

Case for South Asian transit arrangement

Paras Kharel

The special challenges facing the 31 landlocked developing countries (LLDCs) of the world are well documented. Lack of direct access to the sea, isolation from major economic centres, inadequate transport infrastructure (both in LLDCs and transit countries) and cumbersome transit procedures constrain their growth prospects, especially through the well-worn path of international trade, thus rendering the death-of-distance hypothesis “more fiction than fact”.¹

These factors result in high transport costs, inflating landed import prices and eroding international competitiveness of exports. A World Bank study found the median landlocked country experiences transport costs 42 percent higher than the median coastal economy, and halving transport costs increases trade volume by a factor of five.²

There is ample cross-country evidence suggesting that geography matters for growth performance. For example, on average, LLDCs experience 1 percent slower growth than coastal economies; being entirely landlocked subtracts roughly 0.7 percent from a developing country’s annual growth; and a landlocked

country with transport costs 50 percent higher than a similar coastal economy can expect slower growth of about 0.3 percent per annum.³

Barring rare exceptions like Botswana, whose economy’s heavy dependence on low-weight high-value exports (such as diamond) allows it to bypass its transit neighbour infrastructure by using air transport, LLDCs are dependent on transit neighbours for access to international markets. Faye *et al.* (2004) identify four types of dependence of LLDCs on transit neighbours that are important in explaining the poor development and trade performance of LLDCs: dependence on neighbours’ infrastructure; dependence on sound cross-border political relations; dependence on neighbours’ peace and stability; and dependence on neighbours’ administrative practices.⁴

The three LLDCs of South Asia—Afghanistan, Bhutan and Nepal—are no exception to these challenges. The bilateral transit arrangements in force constrain their trade expansion and diversification prospects. This paper makes a case for a regional transit arrangement in South Asia, arguing that regional cooperation on transit and transport will benefit not just the LLDCs but the coastal countries, too.

It has only recently been recognized that, in many instances, prohibitive transport costs represent a more restrictive limitation on LLDCs' participation in international trade than tariffs or other trade barriers.⁵ What LLDCs pay for transport services is, on average, almost three times more than tariffs levied by developed countries, ranging from 3 percent to 7 percent on goods originating from most developing countries.⁶

The reduction in tariffs in several rounds of multilateral trade negotiations, together with the continued granting of preferential tariff treatment to LLDC exports by major developed and advanced developing countries, has increased the relative importance of simplification and harmonization of international trade procedures for LLDCs. In 2007, duty-free treatment was granted by developed countries to an average of 94 percent of total imports, excluding arms, originating from LLDCs, up from 80 percent in 2000.⁷ Because LLDC merchandise has to pass through at least one transit country, the quality of transit regimes becomes crucial.

According to the World Bank, technical arrangements for transit constitute one of the greatest impediments to trade and transport from landlocked countries.⁸ In addition to transport services and infrastructure, efficient transit regimes must allow the passage of freight based on documents, seals, and bonds that guarantee payment of customs and trade duties if the goods do not exit the transit country on schedule, but despite the obvious benefits of such schemes, designing, signing, and implementing them have proven surprisingly difficult.⁹

South Asian LLDCs

South Asia's three LLDCs—Afghanistan, Bhutan and Nepal—are also least-developed countries (LDCs). Afghanistan depends on the ports of Karachi (Pakistan) and Bandar Abbas (Iran) for its overseas freight traffic, with the port of Bandar Abbas primarily used for humanitarian aid imports. Both Bhutan and Nepal solely use Indian ports for their overseas trade: Bhutan uses Kolkata port; Nepal uses Kolkata port and Haldiya port (the latter mostly for imports).

Bhutan and Nepal are completely dependent on India for transit trade since the Himalayas restrict transit trade through China. They are also highly dependent on India as import source and export destination. Afghanistan's major trading partners are Pakistan and, of late, India, though its dependence on these countries is not as high as that of Bhutan and Nepal on India.

South Asia does not have a regional transit arrangement. Article 8 of the Agreement on South Asian Free Trade Area (SAFTA), which came into force in mid-2006, provides for adoption of trade facilitation measures, including simplification and harmonization of customs clearance procedures; transit facilities for efficient intra-regional trade, especially for the landlocked member states; and development of communication systems and transport infrastructure. But there has been little tangible progress in these areas, perhaps an outcome of the weak formulation of Article 8, wherein member states agree to "consider" such measures.

Pursuant to the decision of the 12th Summit of the South Asian Association for Regional Cooperation (SAARC) in Islamabad in 2004 calling for strengthening transport, transit and communications links across South Asia, an Asian Development Bank-funded SAARC Regional Multimodal Transport Study (SRMTS) was conducted during 2005–2006, with the main objective of enhancing multimodal transport connectivity among SAARC member states. Although the 14th SAARC Summit held in New Delhi in 2007 decided to pursue the implementation of SRMTS recommendations, bold steps are yet to be taken by major economies such as Bangladesh, India and Pakistan to address the identified barriers, and consensus is yet to emerge on the projects to be implemented.

There are bilateral transit arrangements between the three LLDCs and their principal transit neighbours. However, not all bilateral transit arrangements function equally well. Political relationship between an LLDC and its transit neighbour plays an important role. The cases of Bhutan and Nepal offer a study in contrast. Snow *et al.* (2003), in their case studies of 30 LLDCs, conclude that Bhutan, thanks to its special relationship with India, enjoys the "best transit procedures".¹⁰ All transit trade takes place under Royal Bhutan Customs, with almost no involvement of Indian customs.¹¹ There is, therefore, no requirement for insurance of goods in transit.¹²

In contrast, according to Snow *et al.* (2003), while Nepal has a generally positive relationship with India, where the policies of the two governments have been in significant disagreement, India has had a tremendous advantage over Nepal—the advantage being most evident from the 1989 Indian blockade of Nepal, resulting in regime change.¹³ Even in normal times, Nepal does not enjoy the hassle-free transit enjoyed by Bhutan. Transit to and from Nepal is subject not only to the Indian central government regulations and formalities but also those that are enforced by local governments.¹⁴

Owing to enforcement in the Indian states of Uttar Pradesh, Bihar and West Bengal of minimum freight tariffs for the transportation of Nepali cargo, Nepal has not been able to benefit from the prevailing Indian road freight market, which, in general, is very competitive.¹⁵ Bribes have to be paid at several points to facilitate the movement of goods in transit, with a study estimating that such illicit payments exceed 10 percent of the total transport cost along the main transit route used by Nepal for its third-country trade.¹⁶ Issuance of unilateral notifications on transit and customs matters adds to the unpredictability stemming from the bilateral transit treaty's lack of unconditional automaticity in renewal. The monopoly of the Kolkata-based office of the Indian National Insurance Company Limited on issuing duty insurance policy (as a hedge against trade deflection) means a high premium rate.

In the case of Afghanistan, civil war and political instability have affected its transit trade through Pakistan. Continued unofficial trade, including opium trade and re-export trade, is an increasing source of tension with Pakistan.¹⁷ Besides security issues, poor quality of roads and logistical hurdles also hamper Afghanistan's access to Pakistani sea-ports. Afghanistan's political instability has prevented it from fully exploiting its rich resources of oil, gas, coal, iron, chrome and copper.¹⁸ Afghanistan, due to its strategic geographic location, has the potential to serve as an energy transit corridor: for example, a proposed pipeline that will transport Caspian Sea natural gas from Turkmenistan through Afghanistan to Pakistan and then to India. Presently, Pakistan does not grant transit facility for Afghanistan's trade with India.

Transit and transport issues

The operationalization of an inland container depot (dry port) at Nepal's main border point (Birgunj), which is connected by a rail link to Kolkata port through a bilateral rail services agreement signed in May 2004, was expected to reduce transit costs from 12–15 percent of cost-insurance-freight value to 8–10 percent and the journey time between Kolkata and Birgunj from 10 days to 3 days.¹⁹ However, the full benefits are yet to be realized as, among other problems, through bills of lading (TBLs) are still not provided.

The most important advantage of issuing and receiving TBLs at a dry port is that they reduce customs and clearance activities at sea-ports to a minimum, with only the transport activities of transit being emphasized.²⁰ If all documents are in order, cargoes have to spend three

to five days at the port, which could be reduced if TBLs are issued and received at the dry port.²¹

Other problems include: non-availability of round-the-clock customs, only the movement of a few types of wagons being allowed, idling of costly reach stackers, non-integration of customs procedures, and deficiency in the infrastructure design of the dry port. Rough estimates suggest that the dry port is underutilized, operating at only 25 percent of its normal capacity.²²

In the case of Bhutan, transit through India to Kolkata port is by road. Construction and effective operationalization of a dry port at Phuentsholing on Bhutan's border with India and linking it with the Indian railways could help stimulate the Himalayan kingdom's external trade sector²³, leading to trade diversification.

Indian ports currently used by Bhutan and Nepal are congested and inefficient. Moreover, Kolkata port has the disadvantage of only being able to accept vessels with a maximum draft of about 7.2 metres, depending on the tide, which effectively means that Kolkata is serviced by smaller feeder container vessels from large trans-shipment ports in Singapore, and to some extent Colombo and Hong Kong. Nepal has long sought an alternative port in India mainly for its trade with the western hemisphere. It has been estimated that using Jawaharlal Nehru Port (JNP) can reduce transit cost by US\$400 per 20-foot equivalent unit by, *inter alia*, avoiding trans-shipment at Singapore and the feeder services.²⁴

India agreed in principle in 1995 to allow Nepal to use JNP and Kandla port on the western coast of India for its third-country trade. The pledge was not implemented. Later, another study²⁵ recommended using Visakhapatnam Port located on the eastern coast of India in the state of Andhra Pradesh as an alternative to Kolkata port as the port has spare capacity and draft conditions permitting berthing of mother vessels of up to 100,000 deadweight tonnage and is also much more efficient than Kolkata port in handling containers. In August 2009, India agreed in principle to allow Nepal to use Visakhapatnam Port but the agreement is yet to be formalized through a revision to the Protocol to the transit agreement between the two countries that presently allows Nepal to use only Kolkata and Haldiya ports.

Chittagong and Mongla ports in Bangladesh are potential alternative ports for Nepal and Bhutan. While Chittagong is said to be among the least-productive container ports in the world²⁶, Mongla offers a viable option for

carrying out at least part of Nepal's third-country trade more efficiently. Although a transit agreement between Bangladesh and Nepal signed in 1976 and a protocol to it give Nepal transit right to access overseas markets through Bangladeshi territory and sea-ports, lack of cooperation from India in providing railway transit facility to Nepal for third-country trade via Bangladesh has prevented Nepal from utilizing that option.

Mongla port is an under-utilized port with a much lower cost of holding of goods compared to Kolkata port due to shorter turnaround time, and lower detention and demurrage. Moreover, the Government of Bangladesh had announced a 50 percent discount on port charges for Nepali trade handled through Mongla port and the notification could be extended if and when Nepal is able to trade through that port.²⁷

Further, Bangladesh has a huge trade deficit with India with the result that cargo trains carrying exports from India to Bangladesh through a major route (via the Singhabad-Rohanpur interchange point, the nearest operative point to two major economic hubs of Nepal through which some 87 percent of Nepal's foreign trade passes) return with empty wagons.²⁸ Utilization of these empty wagons for Nepal's imports from Bangladesh and third countries can potentially take place at competitive railway tariffs.²⁹

Above all, an important benefit of having an alternative sea-port is that it creates/increases competition, frequently resulting in a substantial drop in charges for container slots. It should be noted, however, that apart from the lack of transit facility through India, the non-linking of Mongla port with railway services also discourages third-country containerized movement through the port, given that a major portion of Nepal's imports is in containerized form.³⁰ Likewise, the transit agreement between Bhutan and Bangladesh signed in 1980 has not resulted in Bhutan using Bangladeshi ports as there is no tripartite agreement between Bangladesh, India and Bhutan to enable Bhutan to use Bangladeshi sea-ports.

A 1997 agreement between Nepal and India allows Nepal road transit for its bilateral trade with Bangladesh. But a host of transit problems stymies Bangladesh-Nepal trade through the 54-km Kakarbhitta (Nepal)-Fulbari (India)-Banglabandh (Bangladesh) route. Cargo movement is allowed only at a limited time of the day, under security escort,³¹ and cargo has to be unloaded 500 metres from the Bangladeshi border in India.³² Only 25 trucks are permitted to transit at a time and a maximum of four

groups each way are allowed per day.³³ There is no permanent customs office at the Fulbari border post in India. Poor implementation of a one-time lock system is combined with the poor state of infrastructure on the Indian side of the border. Indian insurance companies enjoy monopoly power, goods have to be trans-shipped at the Bangladesh-India border, and there is no provision of TBLs by shipping lines. The involvement of third-party (Indian) customs is an additional burden.

Thus, the absence of transit arrangements between bordering non-landlocked countries—between India and Bangladesh, and India and Pakistan—has impeded South Asian LLDCs' efficient integration into the global economy as well as diversification of their intra-regional trade.

Case for a regional transit pact

While the importance of better transit transport facilities is greatest for the LLDCs of the region, coastal countries—the traditional “transit-providers”—also stand to benefit from regional cooperation on transit and transport. Currently, transport connectivity among South Asian countries remains fragmented despite the existence of basic infrastructure.³⁴ The costs of poor connectivity are high even for non-landlocked countries (Box 1).

The case for freedom of transit for Bhutan and Nepal through India to access Bangladeshi markets and sea-ports illustrates how cooperation can create a win-win situation, with coastal neighbours also benefitting. India has been demanding transit through Bangladeshi territory to access its seven northeastern states (Assam, Nagaland, Tripura, Meghalaya, Manipur, Mizoram and Arunachal Pradesh)—collectively known as the “Seven Sisters”. Transit arrangements via the then East Pakistan linking northeast India and the rest of India were operational up to the 1965 Indo-Pak war.³⁵ India failed to regain the transit facility in the newly independent Bangladesh, which only allows limited waterway transit to India.

Currently, road and rail traffic between Kolkata and the Seven Sisters moves through a narrow strip of land—the so-called chicken's neck—involving a 1,500 km travel on average. Transit through Bangladesh can reduce the distance by as much 71 percent.³⁶ For some parts of the Seven Sisters, using Chittagong port, which is far closer than Kolkata port, could reduce import cost and increase export competitiveness due to lower transport costs. In exchange for granting India transit, Bangladesh would want India to provide transit facilities to Bhutan and

Nepal for their bilateral trade with Bangladesh as well as third-country trade via Bangladeshi sea-ports.

Based on a 2005/06 estimate, Bangladesh stands to gain US\$430.79 million through trade in transport services if a transit arrangement involving it, Bhutan, India and Nepal were to come into effect.³⁷ Bangladesh can also benefit from increased exports to Bhutan and Nepal. Despite just 54 km of road travel separating the bordering points of the two countries, Bangladesh accounts for less than 0.5 percent of Nepal's imports from South Asia.

A study on the eastern sub-region of South Asia—comprising Bangladesh, Bhutan, India and Nepal—suggests that a regional transit arrangement would enhance regional trade.³⁸ Given that one of the major causes of high trade transaction costs in the sub-region—in fact, the whole of South Asia—is cumbersome and complex cross-border trading practices involving transshipment at the border and lack of harmonization of technical standards, the study shows that a 10 percent fall in transaction costs at the border has the effect of increasing a country's intra-regional exports by about 3 percent, controlling for other variables.

Security concerns, besides some prickly bilateral problems,³⁹ are at the core of Bangladesh's reluctance to

grant transit facility to India. Such concerns cannot be brushed aside especially in the light of the fact that India has been denying landlocked Nepal unhindered transit through its territory for Nepal's trade with Bangladesh and third countries using Bangladeshi ports on security grounds, besides fear of trade deflection.

This is despite the fact that all three countries are members of the World Trade Organization (WTO) and Article V of the General Agreement on Tariffs and Trade (GATT) provides for "...freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties" on a non-discriminatory basis. Importantly, the Article does not require the transit trade to be preceded or succeeded by a sea journey.

Pakistan, the second-largest economy in the region, can provide transit facility to India to connect it with Afghanistan and beyond (Central Asia), while availing itself of the opportunity to enhance its trade with eastern South Asian countries such as Bangladesh, Bhutan and Nepal as well as northeastern parts of India through the development of one of the proposed SAARC highway corridors linking Lahore to Dhaka, via New Delhi and Kolkata, and to Agartala (northeastern India).

Box 1 Consequences of poor connectivity in South Asia: Not just LLDCs

- A 20-foot container takes at least 30–45 days to move between New Delhi and Dhaka through the maritime route (via Mumbai and Singapore/Colombo to Chittagong and then by rail to Dhaka), at a cost of around US\$2,500. If there were direct rail connectivity, the time would be reduced to 4–5 days, and the cost would drop to around US\$850.
- Due to severe railway capacity constraints, goods traded between the bordering Indian state of Punjab and Pakistani province of Punjab travel more than 3,000 km through the sea route via Mumbai to Karachi rather than a land route of less than 300 km.
- A container from Dhaka to Lahore now needs to travel 7,162 km by sea instead of 2,300 km, as overland movement across India is not allowed. Since transit is not allowed through Pakistan to Afghanistan, India is cooperating with Iran to develop an alternative route to Kabul and Central Asia through the Iranian port of Chahabhar.
- Agartala, the capital of the Indian state of Tripura—one of the "Seven Sisters" in northeastern India—is only 75 km from Chittagong. But goods from Agartala travel 1,645 km to Kolkata port through the "chicken's neck". Similarly, tea from Assam—another of the Seven Sisters—travels 1,400 km to reach Kolkata port. If transport cooperation were there, goods would have travelled only around 400 km across Bangladesh to reach Kolkata. In the absence of transit through Bangladesh, India is cooperating with Myanmar to develop an expensive alternative route to connect northeast India to Sittwe port of Myanmar partly through Kaladan river and partly by road.

Sources: Rahmatullah, M. 2009. *Strengthening Physical Connectivity in South Asia. Presentation at the 2nd South Asia Economic Summit, 10–12 December, New Delhi, India*; Rahmatullah, M. 2010. *Transport Issues and Integration in South Asia. In Ahmed, Sadiq, Saman Kelegama and Ejaz Ghani (eds.). Promoting Economic Cooperation in South Asia: Beyond SAFTA. New Delhi: Sages Publications Pvt. Ltd.; and Thomas, Simon. 2009. Supporting Growth through Better Connectivity: Role of Regional Transport. In Ghani, Ejaz and Sadiq Ahmed (eds.). Accelerating Growth and Job Creation in South Asia. New Delhi: Oxford University Press.*

Likewise, Afghanistan, by agreeing to serve as a transit country, can enable Pakistan to provide sea-port use facility to landlocked Central Asian countries, which currently use Iran's Bandar Abbas sea-port although Karachi sea-port is much nearer. Afghanistan can also increase its trade with Bangladesh, Bhutan, India and Nepal besides serving as an energy transit corridor.

Not only road and railway corridors, inland waterway transport and aviation too offer prospects for better regional transport connectivity. The SRMTS identified 10 road corridors, 5 rail corridors, 2 inland waterway transport corridors, 10 maritime corridors and 16 aviation gateways as having great potential to improve regional connectivity.⁴⁰

The most crucial among the identified new routes which could bring a "revolution" in regional connectivity, when implemented, include: Lahore-New Delhi-Kolkata-Petropole/Benepole-Dhaka-Akhaura/Agartala (road); Guwahati-Shillong-Sylhet-Dhaka-Kolkata (road); Agartala-Akhaura-Chittagong (road); Kathmandu-Nepalgunj-New Delhi-Lahore-Karachi (road); Thimpu-Pheuntsholing-Jaigon-Burimara-Mongla/Chittagong (road); Lahore-Delhi-Kolkata-Dhaka-Imphal (rail); Birgunj-Raxaul-Katihar-Rohanpur-Chittagong/Mongla (with links to Jogbani and Agartala) (rail); and Colombo-Chennai (rail).⁴¹

The gains from a South Asian transit arrangement can be increased by linking intra-regional transit routes with trans-regional routes. For example, though flows are presently limited, Nepal could become an important transit country for cargo between India and China with the extension of the Asian Highway route AH42 to Lhasa, China, which borders Nepal.⁴² Similarly, if port facilities are improved and expanded, and related services made efficient, Bangladesh's Chittagong port can become a cost-effective link for Yuan and Sichuan provinces in China as it would be their nearest outlet to the sea.⁴³

A regional transit arrangement that harmonizes rules, regulations and procedures for goods and vehicles in transit across countries will intensify regional economic integration and also help exploit trade-investment nexus. For the LLDCs of the region, it will help diversify their trade linkages within the region and beyond since a full regional transit leads to a stronger multilateral transit. For the region as a whole, it will help boost intra-regional trade, which has been languishing at less than 5 percent. Such a transit arrangement should have provisions reflecting international legal instruments on transit, most

notably Article V of the GATT and its expected revisions. Further, regional investment cooperation on expanding, modernizing and upgrading transport infrastructure and communications systems is crucial for a transit deal to pay rich dividends.

The establishment of regional transport corridors and the adoption of common rules and standards have played major roles in transit transport facilitation in various regions. A number of regional cooperation organizations, including the Association of Southeast Asian Nations (ASEAN), the Andean Community and the Southern African Development Community (SADC), have concluded transit or transport agreements or have included transit transport elements in agreements between their members⁴⁴ (Box 2). Such regional agreements can be particularly beneficial for LLDCs as they provide a wider framework for harmonized procedures through which countries can gain access to transit facilities in a larger number of countries on the basis of the same legal framework, and can also act as a stepping stone for accession to international legal instruments.⁴⁵

A regional transit arrangement will also create a level playing field and address the problem of low bargaining power of the smaller and vulnerable nations, particularly landlocked ones. Bilateral agreements involving LLDCs have often been unbalanced, with the corresponding transit state(s) frequently in a dominating position and dictating the terms.⁴⁶ Through a regional agreement, the landlocked countries stand to secure better transit rights, and the realization of such rights will be less dependent on their political relationship with any particular country as any restriction and the resultant dispute will be a regional issue as opposed to a bilateral issue.

LLDCs, for which reliance on regional partners is an essential key to development, are thus freed from their landlockedness through regional integration.⁴⁷ The handicap of border crossings is eased to facilitate access to neighbouring countries and ports, while the development of infrastructure increasingly proceeds on a regional basis, to reduce transit time and costs and move landlocked countries further away from isolation.⁴⁸

Conclusion

Given that international recognition of the special challenges facing LLDCs and of the need to address them through cooperation between LLDCs and transit developing countries is already there—most notably, the 2003 Almaty Programme of Action, adopted by

Box 2 Regional transit agreement: Case of ASEAN

ASEAN members have decided to create a single market by 2015. To this end, the establishment of a fully harmonized customs environment is a high priority, in line with the ASEAN Customs Vision 2020. A core component of ASEAN customs integration is the implementation of a customs transit system to provide the most efficient environment possible for the movement of goods across national borders.

The 1998 ASEAN Framework Agreement on the Facilitation of Goods in Transit will form the basis for the development of the customs transit system, which will allow trader input to be used (traders can complete customs processes or formalities remotely, without visiting the customs office).

The outcome of the project is expected to be the introduction in ASEAN of common legal provisions, regulations and procedures for transit; the use of a single administrative document or declaration covering the whole transit transport system; access to the transit system for all traders who meet the prescribed conditions, though with simplified procedures for experienced *bona fide* operators; a single security or guarantee provided at departure that will be valid across all the countries in the system; risk management systems in place, including end-to-end computer control to acquit transactions and goods movements; customs acceptance of controls carried out by members' administrations; and arrangements for mutual assistance. It is expected that the system will operate much like the European Community's customs transit system, including the European Community's computerized customs transit management system.

The Lao People's Democratic Republic, the only LLDC in ASEAN, can expect to benefit particularly from the introduction of a customs transit system in ASEAN member states. The customs transit system, together with the existing Framework Agreement, will provide harmonized and simplified procedures for Lao traders and a market-driven choice of transport routes for its foreign trade.

Source: UNCTAD. 2007. Regional Cooperation in Transit Transport: Solutions for Landlocked and Transit Developing Countries, Note by the UNCTAD Secretariat, TD/B/COM.3/EM.30/2, 10 July.

the United Nations General Assembly—SAARC has its task cut out for it. It should take concrete steps for the establishment and effective implementation of a South Asian transit arrangement, ensuring its compatibility with the multilateral regime. Valid concerns of security and trade deflection can be addressed through, for example, the adoption of the TIR (Transports Internationaux Routiers) system or a similar regionally based equivalent customs transit system.

For a regional transit arrangement to be effective in spurring trade, it should be backed by investments in infrastructures (including roads, railways and sea-ports), and communications systems, and the establishment and improvement of regional transport corridors. International assistance—particularly, the “hardware” variety—is crucial in this regard. Equally important is the need to improve the quality of trade and transport services and the coordination among border management agencies.

Despite the evident gains to be had from regional cooperation on transit and transport—not just for LLDCs but also for coastal countries—the treatment of transit as a purely political issue and a source of leverage rather than an economic issue and the right of LLDCs stands in the way of progress in cooperation in such a vital area. A change in mindset at the highest decision-making level in SAARC member states is indispensable for things to change. ■

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South Asia Watch on Trade, Economics & Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and 11 member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

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The author is Senior Programme Officer, SAWTEE. This is a publication under SAWTEE's Regional Programme "Research, Capacity Building and Advocacy on Trade (ReCAT)". The programme is supported by Oxfam (Novib), The Netherlands. Comments were received from Ratnakar Adhikari and Puspa Sharma.

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