Potential and prospects of strengthening transport connectivity for regional economic integration in Southern Asia

Nagesh Kumar
Regional economic integration in Southern Asia

- Regional economic integration assumes a new criticality in a changed international context.
- South Asia is the least integrated region in the world. Bulk of intraregional trade potential remains unexploited.
  - Intraregional trade could generate additional $52 billion of exports.
  - Intraregional exports in 2017 could be $167 bn.
- Barriers to realization of intraregional trade potential.
  - Region is better connected with Europe and North America than with itself.
  - High cost of trade.
  - Poor land routes and transport facilitation.
  - Benefits of geographical proximity and contiguity not available to regional trade.
  - Regional production networks failed to develop.
- Multiple overlapping frameworks for regional economic integration.
  - ECO, SAARC, BIMSTEC: connectivity on the agenda.
  - Bilateral and trilateral initiatives: Bangladesh, India and Nepal; Turkey, Iran and Pakistan, India-Nepal, India-Bhutan, Pakistan-Afghanistan, among others.
Transport corridors for inclusive development

• Generate economic activity, generate employment and reduce poverty

• Lagging regions and landlocked countries get a boost from improved connectivity with regional and global markets
  • Inclusive trade and economic growth
  • Simulations suggest that the poorest regions benefit most

• Network externalities grow disproportionately with expansion of networks
  • Case for coordinating across regional frameworks to exploit greater synergies
Towards seamless connectivity across Southern Asia

- Case for integrated transport corridors across the subregion to maximize network externalities
- Asian Highway and TransAsian Railway route networks can guide the integration of transport corridors
- Besides facilitating intraregional trade can make Southern Asia a hub of East-West trade
- Each country becomes a hub for each other
- Major boost for least developed and landlocked countries in Central Asia and South Asia like Afghanistan, Bhutan, Nepal
- Win-win for the whole region
- Could be developed following a building block approach as a part of an agreed masterplan
- Easier to mobilize resources for infrastructure and institutional development in a broader regional framework
Potential Transport Corridors in Southern Asia

• Two proposals integrating ECO, SAARC and BIMSTEC transport corridors:
  – Istanbul-Tehran-Islamabad—Delhi-Kolkata-Dhaka...Yangon container train corridor along the Trans-Asian Railway routes
  – Turkey-Iran-Pakistan-India-Bangladesh-Myanmar (TIPI-BM) Road Corridor along Asian Highway routes
ITI--DKD-Y Container Corridor
Istanbul-Tehran-Islamabad-Delhi-Kolkata-Dhaka..Yangon
Turkey-Iran-Pakistan-India-Bangladesh-Myanmar (TIPI-BM) Road Corridor along Asian Highway
Three Asia-Europe Continental Land Bridges
Southern Asian Transport Corridors

• Potential trade channels connecting
  – Europe, Central Asia, West Asia, South Asia
  – Southeast and East Asia
    • BCIM Corridor
    • Delhi-Hanoi Rail Link
    • Kunming-Singapore Rail Link
  – Many links with the landlocked countries
    • Central Asia
    • Afghanistan, Nepal, Bhutan
  – Links with ports will allow multimodal development
  – Can also be turned into economic corridors
Way Forward

- Recognize the criticality of regional transport connectivity in the context of importance of regional economic integration as a new engine for Asia’s dynamism
- Adopting a masterplan approach to be developed in phases
  - Prioritize physical infrastructure development
  - Closing the infrastructure gaps and upgradation of others
  - Address transport facilitation bottlenecks
  - Regional transit agreements to enable cross border movements
- Exploit the strategic location of Southern Asia to emerge as a hub of the East-West trade
- Mobilizing resources for infrastructure development
  - Multilateral development banks, ppp funding and development of regional financial architecture
- Realize the vision of integrated Southern Asia economic space
- Connected with itself and rest of the region
UNESCAP activities on the transport connectivity for economic integration in Southern Asia

- International agreements on Asian Highway, Trans-Asian Railway and Dry Ports
- Identification of transport corridors linking Southern Asia and beyond
- Models of secured and efficient cross-border crossing
- Policy dialogues in support of greater connectivity and facilitation
  - Dhaka (June 2013), Lahore (December 2013): strong endorsement of the ITI-DKD and TIPI-BM Corridors and masterplan proposal
  - Third Regional Policy Dialogue in New Delhi on 19-20 November 2014
  - Connectivity and Development of Border Areas (Shillong, India, Dec. 2013)
  - Series of national workshops on secure cross-border transport models in SASEC countries (2014) jointly with ADB
  - Work on connectivity masterplan and Project on South Asia-Central Asia transport connectivity: 2015-16
Thank you