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Research and Information System
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विकासशील देशों की अनुसंधान एवं सूचना प्रणाली



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BACKGROUND NOTE

Prospects of greater Economic Cooperation in South Asia

Traditionally, the technological advances in areas like mechanization, mass production, mobility, and the information communication technologies (ICT) have immensely contributed to enhancing the international trade. Despite latecomers, based on labour resources and skills South Asian economies have been able register relatively high economic growth in the recent decades supported by trade liberalization efforts. The ICT revolution of the 1990s and early 2000s played a significant role in modernizing the economies though at varied rates depending on the levels of economic development in South Asian region. Globally ICT technologies further enabled the fragmentation and off-shoring of production by improving coordination and communication costs. Recent studies have projected an overall boost in trade by about 6 to 11 percent by year 2030 compared to the baseline due to emerging technologies. While South Asian countries have demonstrated sectoral competitiveness and have increasingly got integrated with world trade and value chains, technological disruptions bring in new challenges to the emerging sectors.

While trade has emerged as the driver of growth, unequal gains, lack of regional connectivity and sub-optimal cooperation remains a cause of concern. Under post pandemic realities, with the advent of new technologies, improvements in trade facilitation and logistics there is greater hope that South Asian cooperation would find new avenues to strengthen the partnership for shared economic prosperity and sustainable development. There is scope to create greater cooperation in the realms of trade in goods and services leveraging on geographical contiguity and cultural affinities. Special attention needs to be given to nurturing of regional value chains in South Asia and scaling up ongoing efforts in trade facilitation and connectivity.

In response to the pandemic, at the initiative of the Prime Minister of India Shri Narendra Modi, a Video Conference of SAARC Leaders on combating COVID-19 was held on 15 March 2020.

It demonstrated the shared resolve of countries in the region to fight together the unprecedented challenge of the coronavirus pandemic. India created a COVID-19 Emergency Fund with an initial offer of USD 10 million to meet the costs of immediate actions. India's humanitarian relief in the region includes supply of essential drugs, antibiotics, medical consumables, COVID protection and testing kits, and other laboratory and hospital equipment. India's Vaccine Diplomacy and supply of vaccines and oxygen in the region has been greatly appreciated.

The widespread aggravation of food security concerns due to COVID-19 pandemic has created a strong urgency for the international and regional actors to work towards building sustainable food production systems.

The idea of sustainable food production is also central to 2030 Agenda for Sustainable Development and regional cooperation hold key to transform the regional food production dynamics especially in interconnected regions sharing common geographies, cultures, and trade. Institutionalising regional cooperation especially in areas like sustainable food processing, green supply chains, etc. would be valuable in the long run and could be a potential driver of deepening regional integration. With advanced technologies and scope for export promotion, the South Asian countries can explore possibilities of value addition and integration with the regional and global value chains. Moreover, food security and safety issues are important for the region due to higher dependence of a large section of the regional population on agriculture and allied sectors for livelihood and job creation. In recent years, all pertinent issues pertaining to food exports, security and safety are being treated in an integrated fashion through the Food Systems approach. Recently held World Food Systems Summit by the United Nations has advocated for this integrated approach. The South Asian countries are uniquely gifted with rich agro-climatic zones and crop diversity which can suitably leveraged for enhancing high-value exports from the region. Improved trade facilitation, logistics and border infrastructure, investment in food processing, state-of-the art standards and certification apparatus along with marketing support would help the region realize the untapped potential in the agriculture and the food-processing sectors for livelihood promotion and expansion of regional trade.

Enhancing Connectivity Cooperation in South Asia

South Asia is the bridge between Central Asia and South East Asia and the larger Asia-Pacific Region. The centrality of South Asia in the larger connectivity paradigm of the region extending to the EU and West Asia cannot be over emphasized. While the role of connectivity within and in the extended region is immense, South Asian countries may not be seen lagging in forging effective partnerships in overcoming resource constraints and operational difficulties. Beyond physical connectivity, digital, cyber-physical as well as energy connectivity e.g. 'one-region, one-grid' and cooperation in renewable energy needs greater attention.

Robust connectivity within and between Central and South Asia is rooted in history. As outlined by the EAM, India's focus in the last few years has been to rebuild links that were diminished by the colonial period. India has progressed in the Indian Sub-continent and eastwards to the Indo-Pacific. Better connectivity helps in boosting trade, attracting greater investments, as well as in bringing down business transaction costs and time. It also leads to structural reforms, increased movement of skilled professionals, development of Global Value Chains (GVCs), enhancement of the role of Micro, Small and Medium Enterprises (MSMEs) and reduction of various disparities. Countries in South Asia have been experiencing economic growth and prosperity due to factors including an increase in international trade and investment as well as the GVCs.

It has, however, been seen that the ensuing benefits from such globalization efforts have not been shared in an equitable manner. This has resulted in a situation where many people have been facing hardships due to inadequate access to the various elements of connectivity including those related to energy, digital technology and transport (UNESCAP, 2014). Encouragingly, there are increasing and effective measures being taken to improve physical, waterways, air and digital connectivity in the region with remarkable progress in recent years. This has improved trade facilitation as well as energy cooperation in the region. The region needs further push in its connectivity cooperation agenda to create economic corridors as well as leverage modern technologies for resilient and inclusive infrastructure development for shared prosperity.

Cross-border energy trade offers an important pathway for countries in the region to access electricity in an efficient manner and to benefit from comparative advantages of regional energy endowments. According to the studies published by the World Bank, the estimated savings from regional South Asian electricity trade "facilitated by expanded cross-border transmission interconnections" could save as much as \$94 billion. Under its 'neighbourhood first' approach, New Delhi has therefore given a strong priority to develop interconnected regional infrastructure for promoting regional electricity trade.

Digital innovations are rapidly transforming the financial sector landscape across the world. In fact, the adoption rate of Fintech (87%) in India is the highest in the world and the other South Asian countries are catching up faster in this domain. Although Fintech applications are spreading dramatically into several value-added segments of the financial services industry along with the traditional segments of lending and payments, the biggest success of Fintech has been in the field of retail digital payments. The low-cost payment and settlement platforms developed by India such as UPI, BHIM, RuPay Cards, etc have not only revolutionised the low-denomination retail payments faster, transparent and predictable. As South Asia in general is witnessing rapid growth in the financial services sector, Fintech coupled with greater internet penetration and increased use of smart phones, the positive externalities of digitalization and Fintech innovation would be manifested in significant improvements in empowerment of ordinary citizens, increase digital literacy in rural and remote areas, effective outreach of financial services to unbanked populations, leading to transformative developmental impacts.

Knowledge Cooperation and Sustainable Development in South Asia

Today, the world is in the midst of intense technological change with profound implications on international trade flows. The 2021 Technology and Innovation report has identified eleven frontier technologies such as artificial intelligence (AI), the Internet of things (IoT), big data, blockchain, 5G, 3D-printing, robotics, drones, gene editing, nanotechnology and solar photovoltaic (Solar PV) representing a \$350-billion market, which could grow over \$3.2 trillion by 2025. Although there are varying estimates of e-commerce transactions globally, the UNCTAD estimated the value of global e-commerce at \$25.6 trillion in 2018 and that there is much room for growth in the sector with ever widening reach of digitalisation in different corners of world (UNCTAD 2021). The latest data from International Federation of Robotics (IFR) shows that despite the pandemic situation in 2020, the operational stock of industrial robots increased by about 10 percent globally with sectors like electronics surpassing the traditional leaders like automotive in using industrial robots (IFR, 2021). South Asia needs to make skill development more broad based to take advantage of the fourth industrial revolution. The current pace to knowledge and technology cooperation in the region is sub-optimal compared to other regions of the world and there is a very big scope to collaborate on knowledge and skills.

In the fight against COVID-19, science has progressed in breakneck speed on vaccine research, repurposing of drugs, therapeutics, medical devices etc. On the other hand, digital tools have been the most sought-after mechanisms to gain speed in research as well reach the affected populations and prepare communities to respond to the pandemic. Naturally 'Health for All', particularly in resource poor countries is assuming highest priority alongside pandemic mitigation and preparedness. Promise of Digital Health in the South Asian region with a large share of global population is immense.

India has been at the forefront of developing digital public goods (DPGs) in health (e.g. Co-WIN) which offer scale and the applicability go beyond its borders. Without rapid scaling up and wider application of DPGs in a large number of countries, the pandemic cannot be effectively tackled. India's low-cost innovation capacities and ICT prowess may be of huge significance in fighting the global pandemic and empowering the countries that lack such capabilities in vaccine management through a robust mass inoculation platform. It is needless to mention that this is in addition to India's response through supply of vaccines globally and its manufacturing capacities. The essence of DPGs lies in their open-source nature of innovation and proactive government support in their development. In addition, the private sector is partnered for knowledge, innovation and delivery. This ensures equitable access not only for beneficiaries but also for private sector players who are part of the supply chain.

India has been steadfast in its commitment of sharing the fruits of technological advances with like-minded countries in its neighbourhood. In this context, India's initiative of extending its National Knowledge Network (NKN) to the countries of South Asia has been extended to Sri Lanka, Bangladesh and Bhutan. The Prime Minister of India inaugurated the extension to Bhutan in August 2019. Extension to other participating SAARC countries is under progress. India launched a South Asian Satellite (SAS) in May 2017 from Sriharikota. Demonstration terminals of SAS have been installed in Bhutan, Maldives, Afghanistan, Nepal, Bangladesh and Sri Lanka.

About South Asia Economic Summit

The South Asia Economic Summit (SAES) is a prominent track 1.5 exercise and one of its kind policy forum of academics, policymakers, diplomats and other experts from the region, that has been convened as an annual event rotating among South Asian nations namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Maldives and Afghanistan have also been part of the process. This Forum deliberates on key issues of regional economic cooperation, sustainable development and people-to-people linkages, and has been graced by political leadership from these countries in the past. The annual event is hosted by some of the most reputed think-tanks based in these countries. RIS is part of this network of think-tanks and has hosted the SAES twice in the past. Delegations, scholars and experts from the above mentioned neighboring countries had physically travelled to India to attend these meetings. Eminent scholars from India have also regularly participated in SAES outside India. The 13th South Asia Economic Summit is due to be held in India (the 12th SAES was hosted in Colombo in 2019). The meeting could not be convened in 2020 due to the outbreak of the Covid-19 pandemic and ensuing challenges.