

*Policy Dialogue*

**Galvanizing South and South-East Asia Connectivity post-COVID19**

**UNESCAP South and South-West Asia Office and ICRIER**

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Lack of adequate and cost-effective cross-border transport options has been a major hindrance to expansion of intra-regional trade in South Asia. Regional transport sector is burdened with multiple technical, infrastructural, operational, and policy challenges, as evidenced by poor ratings of subregional countries in global transport facilitation and logistics performance indicators. Persisting systemic issues of South Asia's freight transport network permeate inefficiencies of the clearance process by border control agencies, quality of sea/land port infrastructure and facilities, and competence of logistic services. As a result, trade costs of subregional countries are among the highest in the world, with intra-regional trade costs well more than double that of neighboring East and Southeast Asia regions.

The COVID 19 pandemic has brought these inherent shortcomings in regional transport systems in South Asia to the fore. In the wake of the outbreak of the pandemic, South Asia joined other regions in placing partial to full-fledged lockdown of passenger transport, both domestic and international, albeit with efforts to sustain international cargo operations. Special measures, including procedural ease and duty exemptions, were adopted to ensure that at least movement of essential goods could be sustained amid lockdowns. However, despite best efforts, international freight movement in the subregion across all modes of transport has been severely affected, exposing some of the inherent shortcomings in regional transport systems. Pre-existing infrastructural and procedural bottlenecks, particularly lack of support systems for digital trade facilitation and the manual transshipment requirements, affected efforts for faster cargo inspection and clearance at border stations during the pandemic.

Globally, international freight transport has been among the hardest hit sectors following the COVID-19 outbreak. Sharp contraction in trade demand and supply, triggered by the pandemic, has had a commensurate dampening impact on transport and logistics sectors. South Asia's trade flows have been adversely affected, consequently worsening business environment for the subregional freight transport sector, as traffic volumes declined. As the subregional countries gradually emerge out of forced lockdowns, one of the immediate priorities is to revitalize transport systems for providing the much-needed respite to trade oriented sectors. The sector will necessarily have a crucial role to play in post-Covid-19 recovery, given its bearing as the lifeline of global supply chains. It is important that the transport sector bounce back as quickly as possible and maintain competencies in an external economic environment which is likely to remain volatile and unpredictable for times to come.

Short-term recovery strategies may involve relief packages to the transport and logistics industries which are reeling from losses, along with roll-back of operational restrictions. However, long-term capacity building reforms are essential to make the recovery sustainable. Fallouts from exposure to COVID-19 should be converted to an opportunity for the transport sector to reassess and devise an appropriate revival strategy. Perhaps the most important learning from the current experience is the importance of a holistic approach to transport facilitation. South Asia's transport reform measures must encompass both vertical (infrastructure and services improvement at each transshipment nodes at ports, LCSs and ICDs) and horizontal (ease of transshipment between nodes with or without modal interchanges) aspects of freight transport connectivity. Moreover, these reform measures must be proceeded parallelly, as the overall functional efficiency of a transport corridor is only as good as its weakest links.

Broadening the boundaries of South Asia's internal transport networks to connect with neighboring subregions is equally important for maximizing benefits of regional economic integration. Linking with

fast developing and advanced transport networks such as that of South-East Asia would be beneficial for South Asia in two important ways. First, it would help the subregion to emulate good practices and technological upgradation in bettering its own internal connectivity. Second, such linkages would substantially enhance traffic volumes and thereby improve commercial viability of subregional corridors.

A number of overlapping transport development initiatives that are underway in the South Asia provide ideal basis for inter-regional cooperation for connectivity. Besides networks and transport development initiatives being developed under subregional organizations such as BIMSTEC, ECO and SAARC, connectivity agenda pursued under the BBIN framework, IMT Highway etc. also seek inter-regional linkages between South and South-East Asia. Developing trade relations in the Southern Asian neighborhood and guiding tenets such as the Act East Policy of India also add to the impetus for broader regional cooperation. These initiatives and programmes need to be synergized for optimal outcomes. The subregion must also leverage investment opportunities and technical support offered by multilateral development partners for operationalization of subregional transport corridors of critical importance.

With the global economy facing an unprecedented economic downturn due to the COVID 19 pandemic the need for stronger regional cooperation is even more vital – both with regard to near term recovery and longer-term growth. The pandemic has lent urgency to enhance inter-regional trade and investment flows between South and Southeast Asia and to accelerate reform measures for seamless transport and digital connectivity between the two regions.

Against this background, with the objective of re-energising the policy discourse on connectivity between South and Southeast Asia, UNESCAP and ICRIER are jointly organizing a Policy Dialogue focusing on economic engagement between the BBIN and the CLMVT countries group of countries. The objective is to highlight the trade opportunities between these countries; the infrastructure bottlenecks, procedural impediments and regulatory barriers; and the associated enabling policy interventions that need to be prioritized for improving intra- and inter-regional connectivity. The Dialogue will help bring together experts, business representatives and policy makers in the region to engage on a wide array of issues relevant for strengthening and enhancing connectivity between the two sub-regions. The Dialogue will include discussions on the following themes:

- Trade and economic integration opportunities through enhanced overland connectivity between South and South-East Asian countries
- Reform priorities for South Asia's regional transport systems, particularly ease of border-crossings in the BBIN subregion, learning from exposure of trade and transport to the COVID-19 outbreak
- Futuristic inter-regional transport development framework covering multi-modal regional corridor design, wider application of new technologies, infrastructural upgradation, and legal, institutional and procedural reforms
- Scope for leveraging regional cooperation and sharing of good practices for connectivity reforms