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Major issues in transport: Strengthening connectivity of regional and interregional transport networks

Strengthening connectivity of regional and interregional transport networks

Note by the secretariat

Summary

The present document includes a review of recent progress achieved in developing regional and interregional transport networks, namely the Asian Highway, the Trans-Asian Railway and dry ports and logistics, and a discussion on key issues in using these transport networks and infrastructure facilities as the building blocks for the realization of the regional vision of an international integrated intermodal transport and logistics system.

The Forum may wish to provide the secretariat with guidance on future activities of the secretariat on the development of regional and interregional transport networks to meet the priority needs of member countries, particularly on: (a) developing and improving cross-border land transport infrastructure by using the Asian Highway and Trans-Asian Railway networks; (b) developing and upgrading the Asian Highway network; (c) putting in place the Trans-Asian Railway missing links; (d) work on dry port development with a view to improving the efficiency and effectiveness of the transport sector for more inclusive economic development; and (e) enhancing connectivity for archipelagic and small island developing States.

Contents

Page

I. Introduction 2
II. Progress achieved in developing regional and interregional transport networks .. 2
A. Asian Highway network 3
B. Trans-Asian Railway network 6
C. Dry ports and logistics developments 10
D. Inter-island shipping and logistics 13
III. Issues for consideration 13

Figure

Progress in upgrading Asian Highway routes, 2004-2010 4

* E/ESCAP/FAMT(2)/L.1.

I. Introduction

1. Despite an economic downturn in many developed countries in Europe and North America, the economies of most developing countries in the ESCAP region have continued to grow, albeit at a slower rate than in preceding years. The national economies of the region have greatly expanded their scope for domestic and international trade in goods and services, which has resulted in unprecedented demand for transport infrastructure and services for the movement of goods and people both within and across national boundaries.

2. It is expected that as the economic size of trading partners in the region expands and transport connectivity improves, intraregional trade will increase. This will generate not only increased demand for transport services but also a change in the direction of that trade. Sea transport is the dominant mode for the shipment of goods from Asia and the Pacific, but as intraregional trade increases, countries will explore alternative and more direct land transport routes. In line with this emerging trend, the efficiency of the land transport process has become increasingly important. In many developing countries in the region, however, the provision of transport infrastructure services still falls short of the growing demand for such services. As a result, there is an urgent need to upgrade and expand the capacity of regional land transport networks.

3. The crises that affected the region in 1997 and 2008 had undesirable consequences for the people of Asia. Governments of the region, however, demonstrated resilience and adaptation by putting in place policies that enabled their economies to move forward and achieve sustained growth. For governments, the challenge now is to provide better access to goods and services in support of economic and social development while at the same time minimize the negative impacts of a rapidly growing transport sector. The Asian Highway and Trans-Asian Railway networks offer two important frameworks within which national transport policies can be coordinated to facilitate the regional vision of an international integrated intermodal transport and logistics system. In this regard, the development of dry ports is essential for the integration of the two networks into an intermodal system that offers transport that is safe, efficient and reliable while also making effective use of existing infrastructure, distributing the benefits of economic growth more evenly and reducing the environmental impact of the transport industry.

4. The present document contains a review of recent progress in developing the Asian Highway and Trans-Asian Railway and a discussion of key issues in using the two networks as the building blocks for the regional vision of an international integrated intermodal transport and logistics network through the development of a regional network of dry ports and international intermodal transport corridors.

II. Progress achieved in developing regional and interregional transport networks

5. The Asian Highway and Trans-Asian Railway continue to play a pivotal role in fostering the coordinated development of regional road and rail networks. This collaborative work of ESCAP culminated in the formalization of the two networks through the intergovernmental agreements on the Asian Highway Network[1] and the Trans-Asian Railway Network,[2] which entered into force in July 2005 and June 2009, respectively. Out of 30 signatories, 29 have

[1] United Nations, *Treaty Series*, vol. 2323, No. 41607.

[2] United Nations, *Treaty Series*, vol. 2596, No. 46171.

become party to the Intergovernmental Agreement on the Asian Highway Network, while the Intergovernmental Agreement on the Trans-Asian Railway Network has 22 signatories and 18 countries have become party to it.

6. In accordance with the terms of the intergovernmental agreements, the secretariat has established separate working groups for the Asian Highway and Trans-Asian Railway as important forums to do the following: facilitate the implementation of the agreement; consider any amendments proposed; and discuss issues and exchange information relating to the future development, upgrading and operational efficiency of transport in the region.

7. The present document highlights, among other things, some of the road, rail and dry port initiatives taken by Governments of the region. These initiatives are an indication of their respective Governments' recognition that the transport sector plays a key role in economic and social development, improves the productive capacity of people and industry and has the potential to attract foreign direct investment. Significant progress has been achieved. Examples of this are: the ongoing investment in Asian Highway routes and other roads of national importance; the expansion of rail networks and growth of freight transportation by rail; investment in intermodal facilities, such as dry ports and container terminals; and the increased level of investment aimed at improving rural transport infrastructure.

A. Asian Highway network

8. The fourth meeting of the Working Group on the Asian Highway, which was held in Bangkok on 27 and 28 September 2011, adopted amendments to annex I of the Intergovernmental Agreement that were proposed by the Lao People's Democratic Republic, the Philippines and Viet Nam. The amendments include: (a) the Hanoi - Hoa Binb -Son La - Dien Bien - Tai Trang - Pang Hok - Muang Kboua - Oudornxai - Muang Ngeun - Huai Kon - Uttaradit - Phitsanulok - Nakhon Sawall road in the Lao People's Democratic Republic and Viet Nam on the AH13; and (b) the Laoag - Tuguegarao - Manila - Legazpi - Matnog - ferry - Allen - Tacloban (- Ormoc - ferry - Cebu) - Liloan - ferry - Surigao - Davao (- Cagayan de Oro) - General Santos road in the Philippines on the AH26.[3] The proposals of the Lao People's Democratic Republic and Viet Nam involved the extension of AH13 from a border point in the Lao People's Democratic Republic to Hanoi, and the proposal of the Philippines concerned inclusion of a new place in the itinerary of AH26.[4]

9. The fifth meeting of the Working Group on the Asian Highway, which was to be held in Bangkok on 7 and 8 October 2013, would consider proposals for amendments to the Intergovernmental Agreement on the Asian Highway network.

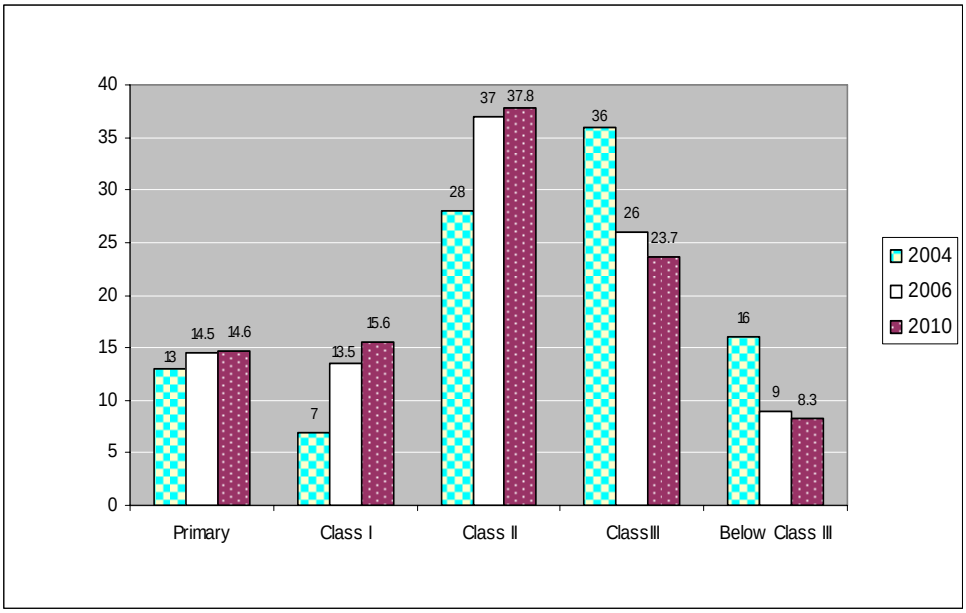
10. The quality of the Asian Highway network across and within member countries is uneven; however, significant progress can be seen in upgrading and expanding the capacity of Asian Highway routes and roads of national importance. As indicated in the figure, during the period 2006-2010, member States upgraded about 9,300 kilometres, or 6.5 per cent, of the Asian Highway network to higher design classes. Data on the status of the Asian Highway

[3] Economic and Social Commission for Asia and the Pacific, *Report of the Fourth Meeting of the Working Group on the Asian Highway, Bangkok, 27-28 September 2011*. Available from www.unescap.org/ttdw/common/TIS/AH/files/wgm 4/AHWG4-Report-4E.pdf.

[4] See E/ESCAP/AHWG(4)/4.

network, comprising 143,000 kilometres of highways in 32 member States, show that at the end of 2010, primary and class I standard Asian Highway routes covered about 30 per cent of the network, while class II and III type routes accounted for 62 per cent of the network. The proportion of the roads under class III fell from 16 per cent to 8 per cent of the total network between 2004 and 2010.

Figure
Progress in upgrading Asian Highway routes, 2004-2010



11. While substantial progress has been made in the development and upgrading of the Asian Highway network throughout Asia, a considerable part of it in some countries still falls below class III standards[5] and would require considerable investment to meet the minimum standards. The upgrading of the Asian Highway sections that do not meet the minimum class III standard is particularly important in view of the fact that many of these roads are vital for enhancing land transport connectivity between neighbouring countries, as well as for the region as a whole. For example, the Asian Highway routes in Myanmar need to be upgraded in order to enhance connectivity with China, India, the Lao People's Democratic Republic and Thailand.

12. In Asian landlocked developing countries, major results in developing and upgrading the Asian Highway routes have been achieved, thanks to various bilateral and multilateral efforts, particularly under Central Asia Regional Economic Cooperation (CAREC) initiatives, and the strong commitment of countries. Approximately 30 per cent of the Asian Highway roads in these countries (corresponding to more than 10,000 kilometres) have been improved since 2004. In this period, the portion of Asian Highway routes that are classified below the minimum class III standard has decreased from 32 per cent to 18 per cent. Nevertheless, some 6,800 kilometres of Asian Highway routes still need to be upgraded to meet the minimum standard. Although there are no "missing links" as such, a road that is of poor quality can be a major obstacle to cross-border transport connectivity.

13. The enhancement of intercountry connectivity is clearly a visible trend in transport development in the region. Under various bilateral, multilateral and self-funded arrangements, member States have taken initiatives, such as the

[5] Almost two thirds of the 11,915 kilometres of roads under class III are in Afghanistan, Mongolia, Myanmar, Pakistan and Tajikistan.

Euro-Asia Transport Linkages project, to develop and/or enhance transport linkages with neighbouring countries as part of the effort to expand connectivity across the region and with other regions. In recent years, a large number of projects involving the Asian Highway routes and other routes of international importance with a focus on improving land transport connectivity between countries have been planned or implemented or are being implemented. Often, these initiatives have fallen under the development of transport corridors, such as the East-West and North-South corridors in the Greater Mekong Subregion (GMS), and similar corridors in the member countries of the Economic Cooperation Organization (ECO). Some of these initiatives and major national programmes are mentioned in the following paragraphs.

14. Malaysia and Thailand have taken initiatives to build two road bridges between Pengkalan Kubur and Tak Bai, and Panjang and Golok to improve connectivity between the two neighbouring countries. Similar joint initiatives have also been undertaken by the Lao People's Democratic Republic and Thailand and Cambodia and Viet Nam, as well as between other countries.

15. Under bilateral arrangements, China and India are providing assistance to Myanmar to develop road and rail linkages with them. The improvement in physical connectivity between Myanmar and North India would enhance trade between the two countries. Part of the provision of $500 million in financial assistance extended by India to Myanmar is intended for work on the Trilateral Highway project, which, when completed, will connect India, Myanmar and Thailand. Under bilateral funding assistance from India, Bangladesh is improving its cross-border transport connectivity with India through the implementation of road and rail projects.

16. With bilateral and multilateral funding assistance from China, India and development banks, Nepal has been implementing a number of road projects mainly involved in upgrading and improving existing roads and enhancing connectivity with India.

17. Tajikistan has implemented a number of road projects to improve its domestic routes, as well as its intercountry connectivity with neighbouring countries, namely Afghanistan, China, Kazakhstan and the Kyrgyzstan. It has constructed and/or rehabilitated 1,650 kilometres of highways in its territory, improving transport between Dushanbe and border points with China, Kazakhstan, Kyrgyzstan and Uzbekistan. Under the development frameworks of the Asian Highway, CAREC, the Eurasian Economic Community and the Transport Corridor Europe Caucasus Asia, Tajikistan has taken an initiative to implement a number of road projects that are scheduled to be completed by 2025. This initiative includes three Asian Highway routes, namely AH7, AH65 and AH66.

18. The CAREC corridor 1b, linking western Europe with western China, is the main road corridor in Kazakhstan. It crosses over a distance of 2,787 kilometres from Khorgos, at the border with China to the border with the Russian Federation north of Aktobe. The Government of Kazakhstan has placed high importance on improving this important corridor. Separate projects within the CAREC initiative to upgrade the corridor are being implemented. In one such project, $1.26 billion has been allocated for the development of the Almaty – Khorgos road section. This project will result in increased transport efficiency along the Western Europe–Western China Road Corridor within Almaty Oblast. The upgrading of 1,065 kilometres of the road corridor within the South Kazakhstan and Kyzylorda Oblasts is another similar project.

19. Both China and India have continued to implement their road development programmes. In China, the net yearly increase in highway mileage in 2009, 2010 and 2011 was 130,659 kilometres, 147,397 kilometres and 98,158 kilometres, respectively. In 2011, the total length of highways and expressways in the country reached 4,106,387 kilometres and 84,946 kilometres, respectively. In the same year, the country's national and provincial truck road mileage reached 473,438 kilometres and rural road mileage reached 3,563,983 kilometres.

20. In India, 228 contracts that originated from various components of the National Highway Development Programme (NHDP) and covered about 14,000 kilometres of highways were being implemented in 2012. As of December 2012, of the 55,500 kilometres of national highways planned under the different components of NHDP, 19,000 kilometres of highways with four or more lanes had been completed.[6] The total length of national highways in India as of March 2012 was 76,818 kilometres. Within the country are another 164,000 kilometres of state highways (2011), 2,749,805 kilometres of rural roads and 1,294,000 kilometres of other roads.[7]

21. To assist member States in their efforts to promote investment in the Asian Highway network, the secretariat is implementing a project entitled "Promotion of Investment in the Asian Highway Network: Prefeasibility Studies for Priority Sections". Under this project, it has extended technical assistance to Bangladesh, Kyrgyzstan, Mongolia and Myanmar to undertake prefeasibility studies of selected priority routes and promote investment in the Asian Highway. National workshops to build capacity were also organized in these countries. The outcome of the prefeasibility studies will be presented at the Asian Highway Investment Forum, which was to be held in Bangkok on 8 and 9 October 2013.

B. Trans-Asian Railway network

22. The second meeting of the Working Group on the Trans-Asian Railway network, which was held in Busan, Republic of Korea, on 14 and 15 June 2011, adopted amendments to annex I to the Intergovernmental Agreement on the Trans-Asian Railway Network proposed by China, the Islamic Republic of Iran, Mongolia and Uzbekistan. The adopted amendments called for the following: a more accurate alignment of rail connections in southern China with the Lao People's Democratic Republic and Myanmar; the completion of two missing links, namely the Kerman – Zahedan line section in the Islamic Republic of Iran, which would make rail services with Pakistan possible, and the Dekhanabad–Darband line section in Uzbekistan, which would facilitate movements to Afghanistan and Tajikistan; and additional line sections to be built in Mongolia for the transport of mineral resources to third countries.

23. The third meeting of the Working Group on the Trans-Asian Railway Network is scheduled to be held in Bangkok on 5 and 6 November 2013. During the meeting, proposals for amendments to the Intergovernmental Agreement on Trans-Asian Railway Network will be considered.

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[6] Department of Economic Affairs, *Economic Survey 2012-13*, p. 243. Available from http://indiabudget.nic.in/es2012-13/echap-11.pdf.

[7] Ministry of Road Transport and Highways, Basic Road Statistic of India 2008-09, 2009-10 and 2010-11 (August 2012). Available from http://morth.nic.in/writereaddata/mainlinkFile/File839.pdf.

24. The Trans-Asian Railway network comprises four major corridors with each corridor presenting different characteristics in their configuration and operational readiness. In the Northern Corridor, with the exception of the missing link between the northern and southern parts of the Korean Peninsula, which is in place but not yet in operation, there is a high level of operational readiness. In the Southern Corridor, a number of missing links hamper the development of international traffic while the priorities given to their development varies between countries based on each country's financing capabilities. In the ASEAN region, the need to develop subregional rail linkages is now receiving full acceptance. Related activities are being implemented by the ASEAN secretariat under the Singapore-Kunming Rail Link Project and the Master Plan on ASEAN Connectivity, although funding, prioritizing projects and different levels of operational capabilities are obstacles to rapid concrete action and efficient rail movement. In the North-South Corridor, which links Northern Europe to the Persian Gulf, operational readiness is high, but the actual operation of the corridor will only be possible after the completion of the missing link between Azerbaijan and the Islamic Republic of Iran.

25. Notwithstanding the above, the Trans-Asian Railway is very much an active network. In locations where track continuity exists, larger volumes of long-distance international freight transit the network; in particular, an increased number of containers are being carried by rail along the Trans-Siberian main from Nakhodka/Vostochny (Russian Federation) to destinations in Central Asia and Europe, as well as along the routes between the ports of Tianjin (China) to Ulaanbaatar and Lianyungang (China) to Central Asia. Indeed, the successful implementation of the Trans-Asian Railway activities and recognition of the network by member countries as a tool for international trade is evidenced by the growing usage of it for cross-border movements of container block-trains. In the Russian Federation, for example, the use of container block-train services along the Transiberian main line have continued to grow, with rail-carried twenty-foot equivalent units (TEUs) jumping close to 80 per cent from 420,526 in 2006 to 748,544 in 2010.[8] In China, intermodal services continue to gain ground in the overall traffic task of Chinese Railways, both domestically and internationally, with increased long-distance cross-border movements to Central Asian countries and Mongolia. Chinese Railways is also building on its growing successes at running international intermodal rail services to Europe. In May 2011, a five-days-a-week direct rail freight service was launched between the Port of Antwerp, the second-largest port in Europe, and Chongqing, the industrial hub in southwest China, with westbound cargo largely including automotive and technological goods, and eastbound shipments made up mostly of chemicals.[9] Meanwhile, since September 2011, DB Schenker Rail Automotive of Germany, which specializes in rail automotive logistics, has managed some 200 container trains filled with automobile parts being transported from Leipzig and Wackersdorf, Germany, to a factory in Shenyang in Liaoning Province, China, where components are used in the assembly of BMW vehicles.[10] In both cases, transit times are halved, making rail more attractive to businesses manufacturing high-value products.

26. Other countries are pursuing efforts to capitalize on the potential of intermodal services. In November 2012, the Governments of Azerbaijan,

[8] Containerisation International, "Trans-Siberian Shivers", September 2009 and globalrailnews.com.

[9] "Antwerp-Chongqing Direct Rail Freight Link Launched", Industry Leader Magazine, 12 May 2011. Available from www.industryleadersmagazine.com/antwerp-chongqing-direct-rail-freight-link-launched/.

[10] See www.dbschenker.com.

Georgia, Kazakhstan and Turkey signed a memorandum of understanding to implement the Silk Wind Project. Under the project, a container block-train service will be operated from the Sino-Kazakh border point at Dostyk to the Caspian Sea port of Aktau in Western Kazakhstan from where containers will be shipped to the port of Alyat in Azerbaijan. From Alyat, containers will be rail-carried to Baku and then to Turkey via Georgia along the soon-to-be-completed Baku-Tbilisi-Kars rail project. The completion of a rail tunnel through the Istanbul Strait will enable the extension of those services to Eastern and Southern Europe.

27. The Silk Wind Project is an example of the increasing efforts by governments and railway organizations of the region to enhance the role of railways in the overall transport task of their countries and in moving international trade. Another example is a collaboration launched in May 2013 involving Russian Railways, and its TransContainer subsidiary with Vostochnaya Stevedoring Co. to set up an express service, which cuts the time to ship standard containers the 9,400-kilometre distance between the port of Nakhodka in the Russian Federation and Moscow to seven days from 11 to 14 days. In many other instances, countries of the region have been implementing a number of projects to improve rail connectivity with their neighbours. Some examples are as follows:

(a) In February 2013, Chinese Railways opened the 141-kilometre line between Yuxi and Mengzi rail infrastructure that improves rail operations to Viet Nam;

(b) In May 2013, Kazakhstan and Turkmenistan celebrated the completion of a 146-kilometre line from Uzen (Kazakhstan) to Serhetyaka (Turkmenistan) as part of a wider project to extend the line southwards to Gorgan in the Islamic Republic of Iran;

(c) The Government of Armenia has cleared the way for conducting a feasibility study on the construction of a 316-kilometre single-track electrified line section that will connect its rail network with that of the Islamic Republic of Iran;

(d) The Government of Afghanistan has prepared a rail development master plan that aims to develop connectivity with neighbouring countries, thereby offering the long-term prospect of rail transit between countries of Central Asia and the ports of Chabahar and Bandar Abbas in the Islamic Republic of Iran and Gwadar and Karachi in Pakistan;

(e) In Bangladesh, work is being undertaken to restore a cross-border rail operation with India along the Shahbazpur-Mahisashan line section, which was closed to traffic in 2002 due to poor track condition;

(f) The Governments of Bangladesh and India are cooperating on the construction of a new faster inter-country rail connection between Agartala (India) and Akhaura (Bangladesh) which, when completed, will facilitate sea access to the port of Chittagong for the North-Eastern States of India.

28. Taking advantage of technical or financial assistance from within the region is also a growing trend in railway development. With a $800 million loan from the Government of India and assistance from Indian Railways Construction Company Ltd. (IRCON), work has been completed on the 43-kilometre section Madawachi – Madhu line section of the Madawachi – Talaimannar line. Under a March 2013 bilateral agreement, similar cooperation is taking place between Russian Railway and Vietnam Railways over the design and construction of a line section to connect mineral deposits to the main network in southern Viet Nam. Meanwhile, Samsung C&T (Republic of Korea) has been awarded contracts in Australia and Mongolia pertaining to mining and rail transport. In Western Australia, under as $5.82 billion contract,

the company will develop a 344-kilometer heavy-haul single track spanning from Roy Hill mine to port facilities south of Port Hedland and ancillary facilities. In Mongolia, under a $483-million contract, it will develop a 217-kilometre line from the Tavan Tolgoi mining facilities to the Chinese border.

29. In an effort to address its shortage of locomotives, Pakistan Railways has signed a contract for the procurement of 50 locomotives from China. It is also implementing a track-doubling project between Lahore and Karachi which, upon completion, will substantially reduce transit times. The Government of Pakistan is also planning to launch a feasibility study to rail-connect the port of Gwadar to the country's network with the long-term objective of offering maritime access to Afghanistan and China. Finally, a $2.7 billion upgrade is taking place along the Karachi-Peshawar corridor to run trains at 120 kilometres per hour with a view to reducing transit times from 27 to 17 hours.

30. With many projects being implemented or considered, countries are also applying new ways of thinking to facilitate investment in the railway sector. For example, the president of Turkey signed legislation in April to enable the private sector to invest in rail infrastructure and operate open-access trains on the national network. The legislation will allow the Ministry of Transport and Communications to grant private companies concessions to build and operate railways. In Armenia, a project to build a 316-kilometre single-track electrified section line (see paragraph 27) to the Islamic Republic of Iran will be undertaken under a 30-year concession agreement. In Thailand, the Government has announced plans to establish a railway investment and regulation unit as part of the Transport Ministry.

31. Other important projects being implemented or considered to improve or modernize passenger and freight transport by rail in the region include:

(a) an agreement between the Governments of Malaysia and Singapore to build a high-speed line between Kuala Lumpur, Malaysia and Singapore under a public-private partnership modality with completion envisaged for 2020;

(b) a heavy-haul line in Mongolia for the transport of coal;

(c) the construction on an initial 343-kilometre double-track electrified section in India between Kanpur and Khurja as part of the Delhi – Kolkata dedicated freight corridors;

(d) the design and construction of a 1,100-kilometre high-speed line in Kazakhstan between Almaty and Astana and in China, between Qingdao and Jinan.

Finally, in landlocked Nepal, an ordinance was signed in April which paves the way for the formation of a Railway Board to oversee the development of a national rail network.

32. To further improve the operation of rail transport, 37 transport ministers and other high-level government representatives signed in Geneva on 26 February 2013, a joint declaration to work towards negotiating a unified railway law (URL). The declaration contains the commitment of countries along Euro-Asian rail transport lines to work together to establish unified legal conditions for railways that are equivalent with those already existing for other modes, namely road, air, inland water and sea, to enable the transport of cargo

and containers by rail across countries with a single transport contract, a single consignment note and under a single liability and claims system.[11]

33. As part of the effort to enhance the operationalization of the Trans-Asian Railway network, the secretariat has been undertaking a study on costing and marketing of railway services as well as facilitation of rail transport. The study will include a review of the service level, marketing practices and tariff-setting mechanism applied by concerned member countries along selected Trans-Asian Railway routes serving intraregional and interregional trade.

C. Dry ports and logistics developments

34. Recognizing the need to integrate modes as well as to facilitate the emergence of efficient logistics in the region, the Ministerial Conference on Transport, which was held in Bangkok from 12 to 16 March 2012, reaffirmed the mandate given to the secretariat under Commission resolution 48/11 to work toward realizing the vision of an international integrated intermodal transport and logistics system.[12] Acting on the mandate, the secretariat is actively collaborating with member countries to develop a network of dry ports that would enable greater integration between infrastructure networks and increase the efficiency of transport in the region.

35. Recognizing that dry ports can facilitate trade, a number of countries have started to implement projects to develop modern facilities or upgrade existing ones. The Government of Bangladesh is in the process of relocating the Kamalapur Inland Container Depot from an area next to the railway station of Dhaka to near Dhirasram railway station in Gazipur District in an effort to ease congestion in the capital and reduce cost of business. The new dry port, for which a feasibility study was completed in 2007 under financial assistance from the World Bank, is set to be developed under a public-private partnership and is expected to have an annual handling capacity of 355,000 TEU. Located on the Chittagong – Dhaka rail corridor and close to the Tongi industrial area, the facilities are envisioned to substantially reduce the cost of container movements. At the same time, the facilities will also support Indian transit traffic between the port of Kolkata and the north-eastern region of India.

36. In China, where the launch of high-speed line is freeing capacity on the conventional network, Chinese Railways is tapping more actively into intermodal business with the launch of new container block-train services to cities in the western part of the country, as well as to destinations in eastern and central Europe. Supporting this drive is the network of modern high-capacity dry ports and intermodal facilities built by the Government of China, which, in 2007, set up China United International Rail Container Co. Ltd. as a special entity to build large-scale rail container terminals and logistics hubs in the country with the involvement of domestic and foreign investors. A total of 18 state-of-the-art facilities have been completed. They are at Beijing, Chengdu, Chongqing, Dalian, Guangzhou, Harbin, Kunming, Lanzhou, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Urumqi, Wuhan, Xi'an and Zhengzhou.

37. Based on the view that availability of adequate logistics facilities and services is key to unlocking trade, the Governments of China and Kazakhstan have been cooperating on the development of the "Khorgos-East Gate" free economic area, which is in south-eastern Kazakhstan, a kilometre from the border with China. Within this area is the Khorgos International Centre for

[11] See E/ESCAP/FAMT(2)/3.

[12] See E/ESCAP/MCT.2/12.

Cross-Border Cooperation, centres for trade activities, a dry port, a complex for transport and logistics, an industrial area and plots for industrial companies. The project is included in the strategic plan for the development of Kazakhstan by 2020 and estimated to cost about $3.5 billion, of which about 75 per cent will be covered by private investments.

38. The Government of Uzbekistan has undertaken a number of initiatives to develop intermodal corridors and dry ports in the country, in particular at Angren in the Tashkent region to serve the Andijan, Namangan and Ferghana regions of eastern Uzbekistan, and in Navoi, a city that is 350 kilometres south-west of Tashkent. In Navoi, a dry port has been developed in connection with a free industrial zone that was set up close to the international intermodal hub at Navoi airport, which opened in 2009 under the management of Korea Air. The facilities are situated along major subregional road, rail and aviation routes to capitalize on the country's transit potential. To encourage companies to set up operations in the free trade zone, the Government has offered tax incentives and exemptions from customs fees.

39. The Container Corporation of India (CONCOR) has put in place an extensive network of 62 inland container depots (ICDs) in the country, of which 48 are export-import depots. The company's customs bonded ICDs are dry ports. The terminals offer a range of services including warehousing, container parking, repair facilities and office space. The company adds value to the logistics chain by offering the provision of a single-window facility under which the different agencies and services involved in the containerized cargo trade, including customs, gateway ports, railways, road hauliers, consolidators, freight forwarders and shipping lines, are coordinated. As a result of the efficiency tied to this facility, container traffic in India has jumped from 1,044,728 TEU in fiscal year 2000/2001 to 2,604,311 TEU in fiscal year 2011/2012.[13] The dry port policy of CONCOR is playing a key role in the Government's Delhi-Mumbai Industrial Corridor project, of which the two dedicated rail freight corridors are essential components.

40. The Birgunj ICD was developed by the Government of Nepal with support from the World Bank. It has a 12-kilometre rail link to the Raxaul railhead at the Nepal-India border with further rail connection to the Kolkata/Haldia port complex in India, and is equipped with the Automated System for Customs Data (ASYCUDA), a computerized management system developed by the United Nations Conference on Trade and Development. To ensure smooth movements of trade, the Government of Nepal signed a rail service agreement with India for the operation of dry ports. The Birgunj facilities are leased to the private sector for operation. They currently handle containers, tank wagons for liquid cargo and flat wagons for bilateral break-bulk cargo, receiving an average of 15 to 16 freight trains per month. In a country where climate change and global warming could have serious repercussions, the potential of the rail-based Birgunj ICD towards reducing greenhouse gas is an important reason behind further development of the facility.

41. In the Republic of Korea, the Uiwang Inland Container Depot, located 25 kilometres from Seoul, was developed in 1992 by Korean Railroad and a number of private transportation companies. It currently handles more than one million TEU per year. The provision of rail sidings at the site has contributed to a modal shift towards rail transport and helped reduce road congestion and greenhouse gas emissions along the Seoul-Busan corridor. Currently, the site has a capacity to handle 36 trains per day. The facilities at Uiwang have also

[13] See www.concorindia.com.

helped cut congestion at the port of Busan while providing employment to 1,000 people and generating tax revenues for the local government.

42. The main dry port in Thailand is the Lad Krabang Inland Container Depot, which was developed by the State Railway of Thailand (SRT) with funding from public and private entities. Located about 27 kilometres east of Bangkok (next to Suvarnabhumi International Airport) and 118 kilometres north of Laem Chabang Port, the facility became operational in 1996. It is served by road and rail links and is managed by SRT, with the terminal operations being contracted out to a number of operating concessionaires from the private sector. The concessionaires are mostly offshoots of the shipping lines and the service they offer are related to cargo consolidation, distribution, warehousing, customs clearance and empty container storage. The annual throughput of the dry port has grown well beyond its initial design capacity of 500,000 TEU and thus expansion plans are now being considered. In its present configuration, with a rail share of more than 20 per cent for movements to and from the Laem Chabang Port, the site contributes to reducing congestion and greenhouse gas emissions in the vicinity of Bangkok.

43. The flagship dry port project in Indonesia was developed in Cikarang. The Cikarang Dry Port is strategically located in the Jababeka Industrial Estate, which is in the heart of the largest manufacturing zone of west Java and serves as a manufacturing base for more than 2,500 industrial companies. The facility processes more than half of the total container throughput of the Tanjung Priok Port, the country's main container port, which, in 2011, handled more than 4.7 million TEU. Approximately 200 hectares are allocated for the dry port, which is accessible by highway and through the railway system. Serving as the extension gate of the Tanjung Priok Port, document formalities for port clearance and customs clearance are completed at Cikarang. The development of this dry port is one of several government initiatives that aim to streamline and increase the country's competitiveness.

44. Under the project entitled "Capacity-building for the development and operation of dry ports of international importance", the secretariat, in close collaboration with the Office of Legal Affairs (OLA), has assisted member countries in developing and negotiating a draft intergovernmental agreement on dry ports through a series of subregional and regional meetings. The final text of the agreement was approved by the Committee on Transport at its third session, which was held in Bangkok from 10 to 12 October 2012, and formally adopted by the Commission at its sixty-ninth session in resolution 69/7 of 1 May 2013. The Agreement will be open for signature in Bangkok on 7 and 8 November 2013, and thereafter at United Nations Headquarters in New York from 11 November 2013 to 31 December 2014. The secretariat is now liaising with OLA and seats of government to organize a signing ceremony on 7 November 2013 during the Forum of Asian Ministers of Transport at its second session.

45. In parallel, the secretariat is implementing activities to enhance the capacity of member countries to plan, develop and operate dry ports of international importance and to implement the Intergovernmental Agreement on Dry Ports. The secretariat is working on a review of best practices in the establishment and operation of dry ports both from within and outside the region. Areas under review cover: (a) features of a dry port; (b) insight into possibilities and problems for dry port realization; (c) consideration for options for dry port funding and management; (d) communication between dry ports and other actors in the logistics chain; and (e) description of international communication technologies for efficient dry port management. Case studies and best practices in the ESCAP region as well as in Europe and North America will then be used to draft policy guidelines to assist transport

policymakers of the region in planning the development of dry ports in their respective countries. The initial review findings have already served as input to a subregional seminar held in Busan, Republic of Korea, on 11 and 12 June 2013 for countries of North and Central Asia and East and North Asia. The secretariat is planning to hold a similar subregional meeting for countries of South Asia and South-East Asia in 2014.

D. Inter-island shipping and logistics

46. The provision of efficient, reliable and affordable shipping services to, from, between and within island and archipelagic developing countries presents a number of unique constraints and challenges. Such a provision, however, is vital in helping to bring about economic and social benefits to the people living in Asia and the Pacific. Thus, inter-island shipping and transport logistics are major themes of the Regional Action programme for Transport Development in Asia and the Pacific, phase II (2012-2016), which was adopted by the Commission in its resolution 68/4.

47. In a follow-up to resolution 68/4, the secretariat, in collaboration with the International Maritime Organization, the Pacific Islands Forum Secretariat and the Secretariat of the Pacific Community, organized the High-level Meeting on Strengthening Inter-island Shipping and Logistics in the Pacific Island Countries in Suva from 23 to 25 July 2013. The meeting adopted the Suva Declaration on Improving Maritime and Related Services in the Pacific.[14]

48. The secretariat will assist island and archipelagic countries in identifying possible approaches to enhancing the regularity, reliability and affordability of the shipping services. This may be achieved through: (a) studies, capacity-building activities and policy recommendations on effective strategies for securing regular, reliable and affordable inter-island shipping services; and (b) advisory services and technical support extended to member countries, upon request, regarding the implementation of the policy measures and the relevant provisions of the Suva Declaration on Improving Maritime Transport and Related Services in the Pacific to support inter-island shipping.

III. Issues for consideration

49. The Forum may wish to provide the secretariat with guidance on future activities of the secretariat on the development of regional and interregional transport networks to meet the priority needs of member countries in their efforts towards the realization of the vision of an international integrated intermodal transport and logistics system, particularly on: (a) developing and improving cross-border land transport infrastructure by using the Asian Highway and the Trans-Asian Railway networks; (b) developing and upgrading the Asian Highway network, especially in countries where a significant part of the network still does not meet the minimum class III standards; (c) putting in place the Trans-Asian Railway missing links; (d) work on dry port development, with a view to improving the efficiency and effectiveness of the transport sector for more inclusive economic development; and (e) enhancing connectivity for archipelagic and small island developing states.

50. The Forum may also wish to: (a) encourage countries that have not yet become parties to the intergovernmental agreements on the Asian Highway and Trans-Asian Railway networks to consider doing so through ratification, acceptance or approval (for signatures) or accessions (for non signatories);

[14] See E/ESCAP/FAMT(2)/6.

(b) sign the Intergovernmental Agreement on Dry Ports and initiate their legislative process to become a party to it to ensure an early entry into force;
(c) agree on a process of updating the secretariat at regular intervals on priority rail and road projects being implemented or considered in their countries; and
(d) propose amendments to the intergovernmental agreements on the Asian Highway and Trans-Asian Railway networks as early as possible for consideration by the next meeting of the relevant working groups.