for pre-arrival or post arrival filing and processing of transit declarations. The importers/exporters/agents are responsible for document filing, complying with the obligations and sealing of consignments. No physical examination of cargo is made at LCS if no breaches are found. There is reconciliation of declarations with Nepal/Bhutan Customs for releasing guarantees or undertakings within time limit for monitoring completion of transit between Bangladesh and Nepal/Bhutan. There should be clearly listed entry/exit points for transit. Multi-modal transport should be allowed and detailed transparent procedure and documentation should be laid down. There should be the use of risk assessment practices so that the majority of goods could be allowed transit based only on an undertaking effectively at no cost to the trader. The facilitation initiatives currently under implementation included integrated checkpoints, automation, use of risk management, compliance management (AEO), post-clearance audit, and single window.
Suggested measures for improvement include the development of dry ports; greater containerization facilities; use of rail transport/inland waterways; putting proper transshipment arrangements in place; and creating plurilateral arrangements. Customs facilitation initiatives, such as introduction of car pass procedure, risk based testing requirements for food items, synchronization of working hours, regular interaction with the customs administrations of trading partners and regular consultation with trade bodies, were also mentioned. Motor Vehicle Agreements and Mutual Recognition of Standards should be set on regional basis to smoothen the way for regional connectivity.

Manoj K. Akhouri: Containerization was a solution for many issues concerning cross-border transport. Regarding the Bangladesh, India, Nepal demo run of a container train proposed under SAARC, he said that an important prerequisite for that was a container terminal at a railway station in Bangladesh as the one Nepal has in Birganj.

Nepal

Keshab Kumar Sharma: Nepal as a landlocked country faces bottlenecks in transport, transit and connectivity common to such countries. The difficulties arise from the long distance between the land locked country and the port of exit in the transit country. Bottlenecks in transport and transit push the transaction costs high. A median landlocked country experiences 42 percent higher transport costs than the median coastal country. Customs cooperation, harmonization of standards, test and certification, and mitigation of non-physical barriers are the major challenges for enhancing economic integration. Main transit transport corridors for cross-border transport are by road. Nepal could be developed for Trade and Transit Corridor for South and North Asian Countries. The current status of cross-border rail transport operations, legal arrangements for road and rail cross-border transport operations, transport facilitation measures, acts, policies and major initiatives taken for trade and transport facilitation, customs reform and modernization strategy. The major challenges for cross country transport that need to be overcome could include efficient and reliable transport infrastructure and warehouse facilities for
Potential and Prospects of Strengthening Transport Connectivity

smooth transaction and construction of ICDs and containerization of goods; efficient regulatory mechanism; gateway port of transit movement; safety and security measures; streamlined processes, harmonization of documentation and working hours; automation in customs offices; national Single Window implementation; and effective transit policy. Challenges arising from poor transport connectivity in the SSWA include lack of political will and political mistrust between countries; weak physical infrastructure; missing links in Asian Highway and Trans-Asian Railway networks; and non-tariff and para-tariff barriers. The need for enhanced role of subregional and regional institutions, such as SAARC and UNESCAP etc. was underscored in helping overcome the existing challenges and resolving issues. In particular, support needed from UNESCAP in infrastructure development and building consensus among countries was emphasized.

Pakistan

Zubair Shah: Recent legal arrangements of transportation with Afghanistan have been made and there are operational issues related to cross-border transportation between the two countries. The challenges faced by Pakistan Customs are due to a lack of facilities at border crossings such as inadequate border crossing point infrastructure, lack of simple import and export traffic lanes with constant traffic flow, absence of single window for coordinated border management and lack of modern inspection equipment (including ICT-based equipment). Development of integrated border management strategy that could streamline border-crossing procedures without undermining security is required. The neighboring countries could make efforts to harmonize their procedures. UNESCAP should help in modernization of facilities at border crossings through training and building capacity on best practices for border crossing procedures.

Turkey

Ussal Sahbaz: Connectivity matters significantly for Turkey’s trade dynamics. As of now the MENA region accounts for the biggest market of Turkey, while South and South-West Asia has a negligible share. But Turkey’s trade potential in this region is high especially
as a market for its medium tech products. Enhancing connectivity within SSWA requires development of transport corridors. The operation of the block train between Istanbul and Islamabad, as well as of progress and challenges in the development of the Modern Silk Road were the key initiatives. The weakest links and bottlenecks can occur at border crossings, inter-modal ports, or conflict zones and need to be eliminated for successful operation of transport corridors. Private sector should be involved into financing of corridor development. The institutional structures for development of transport corridors include 1) internal mechanisms: liberalization of the Turkish railroad market, inter-agency dialogue on transport policy and public – private partnerships; 2) bilateral and multilateral mechanisms: TIR and COTIF conventions, quotas for trucks, utilizing multilateral platforms for enhancing quotas; and 3) relevant international platforms: UNESCAP – SSWA transport connectivity proposals, infrastructure chapter of the Istanbul Process for Afghanistan, ECO committees and ad hoc mechanisms. Recommendations include 1) regional integration through developing new rail / road transport corridors ought to be a policy priority for Turkey; 2) SSWA should be seen as a key part of the big picture in Asia; 3) corridor development in this region requires innovative approaches, supported by the private sector; 4) bilateral and multilateral platforms should be better utilized; 5) conflicting parties have to come together; and 6) coordination failures should be addressed.

4. Initiatives by Regional Organizations and Development Partners in Promoting Transport Connectivity

**SAARC Secretariat** (Ahmar Ismail): Poor connectivity restricts people-to-people contacts and intra-regional trade and reduces overall national and regional growth. Visa processing between SAARC countries is highly problematic. Tourism in the region is not flourishing since tourism is dependent on connectivity of road, rail and air. There is need to prioritize commercial interests and collaborative efforts should be made for increasing intra-regional trade with concrete steps for trade facilitations. SAARC interventions in the area of connectivity include: 1) South Asian Regional Multi-modal Transport System; 2) Motor Vehicles
agreement with commercial and private objectives; transit from one country to the other; 3) Railway agreement (finalized a draft text of agreement—waiting for approval from government leaders); 4) Demonstrations of container train—sub-regional trade among Bangladesh, India and Nepal; 5) Passenger and ferry service connecting Maldives, Sri Lanka and India. The political will that is shown in this policy dialogue should continue and countries should forget differences and come forward for economic gain. The Vision should be to bring 100 percent connectivity in this ‘decade of connectivity’, even though one should proceed step-by-step with focus on short-term goals. Finally, more of such policy dialogues should be held to foster cooperation.

ECO Secretariat (Esmaeil Tekyehsadat): ECO is engaged in various kinds of initiatives to create facilities for border crossing operation. The Uniform Transit Visa Sticker developed by the Islamic Republic of Iran and under consideration of member states. The Uniform Transit Insurance is waiting for member states’ reports and implementation. ECO puts emphasis to make secure supply chain. Reduction in logistics cost increases business competitiveness, reliability and security and adds value. It may make sense to develop combined logistic centers and supply chain. The ECO has decided to establish two road transport corridors, one between Islamabad-Tehran-Istanbul, and the other between Iran, Afghanistan, Tajikistan and the Kyrgyz Republic. Two meetings of the High Level Working Group have been held to discuss technical matters pertaining to operationalization of the ITI Road Corridor. The TIR system is expected to be reactivated in Afghanistan at the end of 2013. ECO is discussing modernization of border crossing points and digital techno-graph system. The application of the ‘Time-cost distance’ of UNESCAP will help reduce the transport cost.

World Bank (Salman Zaidi): The World Bank has two key concerns. One is insufficient intra-regional trade and the other is that the high transport cost and trade barriers that pose major obstacles to growth of intra-regional trade. The World Bank’s planned interventions include 1) strengthening visa cooperation; 2) developing regional energy market between South Asia and Central Asia; and 3) looking into the transport sector - corridor among India, Afghanistan, Bangladesh and Pakistan (Pakistan-
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Afghanistan-India corridor and India-Bangladesh corridor). The World Bank is supporting high-value integration and confidence-building projects, for instance, involving multi-national groups. Another area of work of the World Bank is to deal with the policy and institutional challenges those occur in the hard and soft sides of the project.

**AusAID** (Sabrina Varma): AusAID welcomes UNESCAP’s broader vision of Asian connectivity. Working through partners, AusAID seeks to support government priorities on regional connectivity in South Asia, with a particular interest in promoting inclusive growth, especially in poor and landlocked. This includes supporting opportunities for women’s economic empowerment, addressing trade facilitation issues from the perspective of small and micro-enterprises, and development of regional value chains and integration into global value chains. Transforming transport corridors into economic corridors which supports product fragmentation was seen as a challenge for the region. AusAID’s regional strategy is long term and involves mainly working through partnerships with multilateral organisations such as Asian Development Bank and the World Bank in this area, as well as with other bilateral donors such as DFID, and hopefully JICA in the future. Trade facilitation and infrastructure connectivity are the main components of AusAID’s regional connectivity agenda. The other part of AusAID’s broader regional cooperation strategy is focused on supporting food security, water management and energy related issues.

**Japan International Cooperation Agency (JICA)** (Nobuo Hazeyama): The transportation infrastructure development is a backbone of rapid economic growth in South Asia. It is necessary to create high momentum to increase trade and investment among South Asian countries. Developed transport infrastructure will also create a favorable investment climate through regional economic integration as one sees in ASEAN countries. The JICA is going to conduct a survey and analysis regarding possibilities and directions to cooperate with countries on cross-border transportation infrastructure development in South Asia. The agency is also planning to create a long list of possible development projects which can be considered as a step for JICA’s future regional
cooperation activities. Infrastructure improvement is important requirement to promote connectivity. However, connectivity should be viewed holistically. It should be seen as a part of improved regional integration and creation of favorable investment environment, which should also link with ASEAN countries with their dynamism through Myanmar under economic reform. The survey will cover not only India-Bangladesh-Nepal-Bhutan but also Myanmar and Thailand.

**Department of International Development (DFID)** (Gareth Lafferty): DFID is working on the East and Western Corridor and energy connectivity. The DFID is focused on working with the World Bank to assist intra-regional trade in South Asia. The other areas of focus include improved trade connectivity and cross-border connectivity. The India-Afghanistan-Pak corridor and Bangladesh-India corridors are of interest to them.

**Asian Development Bank** (Satoko Tanaka): ADB is working on the improvement of Dhaka-Chittagong railways corridor, especially transit and double-tracking. Other areas of focus include improvement of Benapol and Burimari land port. The ADB will continue to develop this area.

5. **Promoting Cross-border Transport Facilitation: ESCAP**

**Li Yuwei:** For overall development, there is no alternative to regional connectivity and cross-border transport. Isolated measures for strengthening connectivity are leading to fragmented results. A comprehensive master plan approach on transport facilitation may help coordinate different facilitation measures and projects with common framework and long term strategy. Master plan should involve full consultation with the stakeholders, adopt step by step approach, give a clear direction to maintain the channel, help to coordinate measures and provide tools for monitoring progress. At the first stage of the master plan there will be a preliminary draft for individual country consultation, which will involve all stakeholders. The revised draft may thereafter be submitted for subregional consultation and adoption. The master plan should specify measures to be taken by countries in bilateral and regional contexts. Implementation should be phase by phase, country by
country with assistance of various international organizations/institutions. The progress can be monitored with the help of UNESCAP tools. Subregional coordination meetings should be held periodically. UNESCAP Tools for master plan include UNESCAP Regional Strategic Frameworks for transport facilitation. It is a complete system for cross-border and transit transport having common targets and process and standardized modalities for facilitation measures and can therefore be used as guidelines for formulation of master plan. UNESCAP transport facilitation models include efficient and secure cross-border transport models with technological solutions. The Time/Cost-Distance methodology of the UNESCAP helps to identify barriers in planning and monitoring progress.

Sandeep Raj Jain: Non-physical barriers constitute a major impediment to smooth flow of international road transport, the efforts by various countries and their development partners have been scattered and fragmented and therefore a comprehensive approach is required to deal with them. The Regional Strategic Framework (RSF) developed by UNESCAP in consultation with member countries will help to deal with the challenges of non-physical barriers cohesively leading to enhanced effectiveness and synergies from implementation of these measures. The RSF identifies six fundamental issues in road transport and seven modalities to support international road transport. These have been adopted by the member states during the Ministerial Conference on Transport in 2012 and shall be implemented subregion-wise and in phases. The Regional Network of legal and technical experts under the RSF can help countries to deal with the potential legal conflicts while implementing facilitation measures. The inter-agency coordination mechanisms can provide sustainable platform to deal with facilitation issues on a continuous basis and in this regard the guidelines developed by the UNESCAP can serve as a useful reference.

A vehicle monitoring system based on Secure Cross Border Transport Model (SCBM) can deal with challenges facing the control authorities and will ensure appropriate balance between control and facilitation measures. For its implementation two countries can be selected on a pilot basis and workshops may be conducted
to sensitize the control authorities on the potential benefits and to build consensus on its implementation. Following this inter-country consultation an MOU to formalize joint use will be required. Subsequently, technical design can be finalized in consultation with stakeholders and thereafter the model can be implemented.

**Heini Suominen:** UNESCAP observed that many non-physical barriers hinder transport in the region and prevent efficient movement of goods and people across borders. However, operational environment is always unique, with its particular challenges. Facilitation measures have been initiated with varying levels of success, often at considerable cost. Unlike for infrastructure, there is no agreed methodology for the assessment of the most appropriate facilitation initiatives. UNESCAP Efficient Cross-Border Models can be used as a systematic assessment framework to identify and develop the cross-border transport arrangements subject to least challenging or most easily surmountable non-physical barriers. Systematic evaluation of alternatives promotes better understanding of the overall costs and benefits, and the institutional and commercial requirements for the selected measures. The institutional requirements and challenges in the area of transport permit for motor vehicle include permission for foreign trailer to enter the country; third party liability insurance of vehicle; temporary importation; mutual recognition of driving license; mutual recognition of vehicle certificates/registration; side of steering wheel; visa requirement; possible route limitations and guarantee for trailer and container. The operational requirements and challenges are: use of compatible vehicles and equipment; compliance with local standards regarding weight and dimension; compliance with local emission regulations; compliance with local laws; requirement for trans-loading equipment; trans-loading labour; requirement for local partner; risk of damage or loss of goods or container; market access; local knowledge throughout the route; road safety; access to local services; and use of containers.

**Fedor Kormilytns:** The management of land border crossings in the region faces common problems, which include long inspection time, many separated inspection agencies, slow progress in reduction of clearance agencies and promotion of joint controls, and added inland inspection stations after
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removal from border crossings in some countries. The purpose of the model on Integrated Controls at Border Crossings is to provide a tool for facilitation at land border crossings, help better functioning of all agencies, increase efficiency and effectiveness of inspections at border crossings, enhance capacity of integrated control of all agencies and their coordination and cooperation at border crossings, reduce repeated and unnecessary inspections, and increase in the utilization of modern equipment at border crossings. The model provides a concept of integrated use of ICT-based systems and equipment at land border crossings on the basis of sharing of information required for control purposes among the border management agencies and joint use of modern technological equipment by different agencies. Its application can bring benefits both to border management agencies and to the users of land border crossings. It has a modular structure which provides flexibility in the ways of its application for different types of land border crossings. Application of the model requires preliminary consultation among the border management agencies and subsequent elaboration of detailed plan for a particular border crossing. The benefits of the model for the government agencies will accrue in the form of highly secured cross-border procedures and formalities; increased capacity of border crossings; more time for analysis of data by control authorities to make careful decisions; control of smuggling and tax evasion; and easier management reform of border crossing. For users, the benefit will flow in the form of increased cross-border movements of goods and people and better development of international trade; reduced time and delays for cross-border procedures and formalities; reduced cross-border costs; more user-friendly cross-border formalities and greater transparencies. The model can be made full use of for busy land border crossings, border crossings under modernization and for border crossings with joint control. The model allows joint control on one side or two sides of a border crossing and also can be made partial use of for small and less busy border crossings. The model is under consultation process and the technical design is under review for approval.

The purpose of the Time/Cost-Distance Methodology is to identify inefficiencies and isolate bottlenecks along a particular route
by looking at the cost and time characteristics of every section along a route. It is simple to use, provides a ‘snap-shot’ of the present situation, can track changes of cost and/or time required for transportation on a certain route over time, and provides possibility of comparing and evaluating competing modes of transport operating on the same route and alternative routes. It is easy to understand. The methodology is being widely applied in different regions of the world by different organizations. It is being updated by the UNESCAP from time to time based on the experience of previous applications. It can be used as one of the tools for formulation and implementation of the master plan for transport connectivity in SSWA.

Open discussion

Suggestions were received that the important railway and road corridors to be included in the master plan should connect the major ports of the region. Opinion was expressed that regional connectivity is not only about mindset but it is also about the lack of infrastructure and facilitation. Bangladesh’s infrastructure is not up to the standard to accommodate vehicles from neighbouring countries. So without heavy investment in the infrastructure regional connectivity will be hard to achieve. Views were expressed that different modes of transport system complement each other. A view was expressed that Bangladesh can be a big trade hub if there is a deep sea port along with developed railway network. Private sector role was emphasized. It was mentioned that Bangladesh-India-Nepal trade routes are important for private sector; trilateral agreement among the three countries is needed. It was remarked that depending upon location of the country, national priority should decide what mode of transport should be prioritized. The master plan should accommodate all the modes. One view was that attention should be also given to infrastructure development process before going into technology based border sharing or cross border transport models. There was also a view that cross-border transport should be organized with the existing infrastructure that connected the countries basically. It was stated that information dissemination is important to implement a smooth transit system. It was stated that to ensure security, harmonization of technology
platform is required. The need to formulate the Indo-Bangladesh Motor Vehicle Agreement was emphasized. It was informed that the Mongla port is ready to use for the neighbouring countries and the traffic jam at the India-Bangladesh border is almost non-existent. It was mentioned that so far Nepal has only one road link with China and the Nepalese government is planning to build another 8 road links to connect China. For Nepal to connect India-China the interest has to come from both India and China since they will be the trading countries. The view was expressed that the role of the government has to be one of a facilitator. The private sector will decide which route and the mode of transportation.

6. Business Perspectives on Challenges to Transport Connectivity

Farooq Sobhan: Regional connectivity can play a vital role to boost trade, tourism and investment in the South and South-West Asian Region. In that effort it is imperative for the private sector to be a party as they can facilitate the process and be a beneficiary as well. In order to speed up the process, needed infrastructure has to be built by public-private partnership since it is a joint responsibility. He remarked that one major problem in South Asia region towards regional connectivity is the difficult visa regime which concerns particularly the business community of the region. To liberalize the process the idea of visa exemption within the SAARC region has been floated for quite some time, if realized it will certainly help the cause of connectivity. The importance of containerized transport and of public private partnerships also needs to be recognized for connectivity. South Asia is waiting for a major take off once connectivity is established. The building of deep sea port in Chittagong should get high priority, which will benefit the entire region.

Sanjay Swaroop: Air transport and ports are relatively well developed in South and South-West Asia compared to road and rail networks. Inadequate land transport increases cost and complexity of transport operations, as cargo between inland locations are routed through ports. Trade competitiveness relies on transport connectivity. Increasing surface transport connectivity can promote
Transport hubs at national level, between countries, at subregional and regional level. Container Corporation of India (CONCOR) is operating dry ports, warehouses, vast network of terminals with state of the art equipment and logistics parks. CONCOR is also providing transport equipment such as rakes and operating container trains; and this has enhanced connectivity. CONCOR is operating Nepal’s first and only rail connected dry port through a JV and is planning operations in other neighbouring countries. It is developing 12 Multimodal Logistic Parks mostly along dedicated freight corridors. CONCOR can also support the development of integrated transport systems through, for example, supporting demonstration runs of container block trains. The UNESCAP intergovernmental agreement on dry ports is of international importance. Expert Group of SAARC has identified railway routes as crucial for regional integration. India is setting up of 13 ICPs, of which 1 is with Pakistan, 4 with Nepal, 1 with Myanmar, and 7 are with Bangladesh.

R. B. Rauniyar: Landlocked countries such as Nepal depend on their neighbouring countries for transit to sea and onwards to global markets. Transit procedures are often heavy, which, together with poor infrastructure contribute to the high transport costs. Majority of Nepal’s trade is with India, and the Kolkata port is the main gateway for trade. Nepal also has access to ports in Bangladesh, but their effective use is hindered by institutional barriers such as lack of agreement on the use of containers in transit. The geographical location of Nepal between two large economic powers, India and China, can be perceived as an opportunity to act as the transit country to these countries for all the SAARC members. For this vision to materialize, significant improvements are required along the North-South corridor in terms of infrastructure. Planned railway construction in China towards the Nepalese border offers additional incentives to improve connectivity. Many challenges still remain. In the short run, progress can be introduced through a change in the bureaucratic mindset and the introduction of risk assessment as a way to reduce congestion at border facilities. Infrastructure development can also be seen as contributing to poverty reduction through increased economic opportunities for the people of Nepal.
**Ussal Sahbaz:** Turkey is geographically ideally placed to act as a bridge between Europe and Asia, and there are great potential benefits for Turkey in diversification of trade towards Asia, particularly in light of the slow recovery in Europe. This potential is currently underused, excluding trade with Afghanistan and Iran. Turkey’s export has been done mostly by sea. Now greater emphasis is given on land connectivity particularly railway sector because it is cheaper and faster. The private sector has taken an active role in improving connectivity through public-private partnership. Demonstration runs have been carried out on the Istanbul-Tehran-Islamabad route, and the UNESCAP time-cost-distance methodology has been used to evaluate the existing bottlenecks on the route. In addition to challenges related to the coordination of the railway authorities of the countries involved, the issue of slow train speed, lack of appropriate lake crossing equipment and border delays remain to be resolved. A regular block train from Edirne to Munich is planned to start operations from August 2013. Border gate modernization has been achieved through the utilization of build-operate-transfer models. The private sector is currently operating 5 border gates, with more operations planned. Other facilitation initiatives include the introduction of an IRU TIR EPD, which allows the use of risk assessment in clearance of cargo and elimination of unnecessary inspections, and the possible introduction of single window controls with Georgia.

7. **Concluding Remarks**

**Gowher Rizvi:** The policy dialogue had added a new impetus on regional connectivity issue that was expected to bring a new era of regional cooperation. The age of globalization brought the two terms ‘connectivity’ and ‘cooperation’ in their interchangeable use. The policy dialogue has given two messages: first, lack of cooperation will create new dangers within the global community. Second, the problems of South Asian countries are transnational, so we need transnational solution of the problem. Hence cooperation and connectivity both will solve the regional problems that transcend boundaries. The Government of Bangladesh is committed to fight against poverty, increase productivity and economic development which will bring dignity, sovereignty and
independence to all citizens. None of the problems of the world can be solved by altercation; rather strong cooperation among the states is the only way forward. Poverty and environmental degradation have no boundaries; thus nations need combined efforts to combat against these evils. Travelling of students and people of South Asia within and beyond the region is also an example of regional connectivity. All countries of this region are democracies and cherish similar visions on various issues. So there is no room for timidity and it is the best time to set up formal framework for connectivity among these countries. To make a better future there is no alternative to regional connectivity and the region has to realize this truth. The participants of the dialogue clarified that connectivity is an imperative in regional as well as in sub-regional level. Since there are no legal or political impediments, the region should move fast to build supportive infrastructure. He also stressed that there was no need to be concerned about the determination of transit fee as it should be market determined. UNESCAP should play an important role in strengthening regional connectivity through a policy campaign in support of, and in preparation of the connectivity master plan, among other initiatives.
Key Conclusions and Recommendations for Strengthening Transport Connectivity in South and South-West Asia

The UNESCAP-BIISS policy dialogue held in Dhaka on 26-27 June 2013 had an extensive discussion on the potential and prospects of regional connectivity among the key stakeholders. The key conclusions and recommendations that emerged from that discussion include the followings:

1. Poorly developed land transport links in the region were constraining regional economic integration. This region was better connected with Europe and North America than with itself. As a result the trade costs are high and the benefits of geographical proximity and contiguity are not available to the region’s trade. Poor transport connectivity has not allowed the region to develop regional production networks and has cost it dearly in terms of loss of economic opportunities. South and South-West Asia has also not been able to exploit its strategic location at the crossroads of Asia and the Pacific region because of its poor connectivity.

2. Enhancing transport connectivity was essential for economic and trade development, closing development gaps, economic and social integration and strengthening of countries’ competitiveness.

3. Existence of missing links and substandard infrastructure, as well as the non-physical barriers were impeding cross-border and transit transport in South and South-West Asia. The connectivity in the region also suffers from other challenges such as perceptual barriers, determination of transit fees, security and smuggling concerns, and lack of mutual trust.
4. At a basic level, the transport networks of the South and Southwest countries are linked and could be used for operations of cross-border and transit transport with enhanced transport facilitation. This could pave the road for improvement of infrastructure, construction of missing links, and support future investments in infrastructure development.

5. There have been a number of initiatives and on-going efforts made by the South and Southwest Asian countries and their development partners for enhancing transport connectivity in this subregion including those by regional organizations such as UNESCAP, SAARC, ECO, ADB, the World Bank, among other organizations.

6. The UNESCAP proposal of formulation of a master plan on strengthening transport connectivity of South and Southwest Asia was endorsed. It was argued that such a master plan of South and South-West Asia should cover not only strengthened connectivity between the countries of the region but also their connectivity with other subregions.

7. The importance of exploiting synergies between different modes of transport, by road, rail, inland waterways and sea, and also central role of seaports and dry ports was highlighted through inter-modal and transit transport in the proposed master plan.

8. It was important to involve all relevant stakeholders in the process of the formulation of the proposed master plan, including government agencies, business sector, think-tanks and non-governmental organizations. The trade sector needs to be involved in the dialogue on transport connectivity to better incorporate its perspective as key user of transport.

9. Further elaboration on the potential and tangible benefits from enhanced transport connectivity would be useful as it could be used by the member countries for promotion of transport connectivity.
10. UNESCAP should continue such dialogue process backed by strong analytical inputs and policy advocacy for strengthened connectivity and extending it to ground level to increase the public awareness of the criticality of transport connectivity including through creation of networks of think-tanks and individual experts among other outreach activities. The importance of training and capacity-building in the region including for employing new technology for facilitating cross-border movements and transit facilitation was also emphasized.
References


Policy Dialogue on
Strengthening Transport Connectivity among the South and
South-West Asian Countries

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(BIISS)
Hotel Pan Pacific Sonargaon, Dhaka, Bangladesh,
26-27 June 2013

Programme

Day 1  Wednesday 26 June 2013

0830-0930  Registration

0930-1015  INAUGURAL SESSION
(Chair: Amb. Munshi Faiz Ahmed, Chairman,
Board of Governors, BIISS)

Welcome Address by Maj. Gen. Sajjadul Haque,
Director General, BIISS

Opening Remarks by Dr. Nagesh Kumar,
Director, UNESCAP South and South-West Asia
Office, New Delhi and ESCAP Chief Economist

Keynote Address: H.E. Dr. Mashiur Rahman,
Economic Affairs Adviser to the Prime Minister

Inaugural Address: H.E. Maj. Gen. (Retd.) Tarique
Ahmed Siddique, Defense Adviser to the Hon’ble
Prime Minister of Bangladesh

Concluding Remarks by Chair
1015-1045 Coffee Break

1045-12.30 SESSION 1: High-level Panel on Potential and Prospects of Strengthened Transport Connectivity in South and South-West Asia (Chair: H.E. Prof. Dr. Gowher Rizvi, International Affairs Adviser to the Hon’ble Prime Minister of Bangladesh)

Potential and prospects of strengthening transport connectivity in South and South-West Asia, by Dr. Nagesh Kumar, UNESCAP-SSWA

H.E. Amb. Tariq Karim, High Commissioner of Bangladesh in India

Dr. M. Rahamtullah, Senior Adviser, Centre for Policy Dialogue, Dhaka and former Director, Transport Division, UNESCAP

Mr. K.L. Thapar, Chairman, Asian Institute of Transport Development, New Delhi

Need & Ways for Enhancing Transport Connectivity in South and South West Asia by Mr. Li Yuwei, Chief, Transport Facilitation & Logistics Section, Transport Division, UNESCAP

Realising the Potential of Strategic Locations of Bangladesh through Connectivity by Dr. Shaheen Afroze RD, BISSS & Dr. Mahfuz Kabir, SRF, BISSS

Open Discussion

Closing Remarks by Chair

1230-1330 Lunch

1330-1530 SESSION 2: Status of Transport Connectivity including Transit Facilitation in South and South-West Asia: Country Presentations

(Chair: Prof. Rehman Sobhan, Chairman Centre for Policy Dialogue, Dhaka)
Presentations by delegations from Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, Turkey

Open Discussion

Summing Up by Chair

Coffee Break

SESSION 3: Initiatives by other Organizations/Institutions in Promoting Transport Connectivity in South and South-West Asia

(Chair: Mr. Manoj K. Akhouri, Executive Director, Ministry of Railways, Govt. of India)

Mr. Ahmar Ismail, Director, SAARC Secretariat, Kathmandu

Dr. Esmaeil Tekyehsadat, Director of Transport and Communications, ECO Secretariat, Tehran

Mr. Salman Zaidi, Lead Economist, World Bank and Country Economist for Bangladesh, Nepal and Dhaka

Ms. Sabrina Varma, Senior Economic Adviser, South Asia Regional Branch, AusAid

Mr. Nobuo Hazeyama, Transport Specialist, JICA, Dhaka

Mr. Gareth Lafferty, DFID, Dhaka

Ms. Satoko Tanaka, ADB, Dhaka

Open Discussion

Summing Up by Chair

Welcome Banquet and Cultural Programme
Hosted by DG BIISS

DAY 2
Thursday 27 June 2013

SESSION4: UN-ESCAP Tools for Transport Facilitation Measures
(Chair: Mr Li Yuwei, UNESCAP)

Presentation on proposed master plan for transport connectivity in South and South West Asia, by **Mr. Li Yuwei**, Chief, TFLS, TD, UNESCAP

Regional Strategic Frameworks on the facilitation of international land transport, by **Mr. Sandeep Raj Jain**, Economic Affairs Officer, TD, UNESCAP

Efficient Cross-border Transport Models, by **Ms. Heini Suominen**, Associate Economic Affairs Officer, TD, UNESCAP

1045-1100 Coffee Break

1100-1230 SESSION 4: UNESCAP Tools for Transport Facilitation Measures (Continued)

Model on Integrated Controls at Border Crossings, by **Mr. Fedor Kormilitysyn**, Economic Affairs Officer, TD, UNESCAP

Secure Cross-border Transport Model - Technological solution for cross-border and transit facilitation, by **Mr. Sandeep Raj Jain**, UNESCAP

Time/Cost-Distance Methodology for identifying barriers and monitor performance, by **Mr. Fedor Kormilitysyn**, UNESCAP

Open Discussion

Summing Up by **Chair**

1230-1330 Lunch

1330-1500 SESSION 5: Business Perspective on Challenges to Transport Connectivity in South and South West Asia

(Chair: Amb. Farooq Sobhan, Chairman, Bangladesh Enterprise Institute)
Mr. Sanjay Swaroop, Group General Manager, Container Corporation of India

Mr. R.B. Rauniyar, Managing Director, Interstate Multi-modal Transport, Nepal

Mr. Ussal Sahbaz, Adviser, Economic Policy Research Foundation (TEPAV), Turkey

Open Discussion

Summing Up by Chair

1500-1530 Coffee Break

1530-1630 CONCLUDING SESSION

(Co-Chairs: Dr. Nagesh Kumar & Major General Sajjadul Haque)

Presentation of draft report of the policy dialogue

General discussion on the way forward

Address by the Chief Guest: Prof. Dr. Gowher Rizvi, International Affairs Adviser to the Hon’ble Prime Minister of Bangladesh

Closing Remarks by Co-Chairs
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26-27 June 2013

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Towards Seamless Connectivity in South and South-West Asia

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A new wave of economic regionalism is sweeping Asia and the Pacific, motivated by not only the continuing economic difficulties in the developed economies but also by the search for efficiency-seeking regional production networking. As one of the least integrated sub-regions in the world, the South and South-West Asia has huge underexploited potential of intraregional trade. But poor overland transport connectivity and facilitation lead to high trade costs and do not allow intraregional trade to benefit from geographical proximity and contiguity.

Towards Seamless Connectivity in South and South-West Asia argues that a broad coordinated approach to integrate the transport corridors of the ECO, BIMSTEC, SAARC to connect Turkey with Myanmar has the potential to maximize network externalities for all the countries. Besides facilitating intraregional trade and regional value chains, it can make the region as a hub of Europe and Central Asia’s trade with East Asia as it once was. It also discusses the ways forward to realize the potential of strengthening connectivity across South and South-West Asia.

Bringing together UNESCAP analysis and perspectives of key stakeholders on the connectivity agenda, this publication represents an important resource for policy makers, development professionals and transport planners in South and South-West Asia and beyond.