

## Asian Cooperation Dialogue (ACD)

### Transport Linkages among Asian Cooperation Dialogue (ACD)

#### I. Introduction

Transportation linkage is one of the key elements of the supply chain. It links buyers and sellers by bridging the time and space gaps. Both time and space gaps have costs associated with it. An efficient transportation system reduces this cost by creating time and space utilities. In a macroeconomic sense, transport system contributes to a nation's economic product and thus plays a vital role in strengthening the economy. In the context of ACD, efficient transport linkages among ACD countries will lead to reduction in transaction cost and thus give competitive edge to the supply chain of ACD countries, both individually and collectively as a regional bloc. The transport linkages would thereby improve the welfare of population, facilitate growth and enhance security level in the Asian region thus making a significant contribution to strengthening of confidence in Asia.

1.2 Irrespective of political or economic changes in Asia, developed and tested international corridors remain a long-term stabilizing factor that create a favourable investment climate and have a positive impact on regional as well as interregional integration process.

1.3 Unfortunately, the transport development policy paradigm pursued by most of the ACD countries has facilitated development of individual modes in an isolated manner. The result is:

- (i) the transport market has developed on unimodal lines disregarding environmental concerns and possible intermodal linkages;
- (ii) while certain modes are getting congested, there is idle or overcapacity in other modes;
- (iii) the growth is most prominent in the road transport sector which incidentally is the most polluting mode.

1.4 In the context of connectivity among ACD countries, both unimodal and multimodal arrangements are possible. The Indian perspective in respect of freight transport, the most efficient arrangement is likely to be multimodal arrangement with maritime transport at the centre. It would, therefore, be relevant from India's point of view to consider the issues concerning the transport linkages with maritime transport as the pivot.

1.5 On the other hand, Kazakhstan observes that the goods of many countries of ACD, which are rich in minerals, energy resources and

manpower, often do not have access to world markets due to following reasons:

- The products of some ACD countries do not have access to sea transport;
- Difficulty in setting up transportation linkages and high risks of transportation due to regional conflicts in Asia;
- Absence of unified transit and tariff policies;
- Absence of unified transport documentation;
- Difficulties in establishing multimodal transportation linkages due to underdevelopment of some segments of transportation system.

1.6 An integrated transport policy that is deliberately intermodal can enhance the performance and service levels offered by the transportation system in terms of economic and environmental benefits. Development of a common ACD transportation system is a significant investment to promote stable future and welfare of the Asian countries. The focus of this paper, accordingly, is on transport linkages among ACD countries in the context of freight transportation and trade.

## **II. The Approach to Building Transport Linkages**

2.1 In view of the above, the approach towards developing efficient inter-modal linkages should be on the following lines:

- (i) Taking stock of the current modal share situation and correcting imbalances in modal mix. Even developed economies have modal mix distortions.
- (ii) Specific investment programme to build requisite infrastructure that would facilitate cost effective and environment friendly transport linkages.
- (iii) Exploring efficient bilateral transport linkages through all feasible modes viz. rail, road, short-sea shipping, inland water transport as the case may be on Most Favoured Nation (MFN) terms.
- (iv) Exploring transport corridors on MFN terms.
- (iv) Identification of feasible multimodal transport corridors and agreement at political level thereon.
- (v) Removal of bottlenecks in operationalisation of transport corridors.

## **III. Institutionalisation and Organisation of Transport Cooperation within ACD**

3.1 ACD countries differ in terms of (i) Quality/Maturity of various modes, (ii) modal share of various modes, (iii) Investments pattern across various modes, (iv) Human Resource Development (particularly in

maritime transport sector) (v) the fleet of vessels/vehicles, and (vi) shipbuilding capacities.

3.2 In this backdrop, the idea should be to achieve transport linkages among ACD countries built around the strength in different countries on the one hand, and removal of bottlenecks/strengthening of weak but potentially cost-efficient, environment friendly modes such as short sea/coastal shipping and IWT. However, for landlocked countries the focus should be on establishing efficient transit corridors.

3.3 To facilitate this process, it is proposed to have a Forum for transport linkages with India as a prime mover and Kazakhstan as the co-prime mover, titled **“Forum for Promotion of Transport Linkages among ACD Countries (FPTLACD)”**.

#### 3.4 Objectives of FPTLACD

- Providing a forum for exchange of information and sharing of experiences on various aspects of efficient transport linkages.
- Creating institutional linkages for sharing facilities and expertise.
- Fostering G to G co-operation and political agreement in the realm of transport linkages among ACD countries.
- Preparing a road map for efficient transport linkages among ACD countries with maritime transport at the centre.
- Facilitating operationalisation of efficient transit corridors for landlocked countries.
- Facilitating transport linkages on consortium basis.
- Conducting thematic seminars/workshops, study tours, local trainings etc. to develop skills and improve the experience of employees of transport structures, administrative personnel and high/ mid-level managers and teachers.
- Building consensus on ratification of relevant international conventions by ACD countries.
- Bringing about uniformity in multimodal transport documents.

#### 3.5 Structure

It is proposed to have a 3 tier structure for the FPTLACD, viz. (i)Governing Body (GB), the apex body; (ii)Transport Linkages Advisory Committee (TLAC), the committee of experts; and (iii) the Secretariat, the permanent body.

##### 3.5.1 Governing Body (GB)

The GB would comprise of the political executives in charge of multimodal transport affairs in the respective ACD countries. The GB

meetings will be chaired by the political executive of the ACD country concerned, who would have volunteered to host the meeting. Vice-Chairpersons (one for each mode) will be elected from representatives of other participating countries. The GB will meet once in a year. The responsibility of GB will be as under:

- Overall supervision of functioning of FPTLACD
- Determining general policies and principles governing the transport linkages among ACD countries.
- Approving programme of action and budgetary outlay/resources.
- Monitoring and review of programmes.

#### 3.5.1 Transport Linkages Advisory Committee (TLAC)

The TLAC would consist of experts, industry representatives and policy makers/Government officials nominated by the participating countries. The Chairperson and Vice-Chairperson will be elected from amongst the members for a period of 3 years. The committee will meet as frequently as required and at a place approved by the GB. Its mandate will be to:

- Advise GB on issues of transport linkages, policy initiatives and inter-governmental co-operation.
- Develop specific programmes and suggest the implementation modalities.
- Prepare a plan of action on an annual basis.
- Identify institutions/organisations of participating countries for programme implementation.

#### 3.5.2 The Secretariat

This will be a permanent body headquartered in Ministry of Shipping, Road Transport & Highways, New Delhi, and will comprise of officers/experts drawn from Ministry of Shipping, Road Transport & Highways and its subordinate organisations. Its mandate will be to facilitate holding of Governing Body/Advisory Committee meetings and render necessary assistance to the Governing Body and the Advisory Committee by providing requisite inputs.

#### 3.6 Financing pattern

A corpus created by voluntary contributions of participating countries could be utilized for supporting the activities of FPTLACD. The financial contributions and sponsorships by International Development Agencies, IMP UNCTAD, private sector, financial institutions may also be included in the corpus.

3.7 Apart from developing cooperation in the field of transportation in the ACD framework, it is important to study the experience and develop cooperation with such organisations and relevant programmes of ECO, ASEAN, UNESCAP, SPECA and TRASECA. To this end, it is necessary to create a special group of experts among the representatives of the prime mover and co-prime movers for developing cooperation with the above organisations, for studying the possibilities of introducing in ACD their experience in the field of transport cooperation.

### 3.8 Unification of tariff and customs policies

Existing transportation links between the ACD member countries do not fully correspond with the potential of development of international trade and transit. At the same time, it is obvious that available capacities of such links are not fully utilised because of the overpriced tariffs and differences in customs policies and rules of registration of transport documentation amongst the ACD member countries. It adversely impacts the competitiveness of the products of some ACD member countries, since it raises the products final cost and lengthens the time of delivery. Simplifications of transit procedures have significant bearing on reduction of time and cost of door-to-door delivery.

Therefore, it is necessary to regularly hold joint consultative meetings of the representatives of the bodies, which are responsible for tariffs, customs and transport administration of ACD member countries in order to overcome existing problems pertaining collection of taxes and tariffs, customs and transportation to resolve problems, which exist because of the following:

- underdeveloped infrastructure at check points;
- overpriced tariffs;
- duplication of measures of control;
- abundance of non-physical barriers.

## **IV. Prospects of Cooperation Development in Railway Sphere**

The common goal in this domain is to increase the role of railroads in the multimodal transport chain through two channels:

1. Structural reforms, including separation of infrastructural administration from the commercial transportations, which are carried out by transport services. Autonomy of these two basic segments of the railway transportation will favourably affect the process of economic liberalisation in cargo railway transportation; allow relying on a customer and creating for him favourable conditions. Finally, it will lead to the growth of freight flow.

2. Infrastructural investment, including:

- investments, aimed at improving the roads as well as main hubs of cargo handling;
- investments, aimed at constructing railway communications between the centres of consumption and manufacturing at national and regional levels.

Investments into railway infrastructure at a regional level in view of high costs have to be made on the basis of joint thorough study by all. For the realisation of infrastructural projects in the railway transport it is necessary to rely on state-private partnership in view of their high capital intensity. It is necessary to develop measures to attract private sector into the construction of new infrastructural units.

In determining the directions of railway freight flow priority development should cover the directions North-South (Russia-Central Asia) and East-West (Southeast Asia-China-Central Asia-Europe).

The **Trans-Asian Railway (TAR)** was initiated in the 1960s with the objective of providing continuous 114,000 kilometre rail routes linking 28 countries in the region from Singapore to Istanbul (Turkey). The network will also provide improved access for landlocked countries to major ports. Given the extent of the territory covered, the differences in standards, and differences in the levels of technical development between railways in the region, UNESCAP adopted a step-by-step approach to define the TAR network. The network was initially divided into four major components which were studied separately. These components are:

- (i) a northern corridor connecting the rail networks of China, Kazakhstan, Mongolia, the Russian Federation and the Korean Peninsula;
- (ii) a southern corridor connecting Thailand and the southern Chinese province of Yunnan with Turkey through Myanmar, Bangladesh, India, Pakistan and the Islamic Republic of Iran with Sri Lanka also part of the corridor.
- (iii) a sub regional network covering the ASEAN and Indo-China sub regions; and
- (iv) a north-south corridor linking Northern Europe to the Persian Gulf through the Russian Federation, Central Asia and the Caucasus region.

The challenge is to move towards joint operationalisation of the corridors in a coordinated manner at financial, operational and commercial levels. Institutional and technical bottlenecks have to be identified and specific remedial measures have to be defined and implemented. The Inter-Governmental Agreement was opened for signature in November 2006 and has now been signed by 22 countries. The Agreement on TAR will come into force on 11<sup>th</sup> June 2009 with China becoming the eighth country to have ratified the Agreement.

Kazakhstan accords special significance to ensuring transnational transportations on TAR. In this connection, a railway station Dostyq on the Kazakh-Chinese border is being developed. To promote sustainable growth of transportation by railways through international border station Dostyq-Alashankou it is necessary to implement measures to ensure maximum increase of its carrying capacity, including the enlargement on the Chinese side of the storing capacity of the stations Alashankou and Urumqi and railway segment Aqtoghai-Dostyq by 2015 upto 25 million tonnes.

Creation of "straightening" railroads through the territory of Kazakhstan by construction of linkages between existing railways will allow expansion of capacity of transit corridors up to 100 million tonnes per year on directions to Turkmenistan, Iran, Turkey and the European countries.

Nowadays, international community, including the Asian countries are concerned with the stabilisation process in Afghanistan. Taking into account the huge transit potential of this country, it is obvious, that involving Afghanistan the Asian transportation system would foster stabilisation and will create a favourable investment climate that have a positive impact on stability in Asia.

At the present stage, it is appropriate to study the possibility of developing the North-South transport corridor, which connects Russia, Kazakhstan, Uzbekistan, Afghanistan and Pakistan. The existing capacities of railway transport should be a basis for the said corridor.

#### **V. Prospects of Development of Cooperation in Automobile Transportation Sphere.**

Automobile transportations are an integral segment of all multimodal door-to-door transportations. Taking into account importance of automobile transportations, there are plenty of problems connected with development of this type of transportation on a regional basis. These problems are connected with standardisation of maximum allowed weight of a vehicle, visa, road safety norms etc. At the same time it is necessary to note the increased environmental threat out of growing vehicular traffic.

These problems could be addressed through adoption of a special multilateral agreement which deals with the issues deterring the development of automobile transportations.

Spanning 32 countries, the **Asian Highway Network (AHN)** is a 141,000 kilometre network of approved roadways crisscrossing the Asian continent and with linkages to Europe. The Agreement maps out the

road transportation network in Asia, setting down basic technical standards for roads and their route/ traffic signs.

India has ratified the Inter-Governmental Agreement on AHN in December 2005. So far 28 member countries have signed the Agreement.

The total length of the AHN in India is about 11,551 km. The standards of National Highways portion (about 11,525 km) are generally at least to the prescribed minimum standards of AHN. The link of Siliguri-Jaigaon via Jaigaon-Hashimara Highway (NH 31-C) and Hashimara- Siliguri (NH 31) has been approved by the Government of India for inclusion in the AHN in order to provide connectivity from AH-2 to AH-48 and further connectivity to Thimpu- Phuentsholing Highway in Bhutan. The proposal has been forwarded to UNESCAP in March 2008 with the request for consideration of the same by the Working Group on AHN for adoption during its next meeting.

Kazakhstan is closely studying the issue of joining this Agreement.

## **VI. Prospects of Development of Cooperation in Air Transportation**

Air transport possesses the greatest advantage time-wise despite relatively high cost.

Currently the air space is divided into sectors in various countries subject to application of various kinds of operational and administrative methods, rules and equipments in these sectors. To resolve these problems, the following steps are considered as necessary:

- Joint administration of air traffic between the ACD member countries can provide numerous advantages to air transportation sector not only in terms of safety but for the optimization of air space use. For the same reasons one can foresee a need in future within the framework of ACD for a regional integration of air transportation management.
- Development of the airports (hubs) - the transportation linkages, connecting not all the cities of a country, but the largest cities of the world as well.
- The international experience shows that for efficient operation of airports systems it is necessary to ensure their economic independence, to carry out privatisation of all services of the airports, leaving for the state security services only. It is necessary for the countries to attract private business into



ground services of the aircraft so as to introduce elements of competition between the state operators.

Final results of such activities should yield substantial increase of quality services of air transportation, lowering of the cost of services and growth of traffic.

Determination of optimal air hubs is an equally important issue. Here it is necessary to take into account geographical location, quality and cost of servicing, security. With the aim to develop integration with ACD, the participants of the first transport forum of ACD could consider the option of applying favourable regime in establishing tariffs for the usage of air space and landing as well as other measures, aimed at increasing the volume of transportation.

Kazakhstan consistently pursues the policy of development of the international airports of Astana and Almaty as international hubs connecting Asia and Europe on an optimal route.

## **VII. Establishment of Sustainable Multimodal Transportation Linkages for the Landlocked Countries.**

In the contemporary world access to the sea ensures cheaper financial and energy expenses for delivery of goods to the largest world markets. At the same time among the ACD participants there are States which do not have access to the sea because of their geographic location. It is widely known that absence of access to sea may substantially hamper the development of goods turnover and economic development of a country. It also makes the process of economic integration difficult. To overcome this problem it is necessary to have goodwill on the part of neighbouring States as well as joint efforts on building multimodal transit corridors. Construction of transit corridors can be beneficial for a manufacturing country, transit countries and buyers, i.e. it can favourably affect the economic development of the entire region.

Kazakhstan, in its turn, being a landlocked country, is taking efforts on developing the transit. The Conference of Ministers of Transport of the Landlocked and Transit Countries was held in August, 2003 in Almaty (Kazakhstan). Kazakhstan proposes to establish a database and information exchange system on the measures being taken by the countries to create conditions that are favourable for transit. Here the Ministry of Transport and Communications of the Republic of Kazakhstan can act as a coordinator.

In this connection it is proposed to exchange information on the following directions:

- development of transit corridors, connecting the developing countries that do not have access to the sea, with transport networks;
- simplification of procedures for crossing the borders, unification of transport documentation.

The approach to the development of efficient multimodal links of the landlocked countries should be implemented in the following directions:

- Assessment of modern situation in the modal development of types of transport in order to determine the most efficient access to large cargo ports of the ACD countries and third countries.
- A special investment programme for construction of a necessary infrastructure, which will facilitate creation of efficient transport links.
- Joint search for the efficient bilateral transport links through all the available means – railways, highways. Here an optimal decision would be the application of most favoured nation (MFN) regime within the ACD framework.
- Determination of the most reliable multimodal transport corridors and reaching agreements at a political level.
- Elimination of deficiencies in operational capacity of transport corridors on land.

In 2006, Kazakhstan adopted its long-term transport strategy, which is logically linked with the development of the country and the Asian continent as a whole. The strategy envisages establishing of modern highways that enables to carry out continental and transcontinental transit in the North-South and East-West directions. Activities on the establishment of a network of transit routes through Kazakhstan's air space are going on as well. A special priority will be given to the creation of modern "air hubs" – powerful transport junctions, which would allow connecting not only all the cities of the country, but also the largest cities of the world. From the perspective of development of transport cooperation within ACD, the Republic of Kazakhstan possesses significant transit potential and political will for such cooperation.

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requested to provide their comments for early finalization of the  
paper.