

Thuzar, Moe; Mishra, Rahul; Hutchinson, Francis; Tin Maung Maung Than
Hutchinson, Francis; Chalermphanupap, Termsak

Working Paper

Connecting South and Southeast Asia: Implementation challenges and coordination arrangements

ADB Working Paper, No. 501

Provided in Cooperation with:

Asian Development Bank Institute (ADBI), Tokyo

Suggested Citation: Thuzar, Moe; Mishra, Rahul; Hutchinson, Francis; Tin Maung Maung Than
Hutchinson, Francis; Chalermphanupap, Termsak (2014) : Connecting South and Southeast Asia:
Implementation challenges and coordination arrangements, ADB Working Paper, No. 501, Asian
Development Bank Institute (ADBI), Tokyo

This Version is available at:

<https://hdl.handle.net/10419/115319>

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ADB Working Paper Series

**Connecting South and Southeast Asia:
Implementation Challenges and
Coordination Arrangements**

Moe Thuzar, Rahul Mishra,
Francis Hutchinson,
Tin Maung Maung Than, and
Termsak Chalermphanupap

No. 501
September 2014

Asian Development Bank Institute

Moe Thuzar is a fellow at the Institute of Southeast Asian Studies (ISEAS), Singapore. Rahul Mishra is a research fellow at the Indian Council of World Affairs (ICWA), New Delhi. Francis Hutchinson is a fellow and coordinator of the Regional Economic Studies Program at ISEAS and managing editor of the ISEAS Journal of Southeast Asian Economies. Tin Maung Maung Than is a senior research fellow and coordinator of the Myanmar Studies Program at ISEAS. Termsak Chalermpanupap is a visiting fellow and lead researcher at the ASEAN Studies Centre at ISEAS.

The authors gratefully acknowledge the contributions of Dr. Aekapol Chongvilaivan to this joint paper.

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Suggested citation:

Thuzar, M., R. Mishra, F. Hutchinson, T. M. M. Than, and T. Chalermpanupap. 2014. Connecting South and Southeast Asia: Implementation Challenges and Coordination Arrangements. ADBI Working Paper 501. Tokyo: Asian Development Bank Institute. Available: <http://www.adbi.org/working-paper/2014/09/30/6452.connecting.south.southeast.asia.challenges/>

Please contact the authors for information about this paper.

Email: Moe Thuzar: moe@iseas.edu.sg; Rahul Mishra: rahulmishra005@gmail.com; Francis Hutchinson: fhutchinson@iseas.edu.sg; Tin Maung Maung Than: tin@iseas.edu.sg; Termsak Chalermpanupap; termsak@iseas.edu.sg

Asian Development Bank Institute
Kasumigaseki Building 8F
3-2-5 Kasumigaseki, Chiyoda-ku
Tokyo 100-6008, Japan

Tel: +81-3-3593-5500
Fax: +81-3-3593-5571
URL: www.adbi.org
E-mail: info@adbi.org

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Abstract

With closer regional integration there is increasing interest within the Association of Southeast Asian Nations (ASEAN) and on the part of ASEAN's dialogue partners in the potential gains of closer connections between Southeast Asia and South Asia. The strategic positions of India, Myanmar, and Thailand provide the basis and scope for implementing multi-modal connectivity projects, for building upon and improving existing infrastructure and processes for cross-border connectivity in trade. With outward-looking policies in the various subregions that seek to link their economies closer than ever, the ASEAN and South Asian countries are presented with a wide array of options at the bilateral, subregional, and regional levels that can be pursued in partnership under the different frameworks for cooperation. The role of regional entities such as the Asian Development Bank is also important to consider. This paper assesses the political economy and other implications of cross-border connectivity between South and Southeast Asia, and suggests practicable options for moving forward.

JEL Classification: F55, H77, H87, O19, P48, R11

This paper was produced as part of the ADB–ADBI flagship project on “Connecting South Asia and Southeast Asia.”

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1. INTRODUCTION

Since its rather uncertain beginnings in 1967 amidst simmering bilateral tensions among the five founding members, the Association of Southeast Asian Nations (ASEAN) has accomplished a considerable amount in terms of promoting regional integration among its members. Certainly, ASEAN's demonstrated effect of advancing the political and security interests of its member states while simultaneously contributing to economic growth development has attracted countries in the region—most notably formerly closed, central command economies such as Viet Nam, Myanmar, and the Lao People's Democratic Republic (Lao PDR)—to apply for membership. ASEAN's ability to keep major powers and economic giants engaged in the region through a dialogue system has also drawn more countries from the wider Asia and the Pacific region and other continents to enter into collaborative partnerships with the grouping. The interrelated nature of politics and economics led to a calibration of ASEAN's outward-looking policy toward efforts for greater connectivity with the world at large, even as the grouping seeks to integrate its economies closer through its drive to accomplish a single market and production base envisaged as an integrated ASEAN Economic Community by the end of 2015.

With closer integration, there has been growing interest—on the part of ASEAN's dialogue partners and within ASEAN itself—on the potential gains of connecting Southeast Asia with South Asia. India, through its “Look East” policy and its status as the only South Asian country that is a full dialogue partner of ASEAN, has sought to engage with the region through various channels and mechanisms.¹ Myanmar's recent opening up, through wide-ranging political and economic reforms, offers a unique opportunity for the two regions to connect. Thailand, as Myanmar's immediate neighbor to the east and an active participant in other subregional initiatives, is also keen to serve as a conduit point for mainland Southeast Asia's connectivity. However, for this connectivity to occur and be sustainable, regional and bilateral initiatives need to be effectively geared toward supporting connectivity as defined in the ASEAN context, i.e., physical connectivity (rail and road infrastructure); institutional connectivity (coordination or harmonization of policies); and people-to-people connectivity (to support greater awareness of, and communication between different peoples and cultures in the region). For the purpose of this study, the term “connectivity” in this paper refers to physical connectivity unless otherwise specified.

The multilateral multi-country initiatives also need to take into consideration the negative externalities—often underpinned by political and strategic considerations—that can arise from the initiatives for closer regional integration.

This paper examines the implementation challenges and coordination arrangements necessary for connecting South and Southeast Asia. It provides a background on the political economy and sociocultural implications of the different regional and subregional arrangements and their connectivity initiatives. These different arrangements include the economic integration initiatives under ASEAN and the South Asian Association for Regional Cooperation (SAARC) and their various subregional programs and arrangements including the South Asia Subregional Economic Cooperation (SASEC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), and the Greater Mekong Subregion (GMS).

The study briefly discusses the different motivations and incentives for the regional

¹ Pakistan has sectoral dialogue status. India and Pakistan, and other South Asian states like Bangladesh and Sri Lanka, participate in the annual security discussions of the ASEAN Regional Forum.

cooperation arrangements, highlighting the impediments or barriers to successful regional or subregional cooperation. The impediments are mainly the political or economic challenges of enhanced connectivity, including cross-border issues. It also discusses three examples of cross-border infrastructure projects. The projects are seen as being representative of the multi-modal cross-border connectivity, land connectivity, and maritime connectivity; and serving as good examples of the political economy implications of increased physical connectivity between South and Southeast Asia. These are the India–Myanmar–Thailand Trilateral Highway project; the Kaladan multi-modal transit transport project; and the planned Dawei deep sea port in Myanmar as a link in the anticipated Mekong–India Economic Corridor.

Finally, the chapter proposes some options for intergovernmental cooperation. These suggestions are complementary to, and, in some cases, necessary for the success of the sector-specific projects raised in the overall study.

2. CURRENT REGIONAL AND BILATERAL INITIATIVES

This first section will lay out the organizational backdrop for greater South–Southeast Asian connectivity, by identifying key regional subgroupings, organizations, and initiatives as well as their relationship with key additional countries.

2.1 ASEAN and Asia-related Initiatives

ASEAN has embraced connectivity as a vehicle for regional integration, particularly in the economic sectors. Having announced an ambitious goal to achieve a single market and production base as part of an integrated ASEAN Community by 2015, ASEAN policymakers have recognized the importance of internal and cross-border connectivity, in order to link to the global supply chain. ASEAN's connectivity efforts revolve around the implementation of the Master Plan on ASEAN Connectivity (MPAC) at regional, subregional and national levels. The MPAC, adopted at the 17th ASEAN Summit in 2010, is often touted by ASEAN policymakers as the region's main "vehicle" for achieving regional economic integration. It is expected to give effect to the recent move for establishing a Regional Comprehensive Economic Partnership (RCEP) among ASEAN and six of its partners with which it has a free trade area or FTA agreement: Australia, the People's Republic of China (PRC), India, Japan, the Republic of Korea, and New Zealand. RCEP members may, in future, also become closer partners in connectivity. The 6th East Asia Summit (EAS) held in November 2011 in Bali, Indonesia, raised the possibility of developing a "Connectivity Master Plan Plus" to include ASEAN's EAS partners (ASEAN Secretariat 2011).

RCEP aims to establish a 16-country trade pact. If successfully concluded, RCEP would offer one of the world's largest trade blocs, with more than 3 billion people, a combined GDP of more than \$17 trillion, and an approximate 40% share of world trade. RCEP's key objective is to mitigate inefficiencies caused by the "noodle bowl effect" of multiple arrangements, by consolidating the existing strands of the various ASEAN+1 FTAs. This ambitious project has a timeline that coincides with the announcement of the ASEAN Economic Community (AEC) in 2015. Four ASEAN members (Singapore, Malaysia, Brunei Darussalam, and Viet Nam) are also part of the Trans-Pacific Partnership (TPP) negotiations. Brunei Darussalam and Singapore (together with Chile and New Zealand) were original members of the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP, or simply P4) before the United States (US) joined the negotiations in 2011 and expanded it to the TPP. The main difference between the

TPP and the ASEAN-led RCEP is that the latter includes all ASEAN's FTA partners, while the PRC and India are not part of the TPP.

India's involvement in the RCEP negotiations thus has substantial implications for South–Southeast Asian economic integration. India is the only South Asian country negotiating the RCEP with ASEAN as a dialogue partner of the grouping. Since India is the largest economy in South Asia and is a key proponent of strengthening economic ties with Southeast Asia, the successful conclusion of RCEP will serve as an incentive for the remaining South Asian countries to apply to join RCEP, although this will also require seeking more formal status with ASEAN.² There are certainly some push factors to do so. Inter-regional trade between the two regions, albeit still relatively low, has increased exponentially in the past 2 decades. Southeast Asia's bilateral trade share vis-à-vis South Asia spiked to more than 3.5% in 2011, from around just 1.3% in the mid-1990s. South Asia's bilateral trade share vis-à-vis Southeast Asia also revealed an increasing trend from less than 7% in 1990 to approximately 10% in 2011.

Still, for RCEP to fulfill its potential as a building block for South–Southeast Asian economic integration, India's own RCEP status needs to catch up with progress achieved by the other ASEAN+1 FTAs (i.e., the ASEAN–Republic of Korea, ASEAN–PRC, ASEAN–Japan, and ASEAN–Australia–New Zealand FTAs). Compared to these, the degree of trade liberalization under the ASEAN–India FTA remains relatively low due to limitations on tariff coverage by the wide array of sensitive sectors, and modest tariff concessions. The degree of liberalization is also low with each ASEAN country. Additionally, trade facilitation costs in South Asia are substantially higher than those in Southeast Asia in every dimension (ADB 2012b).

2.2 The Greater Mekong Subregion

The Greater Mekong Subregion (GMS) encompasses a market of more than 240 million people and a land area of 2.3 million square kilometers (km²).³ The gross domestic product of the subregion reached \$863 billion in 2010, more than triple that of 1996. Shrestha and Chongvilaivan (2013) attribute this to abundant resources, including a large pool of a motivated, cheap workforce, a rich agricultural base, extensive timber and fisheries resources, considerable mineral potentials, and vast energy resources in the form of hydropower and large coal and petroleum resources.

The GMS is an important consideration for facilitating South–Southeast Asia economic integration. Since its inception in 1992, the GMS has focused on a number of infrastructure projects to connect the countries in the subregion via economic corridors. These projects have developed road and rail networks and air transport in the GMS countries, which can be useful “ready-made” links for South–Southeast Asia connectivity. An additional consideration is the role of the Asian Development Bank (ADB). It serves as a secretariat to subregional arrangements in the GMS as well as in South Asia, such as the South Asia Subregional Economic Cooperation (SASEC).

The main attraction of the GMS for boosting economic ties between South and Southeast Asia is the linking of the GMS and the SASEC subregions. It can be said that the GMS is to ASEAN what SASEC is to SAARC. However, incorporating the

² ASEAN currently has a moratorium on accepting requests for dialogue partnership. Apart from India, Pakistan is the only other SAARC member with formal links to ASEAN as a sectoral dialogue partner. India, Bangladesh, Pakistan, and Nepal participate in the 27-member ASEAN Regional Forum. The secretariats of ASEAN and SAARC have established a working relationship. See <http://www.asean.org/news/asean-secretariat-news/item/asean-and-saarc-secretariats-enhance-relation>

³ GMS members include the nations and territories located in the Mekong River Basin, including Cambodia, the PRC (Yunnan Province and Guangxi Zhuang Autonomous Region), Lao PDR, Myanmar, Thailand, and Viet Nam.

northeastern region of South Asia (linkages with India via Bangladesh and Bhutan) is a daunting task. Although India has developed a wide array of initiatives to boost cross-border connectivity with Southeast Asia via Myanmar, cross-border connectivity has been plagued by geographical remoteness, inherent deficiencies in financial resources, recurrent ethnic strife, and military activities. These hindering factors have made the northeastern part of South Asia less conducive to trade and investment. Also, developing GMS as a land bridge between South and Southeast Asia requires considerable financial resources for infrastructure investment to expand the economic corridors. ADB (2012b) estimates in Table 1 indicate that from 2010 to 2020, East and Southeast Asia will need \$5.5 trillion in various infrastructure investment projects, especially in the electricity and transportation sectors, and nearly \$2.4 trillion for infrastructure investment in South Asia.

Table 1: Asia's Infrastructure Requirement, 2010–2020 (2008 \$ billion)

Sector	East and Southeast Asia	South Asia	Central Asia	Pacific	Total
Electricity	3,182.5	653.7	167.2	...	4,003.3
Transportation	1,593.9	1,196.1	104.5	4.4	2,898.9
Telecommunications	524.8	435.6	78.6	1.1	1,040.1
Water and sanitation	171.3	85.1	23.4	0.5	280.2
Total	5,472.3	2,370.5	373.7	6.0	8,225.5

Source: ADB (2012b).

An avenue where South Asia, in particular India, could overcome these barriers and take part in GMS development potentially rests with the Mekong–India Economic Corridor (MIEC) which is essentially a nexus of the four GMS countries, i.e., Myanmar, Thailand, Cambodia, and Viet Nam, and India, connecting Chennai Port in India to Bangkok by extending the link through the envisaged deep sea port at Dawei in Myanmar, and linking up with the road connections to Viet Nam and Cambodia. GMS has a substantial potential to serve as a building block for MIEC, thanks to growing cross-border connectivity in EWEC and SEC, together with Myanmar's development of special industrial/economic zones along its domestic economic corridors and trade posts at the border areas with both India and Thailand. Building on these, the MIEC is expected to augment trade ties between South and Southeast Asia and widen the economic opportunities for the entire region, especially in Cambodia, Myanmar, Thailand, Viet Nam, and India (ERIA 2009). A report issued in June 2013 by the Center for Strategic and International Studies (CSIS) on enhancing ASEAN–India connectivity has called for India, ASEAN, and the US to work with multilateral development banks to expand the ADB's GMS program to include the MIEC, and to address "bottlenecks" in transportation and other infrastructure gaps (Osious and Mohan 2013: xiv).

The MIEC thus features much in discussions on ASEAN–India connectivity. However, the key recommendations provided in the CSIS report indicate that there are challenges in bridging the existing infrastructure gaps. Much of the region covered by the MIEC is underdeveloped. Any implementation plan for achieving the MIEC will need to prioritize connecting the missing links, as well as leveraging on existing transport connections, including the Asian Highway Network and the Trans-Asian Railway projects. The need for developing deep sea ports (e.g. Dawei in Myanmar) and improving the existing rail and road connections requires large infrastructure investments beyond the ambit of most national budgets. While ADB is supporting ASEAN's efforts to establish an ASEAN Infrastructure Fund (AIF) to further develop key infrastructure needs for ASEAN connectivity, it is not yet clear at the time of writing whether the AIF can be viably expanded to include South–Southeast Asia connectivity needs. It is an option worth exploring, however, in view of ASEAN's objective to expand regional connectivity beyond the confines of the 10 Southeast Asian nations. This is

where the importance of bilateral economic relations with long-standing donors such as Japan cannot be neglected. Japan has a significant role in developing Myanmar's port infrastructure, as well as that of Chennai.

Under ASEAN's MPAC framework, ASEAN policymakers have called for developing and negotiating public-private partnerships (PPP) for internal and cross-border projects. The potential investment opportunities in energy and telecommunications sectors that have opened in Myanmar provide some incentive for attracting private sector participation. At the ASEAN level, public-private partnerships (PPP) are emphasized for speeding up the connectivity initiatives. Myanmar, India, and Thailand can start working out bilateral arrangements for involving the private sector from both countries in the relevant connectivity projects. However, it is difficult to implement PPP arrangements across borders. There are complexities surrounding what constitutes equal partnership and equal responsibility, as well as ensuring the accountability of all concerned. Myanmar does not yet have a policy framework for PPP that clearly specifies roles, responsibilities, and risks. Neither, for that matter, does ASEAN. Moreover, infrastructure building in difficult hilly terrains of Northeast India and western Myanmar is not an easy task, especially as the pace at which it is to be executed needs investment, technical know-how, and a sense of ownership from the private sector players. There have been suggestions made for governments to consider offering tax benefits to private players for infrastructure development projects, but no concrete arrangements have yet been made.

Neither does there seem to be any institutional arrangements clarified as yet for realizing the potential of the MEIC, although the Economic Research Institute for ASEAN and East Asia (ERIA) has researched the impact of infrastructure investment in the MEIC on the "hardware" and "software" growth rates of countries along the MEIC route, which include Myanmar, Cambodia, Thailand, Bangladesh, Viet Nam and eastern India (Kimura and Umezaki 2011).

Although the ERIA and CSIS reports emphasize the importance of multi-modal (transport) connectivity, it should be noted that the MEIC primarily aims to connect India and the Mekong countries by the sea route. How this will affect the ongoing drive to improve land connectivity via projects such as the India-Myanmar-Thailand Trilateral Highway, and the Asian Highway Network and Trans-Asia Railway (which are supported by the United Nations Economic and Social Commission for Asia and the Pacific [UN-ESCAP]), needs further study if synergies and complementarities are to be identified. Additionally, political statements made at the highest level of government need to be backed up with the will to implement the vision for creating the MEIC region as a dynamic development hub in South-Southeast connectivity.

2.3 South Asia

South Asia's institutional counterpart to ASEAN is the South Asia Association for Regional Cooperation (SAARC). Its 30th anniversary is in December 2015, but the aspiration to achieve a South Asian Free Trade Area (SAFTA) is nowhere near the implementation level of its Southeast Asian equivalent. Similar to ASEAN, there are institutional arrangements for shared responsibility (and ownership) in regional cooperation. Focused SAARC regional centers give effect to SAARC Summit decisions. The SAARC member governments try to remain relevant by initiatives that highlight the link between the strategic and the economic. For example, the work of SAARC now includes new and non-traditional security issues that have economic implications: pandemics, terrorism, and energy security, to name a few.

SAARC differs from ASEAN, however, in its low success rate of progressing its

economic cooperation and other aspirations. Deep-rooted mutual suspicions, rivalries and ethnic tension have affected bilateral relations among SAARC members. Region-to-region comparison may not be entirely fair, as there is an obvious size asymmetry between the South and Southeast Asian regions. Nonetheless, SAARC's inability to progress as fast as its founding aims and objectives intended has affected its regional programs, particularly those aimed at closer connectivity among the member states through economic integration. Despite having been in existence for close to 3 decades, SAARC member states have resorted to individual, bilateral, or subregional activities (with different participating members) to move forward their economic and strategic interests. This has taken place with little or no input from regional processes under the SAARC framework. SAARC mechanisms and processes are not well known or discussed beyond the circles of government officials coordinating the annual meetings of senior officials. In short, despite both groupings having been labeled "talkshops," the ASEAN programs and activities seem to border almost on the hyperactive compared to the passive role of SAARC in their respective efforts for regionalism.

This is becoming a point of frustration for several members of SAARC, most notably India, at a time when more incentives are emerging for closer connectivity among the members and with neighboring countries across subregions. Due to SAARC's limited progress, India has long looked to engage with other countries. Southeast Asia has long been a key area of interest for the country. The start of India's closer engagement with ASEAN can be directly linked to its Look East policy, initiated under the premiership of P. V. Narasimha Rao in 1992. Starting with sectoral dialogue partner status in 1992, India became a full dialogue partner of ASEAN in 1995, subsequently joining the ASEAN Regional Forum (ARF) in 1996. It was a founding member of the EAS in 2005 and of the ADMM Plus in 2010. Dialogue relations were elevated to a strategic partner status in 2012.

The Look East policy, which was aimed at forging closer economic ties with ASEAN, is now in its third phase. The first phase, which lasted till 2002, was primarily aimed at initiating political and institutional dialogue with the countries of the region. The second phase aimed at strengthening economic ties with the ASEAN member states. At the same time, India initiated subregional arrangements with ASEAN countries such as Thailand and Myanmar through the Bay of Bengal Initiative for Multi-Sectoral Scientific and Technical Cooperation (BIMSTEC) in 1997, and Mekong-Ganga Cooperation (MGC) in 2000. BIMSTEC, which groups together Bangladesh, India, Myanmar, Sri Lanka and Thailand, was conceptualized as an alternative to the stalled economic ambitions of SAARC, where tensions between India and Pakistan have hampered the progress of regional initiatives.

Southeast Asia thus figures prominently in India's foreign policy calculations. The ASEAN-India Free Trade Agreement (AIFTA), signed in 2009, is now operational. India is ASEAN's fourth largest trading partner. Bilateral trade reached \$80 billion in 2012, and a target of \$100 billion has been set for 2015, and \$200 billion by 2022 (Kimura and Umezaki 2011). This target seems easily attainable if the current negotiations for investment and services agreements under the AIFTA come through. However, India-ASEAN trade pales in comparison with the trade volume of \$400 billion between the PRC and ASEAN. Poor connectivity between India and ASEAN is one of the major reasons for this inability to scale up economic engagement. The crucial region here is India's northeastern border and Bangladesh, which march along Myanmar's northwestern and western regions. Together, these are essentially the "gateway" regions for South-Southeast Asia connectivity. Low levels or lack of internal connectivity is compounded by the high transportation costs in each of these bordering regions. Political tensions along the borders between these countries, as well as

communal tensions within domestic borders also hinder smooth and cost-effective trade flows between India and its Southeast Asian neighbors. Effective infrastructure and unhindered physical connectivity are prerequisites for bringing India–ASEAN relations to the next level in integrating with the wider East Asian region, but this may be difficult to achieve without resolving the domestic and bilateral issues that exist along the border regions of these countries.

Still, taking cues from strategic advances made by the PRC, Japan, and the Republic of Korea for closer engagement with ASEAN, India has started giving serious thought to the imperatives of improving its connectivity initiatives with ASEAN. Indian Prime Minister Manmohan Singh reaffirmed this in his statement to the Ninth India–ASEAN Summit on 19 November 2011. Proclaiming India’s partnership with ASEAN as the cornerstone of the Look East policy, Singh stated that greater physical connectivity between India and the 10-member grouping remains New Delhi’s “strategic objective.”⁴ He highlighted, among others, completing the India–Myanmar–Thailand highway and its extension to Lao PDR and Cambodia, and the development of a new highway also linking Viet Nam. He also referred to the MIEC as a potential link between India and countries in East Asia.⁵ The close proximity of Thailand and Myanmar to India merits closer scrutiny as they are perceived as India’s gateways to Southeast Asia.

India’s engagement with Thailand through the Look East policy has been complemented by Thailand’s Look West policy, which was announced in 1996. Building on these platforms afforded for bilateral cooperation, and there are now several regional platforms on which India and Thailand engage with each other and other countries in the region. India is an integral member of the Asia Cooperation Dialogue, a Thai initiative. It is worth noting that criminals, particularly Dawood Ibrahim’s aides and insurgent groups such as the National Socialist Council of Nagaland–Isak Muivah or NSCN (IM), and the United Liberation Front of Assam (ULFA), have used Thailand as a safe haven. The governments of the two countries are working closely to curb the menace of insurgency and organized crime through counterinsurgency and counterterrorism operations.⁶

India and Thailand are also involved in regional connectivity initiatives such as the India–Myanmar–Thailand Trilateral Highway, the Asian Highway Network (under UNESCAP), and the BIMSTEC Transport Infrastructure and Logistics Survey (BTILS).⁷ There is particular attention on completing the Trilateral Highway as it links Northeast India with Myanmar and Thailand. Another “corridor” project, the Dawei deep sea port and special economic zone to be completed in Myanmar’s southern coastal province, lends an ambitious tone to the project. The scope and impact will be massive, requiring 205 km² (about 50,675 acres) of land, about a quarter of Singapore’s land area, for the entire project.⁸

2.4 BIMSTEC and SASEC: Potential Building Blocks?

It is worth examining the impact of subregional arrangements involving South Asian countries such as BIMSTEC, and the potential of linking ASEAN’s connectivity

⁴For further details see Government of India (2011).

⁵ See Reddy (2001).

⁶ The “four Cs”—counterinsurgency, commerce, connectivity, and cultural connections—have the potential to redefine and add new dimensions to Indo–Thai relations. In that regard, both New Delhi and Bangkok have been working closely on a slew of issues over the past few years. For details see Mishra (2013).

⁷ For details see http://www.mea.gov.in/Portal/CountryQuickLink/588_Bilateral_Brief_for_Website_-_July_2013.pdf

⁸ This is the figure from ITD and DDC. News media usually use 250 km² as the estimated total of land involved in the Dawei project.

initiatives with those of subregional mechanisms among the SAARC members such as SASEC.

Established in 1997, BIMSTEC aims to achieve its own free trade area by 2017. Though the seven-member grouping (comprising Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan, and Nepal) has a more focused mission for collaboration in sectors related to economic development, progress in implementation has not been as effective as initially expected.⁹ This could be due to the lack of a dedicated coordinating body similar to the secretariats for the larger regional groupings of SAARC or ASEAN. This is despite nascent attempts at regional coordination by Thailand's hosting of the BIMSTEC Centre from 2004 to 2010, and an agreement in 2011 to establish a permanent secretariat. The bid to be first host of the secretariat (for a 5-year term) went to Dhaka, while BIMSTEC ministers agreed that the first BIMSTEC secretary general would be nominated by Sri Lanka.¹⁰ The members would then take rotational turns in hosting the secretariat and nominating the secretary general. However, progress on this seems to have stalled since 2011, despite the Bangladesh cabinet's approval in March 2013 of the BIMSTEC secretariat's operationalization. The outcome of the Third BIMSTEC Summit hosted and chaired by Myanmar in March 2014 highlights some of the aspirations for rejuvenating subregional cooperation mechanisms. Held 6 years after the second summit in India, the theme of the Third Summit, "Partnership for Harmony and Prosperity," was meant as impetus for accelerating economic growth in the BIMSTEC region through closer partnerships.¹¹ The BIMSTEC chairmanship has now transferred to Nepal.

BIMSTEC's functional cooperation has continued regardless of any hiatus at the summit level. The primary drivers of regional cooperation at the policy level are the foreign ministers and the ministers for trade and investment.¹² In recent years, BIMSTEC cooperation seems to have been more active in the economic-related sectors, which focused much attention on progressing negotiations to implement agreements on trade in goods and services, transport and energy, and tourism. It is also worth noting that poverty alleviation is a priority area for BIMSTEC; if projects can takeoff in the respective border areas of India, Bangladesh, and Myanmar, the push for South–Southeast connectivity will be strengthened.

BIMSTEC provides an additional stepping stone for closer ASEAN–India connectivity. Regional cooperation agreements such as BIMSTEC can be additional catalysts in energizing development in the areas that constitute the Northeast India and Western Myanmar regions.¹³ India and Myanmar have a common interest to initiate and support BIMSTEC programs in their shared border areas, particularly for the necessary infrastructure (both hard and soft) for physical (road and rail) connectivity, and people-to-people connectivity through sustainable tourism development. Additionally,

⁹ BIMSTEC cooperation areas include trade and investment, transport and communication, tourism, energy, technology, fisheries, poverty alleviation, cultural cooperation, agriculture, counter terrorism and transnational crime, environment and disaster management, and public health. See: http://www.bimstec.org/13th_MM_details.html

¹⁰ Bangladesh "won" the bid for hosting the BIMSTEC secretariat over Sri Lanka, which had shown a keen interest in hosting the secretariat. The BIMSTEC ministerial meeting held in 2011 in Myanmar, which made the decision on the hosting of the secretariat, agreed that Sri Lanka would nominate the first BIMSTEC secretary-general. http://www.sundaytimes.lk/110130/News/nws_01.html

¹¹ See the Third BIMSTEC Summit Declaration at: <http://www.thirdbimstecsummit.gov.mm/wp-content/uploads/2013/08/Third-BIMSTEC-Summit-Declaration.pdf> and the brief analysis of the summit goals and expected outcomes at: <http://unbconnect.com/bimstec-summit/#&panel1-2>

¹² <http://www.mofa.gov.np/en/bimstec-170.html>

¹³ Myanmar is an important part of India's Look East policy as it has traditionally been considered India's gateway to the ASEAN countries. It was for this reason that India invited Myanmar to join BIMSTEC in December 1997.

Myanmar's role as a lead country in the BIMSTEC energy cooperation framework indicates the possibility of exploring greater energy interconnection.

BIMSTEC seems to present more potential for moving forward than the SAARC mechanisms for partnership with ASEAN, with the advantage of members from Southeast Asia within its framework. Even so, the importance of other subregional frameworks in South Asia, such as SASEC, should also be considered. In fact, with an even more focused mission than BIMSTEC, it can be argued that SASEC presents an opportune window for complementary projects/programs on regional connectivity to be undertaken with the ASEAN countries. SASEC, which brings together Bangladesh, Bhutan, India, and Nepal, certainly has a more explicitly defined focus on promoting regional growth through trade.

SASEC's shared vision is to "increase intra-regional trade by moving people, goods, and business across borders faster and at least cost, and to improve the quality of life and opportunity for the people of the SASEC countries" (ADB 2013a). The assessment of the tremendous potential of the SASEC subregion, if fully achieved, is correct and can only add to the dynamism of intra-regional connectivity. However, it is also true that SASEC members face challenges similar to the newer ASEAN members in the GMS and Mekong–India initiatives. The existing constraints of poor infrastructure exacerbate the lack of access by landlocked SASEC countries such as Nepal and Bhutan to more venues for foreign direct investment and to regional and global markets. In the SASEC context, as in the ASEAN collaboration context, the common denominator, or link, is India, as well as the linkages that countries in both regional arrangements have established with ADB.

Another common denominator is the central role of ADB in serving as secretariat to the GMS subregional initiatives as well as to the SASEC partnership.

2.5 The Role of the Asian Development Bank

The ADB acts as administrator of the ASEAN Infrastructure Fund (AIF) which became fully operational in 2013 (the Shareholders' Agreement was signed in 2011, and the AIF was incorporated in Malaysia in 2012).¹⁴ The first project to be financed from the AIF was a \$410 million project powering electricity links in Indonesia; the AIF has provided a \$25 million loan for the project.¹⁵ While the AIF aims to finance up to \$300 million a year for ASEAN's priority infrastructure projects, ASEAN's infrastructure needs are projected to amount to up to \$60 billion a year.¹⁶

ADB has also supported infrastructure needs in SASEC countries. Although no similar loan structure to the AIF exists for SASEC, the ADB has approved a total of almost \$4.7 billion in loans and grants to SASEC countries (with the governments contributing more than \$1.9 billion) since 2001, in the SASEC priority areas of trade facilitation, transport, energy, and ICT (ADB 2013b).

If and when complementary connectivity projects can be negotiated between the ASEAN and SASEC countries, especially those with contiguous borders (e.g., India, Myanmar, Bangladesh), it may be worth exploring synergy of funding mechanisms with partners like ADB.¹⁷ Studies comparing the ADB's role in the GMS and SASEC

¹⁴ Current shareholders of the AIF are the 10 ASEAN members and ADB.

¹⁵ <http://www.adb.org/news/indonesia-power-project-marks-first-loan-asean-infrastructure-fund>

¹⁶ For a reference guide on the AIF, see ADB (2012c).

¹⁷ ADB has also supported BIMSTEC initiatives such as the BIMSTEC Transport, Infrastructure and Logistics Study (BTILS). See <http://www.adb.org/projects/documents/bimstec-transport-infrastructure-and-logistics-study>

subregions, its mode of operation, and the transnational management function of the ADB's cooperation approach can dig deeper into the implications of the transnational dynamics and the supranational role of actors such as ADB and overarching regional organizations such as ASEAN and SAARC, especially in the emphasis placed by all actors on intergovernmental cooperation and pragmatic approaches to connectivity and growth. The role of ADB as a central actor in strengthening regional mechanisms for connectivity may also encourage the bypassing of political tensions in favor of economic development.

Table 2 summarizes the institutional arrangements and costs of connectivity discussed in this section, and may serve as an introductory step toward a fuller study of ADB's role in further facilitating subregional connectivity initiatives.

Table 2: Institutional Arrangements and Costs of Connectivity

Institutional/Regional Arrangements	Initiatives/Projects/Programs	Challenges/Constraints	Sectors/Institutions Involved	Points to Ponder
<p><u>ASEAN</u></p> <ul style="list-style-type: none"> - RCEP - ASEAN–India Connectivity 	<ul style="list-style-type: none"> - Individual FTAs, bilateral arrangements to complement ASEAN-level agreements - Trilateral Highway, Kaladan Multi-modal project - India’s Look East policy 	<ul style="list-style-type: none"> - Challenges in concluding ASEAN–India Free Trade Area - Political/security and infrastructure challenges of connecting Northeast India to Myanmar - Slow progress in Look East policy implementation 	<ul style="list-style-type: none"> - Trade, transport, regional and central/union governments - Business community - External donors, including bilateral partners as well as multinational corporations 	<ul style="list-style-type: none"> - Linking Myanmar with Northeast India requires tremendous political will - Myanmar needs to step up poverty alleviation initiatives in border areas - More focus/attention paid to connecting with countries to the east of Myanmar, rather than the west
<p><u>Greater Mekong Subregion</u></p> <ul style="list-style-type: none"> - ASEAN Mekong Basin Development Cooperation - Economic corridors - Mekong–India Economic Corridor 	<ul style="list-style-type: none"> - Singapore–Kunming Rail Link - EWEC, NSEC, SEC complementing the Asian Highway Network and Trans Asia Railway - Deep sea port and port projects 	<ul style="list-style-type: none"> - ASEAN Mekong Basin Development Cooperation focus is more on connecting with the People’s Republic of China - Infrastructure gaps in most corridor nodes - Behind-the-border issues for seamless travel - Huge investment needs 	<ul style="list-style-type: none"> - ASEAN economic ministers - Trade, transport - Japan is an important partner for Mekong–India Economic Corridor success 	<ul style="list-style-type: none"> - Greater Mekong Subregion countries may not see or feel the relevance of connecting to South Asia - Routes to and trade with the People’s Republic of China are better established - Political situation of Greater Mekong Subregion countries may affect project progress
<p><u>SAARC and SASEC</u></p>	<ul style="list-style-type: none"> - South Asia Free Trade Area leading toward economic union - SASEC: Focus on transport, energy, ICT, and trade facilitation 	<ul style="list-style-type: none"> - Overall slow progress for SAARC integration due to political differences/issues between SAARC member states - Links with ASEAN at the working level but not progressing beyond that 	<ul style="list-style-type: none"> - SAARC member governments - Asian Development Bank (for SASEC and for India’s North East road connectivity) 	<ul style="list-style-type: none"> - SASEC may present better opportunities for economic integration and connectivity - There are no ASEAN members closely involved in the subregional projects under SAARC or SASEC, although Myanmar is an observer and has expressed interest to join SAARC. So too, has the People’s Republic of China.
<p><u>BIMSTEC</u></p>	<ul style="list-style-type: none"> - BIMSTEC Free Trade Area (by 2017) - Cooperation focused on economic-related sectors; poverty alleviation is a priority area 	<ul style="list-style-type: none"> - Overlapping aims/initiatives for free trade with SAARC and ASEAN - Secretariat not yet operational although MOU has been signed - Rotational nature of secretariat? 	<ul style="list-style-type: none"> - BIMSTEC member governments, particularly the foreign and trade ministries - Asian Development Bank (for transport and logistics study) 	<ul style="list-style-type: none"> - Thailand and Myanmar are BIMSTEC members and thus provide the link to ASEAN/Southeast Asia - Is there a role for Bangladesh to play a larger role in BIMSTEC processes?

ASEAN = Association of Southeast Asian Nations, BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, EWEC = East–West Economic Corridor, MOU = memorandum of understanding, NSEC = North–South Economic Corridor, SAARC = South Asian Association for Regional Cooperation, SASEC = South Asia Subregional Economic Cooperation, SEC = Southern Economic Corridor.

Source: Authors’ compilation.

3. IMPLICATIONS OF CLOSER INTER-REGIONAL CONNECTIVITY

3.1 ASEAN–India Connectivity

India's government has, in the past 2 decades, focused much on boosting connectivity, both within India and with neighbors along its borders. India's domestic connectivity efforts have also led to efforts to connect India's hinterland villages with networks of roads.¹⁸ The Golden Quadrilateral, a highway network connecting many of the major industrial, agricultural and cultural centers of India, connecting India's four metropolitan cities, is one such initiative. It was the largest highway project in India and was completed in 2012.¹⁹

The ASEAN–India Connectivity Report identifies priority areas and projects, which, if realized, would contribute immensely to India–ASEAN linkages.²⁰ The report also highlights two emerging trends for the physical connectivity architecture between India and ASEAN. First, national connectivity initiatives have regional implications, such as the Delhi–Mumbai Industrial Corridor (DMIC). Second, the implications of regional connectivity initiatives can reach the wider region or even international levels. The MIEC, the India–Myanmar–Thailand Trilateral Highway (which lies along the Asian Highway route 1), and the Kaladan Multi-modal Transport Project are good examples. The trilateral highway, the Kaladan project, and the Dawei project will be further discussed for the purposes of this paper. As mentioned in the introductory section, these projects are selected as representative examples of multi-modal, land and maritime connectivity initiatives.

3.1.1 India–Myanmar–Thailand Trilateral Highway

Construction of the Trilateral Highway is targeted for completion by the end of FY2015. This project enjoyed strong political support from then Indian Prime Minister Manmohan Singh, Myanmar President Thein Sein, and ousted Thai Prime Minister Yingluck Shinawatra. The project needs continued support from the leadership of these three countries to succeed. Part of India's soft loan of \$500 million to Myanmar will be used to fund Myanmar's portions of the Trilateral Highway. Thailand has completed the Myawaddy–Thingayingyong section and a bridge over Moei River; construction for the Thingayingyong–Kawkareik will start soon. This is a strategic area where the Trilateral Highway and the East–West Corridor of the GMS meet at the Myawaddy–Mae Sot permanent border crossing. The total cost of Thailand's assistance is about B1,140 million (or about \$37 million). Additional assistance will go to building the sections from Kawkareik to Pa-an and Thaton, and from Kawkareik to Mudon, Mawlamyine, and Thaton.

The Trilateral Highway is part of the ASEAN Highway Network (AHN). The AHN and the Singapore Kunming Rail Link (SKRL) are the two flagship projects in land transport of the Master Plan on ASEAN Connectivity (MPAC). When ASEAN leaders met the Indian prime minister for their ASEAN–India Commemorative Summit in New Delhi on 20 December 2012, they stated in their Vision Statement in part that they “are

¹⁸ For further details, see Government of India (2004).

¹⁹ For further details see <http://www.indianexpress.com/news/govt-declares-golden-quadrilateral-complete/896873/0>

²⁰ These projects include projects for internal port-road connectivity, industrial and freight corridors in addition to the Trilateral Highway and Kaladan River projects, and a railway linking Delhi to Ha Noi. See RIS (2011).

committed to assisting in the completion of the India–Myanmar–Thailand Trilateral Highway and its extension to Lao PDR and Cambodia and the new highway project connecting India–Myanmar–Lao PDR–Viet Nam as well as developing the Mekong–India Economic Corridor.”²¹

The Trilateral Highway project has little or no public opposition, as it involves mostly expansion and upgrading of existing two-lane interprovincial roads into modern four-lane international highways. New Delhi considers the Trilateral Highway a key concrete manifestation of India’s Look East policy. It will support India’s new land transport link with the Lao PDR, Viet Nam, and Cambodia through the MIEC. Local governments in India’s seven Northeast states support the Trilateral Highway because of potential economic benefits from the road connectivity with mainland Southeast Asia through Myanmar, and with southern PRC through Myanmar and the Lao PDR. The highway will also facilitate greater border trade between Myanmar and India. Increased trade, tourism, foreign investments, and services brought about by the Trilateral Highway will support the rail connectivity between India’s northeastern regions and Myanmar. Part of India’s \$500 million soft loan to Myanmar will go to modernizing railways.

Myanmar and Thailand have cooperated on renovating the infamous “Death Railway” originally built by Japanese forces and their prisoners of war during the Second World War. On the Thai side, the railway from Nam Tok in Kanchanaburi to the Three Pagoda Pass has been strengthened. Crossing into Myanmar at Kyunchaung, the railway going to Thanbyuzayat is reportedly ready for use since October 2013. This new rail link will remove one of the two missing links in the Route 2 of the Singapore-Kunming Rail Link (SKRL).²² The SKRL network in turn will also contribute to the Trans-Asian Railway, which is a project of the United Nations Economic and Social Commission for Asia and Pacific (UN-ESCAP). India has committed to build and rehabilitate rail links with Myanmar under the Trans Asian Railway Network Agreement. The rail links pass through Bangladesh. The new Thailand-Myanmar rail link will lead to Dawei on a new railway through Ye (in southern Myanmar). The economic feasibility of the Dawei deep-sea port and special economic zone (SEZ) depends very much on connectivity with both the Trilateral Highway and the Thai railway network as well as the SKRL.

3.1.2 Dawei Deep-Sea Port Project

The Dawei project, projected to be completed by 2016–2017, is perhaps the most promising of all projects in terms of trade potential. The project, recently approved by the Thai government, has the potential to become a major logistical hub that can boost connectivity of India’s Chennai, Kolkata, and Vishakhapatnam ports with Southeast Asian ports by several folds, thereby increasing the commercial output by leaps and bounds. However, implementation issues pose many uncertainties to the project’s smooth completion.

Bangkok-based Italian-Thai Development (ITD) undertook a feasibility study in 1996 to develop a deep-sea port and special economic zone in Dawei in Southern Myanmar. When the project was found to be feasible, Thaksin Shinawatra, a Thai business

²¹ From the Vision Statement at www.aseanindia.com/speeches-and-statements/asean-ss/2012/12/20/vision-statement-asean-india-commemorative-summit, accessed 9 October 2013.

²² The other missing link on Route 2 of the SKRL is in Myanmar, from Lashio to Kunming. The PRC reportedly is interested in building this second missing link in Myanmar. In the priority Route 1 of the SKRL, construction of two missing links in Cambodia, from Poipet to Sisophon (48 km), and from Phnom Penh to Loc Minh (254 km), have faced some delays; the former is scheduled to be completed in 2013, the latter in 2015. The PRC has recently shown a keen interest in assisting the Lao PDR in building railways to link Vientiane with the SKRL. From Vientiane there is a new railway to Tha Na Laeng, linking with Thailand’s northeastern border province of Nong Khai across the Thai–Lao PDR Friendship Bridge over the Mekong River.

tycoon turned influential politician,²³ developed a keen interest in the project and gained support from Myanmar military leaders²⁴ for Thailand to partner with Myanmar in implementation. Thailand and Myanmar signed the bilateral agreement for the project on 19 May 2008 in Singapore, on the sidelines of a special meeting of the ASEAN foreign ministers to discuss emergency assistance for survivors of Cyclone Nargis.²⁵ Under this agreement, ITD gained the right to build and operate the deep-sea port and the special economic zone for 75 years. ITD set up Dawei Development Corporation (DDC) as its Myanmar-based business unit to implement the project.²⁶ At present, a dirt road from Ban Pu Nam Ron, a border village in Kanchanaburi, linking with a provincial road leading to Dawei, serves as a temporary access road for equipment and materials mobilization. In the near future, a new 160 km 8-lane highway will be built to link Kanchanaburi with Dawei. There are plans to build railway, oil, and gas pipelines, and a power transmission line along the new highway. One estimate puts the required investment of the whole project at \$80 billion (Umezaki 2012).

ITD is essentially a construction company with little or no experience in operating international deep-sea port or industrial estates. It faces an uphill task of mobilizing international funding support for the project. The Japanese government, Japanese investors, and ADB have all adopted a passive wait-and-see attitude. Japan's assistance to Myanmar under the Abe administration focuses on supporting the Myanmar International Terminals in Thilawa (MITT) port. During the official visit of Prime Minister Shinzo Abe to Myanmar, 24–26 May 2013, Japan pledged a soft loan of ¥20 billion (repayable in 40 years with 0.01% interest) for the development of MITT and its industrial zone. No reference was made to the Dawei project.

Detractors of the Dawei project cite that the project is “too ambitious.” They argue that there is no potential significant increase in shipping traffic in the Bay of Bengal in the foreseeable future to justify building the deep-sea port; and that it will be difficult to attract enough foreign investment to populate the planned special economic zone, which will be at least 50 times larger than the one planned for MITT. MITT is around 20 km to the south of Yangon; Dawei is nearly 620 km away. Attracting qualified manpower to work in Dawei will be difficult, and importing foreign workers will face local opposition.

Still, in June 2013 the governments of Myanmar and Thailand set up a special purpose vehicle (SPV), each holding 50% of shares in the new entity entrusted to be the concessionaire to develop, manage, and promote the Dawei project. The Myanmar side is represented by the Foreign Economic Relations Department (FERD), and the Thai side by the Neighboring Countries Economic Development Cooperation Agency (NEDA). Seven additional special purpose companies (SPCs) have been subsequently opened to lead development of specific sectors: deep-sea ports, road links to Thailand, industrial estates, electricity, water supply, telecommunications, and rail links, according to the DDC. What is unclear now is the relationship between ITD and SPV, and how ITD will be compensated for its past investments in developing the Dawei project.

²³ Thailand's prime minister from 2001, until he was overthrown in a military coup in 2006.

²⁴ In a sensational telephone conversation between two men widely believed to be Deputy Defence Minister General Yutthasak Sasiprapa and former Prime Minister Thaksin Shinawatra, which leaked to the Thai media in July 2013, Thaksin mentioned his close ties with the Supreme Commander of the Myanmar military, Senior General Min Aung Hlaing, and his confidence in getting support for the Dawei project from the Supreme Commander of Tatmadaw.

²⁵ Representing the Thai government (which was then headed by Prime Minister Samak Sundaravej of the People's Power Party, which was bankrolled by Thaksin) was Foreign Minister Noppadon Pattama, who is now a personal lawyer of Thaksin.

²⁶ See details of DDC at its website: <http://www.daweidevelopment.com>

3.1.3 Kaladan Multi-modal Transit Transport Project

India's Ministry of External Affairs (MEA) is funding the Kaladan Multi-modal project, which involves ports, inland waterways, and road networks. The project aims to provide alternative connectivity between India's northeastern states and the rest of India through the Kaladan River and Sittwe port in Myanmar. The Kaladan River is navigable from its confluence point with the Bay of Bengal near Sittwe up to Kaletwa, Myanmar. As part of the project, it is proposed that from Sittwe Port to Kaletwa, transportation will be through waterways, and from Kaletwa to the India–Myanmar border, road transport will be used.

On 2 April 2008, the Government of India and Government of Myanmar entered into a framework agreement to facilitate the implementation of the Kaladan Multi-modal Transit Transport Project (Government of India and Government of Myanmar 2008). In March 2009, the Ministry of External Affairs, Government of India appointed the Inland Waterways Authority of India (IWAI) as the project development consultant (PDC) for the implementation of the Kaladan Multi-modal Transit Transportation Project. The Ministry of External Affairs appointed M/S Essar Projects India, as the main contractor for the port and inland water transport (IWT) works through a contract agreement dated 14 May 2010. Construction of a port at Sittwe is the major component of the project, while “construction of two jetties at Sittwe and Paletwa in Myanmar, dredging and construction of cargo barges etc. to facilitate cargo movement along the river Kaladan are also included in the contract” (Essar 2010). The contract price, as mentioned by the IWAI, is Rs3,420 million. In December 2010, IWAI appointed M/S Scott Wilson India Pvt. as the supervision consultant to assist in the supervision of the works (Inland Waterways Authority of India 2011).

The Kaladan project was to be completed in June 2013. However, due to delays the multi-model transit transport project is likely to be completed by 2016.

As far as the route of the Kaladan project is concerned, in March 2001, RITES (Rail India Technical and Economic Service), India conducted a technical feasibility study for IWT on the Kaladan River and the highway along the river from Sittwe to the India–Myanmar border. The suggested route, as approved by the government of India, comprises the following segments:

- a. Kolkata (India) to Sittwe port (Myanmar); shipping mode; 539 km.
- b. Sittwe to Paletwa (Kaladan River, Myanmar); Inland Water Transport (IWT) mode; 158 km.
- c. Paletwa to Indo-Myanmar border (Myanmar); roadways; 110 km.
- d. Indo-Myanmar border to Lawngtlai (National Highway of India No. 54); roadways 100 km.²⁷

Zorinpui, in the Lawngtlai district, has been proposed as a Land Custom Station on the Indo-Myanmar border at Mizoram for the Kaladan Multi-modal Project. A two-lane highway of 100 km from Lawngtlai to the Indo-Myanmar border has been planned to provide road linkage to Sittwe Port in Myanmar. According to the *Mizoram Economic Survey 2012-13*, “the Kaladan Transport Project within Mizoram from 100 km of Double Lane Highway to connect Kolkata port via Myanmar and sea route has been sanctioned for an amount of [Rs5756.9 million], and was recently declared as National Highway (NH)-502A. The work was physically started on February 2011 and Formation Cutting of 60 km amounting to [Rs2218.6 million] has already been completed” (Government of Mizoram 2013:72).²⁸ The project is under the supervision of the

²⁷ “Executive Summary of DPR for Port and IWT” <http://iwai.gov.in/misc/portiwt.pdf> (accessed on August 18 2014).

²⁸ For details on NH-502A, see http://www.nhai.org/doc/23june12/nh_nh%20wise.pdf (accessed on 18 August 2014).

Ministry of Rural Transport and Highways (MORTH), Government of India. Major programs of MORTH for better connectivity in the northeast include road development programs and roads and highway packages to connect the rural areas.

3.1.4 ADB-Assisted North Eastern State Roads Investment Program

The proposed North Eastern State Roads Investment Program (NESRIP), a centrally sponsored scheme of the Ministry of Development of Northeastern Regions (MDONER) is to be assisted by ADB. The total cost of the project in the first investment program is \$298.2 million. ADB will contribute \$200 million. The Government of India will contribute \$83.30 million and the state's share is \$14.9 million. The entire cost of the project, including ADB's loan component of \$200 million but excluding the state's share, will be released to the local state governments in the form of grants-in-aid.

Transcending national borders, the trilateral highway connecting India with Myanmar and Thailand continues to be seen as the most important transport link. The Asian Highway link, Asian Railway network, and a natural gas pipeline grid project currently under active consideration of BIMSTEC are also important in connecting India's Northeast region with ASEAN. Successful implementation of the project would mean that Northeast India gains access to the Asian Highway through the Imphal–Tamu feeder road, and the railway systems of India and Myanmar would be linked at the Dibrugarh railhead to access and join the Asian Railway Network. To this end, India constructed a road in 2001 in Myanmar linking the township of Tamu with the railhead at Kalemyo, which connects with Mandalay, the commercial hub of Upper Myanmar. There is a proposal to construct a 1,360 km trilateral highway from Moreh, India, to Mae Sot, Thailand, through Bagan, Myanmar (Indian Chamber of Commerce 2008: 279).

However, a number of impediments to road projects do exist and hamper smooth completion of road projects. The list includes: difficult terrain and a long rainy season, which lead to short working spans; delay in tendering and award of work due to lack of interest of major private sector players; poor availability of contracts and consultants; inadequate capacity; delay in transfer of funds by states to the implementing agencies; and delay in utilization of released funds. As long as such hassles exist, Northeast India's will remain marred by underdevelopment.

A similar situation exists for rail connectivity. To integrate northeast India with Southeast Asia, India needs to work on two fronts: first, to lay down effective rail network in the seven northeastern states and, second, to integrate that network with the Southeast Asian railway network through Myanmar. However, the main obstacle lies in the poor rail connectivity of India's Northeast with the rest of India. The Ministry of Railways has tried to rectify the imbalance under successive plans, but to date only two out of eight state capitals of India's Northeast, Assam and Tripura, are connected through railway networks. Rail network density in the states bordering Myanmar is negligible.

Nonetheless, India's Northeastern Region Vision 2020 talks of developing a Trans-Asian rail network by extending the railway along the Chindwin Valley in Myanmar, parallel to the Mizoram–Manipur border and linking of Indian railway with Bangladesh railway system, particularly in Karimganj and Agartala section. Indian policymakers are hopeful that the domestic rail links will eventually be connected to the Myanmar railway system, and will pave the way to connecting with PRC and Thailand. All in all, it is a well-thought-out strategy to connect itself with South and Southeast Asia, but it will take some time to materialize.

There are several challenges in the execution of the above-mentioned railway projects connecting India with Southeast Asia. First is a limited skilled and technical human resource pool. Construction materials such as steel and cement are not available in far-flung areas of Northeast India and thus need to be procured from long distances, which makes the project time and money consuming. Insurgency and volatility in the region, especially in Manipur and Nagaland, which share borders with Myanmar, severely affect the execution and implementation of these projects. Due to climatic conditions in the Northeast, the working season is less than half of the year (from November to April). Lastly, infrastructural conditions of remote areas of the Northeast are terrible, which also hampers transportation of construction materials and essential machinery.

India also needs to improve security in the Northeast, particularly in the states bordering Myanmar. India could take lessons from the PRC, which has used state of the art technology in building rail networks in difficult terrains such as in Tibet and Karakoram. In fact, the connectivity gaps are brought into sharp relief when compared with the PRC's initiatives for cross-border connectivity. The PRC's pace of proposing and executing rail projects with ASEAN is much faster than that of India.

Still, India can play a facilitating role in connecting Bangladesh and Myanmar, and help ease the current bilateral tensions between the two. A bus service and rail link has been approved to connect Bangladesh and India. The Union of India Rail Budget for 2012–2013 includes a provision for a new railway line linking with Chittagong, and connecting Belonia with Bangladesh. India and Bangladesh also signed a memorandum of understanding on 16 February 2013 to set up a 13.5 km long Agartala (Tripura, India)–Akhaura (Bangladesh) new railway line. The Union Government has also envisaged the Seven Sisters Corridor project to connect capitals of all the Northeastern states with Bangladesh, Myanmar, and Bhutan. Additionally, the Sittwe project is aimed at giving a fillip to the Northeast's direct connectivity with ports. Through the Bangladesh, PRC, India, and Myanmar (BCIM) Forum and BIMSTEC platforms, India can take a lead coordinating role in promoting closer linkages between South and Southeast Asia through Myanmar.

These emerging integration processes in the context of economic regionalization present a scenario of both gains and gaps in implementation. The location of the countries in the overlapping subregions of both South and Southeast Asia highlight the strategic importance of their location at the crossroads of major trade routes that will ultimately link Asia and the Pacific with international trade hubs in the West. Southeast Asia is uniquely located at the junction between Northeast Asia and South Asia on the international container route. The composition of Southeast Asia with its mainland and maritime components also finds some similarities with South Asia's mix of maritime and land routes. The east–west connections are complemented by the north–south connectivity with countries along the different routes. As a combined whole, supported by ADB's partnership mechanisms, these countries present an unprecedented transnational network structured by a mesh of multi-modal and logistics corridors. However, the delays in realizing the transport infrastructure that would facilitate freer circulation of goods and services point to some important considerations for the success of regional integration moves. If, as envisaged by the AEC goals, all obstacles and dilatory maneuvers behind, on, and across borders are to be removed by 2015 through the planned investments in hard and soft infrastructure, the networks for connectivity will metamorphose into transnational integration. It is important for planners, practitioners and policymakers alike to give priority to realizing connectivity in support of regionalism.

4. BARRIERS TO SUCCESSFUL COOPERATION AND INTEGRATION

4.1 Risks and Uncertainties

Barriers exist at both individual country and regional levels. At the state level, regardless of geographical location, the constraints are similar: poor infrastructure and lack of capacity, large investment needs which do not seem to be attracting equivalent interest, lack of interest by the business communities in the countries, and significant domestic and/or bilateral concerns that distract governments. Additionally, there is also some overlap of the various projects under each of the regional arrangements, thus causing confusion for implementing agencies and donors alike. Country-level constraints are found mainly in Myanmar, although Bangladesh, Thailand, and India also have their fair share of internal constraints. Perceptions of unequal benefit from massive infrastructure projects hound all three.

For Myanmar, there are a number of domestic sociopolitical and security issues and problems to tackle in the course of joining the regional connectivity experiment. These issues and problems might distract the government's attention and change its priorities, divert scarce resources away from connectivity projects, and erode the political will to enhance regional linkages.

4.1.1 Economic Distortions

Despite successive liberalization measures in the foreign trade sector by the Thein Sein Administration since March 2011, illegal border trade remains a significant cause of revenue losses, corruption, and market distortion. For example, in the first half of FY2013, the Thai–Myanmar “illegal trade [was] nine times as large as legal trade” according to a senior official of the border trade department.²⁹ No figures are available for the India–Myanmar illegal trade but anecdotal evidence suggest that it must be many times that of the official Myanmar figure.³⁰ The current administration in Myanmar would do well to focus some of the economic reform efforts on regularizing current illegal border trade practices, especially as this would also contribute to realizing the stated goals for regional (i.e., each administrative region within the country) development and poverty reduction in border areas.

The lifting of authoritarian control and the course taken toward greater democratization have led to a proliferation of interest groups and civil society organizations that can voice their concerns for transparency, human rights, cultural rights, land rights, equity, justice, environmental protection, and other local issues resulting from major infrastructure and industrial projects. The changing political context in Myanmar has increasingly induced the current administration to invest more time and resources into consulting local communities for their “buy-in,” but this has not been without trial and error. The fallout from the harsh government crackdowns on the Letpadaungtaung copper mine protests in Myanmar in 2012 has shown that the exercise of government will without due consultation could lead to delays, disruptions (and in the case of the Myitsone dam project, even discontinuation or suspension), and extra costs for investors. Pertinent examples for South–Southeast connectivity are the challenges made by local movements and advocacy groups over the Indian-sponsored Kaladan Multi-modal Transit Transport project and the Thai–Myanmar joint initiative in Dawei.

²⁹ Reported official figure was \$85 million, but Thai data suggested it to be \$821 million. See *Myanmar Times* (2012).

³⁰ For example, see *New Light of Myanmar* (2013) and *Guardian Weekly* (2013).

These are important nodes in the regional integration network.³¹ The latter, in particular, attracted a considerable level of negative reactions from local communities, of which more is discussed in the following sections.

4.1.2 Social Issues and Associated Criminal Activities

Illegal migration, human trafficking, narcotics use, and drug trafficking are existing trans-boundary problems that could be further aggravated by greater connectivity.³² The long simmering problem of illegal immigration from Bangladesh into the Rakhine State in Western Myanmar that flared up violently in 2012 as the “Rohingya problem” has alarmed the government, parliament, and the majority ethnic polity to the extent that their responses toward enhanced connectivity (with its potential for abuse) might become more negative and less accommodating. This has also affected the progress of bilateral projects between Bangladesh and Myanmar, which would otherwise have provided both countries with rich opportunities. The latent nationalist backlash and potential political fallout from this issue has kept both countries from pushing initiatives further; the situation will remain so for the foreseeable future. Myanmar’s President Thein Sein has advocated poverty alleviation initiatives in the border regions as a means of building peace and effecting reconciliation. There is hope for change on the horizon with the signing of two agreements between the Government of Myanmar and ADB on rural poverty reduction and HIV/AIDS treatment services, financed by the Government of Japan through the Japan Fund for Poverty Reduction.³³ The agreements emphasize a community-driven approach, targeting most vulnerable communities and areas. However, perceptions of broken trust imply that the road to economic development in the depressed regions, and reconciliation will be a long and rather uphill journey. This is also linked to the outward migration (largely illegal) by many Myanmar citizens, mainly from the ethnic areas, to countries such as Thailand. While the Myanmar migrant workers fill gaps in the Thai labor market, this phenomenon is increasingly seen as undesirable by Myanmar authorities (Chantavanich 2012). The downside of improved connectivity would be the added impetus to the pull factor for potential migrants and might further facilitate human trafficking.

4.1.3 Security Issues

Although military-to-military and state-to-state relations between Myanmar and both India and Thailand have been mostly cordial under President Thein Sein’s government, the existence of ethnic armed groups on both borders as well as the unsettled border demarcations with Myanmar are unsettling issues for all three states.³⁴ For Myanmar, the issue of small bands of anti-India tribal insurgents has been more of an irritant in India–Myanmar relations, while the more numerous Kayin, Mon, and Shan ethnic armed groups at the Myanmar–Thai border pose a significant security threat (Xinhua 2013). Unless the ongoing peace talks with these groups, who are currently honoring ceasefire agreements with the Myanmar government, succeed and a political

³¹ The Kaladan Multi-modal Transit Transport Project is an India-financed development assistance project that involves “the construction of a combined inland waterway and highway transport system connecting Mizoram...with a deepsea port at Sittway [capital of Myanmar’s Rakhine State].” It was supposed to be completed by 2015.

³² For elaboration of these problems, see for example United States Department of State (2013).

³³ The agreements were signed in February 2014, in Naypyitaw. <http://www.adb.org/news/myanmar/adb-myanmar-sign-grants-japan-rural-livelihoods-hiv-prevention>

³⁴ Heads of governments of both countries had paid official visits to Myanmar and President Thein Sein had also returned the favor. Myanmar’s military top brass had also been exchanging visits with military leaders of the two neighboring states. For examples, see Ministry of External Affairs, India (2012); Pandit (2013); and *New Light of Myanmar* (2013).

settlement is reached, the security situation along the Myanmar–Thai border could rapidly deteriorate. A resumption of violent conflict would undermine all efforts to enhance overland connectivity with Thailand.³⁵

However, the security problem that could not potentially derail the connectivity projects and retard the economic reform process is the threat of large-scale communal violence between Muslims (who comprise 4% of Myanmar's population) and the Bamar (mainly Buddhists). Widespread acts of violence were precipitated by the confrontation between Rakhine natives and Muslim residents (mostly stateless and believed by most in Myanmar to be illegal immigrants) of Bengali origin (self-identified as Rohingya) in the second half of 2012, and continue to simmer on the eve of Myanmar's ASEAN chairmanship. Issues of identity, citizenship, and demographic pressure, and religious extremism on both sides, threaten a worst-case scenario with regional and international repercussions if the sectarian angle is amplified.³⁶

This is also a concern in India's corridors of power. There is some apprehension that increased influxes of illegal migrants from Bangladesh and refugees from other countries such as Rohingyas from Myanmar and Chakmas will flow to India once the railway line between India and Southeast Asia gets completed. Demographic change is one of the major polarizing issues in some states of the Northeast, particularly Assam. Another major predicament is the influx of drug peddlers from the notorious drug triangle zones of Southeast Asia. Drug addiction is already a big problem that has reached alarming proportion in India's Northeast region.

It is widely believed that the Northeast Myanmar–Thailand land route is neither safe nor cost effective. Even so, India and Myanmar have agreed to open four checkpoints for increasing trade between the two countries. These include the Pangsau Pass, Paletwa, Lungwaanyong, and Pangsha-Pangnyo.³⁷ The North-Eastern Region Vision 2020 cites the Annual Report of the International Narcotics Control Bureau (2001) that the 1643 km India-Myanmar border has been utilized as a transit point between the Golden Triangle and the Golden Crescent,³⁸ and that the mismatch between India and Myanmar's trade statistics is largely due to the drug trade, citing the Association for Environment and Development Research 1999 (Indian Chamber of Commerce 2008: 273–275).

Another apprehension is that insurgent groups active in Northeastern states might have unhindered access to Southeast Asia, and that could pose greater challenges to the Indian authorities to monitor the activities of insurgents and curb the menace. Indian security forces are concerned about the likely fallout of unhindered cross-border movement. Additionally, there is some concern by the authorities on both sides of the India–Myanmar border of a crisis that could potentially emanate from increased interaction among people of the same ethnicity residing across international borders, which might flare up ethnic issues and irredentism. Ethnic nationalism and insurgency have delayed the socioeconomic development of the region. They have also posed consistent challenges to effective and smooth border management, thus raising the uncertainties of the relationship between India and its neighboring countries. According to intelligence reports, Islamic insurgency is a threat to Northeast India–Myanmar connectivity. Manipuri Muslim insurgents are allegedly trying to establish links with Al

³⁵ See Della-Giacoma Horsey (2013).

³⁶ See Government of Myanmar (2013) and International Crisis Group (2013).

³⁷ Also referred to in Govinda Rao's presentation at Seminar on "Perspectives on South Asian Integration" by Rajiv Kumar and Govinda Rao, 20 February 2009, under the ADB's Asia Regional Centre Seminar Series on Regional Economic Integration, http://www.eric.adb.org/pdf/seminarseries/SS21ppt_Promoting_Trade_in_N.India.pdf

³⁸ See also paragraphs 410 and 438 of the International Narcotics Control Bureau's 2001 Annual Report.

Qaeda.³⁹ Bomb blasts at Bodh Gaya, Buddha's birthplace in North India and a popular religious pilgrimage site for Buddhists from Myanmar and Thailand, have also raised concerns regarding the Rohingya issue, its linkages with Indian fundamentalist groups, and its likely fallout for India.⁴⁰

Moreover, one of the defining features of India's neighborhood in the past half-a-century has been that, barring Bhutan, in all other countries, domestic politics has been marred by radical elements, and anti-India sentiments play a significant role in the political rhetoric (for instance Khalida Zia led the Bangladesh Nationalist Party in Bangladesh, and Maoists in Nepal). This has been one of the biggest security concerns for India that dissuade it from taking proactive measures with regard to connectivity. Similar to the protests by local communities in Myanmar, communities in Northeast India's states have protested against land acquisition for road projects, delaying implementation of the projects.

Another dimension of the security issues is the increased opportunity for the spread of emerging and resurging contagious diseases across borders. The arrival of a growing number of Myanmar workers in Thailand has led to the spread of drug-resistant malaria and tuberculosis in some Thai provinces that are hosting a large number of Myanmar workers. Incidences of elephantiasis, transmitted by mosquitoes, has recently been rediscovered although earlier thought to have been eradicated from Thailand.

The challenges faced at the country level indicate the nature of strategic and economic concerns that pose barriers to successful regional and subregional cooperation.

4.2 Strategic/Political Barriers and Risks

Southeast Asia is where the strategic interests of the PRC, India, the US, and Japan converge. Based on its comparative advantage and geographical contiguity, the PRC is most active in promoting north–south connectivity between mainland Southeast Asia and southern PRC, particularly through Myanmar. The PRC is also apparently amenable to collaborating with India despite occasional “unpleasant” incidents in border areas. Part of the revived Southern Silk Road includes developing a PRC–India highway link. The PRC and India signed a bilateral land transport cooperation agreement in Beijing during the visit of the Prime Minister of India in mid-October 2013.

The PRC's influence in Myanmar—albeit waning after the 2011 reforms started—would concern India more than the other countries in the subregion, mainly because of the historically close ties between India and the then Burma, since the days of independence movements. Bilateral relations suffered a brief hiatus after the military junta seized power in Myanmar in 1988, but were revived under Prime Minister Manmohan Singh's administration. Developing closer ties with Myanmar will open new economic opportunities for the states in Northeast India to capitalize on. The PRC's influence in Thailand, on the other hand, adds to the difficulties of a nation that is currently deeply polarized. Beijing's warmth toward Thailand is partly due to Thailand's role as ASEAN's representative for coordinating the ASEAN–PRC Strategic Partnership over 2012–2015.

³⁹http://articles.timesofindia.indiatimes.com/2013-10-08/india/42828139_1_manipuri-muslims-intel-report-chandel-district

⁴⁰ <http://www.mizzima.com/mizzima-news/regional/item/9646-rohingya-angle-to-bodh-gaya-blasts/9646-rohingya-angle-to-bodh-gaya-blasts>

4.2.1 Perceptions of Unequal Benefit and Uneven Development

Myanmar's current state of development and the internal challenges for greater investment in infrastructure may seem to suggest on the surface that India and Thailand stand to gain more from connectivity between South Asia and Southeast Asia. To assuage any negative perceptions, India and Thailand are assisting Myanmar's infrastructure development. The Trilateral Highway will connect other ASEAN members, such as the Lao PDR and Viet Nam, through the GMS corridors. Similarly, the Dawei project will benefit Cambodia and Viet Nam. However, some difficulties persist in convincing the Myanmar authorities in general and the local people in Dawei of the long-term benefits of the project, especially the special economic zones. The Dawei project being featured in the Thai media as a solution to relocate some of the "polluting" industries from Mab Ta Phut to Dawei may also have caused skepticism in Myanmar.⁴¹ Siting Dawei as a deep sea port and the first special economic zone in Myanmar may overshadow the more high-profile prominence accorded to port and industrial estate development projects in the environs of Yangon, the former capital and current commercial hub of Myanmar.⁴² Sourcing the necessary professionals and skilled labor to run the deep sea port and industrial estates in Dawei remains a major question. Large-scale influx of foreigners will aggravate the perception of unequal benefit and uneven development, when coupled with expropriation of land and relocation of villagers. Additionally, the under-investment in education in the Dawei area indicates that the local population is unlikely to benefit from the potential formal sector jobs that the Dawei project could generate. For connectivity initiatives to succeed, investments in "hardware" need to be accompanied by investments in "software." Managing local resentment of foreign workers will remain a sensitive issue—politically and socially—for years to come.

Increased land transport connectivity will inevitably lead to increased transnational crimes, especially trafficking of drugs, women and children, and small arms. Drug trafficking and production remains a serious problem in Southeast Asia, and Myanmar is at the nexus of the infamous Golden Triangle (where the borders of Myanmar, the Lao PDR, and Thailand converge). Both supply and demand reduction strategies need to be revisited and reinforced.

4.3 Economic Barriers and Risks

There are at least three aspects of impediments and risks associated with the path toward seamless economic integration between South and Southeast Asia: different stages of intra-regional economic integration; limited inter-regional economic ties; and underdevelopment of inter-regional physical and institutional connectivity.

4.3.1 Different Stages of Intra-Regional Economic Integration

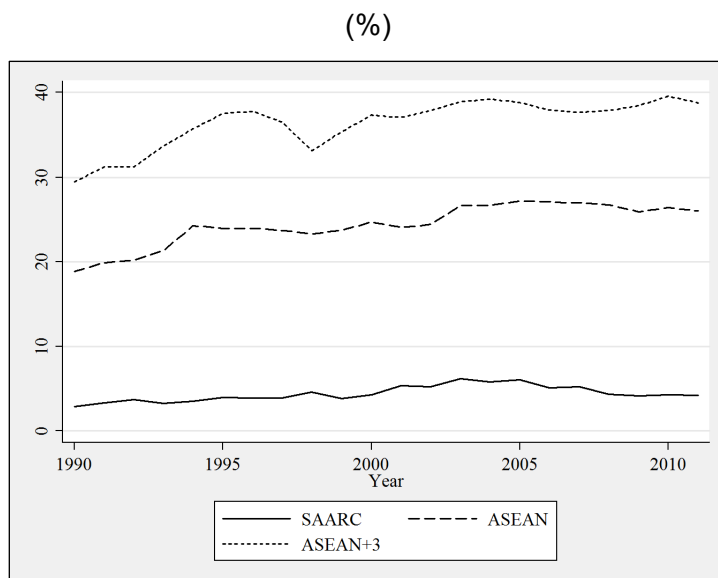
There are considerable gaps in the stages of intra-regional economic integration under the different regional arrangements. While ASEAN has been in the forefront of intra-regional economic integration, the level of economic integration within SAARC remains weak and shows no improvement. Figure 1 presents the intra-regional trade shares among ASEAN, ASEAN+3 (including PRC, Japan, and the Republic of Korea), and SAARC. Intra-regional economic integration under SAARC substantially lags that of

⁴¹ According to Suphakit Nuntavorakam of the Healthy Public Policy Foundation. See details of his views in Dawei Project Watch at http://daweiprojectwatch.blogspot.sg/2012_08_27_archive.html, accessed 10 October 2013.

⁴² Though it is the capital of the Tanintharyi Region, Dawei is a relatively small provincial city with a population of around 200,000. The southern region around Dawei is sparsely populated, mostly by Mon, Karen, and other ethnic people.

ASEAN. There are several reasons given for the slow progress in strengthening intra-regional economic integration in South Asia, including inadequate intra-regional connectivity, lack of political commitment to liberalization, and weak national and regional institutions (Bhattacharyay 2012).

Figure 1: Intra-regional Trade Share of SAARC, ASEAN, and ASEAN+3, 1990–2011



ASEAN = Association of Southeast Asian Nations, SAARC = South Asian Association for Regional Cooperation.

Note: Intra-regional trade share is measured by the percentage of intra-regional trade to total trade of the region.

Source: Directions of Trade Statistics, International Monetary Fund (IMF).

At this pace, the risk is that the closer economic ties between the two regions are focused mostly on India–Southeast Asia, not South–Southeast Asia, economic integration. The exclusion of other South Asian countries, due to limited intra-regional economic linkages, critically exacerbates the scope of economic complementarities, production sharing under regional networks, and, ultimately, mutual benefits from economic integration.

4.3.2 Gaps in Supply Chain Development

There are significant gaps of supply chain development in South and Southeast Asian regions. The gaps prevail in two dimensions—underdevelopment within South Asia and at the connecting point, Myanmar. Myanmar’s role as the bridge between the two regions may pose problems to regional connectivity, as it is currently the second lowest in logistics capacity after Nepal. Enhancing logistics performance in Myanmar is highly critical for South–Southeast Asian supply chains. Without supply chain development and connectivity in South Asian countries and, particularly, Myanmar, the spectrum of outsourcing activities spanning across the regions will be limited only to the existing East Asian production networks, eventually diluting gains from South–Southeast Asian economic ties.

4.3.3 Sensitive Sectors and Economic Adjustments

Like other free trade agreements (FTAs), South–Southeast Asia economic integration will likely be hampered by some sectors that are sensitive to liberalization. The India–ASEAN FTA provides a good lesson for South–Southeast Asia economic integration,

that sensitive sectors potentially trigger hiccups of the agreement ratification among the member countries and, ultimately, undermine successful implementation of trade and investment liberalization (Sikda and Nag 2011). While India and ASEAN countries signed the agreement for trade in goods in 2010, conflicts and delays have emerged, critically in the agreement on services and investment. The reason is that India has a bigger stake in the services agreement as it is a major provider of IT services and a source of professionals such as engineers, and education and medical professionals. However, liberalization of trade in services appears to be highly sensitive in Malaysia and Thailand where professional licenses are legally mandated to preserve national interests. In the case of a bigger platform such as South–Southeast Asia economic integration, a range of sensitive sectors are likely to be wider and deeper. For instance, the agricultural sectors could be problematic as many Southeast Asian countries like Indonesia, Malaysia, and Thailand are major exporters of palm oil, and an influx of palm oil into South Asian countries like India and Bangladesh could threaten domestic farmers' livelihoods.

Sensitivity issues in a wide array of economic sectors underline the apprehension over who will be the winners and losers from South–Southeast Asia economic integration, and the ensuing economic adjustments will be painstaking for both South and Southeast Asia. To address the risks of stalled negotiations under South–Southeast Asia economic integration, collective action from both South and Southeast Asian countries is imperative to compensate the economic sectors losing out from closer economic ties and to ensure smooth industrial adjustments. In doing so, the negotiations need to list a full range of economic complementarities and identify the sectors that are sensitive to liberalization. The sensitive sectors that require protection need to be put on a negative list so that they have time to take in necessary adjustments. The safeguard measures and dispute settlement mechanisms need to be fully developed and addressed to effectively tackle with the possible conflicts that may emerge from economic adjustments.

5. OPTIONS FOR MOVING FORWARD

Myanmar's recent moves for reforms have put the country under international limelight (and scrutiny). Yet, the high-profile publicity of Myanmar's potential is premised on overcoming the complex challenges of the present. Similarly, the connectivity projects indicate potential rather than reality. Apart from the India–Myanmar–Thailand trilateral highway, other projects seem to have either stalled or are slow in progress. Why is this so? The following options merit further consideration in facilitating greater South–Southeast Asia connectivity. The recommendations bear in mind the imperatives of regional connectivity—at times overlapping—under the ASEAN, SAARC, SASEC, GMS, or BIMSTEC arrangements, but also attempt to link national and bilateral priorities with the broader regional picture. Without domestic or internal support and commitment (political will) to achieve multilateral objectives, many well-intentioned plans and programs have a habit of stalling. Incentives, where appropriate and relevant, should also be considered at the subaltern levels.

- i. **Undertake a detailed assessment and prioritization of pending connectivity projects, with a view to accelerating implementation and completion.** First, a number of initiatives, such as the Dawei project, a rail link from Jiribhum (India) to Ha Noi (Viet Nam) via Myanmar, the Asian Highway network and Trilateral Highway project need to be completed on time. Second, long overdue projects such as the Kaladan Multi-modal Transit Project, which involves sea (Kolkata to Sittwe), inland water (Sittwe to Setpyitpyin), and land routes (Setpyitpyin to the

- India–Myanmar border) and aims to connect Sittwe port in Myanmar and Indian ports on the eastern seaboard, should be accelerated and brought to a satisfactory conclusion. Third, air connectivity, which has long been neglected, needs to be attended to. For instance, there are still no direct flights between India and Viet Nam despite talks of Jet Airways pledging for the service for several years. Fourth, the cause of delays in road connectivity between North–East India and ASEAN needs to be checked. Red tape needs to be avoided and a balance between infrastructural development and environmental protection needs to be struck. Existing manpower and expertise working on projects on both sides of the border should be enhanced by way of regular training and special recruitment drives (for engineers and construction workers).
- ii. **Develop public messaging on the benefits of connectivity to complement regional (local) development projects.** Local communities in the areas where connectivity projects are being implemented seldom get the big picture explanation, or cannot connect the dots between central-level policy and local-level implementation. Practical explanations of the benefits (and adjustments) stemming from greater connectivity between South and Southeast Asia may go a long way in helping dispel mistrust and any fear of change. Public awareness initiatives in this regard may prove useful and prudent, but need to be calibrated carefully to suit cultural differences and diversity. Public messaging needs seem acute, as the local governments in India, Bangladesh, Thailand, and Myanmar are the first line of contact and communication with the local communities.
 - iii. **Align national priorities with regional and bilateral undertakings.** Myanmar, Thailand and India all have recourse to regional platforms under ASEAN–India dialogue and the EAS commitment for implementing MPAC priorities. Additionally, all three participate in the BIMSTEC initiatives, which serve to connect the two Southeast Asian countries to the more focused South Asian economic integration move under SASEC. Bangladesh’s location as neighbor to both India and Myanmar is also an important consideration. To strengthen the capacity of countries such as Myanmar and Bangladesh to realize their potential as the land bridge between South and Southeast Asia, it is important for the bilateral projects and programs to refer to ASEAN commitments in the case of Myanmar, and to emphasize the BIMSTEC and SASEC overlaps for Bangladesh. For Myanmar, this is particularly relevant in the context of Myanmar’s recognition that the current reforms should be consistent with ASEAN’s economic integration objectives. To this end, India can explore hydroelectricity cooperation with Myanmar in the Chindwin River, in support of Myanmar’s physical and institutional connectivity needs. The three countries can also employ bilateral mechanisms to close the missing links for rail connectivity (i.e., India–Myanmar and Myanmar–Thailand), to complement the India–Myanmar–Thailand trilateral highway. India is already partnering with Myanmar to develop Sittwe as a deep-sea port under the Kaladan project, complementing the development of Yangon, which is one of the existing major ports closest to connecting ASEAN and India. Myanmar and Thailand are implementing the Dawei deep-sea port project.
 - iv. **Dovetail physical and institutional connectivity needs.** Development of communication and transportation links in the project areas should be prioritized under national and bilateral plans. Additionally, governments may need to evolve a calibrated policy framework for developing or strengthening soft infrastructure for this purpose of better connectivity. The GMS experience shows that the policy framework must be strengthened through inclusion of stakeholders and

provision of right incentives, appropriate institution arrangements, sharing costs of infrastructure investment, capacity building, and public–private partnerships (PPP). PPP is often vaunted as the keystone in speeding up connectivity, but governments and business communities in each of the countries need to agree on how PPP would be carried out in the national and cross-border contexts. It is important to ensure that the partnerships are equal. It is equally important to ensure the accountability of all concerned. The countries most concerned in South–Southeast connectivity will need to develop a shared framework for PPP that clearly specifies roles, responsibilities, and risks for cross-border connectivity projects, as well as the internal connectivity projects linking to these cross-border initiatives. Current approaches in involving private sector participation are largely ad hoc and driven mostly by the public sector. The business community will require detailed information on the nature and viability of the connectivity projects before making financial commitments. Governments must be ready and willing to provide such information.

- v. **India’s rapid implementation of the recommendations of the Northeast Region Vision 2020.** The Northeast Region Vision 2020 provides eight recommendations to connect Northeast India with the Southeast Asian region. The Union Government of India needs to come up with an implementation plan and commensurate budgetary commitments to achieve recommendations. While it is encouraging that the Tamu–Kalewa–Moreh road upgrading recommended by the 1997 Shukla Commission Report is now complete, the other recommendations pertaining to the rail link to Bangladesh, and developing the Asian road link through Myanmar to the Lao PDR and Thailand still need to be realized.⁴³ It is worth reviewing the recommendations contained in India’s Northeast Vision 2020 document (pp.285-286) pertaining to the policy and practical measures necessary for facilitating cross-border trade with Myanmar, and through Myanmar to the other ASEAN countries, via the Northeastern states. Matching the Northeast region’s resource strengths (wood, rubber, industrial goods, including cement, coal, and steel) to ASEAN’s needs. Behind-the-border barriers restricting trade should be examined more closely. These include improvements in current IT infrastructure and customs procedures. Necessary security measures should also be taken to provide secure transport corridors for goods. These domestic development priorities should be linked to existing country and subregional programs supported by various donors and development partners, if not already in the process of doing so.
- vi. **Support for Myanmar’s economic reforms, especially in the border areas.** After embarking on a poverty alleviation agenda early in the reform phase, there are few concrete projects to show for the reformist president’s commitments to improve the situation of communities in the border areas. President Thein Sein, in recent months, has reiterated the importance of economic development in the border areas, to facilitate “lasting peace.” The question that arises now is whether connectivity via the ASEAN initiatives and with large neighbors such as India and the PRC can further enhance economic reforms in Myanmar. Members of Myanmar’s National Economic and Social Advisory Council have identified transport, railway, information technology, and energy as priority sectors for connectivity initiatives, for which external assistance, both technical and financial, is required. Myanmar is seeking this assistance under bilateral and

⁴³ M. Govinda Rao, “Peace, Progress and Prosperity in the North-East Region: Vision 2020, Volume I”, p. 287. Paper provided by eSocialSciences in its Institutional Working Papers series with number id:1211, accessible at: <http://ideas.repec.org/s/ess/wpaper11.html>.

- regional (ASEAN) cooperation frameworks. Requirements for institutional connectivity include trade liberalization, national single window implementation, investment, transport facilitation, cross-border procedures, and tourism and culture for people-to-people connectivity.
- vii. **Promoting the role of state governments in promoting connectivity.** Northeast India's states and Chittagong in Bangladesh are very much involved in linking with Myanmar, and through it to the ASEAN region. For multi-modal projects linking the three countries, the state governments have the primary responsibility to implement and support the projects funded by the central government. This seems to have worked better between Myanmar and India. A number of initiatives including a Myanmar–Northeast Indian state leaders meeting and Northeast India–Myanmar business conclave have been initiated.⁴⁴ There are several projects that the states' governments have initiated and are working on, though at a slower speed than expected largely due to issues relating to environmental clearance and land acquisition hassles mentioned in previous sections. To boost private sector partnership, the Confederation of Indian Industries (CII) has set up the CII–Northeast Council to work with the northeast state governments in making that region a new hub for domestic and foreign investments. Similar arrangements should be explored for the regional governments (i.e., local governments) in the states bordering Bangladesh. On the Myanmar side, the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (RUMFCCI) can play a lead coordinating role with counterparts from India and Bangladesh; but for this to happen, the Myanmar government will need to provide more information on the benefits to be reaped from greater private sector involvement in projects.
- viii. **Consider the feasibility of a common loan/funding mechanism for priority infrastructure and connectivity related projects in the overlapping subregions.** As initially discussed in earlier parts of this chapter, it is worth embarking on a study of ADB's central role in assisting transnational networks for connectivity. ADB's role in addressing the infrastructure needs of the ASEAN countries under the MPAC priority projects, and the secretariat function that it serves for the GMS and SASEC regions, points to ADB's potential bridging role for infrastructure financing in Asia in view of the PRC's proposal for an Asian Infrastructure Investment Bank or AIIB. However, it will be necessary to have a common agreement on what constitutes safeguard policies, requirements for social and environmental impact assessments, and governance issues. A focused study into the dynamics of "top-down" connectivity initiatives where neutral third-party organizations (such as ADB) take on the role of transnational management will be a valuable addition to existing academic and policy literature on this subject.

6. CONCLUDING THOUGHTS

That strong South–Southeast Asia relations and connectivity present a vastly attractive potential for Asia's economic growth and development is well-established. However, current initiatives at the national, subregional, and regional levels also need to be viewed in the context of the complex political realities of contemporary times. Endeavors for greater connectivity will bear fruit only when they are linked with efforts

⁴⁴ The second Northeast India–Myanmar business conclave was held in August 2012, and the Indian Chamber of Commerce, with the Myanmar government's support, organized the third round in May 2013 in Myanmar.

for internal connectivity in each of the countries concerned. These are national responsibilities or undertakings, where broad regional commitments should be translated into practical action. The role of regional partners such as ADB thus takes on added significance in helping to rationalize and, to a certain extent, unify the different and oft-parallel strands of large-scale projects and programs of assistance in each country.

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