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Emerging South Asia: Politics, Economy and International Relations

The 12th ISAS International Conference on South Asia was held in Singapore on 6 April 2018. Organised by the Institute of South Asian Studies at the National University of Singapore, the theme of the conference was ‘Emerging South Asia: Politics, Economy and International Relations’. It explored the three determinants of stability – politics; trade and economy; and international relations and security – to identify the potential, prospects and pitfalls facing the region.

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Introduction

On 6 April 2018, the Institute of South Asian Studies (ISAS) at the National University of Singapore (NUS) organised the 12th ISAS International Conference on South Asia on ‘Emerging South Asia: Politics, Economy and International Relations’. The event included addresses by political leaders and academics from South Asia and Singapore, as well as

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presentations by panellists across three thematic groups. The audience included academics, business persons, policymakers and bureaucrats, students and members of the public.

Ambassador Gopinath Pillai, Chairman, ISAS-NUS; and Ambassador-at-Large, Ministry of Foreign Affairs, Singapore, delivered the welcome remarks. He described South Asia as one of the fastest growing regions in the world, which has achieved remarkable developments in all fields of focus of the conference, that is, politics, trade and economy, and international relations and security. With regards to politics, Ambassador Pillai stated that South Asia can be considered one of the most political regions in the world, since almost every country in the region features a degree of democracy, institutions, and a highly politically active population. One institution which deserves special mention, he said, was the Election Commission of India, which represents a record achievement for a developing country with approximately 600 million voters.

On economic development, Ambassador Pillai highlighted that the World Bank has forecast solid growth rates of the region for the next period. India, for example, has liberalised key sectors of the economy such as railways, defence, infrastructure and insurance, in addition to promoting several reforms aimed at attracting investments. Bangladesh is experiencing remarkable progress in the manufacturing sector. Sri Lanka has initiated policies of reforms to boost the growth of the services sector. Pakistan has benefitted from various forms of investments, especially those from China.

In terms of geopolitics and international relations, the countries of South Asia participate actively in fora such as the Asia-Africa Growth Corridor and the Belt and Road Initiative (BRI), among others. These have the potential of having significant economic impact on the region.

Ambassador Pillai also spoke about the challenges faced by the region – he identified the lack of regional integration as the primary cause. He noted that the World Bank defines South Asia as one of the least integrated regions in the world, and that the only way to achieve integration would be by overcoming past divergences.

Opening Address: NUS – Bridging Singapore and South Asia

Professor Tan Eng Chye, NUS' President, delivered the opening address at the conference. Focusing on 'NUS – Bridging Singapore and South Asia', he elaborated on the University's ties and dealings with the region. He stated that, as a result of its geographical position, Singapore is home to a large South Asian diasporic community. These are businessmen, workers, students and scholars. As a result, South Asians make up a significant section of NUS staff and students.

Professor Tan also stated that NUS promotes people-to-people exchanges between South Asia and Singapore. The university has invited several personalities from the region and the diaspora for public engagement in Singapore. For example, Mr Mohammad Ashraf Ghani, President of Afghanistan, addressed the NUS Society in 2017 while Mr Rahul Gandhi, President of the Indian National Congress Party, was hosted by the Lee Kuan Yew School of Public Policy (LKYSPP) in 2018.

Professor Tan explained that NUS also promotes knowledge on South Asia through academic work and research. The South Asian Studies Programme at the Faculty of Arts and Social Sciences offers Bachelor, Master's and PhD degrees. It is the only such programme in the Association of Southeast Asian Nations (ASEAN) region and it attracts students from various nationalities. NUS also has various research centres working on South Asia. ISAS is one of them – it is dedicated to research on contemporary South Asia to communicate knowledge and insights about the region to the business community, institutions and civil society. Another such centre is the Centre for Asia and Globalisation (LKYSPP), which had hosted six China-India roundtables. The Asia Competitiveness Institute (LKYSPP) has produced research papers which were sent to India's Prime Minister Narendra Modi as well as to the Governors of Andhra Pradesh, Bihar, Chhattisgarh, Bihar, Orissa, Punjab. NUS is also involved with several centres in delivering leadership programmes for South Asian public servants. An example of this is the collaboration between the NUS Institute of System Sciences and the Bangladesh Government in support of the Digital Bangladesh 2021 campaign promoted by the Sheikh Hasina government.

Professor Tan added that NUS supports the dissemination of knowledge about South Asia beyond the classroom, by offering to its students exchange programmes, study trips for engagement and enrichment, and internships in various countries of the region. These initiatives have produced multifaceted interactions and created ties between the Singaporean and South Asian youth.

Professor Tan concluded his address by highlighting that South Asia is an important region for Singapore and that NUS has played and will continue to play an important role in creating networks and frameworks for collaboration between the two.

Keynote Address

Following Professor Tan's address, Mr Ong Ye Kung, Minister for Education and Second Minister for Defence, Singapore, delivered the keynote address. He defined South Asia as an important region of growth and provided examples of how the major South Asian economies have evolved in recent times. He said that Bangladesh is expected to be one of the fastest growing economies in the coming years. Trade between Bangladesh and Singapore has increased remarkably, and Singapore firms are exploring investment opportunities in the country. He added that Sri Lanka's economy, after the end of the war, is becoming increasingly liberal and competitive. Singapore and Sri Lanka recently signed a free trade agreement (FTA). He also said that Pakistan is seeking to improve its infrastructure through initiatives such as the Belt and Road Initiative (BRI). The country can count on a young and urbanised population, as well as on its position as a strategic outlet to many Central Asian countries. With regards to India, Mr Ong said that it is the fastest largest growing economy. Singapore signed an FTA long ago with the country, which is also part of the Regional Comprehensive Economic Partnership (RCEP) agreement that includes ASEAN, Australia and New Zealand. Mr Ong mentioned some of the main reforms the country has undertaken, such as the Goods and Services Tax reform, which he defined as the biggest tax reform ever undertaken, and demonetisation, aimed against black money and counterfeit money. He also mentioned other major projects launched, including Skills India, Made in India and Start-up India, which are aimed at facilitating job creation and inclusive growth.

The minister noted that India, by 2050, is likely to be one of the two largest economies of the world, surpassing the United States (US). China and India follow different models in providing growth, with China being centrally governed and India a federated democracy, with a stronger focus on services. In any case, Mr Ong said, the rise of China and India, shifting the centre of economy towards Asia, is a fact that will change the world balance and have great implications for Southeast Asia and Singapore.

Mr Ong then spoke about the role of South Asia and Singapore in the changing global order. He learnt, during a recent trip to Finland, that the melting of the polar ice cap has led to the opening of an alternative trade route connecting Scandinavia with Northeast Asia. At the moment, this route is sailable during the summer season. He explained that the potential opening of such a route is an example of how global challenges such as climate change pose new opportunities as well as risks, since some would find improved connectivity while others might see their position at stake. He stated, however, that Singapore's role as a global hub will remain constant and cannot be replaced by any recent transformation in global connectivity, including the possibility of an arctic trade route. As long as South Asia and Southeast Asia keep growing, Singapore will benefit from it and prosper as well. In this respect, Mr Ong listed a number of 'golden opportunities' for Singapore and South Asia. These include infrastructure development; skills development; development of technology and of an entrepreneurship ecosystem; and urban planning and development of global cities.

Mr Ong concluded his address emphasising that, with South Asia and Southeast Asia prospering and at peace, a continuous flow of goods, knowledge and ideas will be generated; opportunities for creating shared prosperity abound, with countries being constrained only by their willingness to solve those issues which obstruct collaboration.

Address: Three and a Half Years of Modi's Government – An Insider's View

Mr Ong's address was followed by the address by Mr Amitabh Kant, Chief Executive Officer of the National Institution for Transforming India (NITI Aayog), who spoke on 'Three and a Half Years of Modi's Government: An Insider's View'. Mr Kant noted India's high growth

rate, at around 7.5 per cent in the last three years. The challenge however, he mentioned, is for a continuous increase in India's economic growth and reducing the number of India's younger population living under the poverty line. In addition, India was known as an extremely complicated business destination.

Nonetheless, Mr Kant affirmed that during the last three and the half years, Modi's government has transformed India in a significant manner. Firstly, India has seen the dismantling of many rules, regulations and procedures to improve ease of doing business. From three and a half years ago, India has now jumped up about 42 positions in terms of its 'Ease of Doing Business' ranking. Furthermore, India has also digitised many of its government functions while scrapping over a thousand legislations in order to facilitate trade and investments. For instance, the number of written forms for imports and exports has drastically decreased from more than ten each to just three.

Secondly, Mr Kant emphasised that, while many parts of the world have devolved into trade protectionism, India, as an integral part of the supply chains of many countries, continues to open up its economy to foreign direct investments (FDI). For instance, India has opened up 22 sectors, with almost 98 per cent FDI coming into India through the automatic route. The Foreign Investment Promotion Board has also been abolished because India has emerged as the world's largest FDI recipient.

Thirdly, Mr Kant discussed the rate of urbanisation under the Modi government. While India's pace of urbanisation has been previously slow, the current government is focusing on 100 smart cities. According to him, the latest McKinsey study predicts more than 700 million Indians will be shifting from rural to urban areas in India in the coming five decades. Conversely, the challenge continues to be sustainable urbanisation and development.

Fourth, he held the view that, under Modi's government, there appear to be radical but beneficial structural reforms. One prominent example Mr Kant gave was the GST, which is bringing India under a single tax regime, despite the fact that the reform poses a number of challenges for small and medium enterprises. Another example he gave was the Direct Benefit Transfer scheme, which attempts to transfer subsidies directly to the people through their bank accounts. Against this backdrop is the usage of the 2009 initiated *Aadhar*

programme with biometric data that aims to centralise and coordinate data of India's residents.

Fifth, Mr Kant reemphasised the improved business environment and increase in domestic start-ups as unique movements under Modi's government. On the supply side, there is an increase in technology innovation in the market, and on the demand side, foreign multinational companies such as General Electric and Microsoft have established incubators and branches in India. As such, the public sector is no longer the only option for university graduates in India's job market today.

Mr Kant ended off with his sixth point; that India's focus on technology will be very critical, given its advances in initiatives such as Aadhar and the development of smart cities across India. The focus however, he said, will continue to be on the need to shift from pure economic pursuit to developing a robust social sector to match the rapid economic developments in India under the Modi government.

Address: Significance of Punjab, Pakistan, in South Asia

Mr Syed Raza Ali Gillani, Minister for Higher Education, Punjab, Pakistan, delivered his address on 'The Significance of Punjab, Pakistan, in South Asia'. Mr Gillani began by drawing a broader picture of South Asian politics. Given that South Asia, as a region, upholds its identity with a distinct culture, language, religious groups and political institutions across different parts of each nation and across them, Mr Gillani expressed the view that such diversity is both a celebration of shared destiny and seeds of conflict. In recent years, while South Asia has seen potential economic opportunities and regional connectivity, mainly due to participation in China's BRI, there remain animosity and historical differences that do not allow international cooperation to move ahead within the region.

In light of these differences, Mr Gillani discussed some positivity in the context of Punjab, Pakistan. While citing the existence of waves of national aggression and political or diplomatic deadlocks between India and Pakistan, he also noted that Punjab shares a long and peaceful border with India. Punjab also benefitted from its historical legacy of being the

centre of the Indus Valley civilisation, with seven UNESCO heritage sites in the state itself. Furthermore, there is the Sufi religious heritage it prides itself on. Punjab is also economically the strongest state within Pakistan, contributing the largest share to Pakistan's national gross domestic product (GDP), with more than 48,000 industrial units. It also has the lowest rate of poverty among all Pakistani provinces and is one of South Asia's most populated areas, with 40 per cent of the people living in urban areas. Citing these positive examples, Mr Gillani attempted to put across the message that progress is possible in the region despite national tensions.

Mr Gillani also stated that the higher education sector in Punjab is growing swiftly, with the establishment of a number of new universities and sub-campus in radius cities. Capacity building and teacher training programmes have also been implemented. Student faculty exchange programmes have also been rolled out. Mr Gillani emphasised the importance of human and material resource development in order for Pakistan's society to progress socially and economically.

Mr Gillani praised Punjab's Chief Minister, Mr Shehbaz Sharif, for launching a series of innovative initiatives such as the US city model. Finally, Mr Gillani said that he remains hopeful that Pakistan's swift development will lead to further cooperation with the other South Asian countries.

Panel I: Politics, Society and Governance

Professor Robin Jeffrey, Visiting Research Professor, ISAS-NUS, chaired the first panel on 'Politics, Society and Governance'. The panellists for the session were Professor Sanjay Kumar, Director, Centre for the Study of Developing Studies (India); Mr Kunda Dixit, Editor and Publisher, Nepali Times (Nepal); and Professor Riaz Hassan, Visiting Research Professor, ISAS-NUS. The panel deliberated on democratic systems and governance challenges in the South Asian countries.

Professor Kumar presented a paper on 'Democracy in South Asia' which focused on perceptions and anxieties about democracy among the people in India, Pakistan, Bangladesh,

Nepal and Sri Lanka. For the people in his study sample, contrary to the standard definition of democracy, 70 per cent of the people associated democracy with the delivery of welfare, justice and freedom. Based on this perception, the level of satisfaction was reasonably high – with 55 per cent of the people satisfied with democracy and the government in their countries. Overall, 65 per cent of people in all five countries supported democratic systems of governance, as opposed to dictatorships, with a high degree of trust in institutions such as the parliament, the judiciary, the army, the police and the civil service. Professor Kumar stated that, while support for democracy is high in these five South Asian countries, this has declined slightly in the last decade. This decline may be attributed to growing concerns, especially among the educated and urban citizens about the inequitable distribution of wealth and the government's failure to fulfil its commitments on the provision of welfare. For instance, in India, he noted that unemployment and poverty are a cause of anxiety. For instance, 28 per cent of the people in India felt unemployment was a key concern in 2018, up from 13 per cent in 2013.

Next, Mr Kunda Dixit presented a paper on 'Accountability in the Age of Elected Authoritarians'. He noted a wave of anti-democratic sentiments across the world. Therefore, press intimidation and censorship are becoming commonplace with the social web replacing the mass media. Alongside this, political parties have been whipping up populism, xenophobia, ultra-nationalism and ethnicity, resulting in the election of populist leaders. These leaders exploit public disillusionment with democracy, systematically remove political opposition and control the media. Mr Dixit stated that democratically-elected demagogues are able to limit freedom and control the media using various mechanisms – advertising, framing criminal charges against journalists, tying up media companies in lengthy litigation, and political forces buying into media companies. He lamented that the threats to freedom no longer came only from totalitarian systems, but also from democratically-elected rulers. The answer, he noted, lay in strengthening the pillars of democracy. Inclusive democracy would guarantee greater accountability and improvement in the socio-economic conditions of the citizens.

The last presentation for the panel was by Professor Hassan on 'State, Society and Politics in Pakistan'. He focused on the geography and demography of Pakistan and their implications for governance, international relations and national cohesion. He highlighted the different

ethnic groups in the country – Punjabis, Pashtuns, Sindhis, Balochis and Urdu speakers – and noted that all spill-overs into the neighbouring countries contributed to the number and complexity of conflicts inside the country. The army, defender of territorial integrity and national sovereignty, has played a key role in these conflicts since Pakistan's independence. This has resulted in a prominent position for the army in shaping international relations, and the defence and national security of the country. It explained the long periods of military rule and strained civil-military relations in the country. However, despite this prominence of the army, Professor Hassan noted that 81 per cent of the people in Pakistan preferred democracy over military dictatorship. He next discussed the role of religion in Pakistan's society and showed that, even though religion played an important role in the lives of a majority of Pakistanis, they were, in fact, less religious than their counterparts in Malaysia and Indonesia, and followed Sufi Islam, as opposed to the scripturalistic tradition of Islam. Religion also did not play a dominant role in the politics of the country – a majority of Pakistanis voted for the centre-right, centre and the centre-left parties, with Islamist parties performing poorly in elections. He concluded his presentation by noting that Pakistan is a tough and resilient state and society – its future depended on its relations with India and how the army manages its foreign policy with countries in the region.

The audience put forth a range of questions to the panel. On the question of India becoming more democratic and less liberal, Professor Kumar noted that the primary lens of evaluating democracy is through elections and political participation. Seen from that perspective, India had become more democratic across gender and caste lines. Yet, the majority community in India had also become less liberal. However, he was hopeful that it would change, and since there was no pattern, the country would eventually return to normality. However, he noted that people favour strong leaders, so an element of authoritarian leadership is preferred. Speaking about the media, Mr Dixit stated that, given present dynamics, the future of the media looked bleak and journalists felt despondent. This was heightened by economic fragility within publishing houses and established media. The challenge of revenue generation had led to political dependence. In addition, the dependence on commercial interests was eroding the media's credibility. However, the silver lining was that the *Guardian* and *New York Times* newspapers had increased readership. Lastly, Professor Hassan discussed democracy in Pakistan and noted that the country was developing its own mode of democracy, different from the model of liberal democracy seen in Australia, the US

and in other parts of the world. It was still on a path towards greater participation and fair treatment of its people.

Panel II: Trade and Economics

Mr Vinod Rai, Distinguished Visiting Research Fellow, ISAS-NUS; and the 11th Comptroller and Auditor General of India, chaired the second panel on the theme of ‘Trade and Economics’. The panellists were Mr Sanjeev Sanyal, Principal Economic Adviser, Ministry of Finance, Government of India; Dr Debapriya Bhattacharya, Distinguished Fellow, Centre for Policy Dialogue, Bangladesh, and Bangladesh’s Former Ambassador to the WTO and UN Offices in Geneva and Vienna; and Dr Dushni Weerakoon, Executive Director, Institute of Policy Studies, Sri Lanka.

Speaking on the theme of ‘India’s Trade Strategy’, Mr Sanyal gave a broad flavour of India’s external trade regime – how India’s trade partners and the composition of external trade have changed over the years. In terms of India’s merchandise exports, the US remains India’s biggest partner, with its share going up between 2007-08 and 2017-18. The United Arab Emirates (UAE), Hong Kong and China were important a decade ago and continue to be so today. Apart from the United Kingdom (UK) and Germany, the other countries in Europe have fallen rapidly off the chart. In their place we have Bangladesh, Nepal and Vietnam today. So, it is not true to say that that the economic integration of South Asia is not happening. Mr Sanyal explained that Indian policymakers view the world to be made up of three blocs – China+East Asia, the US and a new bloc, the Indian Ocean Rim. He stated that the third bloc is becoming a very important way in which India sees the world. China dominates India’s merchandise imports. The US is important but there has been a decrease in its share in the last financial year vis-à-vis 2007-08. The share of the UAE, Germany and Switzerland has fallen as well. The share of the top 10 merchandise export markets of India in total exports has decreased over the years. India has a fairly large trade surplus with the US, followed by Nepal, Bangladesh, the UAE and the UK, and a very large deficit with China and Switzerland, followed by Saudi Arabia, Iraq and Indonesia. Intra-industry trade is a distinctive feature of merchandise trade in India. Exceptions to this would be that India remains a major exporter of textiles and imports a large quantity of electronics.

In terms of the composition of services trade, Mr Sanyal stated that computer services dominate India's services exports. Technical, trade-related and business services as well as computer services make up a large share of India's services imports. On net, information technology (IT) is an important part of India's services trade strategy. From a global perspective, the US is a dominant player in global information and communication technology service exports. The UK, Germany and India come next respectively. He stated that, at number seven, China is not a trivial player either. Within software services exports, computer services make up almost 70 per cent of India's total exports with IT-enabled services/business process outsourcing services making up the remaining software services exports in 2016-17. External sources of earning also include remittances from abroad, especially from the Middle East.

Looking ahead, Mr Sanyal stated that India must keep three issues in mind. The first is the return of growing protectionism globally. Bilateral trade is taking over the multilateral process. This anti-globalisation narrative has the potential to be destructive. The second is that the impact of technological change (artificial intelligence, additive manufacturing and robotics) is unclear. Thus, India needs to invest in cutting-edge technology. More importantly, India's dominant strategy should be to be great second-movers. Thirdly, the instability caused by fluctuations in energy prices is not good for producers or consumers.

Dr Bhattacharya's presentation focused on 'Engaging China in emerging South Asia: The Case of Bangladesh'. The presentation was divided into three key parts.

1. China's increasing involvement in South Asia: Dr Bhattacharya stated that China's share in the total import of all South Asian countries has increased from roughly nine per cent to 20 per cent in the last decade. The top products imported from China include textiles and clothing, machineries and electronics. At the same time, China's share in the total export of all South Asian countries has decreased since 2010 from roughly seven per cent to five per cent. The top products exported to China include textile and clothing, minerals and agricultural products. China's share in imports surpasses China's share in exports in all South Asian countries. Thus, the trade deficit is also increasing. Trade deficit, as a percentage of the country's GDP, is the highest in Sri Lanka (five per

cent) and Bangladesh (4.9 per cent). Public financial flow from China to the South Asian countries has been increasing since 2010. The South Asian countries received 18 per cent of China's total public financing in 2014, up from six per cent in 2010.

2. **Evolving Bangladesh-China relationship:** Dr Bhattacharya explained that it is evident through defence deals, investment in technology, energy and infrastructural sectors, trade and aid, that China has been increasing its engagement in Bangladesh. Chinese President Xi Jinping visited Bangladesh in 2016 and signed 27 deals and memoranda of understanding. Dr Bhattacharya highlighted that the two major regional efforts which attract Bangladesh to China are the Bangladesh-China-India-Myanmar Forum for Regional Cooperation (BCIM) and the BRI. He stated that, from the Chinese perspective, through the BCIM, China can connect with the Indian Ocean via Myanmar. The corridor will also accelerate the transfer of China's industries to Myanmar. From the Bangladeshi perspective, the country can benefit from enhancing connectivity with its two giant neighbours, China and India, as well as from the investment incentives arising from the special economic zones being set up by Myanmar. Through the BRI, the regional connectivity network will help Bangladesh to emerge as the transportation hub in the Asia-Pacific region, energy cooperation will ease Bangladesh out of energy and power insufficiency, establishment of industrial zones in Bangladesh will attract huge investment and free trade facilitation will help Bangladesh get access to huge markets in China, India and elsewhere. However, Dr Bhattacharya cautioned that the growing Chinese presence in the country could make it economically and politically dependent on Beijing.
3. **The India factor in China-South Asia relationship:** Dr Bhattacharya stated that China's interest in South Asia lies in the promotion of multilateralism and regionalism in Asia, where China's role will be advanced, establishing it as a "natural leader" of many groupings and regions, including South Asia, and emerging as a significant pole in the multipolar world. He indicated that India and China are much more important for the South Asian countries as sources of import than as destinations of export. China's share of FDI inflow is much higher than that of India for Nepal and Pakistan. On the other hand, India's share is higher in the case of Sri Lanka and Bangladesh. India has no FDI in Pakistan. Bangladesh has three Lines of Credit with India – the first one was signed

in 2010, the second in 2016 and the third in 2017. While India faces varying degrees of tension with its South Asian neighbours such as the Maldives, Nepal, Pakistan and Sri Lanka, it is a regional power in South Asia by all means. By providing space to both India and China, Bangladesh has, in recent years, followed a policy of “dynamic balancing” of relationships. India, building on its political influence, is moving in fast in areas such as trade-investment-connectivity-defence. China, building on its traditional areas of interest such as infrastructure-defence, is expressing interest in politico-strategic issues. This raises an important question of whether this “dynamic balancing” strategy is sustainable in the medium term.

Dr Weerakoon’s presentation focused on ‘Sri Lanka: Post-war Development Challenges’. For Sri Lanka, the year 2009 was seen as the point of departure from 30 years of conflict, a chance for rapid economic growth and domestic political reconciliation. The country, however, faced problems with a weak domestic economy, a downturn in traditional global export markets as a result of the global financial crisis, and pressure from the international community on charges of inhumane war.

Dr Weerakoon expressed the view that the Sri Lankan government faced two key challenges – pressure to deliver swift peace and search for financing as the country graduated to low-middle income status in January 2010. She stated that the opportunities included ambitious public investment programmes to revive the flagging economy. At the same time, there emerged new sources of development finances such as Chinese funds. Sri Lanka, thus, embarked on a borrowing spree. It became a debut issuer of sovereign bonds in 2007, accessed loans from China for major infrastructure projects and opened government securities to foreign investors. The share of non-concessional foreign debt in Sri Lanka’s external debt composition rose from seven per cent in 2006 to 53 per cent in 2016.

Dr Weerakoon explained that the new forms of finance were attractive because their volume, ownership and alignment, and the speed of project delivery included free of conditions and lengthy negotiation processes, quicker access to large volumes and disbursement according to presumed needs. However, she highlighted that this new form of development finance carries heavy risks due to poor analysis of the investment projects and incentive problems. At the same time, interest groups influenced the investment choices. Sri Lanka saw an immediate

boost to growth, which was followed by a sharp decline, and the export share in GDP declined progressively. At the same time, high foreign borrowing translated into a rising debt service burden.

Dr Weerakoon stated that the year 2015 saw a change of government and a resultant change of policies. The government continued its two-fold objectives to reorient growth so that it is private-investment led and export driven, and to reduce the economic reliance on China. The immediate outcomes were a worsening fiscal situation related to election-related largesse as well as a related currency/balance of payments crisis, partly from the sudden stoppage of Chinese-funded infrastructure projects. In a matter of seven months, Sri Lanka's policy towards China did a complete turnaround and the government resumed borrowings from China for infrastructure projects such as the Colombo port and Hambantota port. Thus, foreign debt grew faster than ever before.

Dr Weerakoon opined that macro-stability today is being restored under the International Monetary Fund programme. While there have been improvements in fiscal outcomes, these adjustments have come at a cost. The weak growth of the country is now the biggest worry. The next 18 months are critical for the economy because of the need to settle international sovereign bonds between 2019 and 2022; export recovery is not strong enough and the rollover risks are high on both domestic and external factors; domestic elections are coming up which means that the economy may take a backseat.

Dr Weerakoon expressed the view that the weak economic performance in Sri Lanka is often blamed on 'coalition politics'. The outlook for economic reforms is dim in the medium term as the governing coalition suffered severe setbacks in its first test of popularity. She highlighted another concern that, given the electoral outlook, the government may reverse its fiscal reforms in the run-up to the 2020 presidential elections with growing opposition to reforms among trade unions. Debt settlements which are due next year pose another major policy dilemma for the government.

Dr Weerakoon outlined two possible scenarios. First, the efforts towards fiscal stability are reversed. In this case, credit to the government rises, interest rates edge up, capital inflows dry up and the exchange rate comes under pressure. This can lead to a severe economic crisis

with slow growth and high debt stress. Second, if some semblance of fiscal discipline is held, the country could experience a modest growth of 4.5 per cent in the next two years, but there will be no major economic breakthrough.

The questions from the audience covered several issues. These included India's China strategy (hybrid system of state support and capitalism), the RCEP becoming a major issue for India, the integration of India and its neighbours, the importance of regional tourism in South Asia, and the incentive for the South Asian countries to participate in the BRI, given the BRI's presence in Europe.

Panel III: Security and International Relations

Dr Iftekhar Ahmed Chowdhury, Principal Research Fellow, ISAS-NUS; and Former Foreign Minister of Bangladesh, chaired the final panel session on 'Security and International Relations'. The panellists included Ambassador Husain Haqqani, Director for South and Central Asia, Hudson Institute, Washington DC, US; Dr Malcolm Cook, Senior Fellow, Institute of Southeast Asian Studies, Singapore; and Ambassador P S Raghavan, Convenor, National Security Board, India, Former Secretary, Ministry of External Affairs, Government of India, and India's Former Ambassador to Russia, Ireland and the Czech Republic.

In his introductory remarks, Dr Chowdhury set the discussion's parameters by defining security as "a state of being largely free of danger and threat". He added that South Asia is undergoing a post-World War Two phenomenon where its colonial history has left behind a legacy of unsettled conflicts. He also stated these conflicts are compounded by threats to the philosophical concept of the Westphalian state system of sovereignty over one's territory. The Westphalian idea has also come under threat from other sources such as jihad and the Caliphate. He briefly shared that there have been efforts at regional cooperation but factors such as inter-state rivalry have undermined this unity.

The first speaker, Ambassador Haqqani, began his presentation by sharing that South Asia was one of the most integrated regions in the world until 1947 – it had an integrated railway, telegraph network and a unified system of credit. However, the region became fragmented

during the partition of British India into India and Pakistan, and subsequently the partition of Pakistan into Pakistan and Bangladesh. South Asia is now the least integrated region in the world. South Asia's disintegration has led to a narrative where there is distrust among the smaller countries to live with the bigger and more powerful neighbours. The distrust has impacted regional trade: trade within South Asian countries is below five per cent whereas trade within the ASEAN countries is 25 per cent while trade within the European Union countries is 50 per cent.

The so-called 'rivalry' between India and Pakistan is the main reason for the lack of integration within the South Asian Association for Regional Cooperation (SAARC). Ambassador Haqqani also shared that Pakistan's founder Muhammad Ali Jinnah envisioned an association between India and Pakistan with open borders, free travel, free trade and citizens working in each other's country. India's independence leader Mahatma Gandhi had made similar statements. However, according to Ambassador Haqqani, Pakistan's state policy has been to maintain separateness from India on issues such as trade and economic affairs, people-to-people contacts and cultural matters.

India perceives regional integration as significant to its national interests and economic growth. Conversely, Pakistan views regional integration as another term for India's hegemony. The Kashmir conflict also needs to be resolved in order for Pakistan to move forward for regional cooperation to take place at least at the bilateral level between Pakistan and India. However, there are consequences of prioritising the Kashmir issue over regional cooperation.

Ambassador Haqqani then explained why the SAARC has not performed well despite its existence since 1985. During the early days of the SAARC, intra-regional conflicts were at their peak. The solution to regional integration was taking a softer approach through sports and culture before engaging in other issues such as trade. Ambassador Haqqani argued that the progress made by the SAARC was undermined within four years of its inception. Terrorism, regional conflicts and military operations, and the subsequent uprising in Kashmir, were the prime factors that deterred any substantial progress within the SAARC. The testing of nuclear weapons by both India and Pakistan respectively in the 1990s led to the incentive to find mutual grounds for deterrence. The milestone 'bus yatra' trip in 1999 by then-Indian

Prime Minister Bihari Vajpayee led the people to think that a new peace process between India and Pakistan would be ushered in. However, the Kargil war and hijacking of an Indian Airlines plane gravely damaged relations and the two countries were on the brink of war. The current state of affairs for regional integration does not look very positive since many countries boycotted the SAARC summit in 2016. Ambassador Haqqani concluded his presentation by stating that regional cooperation is impeded for two reasons. The first is terrorism while the second is Pakistan's leadership letting the region's relationship continue the way they are.

The second speaker, Dr Cook, spoke on the shift from an East Asia framework to the Indo-Pacific framework. In the last decade, Japan, Australia and the US have replaced the Asia-Pacific regional framework with an Indo-Pacific framework. The three states have a common view of the global security order and its trajectory. The threat from China that undermines their strategic interests is also at its peak. India and the other South Asian countries have been excluded from this Asia-Pacific regional framework.

He then spoke about the US' power and interests in post-World War Two being key to the development of regional frameworks from East Asia to the Indo-Pacific framework that turned the world's biggest geographical feature, the Pacific Ocean, from a source of separation into a source of integration. This was possible only due to the US power. The Americans, the Australians and the Japanese think that India's strategic power is key to the development of an Indo-Pacific framework from an Asia-Pacific one. All three states have adopted key measures to include India in their framework such as the civilian nuclear deal by the US and Japan, and Australia's decision to sell uranium exports to New Delhi. India's potential for greater power will remain a key for all three countries.

The Indo-Pacific framework has been broadly defined as a traditional Indian view of West Asia and the Indian Ocean coast of Africa. The US, Japan and Australia have included only India in their Asia-Pacific framework despite the other South Asian countries having a more ideal geographical and strategic location. Dr Cook said that economic and trade complementarity could be the reason for the US, Japan and Australia including India in their framework. India is also the world's bigger buyer of American weapons. There is also an increasingly influential Indian political lobby in the US. He further shared that these three

countries view India as a rising rather than a revisionist power. On the other hand, China is viewed as a revisionist power that is trying to reorganise or change the existing liberal world order.

Ambassador Raghavan, the final speaker on the panel, presented a paper on rescuing South Asian security from a zero-sum paradigm. He acknowledged that South Asia has made substantial progress economically, politically and diplomatically in the last century. However, there is an asymmetry in terms of population, size and economy between India and the other South Asian countries. The pattern of sharpening ethnic divisions and populist nationalism across the world has affected South Asia too.

India's approach towards its neighbours has been a double-edged sword. While India has provided non-reciprocal concessions to its neighbours on economic issues, it has also taken a hard line on matters such as border issues, harbouring Indian separatists, smuggling, illegal migration, terrorist infiltrations, among others. Despite the setbacks, Ambassador Raghavan thinks that India has a positive relationship with most of its neighbours.

Ambassador Raghavan stated that the current government has leveraged India's economic rise to expand its relationship outside the region and strengthen new regional areas of cooperation and security. He cited the example of India's deepening relationship with West Asia in the last three and a half years. There is a large Indian diasporic community in West Asia which sends remittances home. Furthermore, 70 per cent of India's energy imports come from West Asia. However, there are security concerns pertaining to drugs, terrorists and terror financing where West Asia is used as a route to India. There is potential to deepen relations for a trade route between India and Europe. India, Iran and Russia are in talks for a key trade corridor that can be a game changer for trade not only for the three countries, but also for trade moving from Southeast Asia and East Asia. Ambassador Raghavan said that the trade corridor does not necessarily have to be a counter to China's BRI.

Ambassador Raghavan then spoke about India's diplomatic ties with the ASEAN nations. All member states attended India's Republic Day in 2018. There are also initiatives such as a trilateral highway that will connect India to Thailand and Cambodia, and the Kaladan Multi-Modal Transit Transport to link North-East India to Myanmar. South Asia's security

architecture is largely influenced by interactions between the big powers such as the US, China and Russia. India's strategic engagement with these big powers provided both opportunities and challenges. India managed to strengthen its relations with the US after the Cold War and subsequently signed the Indo-US nuclear agreement in 2008. On the other hand, India managed to convince the US to use its economic and military influence on Pakistan to deter it from terrorist activities against India.

Ambassador Raghavan also touched on India's strategic partnership with China despite the rivalry between the two. New Delhi has kept the border issue with China on the sidelines and has developed relations in other areas. The milestone in their relations was during then-Indian Prime Minister Vajpayee's visit to Beijing which led to the appointment of special representatives to discuss the boundary issues. India has maintained its relations with Russia all this while based on historical Russian support. The Indo-Russian defence partnership has remained strong with the latter providing India with defence technology. A shift in the US, Russia and China dynamics has transformed India's relations greatly.

The presentations were followed by a lively and engaging final question-and-answer session. Some of the questions raised included the continuity of India's 'non-aligned' foreign policy and neighbourhood policy today, India-Pakistan dialogue with respect to civil-military relations in Pakistan, India's reluctance in accepting bankable BRI projects despite being a stakeholder in the Asian Infrastructure Investment Bank and Pakistan's support for the Afghan Taliban.

Conclusion

The one-day conference addressed a number of important questions relating to South Asia's domestic priorities, its economic potentials, its security challenges and its aspirations on the international stage. Politics in South Asia are vibrant, representing and aggregating competing ideas and priorities. By and large, the region's elected governments are geared towards development, governance and sustainability. Aside from domestic factors, there are regional and international dynamics at play, enabling or constraining the emergence and

resilience of a buoyant, peaceful and cohesive South Asia. Security concerns are increasingly transnational and require a coordinated and collaborative regional approach.

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