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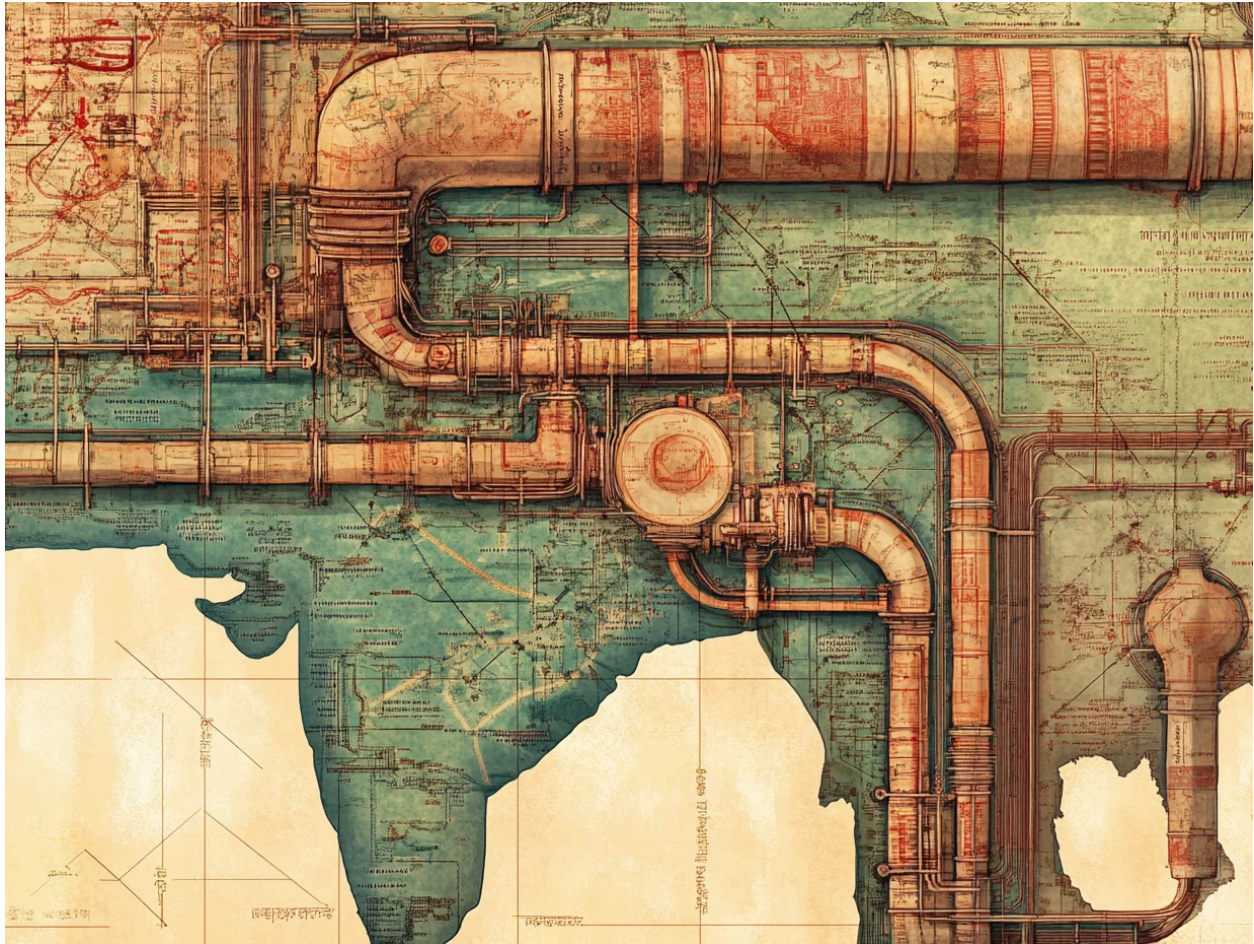
## MANMOHAN SINGH AND THE UNFINISHED AGENDA OF SOUTH ASIAN ECONOMIC INTEGRATION

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## MANMOHAN SINGH AND THE UNFINISHED AGENDA OF SOUTH ASIAN ECONOMIC INTEGRATION



Prime Minister Manmohan Singh had a vision for South Asia and India's place in it. He believed that India's destiny was [intrinsically tied](#) to its partnership with its neighbours. His convictions inspired many initiatives that fostered economic interdependence and people-to-people (P2P) connections. Examining some of his core initiatives provides a good organising framework to discuss South Asia's economic integration, which remains a work in progress.

Much of what is termed South Asia today was historically a deeply integrated region, especially under the Mauryan Empire (321 BCE to 185 BCE), the Mughal Empire (1526-1857), and the British Raj

(1858-1947). One of the most abiding symbols of the region's linkages is the [Grand Trunk Road](#), begun by Chandragupta Maurya in the 4th century BCE but really expanded and transformed by Sher Shah Suri in the middle of the 16th century. At its peak, the road stretched about 3655 km from Teknaf in present-day Bangladesh to Kabul in Afghanistan. The Grand Trunk Road is still known by that name in large parts of India and Pakistan. It was one of the most important land routes for trade within the Mughal Empire, and, along with the Khyber Pass, it enabled east-west trade within India and between India, Afghanistan and Central Asia.

[Evoking this integrated past](#) at an industry event in 2007, Singh said: "I dream of a day when, while retaining our respective national identities, one can have breakfast in Amritsar, lunch in Lahore, and dinner in Kabul. That is how my forefathers lived. That is how I want our grandchildren to live."

How far are we today from Singh's dream? Let us evaluate it along three dimensions related to his vision of seamless connectivity: trade in energy, trade in goods, and P2P connections.

## TRADE IN ENERGY

Perhaps the most obvious source of trade in South Asia is energy. The region is blessed with abundant renewable energy sources, including hydro, solar, and wind. Regional energy trade can help match demand, capacity, and seasonal supply variations across countries. Moreover, trade in renewables can reduce reliance on polluting fossil fuels.

So far, regional electricity trade has included both renewable and non-renewable energy, although the future lies clearly in renewables. Bhutan, recognising its hydro potential well before any other country, started [exporting hydropower](#) to India in the late 1980s. The Bangladesh-India energy partnership – the flagship endeavour of a multi-faceted partnership – was shepherded by Singh and his counterpart Sheikh Hasina during their reciprocal country visits in 2010 and 2011. Today, India is a vital supplier of electricity to Bangladesh, with [2023 exports](#) worth \$1.42 billion. In addition, India and Nepal also engage in seasonal electricity exchange, with Nepal [poised](#) to make hydropower its leading export sector in the future.

With the pace picking up in recent years, cross-border power [transmission capacity](#) in South Asia has gone up from 2.1 gigawatts to 6.4 gigawatts between 2015 and 2022.

Trilateral power exchange is a [major milestone](#) in the region. In November 2024, in a promising pilot, Nepal exported 40 MW of electricity to Bangladesh via the Indian grid via a trilateral [cooperation](#) framework.

Despite the progress, much more is [needed](#) to enable a greater diversity of energy sources, support the green transition, and deepen subregional and regional energy cooperation. It could also help create the economic interdependence that Singh so keenly sought.

## TRADE IN GOODS

Trade in goods should be another low-hanging fruit, but South Asia makes heavy weather of it. Singh opened up India's markets to Bangladesh, Nepal, Afghanistan, Bhutan and Maldives in 2008 – thereby fulfilling a long-standing demand from neighbours that had hitherto faced tariffs and import quotas. Despite this, the share of regional trade in South Asia has remained stagnant since the turn of the century and was only 4.8% of total trade in 2023, versus 21.3% in ASEAN. The region trades to only a third of its potential, without even including services, where the potential is even higher.

The major reasons for low trade with neighbours are abnormally high trade costs, significant import duties imposed by most countries, real and perceived non-tariff barriers on trade, and the lack of a formal, let alone dynamic, trading relationship between India and Pakistan. In addition, intra-regional investment is even lower than intra-regional trade, hindering the formation of regional value chains – a big driver of East Asia's trade dynamism.

## TRADE IN SERVICES AND PEOPLE-TO-PEOPLE CONNECTIONS

Ultimately, trust is fostered and deepened when people interact across borders. For Singh, P2P connections were central to his South Asian initiatives. Examples include the Srinagar-Muzaffarabad and Poonch-Rawalakot bus services, re-establishing the links between the two sides of Kashmir in 2005-06; support for the Kartarpur to Dera Baba Nanak corridor project to enable Sikh pilgrims to visit Kartarpur;



the highly successful Bangladesh-India [border haats](#), flagged off in 2011 to enable people to meet while trading small value goods; and a more [liberal visa regime](#) between India and Pakistan.

Tourism – a prime example of trade in services – is the most obvious avenue for P2P connections. South Asia has not done too badly here. Bangladesh accounts for [over 20%](#) of tourists to India (January-October 2024) – the highest – while India is the top source of tourists for [Nepal](#) and [Sri Lanka](#). But imagine if Pakistan and India were to liberalise their visa regimes towards each other – it could unlock one of the world’s largest bilateral tourist flows. Apart from general tourism, specialised tourism, including medical tourism, trade in educational services, and cultural and religious tourism, hold immense potential.

Services trade, at its full potential, could surpass goods trade in scale and impact. And beyond economic gains, it fosters significant P2P connections, helping to chip away at the region’s trust deficit.

## THE WAY FORWARD

As South Asian leaders plan for the coming decades, a people-first approach should guide their actions on regional economic integration. Three core realities underline the urgency of this approach. First, South Asia is the world’s fastest-growing region, where the costs of missed opportunities from low engagement are steadily rising. Second, [greater economic cohesion](#) within the region can help offset the challenges posed by increasing global economic fragmentation. Third,

failing to address climate change collectively could have catastrophic consequences for the region's future.

In this spirit, here are some actionable steps for the region.

- Prioritise trade. India and Pakistan **SHOULD RESTART** a formal trade relationship, which has been in limbo since 2019. Following this, a convening of South Asian commerce ministers, perhaps under SAARC auspices, can kickstart the next phase of South Asian trade liberalisation. Trade does not imply giving up on contentious issues (recall that China is India's biggest trading partner); rather, it can open up space to (separately) discuss such issues. By giving trade due importance, South Asian leaders would signal that people's interests – creating higher quality jobs and combating inflation – are their main concern.
- Accelerate energy trade. Some critical steps would involve prioritising cross-border transmission lines, focusing on renewable energy, and working towards developing a **REGIONAL ELECTRICITY MARKET**.
- Normalise people-to-people ties. The people of South Asia would appreciate easing visa regimes for legitimate activities—such as regional sports meet, cultural festivals, student exchanges, and educational tours—. These measures could also eliminate the odd but rational practice of hosting South Asian dialogues and meetings in cities like Bangkok or Dubai, fostering a stronger sense of regional ownership. Significantly expanding the SAARC visa exemption scheme by including more eligible categories, increasing the number of beneficiaries, and extending visa durations would also help.

Abandoning the South Asia project, as [sometimes suggested](#), is a sub-optimal strategy for India. Its size, strategic location at the heart of the region, and deep historical and cultural ties make South Asia its natural sphere of influence – one that India must patiently nurture and develop. An economically integrated South Asia is, of course, essential for the progress of India's neighbours. But India's gains from a prosperous and stable neighbourhood are also significant: economic and environmental benefits from trade in goods and services, connectivity benefits arising from reduced isolation of Northeast India, and strategic benefits from a more peaceful and cooperative neighbourhood. Moreover, other configurations such as BIMSTEC are not substitutes for South Asia: South Asia has its own geographic, economic and narrative space, which is independent of any other grouping.

**As South Asian leaders plan for the coming decades, a people-first approach should guide their actions on regional economic integration. Three core realities underline the urgency of this approach. First, South Asia is the world's fastest-growing region,**



where the costs of missed opportunities from low engagement are steadily rising. Second, greater economic cohesion within the region can help offset the challenges posed by increasing global economic fragmentation. Third, failing to address climate change collectively could have catastrophic consequences for the region's future.

India will need to assume the role of prime mover in South Asia's integration. Progress will require India to work more consistently with its neighbours. For example, by facilitating their [access](#) to India's vast market and encouraging India's private sector to invest more in the neighbourhood, India can help strengthen mutual economic interdependence. In the energy sector, India, sharing borders with the three other countries in the Bangladesh-Bhutan-India-Nepal subregion, can accelerate the goal of creating a subregional energy

market. And there is much to do to rejuvenate people-to-people ties, as outlined above.

South Asia's goal can be encapsulated in Manmohan Singh's famous words, applied not just to India and Pakistan but to the whole region: "borders cannot be changed, but they can be made [irrelevant](#)."



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