South Asia Sub-regional Economic Cooperation (SASEC): Building Block Between South & East Asia

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7 September 2012
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1. Introduction
RCI in Practice in South Asia

- SAARC - South Asian Association for Regional Cooperation
- SASEC - South Asia Subregional Economic Cooperation
- BIMSTEC - Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
Genesis of SASEC

- ADB supported the South Asia Growth Quadrilateral (SAGQ) that was endorsed by the Ninth Summit of the SAARC (Male Summit) in 1997
- Founding members SAGQ: Bangladesh, Bhutan, India and Nepal (BBIN)
- Four years later, in 2001, ADB launched South Asian Sub-regional Economic Cooperation Program (SASEC)
2. Significance of SASEC
For SASEC Countries

- **Bangladesh**: New markets, develop its ports, energy import
- **Bhutan**: Access to ports, export of energy
- **India**: Access to ports for NE, transit through Bangladesh to NE
- **Nepal**: Access to ports, export energy
North-East India

- Eastern and North Eastern states account for 21% of total area and around 26% of total population of India. Per capita GDP for NE India in 2008 was Rs25,800, while it was Rs42,143 for rest of India.
- FDI inflow (April 2000 to August 2010) in NE states is Rs 2,800 million compared to Rs1,849,560 million in Maharashtra and Rs1,099,810 in NCR
- Contribution to Exports by NE States is less than 8% compared to 24% by Maharashtra and 22% by Gujarat

Deloitte and AMCHAM. 2011. Globalization for development of Eastern India. India

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SASEC consists of 4 countries of SAARC, and BIMSTEC
SASEC along with Myanmar lie at the centre of Asia’s transformational trio—PRC, India and South East Asia
With changes in Myanmar, the significance of SASEC as building block for inter-regional integration has boosted
Asia is increasingly integrated economically stretching from the shores of the Black Sea in the West to the Western shores of the Pacific in the East and stretching from the Maldives and South Pacific to PRC and Central Asia in the North.
Strategic Importance of SASEC for Realizing “Asian Century”

SASEC and Myanmar are at the centre of the connectivity between India, PRC and South East Asia.

If the potential of Asia 2050 is to materialize, greater integration between India, South East Asia and PRC will be central.

GDP figures- Estimate of global GDP contribution by India, PRC and South East Asia in 2050 if full potential realized.
3. Progress Made Under SASEC
Since 2001, ADB has provided 14 regional technical assistance amounting to approximately $7.6 million to support the priority sectors under the SASEC program.
A Decade of SASEC

- Flagship Projects
  - SASEC Information Highway Project
  - South Asia Tourism Infrastructure Development Project
  - Bangladesh-India Electrical Interconnection Grid Project

- Sectoral Assistance
  - Tourism: 10–year tourism development plan
  - Transport: Identification of six priority corridors (SRMTS]
  - Trade, Investment, and Private Sector Cooperation: South Asia Business Forum; private sector cooperation in non-tariff barriers
  - Energy and Power: Power generation (SRETS); Dagachu Hydropower (Bhutan)
  - Environment: Regional air quality management
SAARC Regional Multimodal Transport Study (SRMTS) RETA 6187

- SRMTS recommendations
- 10 regional road corridors/gateways
- 5 regional rail corridors/gateways
- 10 maritime gateways
- 7 aviation gateways
- Policy measures to improve transport & trade facilitation

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ADB's Assistance to Improve Connectivity in India's North Eastern Region

- State Road Development Program covers 6 States in the NER to upgrade 430 km of roads at $200 million
- ADB is also considering investments in the chicken-neck corridor of India by upgrading two key priority SASEC road corridors and in trade facilitation amounting to $105 million.

Source: ADB Project Documents, 2012

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4. Challenges and Opportunities Ahead
Current Inter-Regional Trade
(US$Billion)

Source: Yue, CS. 2011. Asian Trade Patterns, Production Networks, and SME Participation. Powerpoint
Sub-Regional Shares in Trade Gains from Logistics Improvement

Source: ADB TA: 7557 – Promoting Regional Infrastructure Development (TA estimates based on COMTRADE data for 2009 and ADB Key Indicators for Asia and Pacific 2010.)
Trade Facilitation (TF)

TF - Documentation

Logistic performance index (overall)

- Singapore: 25
- OECD members: 22
- China: 21
- Thailand: 20
- India: 19
- Bangladesh: 16
- South Asia: 15
- Bhutan: 14
- Sri Lanka: 14
- Nepal: 13

Countries listed from highest to lowest performance index.
Poor Cross Border Infrastructure

Queuing trucks at Benepole, Bangladesh
Queuing vehicles at Nepalgunj, Nepal
Regional Connectivity in North Eastern Region

- The LEP cannot be realized without providing the NER with world-class infrastructure and building a network of connectivity.

- Development of NER’s infrastructure includes (i) rail, road, inland water and air transportation; and (ii) communication networks to connect the NER with East Asia.
The Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC) aims to combine the “Look West” policy of Thailand and ASEAN with the “Look East” policy of India and South Asia.

BIMSTEC endorsed the Transport Infrastructure and Logistics Study (BTILS) [RETA 6335].

BIMSTEC Transport Infrastructure and Logistics Study (BTILS) recommended policy framework and strategies to be implemented within the period 2008-2020; with priority projects/activities from 2008 to 2014:

- road development
- railway system harmonization and connectivity
- development of gateway ports and airports
- formulation of transport agreements and facilitation measures
- implementation of the logistics action plan
Strengthen BIMSTEC: Myanmar, the Missing Link

• Myanmar is the missing link to connect South Asia and East Asia
• New developments in Myanmar signal that it is now time to strengthen India’s Look East Policy
• Myanmar has the potential to become an important land bridge and sea route to ASEAN, the PRC, and East Asia
• Strengthening BIMSTEC can be a strategic way to achieve linkages with Myanmar
Strengthen Greater Coordination Among SASEC, BIMSTEC and GMS

Proactively steps to facilitate greater coordination among regional and subregional cooperation initiatives, primarily through:

- Increasing engagement with ASEAN
- Facilitating greater BIMSTEC cooperation
- Providing more support for SASEC
- Strengthening the ‘Bangladesh, the PRC, India, and Myanmar (BCIM) Initiative’
- Increasing support for CLMV (Cambodia, Laos, Myanmar and Viet Nam) within the GMS framework
- Initiate and/or facilitate a common regional platform for subregional and regional programs to share information and strengthen coordination
6. Conclusions
Regional Cooperation: Immediate Neighbors

- Strengthen SASEC on transport connectivity, energy cooperation and trade facilitation
- Achieve seamless integration of movement of vehicles (road and rail) and goods in the SASEC
- Strengthen the BIMSTEC – establish effective rail and road links between India-Bangladesh-Myanmar
Regional Cooperation: South East Asia and PRC

- SASEC + BIMSTEC grouping should work closely with GMS and ASEAN
- Transform the largely bilateral trade flows between PRC and South East Asia into trilateral trade flows between India (South Asia), PRC and South East Asia
- Create win-win opportunities and unlock Asia’s full growth potential
Facilitating Role of ADB

- ADB plays key role in SASEC + BIMSTEC + GMS
- ADB committed to intra- and inter-regional cooperation
- ADB is committed to unlocking Asia’s full growth potential, where success of SASEC is critical
Thank You