



# **Extending SAARC Corridors**

## **Building synergies between SAARC Corridors & Multilateral Connectivity Initiatives**

**Anil K. Gupta**



**South and South-West Asia Office**

## Status of Economic Integration within Southern Asia

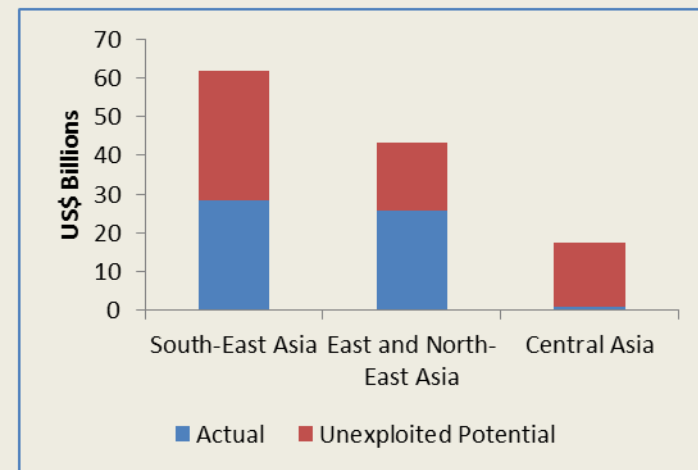
- **Miniscule levels of Intra-SAARC trade in 2016 - a major concern; huge gaps between actual and potential intra-regional trade**
  - Intra SAARC trade – 5.5% of total trade
  - Intra ASEAN trade – (25%)
  - Intra EU trade – (60%)
  - Intra NAFTA trade – (40%)

- **Share of Intra-regional trade of SAARC countries in 2016**

<u>Country</u>	<u>Export Market</u>	<u>Import Source</u>
Afghanistan	85%	20.8%
Bangladesh	1.9%	16.4%
Bhutan	85.7%	76.1%
India	6.5%	0.7%
Maldives	14.3%	19.7%
Nepal	64.8%	61.1%
Pakistan	12.8%	4.6%
Sri Lanka	9.9%	21.7%

- **This situation is despite following positives in South Asia: Proximity of markets, availability of multi-modal options, growing middle class and domestic demand**

## Export Potential of Southern Asia with Neighbouring Subregions



## **Export Potential of Southern Asia with Neighbouring Subregions**

- **Increasing gaps between actual and potential intra-regional trade of Southern Asia a concern despite South Asia having following advantages**
  - Gap between actual and potential grown 56% to 70% from 2012 to 2015
  - SA trading with SEA at less than 50% of potential
- **Inadequate connectivity a major barrier**
- **Changing patterns of world trade – formation of production networks is the key**
  - Transformative change in manufacturing and trade warranted for SA-SEA integration
- **Railway's role as a bridge for trade connectivity undervalued despite clear importance of five identified rail corridors. Only SRC3 (Birgunj/Raxaul-Kolkata Port/Haldia Port) has been relatively successfully utilized.**

## Overlapping Connectivity Initiatives and Engagements of ESCAP

- SAARC – BIMSTEC – ASEAN
- BCIM Corridors
- BBIN MVA
- SASEC Program
- IMT Highway, MGC



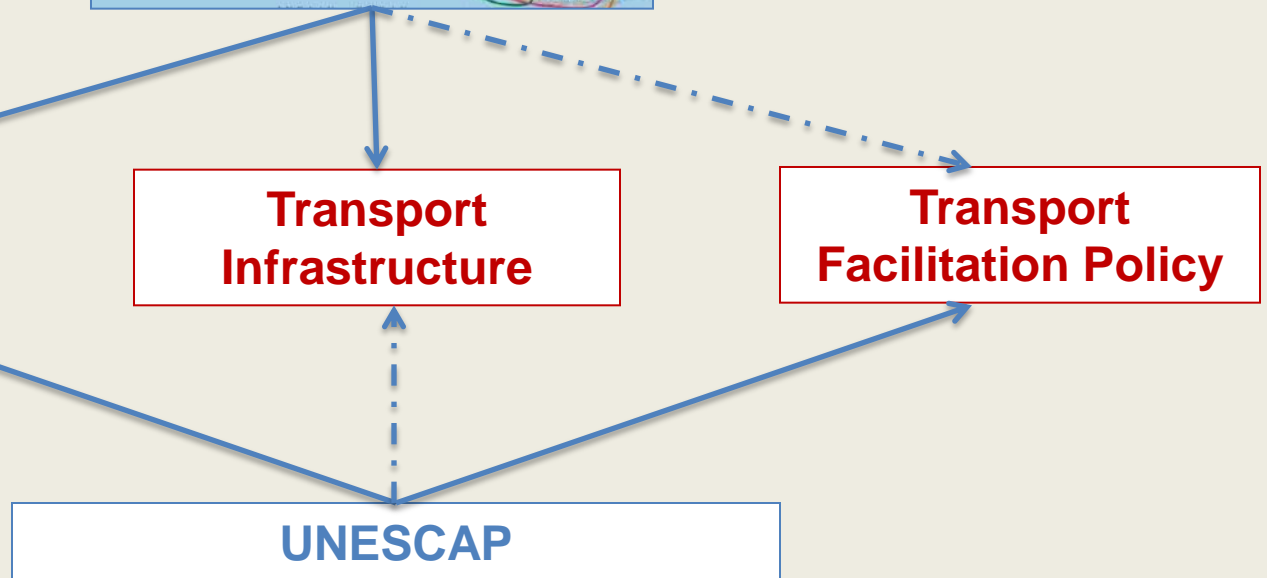
- Institutional Capabilities
- Legal and Admin Coverage
- Approach – Term/Scope

**Transport  
Corridor Design**

**Transport  
Infrastructure**

**Transport  
Facilitation Policy**

**UNESCAP**



## Transport Corridor Design

- Intergovernmental Agreements on AH, TAR and Dry Ports lay out Asia-Pacific wide multimodal connectivity
- Subregional corridors are mostly subsets of AH-TAR network
- Multimodal transport integration through policy frameworks for harmonizing both hard (physical) and soft (policy) infrastructure
- Fostering collaboration between subregional organizations for coordination of subregional transport development projects
- Follow a building block approach as a part of an agreed Connectivity Master Plan

Asian Highways (2003)



Trans-Asian Railways (2011)



Dry Ports (2013)



# Trans-Asian Railway

## TAR Northern Corridor

China, Democratic People's Republic of Korea, Kazakhstan, Mongolia, Republic of Korea, Russian Federation

2001

## TAR North-South Corridor

Armenia, Azerbaijan, Finland, Georgia, Kazakhstan, Russian Federation, Turkmenistan, Uzbekistan

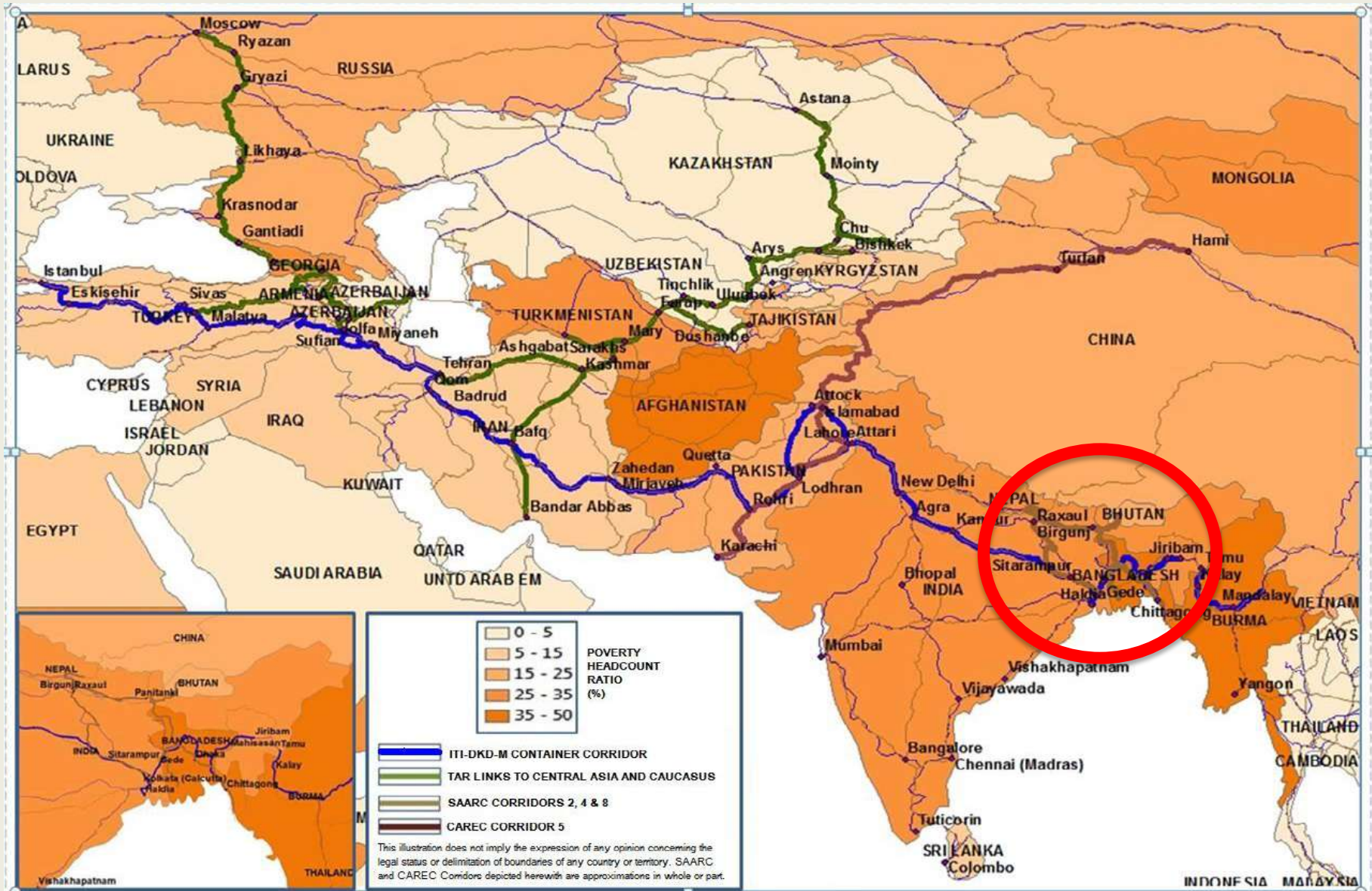
## TAR Southern Corridor

Bangladesh, India, Islamic Republic of Iran, Myanmar, Nepal, Pakistan, Sri Lanka, Thailand, Turkey

## TAR in Indochina and ASEAN

Cambodia, China (Yunnan province), Indonesia, Lao PDR, Malaysia, Myanmar, Singapore, Thailand, Viet Nam

# Inter-Linkages of Regional Transport Corridors

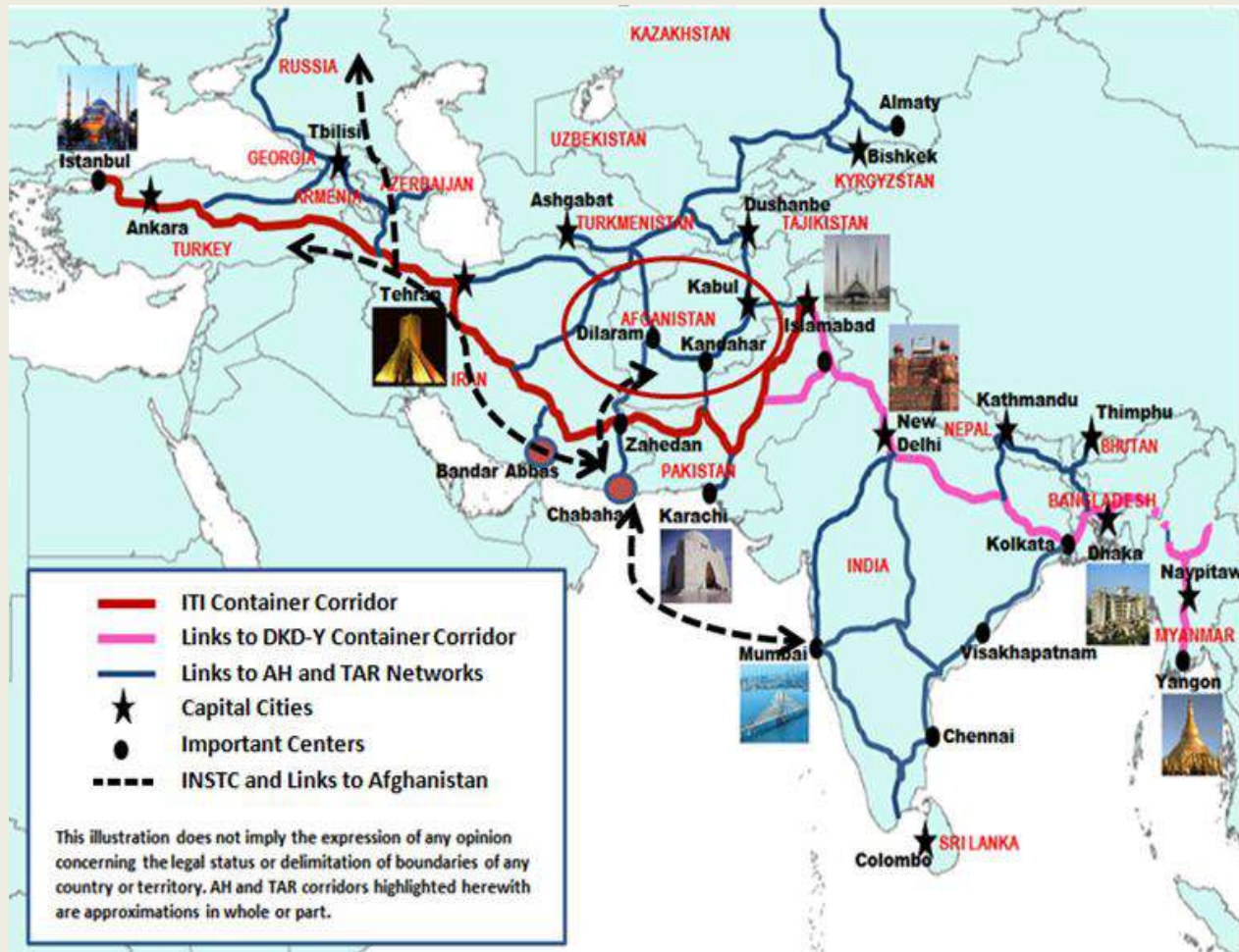




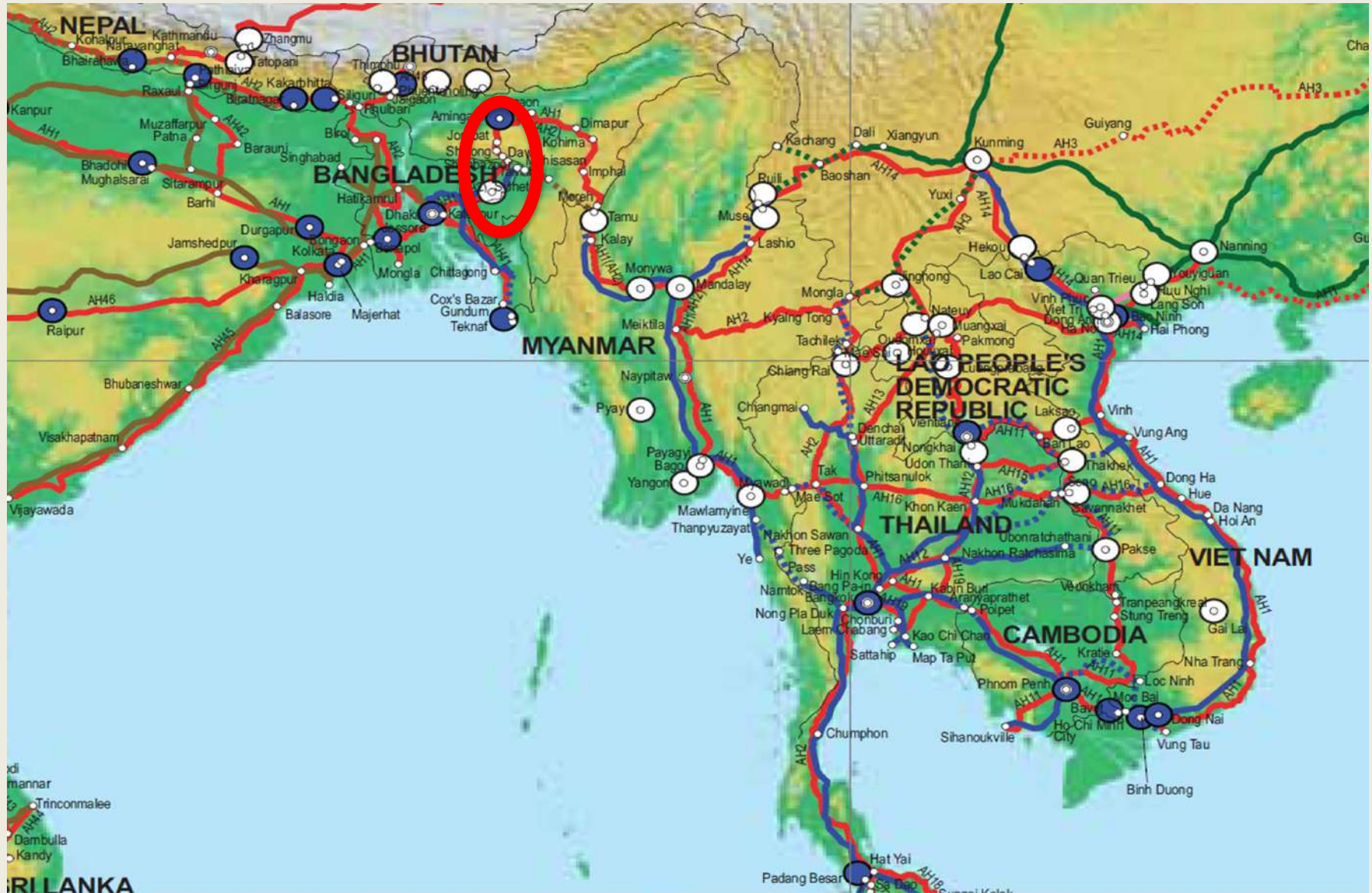
## Transport Corridor Design

### ITI-DKD-Y Container Rail Corridor Istanbul-Tehran-Islamabad-Delhi-Kolkata-Dhaka-Yangon

- Forms the trunk route of Southern Corridor
- Part of AH and TAR Networks
- Provides Multimodal transport links
- Linked with INSTC, CAREC, BIMSTEC, SAARC, BCIM, and other important subregional corridors
- Minimal infrastructural improvement required
- Endorsed by Indian Railway Business Plan 2017-18

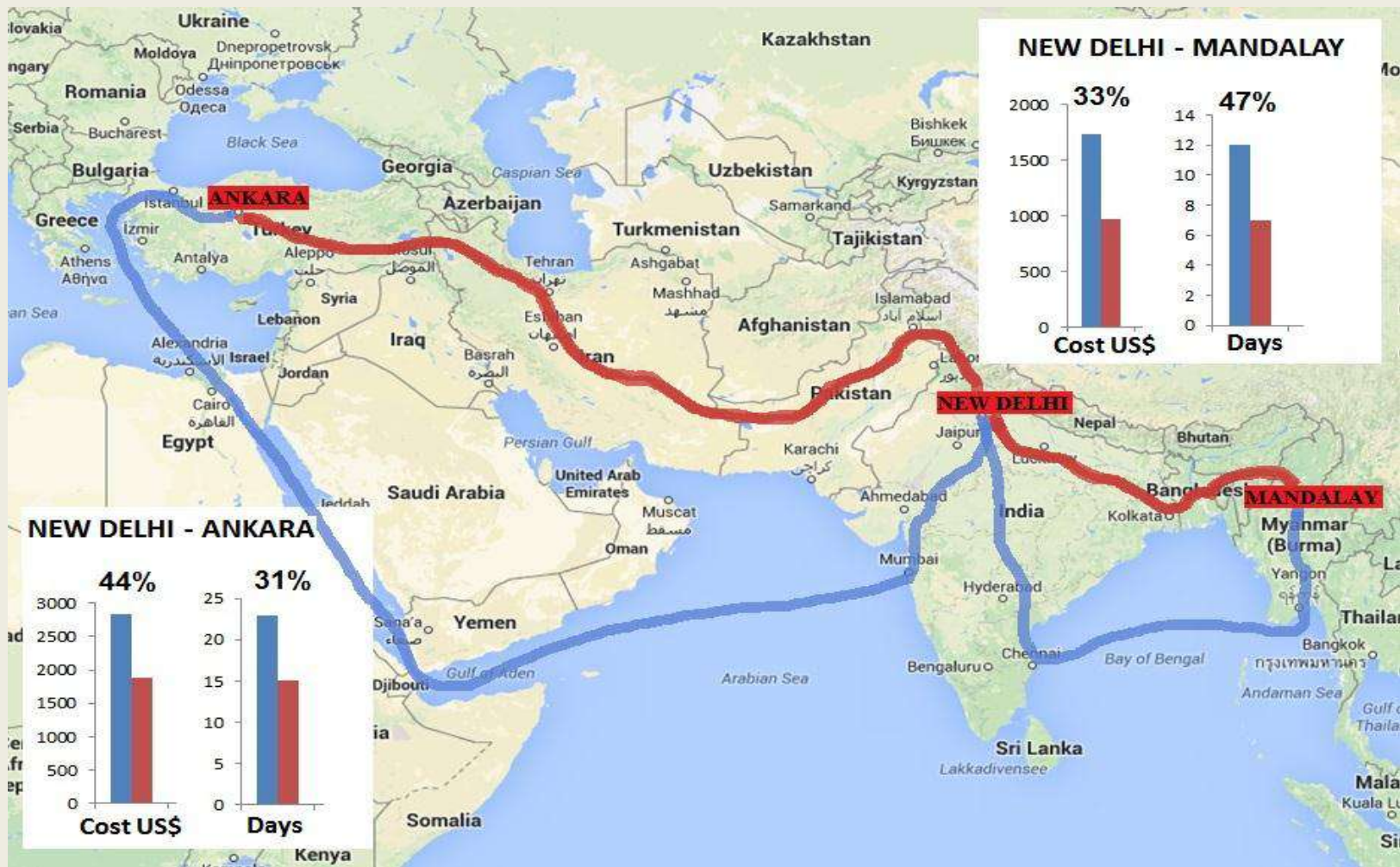


## TAR and AH Links of North East India



# Transport Corridor Design

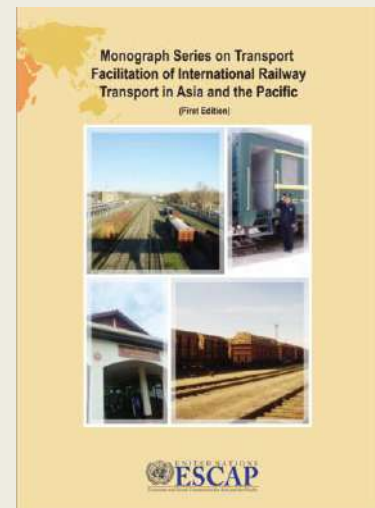
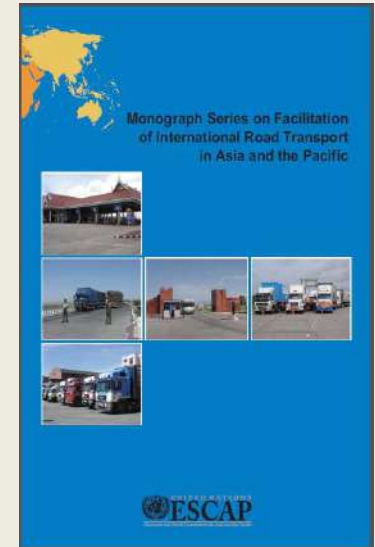
## Economic Feasibility of Inland Rail Transport in Southern Asia A Linear Comparison



## Transport Facilitation Policy

### UNESCAP Resources for Transport Facilitation

- **Secure and efficient border-crossing models**
- **Policy guidelines, tools, models and best practices:**
  - Transit arrangements
  - Rolling stock Management, locomotives-wagon exchange
  - Harmonization of signaling systems
  - Break-of-gauges and Intermodal interfaces
  - Security systems against pilferage and contamination
  - Human resource deployment
- **International transport conventions , MRAs, Protocols**
- **Regional Cooperation Framework adopted for AH and TAR networks; Framework for Dry Ports under development**



# Transport Facilitation Policy

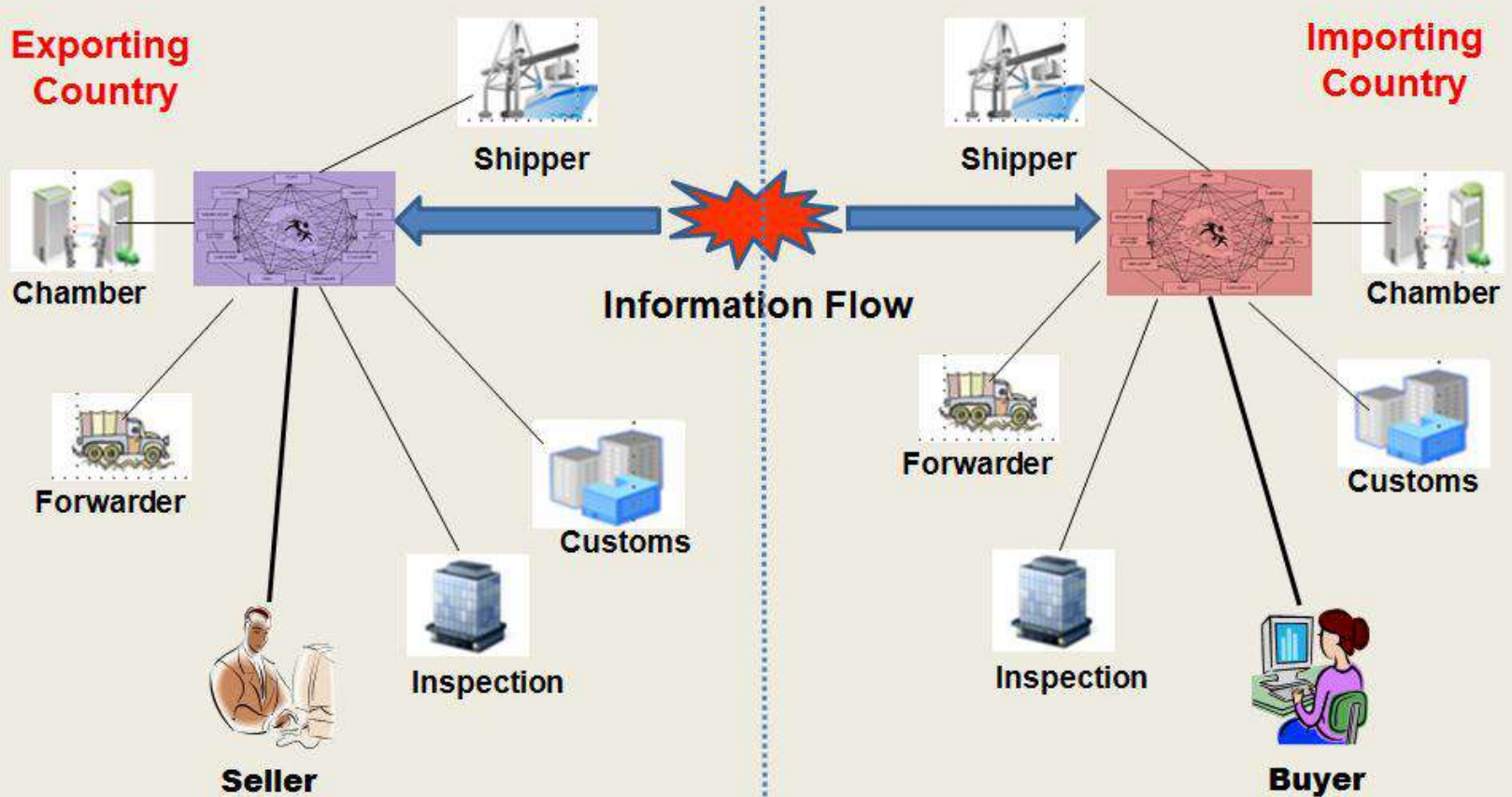
## Interface between Transport and Trade Facilitation



Rules Regulatory Authorities in Country of Origin			Rules Regulatory Authorities in Destination Country		
<i>Origin</i> procedures before cargo movement	Documentation Payments in Country of Origin	Border Infrastructure In Country of Origin	Border Infrastructure in Destination Country	Documentation Payments in Destination Country	<i>Destination</i> procedures after cargo arrival
Contacting the Importer Fixing the Contract Sending the contract and proforma invoice Receiving acceptance letter and acknowledge L/C copy Obtaining cargo insurance Preparing documents for export Loading for delivery Deposit chalan fee, VAT and customs declaration Customs inspection and clearance by C& F agent Out Pass handing over by C&F Agent to importer Receive payment			Contacting the exporter Negotiating the contract and fixing Opening the L/C account Sending the copy of L/C and acceptance letter Documents prepared for customs declaration (to be used by C&F agent) Payment to C&F agent Customs inspection and clearance Collect out pass from port Transport to destination		
Reform areas requiring harmonization/coordination					

# Transport Facilitation Policy

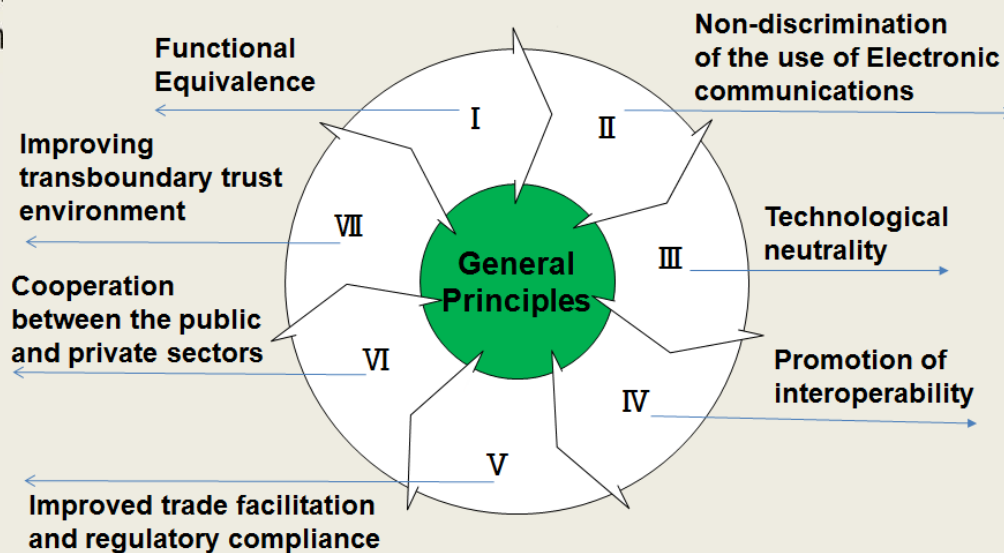
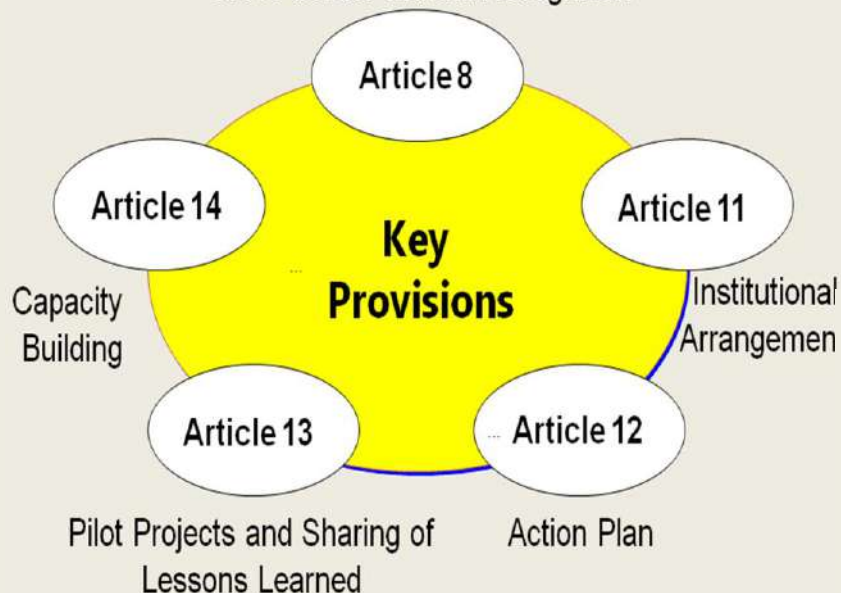
## Interface between Transport and Trade Facilitation



## Transport Facilitation Policy

### UNESCAP Framework Agreement on the Facilitation of Cross-Border Paperless Trade in Asia and the Pacific (FA-PT) 2016

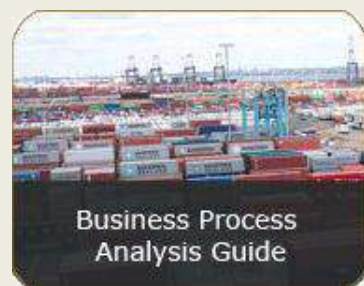
Cross-border Mutual Recognition



## Transport Facilitation Policy

### SINGLE WINDOW IMPLEMENTATION TOOLKIT

FOR TRADE FACILITATION

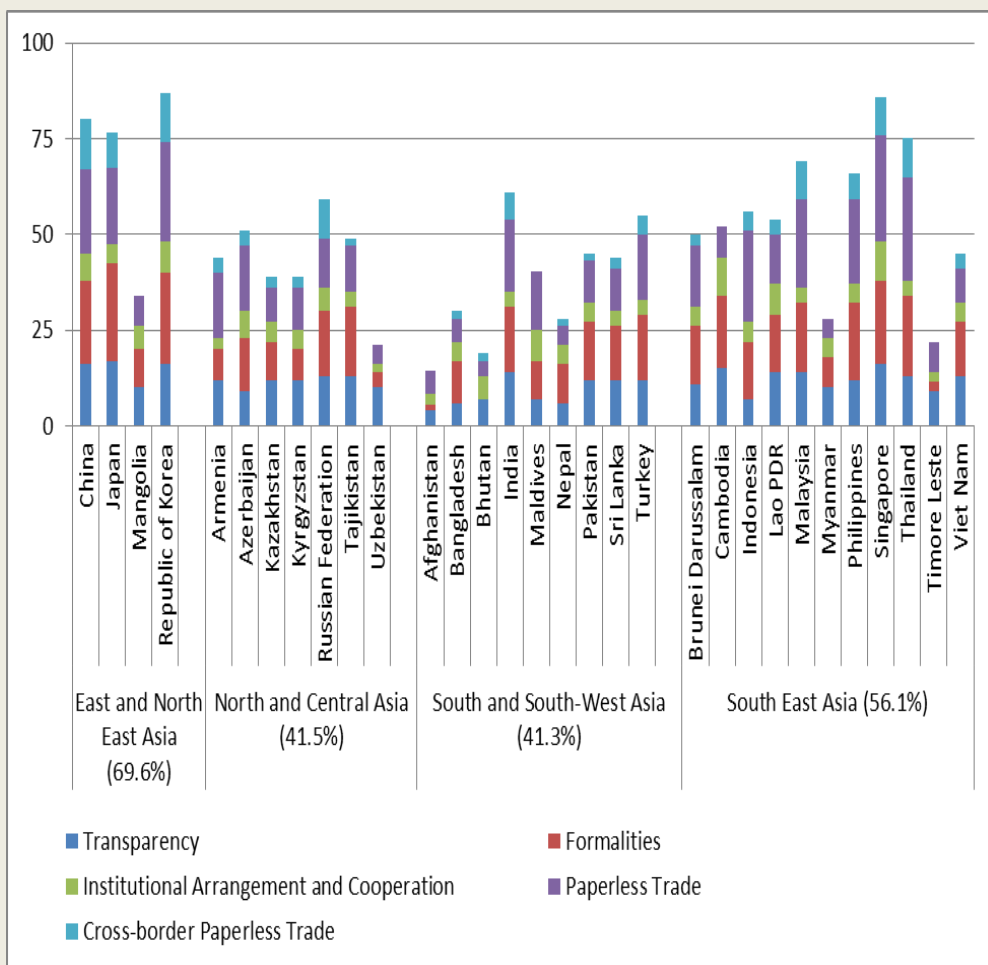




# Transport Facilitation Policy

## Criticality of Trade Facilitation in Southern Asia

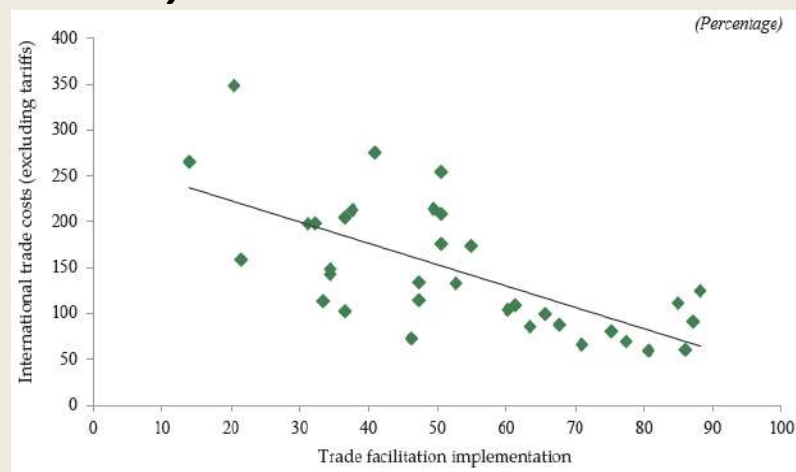
### Low TF implementation rates for South Asia



### Intra- and Extra-regional Ad Valorem trade costs high for South Asia

	ASEAN-4	East Asia-3	North and Central Asia-4	SAARC 4	EU-3
ASEAN-4	76				
East Asia-3	75	51			
NCA-4	351	177	121		
SAARC 4	<b>128</b>	<b>125</b>	<b>282</b>	<b>114</b>	
EU-3	108	85	152	<b>114</b>	43
US	85	63	180	<b>109</b>	67

### 1% increase in TF implementation reduces costs by 2.3%



## ESCAP Regional Cooperation Framework for facilitation of international railway transport

- ❑ Promote and encourage corridor approach to facilitation of international railway transport
- ❑ Participate in international railway organizations
- ❑ Formulate bilateral/subregional agreements to standardize cross border railway operations
- ❑ Use new technologies in train operations and in container tracking
- ❑ Establish dry ports/logistics centers and maintenance hubs near border interchange stations
- ❑ Simplify intermodal interfaces of railway with other modes
- ❑ Develop human resources for cross border railway operations



# Way Forward

## UNESCAP's Regional Policy Dialogues

- Connectivity Master Plan
- MoU for Container Trial Runs
- Address Supply Side Bottlenecks
- Complete Multimodal Links to South Asia-South South East Asia Corridors
- Facilitate Production Hubs for Key Locations Along the Corridor



## Way Forward for Improved Connectivity

- Momentum needed in favor of strengthening Intra SA and SA-SEA land based linkages – to enhance inter-subregional connectivity infrastructure. Focus should be on expanding connectivity networks to neighboring regions.
- There is need for prioritizing, implementing, and completing pending connectivity projects. Urgent responses needed to ensure ‘transit through Myanmar’ using Asian Highway network till rail linkages are provided through Mandalay. Sittwe linkage also crucial.
- All countries need to improve administrative preparedness for Monitoring and evaluation of ongoing projects as testing labs (eg: Agartala ICP, Agartala-Akhaura rail link etc.)
- All countries to focus on Industrial Preparedness – through suitable Industrial Policy interventions – Cluster Development, Industrial Zones, Border Special Development Zones (BSDZs); Channelize promotion packages for industrial diversification, technological/skill upgradation, Managerial/entrepreneurial capacity building, Increase value addition of traditional, agro-based, cottage industries. Focus should be on repairing ruptured cross-border trade by expanding the ‘border haat’ programmes.

## Way Forward...

- There is a need for organizing and implementing connectivity projects, programs, arrangements, and agreements through regional organizations. Stress needs to be laid on advancing key programs and projects with the support of international organizations.
- Establishing sub-regional economic corridors should be a priority area.
- There is also need for improving transport infrastructure and trade facilitation in all sub-regional countries with objectives of
  - having adequate and efficient logistics infrastructure of international standards
  - rationalising/reducing high transport costs
  - Improving customs administration and containing high transaction costs
  - Eliminating transit restrictions
- Concentrate on ICD to ICD links, to avoid congregations of agents, etc at cross border points where containers could be dropped for onward carriage till cross border vehicular movements become reality.

**Thank You**

# NORTHEAST FRONTIER RAILWAY (CONSTRUCTION) (ONGOING PROJECTS IN NORTHEASTERN REGION)

