Extending SAARC Corridors

Building synergies between SAARC Corridors & Multilateral Connectivity Initiatives

Anil K. Gupta

United Nations ESCAP
Economic and Social Commission for Asia and the Pacific
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**

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

- **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

UNESCAP

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

Transport Corridor Design

Transport Infrastructure

Transport Facilitation Policy
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
Trans-Asian Railway

TAR Northern Corridor
China, Democratic People’s Republic of Korea, Kazakhstan, Mongolia, Republic of Korea, Russian Federation

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
UNESCO\textsuperscript{a} 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

<table>
<thead>
<tr>
<th><strong>Origin procedures before cargo movement</strong></th>
<th><strong>Documentation Payments in Country of Origin</strong></th>
<th><strong>Border Infrastructure in Country of Origin</strong></th>
<th><strong>Rules</strong></th>
<th><strong>Regulatory Authorities in Destination Country</strong></th>
<th><strong>Documentation Payments in Destination Country</strong></th>
<th><strong>Destination procedures after cargo arrival</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contacting the Importer</td>
<td></td>
<td></td>
<td><strong>Rules</strong></td>
<td><strong>Regulatory Authorities in Destination Country</strong></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Fixing the Contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Sending the contract and proforma invoice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Receiving acceptance letter and acknowledge L/C copy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Obtaining cargo insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Preparing documents for export</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Loading for delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Deposit chalan fee, VAT and customs declaration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Customs inspection and clearance by C&amp;F agent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Out Pass handing over by C&amp;F Agent to importer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
<tr>
<td>Receive payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Destination procedures after cargo arrival</strong></td>
</tr>
</tbody>
</table>

- Reform areas requiring harmonization/coordination
Transport Facilitation Policy

Interface between Transport and Trade Facilitation

Exporting Country
- Chamber
- Forwarder
- Seller

Information Flow

Importing Country
- Chamber
- Forwarder
- Buyer

Shipper
- Customs
- Inspection

Shipper
- Customs
- Inspection
UNESCAP Framework Agreement on the Facilitation of Cross-Border Paperless Trade in Asia and the Pacific (FA-PT) 2016
Transport Facilitation Policy

Single Window Implementation Toolkit for Trade Facilitation

- Legal Guide for Electronic Single Windows and Paperless Trade
- Data Harmonization and Modelling Guide
- Business Process Analysis Guide
- Guide for Design of Aligned Trade Forms
- Single Window Project Implementation Guide

UNNExT
United Nations Network of Experts for Paperless Trade in Asia and the Pacific
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

<table>
<thead>
<tr>
<th></th>
<th>ASEAN-4</th>
<th>East Asia-3</th>
<th>North and Central Asia-4</th>
<th>SAARC 4</th>
<th>EU-3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN-4</td>
<td>76</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia-3</td>
<td></td>
<td>75</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCA-4</td>
<td>351</td>
<td>177</td>
<td>121</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAARC 4</td>
<td></td>
<td></td>
<td></td>
<td>128</td>
<td>125</td>
</tr>
<tr>
<td>EU-3</td>
<td>108</td>
<td>85</td>
<td>152</td>
<td>114</td>
<td>43</td>
</tr>
<tr>
<td>US</td>
<td>85</td>
<td>63</td>
<td>180</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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
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)

LEGEND
1. EXISTING BG SINGLE LINE
2. EXISTING BG DOUBLE LINE
3. EXISTING MG LINE
4. EXISTING NG LINE
5. NEW LINE SANCTIONED
6. G.C. SANCTIONED
7. DOUBLING SANCTIONED
8. GC COMPLETED
9. NEW LINE COMPLETED
10. DOUBLING COMPLETED