

## Podcast | How To Bridge India's Great Neighbourhood Divide

**Speakers: Riya Sinha and Constantino Xavier**

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*This is an edited, revised and partial transcript.*

## **How To Bridge India's Great Neighbourhood Divide**

Ramananda: (Introduction) What I really liked about the report is that it just doesn't have a laundry list of problems, it also has a few solutions. But let's talk about the problems in the sense that one of the things that I read there was that land connectivity in our neighbourhood was apparently far better in the 60s than it is now. Now, if you could just briefly explain some of the reasons for that.

Riya: Thank you, Ramananda. Thank you for having us on your programme. And it's indeed a pleasure to discuss our recent report. (...) To answer your question, yes, a lot of data, a lot of research that we see points to the fact that India was actually better connected in the 1960s than what it is today, especially with the neighbouring countries in South Asia specifically. And that's something we try to get into in the report.

We enumerate several reasons for this. One is political, of course, economic reasons, and there was a lack of comparative advantage in the region. Geopolitical reasons as well, where India sort of wanted a policy of regional insulation, to borrow from Constantino's term, regional insulation in terms of connecting with the neighbouring countries. So as a result, we see that in the 2000s, as in the 90s, India was not well connected with the neighbouring countries. We barely had any railway linkages. Our road connectivity was not well developed.

We did not have port to port linkages. Customs, even on the softer side, the customs procedure was not really, not harmonised, but also not mutually recognised. But we see all of that improving in the last 10 years, where India has made an effort for several reasons that we highlight in the report, to reconnect with the neighbouring countries.

But, particularly, our gist of the report is that one of the things that's happening here is that there's now an overcompensation for the maritime, for the sea blindness in this Bay of Bengal region. And therefore, we see more efforts happening on the maritime front than the land front. And what we propose in this report is that in order for India to develop its regional connectivity, it will have to balance the maritime initiative with the land-based multimodal initiatives, to get the most economic benefit out of these different connectivity initiatives that we've had in the last one decade.

Ramananda: You know, Constantino, the thing here is that one of the things that I've been hearing a lot, and not just from your report, but from our neighbours as well, is that while India promises a lot, when it actually comes down to delivery, there is an issue, in the sense that, you know, it either takes too much time or there's too much of, you know, bureaucracy involved. How valid a charge is that?

Constantino: Thank you, Ram, for hosting us and letting us share a little bit more about this paper that we wrote at the Centre for Social and Economic Progress. Ram, your question is interesting because you will remember a time 20-30 years ago where the neighbouring countries of India were not welcoming connectivity with India. They were, in fact, interested in keeping India at bay. They were worried about depending on India.

They saw India as some type of sort of security threat, source of migration to their countries, including a sort of political threat because many of these countries were not democracies.

So today, it's very interesting that we are exactly at the opposite. We see countries like Nepal, Bangladesh and Sri Lanka wanting, expecting much more from India. So within 20 years, these countries that were saying "India stay out, we do not want interdependence with this great big country next door" are now pushing for connectivity with India.

We see now Bangladesh saying we need power transmission lines with India. We see Nepal saying we develop the hydropower sector to make this a profitable sector for our economy that relies on the great market next door in UP and Bihar. We see Sri Lanka saying that it wants a land bridge with India to develop, again, energy interdependence, transportation, trade linkages.

So it's very difficult. It's a challenge. It's a good challenge to have. We need to deliver more. We need to find ways by involving the private sector and thinking differently about connectivity to deliver much more to these countries. And obviously, there will be challenges.

In fact, I would say that India will never be able to satisfy this huge demand for connectivity. It's very difficult. It'll take a long time, but it is on the right track to correct this connectivity gap from the last few decades.

Ramananda: You mentioned the private sector, but even for the private sector, they would still be political as well as other geostrategic challenges involved. I mean, just let's just take an example. Suppose an Indian company wanted to make a road all the way through Bangladesh into Vietnam or wherever they want to do it. They would have to navigate through Indian bureaucracy, the Bangladeshi bureaucracy, and then whatever other country they're connecting to. And apart from that, they would actually have to work with these other countries as well. How difficult is that? I mean, how many people have actually done that? How many other countries have actually done that? I mean, has the European Union done that well? Have the Central Asian countries done that well?

Constantino: Yes, they have. So we're not reinventing the wheel here in the region. We see parts of Western Africa that have integrated systems of checkpoints in the border areas. Riya has written another separate paper on India's integrated check posts, which are expanding and growing very fast. We see the Mexico-US border where there are dozens of thousands of people crossing the border every day to work on the other side and come back with controls, technologically advanced monitoring of flows to deter, of course, criminal and illegal activities. Southeast Asia has done a lot of this in the Indo-China region, and similarly countries in South America.

But this is still work in progress in this region. And there will have to be solutions that are adapted to this region, right? This is a very big region. We forget that there are two billion people living in India's immediate periphery and plus. It is a region that as the rest of the world came together in the 1960s in regions was actually, like Riya pointed out, disconnecting with itself. So we're racing against time. There will be a need for new solutions that are maybe not just physical checkpoints and guards, for example, checking trucks.

We need scanners. We need technology in terms of satellite monitoring, in terms of digital trackers that look at the flow of people, humans, goods, et cetera. But the potential is huge. It is amazing what

has been happening already between India and Bangladesh, India and Nepal. It is a huge change within how a few years we now have petroleum pipelines, railway lines, roads are being developed, ports that Riya mentioned on connectivity that we didn't even have the basic agreements. So the change is very fast, but the path is going to be rocky and long.

Ramananda: Yeah, you know, another thing that I noticed in the report, it said that our focus seems to be more maritime based and to an extent digital based rather than land based. And

that, I mean, as an example, I think the report cites the fact that, you know, while the ministry is involved, there's a nodal agency for the Indo-Pacific, but there is not really a nodal agency for connectivity via land.

Now, how does one explain that? By now, I suppose people would have assumed with all this Act East and Look East and all that stuff, I think should have gone the other way around, right? Why is there this lethargy or this sort of, you know, how would I say it, thinking that stops this from happening?

Riya: That's a really great question. And, you know, connectivity is not a one agency program in any country, not just in India, in the neighbouring countries in South Asia, there are multiple agencies, multiple institutions that come together for road development, you know, the Ministry of Road, Transport and Highways (MoRTH) and Land Ports Authority of India for Integrated Check Posts (ICP) development. If there's a land border port, they need to coordinate with MoRTH to build the road that leads to the ICP. Otherwise that isolated structure will not serve the purpose. Inter-agency cooperation used to be very difficult.

It is improving because India has prioritised regional connectivity. And therefore there are many ministries who are talking to each other a lot more than say what happened, what would happen 15 years ago. A great example of this is the Land Ports Authority of India, which has several ministries as part of its board.

So every time a new ICP is, for example, thought of or if there's a plan for developing a new ICP, different ministries are consulted. Finance, the Customs is consulted, Bureau of Immigration, Road, Transport and Highways, Electricity, you know, all of these come together to build an infrastructure. And I think that's a huge change that we are seeing today. It's not a perfect system. It's like you said, it's a work in progress. And this is something that we need to develop on further.

Make the ministries talk to each other, involve border states also. In fact, border states are very important stakeholders in the connectivity projects. They have their own idea of what connectivity means to them because they're actually in the borderland.

I mean, it's the borderland that we're talking about. So a lot more emphasis on interagency cooperation involving the border states, involving the private sector needs to be done in order to move these connectivity initiatives forward.

Ramananda: But, you know, is there also a sort of a problem regarding a sort of a big brother syndrome that people are afraid that if India actually comes in, it'll flood their markets and stuff like that?

Riya: See, India, economically, geographically, India is a big player. India is a big player in South Asia and that syndrome will always be there. It has been there in the past. It will be there in the future.

And therefore, there is an increasing onus on India to deliver on these projects, right? There will be these kind of, this kind of syndrome will always exist. How India delivers on these projects, how it takes the neighbouring countries on board, how it takes different stakeholders on board, that will be more important in addressing this concern rather than just talking about that, you know, India is a big brother and India is there to stay. There will be economic imbalance. Of course, we don't. I mean, the lack of comparative advantage in the region are, a lot of countries' exports is on textiles and ready-made garments.

India is a supplier of raw materials, say, to Bangladesh and Bangladesh supplies globally. So these kinds of chains exist, they need to be established and they need to be built on further and not, you know, sort of be stuck in the syndrome process.

Constantino: Yeah, just to add on this, Ram, I think it's a very important point on the politics of connectivity. People often don't realise the benefits of what is just about to happen. Traditionally, people are conservative. These are hinterlands like the Northeast region, conflict-ridden, at a record level of peace in these days compared to the past, but still a difficult region with volatile political security situations.

In Bangladesh today, we see also a lot of people saying, we don't want more of India. But it requires, and it has been, I think, a testimony to leadership on both sides to translate the benefits of connectivity for the people. That requires a political leadership to refrain from politicising connectivity.

In fact, for example, a lot of credit has to go, for example, to Prime Minister Sheikh Hasina, who is worried about the Teesta water agreement, but has refrained from politicising it. That is appreciated in India. Vice versa, when India and Nepal and Bhutan and Bangladesh, the BBIN countries, the four countries signed an agreement on motor vehicles cooperation that allows trucks, taxis, et cetera, to move across borders in a smoother way, Bhutan decided that this was not the right time.

There was political opposition in Bhutan. There were concerns about a flooding of truckers from India and other interests. And India realised that this may be not the right moment, but it understood that it didn't have to sort of push this forward with a smaller country like Bhutan.

But there will eventually be a time to include Bhutan. So it's about the timing and about selling connectivity to the people. And I have to say, most governments in this region have been extremely responsible and capable of translating for their people, benefits of growth, the developmental benefits of transportation, multimodal infrastructure connectivity with each other.

Ramananda: How valid are Bhutan's fears and how do we sort of address those fears?

Constantino: I think these fears happen everywhere. As Riya said it exactly. I'm reminded of K Subramaniam, who was a defense analyst here in India, a bureaucrat. He's actually the father of the current external affairs minister. He had this beautiful sentence in the 80s when he said, we will always do whatever we can for the neighbours, but we can never expect to be loved and adored and desired by them. It's a big country, India. But today we see the rational transactional logic in these countries prevailing of those emotions of the past because Bhutan sees that it has a benefit in getting transit through India to export to Bangladesh.

We see a Nepal that is now realising the benefits of working with India and not keeping India out, but working with India to develop transmission lines into Bangladesh and sell its power to Bangladesh. We see a Sri Lanka that has positioned itself as a maritime and shipping hub for the rest of the subcontinent.

So I think the question you ask is an important one, but it's also a very unproductive one. There will be political concerns, but looking beyond them is the important challenge. I think that is happening more and more across the region. And frankly Ram, it beats often the analysts because you expect politics to prevail, but somehow policy actually is doing silently progress on this connectivity agenda.

So despite all we read sometimes in the newspapers and the political issues in the Maldives and Nepal and Bhutan, with the bottom line that "they don't like us." So yes, there's opposition. They matter. I'm not brushing them away, but often these anti-India political sentiments work in parallel to the policy track fleshing out this infrastructure agenda between countries in the region.

Ramananda: Yeah, when you launched the report, I remember that there was a gentleman from Myanmar. There was a webinar kind of a thing that you guys had when you launched the report. There was a gentleman from Myanmar who said very interesting things. I think he's an Indian who works in Myanmar. I'm not sure who he was, but he said that, you know, while there's fighting raging on five kilometers away, nobody comes and bothers us because they know that this project is important and it brings them some benefits.

Is that a good way to do things by explaining people that, I mean, you already said that it is, but how does one explain the benefits to somebody else? I mean, in that sense, and how does one assuage those fears?

Riya: So the gentleman you're talking about is Mr. Sohel Kazani. He is the founder of Bharat Freight, which operates the Sittwe Terminal as part of the Kaladan multimodal project in Myanmar. And we know that Myanmar is going through a difficult political state.

And it has been difficult to implement many connectivity projects. But the fact that Bharat Freight is able to operate a terminal in Myanmar without much difficulties also speaks about India's bilateral engagements with Myanmar at different levels so that the project itself does not get affected. It has to do with the diplomatic engagement of India with Myanmar, so that the private sector players are able to operate over there.

And of course, the host government sees benefit, I mean, the host country sees the benefit in India's connectivity project. It sees the economic dividends that this kind of project is going to bring over there. So there is lesser security threat than one would have assumed.

And that's actually a really big success. I mean, that can be counted as a success story that he's able to run a terminal without much problems in Myanmar.

Ramananda: You know, one of the things that we keep coming up against is that, you know, there is this talk that many of our neighbours are playing us against China, saying that, you know, China can do this much faster than you can. China gives us, you know, doesn't have so many conditions that you guys do. How does one address those concerns?

Constantino: Again, the triad of time, patience, delivery is the best recipe for any anxiety and any geopolitical games that some of the neighbours play repeatedly. In the Maldives, you've seen it's not necessarily connectivity issue, but it is also an issue about interdependence, right? India and the Maldives have achieved a lot in the last few years.

And that invites then internal discussions of "how close are we to India". But frankly, I think that every decision-maker in these countries knows, as I mentioned before, the benefits of working closer with India today based on the logic of connectivity in terms of economic interdependence, for which we require bridges, roads, shipping lines, all of that which we study in our report. But sometimes the political imperatives also prevail of saying we will do something with China to diversify. And that's a reasonable ambition. India, in fact, has one of the most successful strategic diversification policies in modern politics of international

relations. India has been comfortable, is still comfortable working with the US, with Russia at the same time.

So this is one element that explains why these countries also work with China. But I think having that thick skin is critical for India, in realising that India will benefit from silently continuing to deliver and work. It will not, of course, tolerate hostile activities from these countries. But my sense is New Delhi realises that it's going to have to play an increasingly competitive game, which is generally a quite healthy one.

Competition pushes you to do more. And in fact, one of the reasons why India has been able to deliver much better, faster and more than ever before is not only the beneficial economic growth, but also because it wants to compete with China and other actors. So it's been quite beneficial in that sense, if I may be a little bit facetious, that China has been in these countries, which allowed India to rethink also its ways of delivering its projects to your question of why these delays would happen.

Today, we have an India-Nepal pipeline that the Prime Minister inaugurated before completion date. That is a record. It shows that India is able to deliver before what it promised.

This is an India that shows up in Sri Lanka and delivers three to four billion dollars worth of aid when the country is going through a financial default, the first one in Asia in the last 30 years. And other countries were looking the other way and not able or willing to support. So this is a much faster and quicker India.

But you rightly point out there will be challenges. It's a good challenge, but there will be challenges of saying where you play politics, where not. But one thing that India has been able to do, which is very interesting, is to split its connectivity policy from political relations, especially when there are sometimes governments that play games with China, taking hostile actions against India.

India has in such cases often said we will keep our development projects going. We will keep working with the economy and society of Nepal, despite Prime Minister Oli, for example, in 2020, the former Prime Minister who played political games and mobilised people against India. And this is the dual track of saying we're not happy with who's in power sometimes, but we will keep delivering persistently for the well-being of the economies and societies in our neighbouring countries.

Ramananda: You know, one thing that struck me since we are talking about China, that, you know, let's say we are not on board the BRI, but many of our neighbours are. Now, suppose there are roads already built as part of the BRI, let's say, let's say in Nepal or Bangladesh.

Now, would we, when we talk about connectivity, if we use those roads, China will say that, oh, look, India, as you know, entering the BRI through the back door or whatever it is. Are we going to then plan and build parallel roads, which don't make sense to me? Or are we going to, how do we circumvent that?

Riya: I mean, it's my opinion, but I see no harm in using Chinese roads, for example, built in Nepal. I mean, China would also use Indian roads built in Nepal, Indian highways built in Nepal for many years to build more projects.

So it's not about who builds, what it's about, what gives the maximum benefit to the host country. It's about delivering on what the host country requires. If India is not able to deliver,

they will obviously, they will look at any other country, be it China, be it Japan, any other country in the region, who can give them that development.

Now, India also has several projects in Nepal, one of which, which Constantino and I studied in an earlier report on Nepal. We do look at how Indian infrastructure projects are being implemented in Nepal, for example. And this, it's not really a case of this versus that.

It's about, it's really about how do you maximise the benefit? How do you maximise your development cooperation with the neighbouring country? How do you maximise delivery in the neighbouring countries? I think that's going to be more beneficial than saying that we won't use Chinese roads or China saying we won't use Indian roads. That's actually not even possible. I mean, if there's a China-built underpass, you can't refuse that we're not going to go into that underpass. It's practically not feasible, but they have to have projects. But it is a challenge. You have to coordinate in front.

Constantino: Some projects will actually have greater benefit for India than for China. Ports, roads, transmission lines, etc. But it is a challenge, you know, that there are also projects that are detrimental to India, some security situations, economic biases in these countries, debt loads on these countries, or, for example, countries aren't able to service and monitor some of these projects and continue sustaining them.

So when India talks about a free and open Indo-Pacific on connectivity. In fact, the Japanese like this term. It's about quality infrastructure. What is meant is that you're not only building something, you're also emphasising the capacity of these countries to sustain that infrastructure, which means servicing, technical support, repairing. For a long lifespan of 20, 30 years or repaying also the debt and servicing the financing of all these projects.

So some projects have a moral hazard for India, which means that countries in the neighborhood will go to China, take on the financing, and then eventually the buck will stop with India. And there have been instances in the Maldives, in Sri Lanka, partially in Nepal, where projects from China have proven unsustainable. And these countries then approach India like a bank and say, please bail us out, support us, send us the help.



That's a challenge. And that requires monitoring assessments of where you want to push on alternatives. And in some cases also warn these countries and even, I mean, denying is not always possible, but certainly warn these countries about connectivity projects that are not sustainable, or refuse to import power generated by Chinese companies in Nepal, because that is a liability for India's own energy security.

Ramananda: You know, where I'm coming from vis-a-vis this is actually Afghanistan. Then now China has suddenly said that, you know, their network is part of the BRI. And which means that, you know, India has to either build parallel roads, which doesn't make sense, or it has to use those roads, which would give China the opportunity to say, you know what, officially they haven't joined, but they're still using our, that's where the question came from.

But it is a tricky question. So I guess, you know, as I said, I was very impressed by the kind of research that went into this paper. And I know that both of you have been researching this for a long time, because it refers to, you know, some of the references that actually previous work that you guys have done, right? But tell me, while you were preparing for this paper, was there anything which came up that you weren't expecting, that might surprise you from any of the countries?

...

Constantino: You're right, Ram. It builds on a variety of papers that Riya and I have published. But what keeps surprising me, and we've done, in fact, Riya has done much more of this than me, being in the border areas, talking to people, seeing, how much remains to be done. And how difficult sometimes it is to overcome, forget decades, centuries, millennia of introversion, et cetera, and static political economies, people that want their own ways, lobbies of truckers, nepotism, corruption, and many other entrenched interests that make it very difficult to implement change and modernise these border areas..

For that, you need state capacity. So, for example, the paper that Riya wrote on the integrated check posts is very interesting. These are big, I mean, in Delhi, we rarely see sometimes that massive in terms of scale of infrastructure.

These are big warehouses, huge areas for border check posts, digitised with trucks that are checked, controlled. And it's actually, if I may say, beautiful to see that because you see a state on both sides, India mostly, and sometimes India supports that mirror infrastructure, for example, Nepal, by supporting them to operate their border infrastructure. But it's actually quite surprising.

It was surprising to me sitting in Delhi often, to be in the field and actually see the Indian state show up and develop these massive infrastructure nodes that are going to facilitate the land port. So as the Home Minister recently mentioned, these are going to be arteries of connectivity between India and the rest of the region by 2047.

Ramananda: You know, the other thing that struck me was that when we are talking about connectivity, you know, of course, it's important that we look east as it were, and, you know, we do face challenges there as well. But when you look westwards, you're actually blocked by Pakistan. We don't have any way of sort of getting out of that loop. Are there any ways of using connectivity westwards as well, apart from using Pakistan? How would you, let's say, connect to Europe by land without having to go via Pakistan or via China for that matter? I mean, we seem to be blocked in that sense from connecting westwards.

Riya: If I may come in on that, I don't think we are blocked westwards. It's all about reorienting how we think about connectivity. Connectivity is not just land. Connectivity is not just maritime. Connectivity is multimodal when we're talking about transport connectivity. So IMEC Corridor is a great example of how we can reach Europe using multimodal connectivity initiatives, shipping, railway, trucks.

But one thing to keep in mind is how do we operationalise this? Because it requires working through different norms, working through different infrastructure technicalities. It requires working through political systems. That is something to be factored in because these are the things that delay these multimodal connectivity initiatives. India did develop Chabahar as well to reach Afghanistan for example. It had so many development projects in Afghanistan. There was a railway corridor planned. So there were ways to bypass Pakistan. But that said, I think we should always remember that we still have infrastructure with Pakistan. The Attari border check post, two railway lines that were operational till a few years ago with Pakistan. The idea is to develop this infrastructure and keep the options open, and focus on the multimodal nature of it to minimise the risks that come on our western border.

Ramananda: We seem to be already out of time. But let me ask both of you a very simple question which will help us understand this issue. I think the idea behind this whole network

that we are planning eastwards is to eventually reach markets of ASEAN, the Indo-Pacific markets. Now given the political issues involved, since we are not a part of free trade that the rest of those countries are into, does that impede our ability to connect? Because at the end of the day, it is business, so if you are not going to have a free trade agreement and sign some of those pacts, does that impede our ability to connect?

Constantino: See Ram, where there is a will there is a way. Going back to first order principles of human life: politics and economics. If those two are there, naturally humans have been quite smart despite conflict, different ideologies, and other issues to find ways to develop comparative advantages and interdependent growth. We know there is a political will in India. A very strong political vision for the region based on 2047. I have heard the Home Minister speak about this, about land borders as nodes that link India to rest of the region and the continent. That tells you what vision is there despite Pakistan and China. This is the larger vision. And second, the economics are there. If you want to be a developed economy by 2047 and if you keep growing and developing a market, people will expect more development. There is no way you can be a developed economy without trading, connecting and developing regional synergies and continental synergies. So if those two are there, which they increasingly are, naturally over the next 25 years, we will have many solutions to problems that may seem so difficult and intractable today. But there will be solutions because if those drivers are there that is what naturally flows from those.

Riya: Building on what Tino said. It is not about what comes first. Should an agreement come first and then we build infrastructure? It is really about the will to connect with the neighbouring countries. It is about the political will that India has today. It is about the vision that India has today: Act East policy and various other policies through which we want to improve connectivity. Not just for neighbouring countries but it is also helpful for India politically, economically, geostrategically. It serves all purposes. A great example of this is with Bangladesh. Bangladesh is upgrading its ICP infrastructure on its side. But India side is already developed. We have very sophisticated ICP infrastructure. If it had waited for Bangladesh also to develop, we would have had very little trade with Bangladesh for that matter.

Myanmar, on our side it is very developed but there is development happening on the Myanmar side. We need to keep pushing forward with these connectivity initiatives and simultaneously work on how we can have trade move faster, how we can have better logistics, how we can have more goods moving through these borders, more people through various kinds of agreements. But the development has to take place.

Ramananda: I am already getting nudges about time. We are running out of time. On that positive note, let's end this. I do look forward to having both of you again. I am hoping to run a more detailed series where we look at each country and see how we do it. Once again, thank you so much for that report and also for taking time to talk to us.