



**Report on the Policy Dialogue
on Regional Cooperation, Connectivity and Inclusive Development
in South and South-West Asia**

28-29 November 2013, New Delhi, India

Background

South and South-West Asian subregion has undergone major structural changes and industrial development in recent years. Despite temporary economic slowdown, it has weathered the global financial crisis rather well and has also made remarkable progress in reducing poverty and achieving other MDGs. However, the subregion is home to the largest concentration of people living in poverty and hunger and many gaps still remain, including wide infrastructure gaps. The subregion remains one of the least integrated in the world as the connectivity across border remains poor. Four of the ten countries in South and South-West Asia are least developed countries, while three are also landlocked.

In view of these subregional challenges, the Policy Dialogue on Regional Cooperation, Connectivity and Inclusive Development in South and South-West Asia was organized by UNESCAP-South and South West Asia Office (UNESCAP-SSWA). The aim of the dialogue was to draw on country experiences to develop greater regional cooperation for connectivity, transport and trade facilitation, food and energy security in the subregion.

It brought together over 120 participants from all ten countries in the subregion, representing Government officials, policy makers, development and substantive experts, academia and civil society representatives. The Dialogue reviewed most pressing challenges facing the subregion and ways to address them through regional cooperation. It was attended by H.E. Dr. E.M.S Natchiappan, Minister of State for Commerce and Industry, Government of India who delivered the inaugural address. H.E. Mr. Mohammad Tariq Ismati, Deputy Ministry of Rural Rehabilitation and Development, Afghanistan, also delivered a special address at the event. The high-level event, which also involved the Trade and Investment, Environment and Transport Divisions of UNESCAP, saw the launch of three reports as part of its programme, the *Asia-Pacific Trade and Investment Report 2013*; the *Human Development in South Asia 2013: Water for Human Development*, co-organized with the Mahbub-ul Haq Centre and the UNESCAP-SSWA's *Towards Seamless Connectivity in South and South-West Asia*.

DAY 1: 28 NOVEMBER 2013

Opening Session:

Dr. Nagesh Kumar opened the Policy Dialogue highlighting the objectives of the policy dialogue. The South and South-West Asia region was described as a subregion

that had managed to weather the financial crisis and has even made great strides in poverty reduction over the past decade, a crucial component of the MDG agenda. Dr. Kumar explained the tremendous untapped potential of intraregional trade within the region. He noted that there was the potential of \$72 billion in exports within the region. Why then, he asked, has this potential not been exploited. Dr. Kumar noted several key barriers that have held back the region from achieving its potential in terms of trade. Most notable include the poor transport connectivity and other barriers to trade at the borders as well as weak banking links. These factors led to high cost of trade, often higher than it is with North America and Europe. Dr. Kumar concluded this introduction by emphasizing the importance of strengthening regional transport connectivity. Furthermore, he added that it was essential to enhance regional cooperation to increase food and energy security within the region.

H.E. Mr. Mohammad Tariq Ismati shared some of the key issues faced by Afghanistan and compared and contrasted them with the issues of the region as a whole. For example, while 70% of Afghanistan's population lives in rural areas, only 10% have access to energy and around 28% of the population as a whole has access to electricity. He listed security and lack of capacity as Afghanistan's main concerns. In terms of the South and South-West Asia region, Mr. Ismati noted weak cross border trade systems and poverty as the major hindrances to growth. He discussed some of the initiatives that have been implemented as well as his suggestions for future improvements. Mr. Ismati's main concerns moving forward include the promotion of clean energy security and taking a proactive role to meet energy needs.

H.E. Dr. E.M.S. Natchiappan opened his discussion acknowledging that India had "always been opening up doors for the neighborhood". Furthermore, Dr. Natchiappan discussed the ways in which the U.S. and Europe benefited from Asian knowledge and growth. He stressed the importance of utilizing as much solar power as possible and finally concluded with the thought that Asia would become a very powerful continent with greater regional connectivity.

Ms. Lise Grande concluded the opening session with her vote of thanks. She emphasized the critical role that solar energy could play in the South and South-West Asia region and would enable the region to grow faster than any region in the world. She stressed the fact that mutual benefit in the region was much greater than individual interest. Ms. Grande pointed out that energy was necessary for growth and poverty reduction. Furthermore, regional cooperation could attribute to greater economic growth, assist in overcoming crippling structural barriers, and aid in managing water resources.

Session 1: High-Level Panel on Potential of Regional Cooperation, Connectivity and Inclusive Development

Chair **H.E. Mr. Qaiser Shaikh** opened Session 1 with a brief introduction into the topic and then handed the floor over to the high-level panelists.

The first panelist, **Dr. Saman Kelegama**, focused his discussion on enhancing regional cooperation and economic connectivity in South Asia. He noted that South Asia had emerged as one of the fastest growing regions in the world. Furthermore, the institutions in the SAARC region have a very important role for developing connectivity within the region. Dr. Kelegama elaborated upon some of the reasons regional trade in services had remained low. One of the most critical challenges is transport connectivity and infrastructure, a category in which South Asia lags behind the world average. Dr. Kelegama proceeded to propose a Regional Infrastructure Fund to help improve regional connectivity. While improved connectivity is critical towards increasing trade and investment within the region, he concluded by emphasizing that there were a number of other challenges that need to be addressed for the region to prosper.

Ambassador M. Humayun Kabir began his discussion with an overview on the policies of Bangladesh, the country's domestic politics and the current status the nation. He discussed the challenges Bangladesh continues to face as well as the way forward for the country. Mr. Kabir delved into the topic of connectivity and why now was such a crucial time for his nation. He noted India's rise as an economic power and noted that Bangladesh serves as a bridge between India and many other nations. Mr. Kabir proceeded to define Bangladesh's agenda on the connectivity issues. He discussed how other stakeholder looked upon the topic of deeper connectivity in South Asia. Finally, the Ambassador Kabir elaborated upon some of the challenges that are slowing down growth such as the energy limitations and connectivity between Bangladesh and India.

Ambassador Shafqat Kakakhel focused on the impact of regional collaboration. Regional collaboration, he explained would strengthen peace in the region and would also bring about greater economic growth. This growth would create the resources needed to reduce, and ultimately eradicate, poverty. Mr. Khakakhel stressed the need to encourage greater investment from within as well as globally. Furthermore, Mr. Khakakhel brought up three of the crucial challenges the region faces that will be critical towards further development. First, he noted the challenge of water within the region. The region is water stressed and most countries will continue to face increasing pressures as their populations continue to grow. Another issue the South Asia region is facing is climate change. "South Asia will be one of the worst affected by climate change," explained Ambassador Khakakhel. The region must work together to share information to counteract the effects of climate change. India in particular, will need very large quantities of energy, another good reason for increased connectivity. He explained how climate change is multi-dimensional in that it exacerbates other challenges such as water/food security, health, and energy. Finally, he emphasized the importance of women's empowerment within the region. "There is no way this region can make progress without tremendous legal affirmative action to improve, enable, and empower women," he explained. He

concluded with his belief that the region could not develop alone and that working together would be essential.

Ms. L Savithri began with the discussion about SAFTA. She noted that many SAFTA nations were Least Developed Countries. While trade has been increasing, in order to further enhance trade, it is essential for the harmonization of standards and customs procedures. She concluded by discussing the impact SAARC had had on trade within the region, noting that in many cases it had led to the harmonization of standards.

Ms. Pramila Acharya Rijal presenting a report of the policy dialogue on women entrepreneurship in South Asia held a day before, emphasized the need for men to be active and heavily involved in all matters related to women's economic empowerment and access to entrepreneurial ventures. She focused on regional cooperation for promoting women's economic involvement in entrepreneurship. Capacity building and development (for example establishing resource centers) are vital towards inclusive development. Ms. Rijal argued the importance of capacity-building programmes for women entrepreneurs like that being conducted by the Goldman Sachs 10,000 women program.

Session 2: Strengthening Regional Connectivity, Transport, and Trade Facilitation

Chair **Mr. Abolghasem Tahmasebi** opened the second session with a brief introduction into the topic and by thanking those who made this policy dialogue possible.

Mr. Ussal Sahbaz discussed the need to create better connectivity between his home nation of Turkey and the rest of the South and South-West Asia region. He noted that there was currently very limited trade between Turkey and South and South-West Asia. This is mostly due to connectivity problems such as subpar railroads and other lagging infrastructure. Mr. Sahbaz suggested the extension of train and transport coordination. He also recommended the enlargement of the current three-country consultation platform for greater coordination and connectivity.

Dr. Shaheen Afroze focused her discussion on enhancing connectivity and trade facilitation within the region. The South and South-West Asia region is the least integrated region in the world. However, it is currently among the fastest growing regions and its diversity offers room for significantly greater growth. Dr. Afroze proceeded to explain some of the key challenges to connectivity in the region including infrastructure, administrative, security, and mistrust. Dr. Afroze then discussed some of the initiatives taken by Bangladesh to counteract these problems. Some domestic examples include improved infrastructure, port reforms, and a closer working relationship between the public and private sectors. Some regional

initiatives include the Joint Communique between India and Bangladesh in 2010. Dr. Afroze concluded with 'the way forward' for Bangladesh and the region as a whole. This includes greater investment in infrastructure, experience sharing, improving the efficiency of customs authorities, the need for standardization and simplifying customs procedures, and a strong political commitment.

Mr. TCA Srinivasa Raghavan stated that all attendees know what needed to be done to further develop the region. He explained that large parts of Asia have destroyed connectivity, therefore it was essential to restore, not build, connectivity. He noted that while the economies of Asia were homogenous, they were politically heterogeneous. Furthermore, Mr. Raghavan noted the historical prevalence of nations having issues with smaller neighbors. In this case, India has seven small neighbors, and the issue with Pakistan is a crucial one that has global ramifications.

Mr. Y.S. Shahrawat began with the efforts being made to strengthen transport, regional connectivity, and trade facilitation. He concluded with a discussion on how India, because of its location, sees itself as a bridge between Europe and different parts of Asia.

Mr. T.A. Khan discussed the vital aspects of strengthening regional connectivity, transport, and trade facilitation. A major challenge towards achieving these goals is how to interpret data. For continued regional cooperation, Mr. Khan recommended reducing lengthy customs handling times and the synchronization of cross-border procedures. He concluded his discussion by touching upon e-commerce connectivity and how the region could significantly benefit from it.

Mr. Sandeep Raj Jain explained what UNESCAP was doing for regional connectivity and the way forward. Mr. Raj Jain discussed the UNESCAP initiative on improving regional connectivity and presented its master plan to strengthen regional transport. Mr. Raj Jain discussed the 2013 World Bank's Doing Business report as well as the Logistics Performance Index. In both cases the South and South-West Asia region ranked very poorly across the board. These results can be explained by the fact that weak connectivity results in low intraregional trade. Finally, Mr. Raj Jain concluded by explaining the UNESCAP initiative to enhance regional connectivity.

Mr. Bipul Chatterjee explained that the real issue in the region is bilateral trade relations between India and Pakistan.

Session 3: Launch of Asia-Pacific Trade and Investment Report 2013

Chair Mr. Sumanta Chaudhuri introduced the third session with an introduction of the topic at hand.

Dr. Mia Mikic started her presentation with two key messages. First, the Asia Pacific region continues to outperform the rest of the world while learning to live and prosper without strong external demand. Next, the Asia Pacific region needs to move beyond the orthodox model of export led growth and towards inclusive trade and investment that benefits all. She continued by explaining that export growth is slowing down in Asia. Furthermore, there are large gaps in trade facilitation figures in Asia. Dr. Mikic explained that while the reduction of poverty in Asia (a key aspect of the MDGs) had been successful, it is mostly a result of China's recent success and growth. In fact, in many areas of the region income inequality has actually risen greatly, according to the Gini Index. She concluded with a discussion regarding the movement towards inclusive trade and investment.

Dr. Poshraj Pandey focused his discussion on inclusive growth, as growth itself had not necessarily reduced inequality. It is therefore essential, he explained, to ensure that growth is felt by all segments of society.

Mr. Manab Majumdar explained how critical infrastructure connectivity was for regional connectivity, trade, and investment. As a result, finance has become one of the most important issues. Going forward it is essential to ensure that the trade in the region is more inclusive. Furthermore, export diversification is crucial to rid the region of dependence on a small number of markets or products.

Dr. Khondaker Golam Moazzem commended the work produced in the report, and excellent elaboration on issues related to contractions in trade and investment, at global and Asia Pacific region. The report outlined general dynamics at intraregional and in merchandises, service trade, preferential trade agreements. Dr. Moazzem shared that he would have liked to see the empirical basis for preparing the thematic part of this report. Performance of different countries would have been good to highlight. Dr. Moazzem went to explain the type of data and analysis that would have enriched the report.

Prof. Sajal Mathur suggested that the report could have had more crisp and elaborate recommendations. The report also missed the stronger analysis poverty and inequality. Prof. Mathur highlighted that the debate should not be about "growth vs. distribution", but rather about "growth and distribution", which would have been important to emphasize in the report.

Session 4: Regional Cooperation Agenda for Food Security

Chair Prof. G.K. Chadha began the fourth session with brief opening remarks and an introduction into the topic and panelists.

Dr. S. Mahendra Dev discussed the current state of food and nutrition security in the region. He noted the current supply issues in oils, seeds, fruits, vegetables, and meats. Furthermore, the region has been experiencing high food inflation and price volatility. The big challenge in the region however, is malnutrition. Around 45% of

citizens in the region suffer from being underweight/stunting of growth. Contrary to popular belief, the level of malnutrition in South Asia is almost double that of Sub-Saharan Africa. Dr. Dev explained that nutrition was more complex than just access/availability to food. In South Asia alone, 1.2 billion people are without access to toilets and therefore openly defecate. In India, 53% of the population lacks toilets, creating severe health issues.

Dr. Dev expressed the need for regional cooperation on the topics of availability, access, and nutrition. This includes initiatives on food and agricultural cooperation, SAFTA, cooperation on climate change, cooperation on energy and water, learning post-harvest operations, and learning from existing social protection programs. He concluded with his belief that improvements in agricultural productivity were extremely important in South Asia.

Ambassador Shafqat Kakakhel explained that historically South Asia was a major producer of food, however, there has been a history of famines. Therefore, food security must continue to remain a top priority for South Asia. He proceeded to explain that while agriculture made up a relatively small portion of the region's GDP (15-25%), it accounts for 60% of the livelihoods. He noted that the region had a difficult task on its hand because it was trying to feed 17% of the population with only 2.5% of the land. Therefore, food and agriculture are extremely important topics for the region. Mr. Kakakhel pointed out that the 15th SAARC Summit and Colombo Meetings were devoted almost entirely to food security. He proceeded to explain several of the region's challenges in terms of food security. For example, there is limited and poor quality of land resources, heavy dependence on water for agriculture, and the region remains water stressed. Furthermore, all challenges related to climate change are water related challenges.

Dr. Poshraj Pandey focused on trade liberalization and food security within the region. He displayed graphs that portray the state of hunger in the region. He also delved into malnutrition and the adverse effects it has on society. Approximately 295 million people, or 17.8% of the population, in South Asia are malnourished. He then compared food production in the region with the rate of population growth. Dr. Pandey proceeded to explain how trade could be used as an instrument to enhance food security in South Asia. He proceeded to look into the issue of self-sufficiency, in

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