

RSIS Commentary is a platform to provide timely and, where appropriate, policy-relevant commentary and analysis of topical and contemporary issues. The authors' views are their own and do not represent the official position of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the author(s) and RSIS. Please email to Mr Yang Razali Kassim, Editor RSIS Commentary at RSISPublications@ntu.edu.sg.

Need for Reset: Modi's Cross-Border Connectivity Policy

By Pradumna B Rana

SYNOPSIS

Soon after his 2014 election, Prime Minister Narendra Modi launched a new policy to promote regional connectivity. India is now one of four powers that has responded to China's BRI. Six years on, Delhi's cross-border connectivity policy needs a reset.

COMMENTARY

SINCE CHINA launched the Belt and Road Initiative (BRI) in 2013 to connect and integrate the Afro-Eurasian super-continent, four powers, including India, have come up with their own counter-initiatives. Japan has the Enhanced Partnership for Quality Infrastructure initiative; the United States has established the International Development Finance Corporation (IDFC), and the European Union has introduced a Strategy for Connecting Europe and Asia.

In India, Prime Minister Narendra Modi came up with a new policy for cross-border connectivity soon after he was elected in 2014. He announced the "Neighbourhood First" Policy which shifted India irreversibly towards strengthening intra- and inter-regional connectivity. In 2015, the Act East Policy was announced with a similar objective. "Connectivity" has, therefore, emerged as the country's newest geostrategic buzzword. But the government's success in implementing the new policy has been mixed. What should be done to make India's counter-strategy work better?

Success in Bilateral and Sub-Regional Cooperation

After its independence, India had kept itself isolated and disconnected from its neighbouring countries. There were several India-led cross-border initiatives, but Delhi's position towards its neighbours was that of "benign neglect". Presently in response to the rise of China, India has made regional connectivity a top priority.

Initially, India had preferred the South Asia Association for Regional Cooperation (SAARC) as the vehicle for pursuing regional infrastructure cooperation. But this did not make much progress because of Indo-Pakistani rivalry. India has, therefore, adopted a dual-track approach to connectivity comprising intra- and inter-regional approaches.

Encouraging progress has been made in bilateral and sub-regional projects. Over a dozen new Integrated Check Posts have been constructed to facilitate trade with Bangladesh, Bhutan, Myanmar and Nepal. Inland waterway agreements are also being operationalised with Bangladesh and Nepal.

The number of railway connections with Bangladesh has increased from one in 2008 to four. In 2019, India and Nepal inaugurated South Asia's first cross-border oil pipeline.

Sub-Regional Traction

In terms of sub-regional cooperation, Bangladesh, Bhutan, India, and Nepal (BBIN) economic cooperation has gained considerable traction. BBIN Motor Vehicle Agreement for free movement of people, goods, and motor vehicles has been implemented, although Bhutan has withdrawn temporarily.

Recently, Bangladesh has allowed its ports in Chittagong and Mongla to be used as a transit for cargo moving to India's north-eastern states. This cuts the distance between Kolkata to Agartala via Assam from 1600 kilometres to 450 km.

Encouraged by this development, BBIN countries are implementing plans to enhance multimodal connectivity in the sub-region. With BBIN, India's Northeast region is emerging as the bridgehead between South and Southeast Asia.

South Asia Sub-regional Economic Cooperation programme, which is supported by the Asian Development Bank (ADB), has completed about 50 regional projects worth over US\$11 billion.

Inter-Regional Connectivity: Not So Successful

India's inter-regional connectivity projects have, however, been less successful. In the western region, India is supporting the International North-South Transport Corridor for moving freight between India, Iran, Afghanistan, Armenia, Russia, Central Asia, and Europe by avoiding Pakistan.

There is also the India-Iran-Afghanistan Transit Corridor which focuses on the southern Iranian port of Chabahar, which is strategically located close to the China-operated Gwadar port in Pakistan. Progress on these projects has been slow because, under the pressure from the US which has imposed sanctions against Iran over the latter's nuclear ambitions, India has dragged its feet.

In the eastern region, India has four initiatives to enhance connectivity with ASEAN. The first is the Kaladan Multi-Modal Transit Transport Corridor which is a sea-river-land hybrid corridor that seeks to improve India's access to its North-Eastern Region

through Myanmar. Although initiated more than two decades ago, this project has yet to take-off because of financing problems and hostility from the Arakan Army, a rebel group in Myanmar.

The Trilateral Highway project between India's Northeast region, Myanmar's Bagan and Thailand's Mae Sot has also met a similar fate. The third is the Mekong-India Economic Corridor which aims to jumpstart India-Southeast Asia trade and investment linkages by connecting Chennai to Ho Chi Minh City through Dawei Port in Myanmar. This project has stalled after the project's main contractor, Italthai Group, pulled out.

The sole promising project in the eastern region is the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), between the BBIN countries, Sri Lanka, and two ASEAN countries (Thailand and Myanmar). The BIMSTEC Motor Vehicle Agreement is being negotiated and the BIMSTEC Master Plan on Transport Connectivity has been prepared.

Resetting India's Connectivity Policy

Based on India's experiences and those of the East Asian countries, India's cross-border connectivity policy needs to be reset in at least five ways:

- First, cross-border projects should be selected through proper data analysis and project evaluation techniques. Stakeholder and NGO participation should also be sought.
- Second, instead of ambitious initiatives, India should seek to implement relatively smaller and actionable projects. Indian initiatives face financial obstacles because of limited fiscal space. Its public sector banks are also not well capitalised, and private banks are too risk averse.
- Third, coordination problem needs to be addressed. India's foreign infrastructure policy-making process is incoherent and decentralised. No single agency is responsible. A cabinet-level steering body might also be required.
- Fourth, successful connectivity policy requires trade openness. This is because ports, roads, railways, and airports will be of little use if barriers to trade are not dismantled. India should encourage trade openness and trade facilitation among South Asian countries.
- Fifth, India should further deepen cooperation with other Great Powers and multilateral development banks. With Japan and the US, India has established a trilateral infrastructure financing facility. Cooperation with Australia has also increased. In Bangladesh, India has tied up with Russia to develop a nuclear power plant. A lot more joint activities and co-financing are necessary.

Summing up, Modi's new policy for cross-border connectivity has placed regional connectivity prominently on the Indian government's agenda. However, for this policy to be successful, especially in the context of similar initiatives of other powers, it needs to be reset.

Pradumna B. Rana is a Visiting Associate Professor at the Centre for Multilateralism Studies (CMS) at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore. He is the principal author of Jump-starting South Asia: Revisiting Economic Reforms and Look East Policies (New Delhi, Oxford University Press, 2017).

Nanyang Technological University
Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798
Tel: +65 6790 6982 | Fax: +65 6794 0617 | www.rsis.edu.sg