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Improved South-Southeast Asia Connectivity Key to Boosting Trade, Rebalancing Economy

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NEW DELHI, INDIA - Better connectivity between South Asia and Southeast Asia – through hardware and associated software – can unlock the full benefits of closer economic ties between the two subregions and help rebalance Asian growth toward domestic and regional markets, delegates at the 46th Annual Meeting of the Asian Development Bank (ADB) heard today.

As Myanmar opens, providing a land link between South Asia and Southeast Asia, a new ADB-ADB Institute (ADBI) study is looking at emerging trends and underlying policy challenges to connecting the two regions.

“[Connecting South Asia and Southeast Asia](#),” a study interim report by the ADB and ADB Institute (ADBI), shows South and Southeast Asian economies have grown rapidly during an era of fragile world economic growth beset by risks. This process has been fueled by expanding regional production networks, integration into the global economy, foreign direct investment (FDI), falling trade and investment barriers, a commodity boom, and heightened demand from a rising Asian middle class.

However, integration of trade and investment between the two subregions, while having made progress, has been relatively limited, hindered by various bottlenecks in trade infrastructure, residual trade barriers and insufficient regional cooperation.

“The time is ripe for a study of South and Southeast Asia connectivity,” said Dr. Masahiro Kawai, Dean and CEO of ADBI. The political reform process in Myanmar makes it possible to connect South and Southeast Asia, which was not feasible a few years ago.

This is particularly the case for land-based transportation—both highways and railroads—and energy infrastructure. The prospect of further liberalization between ASEAN and major regional economies (including India) exists with the start of negotiations on a Regional Comprehensive Economic Partnership (RCEP). This is particularly important in the context of India’s “Look East” policy. And many South and Southeast economies are contemplating second generation economic reforms to sustain inclusive growth.

Connectivity and associated software refers to physical infrastructure related to transport and energy as well as the linked issue of trade facilitation. Apart from a focus on connectivity – particularly cross-border infrastructure and trade facilitation – the study also covers the critical issues of infrastructure financing, trade and investment reforms, and institutions for coordination.

The interim report sets out key issues in relation to improving connectivity between South and Southeast Asia and traces their implications. It first reviews evolving economic ties between the two subregions and identifies benefits and costs of greater connectivity, then identifies key issues and constraints to greater economic integration. Finally, it explores implications for fostering better connectivity and closer economic integration, as well as the next steps for the study.

Key preliminary findings and recommendations include identifying specific gaps in road, railroad, and economic corridor links between the two subregions; Myanmar’s potential as an important source of energy trading with South Asia; promoting more automated approaches to trade facilitation; identifying options to expand regional capacity to finance cross-border infrastructure projects; promoting trade and investment liberalization; and supporting closer cooperation among regional forums related to transport and energy infrastructure.

Speakers at the seminar included ADB Vice President Stephen Groff; ADB Managing Director General Rajat Nag; ICRIER Chair Dr. Isher Ahluwalia; ICRIER Professor Nisha Taneja; Myanmar Minister of National Planning and Economic Development Dr. Kan Zaw; High Commissioner of Singapore to Malaysia Ong Keng Yong; and Japan Bank for International Cooperation CEO and Executive Managing Director Hiroshi Watanabe.

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