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10ᵗʰ South Asia Conference
Strengthening Connectivity in South Asia
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Concept Note

South Asia has emerged among the fastest-growing regions in the world and is expected to play a dynamic role in shaping the 'Asian Century'. Known for its human and natural resources, it has the world's largest young working population and a significant number of middle-class consumers. According to the most recent World Bank *South Asia Economic Focus*, South Asia's economic growth is forecasted to gradually accelerate from 7.1 per cent in 2016 to 7.3 per cent in 2017. It is likely to reach 7.4 per cent in 2018 and 7.5 per cent in 2019. It is estimated that South Asia needs to generate employment for more than 12 million people of working age every year. Home to one-fifth of humanity, it also has 40 per cent of the world's poor or close to about 400 million people still living in poverty. South Asian countries face significant challenges in providing their people public education, health care, livelihood, and social security. Almost all the South Asian countries are also prone to frequent natural disasters. While they are busy pursuing their respective development plans, it is clear that no country alone can deal with socio-economic challenges that require collective efforts at a regional level.

For taking forward this idea, the South Asian Association for Regional Cooperation (SAARC) was established three decades ago. As a regional organisation, it has attempted integration amongst its states parties, first through preferential, and then, free trade arrangements. Since there were limitations to this approach, SAARC later focused on lack of 'connectivity' as a major factor affecting regional economic cooperation and integration. The 16ᵗʰ SAARC Summit held at Thimphu, Bhutan in 2010 had declared 2010-2020 as the 'Decade of Intra-Regional Connectivity'.

Connectivity has multiple facets—physical, socio-cultural, political and economic. SAARC laid special emphasis on physical connectivity—building transport infrastructure and transit facilities to enable trans-South Asian road connectivity. The 17ᵗʰ SAARC Summit held at Addu City, Maldives in 2011 had re-iterated the importance of promoting 'effective linkages and connectivity for greater movement of people, enhanced investment and trade in the region'. SAARC leaders have also underlined their commitment towards establishing a South Asian Economic Union (SAEU) by 2020.

Beyond the mid-point of the 'decade of connectivity', South Asia continues to suffer from connectivity and infrastructure deficits. During the 18th SAARC Summit held at Kathmandu, Nepal in 2014, the member states had 'renewed their commitment to substantially enhance regional connectivity in a seamless manner through building and upgrading roads, railways, waterways infrastructure, energy grids, communications and airlinks to ensure smooth cross-border flow of goods, services, capital, technology and people.' The forward-looking agenda in fact went beyond intra-regional connectivity and recognised the need for enabling inter-regional connectivity 'linking South Asia with contiguous regions, including Central Asia, and beyond by all modes of connectivity.'

In the absence of consensus on enabling the trans-South Asian road connectivity project, attempts have been made to facilitate sub-regional connectivity through Bangladesh, Bhutan, India and Nepal (BBIN) Motor Vehicle Agreement signed in June 2015 for the regulation of passenger, personal and cargo vehicular traffic amongst the four signatory countries. There are also efforts to bring about bilateral multi-modal connectivity projects like the one between India and Bangladesh. There is a sub-regional consensus on the need to work together on issues pertaining to water, power, transport and infrastructure.

The six member countries of the South Asia Subregional Economic Cooperation (SASEC) programme, launched in 2001 and supported by the Asian Development Bank (ADB), have implemented several regional projects in the field of energy, transport, trade facilitation, and information and communications technology (ICT) sectors. Comprising of Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka, SASEC seeks to strengthen the intra-regional trade by developing multi-modal regional transport and trade facilitation networks. Some of these connectivity initiatives seek to reinvent the linkages that existed across the region during the colonial period and were subsequently lost due to inter-state dissonances. As of now, the intra-regional trade is less than six per cent of the region's total trade and the intra-regional investment accounts for only three per cent of the total investment flow in the region. Globally, South Asia accounts for merely two per cent of the trade and 1.7 per cent of the investment.*

All South Asian countries recognise the need for improving the state of connectivity both within their borders and with other countries in the region. They have, however, not so far been able to take advantage of the connectivity initiatives taken by multilateral bodies like the ADB and also the UN Economic and Social Commission for Asia and the Pacific (ESCAP). Instead, they have been a victim of politics based on legacy issues that inhibit effective inter-state engagement. State-sponsored cross-border terrorism remains one such major impediment. Persisting differences at the political level, coupled with huge imbalances in trade and investment, are often used by vested interests to cultivate negative stereotypes and strengthen misperceptions in the region.

Impediments in the westward extension of the trans-South Asian road and rail connectivity have encouraged other regional efforts to extend the links eastward, in the shape of Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and

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* "Statement by External Affairs Minister during 37th SAARC Council of Ministers' Meeting in Pokhara", *Ministry of External Affairs, Government of India*, March 17, 2016.

the India-Myanmar-Thailand Trilateral Highway, to build the missing links of the Trans-Asian Railway and the Asian Highway networks. The idea of extending the Trilateral Highway to Vietnam via Myanmar, Cambodia and Laos is already under discussion.

Developing maritime infrastructure too is critical to promoting both intra and inter-regional connectivity and trade, as much for India as for the other South Asian nations. About 90 per cent of India's trade by volume and 70 per cent by value moves through ports. The primary objective of India's *Sagarmala* project is to improve the operational efficiency of its existing ports in order to enhance connectivity with the main economic centres and beyond through expansion of rail, inland water, coastal and road services. Several projects have been identified on port modernisation, port connectivity, port-led industrialisation, and on coastal community development. India also plans to develop Coastal Economic Zones (CEZs) in the coming years. The vast Indian Ocean region hosts over 40 states and nearly 40 per cent of the world's population. Prime Minister Mr. Modi had stated in 2015 that India seeks 'a future for Indian Ocean that lives up to the name of SAGAR – Security and Growth for All in the Region.' If land connectivity is crucial particularly for the development of the three land-locked member states of SAARC – Afghanistan, Nepal and Bhutan – sea or maritime connectivity is equally crucial for them and the remaining five SAARC member states, including the two island nations, Sri Lanka and the Maldives.

Additionally, despite the obvious gains from enhanced connectivity and its strong advocacy by national leaders, the States in the region have not so far made satisfactory progress in this area. Besides political differences at the inter-State level, the concerns of the national security agencies in the region about possible adverse impacts of improved connectivity on state-security often constrain and inhibit governmental approach to 'connectivity' and come in the way of its effective implementation. The issues that impinge on security are trans-border crime, human and drug trafficking, fake currency notes, unauthorised transfer of small arms and light weapons, illegal trade and migration. The possibility of mass cross-border migration as a consequence of climate change and other weather events could also be another matter of concern. These issues need to be adequately addressed by the proponents of connectivity for better regional integration.

There is a welcome view that greater connectivity, if implemented efficiently and effectively with proper investment in technology to generate and manage data with regard to movement of people and goods, will ameliorate rather than accentuate many concerns often flagged by security managers. Other issues that require greater attention include sequencing, financing and measuring of connectivity efforts in South Asia. The conference will offer an opportunity to explore these gaps in our understanding of the subject.

India's 'Neighbourhood First' policy, which prioritises regional cooperation, connectivity and people-to-people contacts, is very much based on the principle of collective efforts and inclusive growth in the entire SAARC region. India is looking towards the finalisation of the SAARC Motor Vehicles Agreement and the SAARC Railways Agreement in this regard. If Bangladesh and Myanmar could serve as land-bridge between South and Southeast Asia, Pakistan and Afghanistan too have the potential to emerge as major transit and transportation hubs between South and Central Asia and regions beyond.

South Asia as a sub-continent, linking the Gulf States, Central and West Asia to East and Southeast Asia, has the natural potential to emerge as a key Asian roundabout. There is a need to improve the interoperability of customs electronic interfaces and harmonise the operating procedures of border crossing points and land customs stations, and to develop a network of multi-modal transport systems connecting and integrating the entire South Asia region. Improved infrastructure and connectivity also means better governance, which creates conducive environment for greater domestic and foreign investment and value chain. None of this is however possible without broadening the political space and cultivating the constituencies needed to operationalise and sustain collaborative development strategies.

This year's South Asia Conference, 10th in the series, seeks to closely examine the key issues pertaining to lack of connectivity within the region, and explore the possible way forward to transform South Asia into one of the most economically integrated regions in the world. Some of the questions to be addressed in the two-day conference include the following:

1. **How is the idea of connectivity perceived by South Asian countries? What are the shared benefits of connectivity? What are the main constituencies advocating for a pan-South Asian connectivity?**

2. **How are South Asian countries responding to various initiatives taken to promote connectivity under the clusters of trade, transportation, information and communications technology, energy, tourism and pilgrimage, and people-to-people contact?**

3. **What are the key challenges to operationalising efforts aimed at enhancing connectivity in the identified clusters?**

4. **What are the specific ways in which challenges to regional connectivity can be overcome?**