

## Regional Transport Connectivity in South Asia

### A. Increasing Momentum Toward Regional Transport Connectivity

1. The countries of South Asia have increasingly recognized the importance of regional transport connectivity in boosting their competitiveness and accelerating economic growth. In large part, this has been the result of improving political relations and strengthened regional cooperation among them. At the 16<sup>th</sup> Summit of South Asia Association for Regional Cooperation (SAARC) in Thimphu, Bhutan in 2010, member countries<sup>1</sup> declared 2010-2020 as the “Decade of Intra-regional Connectivity in SAARC”. They unanimously acknowledged the importance of developing transport infrastructure and transit facilities, especially for the landlocked countries as a means to promote intra-SAARC trade. The SAARC Regional Multimodal Transport Strategy Study, which ADB had helped formulate, provides a framework for regional connectivity in South Asia. The Bay of Bengal Initiative for Multisectoral, Technical and Economic Cooperation (BIMSTEC) Transport Infrastructure and Logistics Study (BTILS), which ADB has also supported and is now assisting the Study’s updating, recommends strategies, policies, and programs for the development of transport and logistics systems for connectivity within and between South Asia and Southeast Asia.<sup>2</sup> With the opening of Myanmar, India and the 10 countries of the Association of Southeast Asian Nations (ASEAN) have intensified efforts in the 21-year old ASEAN-India cooperation, manifesting the revival of India’s “Look East Policy” and ASEAN’s “Look West Policy”.

2. On the soft side of transport connectivity, the SAARC Summit in Thimphu also agreed to expedite negotiations to finalize transport facilitation agreements on motor vehicles and railways. Likewise, the agreements on regional connectivity between Bangladesh and India, which were forged in 2010, serves as a critical stepping stone for opening connectivity, not only between Bangladesh and India, but also with Bhutan and Nepal, helping identify the most efficient regional and international transport routes. Under the ASEAN-India framework, participating countries are exploring the expansion of the ASEAN Framework Agreement on Facilitation of Good in Transit to include India.

3. The accelerated momentum for regional transport connectivity in South Asia and between South Asia and Southeast Asia is increasingly being reflected in the national transport agenda. While the main focus of the national development plans in the past was on in-country connectivity, South Asian governments have recently given greater attention to regional and global linkages. Bangladesh has emphasized regional connectivity in its latest 5 year plan, National Land Transport Policy, and also in the road master plan and the railway investment plan. Bhutan has prioritized the construction of the southern east–west highway to facilitate industrial development in the southern economic hubs, and integrate them more effectively with their primary markets in India. India has highlighted the need for strengthening both social and physical infrastructure to promote close economic cooperation in South Asia and with countries of Southeast Asia and East Asia. Nepal has highlighted the development of the regional trade route for promoting South Asian regional development. In its 12<sup>th</sup> Five Year Plan (2012-2017), the Government of India has identified connectivity with the North-East, both within the region and with the far eastern region, including Myanmar, Bangladesh, and Thailand to be one of the focus areas for economic development of the region and expanding economic activities.<sup>3</sup>

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<sup>1</sup> SAARC members include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

<sup>2</sup> BIMSTEC members include Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.

<sup>3</sup> Paragraph 15.20, page 198, Twelfth Five Year Plan 2012-2017, Economic Sector, Government of India

## **B. ADB Support to Subregional Connectivity in South Asia**

4. Since 2010, the ADB-assisted South Asia Subregional Economic Cooperation (SASEC) program has supported the regional transport connectivity agenda of Bangladesh, Bhutan, India, and Nepal by helping implementing priority projects identified under the SAARC and BIMSTEC frameworks. ADB helped revive the SASEC Trade Facilitation and Transport Working Group (TFTWG) to plan, prepare, and monitor progress of priority subregional transport projects. These include sections in the four SASEC countries of SAARC corridors 4<sup>4</sup> and 8<sup>5</sup>, and Asian Highway 2 linking Northeast India and Myanmar. The TFTWG also includes in its agenda national projects with subregional dimensions, such as Dhaka-Chittagong and Dhaka-Darsana-Khulna Rail Corridors, and SASEC Railway Connectivity Investment Program<sup>6</sup>. The TFTWG met in Dhaka (2010), Bangkok (2011), Kolkata and Thimphu (2012), and Singapore (2013).

5. ADB approved the following SASEC transport projects in the member countries: (i) the SASEC Road Connectivity Project in Bangladesh (2012),<sup>7</sup> improving Benapole and Burimari land customs stations (LCS) and 4-laning of part of the Asian Highway Network No. 2 and (ii) the Subregional Transport Enhancement Project (2010)<sup>8</sup> and the SASEC Road Connectivity in Nepal (2013),<sup>9</sup> improving customs systems, alternate routes to the Asian Highway network and border access roads. ADB has also provided support to the Subregional Transport Facilitation Project (2004)<sup>10</sup> in Nepal, developing Karkharvita land customs stations (LCS), and improving part of Asian Highway and its alternate routes. ADB is currently preparing the SASEC Road Connectivity Project in Bhutan, providing support for LCS development in Bhutan and access roads for approval in 2014.

6. Border infrastructure development has been a major thrust of SASEC connectivity efforts. The Government of India (GOI) is developing key LCSs through the Integrated Check Post (ICP) program at priority border crossing points in the SASEC subregion, such as Moreh (opposite Tamu in Myanmar) and Changrabandha (opposite Burimari in Bangladesh), and the Assistance to States for Infrastructural Development for Promoting Exports scheme (e.g., Panitanki and Bolanchopati). As noted above, ADB has provided loans for LCS development at Karkharvita in Nepal, and Benapole and Burimari in Bangladesh, and is preparing a project including LCS development at Pasakha and Phuentsholing in Bhutan.

7. In 2012, ADB approved budget support loans/grants of \$47.67 million—\$21 million for Bangladesh; \$11.67 million for Bhutan; and \$15 million for Nepal to support trade facilitation

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<sup>4</sup> Kathmandu (Nepal) - Kakarbhitta (Nepal) - Panitanki (India) - Phulbari (India) – Banglabandha (Bangladesh)- Mongla/Chittagong (Bangladesh).

<sup>5</sup> SAARC Corridor 8: Thimphu (Bhutan) - Phuentsholing (Bhutan) - Jaigaon (India) - Changrabandha (India) - Burimari (Bangladesh)- Mongla/Chittagong (Bangladesh).

<sup>6</sup> Investment projects include: (i) Laksham-Akhaura Double Track Project (ii) Dohazari-Cox's Bazar-Gundum (Myanmar Border); (iii) Railway bridge parallel to Banglabandhu Bridge; (iii) Dhirasram Inland Container Depot including related investments under PPP-mode; and (iv) Procurement of Rolling Stock and improvement of maintenance.

<sup>7</sup> ADB. 2012. Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Loan and Technical assistance Grant People's Republic of Bangladesh: SASEC Road Connectivity Project. Manila

<sup>8</sup> ADB. 2010. Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant Nepal: Subregional Transport Enhancement Project. Manila

<sup>9</sup> ADB. 2013. Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant Nepal: SASEC Road Connectivity Project. Manila

<sup>10</sup> ADB. 2004. Report and Recommendation of the President to the Board of Directors: Proposed Loan Nepal: Subregional Trade facilitation Project. Manila

programs in these three SASEC countries.<sup>11</sup> Its objective is to enhance the processing of cross-border trade through: (i) the development of modern and effective customs administrations; (ii) streamlined and transparent regulations and procedures; and (iii) improved services and information for traders and investors.

8. In 2013, the TFTWG unanimously supported a new SASEC Trade Facilitation Strategic Framework (TFSF),<sup>12</sup> which ADB has helped formulate. The TFSF identified key nonphysical barriers to trade in the SASEC subregion in the areas of customs, standards and conformance, border facilities, through transport arrangements, and legislative, regulatory, and institutional dimensions. Key issues include: (i) excessive documentation and limited application of ICT; (ii) lack of compliance with technical standards; (iii) lack of adequate border facilities; (iv) absence of through transport arrangements; and (v) need for improved coordination among various stakeholders involved in trade facilitation. In line with these issues, the TFSF will focus on five priority areas, namely: (i) customs modernization and harmonization; (ii) standards and conformity assessment strengthening; (iii) cross-border facilities improvement; (iv) through transport facilitation; and (v) institution and capacity building. The TFTWG has requested ADB to support the implementation of the TFSF. ADB approved in 2013 four TAs with a combined amount of \$6 million and funded from the ADB-administered Japan Fund for Poverty Reduction to help SASEC countries implement the TFSF.

### **C. Connectivity between India and Myanmar**

9. The investment program covers a critical section of the Asian Highway No. 1 (AH-1) between Imphal and Moreh, which is also the common section of the India-Myanmar-Thailand Trilateral Highway. In India, the 4-laning development is ongoing under the national highway development program (NHDP) up to Imphal via Kohima. In Myanmar, AH-1 between Yangon and Mandalay is 4-lane concrete roads with wide median. For the section of AH-1 in Myanmar between Mandalay and Indian Border, it is narrow two lanes, with good condition up to Kalewa, part of the India-Myanmar friendship road while key bridges need rehabilitation. The 30-year plan (2011/12-2030/31) of the Myanmar's Ministry of Construction indicated that all international connecting roads will be 4-lane asphalt concrete roads. ADB is preparing a project to improve part of the trilateral highway in Myanmar.<sup>13</sup>

10. Cross-border trade via roads between India and Myanmar, via Moreh/Tamu and Reed, comprises only 1.5% of the total road-based cross-border trades of Myanmar (\$1.1 billion), compared with about 70% with the PRC and 26% with Thailand. Some studies indicate that the informal border trade with Myanmar is growing while official trade has been shrinking. The project, which is considered the biggest official route for border trade, is expected to help increase the cross-border trade. A substantial increase is expected subject to further improvement of border trade systems, including the development of the integrated checkpost. Moreh is one of the priority border posts under the Gol's ICP Program. Gol has also been in discussions with the Government of Myanmar on starting of a bus service between Imphal and Mandalay (about 820km).

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<sup>11</sup> ADB. 2012. Report and Recommendation of the President to the Board of Directors: Proposed Policy Based Loans and Grants South Asia Subregional Economic Cooperation Trade Facilitation Program. Manila.

<sup>12</sup> ADB. 2013. South Asia Subregional Economic Cooperation Trade Facilitation Strategic Framework. Manila.

<sup>13</sup> ADB. 2013. Technical Assistance to the Republic of the Union of Myanmar for Preparing the GMS East-West Economic Corridor Eindu to Kawkareik Road Improvement. Manila.

11. Myanmar receives various support for infrastructure development from neighboring countries for regional connectivity. The investment program will add another regional connectivity initiative to support Myanmar's opening economy. India supports the development of a large new terminal at Sittwe and its access from the Indian border in Mizoram at Hmawngbu (Mobu), which are key components of the planned Kaladan Multi-Modal Transit Transport Project. The PRC is assisting with the development of a deep sea port and a special economic zone at Kyaukphyu on the eastern side of the Bay of Bengal, which includes 12 crude oil tanks. They have been building new oil and gas pipelines starting from Kyaukphyu. Development of roads and railways are also proposed to connect Kyaukphyu with Kunming in Yunnan Province, PRC. Thailand has forged agreement with Myanmar regarding the development of a deep sea port and special economic zone at Dawei. This includes possible assistance to road development connecting between Thailand and Myanmar.