

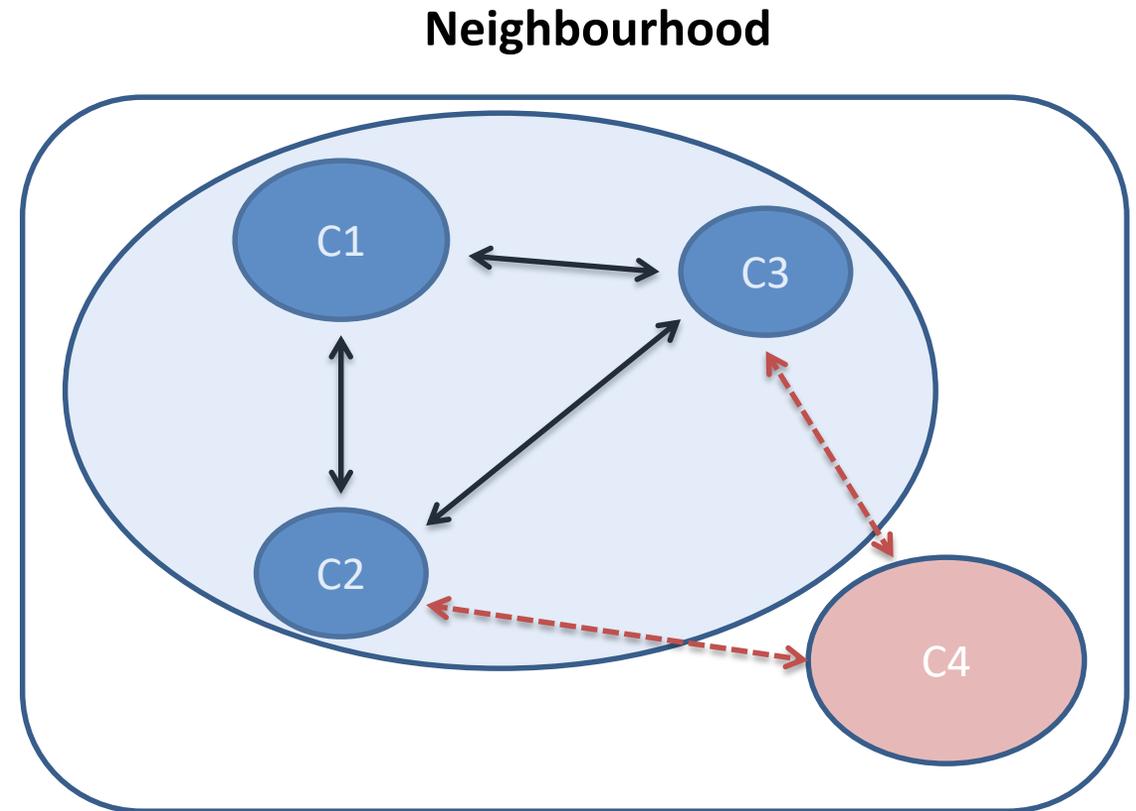
# **SASEC Economic Corridors : Challenges and Way Forward**

**Prabir De**

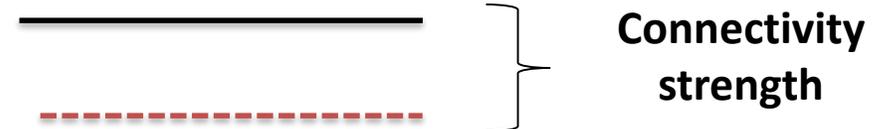
**23 November 2021**

# Motivation for economic corridors

- Regionalism works well when countries work together towards shared prosperity
- Adding momentum means bigger economy contributes relatively more
- SASEC countries recognise potential of its neighbours to forge strategic partnerships on the back of a Prosperity-Neighbour policy
- “Doing enough” is a relative concept – can be tested when asymmetry in power or economic prosperity with new member(s) (e.g. C1 vis-à-vis C4):  
 $C1 > C2$ ;  $C1 < C2$



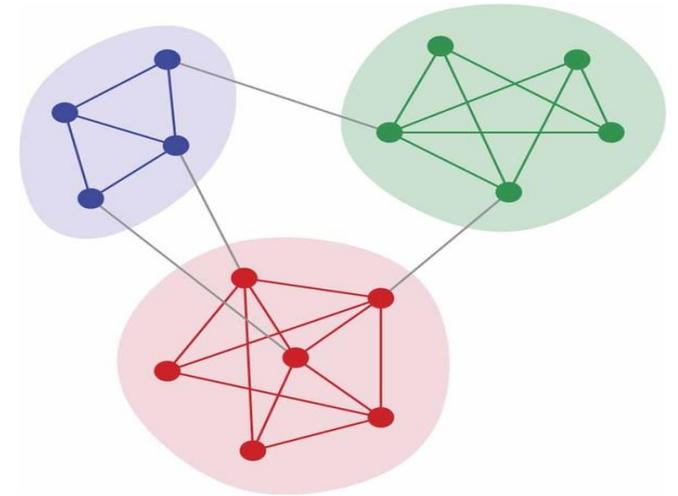
C1.... C4 = Country



# Why economic corridor?

- An efficient, secure and integrated transport network is essential to support the realisation of sustainable connectivity, particularly in post-Covid.
- Economic corridor: Gateways and multimodal corridors are the building blocks for creating an integrated spatial economic region.
- Economic corridor becomes successful when corridors connecting gateways (cities) coupled with supporting institutions (logistics) improve the competitiveness of a geographic space (country).

## Networks and nodes between Region / Country

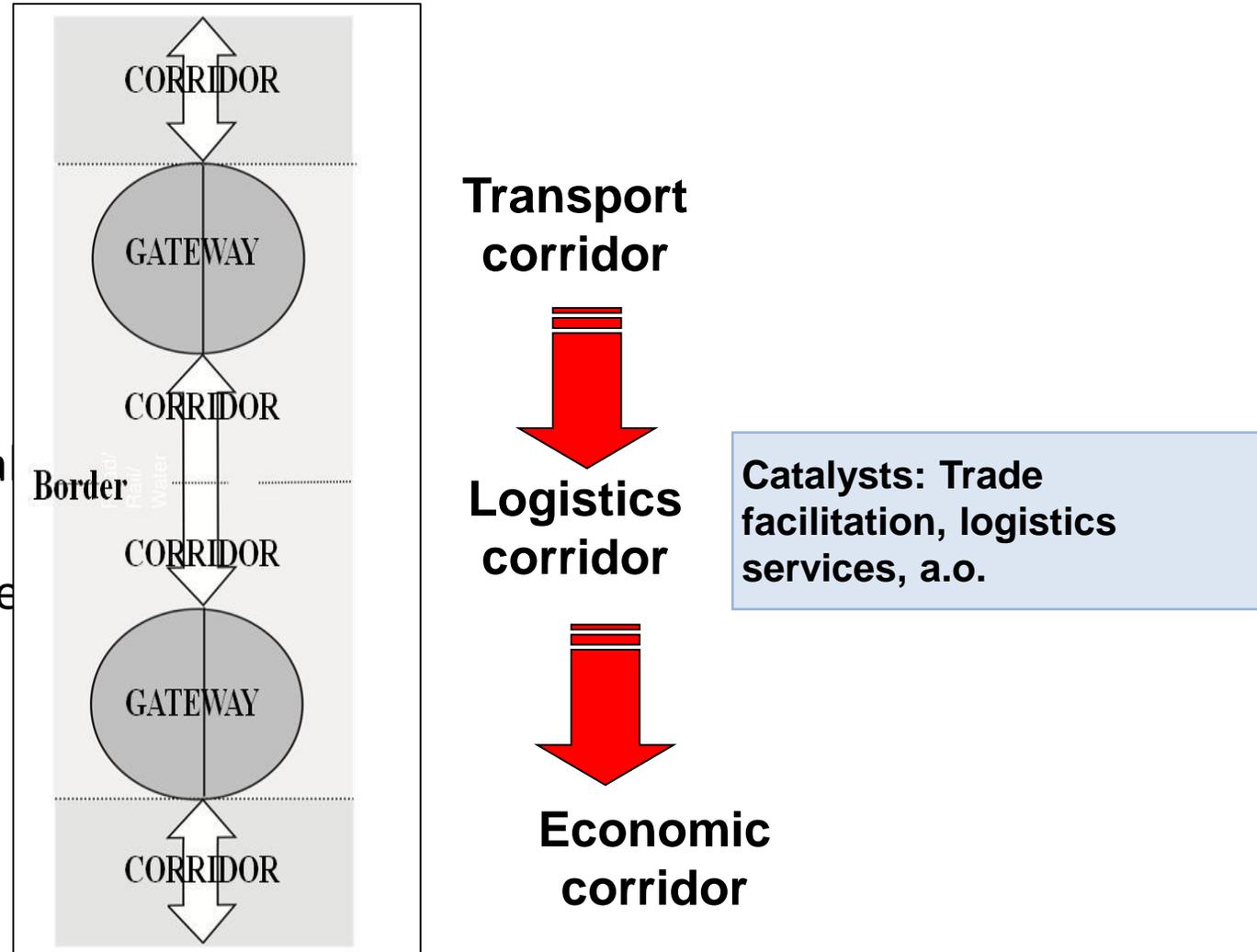


## Why economic corridor matters?

- Economic Growth
- Supply Chain Efficiency and Resilience

# Stages of development of economic corridor

- According to Banomyong (2007), there are four types of corridors: (i) transport, (ii) multimodal (2+ modes combinations); (iii) logistics (institutional framework), and (iv) economic (investment in less developed areas).
- An EC can be national (e.g. Tokyo-Osaka corridor), subregional (e.g. GMS corridors), regional (e.g. TEN-T corridors), or international (e.g. submarine telecom cables).
- Trade facilitation and logistics services are the main catalysts in its development.
- EC helps strengthen industrial (or, services) agglomeration over time through industrial zones (or, SEZ).
- EC facilitate cluster-type development of enterprises.



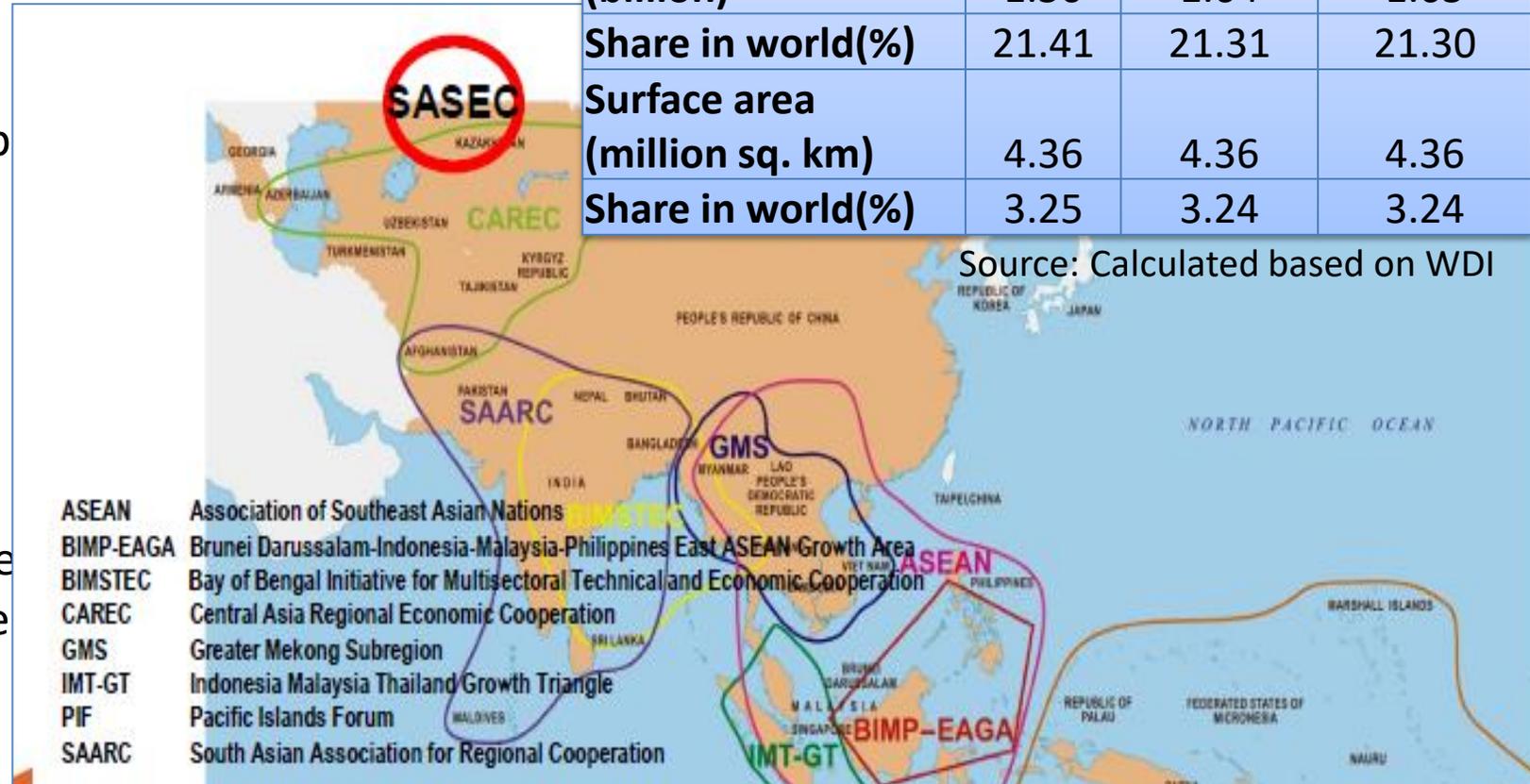
# Growing SASEC economy

- South Asia Subregional Economic Cooperation (SASEC) brings together seven economies: Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka
  - 4% of global economy, 21% of global population and 3% of world surface area
- SASEC is a project-based partnership that aims to promote regional prosperity, improve economic opportunities, and build a better quality of life for the people of the subregion.
- SASEC countries share a common vision of boosting intraregional trade and cooperation in South Asia, while also developing connectivity and trade with Southeast and East Asia, and the global market.

## SASEC subregion

	2011	2019	2020
Economic Size (US\$ billion)	2097.30	3379.25	3144.21
Share in world(%)	2.85	3.86	3.72
Population, total (billion)	1.50	1.64	1.65
Share in world(%)	21.41	21.31	21.30
Surface area (million sq. km)	4.36	4.36	4.36
Share in world(%)	3.25	3.24	3.24

Source: Calculated based on WDI



Source: ADB

# Why SASEC so popular?

- Multilateral process slow or does not work as per expectation, countries motivate to form regional blocs
  - WTO members are permitted to enter into RTAs under Article 24 of GATT of 1994, Enabling Clause and Article 5 of GATS
- Regional trade agreements (RTAs) have risen in number and reach over the years
  - As of 15 November 2021, 350 RTAs were in force. These correspond to 552 notifications from WTO members, counting goods, services and accessions separately.
- Benefits to SASEC partner countries are expansion of scale, vital issues with more attention, better trade and investment (sometimes WTO+), regional and global value chains, etc.

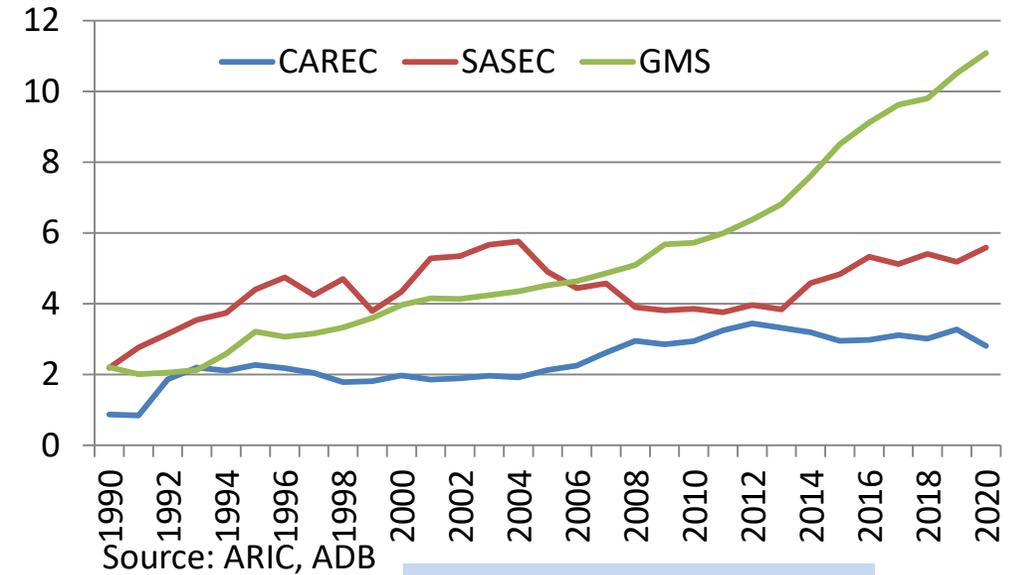
## WTO Condition

RTAs must cover substantially all trade - unless they are under the Enabling Clause - and help trade flow more freely among the countries in the RTA without raising barriers to trade with the outside world.

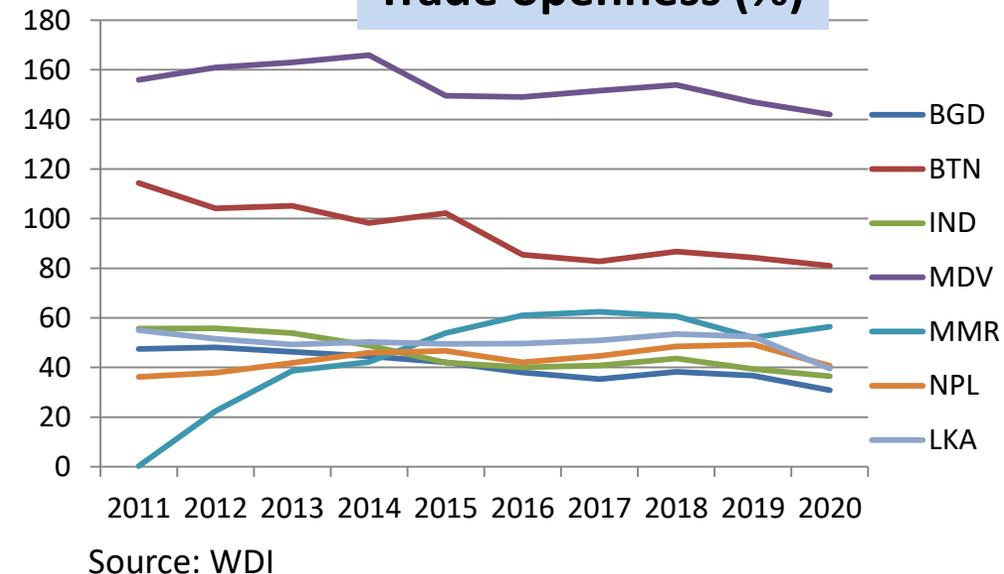
# SASEC's greatest challenge

- Post-Covid, SASEC economies witnessing higher growth: Bangladesh, India, a.o
- SASEC's intra-regional trade volume three times lower than that of CAREC
  - SASEC's US\$ 45 billion intra-regional trade in goods in 2020, declined from a peak of US\$ 55 billion in 2018.
- To sustain growth, trade is important
  - SASEC has low intra-regional trade (6%), compared to GMS (11%), but higher than CAREC (3%)
- Trade distribution is lopsided in SASEC
  - India's share in SASEC's global trade increased from about 68 percent in 2000 to about 80 percent in 2020
- Landlocked and island countries depend on SASEC more than other members.
- Declining trade openness in SASEC a major concern
- Greatest challenge is to sustain trade integration

### Trends in intra-SASEC trade (%)

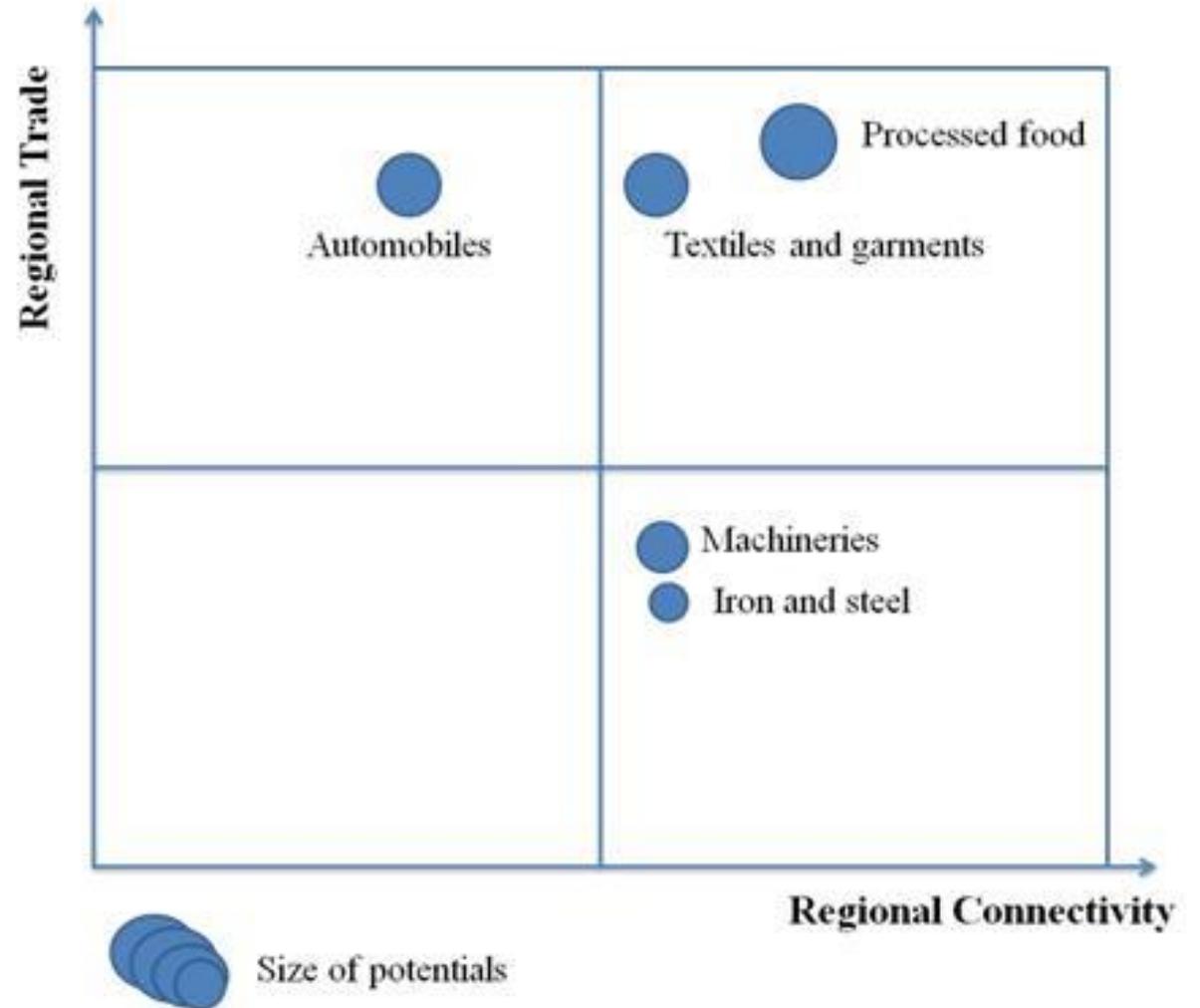


### Trade openness (%)



# Regional value chain potentials in SASEC

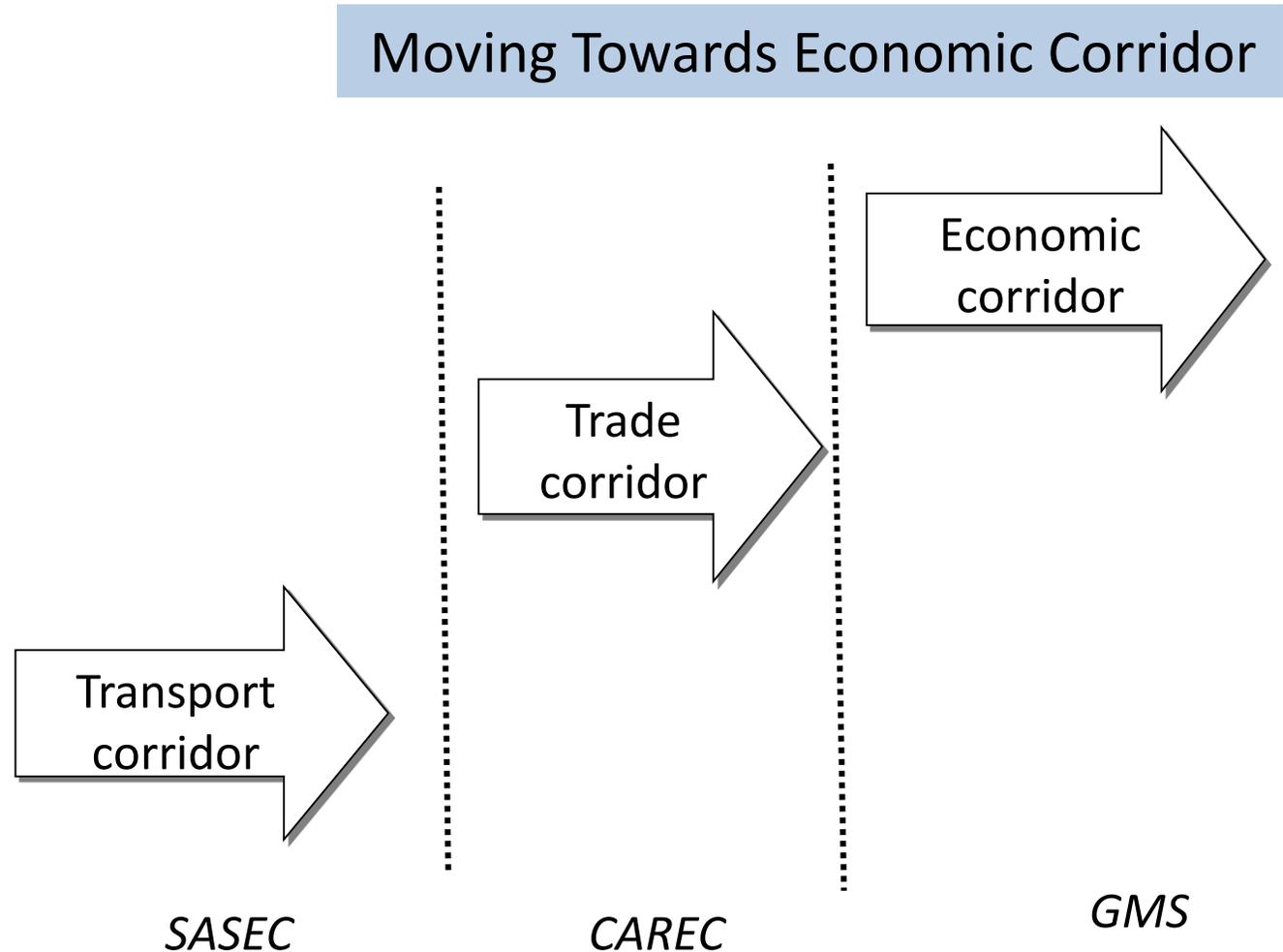
- High regional value chain potentials: (i) textile and garments; (ii) iron and steel; (iii) processed food; (iv) machineries; and (v) automobiles.
- To unlock such potentials, SASEC countries need to enhance the connectivity.



Source: Authors' own

# Economic corridor development in SASEC

- Economic corridor development (ECD) involves the creation of an efficient multimodal transport network supported by:
  - quality infrastructure, logistics, and policy framework for ease of doing business, and distribution networks that link production centers, urban clusters, and international gateways, beyond the narrow space of a transport route.
- Individual SASEC countries are pursuing ECD to bring economic transformation and inclusive growth.
- SASEC has to scale up investments in ECD programmes



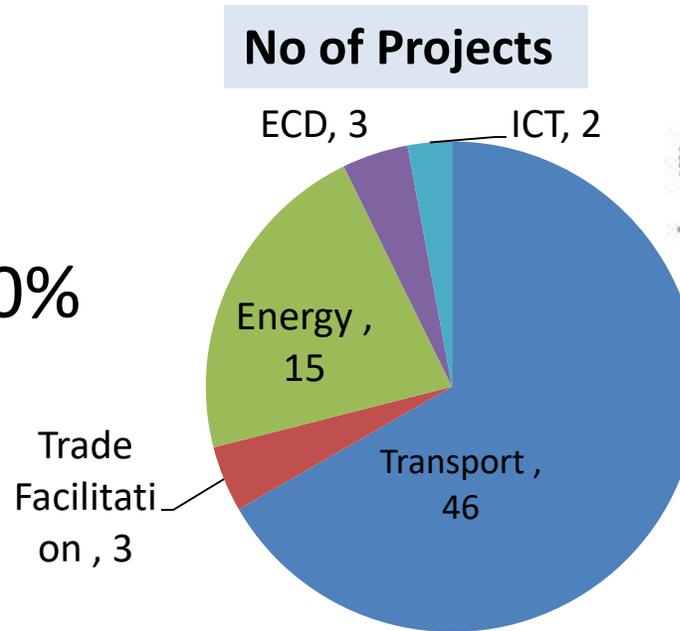
# Economic corridor development policy

Stage	Corridor	Policy	Measure	Role
1	Transport corridor	Trade facilitation	<ul style="list-style-type: none"><li>• Integrated trade facilitation</li><li>• Customs cooperation</li></ul>	<ul style="list-style-type: none"><li>• Government</li><li>• Private sector</li></ul>
2	Trade corridor	Trade liberalization	<ul style="list-style-type: none"><li>• Border policies</li><li>• Behind-the-border policies</li></ul>	<ul style="list-style-type: none"><li>• Government</li></ul>
3	Economic corridor	Economic development	<ul style="list-style-type: none"><li>• Corridor value chains</li><li>• Corridor township development</li><li>• Cross-border investments</li></ul>	<ul style="list-style-type: none"><li>• Government</li><li>• Private sector</li></ul>

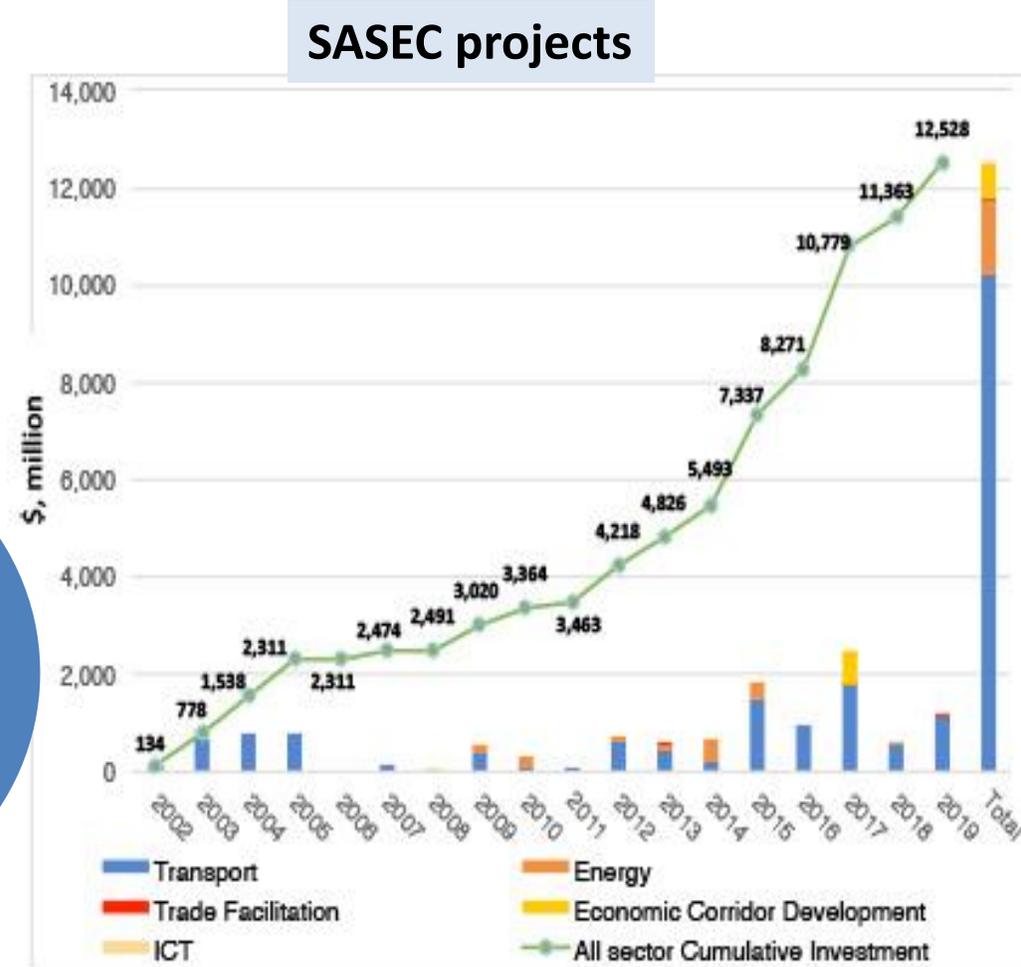
Source: Adapted from ADB (2012)

# Economic corridor development yet to pick up momentum in SASEC

- SASEC received over about US\$ 17 billion loans and grants till 2019
- Transport, trade facilitation and energy sectors received over 90% of assistance
- Economic corridor development received only 4% (US\$ 697 million) assistance



Source: ADB



# Ongoing economic corridors projects in SASEC

Year	Project Name	Country	Funding Type	Funding Source	Cost US\$	Status
2017	India: Visakhapatnam-Chennai Industrial Corridor Development Program: Project 1	India	Loan/Grant	358 million	ADB, Gov India, UCCRTF	Ongoing
2017	India: Visakhapatnam-Chennai Industrial Corridor Development Program	India	Loan	125 million	ADB	Ongoing
2015	Supporting the Preparation and Implementation of the Comprehensive Integrated Master Plan for the VCIC	India	Technical Assistance	20,30,000	Gov India, JFPR	Ongoing
2018	India: Supporting the Preparation of a Comprehensive Master Plan for the Chennai-Kanyakumari Industrial Corridor	India	Technical Assistance	16,00,000	EAKPF	Ongoing
2017	Capacity Development for Industrial Corridor Management in Andhra Pradesh	India	Technical Assistance	10,00,000	TASF	Ongoing
2017	Nepal: Regional Urban Development Project	Nepal	Loan	214 million	ADF, Gov Nepal	Ongoing
2015	Nepal: Far Western Region Urban Development Project	Nepal	Technical Assistance	15,00,000	TASF	Ongoing

Source: ADB

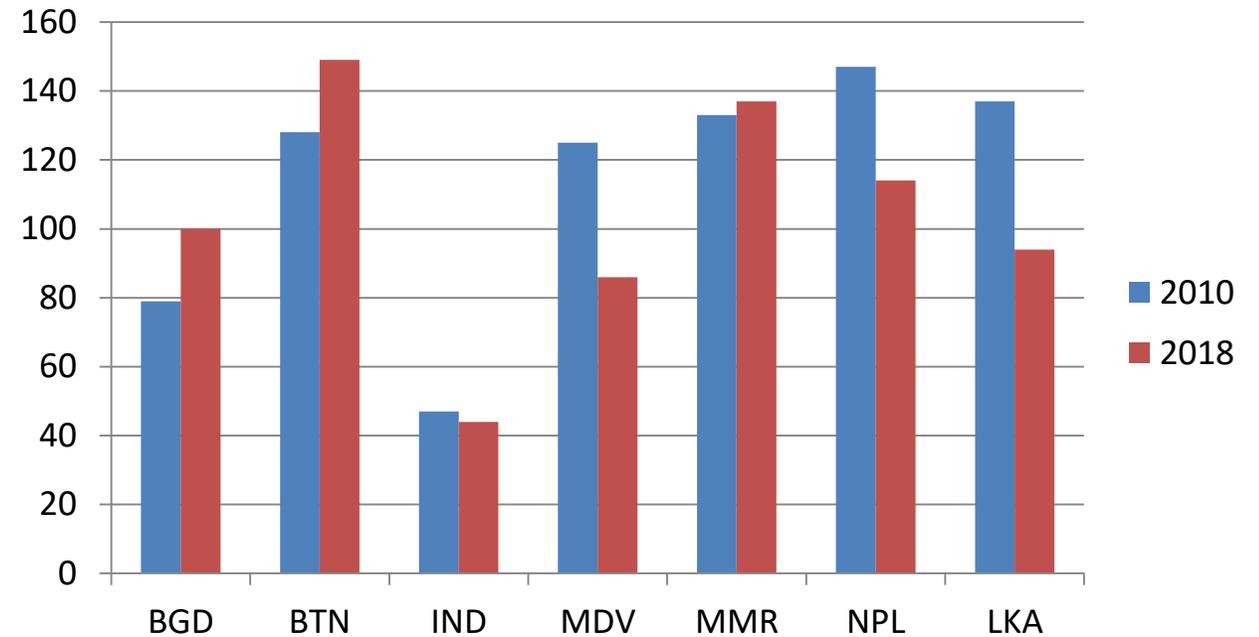
# India improved global ranks in LPI, remarkable progress in logistics and trade facilitation

## Documents need in trade in India as on 2021

Import	Export
<ul style="list-style-type: none"> <li>• Bill of Lading/Airway Bill</li> <li>• Commercial Invoice Cum Packing List</li> <li>• Bill of Entry</li> </ul>	<ul style="list-style-type: none"> <li>• Bill of Lading/Airway Bill</li> <li>• Commercial Invoice Cum Packing List</li> <li>• Shipping Bill/Bill of Export</li> </ul>

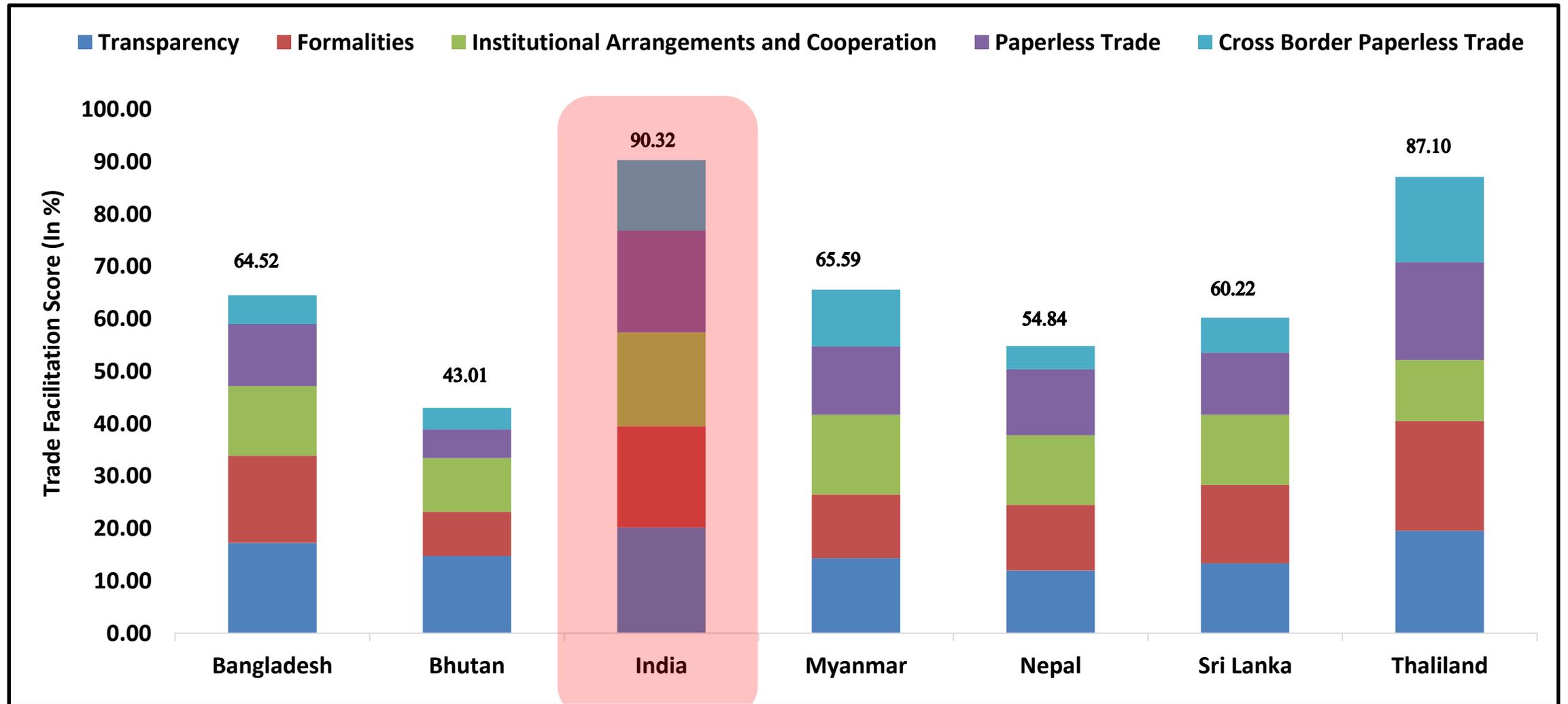
Source: Author

## Logistics performance index: Overall rank (1=highest performance)



Source: World Bank

# Trade facilitation measures implementation rates, 2021



Source: UN Global Survey on Digital and Sustainable Trade Facilitation (2021)

# SASEC countries need to improve trade facilitation performance

**Time to export, border compliance (hours)**

Country	2014	2015	2016	2017	2018	2019
BGD	168	168	168	168	168	168
BTN	5	5	5	5	5	5
IND	109	109	106	106	66	52
MDV	42	42	42	42	42	42
MMR	144	144	144	142	142	142
NPL	38	38	30	30	30	11
LKA	43	43	43	43	43	43

**Time to import, border compliance (hours)**

Country	2014	2015	2016	2017	2018	2019
BGD	216	216	216	216	216	216
BTN	5	5	5	5	5	5
IND	287	287	283	265	97	65
MDV	100	100	100	100	100	100
MMR	120	120	232	230	230	230
NPL	63	63	58	58	58	11
LKA	72	72	72	72	72	72

**Time to export, documentary compliance (hours)**

Country	2014	2015	2016	2017	2018	2019
BGD	147	147	147	147	147	147
BTN	9	9	9	9	9	9
IND	42	42	38	38	15	12
MDV	48	48	48	48	48	48
MMR	144	144	144	144	144	144
NPL	19	19	43	43	43	43
LKA	76	76	76	48	48	48

**Time to import, documentary compliance (hours)**

Country	2014	2015	2016	2017	2018	2019
BGD	144	144	144	144	144	144
BTN	8	8	8	8	8	8
IND	63	63	61	61	30	20
MDV	61	61	61	61	61	61
MMR	48	48	48	48	48	48
NPL	48	48	48	48	48	48
LKA	58	58	58	48	48	48

# Rising trade protections undoing gains achieved in SASEC

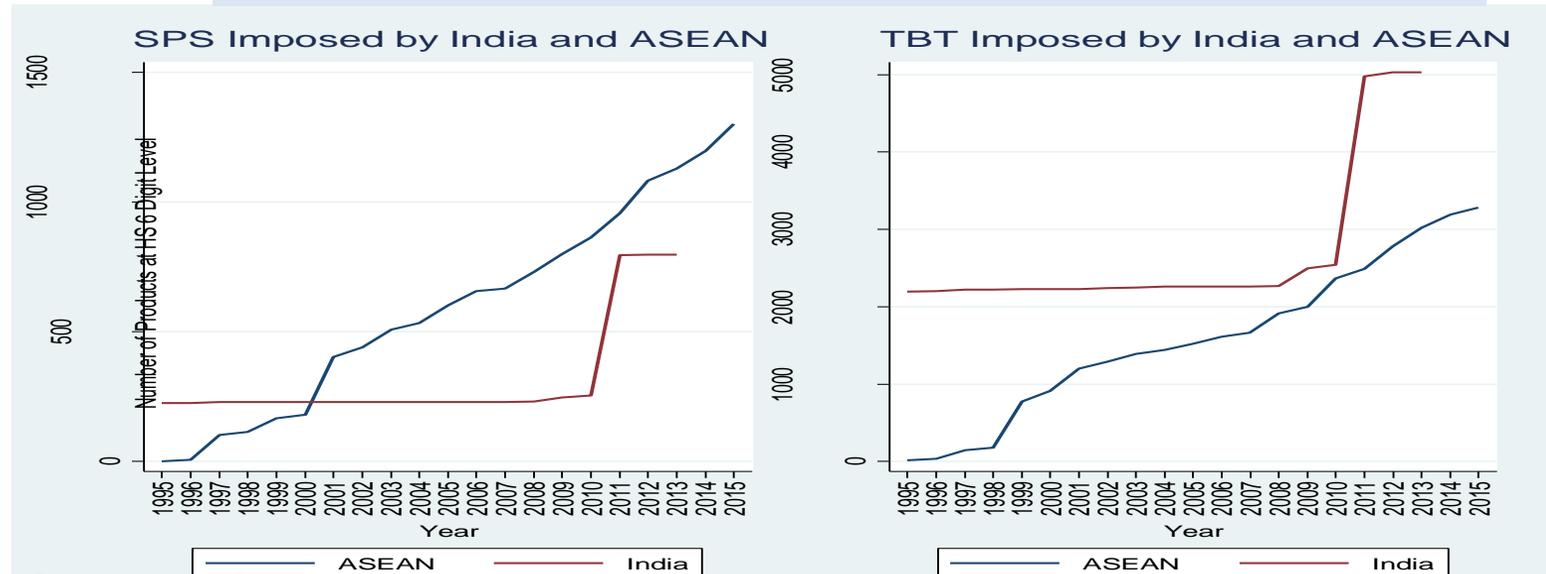
- Rising tariff in the sub-region
- Strong presence of NTMs across all sectors and growing

Tariff rate, applied, simple mean, all products (%)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
BGD	13.8	13.53	12.86		11.97	12.96			12.19
BTN					12.18				8.13
IND	10.56	10.71	10.59		9.75	8.91	8.88	9.03	10.21
MDV	22.11	11.09	10.98	10.66	11.58	11.41	11.14	11.69	13.25
MMR	3.25	4.77	4.77		2.08				3.68
NPL	13.15	12.85	11.82	12.66	12.63	12.65		12.79	20.20
LKA	9.97	9.94		9.33	7.87		10.35	12.06	16.38

Source WDI

Average Number of SPS and TBT Imposed by ASEAN on India and India on ASEAN at HS 6 digit level



Source: AIC

# Priority 1: Build synergy with connectivity plans

- SASEC has to establish synergy with connectivity plans with support of international organisation
  - ASEAN's focus on sustainable infrastructure
  - Connectivity plans of CAREC, SCO, ECO, GMS
  - Japan's quality infrastructure initiative



## Priority 2: Closer cooperation with international organisations on connectivity

- Regular interactions with ASEAN, BIMSTEC, GMS, CACREC, IMT-GT, SAARC on:
  - review the progress
  - identify new projects
  - mitigate the challenges



## Priority 3: Complete constructions of ongoing corridors

- Some of the SASEC corridors in ECD, energy, etc.
- Trilateral Highway and MVA
- BBIN corridors and MVA
- Implementation of BIMSTEC master plan of transport connectivity



## Priority 4: Focus on digital connectivity

- SASEC countries must focus on digital connectivity and e-commerce
- Scale up SASEC ICT programmes
- India is ranked 91<sup>st</sup> among 139 countries on the Networked Readiness Index (WEF)
- Digital India - The National Optical Fibre Network (NOFN) – flagship project to connect rural India
- Facilitate B2B linkages, Start ups, Fintech, a.o



## Priority 5: Promote sustainable connectivity projects

- Air and maritime connectivity, cruise, ro-ro, tourism, etc.
- Port connectivity
- SASEC rail links
- Energy cooperation
  - Renewable energy, training and capacity
- SASEC MVA, SASEC Railway Agreement, SASEC MVA, a.o
- Central Asia – South Asia connectivity
  - air corridor and multimodal corridors



# Challenges for SASEC

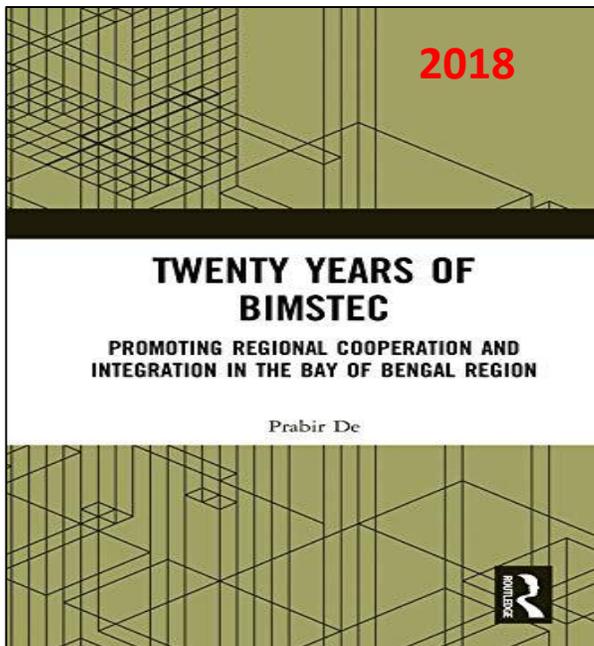
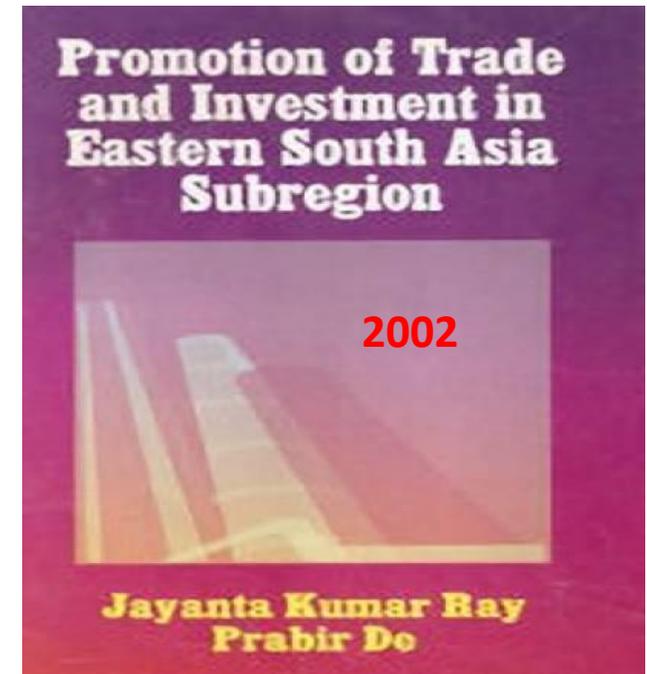
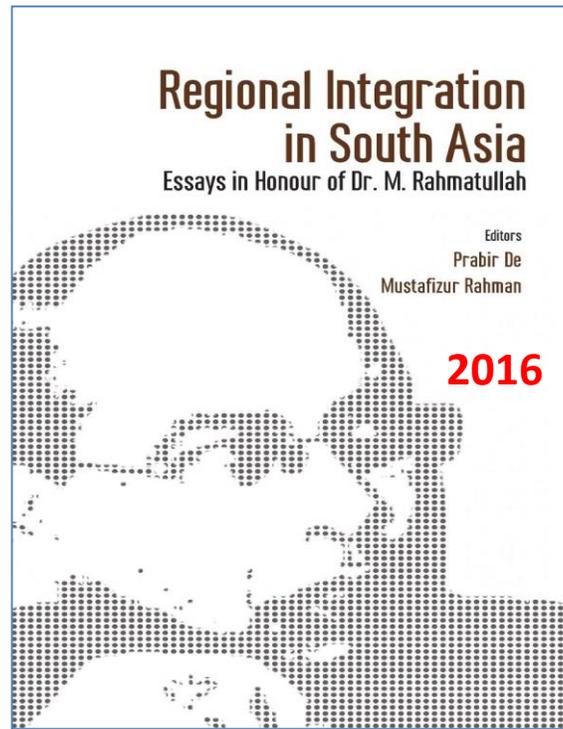
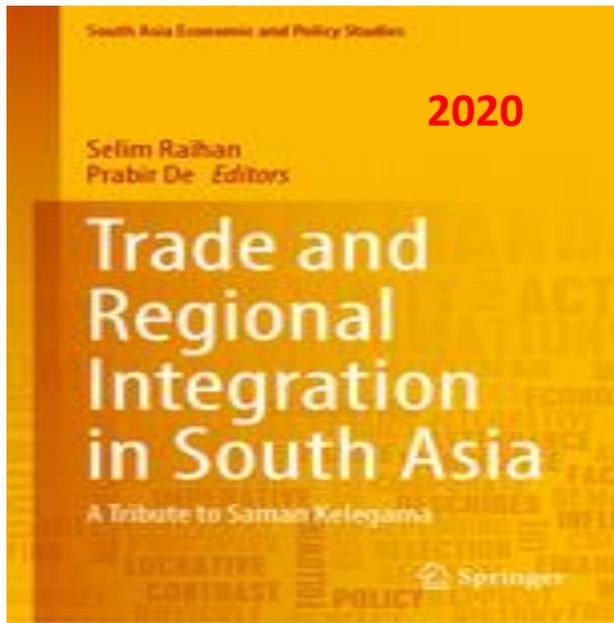
- Rise in disintegration due to uncertainties, health or otherwise
- Economic and political uncertainties
- Open border and Insurgency
- Environment disasters
- Rising trade protection
- Low level of cross-border value chains
- Trade overlaps, welfare loss, etc.
- Too much focus on global issues leaving aside traditional programmes
- Slow regional integration

# New policy agenda for SASEC

1. Trade process and procedure – product- and corridor- wise (support paperless trade)
2. Trade facilitation and trade sophistication & diversification (build value chain upwardly)
3. Production network and trade facilitation
4. Border management coordination and cooperation (treat the border as a single unit for trade purpose)
5. Moving towards economic corridor

# Concluding remarks / Takeaways

- SASEC countries have achieved substantial economic gains by reducing policy-related non-tariff trade cost.
  - India is quite successful in introducing a digital customs ecosystem in the country.
- Sustainable connectivity important for SASEC countries for trade transportation
- Trade facilitation is the key to trade flows (focus more on digital trade facilitation and reforms, paperless trade, harmonisation of standards, etc.)
- Effective implementation of WTO TFA (multilateralism matters)
- SASEC countries should continue to instil new dimensions in digital trade facilitation through reforms and new technologies.
- Promote trade openness and value chain (focus on strengthening the supply chain and connectivity, skilling, improve logistics services, etc.)
- Strengthen and empower the institutions
- Resume dialogue of on connectivity with countries and regions such as China, Southeast Asia and Central Asia
- Economic corridors a step forward.



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