

Issues and Opportunities for Subregional Cooperation in the Transport Sector

Tadashi Kondo
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Asian Development Bank

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Seven Questions to be Answered Today

- ◆ Why does transport logistics matter?
- ◆ What experience does the ADB have?
- ◆ Why SASEC now?
- ◆ What approach should we take?
- ◆ What specific areas should we look into?
- ◆ What actions should we take?
- ◆ What is the way forward?

Why does transport logistics matter?

- Transport logistics help create common economic space, which allows
 - ◆ Development of subregional economies.
 - Increased foreign direct investment.
 - Increased investment by multinationals.
- ◆ Transport costs matter for export industries.
 - Typical logistics cost for high-value products: 5-7 %. 1% difference matters in international markets where the price elasticity is extremely high. You may win or lose by 1% difference.
- ◆ Changes in the international trade environment are imminent
 - ◆ The multi-fiber agreement ceases in 2004.
 - By that time, international competitiveness of the existing apparel industry should be enhanced. For this purpose, efficient logistics system is again critical.

What experience does the ADB have?

ADB's Charter

“ To foster economic growth and cooperation in the region-- and to contribute to the acceleration of the process of economic development in the region, collectively and individually...”

... the Bank should give priority to regional, subregional, and national programs and projects that contribute most effectively to harmonious economic growth of the region.”

ADB 's GMS Experience (Road)

- ◆ Approach
 - Pragmatic
 - Activity-driven
 - Results-oriented
 - Informal grouping (not a trade bloc)

ADB's GMS Experience (contd.)

◆ Our Project Selection Criteria

- Preference for improvement/rehabilitation, those included in the national priority, those which could not attract private sector involvement
- Define and prepare suitable projects based on corridor analysis, including policy changes to address critical institutional constraints.

ADB's GMS Experience (contd.)

- ◆ **Transport Facilitation Problems that we faced**
 - **Existence of non-physical differences**
 - customs procedures
 - road carrier liability regimes
 - duplication of compulsory cargo insurance
 - dispute resolution
 - currency restrictions
 - harmonization of taxes and fees
 - **Existence of physical differences**
 - road and bridge standards
 - road vehicle weights and dimensions
 - **Complex web of existing bilateral agreements**
 - **Reluctance to accede to applicable conventions**

Why SASEC Now?

- ◆ New initiatives from the sub-region.
 - Private sector's call for "Emerging East" concept
 - Greater trade facilitation opportunities in subregion
 - Response by international organizations
- ◆ The potential for transport networks in SASEC
 - Impact of Jamuna Bridge on the entire subregional transport system
 - Planned Indian National Highway systems for East-West Corridor, which will link north east India more closely with the rest of the country
 - Extension of broad gauge rail system to eastern Bangladesh, which will increase transport efficiency

What Approach Should We Take?

- ◆ Identify the areas of focus (transport corridors)
- ◆ Develop a strategy for removing impediments, both institutional and physical
- ◆ Generate consensus among stakeholders
- ◆ Actions!!!
- ◆ Drawn largely from the WB report “Forging Subregional Links in Transport and Logistics in South Asia”.

What Specific Areas Should We Look Into?

- ◆ Performance improvement of inefficient seaports
- ◆ Simplified cross border formalities at land-side gateways
- ◆ Improved inland waterway systems
- ◆ Containerization along key trade corridors
- ◆ Improved road and rail networks
- ◆ Removal of local infrastructure bottlenecks
- ◆ Introduction of corridor management concept

What Actions Should We Take?

- ◆ Form consensus among stakeholders (SASEC countries/states, multilaterals, bilaterals, private sector)
- ◆ Ensure bilateral transit protocols facilitate trade
- ◆ Simplify cross border formalities
- ◆ Build institutional capacities
- ◆ Promote private sector participation
- ◆ Develop intermodal transport systems

What are the Priority Corridors?

- ◆ Priority corridors for subregional trade:
 - ◆ Kolkata-Benapole-Akhaura-Agaratala
 - ◆ Kolkata-Gede-Darsana-Jamuna Bridge-Akhaura-Agartala
 - ◆ Agartala-Akhaura-Chittagong
- ◆ Priority corridors for international trade:
 - ◆ Dhaka-Chittagong
 - ◆ Kathmandu-Birgungi-Kolkata
 - ◆ Kathmandu-Bhairahwa-Nava Sheva
 - ◆ Kakarbhitta-Phulbari-Banglabandh-Dhaka
 - ◆ Thimpu-Phuntsoling-Siliguri-Kolkata
 - ◆ Thimpu-Phuntsoling-Brimari-Dhaka

The Way Forward

- ◆ What Can the ADB Offer
 - ◆ Investment Financing
 - ◆ Capacity Building
 - ◆ Technical Advice
 - ◆ Fora
- ◆ The Challenge for Participating Countries
 - ◆ Commitment to the Concept
 - ◆ Address Cross-Border Issues
 - ◆ Improve Transport Logistics
 - ◆ Create Enabling Environments for Private Sector

End

Thank You