

MARCH 10, 2021 - CONNECTING TO THRIVE

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Connecting to Thrive:

Transport Integration in South Asia

March 10, 2021



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Top row, left to right: Charles Kunaka, Cecile Fruman, Matías Herrera Dappe.

Bottom row, left to right: Nihad Kabir, Hartwig Schafer, Vikram K. Doraiswami, Tariq Karim.

New research shows stronger transportation links between Bangladesh and India would significantly improve lives on both sides of the border. But connectivity must be designed to reflect the needs and concerns of businesses and transport services providers.

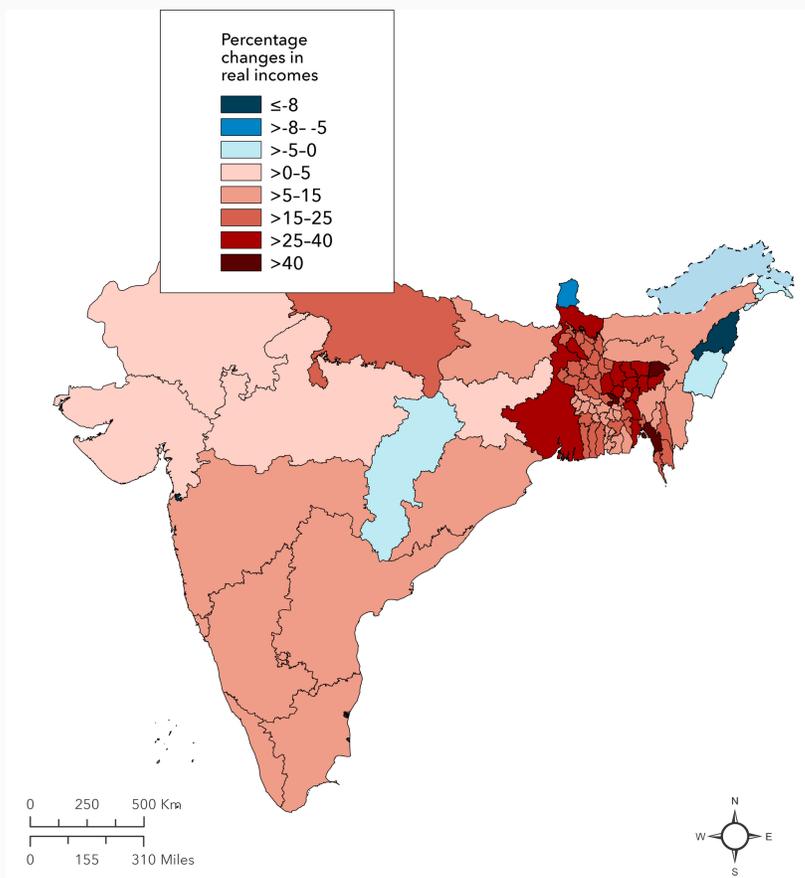
Suggestions were aired at a March 10, 2021 online event, "**Connecting to Thrive: Transport Integration in South Asia.**" The event, the latest in a series of #OneSouthAsia Conversations

on regional integration issues, focused on a [new World Bank report](#) analyzing the economic benefits of better connectivity between Bangladesh and India. The research concludes that seamless transport integration could increase the national incomes of Bangladesh and India by up to 17 percent and 8 percent, respectively. Both nations plus landlocked Bhutan and Nepal make up what is known as the BBIN subregion.

A good foundation already exists to build better transport links among the BBIN nations: the 2015 [Motor Vehicles Agreement](#). The pact is a framework that aims to lift restrictions on cross-border movement of cargo, passenger, and personal vehicles among the countries. The agreement is expected to go in effect when protocols and operating procedures for passenger and cargo movement are agreed upon.

Currently, neither Bangladesh or India allow each other's trucks to cross the border and deliver freight -- a major impediment to regional connectivity. Europe's highways, for example, are filled with freight trucks from many countries. "We see all these trucks crossing borders in Europe, very often several borders, to get freight from the producer to the consumer within hours," said [Hartwig Schafer](#), vice president of the World Bank's South Asia region. But in South Asia, "we hardly ever see trucks with foreign license plates."

Predicted percentage changes in real income in Bangladesh and India with full transport integration



Not surprisingly, transport costs in South Asia are among the highest in the world. Delays and cumbersome border procedures force companies in Bangladesh and India to pay up to 20 percent more to trade with each other than to trade with Europe.

Better transport links do more than move freight faster. Transport corridors in many other parts of the world create opportunities for commerce and invigorate communities. For example, small agriculture and agro-processing businesses – often owned by women – benefit when they are located near transport corridors.

More than roads

[Vikram K. Doraiswami](#), India's High Commissioner to Bangladesh, urged policy makers to view transport issues broadly. Seamless connectivity means linking major roads, rail lines, inland waterways, and airfields for efficient shipping. Doraiswami described a recent visit to Noapara, in southwestern Bangladesh, where an inland waterway, a railway, and a roadway are within meters of each other. Because there is no infrastructure to transfer freight from one to the other, businesses have set up an informal multimodal transfer point. Similar situations exist in India, he added.

And while infrastructure is essential, reducing paperwork, eliminating burdensome regulations, and harmonizing transport standards are also needed in the BBIN. For example, trucks hauling freight for export are now required to carry with them paper copies of 10 different documents. If customs and other agencies instead exchanged digitized data, clearance processing could begin before the goods reached the actual border.

The Motor Vehicles Agreement provides a framework for more direct routing of traffic in eastern South Asia. Full transit rights across the Bangladesh-India border would shorten transport routes, especially for India's northeastern states. The states are linked to the rest of India through the congested Siliguri corridor, a slender strip of land known as the "chicken's neck." The cost of transport would fall by as much as 80 percent if Agartala shipments could use a much closer port in Chattogram instead of having to drive around Bangladesh to the port in Kolkata.

Support and resistance

India's northeastern states are enthusiastic about more direct transport links. "The northeastern states will likely be the major beneficiaries of any improvement in connectivity," Doraiswami said. "They will benefit both from access to the ocean through Bangladesh and also as a facilitator of traffic and transport between Bangladesh and our mountain neighbors, Bhutan and Nepal."

Key takeaways from report

Much of the #OneSouthAsia Conversation was based on a new World Bank report, **Connecting to Thrive: Challenges and Opportunities of Transport Integration in Eastern South Asia**.

The report analyzes the 2015 Motor Vehicles Agreement (MVA), compares it to other multilateral transport agreements, and estimates the economic benefits of major improvements. It concludes that seamless transport links could boost national income by 17 percent in Bangladesh and 8 percent in India.

Report editors Matías Herrera Dappe and Charles Kunaka said the MVA is a good starting point to improve road transport links in Bangladesh, Bhutan, India, and Nepal, a subregion known as the BBIN. But the agreement has several gaps and provisions that need to be addressed to maximize benefits for participating countries. They include:

- allowing triangular traffic movements for truck efficiency throughout the subregion;
- setting standards for road and bridge design and axle-load limits;
- harmonizing rules for issuing driver licenses;
- limiting truck driver work hours for safety;
- allowing truck drivers more freedom to choose routes and border-crossing points; and
- easing burdensome requirements for truck drivers to carry trade documents, including through greater use of IT.

Transport improvements often have wide, ripple effects that are important to consider before investments are made. The authors recommend developing a regional transport master plan that can identify a mix of investments and policies to produce the greatest benefits.

As major transport corridors develop, planners can extend the economic benefits by including links to clusters of rural markets. The links will support agri-marketing firms and local farm income. Similarly, governments can help women in nearby communities form cooperatives and small businesses to participate in agricultural value chains.

Individual countries can also take steps to support connectivity. The authors suggest that customs clearance of low-risk goods be moved from congested border-crossing points. Clearing could instead take place on the premises of the shipper or its agent.

Complementary interventions can enhance local benefits



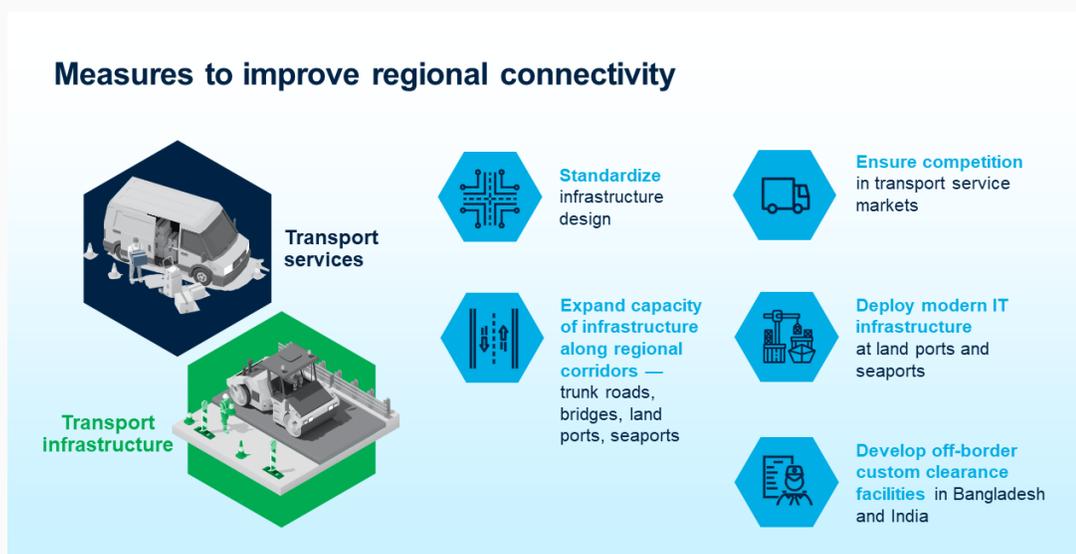
Connect local markets

Improve women's participation in export-oriented farm value chains at all levels: societal, community, and household levels

Bangladesh would also gain substantially. Many of its industries are eager for better access to the huge Indian market. Bangladesh is a natural gateway to Southeast Asia and can profit from export transshipments from India, Nepal, and Bhutan. “Bangladesh has a colossal opportunity to be a transport and connectivity infrastructure giant,” Doraiswami said. “Its economy could be powered by it.”

The opportunities are enticing to Bangladesh, which is preparing to graduate to developing country status in 2026. “We have a very fast growing, young, and ambitious population,” said **Nihad Kabir**, a lawyer and president of Dhaka’s Metropolitan Chamber of Commerce and Industry. “We definitely need our economy to keep growing,” she said, adding that transport connectivity supports economic growth.

Despite the promise of great benefits, there is reluctance. Some Bangladeshi transportation groups and businesses worry about being overwhelmed by the Indian trucking industry and the vast Indian economy. They “fear they may not get a fair share of the increased benefits,” Kabir said, even though transport integration is a plus for both countries. In addition to the World Bank report’s estimate of overall economic benefits to Bangladesh and India, Kabir said analyses of specific sectors could help win more support. “We need to show our business community that this is going to be very positive,” she said. “If we can have a demonstration effect, that will work wonders for both sides.”



The way ahead

Several government entities are also involved. The National Board of Revenue, Bangladesh’s central authority for tax administration, has a role in transport integration because of its influence over trade tariffs. Likewise, the central banks of both countries can influence the process because they control money flows between the two countries.

Another panelist, **Tariq Karim**, Bangladesh’s former High Commissioner to India, urged more grassroots outreach and community dialogues about specific ways that transport connectivity can improve lives. “The local level is the most important. If they become the champions and start demanding it, it will travel up,” he said. “The process has to be bottom-up rather than top-down.”

Cecile Fruman, the World Bank director of regional integration and engagement in South Asia, said the bank will share the report findings with more stakeholders. “When we can put data on the table and bring stakeholders together in dialogue platforms, we can make a difference,” she said.

Doraiswami identified three priorities to move forward. Simplifying the process for goods to cross the border and expanding work on multimodal connectivity are two big steps, he said. A third is for BBIN countries to finalize Motor Vehicles Agreement protocols for the movement of goods and passenger vehicles. "If we could do this in the next six months, I think it would be a huge opening to start the process of showing quick wins," he said.

Karim called for Bangladeshi and Indian leaders to hold frequent dialogues with communities to advance transport changes. "The political will ... has to be sustained," he said. Ultimately, transport integration is about restoring links that once existed throughout South Asia, Karim said, adding that the region's shared culture and heritage "far override" the differences that exist.

Kabir shared that optimism. "The problems can be definitely overcome," she said. "At the end of the day, our commonalities are more than what divide us."

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