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ISSUE ON

EXAMINING ‘CONNECTIVITY’ IN SOUTHEAST ASIA: CHALLENGES & PROSPECTS

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DECEMBER 2018 | VOLUME 1 | ISSUE 2

ISSN 2249-8043
ABOUT CIDS

CIDS (Conversations in Development Studies) is a peer-reviewed, quarterly research publication produced by the research team of Centre for New Economics Studies, O.P. Jindal Global University. The student-led editorial publication features solicited research commentaries (in the range of 2500-3000 words) from scholars currently working in the cross-sectional aspects of development studies. Each published CIDS Issue, seeks to offer a comprehensive analysis on a specific theme identified within the scope of development scholarship.

The editorial team's vision is to let CIDS organically evolve as a space for cultivating creative ideas for young research scholars (within and outside the University) working dexterously to help us understand and broaden the development discourse through conceptual and methodological insights on contemporary issues.

Any research commentary submission shall feature: a) brief review of the literature on a given research problem; b) the argument made by the author with details on the method used; c) documenting the findings and relevance of them in the larger scope of the literature; and (in some instances) d) present a brief policy action plan for agencies of the state (to address the issue-highlighted in the commentary). There are no pre-identified limitations or restrictions to methodological frameworks used by scholars (writing the commentary). However, the method incorporated in any accepted submission must explain its relevance in context to the nature of the study and the cited literature review.
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Volume 1: Issue II (Examining ‘Connectivity’ in Southeast Asia: Challenges & Prospects)

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ABOUT THIS ISSUE

Examining ‘Connectivity’ in Southeast Asia:

Challenges & Prospects

“There has been an unprecedented growth in Asia in the last two decades, largely stemming from the region’s role as the world’s factory through the development of an international production network”

(Roy and Hallenbeck 2010).

“Connectivity initiatives must follow principles of financial responsibility to avoid projects that would create unsustainable debt burden for communities; balanced ecological and environmental protection and preservation standards; transparent assessment of project costs; and skill and technology transfer to help long-term running and maintenance of the assets created by local communities,”

(Baglay).

Nations around the globe are currently witnessing a renewed focus on connectivity, especially in the region of Southeast Asia because of its wide-reaching implications on economic, political, financial and socio-cultural institutions, domestically as well as regionally. There is a direct positive correlation between connectivity infrastructure and economic growth, development and security. In this regard, investment in connectivity infrastructure positively affects a nation’s economy via increased investments and trade flows; grants energy security; brings massive foreign direct investment (FDI) inflows in sectors of tourism; and enhances the agriculture, manufacturing and services industry. Additionally, investment in connectivity infrastructure helps improve access to social opportunities for citizens across nations with better healthcare, education, sanitation, transport, thereby, improving the average standard of living.

Connectivity performs the function of granting both affordability and accessibility, which in turn brings down the cost of living by decreasing the cost of basic goods and services. Therefore, it is imperative to examine the drivers, challenges and prospects for enhancing greater connectivity in Southeast Asia.
while interpreting and analyzing some of the geo-political, socio-economic and financial considerations that affect ASEAN nations, both, independently and as a whole.

Enhancing Inter/Intra Regional Connectivity has therefore become the focal point of policy analysts, administrators and politicians and is being employed as a tool for realizing domestic and regional aspirations. This aspect has been addressed in detail by the commentary titled, ‘Significance of Infra-Connectivity in India’s Domestic & Regional Economic Integration Goals: Reflections from the North East’. Most Southeast nations are witnessing increased investment in regional physical connectivity, broadly categorized as ‘infrastructure’, ‘infrastructure-enabled industry’ and ‘infrastructure services’. This, as argued by the authors, can be illustrated by initiatives such as, the ASEAN Power Grid, the Trans-ASEAN Gas Pipeline, the ASEAN Highway Network, the ASEAN Single Aviation Market, and the many intra-country bridge and road links.

However, it is pertinent to mention that connectivity projects in the region go well beyond transport infrastructural projects and instead factor in other important aspects such as, ICT networks and cable links, information sharing via satellite and cables, power purchase agreements etc. including undersea cable connection projects. This aspect of connectivity has been addressed by the commentary titled, ‘The Pitfalls of China’s “Digital Silk Road” in Southeast Asia’. Further, as the authors argue, it is critical to understand connectivity in the present global context i.e. in an interconnected world order wherein domestic developments such as, economic shocks, inflow of immigrants, disease, conflict etc. has far-reaching consequences for the entire region as a whole.

The third commentary in this Issue titled, ‘ASEAN and SAARC Nations Enters New Era of Diplomacy’ discusses the need for investment in connectivity infrastructure in order to create better response capabilities and safeguards during disaster scenarios or in case of a crisis. The authors argue how there is a requirement for regional integration and cooperation between South, Southeast and East Asian countries, since, rapid population growth and urbanization of Asian economies has put huge pressures on infrastructural capacities, particularly in areas of transportation, energy, water, sanitation and communications sectors. There is thus, an urgent need to reduce the huge infrastructural deficit and accommodate the demands of the rising population. This is grounded in the rationale that the lack of critical infrastructure stands to limit all future growth, development and security of these economies as well as stunt competitiveness and stability in domestic markets. (ADB–ABDI 2009).

Owing to the multitude of benefits proposed to accrue from greater inter and intra-regional connectivity, there is an urgent need to invest in connectivity infrastructure into help realize India’s domestic and regional goals, as it is a
prerequisite to realizing India’s economic & development goals as well as strengthen bilateral and multilateral ties with Southeast Asian nations. In this regard, northeast India gains centrality given its geographical and socio-cultural proximity with ASEAN and hence possesses the capacity of driving economic growth, development and security in the region. Increased investment in connectivity infrastructure will positively affect India’s domestic as well as regional aspirations through increased cross-border trade, easier access via infrastructural development in the transport sector, FDI inflows via increased tourism & trade and in helping counter China’s expanding presence in the region via strengthening bilateral & multilateral partnerships as well as increased levels of energy security. Despite this realization, there exist inferior infrastructural levels in connectivity and energy security, muted economic growth and development, low levels of cross-border trade and tourism, thereby, making it harder to realize domestic goals and/or establish strong bilateral ties with ASEAN.

The general lack of adequate funds, complemented by risks associated with cross-border investment, which are made worse due to a lack of appropriate legal, regulatory, and governance frameworks add to the uncertainty surrounding such investment plans. Additionally, the political, legal, financing, and regulatory risks associated with cross-border investment add to the already existing deficit in connectivity infrastructure in the region, thereby, discouraging investment and trans-national connectivity projects.
The Pitfalls of China’s “Digital Silk Road” in Southeast Asia

Jyotishman Bhagawati 1

This study undertakes an analysis of China’s attempts to improve network connectivity with the Belt and Road countries in Southeast Asia. Given the positive role that digitisation has played worldwide in enhancing economic growth, transparency and accountability, coupled with the growing requirement for improving cyber infrastructure among the ASEAN states, China’s “Digital Silk Road” initiative has come at a very opportune time for the region. However, high hopes expected from the process of digitisation are clouded by concerns with regard to surveillance from Chinese intelligence agencies, which are known to have close links with Chinese tech companies like Huawei and ZTE. Since communications technology is expected to be a key driver of the global political economy in the 21st century, it has become an emerging arena for geopolitical rivalry among major states in the region. Against this backdrop, the commentary analyses the risks associated with the Chinese digital initiative for Southeast Asia, which is situated at the fulcrum of global trade corridors and emerging geopolitical rivalries. The paper argues that China’s Digital Silk Road initiative is part of China’s broader strategy to dominate the regional cyberspace and eventually bring about a new world order dominated by China. It concludes by arguing the need for greater engagement from states like India, Japan, Australia and the US in developing cyberspace capabilities and undertaking joint activities with like-minded states in Southeast Asia by leveraging their respective strengths and influences to counter the looming Chinese threat in the region.

Keywords: digital, connectivity, surveillance, Southeast Asia and China.

INTRODUCTION

Since the announcement of the One Belt, One Road Initiative, later renamed as the Belt and Road initiative by Chinese President Xi Jinping in 2013, a considerable amount of attention has been given on the tangible aspects of the trillion-dollar scheme, primarily related to infrastructure projects of dual-use nature including ports, roads and rail corridors. The hype surrounding the project continues to exist with many scholars comparing the BRI with the ‘Marshall Plan’ of the US. Whereas others view it as an extension of the ‘string

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of pearls’ strategy- a network of ports built around the Indian Ocean region and the South China Sea, extending from the Chinese Mainland to the Horn of Africa -believed to be designed to counter the USA’s influence in its immediate neighborhood and check the rising influence of other major states in the region like India and Japan. While scholars continue to debate on the strategic dimensions of the two tangible Silk Roads i.e., the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road (MSR), a third i.e. the Information Silk Road, now rebranded as the Digital Silk Road (DSR), has recently been introduced within the BRI. However, since digitization threats do not fall within the traditional concerns of security, this new silk road has been largely overlooked despite its significance and relevance.

The origin of Beijing’s Digital Silk Road project lies in a joint white paper released in March 2015 by China’s National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce, with State Council authorization. The white paper notes, “We [China] should jointly advance the construction of cross-border optical cables and other communications trunk line networks, improve international communications connectivity, and create an information Silk Road. We should build bilateral cross-border optical cable networks at a quicker pace, plan transcontinental submarine optical cable projects, and improve spatial (satellite) information passageways to expand information exchanges and cooperation” (National Development and Reform Commission 2015). The 13th Five Year Plan issued by China’s State Council also dedicates a special section on ‘New Generation High-Speed Fiber-Optics Networks’ which calls for developing “an online Silk Road with the Arab countries and others and accelerate the development of the China-ASEAN Information Harbour” (Central Committee of the Communist Party of China 2016).

Much like the SREB and the MSR, the DSR remains vague, in the sense that very little information has been released by Beijing about the finer details of the project. During his speech at the opening of the Belt and Road forum, President Xi Jinping revealed some aspects of the DSR. He highlighted the need for BRI states to cooperate “in frontier areas such as digital economy, artificial intelligence, nanotechnology and quantum computing, and advance the development of big data, cloud computing and smart cities so as to turn them into a digital silk road of the 21st century” (Ministry of Foreign Affairs of the People’s Republic of China 2017). Chen Zhaoxing, China’s vice-minister of information technology, argues that the DSR will help to create “a community of common destiny in cyberspace” (Noone 2018).

However, besides the diplomatic sweeteners by Chinese leaders in promoting the DSR, there are compelling reasons for China to push its digital footprint across the region. On the domestic front, China is faced with a declining rate of economic growth, industrial overcapacity, high labour wages, and an ageing populace with increasing aspirations for greater transparency, accountability and freedom (Banister, Bloom and Rosenberg 2012). For the Communist Party of China (CPC) – a party that places utmost priority on regime stability, these issues
cannot be left unchecked. Much of China’s growth trajectory in the last decade is attributed in large part to the use of regulated internet applications, which have led the rise of Chinese global conglomerates like Alibaba and Tencent. Therefore, it is logical for the CPC to place its bets on the future of the digital economy to sustain stable levels of economic growth (Kelkar 2018).

Externally, China is heavily dependent on the US for high-tech equipment, as exemplified by the banning of ZTE Corporation by the Trump administration from businesses in the US, which nearly bankrupted the Chinese tech company (Bhagawati 2018). Moreover, the bulk of undersea fiber-optic cables, which according to some estimates carry more than 98 percent of international internet, data, and telephone traffic, are also geographically concentrated and largely dominated by the US, raising fears about data security in China (Kelkar 2018). Thus, the DSR, complemented by other Chinese initiatives like the ‘Made in China 2025’ gives Beijing an opportunity to not only mitigate the risk of falling into the ‘middle-income trap’ but also to gradually reduce its external vulnerabilities. Since China already enjoys certain advantages with the ASEAN states, be it in hydro-diplomacy, trade or in their maritime disputes, the region presents itself as an attractive option for Beijing to promote its digital connectivity.

METHODOLOGY

The study has observed content analysis of primary data, mostly pertaining to policy statements and press releases from government authorities of the concerned states. In addition, the commentary observes secondary data sourced from research articles and journalistic pieces. The paper is qualitative and descriptive in nature and has followed a deductive approach of analysis. The rationale for choosing this approach is the paucity of time and resources available for conducting this study, as well as the lack of adequate research done on this topic.

This commentary is divided into three parts. The first part of the commentary analyses the strategic considerations guiding Beijing’s policy to include the DSR within the BRI. The second part deals with the underlying concerns and geopolitical implications of the initiative for the Southeast Asian region as a whole. Towards the conclusion, the third part examines policy imperatives of like-minded states like the US, India, Japan and Australia in responding to the growing Chinese threat in the Indo-Pacific region.
CHINA’S “DIGITAL” FORAYs IN SOUTHEAST ASIA

China is already involved in the construction of new railways, ports, and other infrastructure projects in Southeast Asia, under the agenda of the SREB and the MSR. In addition, Beijing is now getting involved in “international communications connectivity through the construction of cross-border optical cables and other communications trunk line networks, under the DSR” (National Development and Reform Commission 2015). Broadly, three sectors can be identified where Beijing has started to set its digital agenda: satellite and telecommunication connectivity, sustainable infrastructure, and e-commerce and automation. In terms of satellite connectivity, Beijing has expanded coverage of its homegrown satellite navigation system to all the countries along the BRI including the ASEAN states (Kelkar 2018). It aims to complete a constellation of 35 satellites by 2020 to create a ‘space information corridor’ and end its reliance on the US GPS. However, by signing up to the ‘information silk road’, BRI countries might find themselves reliant on the Chinese services, thereby, giving Beijing leverage over these countries (Davis 2017). On the other hand, in telecommunications, three Chinese state-owned telecom companies i.e. China Mobile, China Unicom and China Telecom are planning to invest US$180 billion on 5G mobile infrastructure over the next seven years, of which China Mobile is reportedly developing a fiber optic cable linking Myanmar to Beijing (Wu 2017). This will have dual benefits for China: open secure lines of digital communication as well as promote its digital architecture in the neighborhood further.

Another frontier of China’s digital plan is e-commerce and customs automation. Pilot projects on customs automation, which are aimed at preventing inordinate delays and red tape caused by lengthy custom procedures, security checks etc., have already been initiated in Malaysia (Stec 2018). On the other hand, Chinese private entities like Alibaba, Baidu, Tencent, ZTE and Huawei have become forerunners in the e-commerce sector with Huawei recently opening one of its branches of OpenLabs in Kuala Lumpur, and another one in Singapore. Alibaba has recently acquired Singapore’s mobile wallet application, the helloPay Group, and its founder, Jack Ma has been officially recognised as e-commerce advisor to Indonesian President, Joko Widodo (Ahmed 2018). For ensuring sustainable infrastructure, which constitutes the third element of the DSR initiative, smart cities are being planned along the connectivity corridors through the utilisation of AI applications and advanced information and communication technologies. A US$32 million program, named the ‘Digital Belt and Road’ has also been set up to promote the usage of technological solutions to resolve environmental challenges along the Belt and Road (Stec 2018). In Philippines, the ‘New Manila
Bay-City of Pearl’ project has been planned by a Hong Kong based group, which is touted to be the world’s largest smart city (Kritz 2017).

Since the announcement of the DSR in 2015, China has made rapid progress towards its implementation, despite the ambitious nature of the plan. These grandiose Chinese projects, however, come with enormous security challenges. Since these projects are heavily reliant on ‘internet of things’, they are also extremely susceptible to many internet crimes like data theft, hacking and other nefarious activities.

**IMPLICATIONS OF THE DIGITAL SILK ROAD FOR SOUTHEAST ASIA**

In today’s internet age, hardly anyone would differ on the potential, which digitisation and advanced technologies like ICT possess. Besides boosting productivity and efficiency of the economy, advanced and innovative ICTs contribute to reduced carbon emissions and save water. According to the OECD, “utilising ICTs in smart buildings, smart electricity grids, smart transportation, logistics and other uses can reduce global greenhouse gas emissions by 15 percent by 2020, while in agriculture, ICTs are projected to reduce water needs by 250 trillion litres per year by 2030” (Wu 2017). However, besides the inherent benefits that the DSR offers, there are significant risks associated with the project, especially for ASEAN states, which are situated at the fulcrum of global trade and the MSR. For instance, since a major part of the DSR will be played out in the economic sphere, Southeast Asia could easily become entangled in the escalating US-China trade war as Chinese firms are being increasingly scrutinised in the US and turning to safer destinations like Southeast Asia (Hutt 2018).

There are apprehensions that Beijing might use the DSR as a tool for electronic surveillance. Chinese technology companies like ZTE, Huawei and Alibaba; a central component of the DSR are believed to have close ties with the government. Since most of the BRI countries are emerging economies with rudimentary internet facilities, allowing these companies to install complex data communication-systems could increase Beijing’s intelligence and propaganda operations in the BRI states (Chandran 2018).

 Critics also suspect that under the guise of the DSR, China, which is among the worst abusers of online free speech, might export its censorship technology to Southeast Asian nations especially those, which lack comparable censorship technology like the Great Firewall and already lean towards authoritarianism (Hutt 2018). Vietnam’s recently passed cybersecurity law is considered to be
almost identical to the one China introduced in 2017 (Long 2017). Unlike the EU model, which favours right protection, the Chinese and Vietnamese laws raise important privacy concerns while strengthening the government’s censorship regime (Wagner 2018).

Beijing’s expansion of the BeiDou Navigation System, which is comparable to the US’s GPS in the BRI countries has raised national security concerns in the Indo-Pacific region as it provides the People’s Liberation Army, sensor-equipped platforms and missiles with enhanced guidance capabilities (Kelkar 2018). The overseas expansion of the BeiDou system, complemented by the increasing influence of Beijing could also force foreign companies out of satellite navigation markets in Southeast Asia and other BRI states.

Additionally, the DSR is mired in corruption and hacking allegations, thereby, raising questions on the quality standards of the project. Recently, China’s cyberespionage attempts in Cambodia targeting Cambodia’s National Election Commission, Ministry of the Interior, Ministry of Foreign Affairs as well as opposition members was exposed by a US-based security research firm called FireEye (Hutt 2018).

In view of the growing strategic threat and competition over the digital sphere, Singaporean Foreign Minister, Vivian Balakrishnan, recently concluded on the sidelines of the 2018 Shagri-La Dialogue that “we don’t want to see a world where just the few oligarchs, or few systems, or few platforms, dominate” (Ministry of Foreign Affairs Singapore 2018). This was a clear indication of the inherent risks associated with initiatives like the DSR, irrespective of its intended benefits. However, without the support and intervention of the other major powers in enhancing digital connectivity in Southeast Asia, China’s digital designs are only expected to make further inroads in the region.

CONCLUSION AND POLICY RECOMMENDATIONS

Similar to the SREB and the MSR, the DSR initiative is another grand design aimed at fulfilling the ‘Chinese Dream’ and the great rejuvenation of the Chinese nation. Its inclusion in the BRI reflects China’s intentions of becoming a global technological power in its pursuit for full-spectrum dominance. Beijing has already securitised the cyberspace within its territorial borders through the ‘Golden Shield Project’, also known as the ‘Great Firewall’, and is aggressively asserting a sovereign internet under the jurisdiction of the state as opposed to the current multilateral framework, where in addition to states, civil society groups and private entities also exert control over the internet. This has created
suspicions that China intends to push its surveillance, censorship and propaganda apparatus into other countries.

Due to its meteoric economic rise, China is developing its military at a swift pace. It has already made rapid strides in ‘fifth-generation warfare capabilities’, by taking advantage of the technological sophistication that it has achieved in areas central to the ‘fourth industrial revolution’, which includes AI, robotics, big data, quantum computing etc. The aggressive pursuit of these dual-use technologies represents a competitive threat to the entire region.

The US and other like-minded countries such as, India, Japan and Australia have responded to these developments by coming together as an informal grouping collectively known as the ‘QUAD’ (Madan 2017). These states are pushing forward an ‘Indo-Pacific strategy’, highlighting the need for a rules-based order in the region. However, there exists considerable mistrust within the group, which is preventing these countries to undertake a genuine and full-fledged cooperation.

To counter China’s digital expansionism, the QUAD states will have to shed their traditional inhibitions and work towards a concerted strategy by pooling together their individual resources and by taking advantage of their respective influences in the region. It is especially important for countries like India and Australia, which are vulnerable to China’s C4ISR capabilities to strengthen their counter-intelligence apparatus and undertake more organisational jointness among their militaries. While the US and Japan should take a lead in creating a rules-based order in the cyber sphere, by utilising their technological prowess.

On the other hand, the Southeast Asian nations today find themselves in a conundrum, with an aggressive China on one end and a reluctant group of like-minded states like India, Japan and the US on the other. This has led to confusion and dilemma among these states and created vital strategic space for China to carry out its influence building activities in the region. Therefore, it is imperative for the democratic powers to continuously remain engaged in the region and assist these states in their development. Since the digital space forms a part of non-traditional security concern of states, not much importance is given towards this new frontier, despite the knowledge that cyber or space warfare can be equally disastrous for any country. The threats inherent in the digital domain can be exemplified most significantly in the case of the ‘Stuxnet’ attack by the US and Israel, which caused substantial damage to the Iran’s nuclear program. In the struggle for influence in today’s digital world, it is not ‘hard’ or ‘soft’ power that matters but as Joseph Nye would argue, it will be determined by “smart power” as exemplified by China.


ASEAN and SAARC Nations Enters New Era of Diplomacy

Srimal Fernando¹ and Mizly Nizar²

The success story of South East Asian (SEA) Nations began several decades ago, when Gross Domestic Product (GDP) grew to astounding figures, evolving these Nations into industrial and technological powerhouses, which resulted in reshaping the future of the Association of South East Asian Nation’s (ASEAN) member states. ASEAN has thus evolved into an important partner of the South Asian Association for Regional Cooperation (SAARC) Nations benefitting the two subcontinents in numerous ways.

China though closely linked to South Asian (SA) and SEA Nations, is a serious threat to them due to its rising influence and disputes over the South China Sea. ASEAN members are hence leaning towards SAARC nations to counterbalance Chinese supremacy and to avoid an outright alliance with China.

SEA Nations viewed a partnership with SA to be a mutually beneficial regional platform through economic and security integration. Presently, intra-SAARC trade is lower than 5 percent compared to ASEAN’s intra-regional trade share of 35 percent (World Bank, 2016). Hence, India’s role in SAARC is significant as it defines the dynamics of political will and interaction among member states.

Keywords: South Asia, South East Asia, ASEAN, SAARC, Look East Asia, Foreign Policy, India, China

INTRODUCTION

South Asia and East Asia are some of the world’s fastest growing regions. South Asia accounts for one of the largest consumer markets with a population of 1.5 billion people. The historical links between SA nations and SEA Nations go beyond the formal relationship established in the 1950s. Regionalism in SA gained importance subsequent to the Non Aligned Summit in the 1970s. Hence, the formation of SAARC in 1985 offered a new beginning for the SA nations. The integration of these nations was based on the universally accepted objective of enhanced interstate relations.

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The evolution of SAARC can be categorized in two stages: first being, its formative years from 1985 to the late 1990s and second being, the post-cold war era. In the post-cold war era, SA nations saw the importance of regionalism and security in the region due to economic liberalization policies and the emergence of the private sector. SAARC’s 30-year history has focused on fostering cooperation across several economic and political issues and promoting understanding among member states. However, since member states launched their Agreement on the South Asian Free Trade Area (SAFTA) in 2006, these nations have shown little enthusiasm towards regional economic integration.

In recent years, the foreign policies of ASEAN countries have been driven to play an important role in the political and security spheres while aiming to establish the Union as an influential regional or global actor and to gain legitimacy in international affairs. In the last few decades SA and in particular India’s relations with ASEAN have developed immensely. In 2004, India and ASEAN formed a Free Trade Area for enhanced economic cooperation. Moreover, India’s active participation in the affairs of SEA enables it to become a part of the regional security architecture. SA and SEA nations share common concerns over the rise of China. India’s partnership with ASEAN seeks to block Chinese expansion into the Indian Ocean. Narendra Modi in his speech at the ASEAN summit in Manila made an oblique reference to the issue when he said that "India's Act East Policy is shaped around the ASEAN, and its centrality in the regional security architecture of the Indo-Pacific region is evident" (India Today, 2018). The rise of China is noticeable with the growth of China’s defense budget with military spending increasing to USD 152 billion in 2017 from USD 21.6 billion in 1990. In comparison, India's defense budget in 2017 was only USD 38.2 billion (Times of India, 2017). Like China, India too has aspirations to become an emerging power, which could limit China’s influence in several ways. However, despite tensions both nations remain trading partners.

ASEAN nations employ various strategies in its regional engagement. Its arrangements are characterized by bilateral agreements in trade and investment with individual SA countries. ASEAN’s broader arrangements for regional engagement include the ASEAN–India Free Trade Area (AIFTA), Sri Lanka and Singapore. For the year 2017, trade between India and ASEAN stood at USD 70 billion. Free Trade Agreements have been the initial steps taken by most SA nations over the past decade to move towards a Free Trade Area. For instance, plans have been afoot for an advanced bilateral partnership agreement between Sri Lanka and Pakistan for a free trade agreement (Department of Commerce, 2018). The Pakistan - Sri Lanka Free Trade Agreement (PSFTA) came into force on 12th June 2005 leading to a substantial improvement in trade since the Agreement came into force. Pakistan implemented its final phasing out commitment in March 2009 and Sri Lanka has now duty free market access for more than 4500 products from Pakistan.
The pace and scope of ASEAN investments in SAARC nations increased in the more recent years. The recent interdependence between SAARC and ASEAN economies is considerable and seems poised to continue growing.

The primary intent of this paper is to analyze the growing political and economic ties between ASEAN and SAARC and its potential from such collaboration. In addition, this paper seeks to identify the foundations of the Look East policy and the policies towards SAE nations. This paper also aims to describe recent developments in ASEAN countries and their perceptions of SA. Furthermore, this paper explores Sri Lanka’s mode of cooperation with ASEAN nations and the challenges faced by other SA nations when expanding bilateral or multilateral collaboration with ASEAN nations. This paper is structured to illustrate the importance of SAARC-ASEAN collaboration.

THEORETICAL PERSPECTIVE ON REGIONAL COOPERATION

Regionalism is a trend gaining ground in SA and SEA. In defining regionalism, International relations theorists have furnished two perspectives on why nations cooperate under regional groupings and commit themselves to comply with an agreed set of rules. First is the power centric view, which considers the international system to be anarchic by nature. Accordingly, countries attempt to gain power and maximize their interests in order to be secure. Interstate relations are thus influenced by the political-military and economic power of nations. Hence, nations are constantly trying to balance against each other (Das 2001:15). According to this perspective, regionalism is the response of regional actors towards power projections by an external hegemony outside their respective region. The second perspective is the institutional view, which considers interdependence among nations as being complex. Hence, no nation can individually solve its problems.

The concept of regionalism is viewed from two perspectives: new regionalism and old regionalism. Old regionalism was the norm during the cold war period whereby European nations from the same region forged alliances for security, economic and political reasons. New regionalism in the post-cold war period after the fall of communism was far-reaching and comprehensive opening up membership to nations from different regions emphasizing on security alliances, frees trade etc. Regionalism hence became more a universal and multidimensional ideology whose objectives are not restricted to promotion of free trade and security in specific regions (De Melo and Panagariya 1993:219). The term 'old regionalism' refers to the attempts at regionalization and region building that occurred mainly in Europe from the aftermath of the Second
World War up to the end of the Cold War. This first phase of regionalism was deeply driven by the fear of new escalating tensions in Europe and the rise of the two super powers; US and USRR. With the end of the Cold War, a new phase of regionalism emerged where numerous regional international organizations were created. Evidently, new regionalism emerged as a response to the existing systems of multilateralism. As a result, this saw the emergence of regions in place of multilateral forums, which in turn affected multilateralism. New regionalism is designed to deal with certain political, economic, and environmental and security challenges amongst others.

Regional groupings became vital international institutions in the post Second World War period. Through the creation of regional groupings, nations can counter the economic and non-economic problems that arise through collective action. Nations in such groupings have benefitted economically in terms of trade through expansion of markets, attraction of investors, and increased bargaining power. According to Nye, regionalism is the process whereby nations within the same geographical proximity come together under a multilateral regional organization to promote dependency in areas like economics (Nye 1968: 53). These regional groupings could also provide technical expertise and promote cooperation among states to form institutions for specific needs. Regionalism has had a strong motive in filling the political vacuum through cooperation among states necessitated by the rise of the interdependence theory and the advent of globalization. This is further backed up by the fact that many countries have become democracies in the world today (Waltz, Kenneth and Neal, 2010: 55). Regional actors have come to realize that they tend to gain by pooling sovereignty while being able to prevent crises through diplomacy in regional groupings.

When considering economic integration in the SA region, its absence of progress could be attributed to factors such as domestic and external trading competitions amongst member states. According to the World Bank, India’s potential trade in goods with South Asia is USD 62 billion whereas its actual trade is only USD 19 billion, which is a mere 5 percent of its global trade and USD 43 billion below its potential. To overcome lack of economic integration, the South Asia Free Trade Area (SAFTA) aims to stimulate regional trade by reducing tariffs on goods. SAFTA’s goal to roll out favorable tariffs by 2015, has however met with protectionist government policies, diluting its effect. Regional actors involved in economic integration initiatives have great chances of benefiting from such alliances. Nonetheless, whether they benefit is entirely dependent on the internal design of the economic alliance and the level of political will of member states in the integration (Mathews 1984, 186).
Regionalism is a trend that is easily gaining ground in SA and SEA. However, the slow progress of the SA regional organization, SAARC can be attributed to some economic and political limitations. These limitations range from political and structural ones to security and the imbalance between member states of lesser powers. However, SAARC has the potential of becoming effective in the region. The ten member states of the South East Asian Regional Organization, ASEAN have demonstrated their ability to abide by the diplomatic norms of the organization. It has also been able to achieve the common interest and values of its member nations.

Among the eight SAARC member nations, India is the largest regional power. In order preserve its vital position and respect in Asia; India shifted its foreign policy paradigm from Look East Asia to Act East Asia. In this context, to commemorate its 69th Republic Day, India hosted ten leaders of ASEAN displaying its growing relationship with SA nations. This is further evident from India’s investments in the ASEAN countries amounting to over USD 40 billion (The Hindu Business Line, 2017).

Following in the footsteps of India, Sri Lanka entered into the Singapore-Sri Lanka Free Trade Agreement (SLSFTA) in 2018 covering intellectual property rights, foreign direct investments, telecommunication and goods and services. Bilateral trade figures between Sri Lanka and Singapore stands around USD 2.7 billion.

Indonesia being the largest among the ASEAN countries is furthering its economic interest with SA nations.

Going to back to its diplomatic history, Indonesia’s strong ties with SA nations since the Bandung Summit of 1955 has been further strengthened by the role of ASEAN. Positioned between SA and Australia, Indonesia is crucial for both India and Sri Lanka to advance their economic and security endeavors. Indonesia with its vast resources has been attempting to align with India and gain access to its 1.3 billion-consumer market while also endeavoring to collaborate with Sri Lanka located in a vital geographical position in the Indian Ocean.

The above-mentioned facts and analysis points in the direction of strengthening the Look East Asia policy for many of the SAARC countries. In fact, the realization of a durable future of economic integration between SAARC and ASEAN depends upon the ability and interest of South Asian leaders to resolve domestic as well as long-standing differences through meaningful deliberations.
CONCLUSION

The idea of regional cooperation with ASEAN can be seen to be getting stronger among the SAARC member states. SA states are slowly realizing the importance of coming together in a broad regional framework to foster cooperation in the region. The transformation of SA nation’s foreign policy was launched to align themselves with ASEAN member states. This mutually beneficial alliance also aids in increasing trade volumes between the two regions through inter and intra-regional trade. Entering into a Free Trade Agreement with India and Pakistan provides access to India’s 1.3-billion-consumer market for ASEAN nations. Among the countries, Singapore continues to be a major contributor to intra-regional trade, accounting for 39.5 per cent of the total intra-ASEAN trade, followed by Malaysia (24.2 per cent), Thailand (15.6 per cent), Indonesia (9.5 per cent) and the Philippines (5.7 per cent).

Advantages to SA nations resulting from successful economic integration could be understood by focusing on the role of SAARC. However, SAARC’s initiatives since its conceptualization to foster trade in SA have been unproductive. For instance, overall, intra-regional trade is less than 5 percent of SAARC’s GDP compared to ASEAN’s trade figures. ASEAN’s intra-regional trade share has grown from approximately 17 to 25 percent and ASEAN plus three’s corresponding share has grown from 38 to 45 percent. Perhaps the most prominent method to promote trade among the eight SARRC member states has been through bilateral and multilateral trading partnerships such as the ones between ASEAN nations and SA nations.

In order to enhance SAARC and ASEAN economic diplomacy, member states could learn from past failures and comprehend successful economic integrations such as the European Union (EU). SAARC is in a position to encourage its member states towards achieving prosperity by actively soliciting the consideration of regional matters through cooperation with ASEAN. Evaluation of the growing ties between the nations indicates a multi-dimensional foreign policy approach developing within this region. SEA nations can thus be characterized as both a strategic alliance for pursuit of common interest and also as a platform for cooperation. SAARC and ASEAN have thus created newfound optimism in their relationship while heralding in a new era of diplomacy in the region’s foreign policy.
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Significance of Infra-Connectivity in India’s Domestic & Regional Economic Integration Goals: Reflections from the North East

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ABSTRACT

The commentary illustrates the need to invest in connectivity infrastructure in Northeast India to help realize India’s domestic and regional goals. The focus on infrastructure enjoys centrality, as it is a prerequisite to realizing India’s economic and development goals as well as strengthen bilateral and multilateral ties with ASEAN. Given the geographical proximity between the Northeast Region and ASEAN, connectivity becomes integral to realizing India’s potential as an emerging regional power. It employs an analysis of some of the infrastructure projects as part of the ‘Act East Policy’ (Indian Ministry of External Affairs, 2015) of the government and in doing so, the commentary emphasizes the role of connectivity infrastructure in facilitating trade, tourism and energy in extending India’s domestic and regional aspirations. Further, the commentary highlights the role of existing projects while proposing some key recommendations to facilitate greater regional connectivity by enhancing infra-based sectoral linkages.

Keywords: Connectivity, Investment, Infrastructure, Regional Integration, Southeast Asia, Northeast India, Trade, Economic growth and Development

INTRODUCTION

The Northeast region of India consists of Arunachal Pradesh, Assam, Meghalaya, Tripura, Mizoram, Sikkim, Manipur and Nagaland. It constitutes 8% of India’s total geographical area with 52% of it being forestland. The region shares a 4,500 km long international border with Bangladesh, Myanmar, Bhutan and China, constituting a market of approximately 2.81 billion people i.e. 40% of the world’s population, thereby, making up a significant portion of global

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trade. The region accounts for 34% of the country’s water resources via the Brahmaputra and Barak and approximately 40% of India’s total hydropower potential. Additionally, the Region is rich in natural resources and shares cultural and civilizational bonds with India’s neighbors in the East, thereby, possessing great potential for strengthening bilateral and multilateral ties.

With well-connected roads & highways, railways, airways and inland waterways or Inland water transport (IWT), Northeast India possesses the capacity of emerging as a profitable economic corridor connecting India with Myanmar, Bangladesh and ASEAN. It is an indispensable geo-strategic entity, which acts as a land bridge between India and ASEAN with the capacity of helping integrate India with ASEAN’s market economy. Therefore, the northeast region of India is crucial for realizing India’s economic, developmental and diplomatic aspirations in Southeast Asia.

This commitment is mirrored by the Act East Policy whose objective is to “promote economic cooperation, cultural ties and develop strategic relationship with countries in the Asia-Pacific region through continuous engagement at bilateral, regional and multilateral levels thereby providing enhanced connectivity to the States of North Eastern Region including Arunachal Pradesh with other countries in our neighborhood. The North East of India has been a priority in our Act East Policy (AEP). AEP provides an interface between North East India including the state of Arunachal Pradesh and the ASEAN region. Various plans at bilateral and regional levels include steady efforts to develop and strengthen connectivity of Northeast with the ASEAN region through trade, culture, people-to-people contacts and physical infrastructure (road, airport, telecommunication, power, etc.)”. (Ministry of External Affairs 2015: 1)

Despite this realization, it remains highly underdeveloped with poor connectivity and infrastructure, thereby, stunting economic growth and development. It remains largely isolated from the rest of the country owing to informational and power asymmetries. In this regard, the feeling of mutual suspicion and apathy is reiterated due to geographical constraints posed via the narrow 22-km wide strip of land, which connects the region to the rest of mainland India.

By virtue of being geographically proximate to ASEAN countries, they possess significant logistical and cost advantages. For instance, Assam’s proximity to Bhutan, Sikkim’s proximity to China, Nepal and Bhutan or Meghalaya and Tripura’s proximity to Bangladesh etc., endow them with significant advantages, illustrated in cross-border market interactions. Despite this, the northeast figures very low in priority with respect to cross-border trade. This is due to inferior infrastructural levels in connectivity, low levels of economic growth, development and unfavorable policies, making it harder to establish strong bilateral ties with ASEAN.
Consequently, this has resulted in poor social infrastructure, illustrated by inferior levels of education, healthcare, tourism et al, thereby, resulting in high levels of unemployment especially amongst the youth. However, it is pertinent to mention that the states of Assam and Arunachal Pradesh are comparatively better connected with the mainland as well as with neighboring countries in comparison to other states such as Sikkim, Tripura and Nagaland. According to the Basic Road Statistics of India 2011-12 report, the total length covered by national highways (in kilometers) varies across different states in the northeast. For Instance, whereas Assam and Arunachal Pradesh are covered 2,940 kilometers and 2,027 kilometers respectively, Tripura and Sikkim are covered by a meagre 149 kilometers and 400 kilometers respectively.

The absence of economic resources complemented by inferior social indicators remains central to the persistence of insurgency in these states. Therefore, there is an urgent need to invest in connectivity infrastructure in order to mitigate insecurity at the borders, register economic growth, create additional employment opportunities, improve social indicators, promote growth in the tourism and energy sector etc.

The commentary is divided into six parts. Part A serves as an introduction to the research problem by giving an overview of the current situation of connectivity infrastructure in northeast India. Part B gives a detailed account of the need to invest in connectivity infrastructure in order to realize India’s domestic and regional aspirations. Part C describes the need for better connectivity in facilitating trade with the mainland and ASEAN. Part D highlights the need for investing in connectivity infrastructure in order to develop the tourism sector in northeast India. Part E emphasizes the need for developing the region’s power capabilities to fulfil its domestic as well as regional objectives. Lastly, Part F proposes recommendations aimed at expanding connectivity infrastructure in the region.

**METHODODOLOGY**

The commentary has undertaken a qualitative research methodology in analyzing primary and secondary sources of information. These include official statements and press releases by government authorities, detailed reports from advisory firms and research articles from experts. The writing style is descriptive in nature and the solutions proposed (in the commentary’s recommendation section) are based on a pre-existing analysis of persisting inadequacies in governmental policies, specifically the *Act East* Policy. We thereby undertake a critical discourse
INVESTMENT IN CONNECTIVITY INFRASTRUCTURE

Given the region’s strategic geographical location, it is imperative to encourage investment in connectivity infrastructure to strengthen relations with mainland India and ASEAN through innovative solutions. This logic gained centrality in the Look East Policy, which attached significance to connectivity and physical Infrastructure in helping facilitate investment and trade while factoring in tourism, sports, cultural exchanges etc. to strengthen bilateral and multilateral relationships. The North eastern region vision 2020 espoused by then Prime Minister, Manmohan Singh too pushed for development in the region by encouraging a hospitable investment climate, investment in the public and private sector etc. The Act East Policy akin to its predecessors proposes greater investment in connectivity infrastructure amongst other objectives, complemented by initiatives such as, Make in India (Government of India, 2014) Skill India (Government of India, 2015), and Digital India (Government of India, 2015) etc., which encourage investment and economic development.

The government of India has undertaken various infrastructure projects to facilitate integration of Northeast Indian states with the mainland as well as neighboring countries in the East. The projects range from building regional and transnational highways and railways to smart cities and well-connected circuits. In this regard, developing a northeast frontier economic corridor will help strengthen connectivity within and beyond the region by interlinking economic agents across a geographically defined route with the objective of registering economic growth and development.

In a resource-rich region like the north east, an economic corridor will help connect resource-rich regions with major trade routes, thereby connecting production areas with the hinterland. In doing so, this corridor will link supply with the demand side of the market, which will reduce the time taken to transport goods and services, thereby bringing down costs. In addition, the northeast frontier corridor will aid the development of tourism, healthcare, education, energy, ICT services etc. However, in order for such connectivity projects to integrate India with ASEAN, inter-regional connectivity will have to be augmented with transnational connectivity projects. Such projects have already been initiated by the government albeit with limited success.

The Trilateral Highway, the Trans-Asian Railway Project, Kaladan Multimodal Transit Transport Corridor etc., have been formulated by the government with
the objective of facilitating easier flow of goods, services, capital, people, investment et al. For Instance, the Kaladan Multi-Modal Transit project possesses huge potential in extending connectivity between Indian ports on the eastern seaboard and the Sittwe Port in Myanmar as well as to Mizoram through riverine transport. It possesses the capacity of providing an alternate route to ship goods from the mainland to the landlocked NER as well as reduce the dependency on the chicken’s neck in facilitating trade with West Bengal, thereby considerably bringing down transportation costs from Kolkata to Mizoram.

However, the project is currently running behind schedule and requires the immediate attention of the concerned departments owing to geostrategic concerns. The main nature of infrastructural projects in the NER are public sector engagements albeit with an increasing scope for private sector collaborations, which must be incentivized through tax concessions and benefits. The government has been working towards connectivity infrastructure to realize its objectives, espoused in its Act East Policy. To this effect, the North Eastern Council launched the North East Road Sector Development scheme to facilitate greater connectivity strategic connectivity project such as, Doimukh-Harmuti, Tura-Mankachar and Wokha-Merapani-Golaghat, led by the National Highway and Infrastructure Development Corporation. In addition, projects such as the Dhola-Sadiya Bridge on river Lohit in Assam, a new Greenfield Airport at Pakyong (Gantok) and an International Internet Gateway (IIG) at Agartala etc. all point towards positive trends in connectivity infrastructure in NER. (Ministry of Development of North Eastern Region)

In addition, a part of Northeast Frontier Railway Zone, the 51-kilometer long rail link is expected to further integrate the region with the mainland and across the border, thereby, bringing in greater economic growth and development. Therefore, with the help of existing routes and road alignments, both interregional and international connectivity projects collectively raise the prospect of expanding cross-border trade, generating additional employment, economic growth and fulfilling India’s energy and diplomatic aspirations. In this regard, the construction of railway lines connecting northeastern states with neighboring states such as, Bangladesh, Bhutan, China and Myanmar will open India to South East Asia through increased border trade, thereby, bringing in higher levels of growth and development. These intraregional railway lines will constitute a significant part of the northeast economic corridor connected by roadways, highways, waterways and airways.

Another important aspect of connectivity infrastructure calls for the upgradation of inland waterway transport (IWT) as it is a viable, cost effective alternative to the high costs incurred by other modes of transport such as, railways and airways. Therefore, there in an urgent need to develop IWT services in northeast
India via the Brahmaputra (NW2) and the Barak (NW6) through collaboration between public and private players.

The current government has proposed twenty port townships to be developed along the Brahmaputra and Barak river systems to enhance intra-regional connectivity as such collaborations will facilitate greater connectivity through technologically advanced, sustainable modes of water transport. Despite the realization of a cost-effective and sustainable alternative to realizing greater connectivity, the region is largely deprived of critical infrastructure to facilitate such connectivity projects. For Instance, there exists only one IWT terminal at Pandu, Assam, which possesses the capacity of obtaining investment, other than that there exist no other IWT terminals in the region. In order to extract greater investment, critical connectivity infrastructure must be developed in the region to extend linkages with neighboring countries and South East Asia.

Lastly, air connectivity will play a crucial role in improving the overall connectivity with Southeast Asia through frequent, direct flights from Northeastern states such as, Kohima, Tezpur, Itanagar, Pekyong etc., to ASEAN states. In this regard, the UDAN-RCS i.e. the Ude Desh Ka Aam Nagrik-Regional Connectivity Scheme, “let the common citizen of the country fly” has been initiated by the government to integrate Guwahati with all the ASEAN countries through regional air connectivity projects. (Kumar & Banik 2018). For Instance, the Drukair, Royal Bhutan Airline launched its inaugural flight from Guwahati to Singapore and vice-versa on September 1 with plans of scheduling regular commercial flights from September 29, 2018, thereby offering tourism and business opportunities. Additionally, there is huge potential for establishing alternate connectivity infrastructure in airways for instance through smaller (short take-off and landing) aircrafts to promote intra-regional mobility, helicopter services for short distances etc.

**TRADE**

The Northeast region is located between the three major economies of East Asia, South Asia and Southeast Asia, thereby, making it a crucial component of economic growth and integration. In this regard, cross-border trade becomes significant in realizing India’s economic and developmental aspirations. ASEAN is India’s fourth largest trading partner, with the overall trade value being at US$ 81.33 billion, which is approx. 10.6% of India’s overall trade. (Ministry of External Affairs 2018) India-ASEAN trade is still growing and has doubled in the past decade.

With trade ranging in a variety of products between India and each ASEAN country, India, in general, has a comparative advantage and hence exports mainly
pharmaceutical products, meat and edible meat, transport vehicles, oil and machinery, handicrafts and cotton. India’s major trading partners in ASEAN are Singapore, Vietnam, Malaysia, Indonesia, Thailand and Philippines. 28% of India’s exports to ASEAN go to Singapore, which mainly consists of mineral fuels, ships, boats and floating structures, organic chemicals and machinery and mechanical appliances. This is similar to India’s exports to Malaysia, which consist of the same products in addition to electrical machinery, equipment and animal and vegetable fats. Additionally, India exports organic chemicals, ships, boats and floating structures, transport vehicles, oil seeds and oleaginous fruits, machinery and mechanical appliances to Indonesia & exports meat, cotton, coffee, tea, spices and iron and steel to Vietnam.

However, a majority of cross-border trade between the region and ASEAN nations is informal and/or illegal in nature. In the absence of critical infrastructure, surveillance capabilities and sufficient resources, these porous borders have become breeding grounds for illegal trade, insurgency etc. As the third largest economy in Asia, ASEAN presents huge opportunities for India in terms of trade, tourism, energy security etc. Moreover, strengthening bilateral relations with countries such as, Vietnam, Philippines, Singapore, Thailand, Indonesia etc., pose to counter China’s increasing presence in the region.

Therefore, investment in connectivity infrastructure coupled with comprehensive economic partnership agreements, Free Trade Agreements (FTAs), tax incentives etc. are a pre-requisite to India realizing its regional aspirations. Another argument in favor of developing connectivity infrastructure in the region is grounded in the rationale that it is currently cheaper to import certain basic goods from neighboring countries than from mainland India. However, due to the lack of connectivity infrastructure in the region, northeastern states end up paying very high prices due to transportation costs. The expansion of connectivity infrastructure stands to strengthen cross-border trade as well as positively affect the lives of people in the region by bringing down the cost of living and increasing access to crucial goods and services.

**TOURISM**

A well-connected northeast plays a crucial role in facilitating the tourism industry and through it, increases access to economic resources, generating additional employment, integrating India with ASEAN via people-to-people interactions etc. Therefore, tourism and connectivity have a direct positive correlation wherein an increase in connectivity positively affects the development of the tourism industry. The northeast has immense potential in attracting tourists for a multitude of reasons as it presents various opportunities to enjoy activities related to adventure, wellness, wildlife and culture as well as tea, pilgrimage and
eco-tourism. There are several cities in the northeast, which have the potential to be connected based on this diverse range of tourism opportunities.

However, despite the wide-scale opportunities available, Northeast India remains highly unexplored and underdeveloped, attracting only a miniscule of India’s total tourists, out of which most are domestic. The tourism industry has been restricted from reaching its full potential, which can be achieved by integrating itself in a larger South and Southeast Asian circuit, thereby bringing in a large influx of foreign investment. Integrating the northeast with neighboring countries and ASEAN will bring in an increased demand for luxury hotels and resorts, foreign brands, food chains, adventure theme parks, recreational centers and tourist agencies et al., thereby, bringing in large sums of foreign exchange and investment.

Owing to the realization of vast tourism opportunities in the northeast, states like Assam and Sikkim have enhanced their tourism industry by promoting village tourism, homestays, trekking tourism, culture tourism, ecotourism, and adventure and wellness tourism. The cities of Guwahati, Shillong and Gangtok, amongst others have already seen a large influx of tourists. However, these cities lack critical infrastructure to fully realise their tourism potential, especially with regard to international tourism. Several tourist circuits are already in place with nine more being developed. It is pertinent to mention that some states within the NER get more recognition in terms of the tourism industry as compared to others. For Instance, Assam in itself has six operational circuits based on different themes.

By incorporating northeast India in a wider tourism circuit, an increase in revenue in any single tourist destination will benefit the entire circuit as a whole, thereby, making it compatible with the South-East Asian Tourism Hub. The goal in the longer run would be to connect two tourism circuits such that India is connected to ASEAN with the Northeast acting as a gateway. However, this is possible only through a consistent and systematic upgradation of connectivity infrastructure, which will enable easier access to the region and people across the border, thereby forming a part of the circuit resulting in increased economic growth, employment opportunities and the overall development of the region.

ENERGY

With India’s fast-paced rate of economic growth, there is a growing demand for energy to fuel its economic and developmental needs. The northeast region currently has an installed capacity of approximately 2905 MW with a current requirement of 2251MW, which has not been met due to low plant load factor. Due to the inability in harnessing northeast’s full potential, the region and the country as a whole remains dependent on energy imports.

Secondly, even though the region has immense hydroelectric potential i.e. approximately 58971 MW, which is almost 40% of India’s total hydro potential, only 2% of the total potential is being utilized. In addition, the region possesses
approximately 864.78 million tons of coal against a mere 186 billion tons of reserves in the country, which possesses the capacity of helping fulfill India’s energy requirements as well as make India an energy exporting nation.

Owing to this realization, the government has initiated projects, which aim to increase hydropower generation for instance, the 50,000MW hydropower initiative and the Hydro Policy 2008 (Ministry of Power, 2008). Such projects are formulated with the objective of promoting investment in hydropower in the northeast. Moreover, the criteria to qualify for setting up hydropower plants in the region are lesser for the northeast at 350 MW in comparison to the rest of India at 500 MW. Additionally, the northeast possesses immense potential as it shares borders with neighboring countries such as, Tibet (China), Bhutan, Bangladesh and Myanmar, which occupy the capacity of further generating hydropower from the Brahmaputra river at U Bend between Tibet and Arunachal Pradesh.

Therefore, given the immense power potential coupled with availability of natural resources, investment in infrastructure will significantly affect the rate of development of communications, construction of pipelines, railways and ports et al. Due to the significance of energy security across the world, an energy secure India through infrastructure and cross-border trade will facilitate India’s emergence as a great power in the region.

POLICY RECOMMENDATIONS

While formulating a new policy for facilitating investment in connectivity infrastructure would be useful, it is equally useful to make use of the existing policies in order to avoid further bureaucratic delays. In this regard, we must take note of the North East Industrial Development Scheme or NEIDS, 2017 in helping facilitate the completion of existing connectivity infrastructure projects in the Region. It is imperative to utilize the framework espoused by NIEDS, 2017 in order to see the completion of the northeast economic frontier corridor. The link is drawn owing to the fact that NIEDS is essential in facilitating greater investment in connectivity infrastructure as illustrated by its special provisions concerning issues of connectivity via its Transport Incentives policy or TI. According to NEIDS, “All eligible new industrial units can avail incentive on transportation of only finished goods through railways or the railway public sector undertakings, Inland waterways or scheduled airline for a period of five years from the date of commencement of commercial production/operation, subject to production of actual receipts”. NEIDS through its provisions also directly contributes to India’s energy aspirations in fueling economic growth and development. This incentivization
of transportation costs leads to positive trends in investment as illustrated by the following provisions:

I. up to 20% of the cost of transportation including the incentive currently provided by Railways or the Railways PSUs for movement of finished goods by rail from the railways station nearest to the location of industrial unit to the railway station nearest to the location of the buyer.

II. 20% of the cost of transportation of finished goods for movement through Inland Waterways Authority of India from the port nearest to the location of industrial unit to the port nearest to the location of the buyer.

III. 33% of cost of transportation of air freight by scheduled airlines and Non-Scheduled Operator Permit (NSOP) holders approved by DGCA for perishable items/goods (as defined by IATA) from the airport nearest to the place of production to any airport within the country, nearest to the location of the buyer. (The North East Industrial Development Scheme, Indian Chamber of Commerce, 2018)

These provisions complemented by other government initiatives such as, the North East Road Sector Development scheme, the North East Development Finance Corporation Ltd. (NEDFi), North East Tourism Development Council (NETDC), the Northeast Frontier Railway Zone and the North East Special Infrastructure Development Scheme (NESIDS) etc. help facilitate greater infrastructural connectivity in the region and abroad. Therefore, it is necessary to stay mindful of the existing projects and initiatives across different departments and/or ministries in order to establish an inclusive interconnected and developed Northeast region. (Ministry of Development of North East Region)

Additionally, there is a need to augment existing government policies with the participation of private players in order to fully realize the potential of the northeast in boosting economic growth, development, cross-border trade, tourism and energy security. Through comprehensive Public Private Partnerships (PPPs) in connectivity infrastructure, the region will register multifaceted benefits, thereby, helping it integrate with the mainland and ASEAN. Furthermore, there is a need to increase the participation and involvement of local stakeholders in the process of formulation of blueprints as well as in the implementation of connectivity projects owing to their deep knowledge of the land. To this effect, local stakeholders will help the government or PPP agency in predicting reception levels of the population with regard to a policy, thereby, minimizing risks and detecting priority areas.

Lastly, environmental bodies and relevant civil societies must be taken into consideration as advisory bodies while formulating and implementing policy to ensure compliance with environmental safeguards and guidelines. Owing to their
expertise and extensive scope of innovative solutions, private players can enter into partnerships with government agencies and formulate localized, sustainable and inclusive solutions to bridge the gap between secluded areas and the mainland and/or between production facilities and the market. With most global business organizations delving into sustainability solutions, there is an expansive scope for private sector participation in ensuring better connectivity infrastructure in the region.
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